



REPORT
of the
Auditor-General
for the
FINANCIAL YEAR ENDED DECEMBER 31, 2018
ON
APPROPRIATION ACCOUNTS, FINANCE AND
REVENUE STATEMENTS AND FUND
ACCOUNTS

Presented to Parliament of Zimbabwe

2019



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

The Hon. Professor. M. Ncube
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 for the year ended December 31, 2018 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*].

Yours faithfully,

M. CHIRI,
AUDITOR-GENERAL.

HARARE
June 20, 2019.



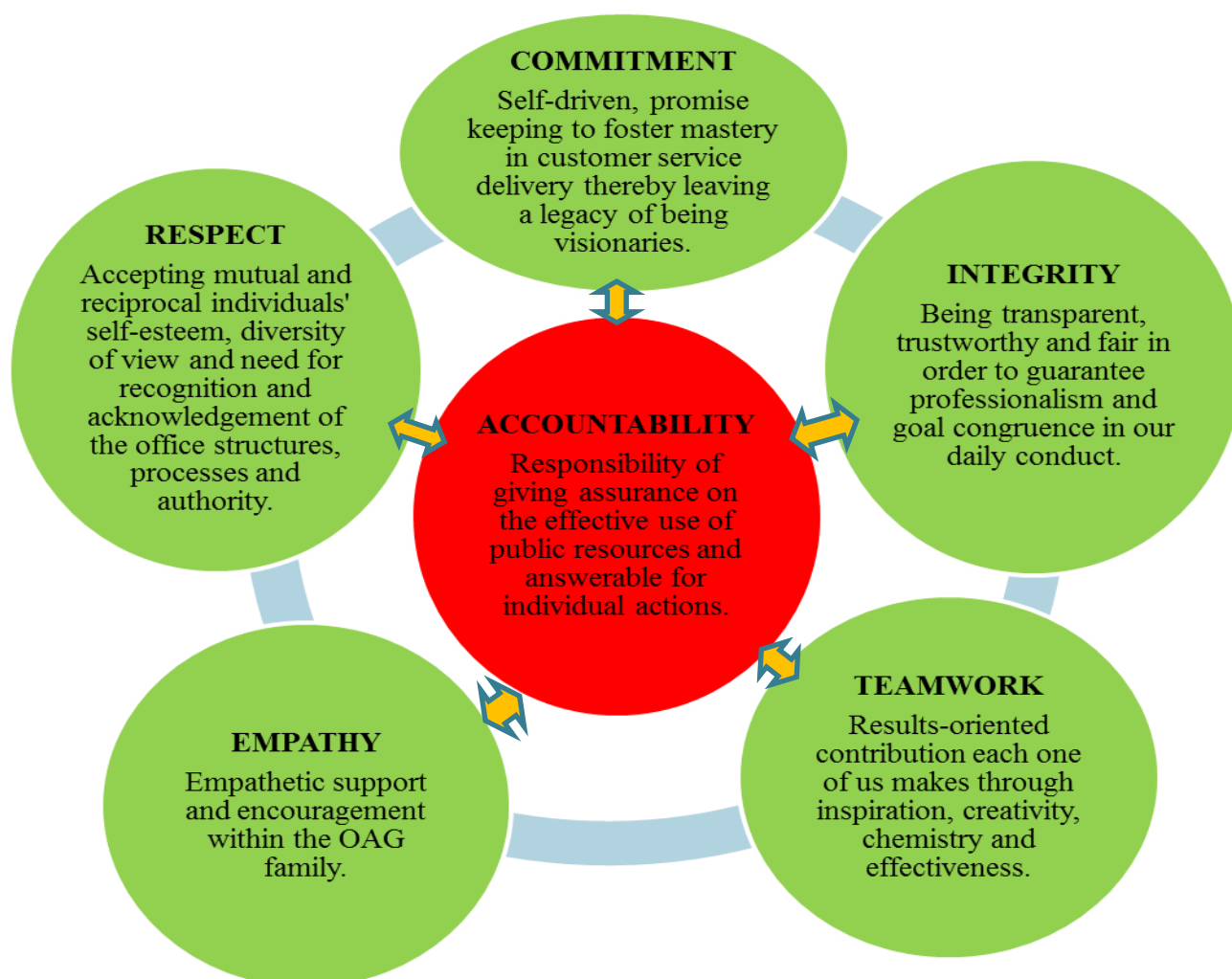
OAG VISION

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



LIST OF ACRONYMS

AfDB	African Development Bank
AFROSAI-E	African Organisation of English speaking Supreme Audit Institutions
AGRIBANK	Agriculture Development Bank of Zimbabwe
AMTOs	Assisted Medical Treatment Orders
APM	Accounting Procedures Manual
AUBP	African Union Boarder Programme
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
CRF	Consolidated Revenue Fund
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
DRP	Disaster Recovery Plan
EU	European Union
GAAP	Generally Accepted Accounting Practice
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
RBM	Results Based Management
RBZ	Reserve Bank of Zimbabwe
SAP	Systems Application Products in Data Processing
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
TSP	Transitional Stabilisation Programme

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
ZACC	Zimbabwe Anti-Corruption Commission
ZEC	Zimbabwe Electoral Commission
ZERA	Zimbabwe Energy Regulatory Authority
ZESA	Zimbabwe Electricity Supply Authority
ZETREF	Zimbabwe Economic and Trade Revival Fund
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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FOREWORD AND EXECUTIVE SUMMARY

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FOREWORD

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 Public Accountants and Auditors Board (PAAB) has the responsibility to set such standards, in terms of section 44 (2) of the Public Accountants and Auditors Act [*Chapter 27:12*]. The public sector has adopted the International Public Sector Accounting Standards (IPSAS) which should be fully implemented by 2025. PAAB is playing a pivotal role in assisting in the implementation of the standards.

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 2018 I visited 549 (14%) stations as compared to 317 (10%) in 2017. 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.

I also carried out Value for Money Audits on the following areas and the reports are tabled separately by the respective Ministers:

- i) Provision and Maintenance of Government housing by Ministry of Local Government Public Works and National Housing.
- ii) Fire Preparedness in the provision of fire and ambulance services by Local Authorities under the Ministry of Local Government Public Works and National Housing.
- iii) Management of Solid Waste by Local Authorities under Ministry of Local Government Public Works and National Housing.
- iv) Management of Maternal Health Care by the Ministry of Health and Child Care
- v) Preparedness in the prevention & control of cattle diseases by the Department of Veterinary Services.
- vi) Management of Entities owning Radiation devices by the Radiation Protection Authority of Zimbabwe under the Office of the President and Cabinet.

5 STAFF LEVELS, TRAINING AND DEVELOPMENT

Annexure B shows the staff position during 2018. I was granted authority to fill vacant posts at auditor grade in 2018 and hope to increase the number of Public entities under my audit and contract out less. From January 2018 to December 2018, my staff complement increased from 283 to 316.

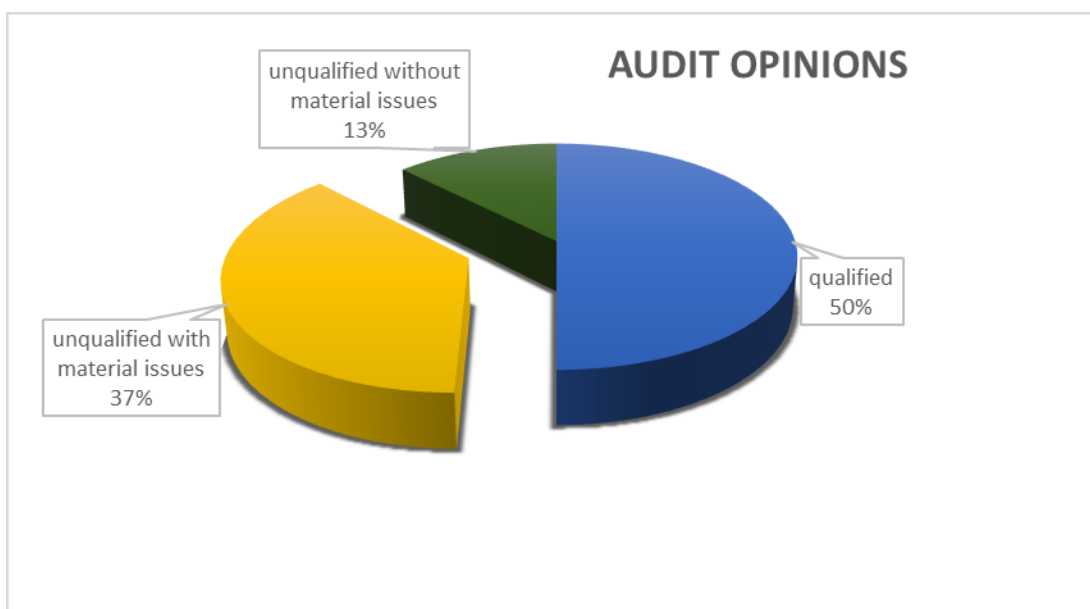
Staff training and development remained as one of the key objectives of my Office. With the assistance of the African Organisation of English speaking Supreme Audit Institutions (AFROSAI-E) to which Zimbabwe is a member, Development Partners, study visits to other Supreme Audit Institutions (SAIs), and other stakeholders, a number of training programmes and Continuous Professional Development (CPDs) were once more 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

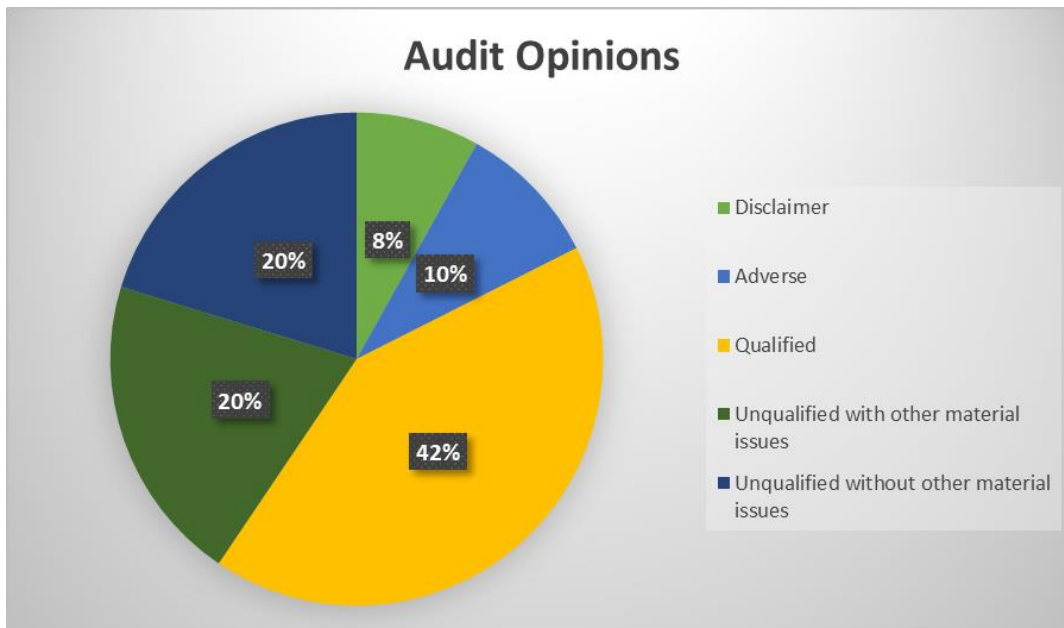
I certify that I have examined the public accounts of Zimbabwe in accordance with the Constitution of Zimbabwe Amendment (No. 20) Act 2013, the Audit Office Act [*Chapter 22:18*] and the Public Finance Management Act [*Chapter 22:19*].

AUDIT OPINION

The audit opinion on Appropriation Accounts, Fund Accounts, Finance and Revenue Statements varied from account to account. During the financial year under review thirty-three (33) out of thirty-five (35) Appropriation Accounts were audited and the respective audit opinions are outlined below.



Seventy-four (74) Fund accounts and eight (8) Revenue and Finance statements were audited. The audit opinions are outlined below:



Annexure D shows the opinion per 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 recognise the importance of the part played by all the Accounting Officers, Receivers of Revenue, cooperating partners and other stakeholders who made it possible for me to submit my Report for the year under review.

My sincere gratitude and appreciation goes to my staff who demonstrated a high level of dedication and support in the production of my reports. It is upon this premise that there is profound hope to overcome any challenges that the future may hold in the accomplishment of my mandate in pursuance of good governance, transparency and accountability in the Public Sector.

HARARE
June 20, 2019.

M. CHIRI,
AUDITOR-GENERAL.

EXECUTIVE SUMMARY

This section is a summary of the major audit findings in the report which were common to most Government Ministries and Departments. These issues call for urgent attention and action for redress by those charged with the responsibility of 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 PUBLIC FINANCIAL MANAGEMENT (PFM)

Public Financial Management is the interlinked series of systems, laws, rules, processes and procedures by which government manages financial public resources. The five key public financial management processes are: -

- Macro-economic Policy, Fiscal Policy and Strategic Budgeting,
- Budget Preparation,
- Budget Approval,
- Financial Management and Service Delivery and
- Accounting, Reporting and Oversight

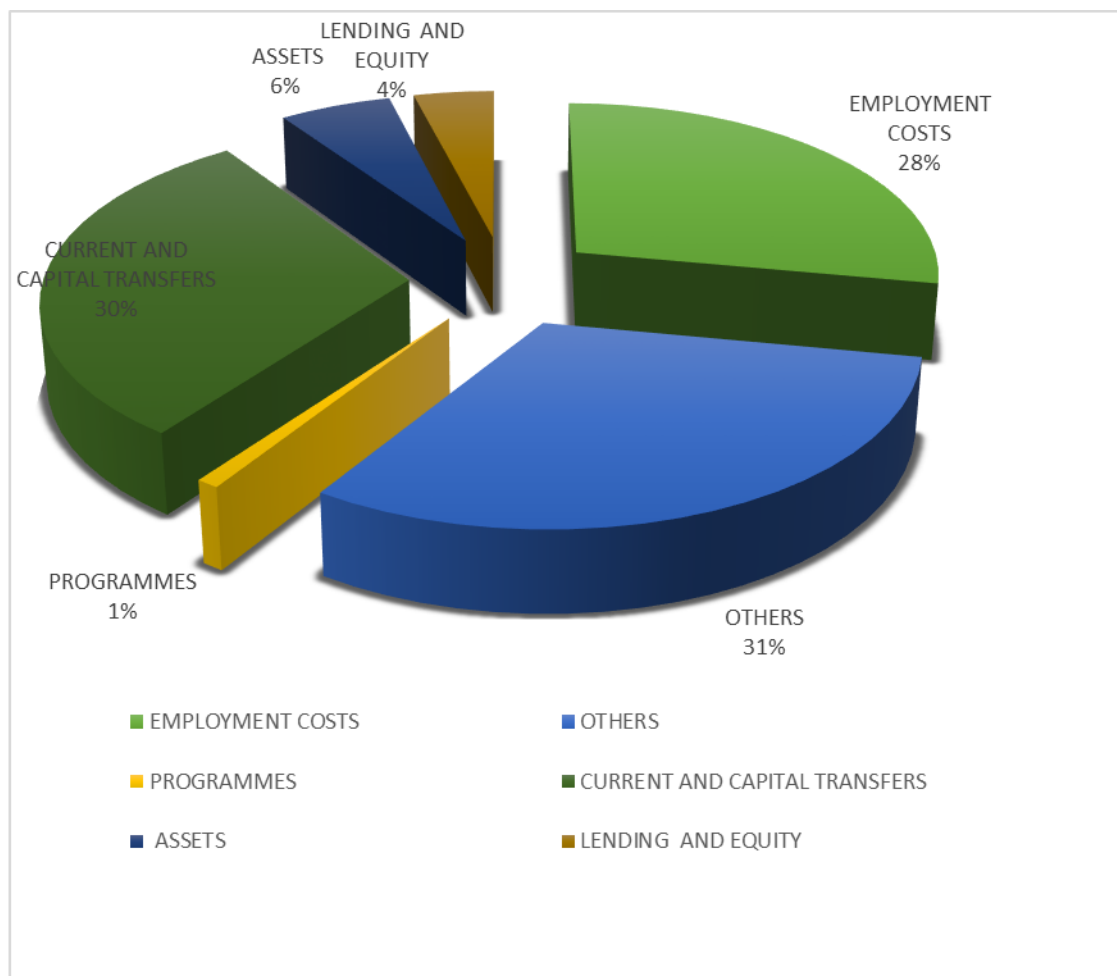
A pilot assessment of the functionality of government's public financial management system was done using the Public Financial Management Reporting framework/tool. The results of the assessment showed low performance rating grades for most of the public financial management processes.

2 SERVICE DELIVERY

2.1 Management of Public Resources to Achieve National Objectives

Implementation of government programs was impaired by an inadequate revenue base. An analysis of audited financial statements for the year ended December 31, 2018 revealed that one (1%) of the total expenditure incurred was spent on implementing government programs. This adversely affected the achievement of mandates of most ministries and government departments. Outlined below is an analysis of audited expenditure:

EXPENDITURE ANALYSIS



2.2 Service Delivery in the Health Sector

In order for the Ministry to promote public health it requires ambulances to provide transport to patients. My examination of the asset register for the Ministry however, revealed a constraint in the provision of transport to patients around the country. As at December 31, 2018 the Ministry had 282 ambulances and out of the 282 ambulances, 134 (48%) were functional whilst 148 (52%) were non-runners. Failure to have adequate number of functional ambulances negatively affects service delivery as patients are not transported on time.

Furthermore, service delivery continued to be a challenge at most of the institutions as a result of lack of resources such as medical equipment, infrastructure, ambulances, reagents and medical personnel.

Vital, Essential, Necessary (VEN) Medicines

Health institutions are required to use the Vital, Essential and Necessary (VEN) monitoring tool to measure medicines availability under the three classes of vital, essential and necessary medicines. Some health institutions did not avail for audit inspection, the VEN status reports for the year under review. Failure to prepare and maintain VEN status reports may lead to

failure to plan for stocks of critical medicines that would be required by the health institutions and hence affect service delivery.

2.3 Securing the Lives of Citizens

The security sector plays a pivotal role in protecting the lives of citizens. In 2018 some of the objectives of this sector were to reduce the general crime by 4% and to reduce traffic accidents by 3%. Crime increased by 20 % whilst accidents increased by 26%. Citizens may lose confidence in the security sector if criminal cases increase. Lives may be lost due to increases in the number of accidents.

2.4 Service Delivery in the Education Sector

The Ministry received funds amounting to US\$6 090 000 to procure books for the Curriculum Development and Technical Services. However, the Ministry failed to buy the books, but used the funds on other purposes. I was not able to ascertain how the curriculum was implemented without the required materials. The Ministry might fail to achieve Sustainable Development Goal number 4, which seeks to ensure inclusive and equitable quality education and promote life- long learning opportunities for all.

2.5 Welfare of Citizens

Harmonised Social Cash Transfer (HSCT) is an unconditional transfer of cash entitlements to vulnerable households in order to reduce household poverty, protect and enhance the livelihood of all vulnerable children so that they refrain from risky coping strategies like child labour and early marriages. During the year under review, Treasury availed \$9 759 722 for the HSCT programme. However, the Ministry of Labour and Social Welfare did not initiate appropriate measures to ensure that beneficiaries received their pay outs. The funds were later recalled by the Treasury on December 31, 2018 after realizing that no disbursements were effected by the Ministry. Non disbursement of the funds deprived the beneficiaries of a reasonable standard of life as the monies were meant for the vulnerable groups. This resulted in non fulfilment of programme objectives.

Children in the Streets

Protecting children's wellbeing requires sufficient resources, planning, implementation as well as monitoring and evaluation. Although Social welfare services have a noble intention of caring and protecting children in the streets the major constraint is inadequate funding. I observed that Treasury did not avail funds to support this cause. There is need for authorities to avail adequate resources to protect and care for vulnerable children.

Older Persons Fund

In 2017 Treasury released a grant amounting to \$100 000 for the development and promotion of the welfare and protection of older persons. The Fund Administrators disbursed only \$38 586 (39%) to Older people's homes to cater for the welfare of older persons and used the remainder towards administration expenses such as institutional provisions, hospitality and

travelling and subsistence allowances. It appears that the Fund was prioritising administration expenses over the objectives of the Fund.

2.6 Open Spaces in Districts

I am concerned that some Districts in Harare and other areas no longer have open spaces and areas designated for Public Schools or other social amenities. Open spaces had been converted to residential stands. Residents within these Local Authority areas may end up not having sufficient space reserved for schools. The conversion of the open spaces to alternative uses was not subjected to public scrutiny in violation of Sections 49 (4) of the Regional, Town and Country Planning Act [*Chapter 29:12*]. The Ministry should ensure that for each area under development, there are designated Public Schools and open spaces. Preventive and corrective measures should be taken to address these anomalies.

2.7 Public Sector Investment Programmes (PSIP) Construction Projects

Capital projects which include construction of infrastructure are essential in driving local economies as they have numerous effects such as creation of jobs as well as growth of related industries such as steel making, brickworks and glassmaking.

A total of two hundred and thirty-two (232) works from all Provinces had significant sunk costs. Seventy-four (74) projects, some of which began before 2008 were stalled leaving the remaining balance of one hundred and fifty-eight (158) works in progress. The estimated costs to complete projects was US\$27 200 000. Non release of funds by Treasury affected the projects.

2.8 Disaster Management in Government Buildings

The Ministry did not have Emergency Fire Prevention, detection and control systems at Ambassador and Burroughs houses. The absence of the equipment was in contravention of Appendix 1 to the Treasury Instructions which requires prevention of damage by exposure and fire as well as precautions against theft. The State employees and property therein were exposed to fire hazards. Public Works Department Circular No. 4 of 1970 gives a guide on emergency preparedness and response on government buildings (October 2016) also provides that in case of fire outbreaks, fire alarms should be activated, fire brigade should be called and trained personnel are to use firefighting equipment when the fire is still small and finally evacuate the building.

2.9 Service Delivery Issues in Agricultural Sector

The Transitional Stabilisation Programme Reforms Agenda October 2018 – December 2020 contains measures supportive of full recovery, in terms of the size and quality of the national herd, with accompanying benefits for improved supply along the livestock value chain, and ultimately meeting national requirements, as well as those of the export markets. I was concerned that the national cattle herd was depleted due to the shortage of dipping chemicals which led to the death of fifty thousand (50 000) cattle across the whole country.

Dipping chemicals

Dipping of livestock was not being carried out to prevent tick-borne diseases in some districts because Decatix SC, which the Division of Veterinary Services resolved to use as an alternative available dipping chemical, was not compatible with the existing dipping infrastructure. The use of the chemical requires refurbishment of dip tanks, the construction of additional infrastructure such as water reservoir, side tanks and drilling of boreholes in dry regions. The chemical also required a constant replenishment of water after dipping every four hundred and fifty (450) cattle. On average the dip tank required fifteen thousand (15 000) litres of water. Service delivery may be compromised if additional infrastructure such as water reservoirs, reserve water tanks, side tanks and boreholes are not provided.

Diseases

There was a shortage of Foot and Mouth disease vaccines in Manicaland, Masvingo and Mashonaland East provinces. This resulted in outbreaks of the Foot and Mouth disease in Chipinge, Buhera, Makoni, Zaka, Bikita, Chivi, Gutu and Mudzi Districts during the year under review. Foot and Mouth disease may not be eradicated if Foot and Mouth vaccines are not availed. There is a risk that the Government's efforts to promote livestock growth may be compromised.

Dairy services

Contrary to provisions of the Dairy Act [*Chapter 18:08*], the Dairy Service Units in Masvingo and Mutare Provinces were not carrying out inspections of milk parlors and testing the quality of milk. The units were not fully capacitated as they did not have vehicles, refrigerator, cooler boxes, universal bottles, apparatus and consumables such as respirators. The health and safety of the public may be compromised if they consume dairy products which are not tested and approved by the Dairy Services Unit.

3 GOVERNANCE ISSUES

3.1 Excess Expenditure

The national budget as per the Appropriation (2018) Act, 2018 funded from the Consolidated Revenue Fund was \$4 607 896 000. Expenditure thereon reported by the Ministries was \$7 076 870 470 (**Annexure P**). This resulted in excess expenditure of \$2 468 974 470. Expenditure funded through supply grants from retention funds is reported under the respective retention Fund Accounts.

Annexure P gives a summary of budget allocations reported by Ministries which are at variance with the budget amounts approved through the Appropriation (2018) Act, 2018.

Unauthorised excess expenditure amounting to \$3 209 248 271 was incurred by the Ministry of Finance and Economic Development during the financial year under review. The excess was mainly related to Unallocated Reserves transferred to Ministries. The excess expenditure was still to be regularised in terms of section 307 of the Constitution of Zimbabwe.

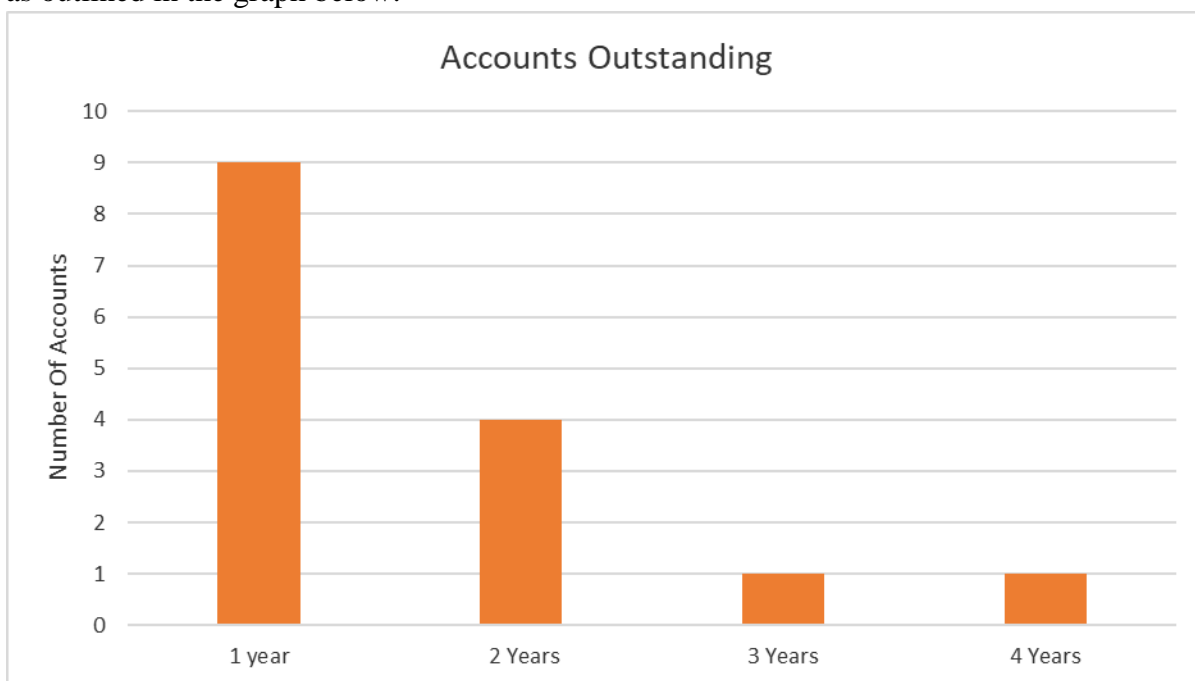
3.2 Unallocated Reserves

The initial budget for Unallocated Reserves (URs) was \$122 865 000. The Unallocated Reserves were increased to \$3 267 556 865.

A variance of \$3 768 578 was noted between Treasury records of Unallocated Reserves and records maintained by Ministries. Treasury records had an amount of \$3 376 267 576 whilst Ministry records had an amount of \$3 372 498 998 (**Annexure M** refers).

3.3 Submission of Financial Statements

My Office plays a vital role in providing assurance to citizens on how well the government uses its resources to meet its mandates and enhance service delivery resulting in improved livelihoods. I was concerned that some entities had arrear accounts varying from 1 to 4 years as outlined in the graph below.



Transparency and accountability becomes impaired if financial statements are not timeously prepared and audited. In addition, delays in preparation and submission of financial statements for audit may affect stakeholders who rely on financial information for decision making.

3.4 Maintenance of Accounting Records

Maintenance of accounting records remained a challenge in some Ministries for both Appropriation and Fund accounts. Proper accounting and assets records such as cash books and ledgers to record revenue and expenditure and fuel and motor vehicle registers were in some cases not maintained. As a result, I could not confirm the completeness and accuracy of

some financial statements which were compiled from bank statements, payment vouchers and cash books instead of general ledgers. Revenues and expenses of some financial statements were either over or understated by \$16 745 223 and \$21 153 747 respectively **Annexure Q refers**. Furthermore, a total amount of \$21 725 598 could not be verified **Annexure R refers**.

As reported in my previous report for 2017, variances between the PFMS and the Sub-Paymaster-Generals' accounts were noted in various Ministries and increased from \$19 114 509:2017) to (\$492 357 855:2018). One of the major causes was direct payments made to suppliers by Ministry of Finance and Economic Development on behalf of the Ministries hence making reconciliations and identification of the source of the variances a challenge. (**Annexure G**). Adequate supporting documentation relating to the direct transfers was not provided. As a result, I was unable to rely on the total expenditure figures disclosed in the Appropriation Accounts of those Ministries.

3.5 Suspense Account Balances in Fund Accounts

I noted that some Fund accounts had suspense account balances. This could have been avoided if reconciliations were periodically done. Suspense account balances increased by \$6 785 227 from \$11 568 344 to \$18 353 571 demonstrating that there is need for more effort to be made to clear outstanding balances. (**Annexure H refers**). The figure could be much higher if all Fund accounts had been submitted and audited. **Annexures E and F** show the status of accounts that were not submitted and those that were still in progress by May 24, 2019.

3.6 Outstanding Payments to Suppliers of Goods and Services

Some Ministries continued to obtain goods and services when they did not have adequate funds released by Treasury. Outstanding payments to suppliers of goods and services amounted to EUR 5 044 062, ZAR 318 675, \$69 188 951 (2017: \$65 945 456) **Annexure I refers**. The major reason being inadequate funding by Treasury and in some cases inadequate follow up action by those charged with governance of Public resources. 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.

3.7 Direct Payments

The Ministry of Finance continued to make direct payments to suppliers of goods and services on behalf of Ministries. Direct payments amounting to \$849 836 759 were noted during my audit. **Annexure S**. I was concerned that there was inadequate co-ordination between the Ministry of Finance and various Ministries before direct payments were made and documentation for same was insufficient. In some cases, reconciliation of payments made and outstanding balances were not done to ensure that the debts were reduced after payments had been made. Direct payments in other cases were more than what the Ministry itself processed.

3.8 Unsupported Expenditure

As reported in my report for 2017, Ministries and Fund accounts were processing payments which were not adequately supported by documentary evidence such as receipts, invoices,

competitive quotations and goods received notes. The total amount of unsupported expenditure was US\$7 280 598, \$232 187 525 (2017: \$27 101 167) **Annexure J**. Without adequate supporting documents, the accuracy and validity-of expenditure incurred becomes questionable.

3.9 Transfer of Funds from Ministries

Some Ministries made unauthorised transfers of funds amounting to \$381 291 118 (2017:17 943 820) from the Sub-Paymaster General Account to Public Entities. I was not availed with supporting documents for this amount.

Three Ministries transferred monies from the Paymaster General Account, amounting to \$17 943 820, without Treasury Authority, to their respective Fund accounts. This action contravened the provisions of the Appropriation Act and the Public Finance Management Act [*Chapter 22:19*]. I could not therefore satisfy myself whether Public funds were used for the intended purposes.

3.10 Budgetary Control

Twenty-two (22) Funds (2017:24) exhibited poor budgetary control systems resulting in incurring excess expenditure over income totaling \$24 415 778 (2017: \$69 161 624). **Annexure K**.

3.11 Assets Management

Ten (10) ministries could not display registers for assets in the Public Finance Management System (PFMS) as year-end procedures to enable the system to display the registers for assets had not been done. As a result, I could not verify whether assets for these ministries had been accounted for properly. Assets might go missing without trace if registers in the PFMS are not available for audit.

3.12 Posting Financial Transactions to Closed Financial Years

In my last four (4) 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. As a result, transactions continued to be posted by ministries after the end of the financial year. Posting expenditure after the end of the financial year affects the correctness of balances submitted for audit.

3.13 Employment Costs

Ministries were not checking and reconciling the paysheets against the payments made from the PMG. Variances of \$3 012 861 were noted in some ministries between expenditure for employment cost shown in the Appropriation Account and expenditure from the Salary Service Bureau. **Annexure N refers** This was as a result of lack of reconciliation of the employment costs. There is need for ministries to reconcile employment costs reported in the Public Finance Management System and the SSB to ensure that salaries are paid to bona fide employees. Employment costs are a significant component of expenditure and **Annexure O** gives an analysis of same.

4 PROCUREMENT

4.1 Payment of Goods Not Delivered

Expenditure totaling \$2 368 932 was incurred to purchase vehicles, generators, excavators, syringe infusion pumps, a water bowser and biometric cards which were not delivered. There was no evidence that the ministries had followed up deliveries of the goods received. This was in contravention of the requirements of Treasury Instruction 0907 which stipulates that no payment should be made before it is properly due. In addition, there was in some instances no evidence of follow-ups having been made regarding goods which were not delivered.

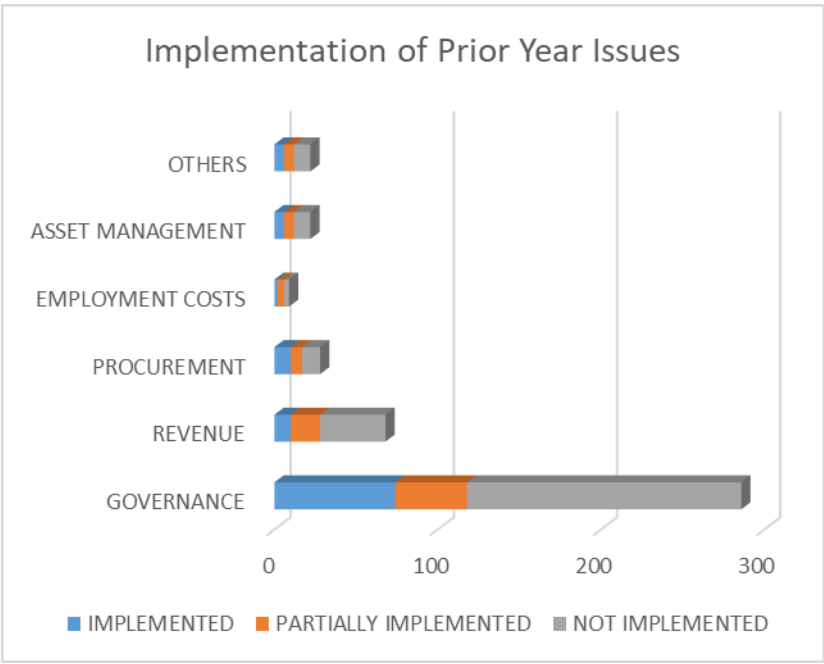
5 REVENUE COLLECTION AND DEBT MANAGEMENT

5.1 Amounts not collected from Debtors

The outstanding amount of debtors increased from \$133 897 975 to \$416 852 415. The increase demands for more effort to be put to recover the outstanding revenue by employing efficient follow up systems. The bulk of the amount has remained uncollected for long periods of time hence the collectability of the monies was doubtful. (**Annexure L**).

6 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

I would want to acknowledge the Ministries which have taken steps to implement my recommendations details of which are highlighted in my 2017 Report of the Auditor-General on Appropriation Accounts, Finance and Revenue Statements and Fund Accounts. Out of 435 recommendations I made 108 were fully implemented, 85 were partly implemented and 242 were not implemented. Details of the extent of implementation are outlined below:



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

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PUBLIC FINANCIAL MANAGEMENT (PFM)

A pilot assessment of the functionality of government's public financial management system was carried out involving a sample of some core public finance management institutions. The assessment was done using the Public Financial Management Reporting Framework.

Public Financial Management is the interlinked series of systems, laws, rules, processes and procedures by which government manages financial public resources. The purpose of a good PFM system is to ensure that the policies of government are implemented as intended to achieve their objectives through (1) Aggregate fiscal discipline, (2) Strategic allocation of resources, and (3) Efficient service delivery.

The five key public financial management processes which were assessed in the institutions are: -

- Macro-economic Policy, Fiscal Policy and Strategic Budgeting,
- Budget Preparation,
- Budget Approval,
- Financial Management and Service Delivery and
- Accounting, Reporting and Oversight

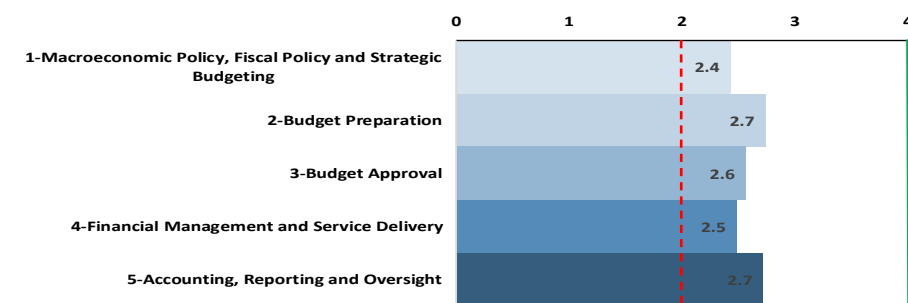
The assessments of the individual institutions were then consolidated to get the overall picture of the functionality of PFM in Zimbabwe. The consolidated results of the assessment are in the Dashboard below. The Dashboard reflects a summary of Government performance by key public financial management processes, Government performance by institution, Key overall risk areas, Dominant root causes of underperformance by institutions and the Performance of institutions in integrating Sustainable Development Goals SDGs into PFM processes.

DASHBOARD OVERALL: GOVERNMENT PFM 2018 ASSESSMENT

Overall Performance Assessment

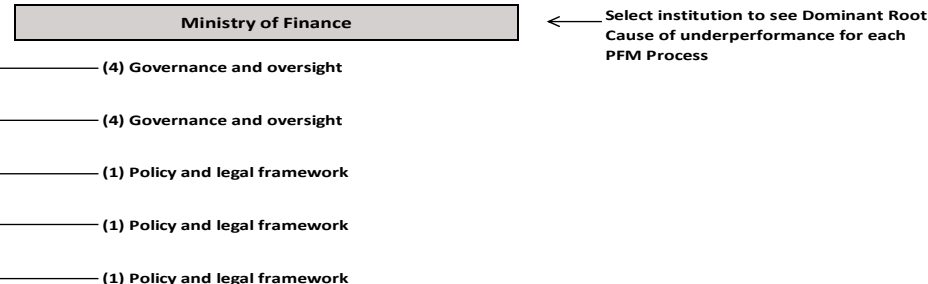
Government Performance by PFM Process

Average of process-level performance of all institutions involved in each process



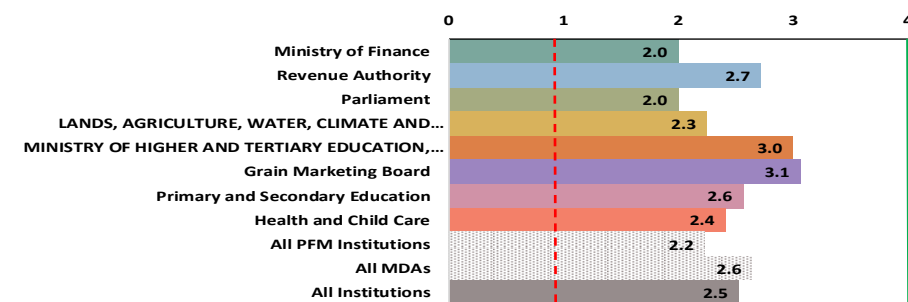
Dominant Root Causes of Underperformance by Institution

Identified by auditors for each process considering the root causes identified for all Key Questions under that process



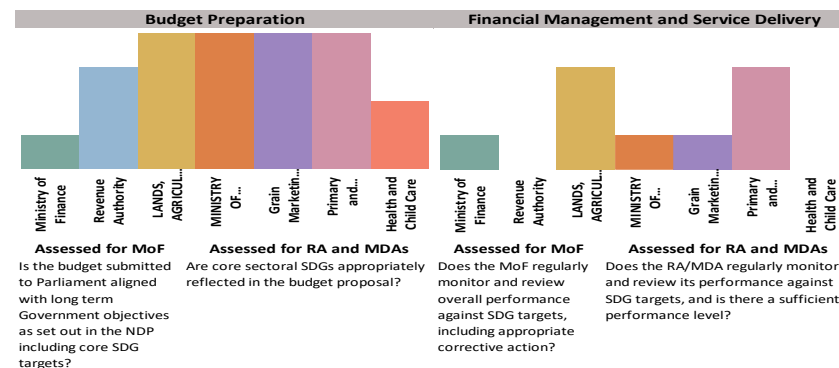
Performance by Institution

Average of all Key Questions assessed for each institution



Performance of Institutions in Integrating SDGs into PFM Processes

Four Key Questions specifically address the SDGs and the grades assessed for them are below



Key Overall Risk Areas

Performance grade below 2 indicates risk area (shaded in red)

	Ministry of Finance	Revenue Authority	Parliament	All PFM Institutions	AGRICULTURE, WATER, CLIMATE AND...	OF HIGHER AND TERTIARY EDUCATION,...	Marketing Board	and Secondary Education	Health and Child Care	All MDAs	All Institutions
1-Macroeconomic Policy, Fiscal Policy and Strategic Budgeting	1.9	3.0	N/A	2.4	N/A	N/A	N/A	N/A	N/A	N/A	2.4
2-Budget Preparation	2.0	1.7	N/A	1.8	3.5	3.2	3.3	2.7	2.8	3.1	2.7
3-Budget Approval	3.0	1.7	2.0	2.2	2.7	2.3	3.5	3.0	2.3	2.8	2.6
4-Financial Management and Service Delivery	2.0	3.0	N/A	2.5	1.9	2.9	2.9	2.3	2.3	2.5	2.5
5-Accounting, Reporting and Oversight	1.8	3.3	2.0	2.4	2.0	4.0	3.3	3.0	2.3	2.9	2.7

The results at a glance from the Dashboard, rated from 0 to 4 indicate the following: -

- Macro-economic Policy, Fiscal policy and Strategic budgeting got the rating grade of 2.4 out of 4, mainly due to inaccurate prior year fiscal forecasts.
- Budget preparation rating of 2.7 was attributed to the absence of clear budget priorities
- Budget approval low rating was attributed to inadequate resources to facilitate adequate scrutiny and debate of the budgets and absence of legislative calendar for oversight-functions.
- Financial management and service delivery did not have a good performance grade due to inadequacies around governance issues, procurement, management of programmes, management of assets and revenue collection and debt management as evidenced by reports and discussions by Parliamentary Portfolio Committees. The other attribute/ challenge was on failure to monitor and review performance against Sustainable Development Goals (SDG) targets including taking appropriate corrective action
- Accounting, Reporting and Oversight reflected a fair performance result, mainly due to the availability, reviews and debates of audit reports by Parliament.

The dashboard assists government to quickly see the areas which need attention. All the processes with performance grades of less than 2 are risky. Government therefore needs to monitor, review and take corrective action on such processes. Attention is also required on the implementation processes, monitoring and review of actual performance against SDG targets.

A number of Ministries and Entities were subjected to the PFM framework audit and their results were read using the dashboard:

- Ministry of Finance and Economic Development
- Ministry of Lands, Agriculture and Rural Resettlement
- Ministry of Higher and Tertiary Education, Science and Technology Development
- Ministry of Primary and Secondary Education
- Ministry of Health and Child Care
- Zimbabwe Revenue Authority
- Grain Marketing Board
- Parliament of Zimbabwe.

The overall results from the dashboard identified the following as the root causes of underperformance:

- Inadequate Governance and oversight
- Inadequate policy and legal framework.

The deficiencies/root causes are replicated across the board in Ministries and their respective Fund Accounts. These have given rise to many of the varied findings that are contained in this report.

VOTE 1. - OFFICE OF THE PRESIDENT AND CABINET

APPROPRIATION ACCOUNT 2018

Mandate of the Office

The Office of the President and Cabinet (OPC) is the lead Office of the State that is charged with the responsibility of coordination, supervision, and guiding the formulation, implementation, monitoring and evaluation of Government policies, programmes and projects for economic growth, sustainable development, and better livelihoods for the people.

Opinion

I have audited the financial statements of the OPC for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve/ Supplementary	Total	Expenditure	Net Under spending
\$231 974 000	\$122 524 489	\$354 498 489	\$337 704 430	\$16 794 059
Constitutional and Statutory Appropriation				
\$600 000	\$65 000	\$665 000	\$627 691	\$37 309

In my opinion, the financial statements present fairly, in all material respects, the financial performance of OPC for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Risk Management Policy

Finding

The Office of the President and Cabinet did not have a documented and approved risk management policy to assist management in mitigating against potential risk that may hamper its operations. There was no evidence that efforts were being made to prioritise coming up with a documented and approved risk management policy. This was contrary to the requirements of good corporate governance practice.

Risk/ Implication

In the absence of a clearly documented and approved risk management policy, the Office is susceptible to numerous risks like fraud which could negatively impact on its performance

Recommendation

Management should prioritise coming up with a documented and approved risk management policy for the Office in conformity with good corporate governance practice.

Management Response

The finding is noted. However, the Office is still waiting for Treasury who had indicated that they were coming up with risk management guidelines for Ministries.

DISTRICT DEVELOPMENT FUND 2017

OBJECTIVE OF THE FUND

The main objective of the Fund is to carry out infrastructural development works in the communal and resettlement areas and any other areas which may be declared development areas by the Minister.

Opinion

I have audited the financial statements of the District Development Fund for the Office of the President and Cabinet. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	49 868 792
Expenditure	44 360 613
Surplus	\$ 5 508 180

Statement of Financial Position

Item	Assets \$	Liabilities \$
Non-Current	-	-
Accumulated Fund	-	3 941 815
Current	5 236 197	1 294 382
Total	\$5 236 197	\$5 236 197

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Fuel Usage and Expenditure

Finding

Fuel worth \$64 226 out of total fuel expenditure of \$2 544 966 was withdrawn from the Fund's prepaid facility held with Zuva service stations. The Fund did not maintain its own record of such fuel withdrawal but instead relied on the service station records. There was no evidence that such fuel withdrawal was authorised as there were no accompanying fuel slips. As a result, I could not vouch for all such fuel expenditure as being a proper charge to the public funds.

Risk / Implication

Fuel withdrawals may be made for purposes other than those of the Fund.

Recommendation

Management should uphold controls in place for fuel issues.

Management Response

The audit observation has been noted.

Management studied the fuel expenditure of \$64 266 and noted that it needed to be revisited. The revisit will result in separation of fuel withdrawals bearing authority that can be substantiated from those linked to individuals with an element of abuse.

The Accounting Officer will then confirm those with authority and withdrawals with an element of abuse will be surcharged to the respective individuals.

Evaluation of Management Response

The issue of non-maintenance of fuel records was not addressed in the management's response

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Accounts Receivable

Findings

Debtors in respect of hire of transport and rent of property amounting to \$275 836 had been outstanding for more than 60 days. Although the Fund handed over the debtors to its legal practitioners, there was no evidence that follow ups were being made with the legal practitioners to recover the funds.

Further, management did not create an allowance to recognise the potential loss that would arise due to irrecoverable debts, as required by good accounting practices.

Included in the Accounts Receivable figure of \$ 4 442 022 was an amount of \$392 348 in respect of staff debtors that have been long outstanding. Recovery of such debts has been slow. Treasury Instruction 1505 authorises the Accounting Officer to effect deductions from individuals' salaries if advances remain outstanding for more than one calendar month. There was no evidence of enforcing the requirements of Treasury Instruction 1505.

Risk / Implication

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

Follow ups with the legal practitioners should be made as a way of expediting the recovery of outstanding debts.

An allowance should be created to recognise the potential loss that would arise because of irrecoverable debts. Though effort is being made to recover the debt, recoveries from the staff members and organisations owing the Fund should be made as a matter of urgency.

The Accounting Officer should effect deductions from individuals' salaries and recover outstanding debts.

Management Response

The audit observation has been noted. Every effort is being made to recover the poor performing debts through our lawyers. Some of the debts have since been recovered while others are going through litigations.

2.2 Travelling and Subsistence

Finding

Treasury Instruction 1505 states that, "No advance in respect of subsistence and transport expenses shall be made to an officer in any calendar month until such time as advances made in previous months have been accounted for to the appropriate accountant." However, this control was not being upheld, and as a result, a number of individuals were issued with multiple Travelling and Subsistence advances before they had accounted for their previous advances.

Risk / Implication

This would ordinarily affect recovery or clearance of such advances.

Recommendation

Management should adhere 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.

Management Response

The audit observation has been noted. Management will ensure that no advances are made before an acquittal is submitted.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Non-adherence to Procurement Regulations

Procurement minutes were now being attached to payment vouchers to support deliberations of the procurement committee on purchases done by the Fund.

VOTE 2. - PARLIAMENT OF ZIMBABWE

APPROPRIATION ACCOUNT 2018

Mandate of Parliament of Zimbabwe

The Parliament of Zimbabwe has a constitutional mandate to enact laws for peace, order and good governance in Zimbabwe. It is also responsible for executive oversight as well as having a representative role for the electorate.

Qualified Opinion

I have audited the financial statements for Parliament of Zimbabwe for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve Transfers	Total	Expenditure	Net /Under spending
\$80 000 000	-	\$80 000 000	\$41 845 296	\$38 154 704
Constitutional and Statutory Appropriation				
\$230 000	-	\$230 000	\$224 798	\$5 202

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section, the Appropriation Account present fairly, in all material respects, the performance of Parliament of Zimbabwe as at December 31, 2018.

Basis for Qualified Opinion

(i) Unreconciled Expenditure Amounts

Finding

Under normal circumstances, the expenditure incurred through the Sub Paymaster General's Account (Sub-PMG) should agree with the expenditure processed in the Public Finance Management System (PFMS) which is a computerized system used by Government for processing transactions. My audit noted that the total expenditure of \$41 124 178 incurred through the Sub-PMG did not agree with the expenditure of \$42 070 094 processed in the PFMS, giving a variance of \$945 916. Parliament of Zimbabwe could not provide the breakdown of the variance of \$945 916 at the time I concluded the audit in May 2019.

The same issue of not reconciling the expenditure amount was raised in the previous year and had still not been cleared at the time of concluding the 2018 financial year 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 \$945 916.

Risk/Implication

If the total expenditure reflected in the PFMS and the Sub-PMG do not agree, the reported financial statements might have been misstated.

Recommendation

Parliament of Zimbabwe should investigate the variance so that the reported accounts show a true and fair view.

Management Response

The variance between PFMS and sum total of Sub-PMG direct transfer and salaries has been noted. Treasury made a direct transfer of \$319 874 to Natprint but no confirmation letter was availed to Parliament of Zimbabwe. Natprint has confirmed the payment by receipt number 378 355 dated May 11, 2018. This will result in the reduction of the variance of \$945 916 to \$626 042. In addition, we noted in the system documents amounting to \$153 154 which were parked and posted but payment was not eventually done, this further reduces the variance to \$472 888.

The reconciliation is an ongoing process and Parliament of Zimbabwe is communicating with Treasury in an effort to clear the variance.

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

1 GOVERNANCE ISSUES

1.1 Unreconciled Direct Payments

Finding

My audit noted that direct payment totals submitted for audit by Parliament of Zimbabwe differed by \$319 874 from the totals confirmed by Treasury. The variance was due to an amount paid to NatPrint by Treasury on behalf of Parliament and Parliament did not receive confirmation from Treasury. The figure for total direct payments submitted for audit by Parliament of Zimbabwe had \$13 411 660 whilst Treasury had \$13 731 534. Therefore, the expenditure disclosed by Parliament was understated.

Risk/Implication

If records from the two Offices do not agree the total expenditure might have been misstated.

Recommendations

Parliament should always liaise with the Ministry of Finance when preparing financial statements to confirm value of direct payments made on their behalf. In addition, the variance should be investigated so that the reported accounts show a true and fair view.

Management Response

The direct transfer to Natprint of \$319 874 which was not confirmed by Treasury has been noted. As a follow up to the observation, Natprint has provided proof of payment by receipt number 378 355.

Parliament of Zimbabwe has requested Treasury to provide the confirmation letter which is yet to be provided.

2 EMPLOYMENT COSTS

2.1 Unexplained Month on Month Salary Variances

Finding

There were variances on a month to month basis in the wage bill and no evidence was availed to explain the variances.

Risk/Implication

There is a risk that unauthorized payments might be effected if causes of variances are not traced or identified.

Recommendation

Parliament of Zimbabwe should perform monthly reconciliations of the wage bill so that risks associated with unauthorized payments are mitigated.

Management Response

The finding has been noted and measures are now in place to synchronise the reconciliations between Administration and Members payrolls before the wage bill is processed. The recruitment of a Principal Accountant is expected to improve processes in the Sub-PMG accounting function.

Salaries for new Members of Parliament that were posted in error to the salary code for Administration when Ministers were relieved of their duty contributed to some of the variances.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Unreconciled Expenditure Amounts

Parliament of Zimbabwe had not provided evidence about how the issues raised were resolved as at the date of concluding the audit.

VOTE 3. - LABOUR AND SOCIAL WELFARE

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The mandate and purpose of the now Ministry of Public Service, Labour and Social Welfare is to promote fair labour practices, enhance labour productivity, access to decent jobs and promotion of efficient, effective and accountable public service as well as comprehensive social protection system.

Opinion

I have audited the financial statements for the Ministry of Labour and Social Services for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes to the Account.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve/ Supplementary	Total	Expenditure	Net Under spending
\$209 156 000	\$24 267 208	\$ 233 423 208	\$127 202 422	\$ 106 220 786
Constitutional and Statutory Appropriations				
\$150 000	-	\$150 000	\$150 000	-

In my opinion, the financial statements present fairly, in all material respects, the financial performance of the Appropriation Account for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are some of the material issues that were noted during the audit.

1 GOVERNANCE ISSUES

1.1 Transfers from Fund Accounts to Appropriation Account

Finding

In my 2017 audit report I mentioned that the Ministry owed various Fund Accounts under its administration substantial amounts of money. The position persisted in 2018. At the beginning of the year under review, the balance owed was \$1 471 289. During the year, the Ministry further borrowed \$823 193 and managed to reimburse \$492 792 closing the year with a balance of \$1 801 690. Expenditure incurred from the borrowed funds was processed outside the Public Finance Management System (PFMS).

Risks/Implications

The practice of borrowing money from Fund Accounts may cripple operations of same especially considering that the fund accounts serve the vulnerable group.

There is risk that Ministry expenditure may be completely concealed by borrowings from Fund Accounts.

Recommendations

The Ministry should approach Treasury for additional funding instead of depriving the carrying out of activities under the various Fund accounts and programmes, some of which are meant to assist the vulnerable.

Further, the amounts borrowed should be refunded to the respective Fund Accounts to facilitate execution of programmes.

Management Response

It is acknowledged that the Ministry Account for 2017 financial year had a balance of \$1 471 289 as borrowings from fund accounts to the Appropriation. This happened at a time when the Ministry was not getting much in terms of budgetary support from Treasury. Since 2018, stronger measures have been put in place to curb borrowings, and restrict it to the most necessary of circumstances. The thrust is to come up with a workable repayment plan before the end of the year, without crippling Ministry operations. The increase in the outstanding balance was due to a payment of \$500 000 to NSSA, being reimbursement for the advance of same amount which had been borrowed from the Authority earlier on to pay Digikad Pvt. Ltd. for biometric cards.

1.2 Management of Assets and Consumables: Northcot Training Institute

Findings

There was poor accountability for goods donated to the Ministry by the Zimbabwe Revenue Authority (ZIMRA) held at Northcot Training Institute. Items donated were inconsistently being recorded either as bales, sacks, bags, by quantities or by weight instead of maintaining a standard unit of measurement of classification of the goods.

Furthermore, Northcot Training Institute personnel received the donated goods without physically verifying the quantities against the Issue Vouchers raised by ZIMRA. From interviews held with the staff, there were instances where deliveries were made by transporters in the absence of the Ministry's Head Office Administration personnel for accountability purposes as they are the ones who would have collected the items from ZIMRA.

During a physical inspection of the donated goods, I noted that some of the bales, sacks and bags of donated clothes and shoes were open and their contents were scattered on the store room floors.

Although the Northcot Training Institute had a stores register in place, the register did not include vital information such as full description of items (specifications), quantities received, quantities issued, running balances and signature of the recipient.

Four (4) brand new and four (4) used tyres were issued to one of the Ministry's Administration Officers without the approval of the Accounting Officer. The recipient Officer was the one who originated and authorised the letter of issuance.

The Ministry did not have a clear policy for management and distribution of the donations. At the time of the audit (March 12, 2019), I noted that there were over 200 bales of clothes and shoes, 16 brand new tyres and 1 200 second hand tyres of different sizes that were being kept at the Institute, of which, these goods were being damaged by rodents and deteriorating in quality due to adverse weather conditions.

There was no evidence of periodic or regular physical stock counts by supervisors both from the Ministry's Head Office and the Institute.

Risks/Implications

Failure to consistently record donated items compromises the accountability of same and without physical verification, it would be difficult to ascertain whether the received donations were properly recorded and accounted for. Donated goods are exposed to misappropriation if the Ministry does not put adequate controls for delivery, receipt, recording and custody of goods.

Without the approval of the Accounting Officer or delegated senior officers, issuances may not be legitimate.

Failure to timeously distribute donated goods may result in loss of quality and value of the goods.

Without periodic or regular supervisory checks, errors and omissions may not be detected.

Recommendations

The Ministry should ensure that goods donated are consistently recorded using the same unit of measurement.

The Ministry should ensure that bales, sacks and bags of donated goods are kept sealed at all times.

The Ministry should ensure that the stores register captures all important details such as full description of items (specifications), quantities received, quantities issued, balance (in stock) and signature of the recipient on issuances.

Issuance of donated items should be supported by minutes signed and approved by the Accounting Officer or delegated senior officers of the Ministry.

The Ministry should come up with a clear policy for management and distribution of donations. Also, the donations should be timeously distributed to beneficiaries before they are damaged or they expire.

The Ministry's management should regularly conduct physical stock counts.

Management Response

The observations have been noted. Arrangements are already underway to improve the systems of internal control in the receipting, distribution and issuance of donated goods.

1.3 Expenditure Management and Control

Finding

The Ministry used \$500 000 meant for the Public Assistance programme to reimburse an advance it had borrowed from the National Social Security Authority (NSSA). The utilization of the monies to repay funds borrowed from NSSA deprived funding programmes under the Public Assistance programme. The funds were borrowed in 2017 to pay Digikad Pvt. Ltd. which had won a tender to provide 250 000 biometric cards at a price of \$2 per card. The cards were to be used by vulnerable groups in the society under the social assistance programmes. At the time of the audit on March 15, 2019, the company had only managed to produce 50 000 cards which were delivered on 29 September 2018 leaving a balance of 200 000 cards.

Risks/Implications

The operations of the programmes may be negatively affected if funds are diverted elsewhere.

The Ministry may be prejudiced if the company fails to supply the outstanding cards.

Recommendations

The Ministry should reimburse funds borrowed from the programme and further desist from making such borrowings.

The Ministry should follow up on the delivery of the outstanding cards.

Management Response

It is acknowledged that the Ministry contracted Digikad Zimbabwe Ltd to provide biometric systems to enhance payment methodologies to the vulnerable beneficiaries across its programmes. An upfront payment of US\$500 000.00 was made for 250 000 cards meant for Mashonaland West Province but only 50 000 cards were availed, with the remainder still outstanding. The Ministry has not been able to follow up on the remaining 200 000 cards because Digikad is now suing the Ministry for specific performance despite the fact that they have not fulfilled their contractual obligation.

Payment for the cards was made using funds from the Ministry's Public Assistance account which shall be re-imbursed. In future, the Ministry will not pay for unbudgeted commitments.

1.4 Accounting for Retention Funds

Finding

The Financial Statements submitted for audit revealed that the Ministry did not account for \$82 000 provided by Parliament through the Appropriation (2018) Act from the National Rehabilitation Centres Welfare Fund. The provision was not disclosed in the Appropriation Account nor was the expenditure incurred reported in form of a note. The financial Statements are therefore misstated.

Risk/Implication

Failure to account for the retention funds budget as appropriated by Parliament and related expenditure in the Appropriation Account distorts the figures in the financial statements.

Recommendation

The Ministry should ensure that the retention funds and related expenditure are accounted for and reported in the Appropriation Account.

Management Response

It is acknowledged that the Ministry did not report on the \$82 000 provided by Parliament through the Appropriation (2018) Act to cater for the National Rehabilitation Welfare Fund in its Appropriation Account for 2018. The Statutory deadline for submission of the Appropriation Account was 28th February 2019, whilst that for the Fund Account was 31st March 2019. At the time the Appropriation Account was submitted, the Fund was not yet ready for submission.

2 EMPLOYMENT COSTS

2.1 Employment Costs Monthly Reconciliations

Finding

Treasury Minute B/1/88 dated June 5, 2018 requested Directors of Finance of line Ministries to perform monthly reconciliations of the billed amounts by the Salary Service Bureau (SSB) against the employment cost expenditures as shown in the Public Finance Management System (PFMS) ledgers. Contrary to the provisions of the afore-mentioned minute, the Ministry did not perform monthly reconciliations on the amounts billed by the SSB and the employment cost expenditure in the PFMS ledgers. According to the SSB records, employment costs for the Ministry amounted to \$7 346 367 while the PFMS ledgers indicated a total amount of \$7 468 701 giving a variance of \$122 334 that was not reconciled.

Risk/Implication

Failure to perform monthly reconciliations may result in payments of salaries to fictitious employees and errors may go undetected. Thus, financial statements may be misstated.

Recommendation

The Ministry should perform monthly reconciliations of the billed amounts by the Salary Service Bureau (SSB) against the employment cost expenditures as shown in the Public Finance Management System (PFMS) ledgers in compliance with the Treasury Minute cited above.

Management Response

It is acknowledged that reconciliations were not being done. However, the Ministry undertakes to do the reconciliations beginning January 2019 as outlined. The variance of \$122 334 will be investigated.

3 PROGRAMMES

3.1 Programme Implementation - Harmonised Social Cash Transfer

Finding

Harmonised Social Cash Transfer (HSCT) is an unconditional transfer of cash entitlements to vulnerable households in order to reduce household poverty, protect and enhance the livelihood of all vulnerable children so that they refrain from risky coping strategies like child labour and early marriages. During the year under review, Treasury availed \$9 759 722 for the HSCT programme. However, the Ministry did not initiate appropriate measures to ensure that beneficiaries received their pay outs. The funds were later recalled by the Treasury on December 31, 2018 after realizing that no disbursements were effected by the Ministry. Non disbursement of the funds deprived the beneficiaries a reasonable standard of life as the monies are meant for the vulnerable groups. This resulted in non fulfilment of programme objectives.

Risk/Implication

Failure to disburse funds appropriated for the programme further worsens the plight of the beneficiaries and the children may be exposed to child labour and early marriages.

Recommendation

The Ministry should make initiatives to ensure that beneficiaries receive their payouts by considering other options of disbursing the funds to the beneficiaries other than cash.

Management Response

It is acknowledged that a total of \$9 759 723 was swept back to Treasury at the end of 2018 due to the Ministry's failure to make payments on time to the beneficiaries under the Harmonised Social Cash Transfer programme. The programme concept provides

that all payments should be made in cash. However due to the prevailing cash problems in the country, the Reserve Bank of Zimbabwe could not avail the cash needed to pay the beneficiaries, except for some cycles in some of the districts. The Ministry was in the process of working out new modalities of disbursement when the unutilized money was swept back to Treasury.

Arrangements are now under way to work out new payment modalities which are compatible with the existing cash situation in the country.

Evaluation of Management Response

There is need for the Ministry to be pro- active in dealing with issues of the vulnerable.

3.2 Basic Education Assistance Module (BEAM)

Findings

According to the provisions of paragraph 2 of the BEAM Operational Manual, the programme was established to provide fee waivers for eligible primary and secondary school children for tuition, examination fees and applicable levies. During the year under review, Treasury released \$23 080 000 from the Unallocated Reserves for the programme. However, this was inadequate to clear all the outstanding arrears. As at December 31, 2018 school fees and levies arrears had accumulated to \$54 503 745.

Risk/Implication

The programme may not meet its objectives if funding mechanisms are not found.

Recommendations

Treasury is urged within its resource constraints, to continue to fund the programme to enable it meet its objectives.

Management should ensure expenditure incurred is in line with the provisions of section two (2) of the Operational Manual for BEAM to enable it to effectively execute its mandate.

Management Response

It is acknowledged that BEAM school fees arrears had reduced to \$54 503 745 at the close of the financial year, thanks to the improved budgetary support received at the close of the financial year.

4 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

4.1 Settlement of Outstanding Health Assistance Bills

Outstanding bills had not been cleared with medical service providers. At the time of concluding my audit on April 16, 2019, outstanding bills amounted to \$5 000 000.

CHILD WELFARE FUND 2017

OBJECTIVE OF THE FUND

The purpose of the Fund shall be the development and promotion of the welfare and protection of children and young persons.

Opinion

I have audited the financial statements of the Child Welfare Fund for the Ministry of Labour and Social Welfare. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	(\$)
Income	200 000
Expenditure	175 949
Surplus	\$24 051

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-current	---	---
Current	29 792	751
Accumulated Fund	---	29 041
Total	\$29 792	\$29 792

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Advance to Parent Ministry

Finding

In my 2016 audit report, I mentioned that the Fund had an outstanding advance to its parent Ministry amounting to \$5 355 in respect of payments to suppliers on procurement of goods and services, for the sustenance of Appropriation activities. During the year under review, an

additional \$6 294 was advanced to the Parent Ministry and \$3 025 was re-imbursed closing the account balance at \$8 624 as at December 31, 2017.

Risk/Implication

The Fund may fail to meet its objectives of developing and promoting the welfare and protection of children and young persons if its financial resources are used to defray non-Fund related expenditure.

Recommendations

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

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

Management Response

It is acknowledged that the sum of \$8 624 had remained outstanding as at the close of December 2017, being advances made from the Fund for the sustenance of the Ministry's Appropriation. The Ministry has stopped borrowing from the Fund and looks forward to having reimbursed the full amount before the close of the financial year.

2 PROCUREMENT

2.1 Procurement Procedures

Finding

Treasury Instruction 1216 provides that before forwarding a cash voucher for payment or a journal voucher for adjustment the officer initiating the transaction shall satisfy himself that, the claim is a proper charge against public funds, is covered by competent authority; supported by the relative requisitions including procurement minutes, three quotations, comparative schedule or an explanation for their absence and properly certified. Contrary to the above, on September 29, 2017 the Fund purchased bunk beds costing a total of \$13 800 for various children's homes but no supporting documents nor an explanation for their absence were availed to validate the expenditure.

Risk/Implication

Without procurement minutes, three quotations, comparative schedule or an explanation for their absence, it would be difficult to prove whether the payments for bunk beds were a proper charge to the Fund.

The Fund's objective may also be defeated as funds may be used to incur fruitless expenditure.

Recommendation

The Fund should ensure that all payment vouchers are properly certified, passed for payment and supported by relevant documentation such as procurement minutes, three quotations, comparative schedule or an explanation for their absence.

Management Response

The procurement of 50 bunk beds was done from Bowline Furniture's a manufacturer, which at the time was the only supplier that was able to produce the beds within the specified time, as these were urgently required. Other manufacturers like KDV declined to give quotations because they were unable to meet the delivery time. A comparative schedule was not prepared since it was a sole supplier.

Evaluation of Management Response

In cases where Bowline Furniture's was a sole supplier a letter to that effect should have been provided for audit validation or alternatively the Accounting Officer's concurrence should have been sought.

CHILDREN ON THE STREETS FUND 2017

OBJECTIVE OF THE FUND

The main purpose of the Fund is to protect and rehabilitate the children living in and/ or working on the streets.

Opinion

I have audited the financial statements of the Children on the Streets Fund for the Ministry of Labour and Social Welfare. These financial statement comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	47
Expenditure	355
Deficit	(\$308)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-current	---	---
Current	963	---
Accumulated Fund	---	963
Total	\$963	\$963

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Sustainability of Service Delivery

Finding

The sustainability of service delivery of the Children on the Streets Fund is not certain as operations are only dependent on grants from Treasury. The Fund did not receive any income during the year under review to address financial difficulties affecting its operations.

Risk/Implication

Without funding from Treasury the Fund may fail to achieve its objective of protecting and rehabilitating children living in and/or working on the streets.

Recommendation

Management should request for funding from Treasury to finance the operations of the Fund.

Management Response

The finding is acknowledged. The Board for Children on the Streets Fund did not meet in 2017 because the Fund did not receive grant support during 2017, and the small amount in the Fund was meant to cater for bank charges and other service charges. Meanwhile, when children on the street were rounded up, they were either put in government children's institutions or private homes run by non-governmental organisations.

DISABLED PERSONS FUND 2017

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.

Opinion

I have audited the financial statements of the Disabled Persons Fund for the Ministry of Labour and Social Welfare. These financial statement comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	809 649
Expenditure	605 663
Surplus	\$203 986

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-current	71 382	---
Current	545 806	40 730
Accumulated Fund	---	576 458
Total	\$617 188	\$617 188

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Micro Finance Activities

In my 2015 and 2016 reports, I mentioned that the Fund was not making concerted effort to recover loans it would have advanced to beneficiary members. The trend continued in 2017 as the Fund did not enforce 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. The Fund had a total loan balance of \$59 262 as at December, 31, 2016 and it increased by \$12 120 bringing the amount to \$71 382 as a closing balance by December, 31, 2017. 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 enforce measures prescribed in section 4(d) of the loan agreement form which states that 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 that ensure recovery of all outstanding funds.

Management Response

It is correct that the Fund continued to have problems with respect to the recovery of micro finance loans advanced to people living with disabilities. Whilst we could have implemented the provisions of section 4(d) of the loan agreement which requires that legal proceedings be instituted, this has been difficult due to the prevailing economic situation and that the people are disabled. Instituting legal proceedings further aggravates their circumstances, when our mandate is to provide them with the required social protection. Consultations are still under way to come up with better programme management that would motivate them to repay their loans. This policy should be in place before the end of the year.

1.2 Advances to Parent Ministry

Finding

My examination of the Fund's records revealed that in 2017 the Fund had an outstanding advance to its Parent Ministry amounting to \$232 985 in respect to payments to suppliers on procurement of goods and services, for the sustenance of the main Appropriation account activities. This was in violation of the provisions of the Fund's constitution, section 6(b) which states that the expenditure of the Fund shall consist of such other payments as are considered incidental to but not inconsistent with the objective of the Fund.

Risk / Implication

The Fund may fail to achieve its objectives which include promoting the welfare of disabled persons by providing financial resources for rehabilitation, training and engaging in income and employment generating projects 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 Fund should ensure that the amount owed by the Parent Ministry is fully recovered.

Management Response

It is acknowledged that advances to the Parent Ministry were \$232 985 and these had not been cleared as at 31 May 2018. These come from prior years, when Treasury could not avail the required funding. The situation is improving and we have since desisted from borrowing from the Fund. All outstanding advances are likely to be cleared over a period of two years, as we take into account other critical ministry expenditures which cannot be stopped/deferred.

1.3 Non Acquittal of Funds

Finding

Section 49 (1) (a) and (b) of the Public Finance Management Act [*Chapter 22:19*], provides that the Accounting authority for a public entity shall keep full records of the financial affairs of the public entity and prepare financial statements for each financial year in accordance with generally accepted accounting practice. Contrary to the above provisions, the Fund failed to avail acquittals for the \$18 000 that was disbursed to nine Provinces for the commemorations of the International Day of Disability. Therefore, I could not verify whether the money was used for the intended purpose.

Risk / Implication

In the absence of acquittals from the Provinces, it would be difficult to verify whether the funds were utilised solely on the activities related to the commemorations of the International Day of Disability.

Recommendation

Management should avail for verification the acquittals of funds disbursed to the Provinces.

Management Response

It is acknowledged that a total of \$18 000 had been advanced to all Provinces for the International Day of Disability. This amount had been treated as spent. All provinces have been asked to provide acquittals with full details on how the funds were utilized. These should be in place before 30 June 2018.

NATIONAL DROUGHT FUND 2017

OBJECTIVE OF THE FUND

The purpose of the Fund is to alleviate the effects if drought and other natural hazards adversely influencing food security and to promote the development of food production designed to counteract drought and/or purposes incidental thereto.

Opinion

I have audited the financial statements of the National Drought Fund for the Ministry of Labour and Social Welfare. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	2 943 069
Expenditure	2 892 290
Deficit	(\$50 779)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current Accumulated Fund		642 336
Current	642 336	
Total	\$642 336	\$642 336

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Advances to Parent Ministry

Finding

My examination of the Fund's records revealed that in 2016 the closing balance of the Fund's total advance to its parent Ministry totalled \$207 634 in respect of payments to suppliers on procurement of goods and services, for the sustenance of Appropriation activities. During the year under review, an additional \$340 681 was advanced to the Parent Ministry against a reimbursement amounting to \$375 177 made in 2017. However, after the reimbursement the Fund closed the year 2017 with a balance of \$173 149 as advances to the Parent Ministry.

Risk/Implication

The Fund may fail to implement drought relief programmes if its financial resources are used to defray non-Fund related expenditure.

Recommendations

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

Funds paid to suppliers of services and goods on behalf of the Parent Ministry should be fully recovered and credited to the Fund account for its use.

Management Response

The observation is acknowledged. Efforts were made to reimburse to the Fund amounts that had been advanced to Parent Ministry during the period under review. However, a total of \$173 149 had remained outstanding as at December 31, 2017. Borrowing from the Fund had been occasionally caused by very low releases to finance Ministry operations. Releases have continued to improve and, a repayment plan has been put in place. The amount that remained outstanding will be cleared in the shortest possible time.

NATIONAL REHABILITATION CENTRES WELFARE FUND 2017

OBJECTIVE OF THE FUND

The purpose of the Fund is to provide funding for the training and welfare of disabled ex-combatants at the three Rehabilitation Centers namely: Ruwa, Lowden Lodge and Beatrice.

Opinion

I have audited the financial statements of the National Rehabilitation Centres Welfare Fund for the Ministry of Labour and Social Welfare. These financial statement comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	Amount(\$)
Income	102 910
Expenditure	94 282
Surplus	\$8 628

Statement of Financial Position

Item	Assets(\$)	Liabilities(\$)
Non-current	25 123	-
Current	63 958	4 916
Accumulated Fund	-	84 165
Total	\$89 081	\$89 081

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Advances

Finding

My examination of the Fund's records revealed that in 2016 the Fund's total advances amounted to \$25 584 made up of \$21 168 advanced to its parent Ministry and \$4 416

advanced to the Disabled Persons Fund. During the year under review, an additional \$1 094 was advanced to Public Assistance Programme operating under the Parent Ministry and no re-imbursments were made closing the advances account balance at \$26 678 as at December 31, 2017.

Risk/Implication

The Fund may fail to implement its programmes if financial resources generated are used to defray non-Fund related expenditure.

Recommendation

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 and other Fund Accounts should be fully recovered.

Management Response

It is acknowledged that a total of \$26 678 was outstanding as advances by the Fund being monies which had been advanced to the Parent Ministry. However, in 2018 the Ministry repaid \$4 427 which had been lent out to the Disabled Persons. It is hoped that the outstanding balance will be cleared by December 31, 2018.

1.2 Administration of School Project

Findings

The management of Ruwa Rehabilitation Centre in their response to the 2016 audit inspection report promised to put in place an operational manual to provide guidelines on procedures and processes of running the school. However, the Centre continued to operate a High School enrolling form one to form six students without administrative and financial instructions from the Accounting Officer. Treasury Instruction 0706 provides that Accounting Officers shall, within the framework of these Instructions, 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. Such instructions shall include directions as to the operation of internal check systems.

Risks/Implications

Operating a school without Financial and Administrative Instructions on the operations of the school may result in officers adopting inappropriate practices which may hinder the achievement of the Centre's objectives of providing funding for the training and welfare of disabled ex-combatants.

Recommendation

The Ministry should issue Financial and Administrative Instructions governing the operations of the school. This would ensure uniformity in the execution and recording of transactions and serve as a training tool for officers thereby reducing inefficiencies and inconsistencies.

Management Response

The findings are acknowledged. An operational manual to help administration of the Centre will be developed by December 31, 2018 providing guidelines on setting of student fees, salaries for contract employees and recruitment of teachers on contract.

1.3 NSSA Contributions

Finding

During the audit, I noted that the Fund employed teachers on contract basis for National Rehabilitation Centre Ruwa High School who were making pension contributions to the National Social Security Authority (NSSA). A re-computation of contributions revealed that the amount owed to NSSA as at December 31, 2017 was \$2 817. However, only \$1 725 was accounted for in the Fund's accounting records. As a result, NSSA contributions reflected in the Fund's financial statements were understated by \$1 092.

Risk/Implication

Financial statements of the Fund were misstated due to the understatement of the NSSA contributions by \$1 095, thereby reducing the liability. Decisions may be based on a false financial position.

Recommendations

All NSSA contributions schedules should be reconciled to ensure proper recognition in the financial statements.

Furthermore, a journal should be raised to increase NSSA contributions which were understated by \$1 092.

Management Response

It is acknowledged that the NSSA contributions reported in the Fund's financial statements were understated by \$1 092. In 2016 and 2017 the Ministry did not have a schedule to provide guidance in the calculations of NSSA contributions. This matter was regularised on the formalisation of the school.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Debt Management

Finding

The Fund's management, in their 2016 audit response, highlighted that Ruwa National Rehabilitation Centre would in future issue reminders and follow-up letter to all debtors. However, there was no evidence to show that effective and appropriate steps to recover all outstanding debts were being taken by issuing reminders and follow-up letters to the debtors.

At the time of conducting my audit on November 2, 2018, school fees amounting to \$26 763 were still outstanding as shown on the table below:

Year	2010	2011	2012	2013	2014	2015	2016	2017	Total
Class									
Form 1	-	215	-	450	363	608	25	139	1 800
Form 2	-	354	-	410	1 223	988	906	1 541	5 422
Form 3	24	198	500	1 230	485	366	568	1 917	5 288
Form 4	859	783	625	1 526	1 451	1 010	1 863	4 070	12 187
Form 5	80	-	-	-	103	124	74	219	600
Form 6	-	-	-	104	2	86	226	1 048	1 466
Total	\$963	\$1 550	\$1 125	\$3 720	\$3 627	\$3 182	\$3 662	\$8 934	\$26 763

Furthermore, the Centre had \$1 020 worth of debtors dating back to 2012 in respect of chickens sold on credit to government employees most of whom are still in service.

Risk/Implication

Without issuing reminders and follow-up letters to debtors, such debts could become irrecoverable and the Centre may not achieve its objectives.

Recommendations

Amounts owed by Civil Servants for chickens sold on credit should be recovered without delay and the Fund should also desist from selling chickens on credit.

Management should issue reminders and follow-up letters to debtors in order to boost working capital.

Management should invoke the requirements of Treasury Instruction 1505 which stipulates that the Accounting Officer shall authorise the deduction from salary of the amount outstanding until the whole debt is cleared.

Management Response

It is acknowledged that the sum of \$26 763 was outstanding as debtors at the time of audit. This amount was for school fees arrears in respect of pupils learning at Ruwa Rehabilitation Centre High School. The debt accrued at the time when the school had not been formalized. Previously the school ran as a study group and the records were not up to date. After formalization proper records are now being kept and appropriate debt management systems are now being developed. In future reminders and follow-up letters will be issued to debtors.

Follow up letters will be written to two former employees who are no longer in service while deductions are now being raised for those debtors who are still in service.

3 ASSET MANAGEMENT

3.1 Depreciation Policy

Finding

For the sixth year running, the Fund's non-current assets had not been depreciated. The Fund's management in their 2016 audit response highlighted that the depreciation policy would be in place before commencement of the second half of 2018. No explanation was given on why the policy was not in place at the time of audit on November 02, 2018. Paragraph 4(a) of the Accounting Officer's Instructions states that proper books of accounts shall be kept on commercial accounting systems

Risk/Implication

Non-current assets, profit for the year and accumulated fund amounts will be overstated by the depreciation value of the assets thereby distorting the financial statements and value of the assets.

Recommendation

Management Response

It is acknowledged that at the time of the audit, the Fund did not have a depreciation policy. Progress was stalled by the fact the Fund's Accounting Manual had not yet been reviewed.

OLDER PERSONS FUND 2017

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.

Opinion

I have audited the financial statements of the Older Person Fund for the Ministry of Labour and Social Welfare. These financial statement comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	(\$)
Income	100 093
Expenditure	85 963
Surplus	\$14 130

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-current	---	---
Current	58 134	---
Accumulated Fund	---	58 134
Total	\$58 134	\$58 134

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Expenditure Control

Finding

In 2017 Treasury released a grant amounting to \$100 000 to provide for the development and promotion of the welfare and protection of older persons. My examination of the Fund's records revealed that only \$38 586 was disbursed to Older people's homes to cater for the welfare of older persons. The percentage of disbursement to beneficiaries in this case was 39% whereas the remaining 61% of the grant went towards administration expenses such as institutional provisions, hospitality and travelling and subsistence allowances. This implies that the Fund was prioritising administration expenses over the objectives of the Fund.

Risk/Implication

Prioritising administration expenses over the objectives of the Fund would result in the Fund failing to meet its mandate of the development and promotion of the welfare and protection of older persons.

Recommendations

Management should ensure that grant received is expended mainly on promoting the development and promotion of the welfare and protection of older persons.

The Ministry should also come up with a threshold for administrative costs so that more resources are channelled towards meeting the objectives of the Fund.

Management Response

The observation is noted but it is not the correct assessment of how the funds were utilised. Ideally, the Older Persons Fund Board should meet at least once every quarter to deliberate and chart the way forward on matters to do with the welfare of the elderly. These workshops are convened at institutions like ZIPAM where expenses like hire of halls, institutional provisions, meals and accommodation in respect of workshop participants are incurred. These are obviously not administrative costs.

The \$38 586 referred to relate to administrative and per capita grants paid out to registered institutions which have Elderly Persons as per the number of inmates. Therefore, it should be clear that the amount availed by Treasury went towards the welfare of the elderly.

Evaluation of Management Response

It is appreciated that some funds went towards Older Persons Fund Board workshops, however the 61 to 39 percentage ratio of administrative expenses to per capita grants disbursements is unattainable. More funds should be channelled towards per capita grants for the development and promotion of the welfare and protection of older persons.

1.2 Advances to Parent Ministry

Finding

My examination of the Fund's records revealed that, in 2016, the Fund had an outstanding advance to its parent Ministry amounting to \$53 666 in respect of payments to suppliers on procurement of goods and services, for the sustenance of Appropriation activities. As at December 31, 2017 this amount remained outstanding.

Risk/Implication

Objectives of the Fund may not be fully achieved, if financial resources are utilised to meet expenditure not in line with its objectives.

Recommendations

The Ministry should ensure that financial resources are expended only on activities which promote the welfare of older persons. The Fund should recover all outstanding advances to parent Ministry.

Management Response

It is acknowledged that the Ministry was advanced the sum of \$53 666 from Older Persons Fund as stated in the query. Due to limited fiscal space, the Ministry has been receiving very erratic release from the Treasury making it very difficult to deliver on most of its programmes. In some instances, budgets have been released but the cash would not come, necessitating reversals of the transactions. In an effort to ensure that the Ministry continues to run, advances were of necessity made from the Statutory Funds to finance commitments that could not be deferred. It is our sincere hope that Treasury will avail the requisite funding to allow reimbursements of the outstanding advances.

PUBLIC SERVICE TRAINING CENTRES AMENITIES FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the Public Service Training Centres Amenities Fund for the Ministry of Labour and Social Services. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	1 100 199
Expenditure	888 298
Surplus	\$211 901

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current Accumulated Fund	-	1 056 458
Current	1 237 512	181 054
Total	\$1 237 512	\$1 237 512

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Public Service Training Centres Amenities Fund as at December 31, 2017, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Accounting for Revenue

Findings

The financial statements prepared by four out of five Centres visited namely Esikhoveni, Inyathi, Elangeni and Senga which were consolidated at head office did not account and recognise accrued revenue for invoices in respect of services rendered but only receipted amounts were recognised as revenue. According to records submitted for audit revenue generated by the four Centres during the period under review amounted to \$460 029.

However, \$418 091 was recognised in the financial statements giving a variance of \$41 938 which was an understatement of revenue generated.

Furthermore, payments by Debtors amounting to \$89 372 were erroneously debited to different income heads resulting in total income for the Fund being reduced by those debtors' payments. I therefore could not confirm the correctness of revenue received reported in the financial statements.

Risks/Implications

Failure to account for invoices raised would understate total revenue generated by the Centres and decisions by stakeholders are bound to be made on wrong information.

Without properly accounting for revenue, it may remain uncollected as records may be misleading.

Recommendations

Management should account for all invoices raised for proper recognition of revenue generated.

All receipts from debtors should be correctly credited to the debtors account and debited to the bank account to avoid misstating the revenue figure disclosed in the financial statements.

Management Response

The finding is acknowledged. From the discussions held with the audit team, the Training Centres will forthwith include an invoice listing along with its financial statements, to reflect total revenue generated for each given period.

This observation is acknowledged. In future all receipts from debtors are to be credited to the correct debtor's account concerned and debited to the bank timeously to complete double entry.

(ii) Accounting for Non-Current Assets

Finding

In my 2016 audit report I made mention that non-current assets acquired in 2016 amounting to \$88 241 were written off in the Income and Expenditure Account and management promised to capitalise the non-current assets in the year of purchase in the subsequent reporting periods. However, the practice persisted during the year under review. Non-current assets amounting to \$132 591 acquired in 2017 were again expensed contrary to provisions of paragraph 4.7 and 14.8 of the Fund's Accounting Policies and Procedures Manual which state that fixed assets are to be capitalized at the time of purchase. Failure to capitalise non-current assets and non-disclosure of depreciation in the financial statements resulted in misstatement of the financial statements.

Risk/Implication

Expensing of assets in the income statement may seriously expose them to pilferage.

Changes in Accounting Policies and Procedures that are not supported by documented approval may result in inconsistencies in the treatment of non-current assets.

Recommendation

The Fund's management should ensure that fixed assets are capitalized at the time of purchase as provided in the Accounting Policies and Procedures Manual. Any changes made in depreciation policies, should be adequately documented and fully disclosed in the financial statements.

Management Response

The observation is acknowledged. At the time the Fund was moved to Public Service Commission (PSC) the Ministry was in the process of developing a depreciation policy. This policy was in the draft Accounting Procedures Manual of the Fund which was awaiting approval by Treasury.

Evaluation of Management Response

Paragraph 4.7 and 14.8 of the current Fund's Accounting Policies and Procedures Manual clearly states that fixed assets are to be capitalized at the time of purchase and are to be depreciated using the straight line method. Management should comply with the above provision in accounting for non-current assets and the related depreciation.

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

1 GOVERNANCE ISSUES

1.1 Suspense / Temporary Deposit Account

Findings

Treasury Instruction 1804 requires temporary deposits held for at least six months to be paid into the consolidated revenue account immediately. Contrary to the above mentioned instruction, the Fund's management did not take the necessary steps to clear the temporary deposit account. As a result, \$60 876 which relates to deposits and not claimed from 2009 to 2017 was not paid into consolidated revenue account.

In December 2017, the Fund received \$58 655 from the Ministry for Toronto Training Centre Public Sector Investment Programme (PSIP) and credited it into the temporary deposit account. At the time of concluding my audit in May 2018, \$56 265 of the amount was still not cleared.

Risks/Implications

Failure to pay unclaimed deposits in excess of six months into consolidated revenue account and disclosing it in the Fund's account may result in misstatement of financial statements.

Failure to transfer funds to Toronto PSIP may seriously retard progress in accomplishing the programmes and the funds may be exposed to misappropriation.

Recommendations

The Fund's management should ensure that all deposits unclaimed for a period in excess of six months are paid into revenue in accordance with Treasury Instruction 1804.

The Toronto PSIP's financial resources should be handed over to facilitate furtherance of the objectives of the programme.

Management Response

It is acknowledged that at the time of the audit the Fund had the sum of \$60 876 sitting in the suspense account. The Fund maintained one central account into which all receipts were deposited by all the 13 training centres. Invoicing of debtors happened at the training centres. When paying, the debtors would pay sometimes in bulk and fail to provide the relevant client invoice details to allow clearance in the books, giving rise to the amount in the suspense account. The Ministry did an exercise by visiting the training centres but did not manage to finish due to lack of funding. However, there was a substantial reduction when 7 out of 13 Centres were visited. It would not be prudent to surrender the money to revenue without first completing the exercise. The Fund and the officers responsible for the records were all transferred to the Public Service Commission and the new fund managers shall be made aware of this incomplete exercise.

It is correct that the sum of \$58 655 had remained in the account of the Amenities Fund at the time of the Audit. This amount was in respect of Public Sector Investment programme (PSIP) for Toronto Institute which Treasury had released at the close of the 2017 financial year. Since the year was ending and adjudication processes were still underway, the amount had been deposited into the Fund so that it could be paid over to the contractors upon completion of the work.

1.2 Advances to Parent Ministry

Finding

In my 2016 audit report I mentioned that the Fund had an outstanding advance to its parent Ministry amounting to \$459 113 in respect of payments to suppliers on procurement of goods and services, for the sustenance of Appropriation activities. An additional \$242 814 was advanced to the Parent Ministry in 2017 and \$42 300 was reimbursed closing the account with a balance of \$659 627 as at December 31, 2017.

Risk/Implication

The Fund may fail to implement its programmes if financial resources generated are used to defray non-Fund related expenditure.

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

It is acknowledged that advances to the then parent Ministry had gone up to \$659 627 at the close of the 2017 financial year, being also the time the Fund was transferred to the Public Service Commission. The issue of borrowing by the parent Ministry was as a result of limited fiscal space due to very low releases from the Treasury. Cash flows in the form of releases are improving and the Ministry is making all efforts to desist from borrowing. The new thrust would be to work out a repayment plan with the new Fund managers, with a view of possibly having repaid all the advances by the close of 2019.

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. As at December 31, 2017, the Fund had a total of \$475 714 outstanding and of this amount, \$32 893 had been outstanding for more than six years. The five training centres visited namely Inyathi, Esikhoveni, Elangeni, Chinhoyi and Senga had had a combined debtors' figure of \$101 725 as at December 07, 2018. This was 21% of the Fund's consolidated debtors' figure of \$475 714.

Risk/Implication

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

Recommendations

Management should continue issuing follow-up letters to debtors to expedite recovery of outstanding debts. For debtors in government service the amounts owing should be recovered through Salary Service Bureau (SSB).

Where debts have become bad, appropriate procedures have to be followed by referring them to the Accounting Officer through the Management Committee for his approval to write them off.

Management Response

It is acknowledged that the sum of \$475 714 was outstanding as at December 31, 2017. More reminders will be issued to the debtors and for those in government service the amounts owing will be recovered through Salary Service Bureau (SSB) starting December 2018.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Administration of the Fund

There was no evidence of sittings of the Management Committee as there were no minutes availed confirming the effectiveness of the committee.

PUBLIC SERVICE TRAINING LOAN FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the Public Service Training Loan Fund for the Ministry of Labour and Social Welfare. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	39 061
Expenditure	31 265
Surplus	\$7 796

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-current	---	---
Current	682 692	2 355
Accumulated Fund	---	680 337
Total	\$682 692	\$682 692

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Public Service Training Loan Fund as at December 31, 2017, and its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Trade Receivables

Finding

Prudence concept states that an entity must not overestimate its revenues, assets and profits, besides this, it must not underestimate its liabilities, losses and expenses. However, the Fund overstated its Trade Receivables by including interest receivable which had not fallen due in the financial year under review. The interest figure recognized in the financial statements of \$39 033 included an amount of interest which had not fallen due as full interest was accounted for in the month of the loan's issuance, yet the loans are repaid over a period of 18 months. As a result, I could not rely on the figure of trade receivables of \$403 225 reported for the year under review.

Risk/Implication

Failure to adopt correct accounting principles and the absence of loan amortisation schedules showing the repayment pattern for the Fund's debtors may result in misstatements of the financial statements.

Recommendations

The Fund should adopt and apply correct accounting principles when accounting for its Trade Receivables.

The Fund's management should ensure that a loan amortization schedule is prepared for each debtor for easy management of the debtors.

Management Response

It is acknowledged that the figure for the trade receivables was overstated because full interest due had been debited to the individual ledgers in the month of the loan's issuance. The anomaly will be rectified and amortisation schedules will be prepared for individual debtors. However, we will engage Pastel Sage Evolution so that they can customise the system according to these specifications.

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

1 GOVERNANCE ISSUES

1.1 Debt Management

Finding

In my 2016 audit report, I mentioned that the Fund had not been effective in recovering loans. The problem persisted in 2017 and as at December 31, 2017, the Fund had non-performing loans amounting to \$53 424. This was contrary to Treasury Instruction 0501 which 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.

Risks/Implications

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

Recommendation

Management should ensure that efforts to recover all outstanding debts are made and where it is proved to be fruitless, requests may be made to Government Attorney to take legal action for the recovery of the debt.

Management Response

Delays in recovering outstanding receivables were due to members leaving the service. When a member who owes, leaves the service the amount outstanding is notified to the Pension Agency. However, there is a serious backlog at the Pensions Office, and claimants go for years without accessing their Pensions. As a result, the outstanding debts remain unpaid. In the event of debts remaining irrecoverable, write off procedures shall be instituted in the normal way.

1.2 Administration of the Fund

Finding

Treasury Instruction 0706 states that Accounting Officers shall issue detailed written instructions governing the conduct of financial business and the control of all public monies and the property for which they are responsible for. In my 2016 audit report, I mentioned that the Fund operated without these guiding documents contrary to the above instruction. The problem persisted in 2017 without corrective action being taken.

Risks/Implications

Without the Accounting Procedure's Manual/Accounting Officer's Instructions, there would be no guidelines on how the Fund's financial and operational activities should be accounted for.

This results in inconsistencies in the accounting or treatment of the financial and operational activities.

Recommendation

The Fund's management should formulate Accounting Procedure's Manual/Accounting Officer's Instructions detailing how the Fund's financial and operational activities are to be accounted for as required by Treasury Instruction 0706 for consistence and objective reporting.

Management Response

It is acknowledged that the Public Service Training Loan Fund operated without an Accounting Procedure's Manual. The Ministry was in the process of developing one when the Fund was transferred to the Public Service Commission. Progress had been stalled by the absence of approved Treasury Instructions which only came out in 2017.

1.3 Advance to Parent Ministry

Finding

The Fund's records revealed that in 2016 the Fund had an outstanding advance to its parent Ministry amounting to \$99 049 in respect of payments to suppliers for procurement of goods and services, used to sustain Appropriation Account activities. During the year under review, an additional \$202 464 was advanced to the Parent Ministry and \$166 135 was re-imbursed closing the account with a balance of \$132 078 as at December 31, 2017. Had the funds not been advanced to the Ministry, 289 more applicants would have benefited with each receiving a loan of \$700.

Risk/Implication

The Fund would not be in a position to meet its objective of providing loans to its intended beneficiaries if its financial resources are used to defray non-Fund related expenditure. The capacitation of civil servants would also take long if funds availed for that purpose are used otherwise.

Recommendations

The financial resources of the Fund should be used to provide loans to enable civil servants and officers of Parliament to obtain such qualifications as may be prescribed by the Public Service Commission and for the purchase of textbooks and tuition equipment at college or training school as outlined in the Constitution.

Funds advanced to the Parent Ministry should be recovered and the Accounting Officer is encouraged to comply with the provisions of the Fund's constitution.

Management Response

Due to very low releases from the Treasury, the Ministry borrowed to sustain Appropriation expenditure which could not be deferred. Cash flows in the form of releases are improving and the Ministry is making all efforts to desist from borrowing. Since the Fund has moved to the Public Service Commission, the thrust would be to work out a repayment plan with the new fund managers, with a view of possibly having repaid all the advances by the close of year 2019.

VOTE 4. – DEFENCE, SECURITY AND WAR VETERANS

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The mandate of the Ministry is to defend the sovereignty, territorial integrity and national interests of the Republic of Zimbabwe and contribute to international peace and stability.

Qualified Opinion

I have audited the financial statements of the Ministry of Defence, Security and War Veterans for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve Transfers	Total Allocated	Expenditure	Net Under spending
\$420 364 000	\$202 658 706	\$623 022 706	\$600 106 727	\$22 915 979

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial performance of the Ministry for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Transfer of Ministry Funds to the Welfare Fund

Finding

The Ministry transferred an amount of \$3 487 468 from the Sub-PMG Account to the Welfare Fund administered under Sub-Vote II. The Ministry could not provide me with evidence that the money had been budgeted for that purpose, the nature of the expenditure incurred nor whether the transfer was properly authorised. This therefore, limited the scope of my audit.

Risks/Implications

The Appropriation Account will be materially misstated and misleading as it is prepared using expenditure figures in the Public Finance Management System (PFMS) which may not have been actually expended.

Funds are susceptible to misappropriation or fraud as this circumvents set controls.

Recommendation

The Ministry should provide adequate documentation to support the transfer and the expenditure.

Management Response

The observation is noted. The Ministry has been utilising the Welfare Fund to cover for various emergencies that are being encountered by the organisation. There are various emergency issues that the Ministry is called upon to manage.

(ii) Direct Payments

Finding

Treasury gave an instruction to the Ministry to obtain confirmation of direct payments made to suppliers. As at the time of my audit on May 10, 2019, confirmations had not been obtained nor reconciliations made to support and confirm the direct payments of \$5 447 320 made by Treasury to service providers on behalf of the Ministry. Therefore the payments made could not be validated.

Risk/Implication

If suppliers do not acknowledge payments, dual payments might occur without detection.

Recommendations

The Ministry should always obtain receipts from suppliers whenever direct payments are effected by Treasury to ensure that the payment reached the intended beneficiary.

Also a receipt will act as a written acknowledgement that a payment has been received.

Management Response

The observation is noted. The Ministry is in the process of collecting receipts for various set offs done. We will avail the receipts as they come.

Evaluation of Management Response

As at the end of May 16, 2019, the Ministry had submitted receipts to support payments of \$12 132 044 leaving an outstanding amount of \$5 447 320.

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

1 GOVERNANCE ISSUES

1.1 Expenditure Control and Reporting

Findings

Expenditure for the Government of Zimbabwe is processed through the Public Finance Management System (PFMS) and payments by the Ministry are done through the Sub-Paymaster General's Account (Sub PMG). I observed that the Ministry was transferring released funds from the Sub-PMG account to the Imprest Account (Temporary Deposit Account), for one of its sub-votes, then incurred expenditure from the Imprest Account.

As at December 31, 2018 the Imprest Account had a closing balance of \$5 578 219. Resultantly, the Ministry's Appropriation expenditure was understated.

Furthermore, the Ministry did not avail Treasury Authority to operate Imprest Accounts. I could not confirm whether the Imprest Accounts were operating within the law.

Risks/Implications

The Appropriation Account might be materially misstated as it is not prepared using actual expenditure figures.

Funds may not be used for the intended purposes thereby affecting the Ministry's service delivery.

Recommendation

The Ministry should ensure all departments process transactions in the PFMS and make payments through the sub-Paymaster General to enable consistence and accurate financial information as well as to adhere to controls set by Government.

Management Response

The Ministry acknowledges that there was a huge balance in the Imprest Account. The funds were meant for aircraft maintenance which requires foreign currency. The funds have been kept in the Imprest Account pending the availing of the nostro support by the Reserve Bank of Zimbabwe to facilitate external transfer of funds to the respective foreign supplier.

1.2 Supporting Documentation for Payments

Finding

Treasury Instruction 1205 requires payment vouchers to be supported with sufficient information to enable the expenditure to be verified. Contrary to this requirement, the Ministry did not avail requested documents with expenditure amounting to \$4 113 758. I was not able to validate the expenditure incurred during the financial year under review. The table below refers:

Expenditure Item	Amount (\$)	Comments
Other Expenditure	1 219 030	Documents not provided
Vehicle Maintenance	571 470	No sufficient supporting documents
Physical Infrastructure	639 392	No sufficient supporting documents
Vehicle Maintenance	226 985	Documents not provided
Physical Infrastructure	458 705	Documents not provided
Training and Development	494 210	Documents not provided
Training and Development	343 898	No sufficient supporting documents
Reimbursement to Fund	160 068	No sufficient supporting documents
Total	\$4 113 758	

Risks/Implications

Processing payments without adequate documentation exposes public funds to abuse as it will be difficult to validate the expenditure.

Irregular or fraudulent payments could be processed and dual payments made if supporting documents are not obtained and attached to payment vouchers.

Recommendations

Expenditure should be appropriately and sufficiently supported to enable it to be verified for proper accountability of public funds.

Management should ensure that all payments are fully supported by relevant documents to prevent the processing of fraudulent or irregular payments.

Management Response

The observation is noted. While some of the documents have been submitted, an effort is being made to avail all the required documents. The challenge had been on the new filing method which we introduced recently, we are still in the process of refining it.

A request has since been made to training directorate for receipts to attach to tuition documents.

1.3 Maintenance of Utility Bills Register

Finding

The Ministry was not maintaining a register for utility bills and no reconciliations were being performed to ensure accuracy, completeness of transactions and timely detection of billing errors. This was contrary to the provisions of Section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:19*] which states that every Accounting Officer of a Ministry should keep or cause to be kept proper records of account. Resultantly, there were variances between payments made to service providers as illustrated below:

Date	Service Provider	Payments as per Ministry Records (\$)	Payments as per PFMS (\$)	Variance (\$)	Comments
Jan-Dec 2018	TelOne	1 566 946	1 750 819	183 873	The ledger was understated
June 2018	Net-One	416 575	Nil	416 575	System expenditure understated
Jan-Dec 2018	ZINWA	Nil	696 344	696 344	The ledger was understated

I, therefore, could not confirm with accuracy of the completeness of the amounts outstanding for utility bills as at year end.

Risk/ Implication

Errors may not be detected timeously if adequate records are not maintained resulting in under /overstatement of expenditure.

Recommendations

A utility bills register should be properly maintained and regular reconciliations performed to ensure timely, accurate and complete transaction processing.

The Ministry should obtain confirmation of all payments or receipts made to service providers and reconciliations of amounts outstanding to service providers should be done on a monthly basis.

Management Response

The receipts to support the set off were requested from the service providers.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Unallocated Reserves

There was a variance of \$60 451 168 between the Unallocated Reserve transfer figure disclosed in the Ministry Appropriation Account and the one disclosed in Treasury records.

The Unallocated Reserve transfers were uploaded into the system thereby implementing the recommendation.

2.2 Non- submission of Returns

The Ministry did not submit the under listed returns for audit. As a result, I could not evaluate the performance of the Ministry in terms of revenue collection and debt recovery.

- Receipt and Disbursements -Revenue Received
- Outstanding Revenue -Statement of Public Financial Assets

The recommendations were implemented as the returns were later submitted. The 2018 returns were also submitted.

2.3 Donations

The Ministry received various donations in the form of a bus, computers, television sets, refrigerators, radio, printers, chairs and decoders. However, these donations were not recorded in the asset register and on the return.

The recommendation was implemented as the return was later submitted. The 2018 return was also submitted.

DEFENCE PROCUREMENT FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the Defence Procurement Fund for the Ministry of Defence and War Veterans Affairs. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	2 155 147
Expenditure	3 656 229
Deficit	(\$1 501 082)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current		-
Accumulated Fund	1 679 646	1 796 485
Current	116 839	-
Total	\$1 796 485	\$1 796 485

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Defence Procurement Fund as at December 31, 2018, its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Unvouched Expenditure

Finding

An examination of the Fund's bank statement for the year under review revealed that expenditure amounting to \$382 925 was incurred and was disclosed as 'handling fees' in the financial statements. However, no vouchers nor supporting documents were provided to

support the expenditure. I was unable to determine whether the amount was a proper charge to the Fund.

Furthermore, I noted that monthly bank reconciliations were not being done as this would have assisted in the determination of the transactions processed by the bank including the handling fees of \$382 925.

Risks/ Implications

Expenditure incurred without valid supporting documentation exposes public resources to improper payments, misappropriation and abuse.

Failure to carryout reconciliations may result in some transactions not being accounted for.

If reconciliations are not done, fraud, errors and omissions might not be detected and corrected.

Recommendations

All payments made from public moneys should be sufficiently supported to ensure that only valid and authentic payments are done.

The Ministry should prepare monthly reconciliation statements and maintain accounting records that are up-to-date at all times.

Management Response

The Fund is in the process of communicating with the bank for clarification on the transactions and bank reconciliations will be performed as recommended.

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

1 GOVERNANCE ISSUES

1.1 Lack of Accounting Officer's Instructions

Finding

For the fourth year running, the Fund operated without Accounting Officer's Instructions which should provide proper guidance and direction on the logical flow of transactions specific to the Fund. In the prior year's report, it was indicated that the instructions were going to be put in place and issued out, but as at the time of audit in March 2019, only draft instructions were in place and had not been authorised.

Furthermore, during the year under review, depreciation of \$3 222 554 was charged on the Fund's assets but no accounting policy was produced to justify how the assets were depreciated. This was contrary to the provisions of Treasury Instructions 0706 which stipulate 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.

Risks/Implications

Lack of specific instructions may hinder coordination of activities thereby adversely affecting the achievement of the Fund's mandate.

Assets would be improperly valued if there is no policy or authority on how depreciation is to be charged on assets.

Recommendations

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, thereby reducing processing inconsistencies.

The Fund should formulate a depreciation policy to enable the depreciation of non- current assets and prevent overstatement of assets in the financial statements.

Management Response

The Ministry has prepared an Accounting Officer's Instructions and is awaiting for Treasury's comments. The depreciation issue will be looked into.

WAR VETERANS FUND 2017

OBJECTIVE OF THE FUND

The Fund was established for the purpose of rendering financial assistance to war veterans and their dependants 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.

Qualified Opinion

I have audited the financial statements of the War Veterans Fund for the Ministry of Defence and War Veterans Affairs. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	17 981 000
Expenditure	13 144 114
Surplus	\$4 836 886

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current		-
Accumulated Deficit	1 174 705	(4 801 717)
Current	5 962 008	11 938 430
Total	\$7 136 713	\$7 136 713

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the War Veterans Fund as at December 31, 2017, and financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Supporting Documentation

Payment vouchers amounting to \$3 639 810 for education assistance (which constitutes 37% of education assistance expenditure), \$181 031 for funeral assistance and \$27 561 for health

assistance were not availed for my inspection. I therefore, could not ascertain whether the expenditure incurred relates to the Fund.

Risk/ Implication

Expenditure incurred without valid supporting documentation exposes public resources to dual payments, misappropriation and abuse.

Recommendation

All payments made from public moneys should be sufficiently supported to ensure that only valid and authentic payments are done. This would enable the Fund to fully account for all expenditure.

Management Response

The system which was in place in the year under audit gave registry section the responsibility to file all documents including payment vouchers. However, to mitigate the problem with effect from 01 August 2018 all payment vouchers are in custody of the Accounts section.

The system of filing maintained by the Registry Section recognized the War Veteran whereas the payment recognized the beneficiary hence the challenges in locating the files. However, efforts are being made to locate the outstanding documents.

(ii) Maintenance of Accounting Records

Contrary to the provisions of Section 10 (1) of the War Veterans Act [Chapter 11:15], which stipulates that proper records in relation to the Fund should be kept, the Fund did not maintain ledgers. Financial statements were being prepared from the cashbook and bank statements. As a result, I noted with concern that the total expenditure figure of \$13 144 114 reported in the Statement of Comprehensive Income was understated by \$701 750 relating to education, health and administration costs. Therefore, I could not place reliance on the financial information disclosed in the financial statements.

Risks/ Implications

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

Misstatement of the financial statements compromises the reliability of the financial information presented and users may make decisions based on wrong information.

Recommendations

The Fund should ensure that proper books of accounts are maintained so that all financial transactions are recorded and disclosed. This also facilitates detection of errors and misstatements timeously.

Management Response

The observation is noted and the ledgers are being maintained for the current financial year to ensure accurate and complete disclosure of all financial information and transactions

(iii) Accounts Payable

I noted that the Fund disclosed accounts payables of \$1 151 948 in respect of funeral assistance for the period under review which was an increase of about 300% when compared with the prior year figure of \$232 800. Payables of \$885 616 were said to have arisen from prior years (2013-2015) but had not been accounted for. The Fund did not correct the prior period errors retrospectively by either restating the comparative amounts for the prior period(s) presented in which the error occurred or restating the opening balances of assets, liabilities and equity for the period under review.

Further, the supporting documents showing the breakdown of the amount of \$885 616 were not availed for audit. As a result, I could not place reliance on the accounts payable figure which was disclosed in the financial statements.

Risk/Implication

If errors are not addressed according to accounting standards financial statements could be materially misstated.

Recommendation

The Fund should prepare the financial statements in accordance with applicable regulatory frameworks to enhance accountability of funds.

Management Response

The observation is noted. Correction is in progress to include payables initially omitted for the period covering 2015 to 2017 so as to reflect the true and fair view of the financial position of the War Veterans Fund.

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

1 GOVERNANCE ISSUES

1.1 School Fees

Finding

School fees for war veterans' dependents are now being made directly into the schools' bank accounts except for fees to institutions out of Zimbabwe which were being deposited into the respective war veterans' personal accounts. However, no receipts were being obtained from some institutions to confirm receipt of the payments, especially for fees deposited into

individual accounts. Without proof of receipt of payment, I could not satisfy myself that the fees were actually paid to the intended institutions as required by Section 81 (2b) iii of the Public Finance Management Act [*Chapter 22:19*].

Risks /Implications

In the absence of sufficient supporting documentation, it would be difficult to verify the authenticity of the transactions.

Expenditure incurred without valid supporting documentation exposes public resources to dual payments, misappropriation and abuse.

Recommendation

The Fund Administrators should request receipts from the individuals who are not acquitting the payments to ensure that expenditure incurred is supported by adequate documentation. The resources of the Fund will be safeguarded by enforcing accountability.

Management Response

The Ministry has been paying fees directly into Educational Institutions accounts for local and foreign students until June 2018 when the Bank advised of foreign currency challenges. As a temporary measure, we had agreed to pay fees into parent/guardian`s account until foreign currency situation normalizes. Furthermore, measures are being put in place to ensure all beneficiaries forward receipts before the next payment of fees to enhance accountability.

VOTE 5. - FINANCE AND ECONOMIC DEVELOPMENT

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry is responsible for the formulation of macro-economic policies and national development programmes and plans, mobilization, allocation, management and accounting for public resources.

Qualified Opinion

I have audited the financial statements for the Ministry of Finance and Economic Development for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes to the Account.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve transfers	Unallocated Reserve transfers to Ministries	Total	Expenditure	Net (Over spending)
\$333 680 000	\$314 896 480	(3 390 421 865)	(\$2 741 845 385)	\$467 402 886	(\$3 209 248 271)
Constitutional and Statutory Appropriation					
\$2 354 017 000	-	-	\$2 354 017 000	\$1 972 074 054	\$381 942 946

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Appropriation Account for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Excess Expenditure on the Vote

Findings

The Ministry incurred unauthorised excess expenditure on its Vote amounting to \$3 209 248 271. Had the Ministry used the approved budget of \$244 921 000 disclosed in the Appropriation (2018) Act, 2018 instead of the Blue book budget figure of \$333 680 000, the unauthorised expenditure would have been \$3 298 007 271. The excess was mainly related to Unallocated Reserves transferred to Ministries that were increased to \$3 390 421 865. The

provisions of section 305(5) of the Constitution of Zimbabwe Amendment (No. 20 Act), 2013 state that “If money appropriated to a purpose under an Appropriation Act is insufficient or if expenditure is needed for a purpose for which no money has been appropriated, the Minister responsible for Finance must cause an additional or supplementary estimate to be presented to the National Assembly, and if the National Assembly approves the estimate the Minister must cause an additional or supplementary appropriation Bill to be introduced into the Assembly providing for necessary money to be issued from the Consolidated Revenue Fund”.

The excess expenditure was still to be regularised in terms of section 307 of the Constitution of Zimbabwe Amendment (No. 20 Act), 2013.

Risk/Implication

Incurring unauthorised excess expenditure may result in irregular utilization of public funds and does not promote good financial management.

Recommendation

Treasury should approach Parliament to regularise the excess expenditure.

(ii) Unallocated Reserves

Finding

The initial budget for Unallocated Reserves (URs) was \$122 865 000. The Unallocated Reserves were increased by \$3 267 556 865 to come up to \$3 390 421 865. However, some line Ministries did not confirm receipt of transfers amounting to \$3 738 254. Furthermore, I was not availed with evidence of source of funding and line Ministry requests for additional funding so that I could establish the justification for the additional funding that was availed to Ministries. Section 305 (5) of the Constitution of Zimbabwe, provides that an additional or supplementary estimate should be approved by Parliament where expenditure is needed for a purpose for which no money had been appropriated. The following table shows amount of URs not confirmed by some line Ministries;

Unallocated Reserve transfers not confirmed

Ministry	Treasury UR transfers (\$)	Amount confirmed by Ministry (\$)	Amount not confirmed (\$)
Office of the President and Cabinet	126 177 583	122 524 489	3 653 094
Justice, Legal and Parliamentary Affairs	5 687 035	5 601 875	85 160
Total			\$3 738 254

Risk/Implication

If expenditure is not managed within the approved budget, a budget deficit may result which may prevent government from providing essential services to the citizens.

Recommendation

Treasury should manage the budget within the approved limits set by the House of Assembly. Additional or supplementary estimates should be presented to Parliament for approval as provided for in the Constitution of Zimbabwe.

(iii) Servicing and Repayment of Public Debt

Findings

Treasury disclosed \$1 970 093 271 as expenditure incurred on service and repayment of public debt. Source documents to support the payments were not availed for audit examination thus limiting my scope of audit. Processing of debt service and repayments were made on the strength of schedules from the Reserve Bank of Zimbabwe which was said to be holding the source documents. I was therefore unable to confirm the correctness, completeness and classification of expenditure. This was contrary to provisions of Treasury Instructions 1606 which requires payment vouchers to be adequately supported before payment is done.

Furthermore, the Public Finance Management System (PFMS) had a debt repayment balance of \$1 977 876 054 while the Statement of Public Debt had a balance of \$1 977 875 064 and the Constitutional and Statutory Appropriation disclosed expenditure amounting to \$1 970 093 271.

In the previous year, I highlighted that Treasury had made a payment amounting to \$1 006 658 in settlement of Zimbabwe Asset Management Company (ZAMCO) debts. Treasury indicated that the payment had been done in error and therefore would be recovered. However, at the time of concluding my audit the recovery had not been done.

Risk/Implication

Financial statements may be materially misstated. Cases of overpayments may arise if source documents are not used to process payments.

Recommendations

Treasury should make payments based on source documents rather than relying on the RBZ schedule. The source documents should be availed for audit examination.

Debt repayment balances should be reconciled.

Treasury should recover the erroneous payment made to ZAMCO.

(iv) Revolving Agricultural Inputs Program

Findings

The Ministry approved a Revolving Agriculture Inputs program which commenced operations in 2016 and was being financed through loans provided by a private lender. The program involved procurement and distribution of agricultural inputs by the lender to intended beneficiaries through use of the Grain Marketing Board (GMB) depots. Treasury did not give detailed guidelines, procedures and nature of accounting records that were to be maintained by parties participating in the programme to ensure occurrence, accuracy, completeness and valuation of transactions.

In 2018, as part of the Revolving Agriculture Input program, Treasury entered into two contracts with a private lender for the financing of the 2018 winter wheat season worth \$58 582 500 and \$353 732 600 that was ear marked for the Special Maize and Soya Beans program for 2018/2019 summer season. The program was funded from the issuance of Treasury Bills. An advance payment of \$182 500 000 was made to the lender in fulfilment of the terms of the contracts.

Treasury however, did not avail evidence that the value of inputs procured were disbursed and reconciled to the loan amount and that the inputs were delivered to GMB depots for distribution to intended beneficiaries. Monitoring and evaluation reports availed for my examination highlighted operational issues, leaving out the accounting aspects of the program.

Risks/Implications

The absence of detailed guidelines, procedures and nature of accounting records makes it challenging to properly account for financial activities of the program.

In the absence of evidence of delivery and receipt of inputs, it may be challenging to establish whether the inputs reached the intended beneficiaries.

The procurement and delivery of agricultural inputs by the lender may result in the risk of under delivery of inputs as there was no segregation of duties and monitoring controls.

Recommendations

Treasury should provide detailed guidelines, procedures and nature of accounting records to be maintained so that the programme activities are properly accounted for.

The lender should not be involved in both procurement and distribution of inputs in order to separate the two tasks to promote transparency.

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

1 GOVERNANCE ISSUES

1.1 Original Budget Estimates

Findings

The original budget estimates approved by Parliament as per the Appropriation (2018) Act, 2018 for Ministry of Finance and Economic Development were different from the detailed Budget Estimates/Blue Book figures. The Ministry disclosed original estimates of \$333 680 000 whereas the Appropriation (2018) Act, 2018 had an approved budget of \$244 921 000.

I was informed that Budget Estimate figures were not revised downwards following the passing of the Appropriation (2018) Act, 2018 by Parliament and hence the Ministry used budget figures in the Blue Book/Budget Estimates instead of the approved budget in the Appropriation (2018) Act, 2018. By not revising the Budget Estimates, Treasury therefore increased Budget funds for the Ministry by \$88 759 000.

Furthermore, the Appropriation (2018) Act, 2018 had a budget provision of \$520 000 000 for the Ministry of Health and Child Care instead of \$510 032 000. This figure was overstated by \$9 968 000 due to arithmetic errors.

Risk/Implication

The original budgets for Ministries of Finance and Economic Development and Health and Child Care were overstated.

Recommendation

The Ministry should approach Parliament to seek regularisation of the increase of voted funds for Ministry of Finance and Economic Development.

1.2 Retention Funds

Finding

Parliament appropriated funds from Retention Funds to some Ministries through the Appropriation (2018) Act, 2018 (4). The total budget appropriated amounted to \$412 566 000. Section 6(2) of the Public Finance Management Act [*Chapter.22:19*] provides that the Treasury may by notice to officers concerned issue instructions or directions in relation to issue of matters involving expenditure of public money and the operation of any Statutory Fund. However, Treasury did not give detailed guidelines on how the funds were to be accounted for and reported on, in the Appropriation Account and in the Retention Fund accounts.

Risks/Implications

There may be overprovision on Appropriation account budget where the budget provision for Retention Fund Accounts is not matched with the respective expenditure incurred.

There is risk of double counting of expenditure in both Appropriation and Retention Fund Accounts and non-recording of assets bought on behalf of the Ministries by the Retention Funds.

Recommendation

Treasury should give detailed guidelines on how the appropriated funds and the expenditure from Retention Funds should be accounted for in both the Appropriation and Retention Fund accounts ensuring that there is no double counting of expenditure or incomplete disclosure of assets, investments and other information.

Retention Funds should be linked to their Ministries accounting system.

1.3 Submission of Financial Statements

Finding

The last financial statements for the Assets Disposal Fund and Senior Officers Housing Fund accounts submitted for my audit were for the financial years ended December 31, 2013 and December 31, 2015 respectively. The Fund accounts have continued operating notwithstanding failure to submit the financial statements. The non-submission of the Senior Officers Housing Fund account financial statements was attributed to migration from manual accounting system to a computerised loans management module which was being developed by system programmers. The maintenance and preparation of financial records appears to have stalled as a parallel run was not done. The non-submission of the Assets Disposal Fund account was attributed to transfer of staff who were responsible for the accounting function without appointing a replacement.

The non-submission of financial statements for audit is in violation of Section 35 (4) & (6) of the Public Finance Management Act [*Chapter. 22:19*] which requires that annual financial statements be submitted for audit.

Risk/Implication

It may be challenging to establish whether public resources were properly accounted for in the absence of audited financial statements.

Recommendations

The Ministry should comply with statutory requirements by submitting financial statements for audit.

The process of computerisation of loans management system should be expedited.

1.4 Audit Committee

Finding

An Audit committee was put in place in 2017. However, there was no evidence that the Committee ever met to discharge its mandate, since it was constituted, contrary to provisions of Section 84 (3) (b) of the Public Finance Management Act [*Chapter. 22:19*] which requires Audit Committees to meet at least twice each financial year. I was informed that one of the committee members was not in agreement with the appointment citing conflict of interest, thus stalling the meetings of the Committee.

Risk / Implication

A non-functional Audit Committee may compromise corporate governance within the Ministry.

Recommendation

Treasury should replace the member in order for the Audit Committee to become functional.

2 PROCUREMENT

2.1 Public Finance Management System (PFMS)

Finding

The Ministry accumulated outstanding annual and maintenance fees amounting to EUR 5 044 061.75 and ZAR 318 674.56 in respect of invoices raised by the PFMS service provider. Some of the invoices have been outstanding since year 2017. I was advised that payments could not be made due to foreign currency challenges and that a payment plan was being negotiated.

Risks/Implications

Failure to pay annual and service fees may result in termination of services that may disrupt the payment system of Government.

There is risk of interest and legal costs being charged for late payment should the service provider take legal route to enforce his rights.

Recommendation

Treasury should prioritise use of the available scarce foreign currency to pay the annual and service fees as the service provided is very critical to avoid services from being disrupted.

Management Response

At the time of finalising this report, the Ministry was still to respond to the issues raised.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Unallocated Reserves

The approved budget for Unallocated Reserves was exceeded again during the year under review and some Ministries did not confirm receipt of some of the UR transfers.

3.2 Service and Repayment of Public Debt

The different balances reflected in the financial statements, the Public Finance Management System and Debt Management and Financial Management System were not reconciled and the issue recurred during the year under review.

3.3 Outstanding Payments Due to Creditors

Guidelines and procedures to be followed when Ministries are wound up, merged or demerged were not issued as recommended.

3.4 Expenditure incurred by Statutory Funds on behalf of Parent Ministries

The Ministry did not issue accounting guidelines and procedures in-inter related party transactions.

3.5 Donations

In respect of the distribution of laptops donated from the African Development Bank, issue vouchers were being signed by the receiving officers.

3.6 Open Items in Public Financial Management System

The open items for the year under review was reduced from \$113 716 434 to \$746 344.

PUBLIC FINANCE MANAGEMENT SYSTEM 2018

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 the PFMS while the Director is the Project Manager. The Infrastructure of the system is managed by the Ministry of Information, Communication Technology, and Cyber Security. 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
- e) Business Intelligence (BI) - for reporting and the Business Planning and Consolidation Module for budgeting.
- f) Grants Management Module - for management of donor funds.

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 application controls.

I have audited the General and Application Controls of the Public Finance Management System for the period ended December 31, 2018.

Below are the material issues noted:

1 GOVERNANCE ISSUES

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 IT Policy was approved in 2017 and had been distributed to users, however users had not signed acknowledgement forms as evidence that they had read and understood the policy provisions. Furthermore, no evidence was availed for audit that awareness training was conducted to educate users of their security responsibilities. This issue was raised in my 2017 report.

Risk/Implication

The effectiveness of implementations of IT security would be compromised if members of staff are not aware of their security responsibilities as documented in the IT Policy.

Staff may not be bound by the provisions of the Policy if they have not signed acknowledgement forms.

Recommendations

There is need for all users of the PFMS to sign acknowledgement forms as proof that they have read and understood the provisions of the policy.

There is also need to regularly educate users of their security responsibilities.

Management Response

Observation has been noted. Acknowledgement forms will be developed and training of users will be done by mid-June 2019.

1.2 Posting Financial Transactions to Closed Financial Years

Finding

At the time of audit, I observed that some ministries were still posting figures to closed financial periods in the PFMS contrary to the standard (13th) period. This matter was also raised in my report for the year 2017.

Risk/Implication

The expenditure reported in the Appropriation Accounts may be misstated if transactions continue to be posted after financial statements have been prepared and audited.

Recommendation

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

Management Response

Noted. Position was taken that all closed posting periods be utilised only for posting after the Accountant-General's approval. A circular will be issued spelling out usage of the 13 to 16th periods.

1.3 Master Data Maintenance

Finding

Vendor master data contains information of a permanent nature about the vendor organisations one is dealing with. It includes information such as vendor name, address and bank account.

The maintenance of vendor master data is ordinarily a business function. I observed that of the thirty-three (33) users who could create new vendors, four (4) were outside consultants and two (2) were Basis Administrators from the technical department.

Furthermore, segregation of duties was not duly effected in the maintenance of vendor master data. Of the thirty-three (33) users who could create vendors, thirty-one (31) could also delete vendors from the vendor master data file. Ideally users who create master data should not be able to delete master data.

In my report for 2017, I had recommended that vendor maintenance be restricted to employees from the business side and that vendor creation and deletion functions be separated. At the time of my audit, in May 2019, as highlighted above these matters remained unresolved.

Risks/Implications

The integrity of vendor master data may be compromised if access to maintain vendors is not adequately restricted.

Fictitious vendors may be created and deleted for processing fraudulent transactions if proper segregation of duties is not effected between vendor creation and deletion.

Recommendations

Vendor master data maintenance should be restricted to personnel from the business function. External Consultants and Basis Administrators should not have access to create vendors.

Users assigned the rights to create new vendors should be distinct from those who can delete vendors from the vendor master records.

Management Response

Noted. To be corrected by the end of June 2019.

1.4 Goods-Receipt/Invoice-Receipt Clearing Account

Findings

The Goods Receipt/ Invoice Receipting (GR/IR) is a clearing account for goods received and invoices received. Ideally the account should have a zero balance.

In my 2017 report, I reported that there were no documented policies and procedures in place to ensure an effective and timely resolution of outstanding items in the GR/IR account. This matter remained unresolved. In addition, an extraction of the GR/IR account at the time of audit revealed that several long outstanding amounts had not been cleared from the account.

Risks/Implications

Fraud and errors in procurement may not be timely discovered and resolved if policies and procedures for maintaining the GR/IR account are not developed and implemented.

The integrity of the GR/IR account may be compromised.

Recommendation

Policies and procedures to facilitate timeous resolution of outstanding items in the GR/IR account should be developed.

Management Response

We take note of the observation. We are scheduling a training programme for line Ministries on the clearance of GR/IR account by the end of July 2019.

2 ASSET ACCOUNTING CYCLE

2.1 Asset Master Data Maintenance

Finding

Asset master record includes details such as asset descriptions, asset class and asset number ranges. In ministries asset maintenance is ordinarily done by the Administration Department.

I noted that some users who could maintain master asset records were not from the Administration department but belonged to departments such as Accounting and Audit. This matter had also been brought to the attention of management in my 2017 report.

Risk/Implication

Unauthorised changes may be made to master records if access to master asset records is not adequately controlled thereby impacting integrity of records.

Recommendation

Access to asset master data should be restricted to Administration Department Staff in line with job descriptions.

Management Response

The observation has been noted. We are going to review our user groups in the system by the end of June 2019.

2.2 Register of Assets

Findings

The register of assets maintained in the Public Finance Management System could not be displayed at the time of my audit because year-end procedures which enable the register to be viewed had not been done for ten (10) ministries. I could therefore not satisfy myself whether all assets had been accounted for in the PFMS. As a result, the scope of my audit was limited. This matter was also raised in my report for the year 2017.

Risks/Implications

Assets might go missing without trace if registers in the Public Finance Management System are not available for audit.

Completeness and accuracy of registers may not be determined if registers cannot be displayed in the system.

Recommendation

There is need to perform year-end procedures that enable the register to be displayed in the system.

Management Response

The observation has been noted. There are procedures that ministries carry out prior to the depreciation run that had not been done. Training will be conducted in line ministries in August 2019.

FINANCE STATEMENTS

STATEMENT OF CONTINGENT LIABILITIES 2015-2017

BACKGROUND INFORMATION

Contingent Liabilities are loans advanced to Parastatal Bodies, Funds and private companies by independent lenders under guarantee by government. The power to guarantee rests with the Minister of Finance and Economic Development as per the Public Debt Management Act [Chapter 22:21]. The Minister issues guarantees on the recommendations of the External and Domestic Debt Management Committee and Public Debt Management Office.

Adverse Opinion

I have audited the Statement of Contingent Liabilities for the Ministry of Finance and Economic Development for the years ended December 31, 2015, 2016 and 2017.

Below is a Summary of the Contingent Liabilities:

GUARANTEES	Net Contingent Liability as at December 31, 2017	Net Contingent Liability as at December 31, 2016	Net Contingent Liability as at December 31, 2015	Net Contingent Liability as at December 31, 2014
	\$	\$	\$	\$
PUBLIC SECTOR				
External	-	-	-	539 678 746
Domestic	82 665 447	52 739 000	55 000 000	735 382
PRIVATE SECTOR				
External	-	-	-	517 107 128
Domestic	-	-	-	20 000 000
Grand total	\$82 665 447	\$52 739 000	\$55 000 000	\$1 077 521 256

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the Statement does not present fairly, in all material respects, the financial position of the Contingent Liabilities as at December 31, 2017, 2016 and 2015 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Adverse Opinion

(i) Net Contingent Liabilities

Finding

The Statement of Consolidated Contingent Liabilities had a balance of \$82 665 447 at December 31, 2017. Identity of lenders who advanced loans were not disclosed. However, returns from line Ministries had net Contingent Liabilities amounting to \$1 383 783 273, giving a variance of \$1 301 117 826 which was not reconciled.

As at December 31, 2016 the Statement had a balance of \$52 739 000 which was made up of Agricultural Marketing Authority Bills raised to purchase grain during the 2014 marketing

season and a loan/loans to Infrastructural Development Bank of Zimbabwe for the financing of various housing projects. Lenders to the Agricultural Marketing Authority and Infrastructural Development Bank of Zimbabwe guaranteed by Government were not disclosed, and returns from line Ministries had net Contingent Liabilities amounting to \$1 455 762 639, giving a variance of \$1 403 023 639 which was not reconciled.

As at December 31, 2015 the Statement had a balance of \$55 000 000 which was made up of Agricultural Marketing Authority Bills raised to purchase grain during the 2014 marketing season. Lenders for the Agricultural Marketing Bills were not disclosed. However, returns from line Ministries had net Contingent Liabilities amounting to \$1 391 942 362, giving a variance of \$1 336 942 362 which was also not reconciled.

The following table shows balances disclosed by line Ministries at each of the three year-ends;

Line Ministry balances of Contingent Liabilities

Ministry	Net Contingent Liability as at December 31, 2017	Net Contingent Liability as at December 31, 2016	Net Contingent Liability as at December 31, 2015
Ministry of Finance and Economic Development	66 123 943	62 650 815	-
Ministry of Energy and Power Development	287 614 366	528 884 464	544 946 693
Ministry of Industry and Commerce	244 180 294	220 854 444	223 606 470
Ministry of Agriculture	64 630 863	66 051 501	66 051 501
Ministry of Information Communication Technology	721 142 789	574 703 059	557 337 698
Ministry of Sport and Recreation	-	2 545 076	-
Ministry of Youth, Indigenisation and Economic Development	91 018	73 280	-
Totals	\$1 383 783 273	\$1 455 762 639	\$1 391 942 362

Risk/Implication

The Statement of Contingent Liabilities may be materially misstated due to unreconciled balances and missing details of lenders.

Recommendation

The Public Debt Management Office should liaise with Line Ministries to ensure that accurate returns are prepared and reconciliations are done.

Management Response

In order to make a comprehensive response we kindly request the statements of contingent liabilities submitted to Audit Office by the Ministries, on which the queries are based.

Evaluation of Management Response

On April 26, 2019 the Ministry of Finance and Economic Development was given statements of contingent liabilities from line Ministries as per request.

(ii) Contingent Liability Balances for 2014

Findings

The net Contingent Liabilities for 2014 were \$1 077 521 256, however, this balance was not disclosed in the 2015 Statement. It was explained that the prior year balances were transferred to the Statement of Public Debt when Government assumed liability for the publicly guaranteed loans. There was no proof of authorization for the assumption of the loans, neither were arrangements made on how the State would recover payments it would make on behalf of former beneficiaries of the loans. Furthermore, there was no evidence that Ministries were advised of loans that were taken over by the State.

The assumed publicly guaranteed debt was \$1 747 833 595 in 2014 whereas the Contingent liabilities for the same year were \$1 077 521 256. This resulted in an overstatement of the assumed debt by \$670 312 339. This issue had not been resolved as at December 31, 2017.

Risks/Implications

The Statement of Contingent Liabilities may be materially misstated.

There is risk of overstatement of Contingent Liabilities as line Ministries continue disclosing Contingent Liabilities that have been assumed as Public Debt.

Recommendations

The different balances should be reconciled and documents or minutes authorizing the assumption of publicly guaranteed loans should be availed for audit examination.

The Public Debt Management Office should advise line Ministries of loans that would have been assumed by the State

Management Response

The Guarantee Agreement which is signed at the inception of the loan is sufficient for a claim to be paid by the State in case of default by any public entity or Local Authority. In the event that any guarantee is called-up, it automatically becomes the obligation of Government to settle the claim.

However, this is not debt assumption. According to the Public Debt Management Act, such called-up guarantees when paid by Government, parastatals are not necessarily going to remove them from their books. They can only remove them through a Debt Assumption Act. This implies that Government will receive the equivalent amount paid to creditors from any defaulting parastatals.

Evaluation of Management Response

The Ministry did not address the issues raised of disclosing contingent liabilities in the Statement of Public Debt thereby increasing the balance of total public debt.

Furthermore, the Ministry submitted a 2014 statement of contingent liabilities with a total of \$1 077 521 256 and a 2015 Statement of Public Debt with assumed guarantees of \$1 747 833 595 that were not reconciled.

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

1 GOVERNANCE ISSUES

1.1 Non-Compliance with the Public Debt Management Act

Finding

Section 30 of the Public Debt Management Act [*Chapter.22:21*] requires monthly, quarterly and annual reports on guarantees to be prepared and submitted to the Accounting Officer and the Accountant-General and to be presented to Parliament by the Minister at least bi- annually. During the financial years 2015, 2016 and 2017, this provision was not complied with.

Risk/Implication

Parliament may not have information on loans and guarantees made by Government to make informed decisions.

Recommendation

The Ministry should present before Parliament reports on loans and guarantees as prescribed.

Management Response

The Public Debt Management Office acknowledges that reports have not been submitted to Parliament frequently. However, the Office has been providing reports to the Accounting Officer, Accountant General and Parliament upon request.

Evaluation of Management Response

Copies of reports submitted to the Accounting Officer, Accountant-General and Parliament upon request were not availed for audit examination.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Incomplete register

The register for Contingent Liabilities did not contain all the relevant details such as the original foreign currency amounts and repayments.

Details of Contingent Liabilities are now recorded in the Debt Management and Financial Analysis System.

STATEMENT OF PUBLIC FINANCIAL ASSETS 2015 and 2016

BACKGROUND INFORMATION

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

Adverse Opinion

I have audited the Statement of Public Financial Assets for the Ministry of Finance and Economic Development for the financial years ended December 31, 2015 and 2016.

Below is a summary of the Statement of Public Financial Assets for the year:

Service	Balance as at December 31, 2015 (\$)	Expenditure 2016 (\$)	Recoveries 2016 (\$)	Adjustments (\$)	Balance as at December 31, 2016 (\$)
Long term loans	492 295 164	1 213 623	-	8 468 839	501 977 626
Investments	3 062 446 559	66 128 301	-	1 560 761	3 130 135 621
Short term loans	12 619 900	-	-	-	12 619 900
Total	\$3 567 361 623	\$67 341 924	-	\$10 029 600	\$3 644 733 147

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraphs, the financial statements, do not present fairly, in all material respects, the financial position of the Statement of Public Financial Assets as at December 31, 2015 and 2016.

Basis for Adverse Opinion

(i) Treasury Public Financial Assets ledger

Finding

Details of the Statement of Public Financial Assets should be extracted from the Treasury Assets Ledger which is debited annually with the amounts disbursed from loan appropriations. Treasury did not maintain the ledger, therefore I was not able to verify or confirm the correctness of the balances on the Statement of Public Financial Assets. This limited the scope of my audit.

Risk/Implication

The absence of a ledger and accounting records casts doubt on the reliability of the Statement.

Recommendation

Treasury should maintain a Public Financial Assets Ledger to enhance the reliability and correctness of the Statement.

(ii) Adjustments - 2016

Finding

Good practice requires that any adjustments to financial statements must be accompanied by explanatory notes and supporting documents/evidence. During the year under review Treasury made adjustments amounting to \$10 029 600 on long term loans and investments. The notes and supporting documents were not availed to enable me to substantiate whether the adjustments made were genuine. This was as a result of non-maintenance of proper accounting records. Furthermore, Treasury adjustments of \$10 029 600 differed from total adjustments of \$12 460 903 from line Ministries.

Adjustments -2015

Finding

Good accounting practice requires that any adjustments to financial statements must be accompanied by explanatory notes and supporting documents/evidence. During the year under review Treasury made adjustments amounting to \$2 871 536 091 to long term loans and investments on the statement. Although notes were provided, explaining the adjustments, no documentary evidence was availed to enable me to substantiate whether the adjustments were genuine. This was caused by failure by Treasury to maintain accounting records.

Treasury adjustments of \$2 871 536 091 differed from those disclosed by line Ministries which amounted to \$1 146 590 240 giving a variance of \$1 724 945 851.

Furthermore, Treasury made a downward adjustment of \$20 577 466 on an investment held in the Eastern and Southern Africa Development Bank without providing notes to explain the movement. This casts doubt on the adjustment.

Risk/Implication

The statement may be materially misstated.

Recommendation

Treasury should maintain accounting records and ensure that adjustments are supported to substantiate the transactions.

(iii) Inconsistency in Balances Between Treasury and Line Ministries - 2016

Findings

There were inconsistencies between the balances disclosed on the Consolidated Treasury return and balances per Ministry returns. Ordinarily these balances should be the same or where there are variances, reconciliations should be done. I therefore could not verify the correctness of the return as the Public Financial Assets ledger was not being maintained. The table below shows variances on Public Financial Assets balances.

Variances on the Public Financial Assets balances

Item	Balance per Treasury Return (\$)	Balance per Ministry Returns (\$)	Variance (\$)
Opening balances	3 567 361 624	2 162 221 545	\$1 405 104 079
Lending & Equity expenditure	67 341 924	709 837 550	\$398 858 269
Closing balances	3 644 733 149	2 884 519 854	\$760 213 295
Long term loans (Ministry of Agriculture)	190 473 115	1 356 642 973	(\$1 166 169 858)

Inconsistency in Balances Between Treasury and Line Ministries - 2015

Findings

There were variances between the balances reflected on audited returns from line Ministries and Treasury. The Treasury statement had opening balances of \$664 648 198 while line Ministries had a total amount of \$864 078 607 resulting in a variance of \$199 430 409 which was neither reconciled nor explained.

Furthermore, the Treasury statement disclosed long term loans and investments amounting to \$190 473 114 for the Ministry of Agriculture, Mechanization and Irrigation Development while the Ministry's return had a figure of \$712 530 782. I could not verify the correctness of the Treasury figure as Public Financial Assets Ledger was not maintained neither were the two figures reconciled.

Risk/Implication

The statement may be materially misstated rendering it unreliable.

Recommendations

Treasury should maintain an updated Public Financial Assets Ledger to promote accurate and reliable financial information. Variances should be analysed and reconciled.

(iv) Prior Year Inconsistency in Balances Between Treasury and Line Ministries

Findings

Prior year inconsistencies in balances between Treasury and Line Ministries reported in 2015 financial statements were not addressed. The inconsistencies affected Opening balances and adjustments by variances of \$199 430 409 and \$1 724 945 851 respectively.

A variance of \$522 057 668 between the Treasury and Ministry of Agriculture, Mechanization and Irrigation Development on long term loans and investment balances reported in 2015 was neither investigated nor corrected.

Risk/Implication

The statement may be materially misstated rendering it inaccurate and unreliable. Treasury should investigate the misstatements and take corrective action.

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

(v) Classification of Loans

Finding

The Treasury consolidated return disclosed loans amounting to \$12 619 900 which have been static since 2012 as short term loans. This is contrary to good accounting practice which provides that loans that are over 12 months be classified as long term. This distorts the correctness of the information on the statement.

Risk/Implication

Misclassification of loans may result in wrong decisions being taken by users.

Recommendation

Treasury should reclassify the short term loans to long term.

(vi) Non-Recovery of Loans

Finding

There were no recoveries made in respect of loans due from Parastatals Bodies, Local Authorities and Institutions during the year under review although additional disbursements amounting to \$23 209 905 were made. There was no evidence of follow-ups on defaulting institutions.

Risk/Implication

Failure to recover loans timeously may result in loss of public funds.

Recommendation

Vigorous follow-ups should be made on defaulters. Furthermore, loans should be given to institutions that have the capacity to repay.

(vii) Loan Agreements

Finding

Loan agreements for loans amounting to \$19 112 234 advanced to three (3) institutions during 2015 financial year were not availed for my examination. I raised this issue during my previous year's audit and as at October 2018 the agreements had not been availed. The following table shows the institutions that were advanced loans.

Institutions advanced with loans

Institution	Amount \$
Industrial Development Corporation	4 242 045
Farmer's World	11 177 911
Zimbabwe Iron and Steel Company	3 692 278
Total	\$19 112 234

Risk/ Implication

The authenticity of loans disclosed may be doubtful in the absence of loan agreements.

Recommendation

Treasury should avail all loan agreements for audit examination.

Management Response

At the time of finalising this report, the Ministry was still to respond to the issues raised.

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

1.1 There was no progress on implementation of prior year issues. All issues recurred and were reported during the year under review.

STATEMENT OF REVENUE WRITTEN OFF 2016

BACKGROUND INFORMATION

The Statement of Revenue Written Off reflects the amounts written off by the Treasury and by Ministries and certain departments under authority delegated by Treasury.

Qualified Opinion

I have audited the Statement of Revenue Written Off for the Ministry of Finance and Economic Development for the financial year ended December 31, 2016.

Below is a summary of the Statement of Revenue Written off for the year:

Head of Revenue	Revenue Written Off as at December 31, 2016 (\$)	Revenue Written Off as at December 31, 2015 (\$)
Court fees	281 412	-
Educational fees	10 350	-
Total	\$291 762	\$0

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the Statement present fairly, in all material respects the financial performance of the Statement of Revenue Written Off for the year ended December 31, 2016 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Misstatement of Revenue Written Off Balances

Finding

Treasury disclosed Revenue Written off of \$291 762 made up of \$281 412 from the Judicial Service Commission and \$10 350 from the Ministry of Higher and Tertiary Education, Science and Technology Development. However, audited returns for the same ministries had a nil balance and \$1 048 respectively. This resulted in a cumulative difference of \$290 714 as illustrated in the table below. The variances were not reconciled.

Variances Between Treasury Consolidated Return and Line Ministries Balances

Vote	Ministry	Treasury Consolidated Return \$	Ministries' Returns \$	Variance
16	Higher and Tertiary Education, Science and Technology Development	10 350	1 048	9 302
27	Judicial Service Commission	281 412	-	281 412
	TOTAL	\$291 762	\$1 048	\$290 714

Risk/Implication

The Statement of Revenue Written-Off may be overstated.

Recommendations

Treasury should investigate the variances and take corrective action.

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

1 GOVERNANCE ISSUE

1.1 Classification and Presentation of Revenue Written Off

Findings

The Treasury Consolidated Return did not have prior year comparative figures as per good accounting practice. Furthermore, Revenue Written off on the Treasury Consolidated Return did not disclose the relevant revenue heads supported by a schedule of Revenue Written off figures for each Ministry or Department.

Risk/Implication

The Statement of Revenue Written-Off may not be informative and accurate.

Recommendations

The return should be prepared as per good accounting practice by including prior year comparative figures and disclosing the relevant revenue heads. A schedule of all Receivers of Revenue should be attached as supporting document to the Treasury Consolidated Return.

Management Response

At the time of finalising this report, the Ministry was still to respond to the issues raised.

REVENUE STATEMENTS

SCHEDULE OF REVENUE RECEIVED 2016

BACKGROUND INFORMATION

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

Qualified Opinion

I have audited the Schedule of Revenue Received for the Ministry of Finance and Economic Development for the financial year ended December 31, 2016.

Below is a summary of the Schedule of Revenue Received for the year:

Head of Revenue	Estimate (\$)	Receipts (\$)	(More than) / Less than Estimated (\$)
Taxes on Income and Profits	1 406 346 000	1 320 381 325	85 964 675
Taxes on Goods and Services	2 075 400 000	1 878 491 830	196 908 170
Miscellaneous Taxes	123 090 000	76 456 072	46 633 928
Revenue from Investments and Property	—	22 981 198	(22 981 198)
Fees: Departmental Facilities and Services	—	152 421 644	(152 421 644)
Other	—	231 506 725	(231 506 725)
Total	\$3 604 836 000	\$3 506 835 952	\$98 000 048

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the Schedule of Revenue Received presents fairly, in all material respects, the financial performance of Revenue Received for the year ended December 31, 2016 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Misstatement of Revenue Received

Finding

As was reported in the previous year, revenue figures disclosed by line Ministries in this year's returns did not agree with revenue disclosed by Treasury. Various revenue heads had different balances. Treasury disclosed total revenue of \$3 506 835 952 while Line Ministries disclosed total revenue of \$3 486 447 027, resulting in a cumulative variance of \$20 388 925. Under normal circumstances, revenue received figures on the Schedule of Revenue Received and line ministry/department returns should agree. Reconciliation statements explaining these differences were not availed for audit verification.

Risk/Implication

The financial statements maybe materially misstated and misleading to decision makers.

Recommendation

Treasury should reconcile the different balances.

(ii) Misstated Revenue Budget Estimates

Finding

Budget Estimates for some revenue heads disclosed on the Treasury return had different amounts from those disclosed in Table III of the blue book/budget estimates. The revenue heads in question had a total of \$1 012 980 344 as per the budget estimates while Treasury return had a total of \$56 502 000 for the same revenue heads. This resulted in a variance of \$956 478 344. Consequently, Treasury variances between budgeted amounts and actual receipts did not reflect the correct position and the reasonableness of explanations was also affected. In some instances, Treasury did not provide explanations for the variances for items under the following revenue heads: Miscellaneous Taxes, Revenue from Investments and Property, Fees for Departmental Facilities and Services and Other Revenue.

Risk/Implication

The revenue budget figures are materially understated thereby distorting the reliability of information reported.

Recommendation

Treasury should present correct revenue estimates in order to enable policy makers and users to make informed decisions.

However, below is another material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Interface of Systems Application and Products in Data Processing Platforms

Finding

In my prior year audit report, I observed that there was no interface between ZIMRA and Ministry of Finance SAP systems and as such, Treasury/Ministry of Finance and Economic Development (principal) had no direct access to ZIMRA's Account (agent), save for the weekly reports submitted by ZIMRA on pay overs into the Consolidated Revenue Fund (CRF). I noted that this issue had not yet been addressed.

Risk/Implication

Transparency and accountability may be compromised if the Treasury has no access or viewing rights in respect of collections done on its behalf.

Recommendation

ZIMRA and Ministry of Finance and Economic Development SAP systems should be interfaced so as to enhance oversight over collections and aid Treasury in decision making since there will be timeous receipt of information.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Collection

Treasury did not collect revenue under the Mining Revenue Sharing head which had a budget of \$80 000 000 (2014: \$300 000).

No explanation was provided.

2.2 Revenue Classification

Other fees amounted to \$38 813 788 against a budget of \$8 408 000 resulting in a positive variance of \$30 405 788. This was attributable to misclassification of revenue.

The misclassified revenue was not corrected.

SCHEDULE OF OUTSTANDING REVENUE 2016

BACKGROUND INFORMATION

This relates to revenue which is due to the State.

Qualified Opinion

I have audited the Schedule of Outstanding Revenue of the Ministry of Finance and Economic Development for the year ended December 31, 2016.

Below is a summary of the Schedule of Outstanding Revenue for the year:

Head of Revenue	Outstanding Revenue as at December 31, 2016 (\$)	Outstanding Revenue as at December 31, 2015 (\$)	% increase/ (Decrease)
Taxation	2 821 159 594	2 125 154 761	33%
Investment Revenue	82 246 865	5 604 814	1 367%
Fees	48 319 566	7 633 113	533%
Other	4 661 588	18 956 320	(75%)
Total	\$2 956 387 613	\$2 157 349 008	37%

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the Schedule of Outstanding Revenue present fairly, in all material respects the financial performance of the Schedule of Outstanding Revenue for the year ended December 31, 2016 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Zimbabwe Revenue Authority (ZIMRA) Outstanding Revenue return

Finding

The Zimbabwe Revenue Authority contributed \$ 2 821 159 094 of the total outstanding revenue of \$2 956 357 613 disclosed in the Schedule for the year under review. This constituted 95% of the total outstanding revenue. However, the Outstanding Revenue return for ZIMRA for the year ended December 31, 2016 was qualified because of misstatements and this resulted in a qualified opinion of the Consolidated Schedule.

Risk/Implication

The Schedule of Outstanding Revenue is materially misstated because of misstatements on the ZIMRA return.

Recommendation

Treasury should ask the Zimbabwe Revenue Authority to take corrective action.

(ii) Misstatements of Outstanding Revenue

Finding

The total outstanding revenue disclosed by line Ministries/Departments was \$2 955 581 168 whereas Treasury reported outstanding revenue amounting to \$2 956 387 613 giving a variance of \$806 445.

There were misallocations of outstanding revenue across various revenue heads which resulted in overstatement of interest, dividends and profits by \$57 220 652 (\$80 486 265 *less* \$23 265 613). The anomalies were as a result of weak controls.

Risk/Implication

The Schedule of Outstanding Revenue may be materially misstated as a result of misallocations and unreconciled variances.

Recommendations

Preparation of year-end financial statements should be supervised to enhance quality and reliability.

The variances should be investigated and corrective action taken.

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

1 GOVERNANCE ISSUE

1.1 Late Submission of Accounts

Finding

The Schedule of Outstanding Revenue for the financial year ended December 31, 2016 was submitted late for audit on September 19, 2017, more than six months after the statutory deadline of February 28, 2017. The Schedule was however presented in a wrong format, which resulted in the balances from Zimbabwe Revenue Authority not being reflected on the Schedule. A corrected Schedule was submitted on January 11, 2018 further extending the delay of submission by twelve months.

Risk/Implication

Late submission of financial statements for audit reduces the usefulness of financial information as weaknesses highlighted may remain uncorrected.

Recommendation

Treasury should submit for audit year-end returns within the statutory deadlines.

Management Response

At the time of finalising this report, the Ministry was still to respond to the issues raised.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Variances Between Line Ministry Returns and Consolidated Treasury Return

The variances were not corrected.

2.2 Age Analysis

The age analysis was not submitted.

STATEMENT OF RECEIPTS AND DISBURSEMENTS 2016

BACKGROUND INFORMATION

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

Adverse Opinion

I have audited the Statement of Receipts and Disbursements for the Ministry of Finance and Economic Development for the financial year ended December 31, 2016.

Below is a Summary of the Receipts and Disbursements for the year:

Balance as at January 1, 2016	Prior year adjustments	Collections	Payments to Exchequer and Other Accounts	Current year adjustments	Balance as at December 31, 2016
\$50 584 503	\$1 508 390	\$5 056 697 286	\$5 085 997 599	(\$35 525)	\$22 757 055

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the Statement does not present fairly, in all material respects, the performance of the Statement of Receipts and Disbursements for the year ended December 31, 2016 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Adverse Opinion

(i) Supporting -Direct Inflows to the Main Exchequer Account

Finding

Treasury disclosed collections and transfers of \$1 257 932 363 to the Main Exchequer Account that were attributed to various sources such as overdrafts from the Reserve Bank, foreign loan proceeds, Treasury bill issuances, interest earned and transfers from Fund Accounts. However, there were neither supporting documents nor a breakdown of the inflows. This limited my scope of audit and prevented me from establishing whether all receipts that should have been paid into the Main Exchequer Account were accounted for.

Risks/Implication

The financial statements may be materially misstated.

Recommendation

A breakdown of the figure of \$1 257 932 636 and supporting evidence should be submitted for audit verification.

(ii) Adjustments

Finding

Prior and current year adjustments of \$1 508 390 and (\$35 525) respectively, were not adequately explained or supported by documentary evidence. I was unable to verify the authenticity of the adjustments.

Risk/Implication

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

Recommendation

The prior and current year adjustments should be explained and documentary evidence availed for audit examination.

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

(iii) Non-Submission of Returns

Finding

Zimbabwe Human Rights, Zimbabwe Anti-Corruption and the Zimbabwe Electoral Commissions did not submit year-end returns for receipts and disbursements. I could not therefore satisfy myself whether or not public funds received by these Commissions were properly accounted for.

Risks/Implications

The financial statements may be materially misstated due to non-incorporation of transactions of the Commissions into the consolidated receipts and disbursements return.

Failure to disclose receipts and how they were disbursed may result in abuse and theft of public funds.

Recommendation

All Ministries, Departments and Commissions should submit returns for audit. Nil returns should be submitted even if no collections were made.

Management Response

At the time of finalising this report, the Ministry was still to respond to the issues raised.

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

1.1 Accounting Records

Source documents and accounting records used to prepare the Statement were not availed for my examination.

1.2 Variances Between Year-end Returns from Ministries and Treasury

Year end balances reported by line Ministries and Treasury had variances that remained unreconciled up to the time of concluding the audit.

SUMMARY OF TRANSACTIONS ON THE EXCHEQUER ACCOUNT 2016

BACKGROUND INFORMATION

This is the account where all revenues, as described in section 22 of the Public Finance Management Act [*Chapter 22:19*] are deposited. It is one of the accounts making up the Consolidated Revenue Fund. The Act lays down the procedures to be followed when securing the release of moneys therefrom. Issues from the Exchequer Account are transferred directly to the Paymaster General's Account from which account all payments are made in respect of services and transactions sanctioned by Parliament.

Adverse Opinion

I have audited the Summary of Transactions on the Exchequer Account for the Ministry of Finance and Economic Development for the financial year ended December 31, 2016. Below is a summary of Exchequer Transactions as at December 31, 2016.

Balance as at Jan 01, 2016	Deposits	Exchange rate gain/loss	Total	Transfers	Balance as at Dec 31, 2016
\$14 420 290	\$6 541 898 771	(\$12 128 303)	\$6 544 190 758	\$6 532 547 371	\$11 643 387

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the accompanying Summary of Transactions on the Exchequer Account, does not present fairly, in all material respects, the performance of the Summary of Transactions on the Exchequer Account for the year ended December 31, 2016 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Adverse Opinion

(i) Bank Overdraft Facility

Findings

In my previous audit report for 2015, I highlighted that Treasury operated an overdraft facility with the Reserve Bank of Zimbabwe. However, the overdraft facility agreement was not availed for my examination, hence I could not establish the terms and conditions of the facility. This limited the scope of my audit as I could not perform the necessary procedures to satisfy myself on the accuracy and completeness of interest payments amounting to \$27 218 724. Failure to avail the information was contrary to the provisions of section 8 (i) (a) of the Audit Office Act [*Chapter 22:18*] which states that I shall be entitled to receive without undue delay information that I may require to discharge my duties.

Risks/Implications

In the absence of a copy of the overdraft facility, I was unable to establish whether the facility was being managed in the interests of the Government and if the interest charges were correct.

Financial statements may be materially misstated.

Recommendations

Treasury should set a realistic budget which reflects the prevailing economic environment to avoid operating a huge overdraft facility which may be costly.

Treasury should avail for my examination a copy of the overdraft facility agreement.

(ii) Transfers to Paymaster-General's Account

Findings

The Summary of Transactions on the Exchequer Account disclosed transfers to Paymaster-General's Account amounting to \$6 532 547 371. However, a breakdown of the balance revealed that an amount of \$5 034 766 151 was not transferred to the Paymaster General's Account but expenditure was incurred directly from the Main Exchequer Account.

Furthermore, audited appropriation accounts had expenditure of \$5 551 166 135 which was different from \$6 532 547 371 disclosed on the Summary resulting in a variance of \$981 381 236 which was not reconciled. This suggests that some expenditure was incurred outside the Public Finance Management System (PFMS) and was not reported through the line Ministries' Appropriation Accounts. There is risk of misstatement of expenditure as a result of not posting expenditure through the PFMS.

Risks/Implications

Financial statements may be materially misstated and misleading to the users.

Transparency and accountability for public funds may be compromised if variances of such magnitude are not investigated.

Recommendation

All expenditure should be processed through the Public Finance Management System and accounted for by the respective line Ministries.

(iii) Loan Repayments

Finding

The Summary had loan repayments amounting to \$1 983 686 231 that were paid from the Main Exchequer Account but the Statement of Public Debt had repayments of \$983 270 673 which resulted in an unreconciled variance of \$1 000 415 558. Ordinarily the repayment figures should have been the same. I was unable to confirm the completeness, accuracy and validity of payments as supporting documents were not availed for my audit examination despite repeated requests. Moreover, Treasury did not maintain records of payments from the Main Exchequer Account. This limited the scope of my audit. The following table shows the payments disclosed that were made to the various institutions.

Loan Repayments to Various Institutions

INSTITUTION	AMOUNT PAID (\$)
IMF	1 350 000
EIB	1 000 000
Afrexim	71 347 533
PTA	3 662 450
IBRD	13 186 044
IDA	3 380 020
ESAMLAG	58 308
Kuwait	269 240
ADB	9 587 038
Eastern Southern African Trade	50 000
India Export Bank	466 610
IFAD	4 732 853
not disclosed	1 874 596 135
	\$1 983 686 231

Risks/Implications

The financial statements may be misstated.

Fraudulent activities may also be perpetrated without detection if payments are made directly from the Exchequer Account.

Recommendations

Treasury should maintain accounting records to enhance accountability and transparency.

Treasury should reconcile loan repayment balances disclosed in the two statements.

(iv) ZIMRA Set Offs

Finding

Treasury made set-off payments amounting to \$152 343 939 to ZIMRA in respect of tax obligations. These payments were for various vendors/suppliers who had supplied goods and services on credit to Government. Payment vouchers and supporting documents for set-off payments were not availed for audit examination contrary to good accounting practice. Payments may have been processed without compiling vouchers.

Risks/Implications

In the absence of payment and supporting documents, fraudulent set offs may be processed which may result in loss of public funds.

There is risk that financial records may be manipulated in the absence of supporting records.

Recommendation

All set-offs should be supported by relevant documents.

(v) Exchange Rate Losses

Finding

Treasury maintains various currency accounts in the form of British Pounds, Euro, Rands, Botswana Pula and United States dollar (US Dollar was the reporting currency). During the year, the receipts for various currencies were converted or transferred to the Main Exchequer account at the prevailing bank exchange rates.

Exchange losses of \$12 128 303 were disclosed without providing a breakdown, consequently, I was unable to verify the accuracy of the losses disclosed.

Risk/Implication

The financial statements may be misstated.

Recommendation

Treasury should provide a breakdown of documentary evidence that makes up the figure for exchange losses.

(vi) Bank Balances

Findings

The audited closing bank balance for 2015 was \$14 540 415, but the Summary had a comparative figure of \$16 072 659 which resulted in the opening balances being misstated. Weak internal supervisory controls resulted in the errors.

The total closing bank balance of \$11 643 387 disclosed in the Exchequer account did not reconcile to \$9 326 669 computed using the exchange rates on the last day of the year. The variance of \$2 316 718 was not reconciled, hence the closing balance could not be relied on.

Risk/Implication

Financial statements may be misleading.

Recommendations

Correct opening balances should be used in the financial statements. Exchange rates for the last day of the year should be used when converting currencies.

(vii) Deposits by Receivers of Revenue

Findings

The Main Exchequer account disclosed deposits by Receivers of Revenue of \$6 541 898 771 while the Receipts and Disbursements return reflected collections that were deposited into the Main Exchequer Account by Receivers of Revenue amounting to \$4 627 807 602 resulting in a difference of \$1 914 091 169 that was not reconciled. I therefore could not ascertain the accuracy of the amount disclosed in the Main Exchequer Account. The variances were caused by failure to maintain records of deposits paid into the Main Exchequer Account which led to preparation of the Summary of Transactions on the Exchequer Account.

Risk/Implication

The financial statements may be grossly misstated.

Recommendations

The different balances should be reconciled.

Treasury should maintain and avail accounting records for deposits made in the Main Exchequer Account.

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

1 GOVERNANCE ISSUES

1.1 Accountant-General's Warrants

Finding

Transfer payments of \$1 497 781 220 disclosed in the notes to the Exchequer Account were neither supported by the Accountant-General nor the Paymaster-General's warrants authorising transfer of funds from the Main Exchequer Account to the sub Paymaster-General's Account of line ministries as provided for in sections 23 (3) of the Public Finance Management Act [*Chapter 22:19*] which states that; "The Accountant-General may not make any payment from or accept any charge in his or her accounts, and an Accounting Officer may not incur any commitment or expenditure unless and until authorised by warrant to do so". This provision of the Act has never been complied with for the past 8 years. The main contributory factor was that expenditure was being incurred directly from the Main Exchequer Account instead of being transferred to the sub-Paymaster General's Accounts. Out of a total of \$6 532 547 371, \$5 034 766 151 (77%) was expensed directly from the Main Exchequer Account.

Risks/Implications

It is difficult to monitor and account for public funds if expenditure is incurred directly from the Main Exchequer Account.

Transferring funds in the absence of warrants may result in unauthorized expenditure as warrants facilitate budget monitoring and management.

Recommendations

Expenditure should not be processed from the Main Exchequer Account.

The Accountant-General is urged to authorise transfers from the Main Exchequer account to the Sub-Paymaster General's Account to promote good internal controls and to comply with national laws and regulations.

2 PROCUREMENT OF GOODS AND SERVICES

2.1 Direct Payments

Findings

As highlighted in my previous reports, Treasury made direct payments valued at \$10 961 533 to service providers during the year under review. I could not establish the nature of the services that were paid for as documentary evidence was not availed for my verification apart from disclosure in the financial statements. This was in violation of government payment and procurement procedures. The table below shows direct payments made during the year:

Direct Payments Made

SERVICE PROVIDER	AMOUNT PAID (\$)
Academy sales of South Africa	6 961 533
Zimbabwe Power Company	4 000 000
Total	\$10 961 533

Risks/Implications

Direct payments may result in unauthorised expenditure being paid for.

Recommendations

Payments to service providers should be made through sub-Paymaster General Accounts of line Ministries.

Treasury should avail supporting documents for the payments that were made.

Management Response

At the time of finalizing this report, The Ministry was still to respond to the issues raised.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Audit findings raised in 2015 were all not addressed.

SUMMARY OF TRANSACTIONS OF THE CONSOLIDATED REVENUE FUND 2016

BACKGROUND INFORMATION

The Consolidated Revenue Fund (Summary) is an account into which all Government revenue is deposited and from which all Government expenditure is met. It is made up of the Exchequer (receiving arm) and Paymaster-General's (paying arm) accounts.

The Summary shows revenue that Ministries/Departments collect as per Revenue Received return and the expenditure incurred as per the Summary of Appropriation account. The Summary also shows how the Government deficit was financed either by domestic or foreign borrowing.

Adverse Opinion

I have audited the Summary of Transactions of the Consolidated Revenue Fund of the Ministry of Finance and Economic Development for the financial year ended December 31, 2016.

Below is a Summary of Transactions of the Consolidated Revenue Fund:

Details	Amount (\$)	Total (\$)
Revenue and International Grants	3 619 083 170	
<i>less:</i> Expenditure and Net Lending	<u>4 242 127 666</u>	
Deficit		<u>(\$623 044 496)</u>
Net Foreign Financing	(76 110 289)	
<i>add:</i> Net Domestic Financing		
	<u>698 994 292</u>	622 884 003
<i>add:</i> Exchange holding gain		160 493
Total Financing		<u>\$623 044 496</u>

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section, the financial statements, do not present fairly, in all material respects, the financial position of the Summary of Transactions of the Consolidated Revenue Fund for the year ended December 31, 2016.

Basis for Adverse Opinion

(i) Accounting Records

Findings

In my previous audit report I highlighted that Treasury did not have Accounting Officers Instructions/procedures manual to provide guidance on maintenance of accounting records and preparation of financial statements for the Consolidated Revenue Fund (Summary). There was no common understanding on how the Summary should be structured, presented and how accounting transactions should be treated to ensure comparability of the financial information from one accounting period to another. As a result, the financial statements had numerous errors and incorrect account balances. Some comparative figures could also not be matched to those of the previous year and no explanatory notes were provided.

The absence of accounting and financial reporting standards led to numerous errors and inaccurate account balances.

Risks/Implications

It may be difficult to properly account, maintain and disclose accurate balances on the Summary. This may result in lack of consistency in the preparation of the Summary and comparability of accounting information from one accounting period to another.

Recommendation

Maintenance of accounting records and preparation of financial statements should be guided by Accounting Instructions derived from financial accounting and reporting standards.

(ii) Suspense Accounts and Cash Balances

Findings

Although the Summary had nil closing balances for Suspense Accounts and Cash balances as at December 31, 2015, the Summary for 2016 had opening balances of \$94 629 868 whose origin was not supported by documentary evidence nor explained. There were weak supervisory controls which resulted in failure to identify the anomaly. The following table shows details of the opening balances:

Opening Balances: Suspense Accounts, And Cash Balances

Details	Balance as at January 1, 2016	Balance as at December 31, 2015	Variance
	\$	\$	\$
Cash at Bank, In Transit and on Hand	16 072 659	-	16 072 659
Temporary deposits	76 713 949	-	76 713 949
Foreign Missions	1 843 260	-	1 843 260
Total	\$94 629 868	-	\$94 629 868

Risk/Implication

There is risk that the Summary may be materially misstated due to take-on balances that were incorrect.

Recommendation

Prior year's adjustments should be supported by documentary evidence.

(iii)Expenditure and Net Lending**Finding**

Total expenditure and net lending disclosed on the Summary was \$4 242 127 666, whereas audited expenditure from all Ministries was \$5 551 166 135 giving a variance of \$1 309 038 469. Ordinarily, the balances from the Summary and Appropriation Accounts should have been the same. There were no reconciliations performed to establish the source of the variance with a view of correcting the errors. The table below shows the balances from the two records and the resultant variances.

Expenditure and Net Lending

Details	Summary balances (\$)	Ministry Audited returns (\$)	Variances (\$)
Goods and Services	2 973 114 202	3 894 588 580	(921 474 378)
Transfer payments	645 800 321	645 147 389	652 932
Capital Expenditure	555 090 551	612 571 897	(57 481 346)
Loans	68 122 592	125 669 394	(57 546 802)
Investments	-	273 188 875	(273 188 875)
Totals	\$4 242 127 666	\$5 551 166 135	(\$1 309 038 469)

Zimbabwe Anti-Corruption Commission and the Zimbabwe Electoral Commission did not submit year-end financial statements for audit. This resulted in my Office failing to audit expenditure of these Commissions whose total budgets were \$13 627 386. Consequently, the

current expenditure disclosed in the Summary of Transactions on the Consolidated Revenue Fund was understated.

Risks/Implications

The financial statements may be materially misstated.

Accountability for public funds may be compromised if public funds are not reported and subsequently subjected to audit. Follow ups should be made on consolidation of financial statements to ensure that expenditure incurred is fully accounted for.

Recommendations

Monthly reconciliations should be carried out to enhance the accuracy of financial statements.

All public offices which receive voted funds should submit financial statements for audit as provided for in the Public Finance Management Act.

(iv) Loan advances to Parastatal bodies and Local Authorities

Finding

Loan advances to Parastatals and Local Authorities of \$68 122 592 had no supporting documents. The figure reflected on the Statement of Public Financial Assets for similar loans had a balance of \$1 213 623 giving a variance of \$66 908 969. The variance was not reconciled hence I could not establish the value of loans advanced. The table below shows the different loan balances on the Summary and Statement of Public Financial Assets.

Loan Advances

Details	Summary(\$)	Statement of Public Financial Assets (\$)	Variances (\$)
Loans to Local Authorities	-	1 121 151	(1 121 151)
Loans to Parastatal bodies	68 122 592	92 472	68 030 120
Totals	\$68 122 592	\$1 213 623	\$66 908 969

Risk/Implication

The loan advances to Parastatals and Local Authorities may be materially misstated.

Recommendation

Supporting evidence for loan advances should be availed and the balances should be reconciled where differences exist.

(v) Investments

Finding

There were no investments disclosed on the Summary although the Statement of Public Financial Assets had investments amounting to \$66 128 301 and the audited Appropriation Accounts reflected expenditure on lending and equity of \$273 188 875. The correct value of investments made by the Government during the year under review could not be established. The non-disclosure of the investments, invalidated the correctness of the Summary. According to the Statement of Public Financial Assets, the investments were made to the following institutions;

Investments to Public Institutions

Institution	Amount invested (\$)
ZB Financial Holdings	20 000 000
Industrial Development Bank of Zimbabwe	18 707 797
African Development Bank	7 420 504
People's Own Savings Bank (POSB)	20 000 000
Totals	\$66 128 301

Risk/Implication

The Summary may be misstated due to non-disclosure of investments.

Recommendation

Investments should be disclosed and supporting evidence provided for audit examination.

(vi) Financing of the Budget Deficit

Finding

A budget deficit of \$623 044 496 was disclosed on the Summary although the financing figure was given as (\$443 506 312) giving a variance of \$1 066 550 808. This figure appears to be a balancing figure as its source of funding was not disclosed. The variance was due to unreliable record keeping.

Risk/Implication

The budget deficit could be misstated and may mislead policy makers and users of financial statements.

Recommendation

Treasury should maintain accurate financial records to enhance reliability of financial statements.

(vii) Prepayment Account

Finding

The Prepayment Account net movement balance on the Summary was \$3 962 843. This figure is made up of (\$194 462 531) for the year under review less (\$190 499 688) for the previous year. However, the source documents for the prepayment account balances of (\$194 462 531) for 2016 and (\$190 499 688) for 2015 were not made available for my examination due to failure to maintain accurate accounting records and weak supervisory controls. This limited my scope of audit.

Risk/Implication

The Prepayment Account may be materially misstated.

Recommendations

Supporting documents for the Prepayment Account balance should be availed for audit examination/validation. Maintenance of accounting records should be improved.

(viii) Loan Repayments

Finding

There were no supporting documents for loan repayments of \$286 110 289 reflected on the Summary. Furthermore, the Statement of Public Debt and the Appropriation Accounts had repayments of \$888 094 658 and \$803 171 418 respectively. Ordinarily the loan repayment balances from the three statements should be the same. Where differences are noted reconciliations should be carried out. I was unable to establish how much repayments were made during the year in the absence of supporting evidence and reconciliations. Below are details of loan repayments from the three statements.

Loan Repayments

Details	Consolidated Revenue Fund (\$)	Statement of Public Debt (\$)	Appropriation Account (\$)
External and Domestic Loan Repayments	-	-	803 171 418
External Debt Repayments	286 110 289	149 603 104	-
Domestic Debt Repayments	-	738 491 554	-
Totals	\$286 110 289	\$888 094 658	\$803 171 418

Risk/Implication

The loan repayments figure may be misstated.

Recommendation

Supporting evidence for loan repayments should be availed and monthly reconciliations should be carried out to facilitate accurate reporting.

(ix) Treasury Bill Settlements

Finding

The Treasury bill settlement balance of \$903 215 550 was not supported by documentary evidence. However, the Statement of Public Debt had Treasury bill settlements of \$283 698 499 resulting in a variance of \$619 517 051 which was not reconciled. Consequently, I was unable to establish the correct balance of Treasury bill settlements.

Risk/Implication

The Treasury bill settlement balance may be materially misstated.

Recommendation

Treasury bill settlement balances in the Summary and in the Statement of Public Debt should be reconciled.

(x) Misstatements in Revenue and Finance Statements

Findings

For the third year running, Revenue and Finance statements which feed into the Summary of Transactions of the Consolidated Revenue Fund had qualified opinions. These include; Schedule of Revenue Received, Statement of Public Financial Assets, Exchequer Account, Statement of Public Debt and fifteen Appropriation Accounts that had qualified opinions. In view of the material misstatements from statements that feed into the Summary of Transactions of the Consolidated Revenue Fund, the Summary as a whole is inaccurate.

Risk/implication

The Summary may be materially misstated.

Recommendation

Treasury should adopt accounting and financial reporting standards that will allow for preparation of reliable financial statements.

(xi) Revenue Received Balances

Finding

The Summary had a total Revenue Received figure of \$3 619 083 170 while the Schedule of Revenue Received had a total of \$3 506 835 952 resulting in a variance of \$112 247 218. The different balances were not reconciled casting doubt on the reliability of the balance disclosed on the Summary of Transactions of the Consolidated Revenue Fund.

Risk/Implication

The revenue balances on the Summary may be materially misstated.

Recommendations

Revenue balances on the Summary and the Revenue Received return should be reconciled.

Source documents for revenue balances on the Summary should be availed for audit examination.

(xii) Zimbabwe Revenue Authority (ZIMRA) Collections and Transfers to Exchequer Account

Finding

The ZIMRA return for Receipts and Disbursements had collections of \$3 562 742 597 and transfers of \$3 159 447 429 to the Main Exchequer Account. However, the Summary disclosed collections from ZIMRA amounting to \$3 247 767 483 and transfers to the Main Exchequer Account of \$3 175 164 230 giving a net variance of \$475 898 421 that was not reconciled. The correctness of the figures disclosed could not be validated. Below is the table of balances and variances noted.

Zimra Collections and Transfers to Exchequer Account

Details	Schedule of Receipts and Disbursements 2015 (ZIMRA) (\$)	Summary of Transactions of the Consolidated Revenue Fund (\$)	Variance \$
Collections	3 562 742 597	3 247 767 483	(183 829 106)
Transfers to Exchequer Account	(3 159 447 429)	(3 175 164 230)	449 257 668
Total	\$403 295 168	\$72 603 253	\$475 898 421

Risk/Implication

Errors may not be detected if monthly reconciliations are not carried out.

Recommendation

Reconciliations should be carried out between ZIMRA Agent Account and the Main Exchequer account balances.

(xiii) Borrowings

Finding

The Summary disclosed total borrowings amounting to \$566 316 100 made up of Treasury bill issuances of \$356 316 100 and external loans of \$210 000 000. Documentary evidence to support the borrowings was not availed for audit examination.

The total Treasury borrowings of \$556 316 100 differed from the figure of \$1 863 619 442 disclosed in the Statement of Public Debt by an amount of \$1 297 303 342. I therefore could not establish the correct borrowings for the year.

Borrowings

Details	Summary (\$)	Statement of Public Debt (\$)	Variances (\$)
External Borrowings			
Treasury Bond Issues	-	129 634 406	(129 634 406)
Loans	210 000 000	36 000 000	174 000 000
Domestic Borrowings			
Treasury Bill Issues	356 316 100	540 324 212	(184 008 112)
Treasury Bond Issues		1 157 660 824	(1 157 660 824)
Total	\$566 316 100	\$1 863 619 442	(\$1 297 303 342)

Risk/Implication

The Summary of Transactions of the Consolidated Revenue Fund may be materially misstated.

Recommendation

Reconciliations of Treasury bill issuances and settlement balances reflected in the Summary and the Statement of Public Debt should be carried out on a monthly basis.

Management Response

At the time of finalising this report, the Ministry was still to respond to the issues raised.

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

1.1 Accounting Records

The issue has not been addressed and has been reported during the year under review.

1.2 Suspense Accounts, Floating Debt and Cash Balances

The issue has not been addressed and has been reported during the year under review.

1.3 Expenditure and Net Lending

The issue has not been addressed and has been reported during the year under review.

1.4 Financing of the Budget Deficit

The issue has not been addressed and has been reported during the year under review.

1.5 Prepayment Account

Source documents for the prepayment balance were not provided and reconciliations were not carried out. The issue recurred during the year under review.

1.6 Loan Repayments

The issue has not been addressed and it recurred during the year under review.

1.7 Cash at Bank

The issue has not been addressed.

1.8 Exchange Holding Losses

The issue has not been addressed.

1.9 Misstatements in Revenue and Finance Statements

The issue has not been addressed and has been reported during the year under review.

1.10 Zimbabwe Revenue Authority (ZIMRA) Collections and Transfers to Exchequer Account

Reconciliations had not been done at the time this audit was concluded and the issue recurred during the year under review.

SUMMARY OF TRANSACTIONS OF THE CONSOLIDATED REVENUE FUND 2015

BACKGROUND INFORMATION

The Consolidated Revenue Fund (Summary) is an account into which all Government revenue is deposited and from which all Government expenditure is met. It is made up of the Exchequer (receiving arm) and Paymaster-General's (paying arm) accounts.

The Summary shows revenue that Ministries/Departments collect as per Revenue Received return and the expenditure incurred as per the Summary of Appropriation account. The Summary also shows how the Government deficit was financed either by domestic or foreign borrowing.

Adverse Opinion

I have audited the Summary of Transactions of the Consolidated Revenue Fund of the Ministry of Finance and Economic Development for the financial year ended December 31, 2015.

Below is a Summary of Transactions of the Consolidated Revenue Fund:

DETAILS	AMOUNT (\$)	TOTAL (\$)
Revenue and International Grants	3 589 893 633	
<i>less:</i> Expenditure and Net Lending	<u>3 869 799 679</u>	
Deficit		<u>(\$279 906 046)</u>
Net Foreign Financing	(69 402 208)	
<i>add:</i> Net Domestic Financing	<u>349 308 254</u>	
Total Financing		<u>\$279 906 046</u>

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the Summary, does not present fairly, in all material respects, the financial position of the Summary of Transactions of the Consolidated Revenue Fund as at December 31, 2015 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Adverse Opinion

(i) Accounting Records

Findings

In my previous audit report I highlighted that Treasury did not have Accounting Officers Instructions/procedures manual to provide guidance on maintenance of accounting records

and preparation of financial statements for the Consolidated Revenue Fund (Summary). There was no common understanding on how the Summary should be structured, presented and how accounting transactions should be treated to ensure comparability of the financial information from one accounting period to another. As a result, the financial statements had numerous errors and incorrect account balances. Comparative figures could also not be matched to those of the previous year and no explanatory notes were provided.

Absence of accounting and financial reporting standards contributed to the anomalies.

Risks/Implications

It may be difficult to properly maintain accounting records and disclose accurate balances of the Summary. This may result in lack of consistency in the preparation of the Summary and comparability of accounting information from one accounting period to another. Decisions maybe made based on incorrect information.

Recommendation

Maintenance of accounting records and preparation of financial statements should be guided by written Accounting Instructions derived from financial accounting and reporting standards. Please ensure that accounting guidelines are developed.

(ii) Suspense Accounts, Floating Debt and Cash balances

Findings

The closing balances for Suspense Accounts, Floating Debt and Cash as at December 31, 2014 amounted to \$337 082 798. However, the balances were not carried forward to January 1, 2015. As a result, the Summary had a net movement on the Suspense Account, Floating Debt and Cash balance of (\$282 090 576) instead of (\$619 175 374) had the closing balances for 2014 been taken into account. Weak supervisory, accounting and recording controls contributed to the anomalies. This distorted the accuracy of the figures.

Risk/Implication

There is risk that the Summary may be materially misstated due to failure to take-on correct balances.

Recommendations

If adjustments are made to prior year closing balances they should be documented and be supported by evidence.

Proper accounting practices should be applied by the Ministry to ensure that balances are not dropped from financial statements resulting in inaccurate disclosure.

(iii) Expenditure and Net Lending

Finding

Total expenditure and net lending disclosed on the Summary was \$3 869 799 680, whereas audited expenditure from all Ministries was \$4 442 521 690 giving a variance of \$572 722 010. Ordinarily, the balances from the Summary and Appropriation Accounts should have been the same. There were no reconciliations performed to establish the source of the variance with a view of correcting the errors. The table below shows the balances from the two records and the resultant variances.

Expenditure and Net Lending

Details	CRF Summary balances (\$)	Ministry Audited returns (\$)	Variances (\$)
Goods and Services	2 988 114 723	3 552 391 254	(564 276 531)
Transfer payments	602 964 098	817 403 519	(214 439 421)
Capital Expenditure	246 661 971	41 549 581	205 112 390
loans to Parastatal bodies and funds	25 325 422	2 097 671	23 227 751
Loans to local authorities	-	2 000 000	(2 000 000)
Other loans/loans to private sector bodies	6 733 466	19 112 234	(12 378 768)
Investments	-	7 967 431	(7 967 431)
Totals	\$3 869 799 680	\$4 442 521 690	(\$572 722 010)

Risk/Implication

The financial statements maybe materially misstated as reconciliations are not regularly done. The source of variances may not be identified and corrective measures may not be taken.

Recommendation

Monthly reconciliations should be carried out to enhance the accuracy of financial statements.

(iv) Financing of the Budget Deficit

Finding

The Summary submitted for audit reflected a budget deficit of \$279 906 046. However, the total financing figure was \$127 952 059 giving a variance of \$151 953 987 whose source of funding was not disclosed. This was due to unreliable record keeping.

Risk/Implication

The budget deficit could be misstated and may mislead the users of financial statements.

Recommendation

Treasury should maintain accurate financial records to enhance reliability of financial statements.

(v) Prepayment Account**Finding**

The Prepayment Account net movement balance on the Summary was \$67 804 571. This figure is made up of (\$190 499 688) for the year under review, less (\$122 695 117) for the previous year. However, the source documents for the prepayment account balance of (\$190 499 688) were not made available for my examination. This limited my scope of the audit. Furthermore, the closing figure of (\$122 695 117) for the 2014 financial year was different from the audited figure of (\$99 222 781). The variances were a result of failure to maintain accurate accounting records and weak supervisory controls.

Risk/Implication

The Prepayment Account may be materially misstated.

Recommendations

Supporting documents for the Prepayment Account balance should be availed for audit examination/validation.

Maintenance of accounting records should be improved.

(vi) Loan Repayments**Finding**

The loan repayments figure on the Summary was \$227 177 042, the Appropriation Account and Statement of Public Debt had total repayments of \$561 635 104 and \$104 804 707 respectively. The three records should show the same balance and if not, a reconciliation should be done. I could not establish the accurate figure for loan repayments in the absence of a reconciliation. Below are details of loan repayments from the three statements:

Loan Repayments

Details	Consolidated Revenue Fund (\$)	Statement of Public Debt (\$)	Appropriation Account (\$)
External and Domestic Loan Repayments	-	-	561 635 104
External Debt Repayments	69 402 208	45 251 692	-
Domestic Debt Repayments	157 774 834	59 553 015	-
Totals	\$227 177 042	\$104 804 707	\$561 635 104

Risk/Implication

The loan repayments figure may be misstated as it could not be substantiated.

Recommendation

Supporting evidence for loan repayments should be availed and monthly reconciliations should be carried out.

(vii) Cash at Bank**Finding**

The Summary had a nil balance for cash at bank and in transit as at December 31, 2015. However, the Public Finance Management System report showed an overdraft figure of \$510 019 796. The Summary of Transactions on the Exchequer Account which forms part of the Summary had positive closing bank balances which amounted to \$14 540 415. Therefore, the nil cash at bank balance disclosed on the Summary was inaccurate.

Risk/Implication

The Summary of Transactions of the Consolidated Revenue Fund may be materially misstated due to non-disclosure of correct cash balance at year end.

Recommendation

Cash balances should be correctly stated.

(viii) Exchange Holding Losses**Finding**

The financial statements did not disclose exchange holding gains/losses for the year under review although the Public Finance Management System report had exchange holding losses of \$14 220 865. No reconciliations were carried out to establish the correct closing balance. In view of the multicurrency system that was in use, it is expected that exchange gains/losses would arise throughout the year and should have been disclosed.

Risk/Implication

The non-disclosure of exchange gains/losses may have materially contributed to misstatement of Summary.

Recommendation

Exchange gains/losses should be accounted for and disclosed to enhance reliability of the Summary.

(ix) Misstatements in Revenue and Finance Statements**Findings**

For the second year running, Revenue and Finance statements and Appropriation Accounts which feed into the Summary had qualified opinions. These include; Schedule of Revenue Received, Statement of Public Financial Assets, Exchequer Account, Statement of Public Debt and sixteen Appropriation Accounts.

Furthermore, balances disclosed in the Revenue and Finance statements were at variance with PFMS amounts and the variances remained unreconciled. In view of the material misstatements from statements that feed into the Summary of Transactions of the Consolidated Revenue Fund, the Summary as a whole is inaccurate.

Risk/Implication

The Summary may be materially misstated.

Recommendation

Treasury should adopt accounting and financial reporting standards that will allow for preparation of informative and reliable financial statements.

(x) Zimbabwe Revenue Authority (ZIMRA) Collections and Transfers to Exchequer Account**Finding**

The ZIMRA return for Receipts and Disbursements had collections of \$3 906 198 030 and transfers to the Main Exchequer Account of \$3 349 269 094. However, the Summary collections from ZIMRA amounted to \$4 090 027 136 and transfers to the Main Exchequer Account were \$3 798 526 762 giving a net variance of \$265 428 562 that was not reconciled. The variances between the collections and the transfers were not reconciled. The table below refers:

ZIMRA Collections and Transfers to the Exchequer Account

Details	Schedule of Receipts and Disbursements 2015 (ZIMRA) (\$)	Summary of Transactions of the Consolidated Revenue Fund (\$)	Variance \$
Collections	3 906 198 030	4 090 027 136	(183 829 106)
Transfers to Exchequer Account	(3 349 269 094)	(3 798 526 762)	449 257 668
Total	\$556 928 936	\$291 500 374	\$265 428 562

Risk/Implication

Errors may not be detected if monthly reconciliations are not carried out.

Recommendation

Reconciliations should be carried out between ZIMRA Agent Account and the Main Exchequer account balances.

(xi) Floating Debt: Treasury Bills**Finding**

There was no documentary evidence to support the Treasury bill issuances and settlement figures of \$325 697 055 and \$316 289 257 respectively, disclosed in the Summary. The Statement of Public Debt had Treasury bill issuances of \$588 807 896 and Treasury bill settlements of \$283 698 499 while the Public Finance Management System report had Treasury bill issuances and settlements of \$264 680 541 and \$305 723 667 respectively. The correct balances for Treasury bill issuances and settlements was not established. The following table shows the different amounts reported in the three reports.

Treasury Bill Balances

Details	2015 Summary (\$)	Statement of Public Debt 2015 (\$)	PFMS Report \$
Issuances	325 697 055	588 807 896	264 680 541
Settlements	(316 289 257)	(283 698 499)	(305 723 667)
Total	\$9 407 798	\$305 109 397	(\$41 043 126)

Risk/Implication

The Summary of Transactions of the Consolidated Revenue Fund may be materially misstated.

Recommendation

Reconciliations of Treasury bill issuances and settlement balances reflected in the Summary, Statement of Public Debt and PFMS report should be carried out on a monthly basis.

Management Response

At the time of finalising this report, the Ministry was still to respond to the issues raised.

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

1.1 Audit findings raised in 2014 were not addressed.

VOTE 7. – INDUSTRY, COMMERCE AND ENTERPRISE DEVELOPMENT

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The mandate of the Ministry is to facilitate and promote the development of sustainable, innovative, inclusive and globally competitive industrial and commercial enterprises for economic growth.

Opinion

I have audited the financial statements of the Ministry of Industry, Commerce and Enterprise Development for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve Transfers	Total Allocated	Expenditure	Net Under spending
\$30 507 000	\$42 524 547	\$73 031 547	\$58 398 142	\$14 633 405

In my opinion, the financial statements present fairly, in all material respects, the financial performance of the Appropriation Account for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Unallocated Reserves (UR)

Finding

I noted that the Ministry received an amount of \$42 524 547 in respect of Unallocated Reserves (UR) according to Treasury Release letters. UR amount of \$3 162 496 meant for CAPS Holdings had not been uploaded in the Public Finance Management System (PFMS) as at May 06, 2019. The UR transfer advice letter was received on February 13, 2019 and the Ministry accounted for the expenditure in the Appropriation Account using the unallocated reserves letters without confirming whether CAPS had received the money.

Risk/Implication

The Appropriation Account may be misstated which compromises the reliability of the financial statements.

Recommendations

The Ministry should liaise with Treasury to ensure that the expenditure is accounted for in the PFMS so as to enhance accountability of public funds.

The Ministry should confirm whether money was indeed released to CAPS given that it was not uploaded in the PFMS.

Management Response

The expenditure of \$3 162 496 for Caps Holdings will be uploaded once the budget amount is released in the system by Treasury.

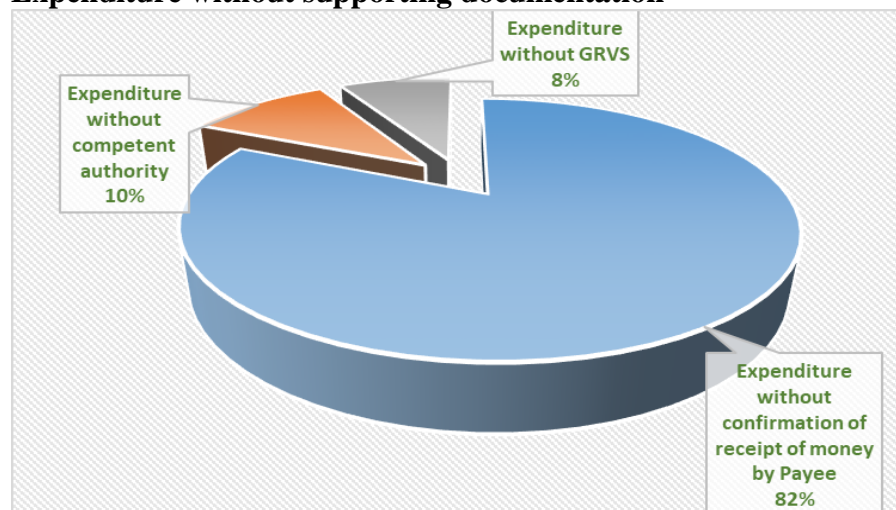
1.2 Supporting Documentation

Finding

A payment of \$99 200 was not appropriately and sufficiently supported by receipts and goods receipt vouchers (GRVs). Some of the payments were also not covered by competent authority and not properly certified. This was contrary to the requirements of Treasury Instruction 1216 which states that before forwarding a cash voucher for payment the officer initiating the transaction should be satisfied that the claim is a proper charge against public funds, covered by competent authority and properly certified.

Therefore, I could not substantiate whether the transactions involving these payments were a proper charge to the Ministry. The chart below refers:

Expenditure without supporting documentation



Risks/ Implications

Expenditure incurred without valid supporting documentation exposes public resources to dual payments, misappropriation and abuse.

In the absence of sufficient supporting documentation, it would be difficult to verify the authenticity of the transactions.

Recommendation

The Ministry should ensure that all transactions are appropriately, sufficiently and properly certified to enhance accountability of public funds.

Management Response

The observation is noted. While some of the expenditure had no receipts attached, adequate supporting documents are available such as requisitions, quotations, invoices, minutes, authority to pay and delivery notes. Most of the receipts can therefore, be availed especially from garages and hotels based on the invoices issued following payment advice.

Evaluation of Management Response

The documents that were produced for audit only supported expenditure of \$181 386 leaving the variance of \$99 200 not supported.

1.3 Advances to Parent Ministry

Finding

The Ministry owed Standards Development Fund an amount of \$230 971 at the beginning of the year, and of that amount a balance of \$63 946 was outstanding as at December 31, 2018. Of concern was that the use of monies from Fund accounts to augment Appropriation/Ministry expenditure might result in the Fund failing to fulfil its constitutional mandate. The borrowed funds were over and above the amount appropriated by Parliament from retention funds.

Risk/Implication

The use of monies from the Fund account without approval of Parliament leads to financial indiscipline and does not promote effective accountability. In addition to that, the practice of borrowing from the Fund cripples the operations of the same therefore defeating the objectives of establishing the Fund.

Recommendation

The Accounting Officer should ensure that the amount involved is reimbursed so that the Fund meets its objectives.

Management Response

The Ministry will ensure that outstanding payments are cleared after reconciliation with the Fund and this is work in progress.

1.4 Employment Costs

Finding

I noted that there was a variance of \$583 944 between employment costs of \$4 385 692 reported by the Ministry as at December 31, 2018 and the Salary Services Bureau (SSB) printout figure of \$3 801 742 for the same period. No monthly reconciliations were performed between the SSB figures and the PFMS figures as required by Treasury Circular B/1/88. As a result, I could not confirm the accuracy of the expenditure on employment costs disclosed in the financial statements.

Risks/Implications

Payments may be made to non bona-fide employees of the Ministry if the paysheet is not reconciled monthly with the PFMS figures.

It may be difficult to state with certainty the exact employment costs incurred by the Ministry during the financial year under review.

Recommendations

The Ministry should engage the SSB in order to reconcile the variance of \$583 944 between its accounting records and records maintained by SSB.

Adequate records should be maintained to enable expenditure verification.

Management Response

The Ministry has written to SSB requesting for urgent reconciliations of wage bills and the variance raised.

1.5 Sub-Paymaster General's Account

Finding

During my review of the Sub-Paymaster General's Account, I noted that Batch 973 amounting to \$40 651 was mistakenly processed twice. I could not obtain the corporate payment report for the batch to determine the payees as it was purported that the Paynet had crashed. As a result, I could not confirm if the dual payments were refunded by the respective suppliers.

Risk/ Implication

Dual payments disadvantage settlement of bills for other service providers thereby increasing the outstanding bills. Also the overpaid amounts may become difficult to recover if prompt action is not taken timeously.

Recommendation

The Ministry should make an effort to identify the suppliers who were paid twice and have the excess payments refunded. Adequate controls must be put in place to guard against dual payments.

Management Response

The Ministry requested RBZ to assist in recalling the money transferred to companies and an employee based in Geneva whilst the Ministry would recover payments to local employees. RBZ only recalled the payment to the officer in Geneva and left out the companies yet the understanding was that they assist in recalling the funds from companies. Recoveries have been made from employees and arrangements have been made with other service providers to recover the funds.

1.6 Maintenance of Utility Bills Register

Finding

The Ministry was not maintaining a register for utility bills and as a result, reconciliations of direct payments made of \$230 000 were not performed. This was contrary to the provisions of Section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:19*] which states that every Accounting Officer of a Ministry should keep or cause to be kept proper records of account. I therefore, could not confirm with accuracy the completeness of the amounts outstanding as at year end.

Risk/Implication

Errors may not be detected timeously if adequate records are not maintained resulting in under/overstatement of expenditure.

Recommendation

Utility bills register should be maintained and reconciliations done on a monthly basis to trace movements.

Management Response

The observation is noted. The register which was being maintained went missing and we are in the process of reproducing it.

1.7 Risk Assessments

Finding

There was no evidence that the Ministry carried out risk assessments during the year contrary to Section 44(1) (a) (i) of the Public Finance Management Act [*Chapter 22:19*] which

requires accounting authorities to establish and maintain effective, efficient and transparent system of risk management.

Risk/Implication

The Ministry may be vulnerable to financial loss and negative publicity which may adversely affect its capacity for service delivery and attainment of set objectives.

Recommendation

The Ministry should perform risk assessments and come up with risk mitigation strategies to be implemented in line with the Risk Management Policy.

Management Response

Adequate training will be required to institutionalise risk management within the Ministry to carry out risk assessments.

Evaluation of Management Response

The Ministry needs to be proactive to address the issue of carrying out risk assessments.

1.8 Lack of Information Technology (IT) Security Policy and Disaster Recovery Plan

Finding

The Ministry did not have an IT Security Policy and Disaster Recovery Plan (DRP) in order to safeguard IT resources from exploitation by the users. The Ministry can be exposed to risks including virus attacks, compromise of network systems and services and it may be unable to continue offering critical services in the event of disruption. This was contrary to the provisions of Section 44 (1) (a) (i) of the Public Finance Management Act [Chapter 22:19] which requires an accounting authority for a public entity to establish and maintain an effective, efficient and transparent system of financial and risk management and internal controls.

Risk/Implication

Risks that may affect the performance of the system may not be addressed.

There may be data loss due to unavailability of Disaster Recovery Plan in the event of the disaster.

Recommendation

The Ministry should formulate the Information Security Policy and Disaster Recovery Plan to safeguard IT resources and to enable continuity of services in the event of a disaster.

Management Response

The established ICT section in the Ministry has been tasked to look into the issue of business continuity and disaster recovery plan and carry out a needs assessment and effectiveness of existing system with a view to come up with an approved plan to protect data and infrastructure. This is still work in progress.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Investment in Olivine Industries

Finding

The Public Financial Assets Return submitted for audit indicated that the Ministry paid an amount of \$3 382 000 towards an investment in Olivine Industries. There were no supporting documents to confirm the authenticity of the investment in the form of share certificate and information on the return from investment that was to be gained by the Ministry on behalf of Government.

Risk/Implication

The absence of documentation to support financial commitments made by the Ministry may negatively impact the operations as the agreements may not be binding.

Recommendation

Management should ensure that all financial commitments are covered by competent authority and relevant documentation.

Management Response

The Ministry will continue to follow up with Treasury and the Reserve Bank of Zimbabwe on the status of the share certificate for the investment of \$3 382 000 in Olivine Industries and relevant information pertaining to the shareholding.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Expenditure Control and Reporting

The Ministry had not uploaded expenditure amounting to \$884 749 for Trade Promotions salaries and operational expenditure into the Public Finance Management System (PFMS). During the financial year under review some of the expenditure was uploaded in the respective missions' cost centers and expenditure for travel and subsistence was accounted for in the cost centre for International Trade.

3.2 Supporting Documentation

The Ministry processed payments for Trade promotions accommodation amounting to \$250 827 without appropriate and sufficient supporting documentation.

The Ministry implemented the recommendations as supporting documentation of invoices for accommodation were attached to the payment vouchers.

3.3 Unallocated Reserves

There was a variance of \$22 988 226 between the Unallocated Reserve transfer figure disclosed in the Ministry Appropriation Account and the one disclosed in Treasury records.

The Ministry subsequently processed the Unallocated Reserves of \$22 988 226 after the budget amounts were released in the system.

3.4 Statement of Public Financial Assets

For the second year running, the Ministry did not disclose Public Financial Assets relating to a loan amounting to \$7 545 949 given to CAPS Holdings through the Reserve Bank of Zimbabwe thereby understating the balances on the Statement of Public Financial Assets return.

The transaction was disclosed in the Public Financial Asset return.

3.5 Paymaster General's Account

Total expenditure as per the Appropriation Account amounted to \$15 267 643 whilst the Sub-Paymaster General's Account amount was \$15 246 396, resulting in an imbalance of \$21 247.

Reconciliations were carried out and the imbalance was cleared.

3.6 Outstanding Revenue

The Ministry's outstanding revenue increased by 71% from \$55 877 to the 2017 balance of \$79 106.

There was a reduction of 27% in outstanding revenue signifying an improvement in debt collection by the Ministry.

STANDARDS DEVELOPMENT FUND 2017

OBJECTIVE OF THE FUND

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

Qualified Opinion

I have audited the financial statements of the Standards Development Fund for the Ministry of Industry, Commerce and Enterprise Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	16 510 529
Expenditure	15 263 171
Surplus	\$1 247 358

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	7 636 583	-
Accumulated Fund		21 658 548
Current	14 196 881	174 916
Total	\$21 833 464	\$21 833 464

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Standards Development Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

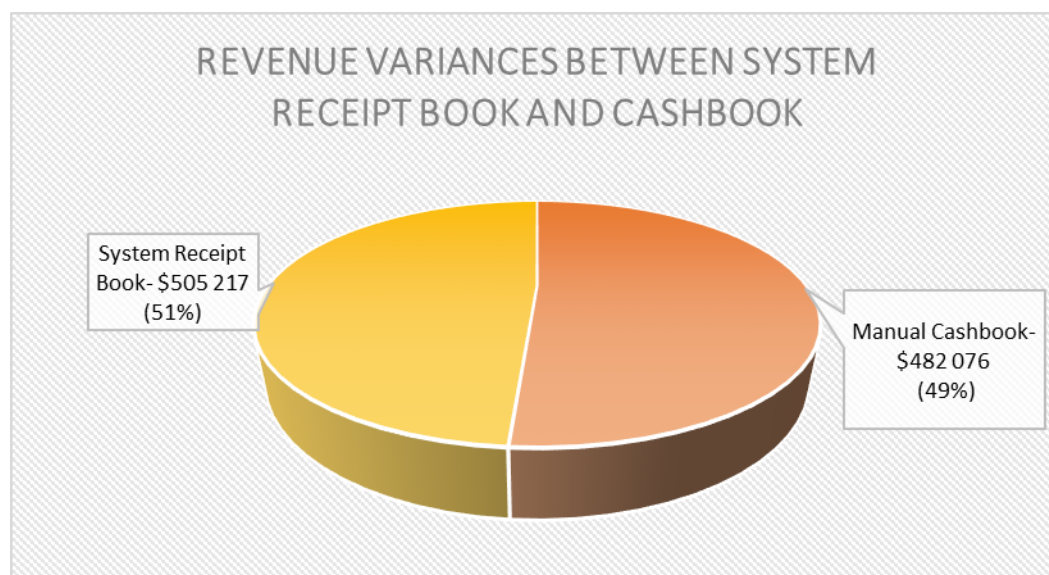
Basis for Qualified Opinion

(i) Maintenance of Revenue Records

Findings

There was poor maintenance of accounting records as bank reconciliations were not being regularly done as required by Treasury Instruction 0432. Resultantly, this compromised the reliability, integrity and accuracy of the financial statements. I could not ascertain if the revenue disclosed in the financial statements was accurate due to the following anomalies:

There was a variance of \$23 141 between the receipted amounts under Real Time Gross Settlement (RTGS) of \$505 217 and the balances disclosed in the cashbook of \$482 076.



A total of \$40 266 receipted as levy income during weekends as per the Standards Development Fund System report was not recorded in the cashbook.

The Fund also used two cash books, one for recording cash and cheque transactions and the other for recording RTGS. Audit concern was that in some instances, similar transactions were recorded in both cashbooks paving way for duplications.

Risks/Implications

Inadequate supervision of work may lead to errors and omissions without detection and as a result the accounting records may be misstated.

Failure to perform monthly bank reconciliations may result in fraud being perpetrated which may go undetected.

Recommendations

Revenue collected should be properly accounted for by ensuring that all receipts are recorded in the financial books. The recordings should be checked by an independent person to facilitate detection of errors timeously.

Monthly reconciliations should be performed to enable early detection of errors and identification of duplications.

Management Response

The variance of \$23 141 was caused by a system technical problem which was experienced when clearing outstanding RTGS. When clearing outstanding RTGS after

two or three months, the correction will appear as if the deposit was cleared in the same month. This caused a lot of confusion and ended up as an under and dual receipting.

The point is noted and regretted, the anomaly occurred in February 2017 when most of the staff were undergoing training.

There was a system technical problem which resulted in the system recording transactions on the date of deposit and not capturing the date of receipt and this resulted in the balance of \$40 266 which appeared on weekends.

The system developer only managed to correct the technical problem in October 2018 and the Fund had to redo all reconciliations from January to October 2018 and despite the system challenges the bank reconciliations were being done monthly.

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

1 GOVERNANCE ISSUES

1.1 Transfer of Funds to the Parent Ministry

Finding

Section 9 of the Standards Development Fund Act [*Chapter 14:19*] highlights that all funds of the Fund should be channeled towards meeting any expenses arising from the establishment and maintenance of the Fund. Contrary to this provision, I noted that the Fund advanced an amount of \$157 503 to the Parent Ministry and as at year end, the balance of \$157 503 had not been reimbursed which might impact negatively on the operations of the Fund.

Risk/Implication

The Fund may fail to meet its objectives if the outstanding amount is not reimbursed by the parent Ministry.

Recommendation

The Accounting Officer should ensure that the amount involved is reimbursed and channeled towards meeting the Fund's objectives.

Management Response

The point is noted and regretted, however, the Fund has assisted the parent ministry in extreme cases and the Ministry has to date cleared a total of \$84 986 out of \$157 503. Efforts are being made to clear the balance of \$72 517.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Debtors

Findings

The levy debtors uncollected at the end of December 31, 2016 amounted to \$5 782 399 as noted in my previous year's audit report. As at December 31, 2017 the amount had risen to

\$6 236 648 indicating that the Fund's debt recovery system has remained ineffective. From a sample of levy debtors analysed, huge balances were owed by NRZ and City of Bulawayo but only \$250 000 had been recovered since 2015. Treasury Instruction 0501 stipulates that officers responsible for collecting debts should take adequate steps to collect any sums due to the Government on due date and should not allow a debt to become extinguished through lapse of time.

Risk/Implication

Failure to timeously recover amounts outstanding could lead to loss of revenue as the Fund may end up failing to recover the amounts which in turn will negatively affect the smooth operation of the Fund.

Recommendation

The Fund should employ effective strategies to collect the amounts owing from debtors to ensure that the fund fulfills its objectives.

Management Response

The observation is noted. The Fund has been experiencing problems in collecting debts from local authorities. It has intensified its inspection and is aggressively following up on debtors. NRZ has communicated its financial problems and has promised to pay once the situation improves. The Fund entered into a payment plan with some employers and City of Bulawayo and \$500 000 has been recovered as at November 29, 2018.

Evaluation of Management Response

The documentation provided only showed a payment of \$200 000 from City of Bulawayo that was paid in the year 2017.

3 MANAGEMENT OF ASSETS

3.1 Procurement of Assets

Finding

Section 5(1) of Statutory Instrument 171 of 2002 and Procurement Regulations (Amendment) No. 17 of 2012 require a procuring entity to obtain at least three competitive quotations from suppliers of goods or services below \$10 000. However, for the procurement of two wireless projectors for \$6 256 from Keizer Computers on 29 March 2017 and a flatbed scanner for \$1 728 from Global Horizons on 29 December 2017, the Fund used quotations which were comparing different models to come up with purchasing decisions, thereby defeating the purpose of competitive quotations.

Risk/Implication

If procurement procedures are not followed, fraudulent activities and uneconomic buying may take place.

Recommendation

The Fund should adhere to the procurement regulations when acquiring its goods and services for proper accountability of public funds.

Management Response

The observation has been noted, the procurement procedures of the projectors and a scanner were done according to the Procurement Act [Chapter 22:23] and Statutory Instrument 5 of 2018 section 18(e) which clearly state that technical specifications shall not be specific to a particular brand and to the extent compatible with the procuring entity requirement and shall be based on international standards.

This explains that the required minimum specifications of products or devices are used to come up with the comparative schedule from quotations submitted by different suppliers. No specific brand names or models are stated on the specifications document as suppliers are free to provide a product of their choice as long it meets the required specifications. The supplier was recommended as the cheapest to minimum specifications.

Evaluation of Management Response

The year under review is 2017 and Statutory Instrument No. 5 of 2018 had not come into effect, therefore it does not apply in this situation.

TRADE MEASURES FUND 2017

OBJECTIVE OF THE FUND

The Fund was established for the development and maintenance of legal metrology services provided to industry and commerce in terms of the Trade Measures Act [*Chapter 14:23*], and to ensure conformity of such services to standards and requirements prescribed by International Standard Bodies.

Opinion

I have audited the financial statements of the Trade Measures Fund for the Ministry of Industry, Commerce and Enterprise Development. These financial statement comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	364 866
Expenditure	396 833
Deficit	(\$31 967)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current Accumulated Fund	1 797 702	- (169 301)
Current	1 011 126	2 978 129
Total	\$2 808 828	\$2 808 828

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during audit.

1 MANAGEMENT OF ASSETS

1.1 Contract Management

Findings

The Fund entered into a contract with Sunway City in November 2016 for the purchase of

20 000 square meters of land in High Tech Park. One of the terms highlighted in the contract was that the seller was obliged to enable transfer of title of the stand to the purchaser within six months of receiving the full purchase price. The Fund paid 87% of the total agreed purchase price of \$414 000 in December 2016 and the remainder in July 2017. However, at the time of audit on October 31, 2018 there was no evidence to show that the transfer of title had been done and I could not confirm with certainty that the Fund owned the land.

As previously reported in my 2016 Audit Report, the Fund had a contract in November 2015 with Liquid Control for delivery of 5kg precision balances to which the Fund had paid a deposit of 70%. The issue remained unresolved as at the time of my audit on October 31, 2018. The assets had not been delivered although the contract clearly stated that the delivery of the balances was to be made within twelve weeks after payment of the deposit.

Risks/Implications

Without registered title deeds, the Fund may lose ownership of its properties and public funds.

Failure to follow-up on undelivered assets and taking appropriate action against defaulting suppliers may lead to losses or wasteful expenditure and this may affect service delivery as the assets would not be available.

There is risk of non-performance as the contracts may have been awarded to suppliers without the capacity to supply.

Recommendations

The Fund should engage Sunway City to facilitate transfer of ownership of the land acquired through issuance of title deeds.

A follow up with the suppliers on the outstanding assets should be done urgently failure to which appropriate action should be taken against the defaulters in line with the contract terms.

Management Response

When the survey of the land in question was carried out, it turned out that the land was 25 000 square meters as opposed to 20 000 square metres which had been paid for by the Fund in line with the contract. The legal office will therefore write to Sunway City requesting for the title deeds to the 25 000 square metres as negotiations are in progress to acquire the additional land.

Liquid Control had four contracts with the Fund but delivered equipment for three of the contracts. Equipment delivered for the fourth contract failed to meet required specifications and was therefore returned hoping for correct delivery of equipment. Considering the time lapse, the Fund considers terminating the outstanding contract and setting off the advance paid for the 5kgs balances with the balance the Fund owes Liquid Control.

Evaluation of Management Response

There is need for the Fund officials to be pro-active in safeguarding state resources by following up outstanding orders and obligations by third parties on time to avoid losses due to time value of money or non-performance.

2 PROCUREMENT

2.1 Fuel

Finding

I noted with concern that from a sample of payments made for fuel, I could not verify whether the coupons collected were used for Fund activities. No record of the purchased coupons was made in the fuel register for proper accountability although evidence for collection of the coupons was availed for audit. This was contrary to the provisions of Appendix I (Methods of control) of the Treasury Instructions which states that the responsible officer should embrace the keeping of records of stocks and consumable items. The fuel comprised of 7 940 litres of diesel and 4 960 litres petrol amounting to \$16 379 purchased as indicated below:

Date purchased	Diesel	Petrol	Amount \$
23-02-17	1 740 Litres	560 Litres	2 907
21-06-17	4 200 Litres	3 400 Litres	9 672
12-09-17	2 000 Litres	1 000 Litres	3 800
Total	7 940 Litres	4 960 Litres	\$16 379

Risk/ Implication

Failure to properly account and record fuel coupons may result in loss or misappropriation of public resources without trace.

Recommendation

The Fund should record all fuel purchased in a register to facilitate accountability. Requisitions for withdrawals should also be filed to support usage.

Management Response

The observation is noted. However, fuel coupons procured on 21 June 2017 were recorded in a Temporary Register and information not transferred since the master register was with the Internal Audit.

The Administration Officer has been advised of the need to ensure that coupons are recorded in the register before being issued. An investigation will be carried out to check whether the coupons that were not recorded in the register were eventually issued for Fund purposes.

VOTE 8. - LANDS, AGRICULTURE AND RURAL RESETTLEMENT

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The mandate of the Ministry of Lands, Agriculture, and Rural Resettlement is to ensure food security in the country and agriculture produce for the manufacturing sector, through facilitating a sustainable and viable agricultural sector by providing new materials for the rest of the economy. It carries out this mandate by providing administrative, technical, advisory, research and regulatory services to the sector. It is also mandated to promote equitable distribution of land and provision of security of tenure.

Qualified Opinion

I have audited the financial statements for the Ministry of Lands, Agriculture and Rural Resettlement for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve	Total	Expenditure	Net Under Spending
\$497 381 000	\$1 409 056 680	\$1 906 437 680	\$1 719 933 618	\$186 504 062

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Ministry for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Direct Payment

Contrary to Section 81 (2) (b) (ii) and (iii) of the Public Finance Management Act [Chapter 22:19], the Ministry did not provide supporting documents for the total payments of \$847 954 752 directly paid by the Ministry of Finance and Economic Development to various service providers. I was therefore not satisfied that the transactions were a proper charge to the vote.

Risk/Implication

Fraudulent payments might be processed by the Treasury department and go unnoticed.

Recommendation

In cases where Treasury makes direct payments to creditors on behalf of the Ministry, the Ministry should timely request the supporting documents in order to record and account for the transactions.

Management Response

Treasury initiates and input into PFMS any transfer from unallocated reserves. In addition, Treasury would directly pay beneficiaries without the accounting involvement of the Ministry. Any correction of accounting system is within the powers and responsibility of Treasury. The accounting treatment of any utility bills, set-offs need urgent review by Treasury. The Ministry is not comfortable with Treasury posting transactions into its expenses codes without involvement. This has been brought to the attention of Treasury several times. The Auditor may want to influence Treasury change in policy.

(ii) Overstatement of Expenditure

I observed that expenditure in respect of the acquisition of fixed capital assets was overstated by an amount of \$18 250 042 during the financial year under review. This was caused by improper recognition of capital transfers to Infrastructure Development Bank of Zimbabwe (IDBZ) as expenditure.

Risk/Implication

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

Recommendation

The Ministry should liaise with Treasury to ensure that funds are managed and properly accounted for in the PFMS through correct expenditure recognition criteria in line with Generally Accepted Accounting Practice.

Management Response

Audit observation noted. Budget funds which were availed by Treasury were deposited into an Infrastructure Development Bank of Zimbabwe (IDBZ) Infrastructure Fund. As much as Treasury documents record this transfer as expenditure, in practice the actual funds disbursed to pay for works was \$4 000 000. The balance of the funds was never used and are still available with the IDBZ as no progress certificates were made available.

(iii) Salary Reconciliations

Contrary to Treasury Circular B/1/88, the Ministry did not perform monthly salary reconciliations for the year ended December 31, 2018. The total employment costs as extracted from Salary Services Bureau salary bills amounted to \$88 620 146 while the figure disclosed in the

Appropriation Account was \$86 963 180 resulting in a difference of \$1 656 966 which was not reconciled. This was caused by lack of accuracy in data capturing.

Risks/Implications

It might be difficult to detect ghost employees and irregular changes that may be made to the salary bill of the Department.

The employment costs reported for the financial year under review might be misstated.

Recommendation

The Ministry should put in place proper supervision mechanisms to ensure that monthly employment cost reconciliations are carried out on a monthly basis.

Management Response

Observation noted. The Variance was a result of three programs namely Animal Production, Health, Extension and Advisory Services, Crops and Livestock Research and Technology Development and Lands Resettlement and Security of Tenure) that did not capture salary expenditures correctly.

Furthermore, the current system of salary payments leaves room to errors in capturing salary expenditures. Salaries are being paid outside the system and it is only at the end of the year that Treasury releases the funds in the system so that it is captured and reported. In prior years, Ministries would get monthly releases for salaries expenditure and they would duly be captured in the system. It was a control in itself since the bill would not be processed if one Ministry wrongly captures its salary bill.

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

1 GOVERNANCE ISSUES

Programme 5: Agricultural Engineering and Farm Infrastructure Development

1.1 Results Based Management

Irrigation Rehabilitation

Finding

Contrary to the set targets under the Departmental Integrated Performance Agreement for the division of Irrigation Development, the Ministry could not develop and maintain ten thousand hectares (10 000ha) of the smallholder irrigation schemes despite the fact that the department of irrigation received twelve million dollars (\$12 000 000) for the implementation of the program during the year under review.

In addition, the Ministry managed to rehabilitate five thousand seven hundred and forty-six hectares (5 746 ha) against a planned target of nine thousand five hundred hectares

(9 500ha). The Ministry received twenty-four million (\$24 000 000) for irrigation rehabilitation and managed to only utilise four million dollars (\$4 000 000). This was caused by lack of capacity by the department to implement the agreed programs.

Risk/Implication

Land use productivity and crop production under irrigation may not be achieved as planned.

Recommendation

The Ministry should review its management and implementation methodology of the Government programmes so that efficiency may be enhanced.

Management Response

Observation is noted. The performance of the Department of Irrigation is heavily affected by industry capacity. As such the Department of Irrigation would like to recommend modalities for capacitation of irrigation sector companies with working capital so that they can deliver on time. Most irrigation equipment has a foreign exchange component and it is recommended that a budget with foreign exchange provision be made so that the Department may align its targets in tandem with the availed resources. It is important to note that for those programmes where foreign exchange was availed, the Department managed to achieve its targets.

Programme 7: Lands Management and Rural Resettlement

1.2 Results Based Management

Findings

According to the Departmental Integrated Performance Agreement, the department had planned to allocate four thousand hectares (4 000ha) to four hundred (400) land beneficiaries, however, I was not provided with evidence of any land allocation during the year ended December 31, 2018.

Furthermore, the Ministry had planned to issue twenty (20) ninety-nine (99) year lease and only managed to issue eight (8) leases, one thousand five hundred (1 500) A1 permits and two hundred and seventy (270) permits. Also two hundred (200) A2 farms were targeted for mapping of which fifty-seven (57) farms were mapped. The output was forty percent (40%), eighteen percent (18%) and twenty-nine (29%) respectively out of the one hundred percent (100%) target. The cause was lack of departmental personnel at district level and financial resources.

Risk/Implication

The department might not be able to accomplish its purpose in life.

Recommendation

The Ministry should engage the Public Service Commission so that the organisational structure is aligned to the purpose in life of the department.

Management Response

The Department allocated land to 57 beneficiaries. The Department did not meet set targets due to inadequate financial resources and unworkable structure where officials working in Provinces and Districts focusing on land related issues were transferred to Crops and Livestock Department thus compromising their output levels. In addition to that, the staff rationalisation exercise has left the Department with depleted staff complement to sustain the inherent ever demanding responsibilities.

Programme 8: Land Survey and Mapping

1.3 Results Based Management

International Boundary Reaffirmation

Findings

The Surveyor-General Department planned to reaffirm two hundred (200) kilometres of Zimbabwe's international boundaries, however, it only managed to reaffirm fifty-three (53) kilometres which was only twenty-seven (27) percent of the planned annual output. Despite the fact that the department managed to get \$119 941 (70%) out of the total budget of \$172 508, The output did not correspond to the resources utilised during the year under review. This was caused by lack of coordination in resource mobilisation amongst the countries involved as the reaffirmation cost was shared between the neighbouring countries.

Furthermore, the Department was lagging behind on the African Union Boarder Programme (AUBP) that requires all nations to complete all international boundaries reaffirmations by the year 2023. There were no reaffirmations done on the South African and Zambian borders. The two countries have each a total of 225km and 798km respectively. For the Botswana boundary only 542 km was reaffirmed out of a total of 841km. For Mozambican boundary only 43 km was reaffirmed out of a total of 1134km. Out of the total two thousand nine hundred and ninety-eight (2998) kilometres of the Zimbabwean boundary only five hundred and eight five (585) kilometres which is twenty (20%) percent were reaffirmed since the inception of the AUBP programme in the year 2011. For Mozambican boundary the other cause for slow reaffirmation was partly because most parts of the boundary are landmine infested.

Township and Farm Surveys

The department planned to undertake one thousand (1000) A2 farm surveys of which only four hundred and ninety-four (494) farm surveys were done. Also, 1000 township surveys were planned but only seven (7) were undertaken by the department. This was so because

local authorities and individuals who wanted their stands surveyed ended up enlisting the services of private land surveyors. The department did not achieve its planned targets.

Risks/Implications

Taking long to reaffirm the boundaries may give rise to more conflicts along the border areas with the neighbouring countries.

Life might be lost along the Mozambican boundary which is land mine infested, if the land mines are not removed in time.

Lack of capacity by the Surveyor-General to survey A2 farms and townships will have a negative effect on economic growth and the 2030 vision of Zimbabwe to achieve middle income status.

Recommendations

The department should ensure that the boundaries are reaffirmed in time, for the country to meet the AUBP deadline of 2023.

Co-operation of the department and the Ministry of Defence should also be considered in order to expedite the removal of land mines.

Farms and Townships should be surveyed to enhance economic activities.

Management Response

Joint application to African Union Border Programme (AUBP) with Mozambique, Zambia and Botswana have been made and responses are awaited. This will augment the fiscal budget and reduce government expenditure. The Department only managed to reaffirm 53 km out of the targeted 200 km mainly due to financial constraints from our neighbouring countries who could not mobilise resources for planned reaffirmation exercises. The usage of approximately 70% of the budget allocation yet covering approximately 27% of the work is due to price increases of the required resources for use during the reaffirmation exercise. Work plan formulation and budget meetings are also held between countries which also form a charge on the budget. In some instances, the Ministry buys more resources as compared to our neighbouring countries who might be having challenges procuring such resources. Land mines along the Mozambique border remain a hindrance to progress.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

Programme 5: Agricultural Engineering and Farm Infrastructure Development

2.1 Repayment of Loans Under the Pedstock Facility Phase 1

Finding

Contrary to the provisions of Treasury Instruction 0501, there was no evidence to show that there were effective and appropriate steps taken such as processing stop orders and follow-up on deduction by the Grain Marketing Board (GMB) to recover outstanding loans granted during the period 2016-2017 to eighty (80) beneficiaries of irrigation equipment under the Pedstock Facility Phase 1. Since the loan facility was introduced during 2016 financial year the eighty (80) beneficiaries owed the State a cumulative amount of \$10 815 940 including interest. The Ministry had only recovered an amount of \$94 753 during the period under review reflecting a recovery rate of 1%. This was caused by not billing beneficiaries using the Public Finance Management System and the non-disclosure of such debtors.

Risk/Implication

The loans may become irrecoverable.

Recommendation

The Ministry should follow-up on all stop orders processed with the Grain Marketing Board (GMB) so that recoveries are effected timeously.

Management Response

Audit observation noted. Tools for loan recoveries are available in the form of Stop Order facilities and Government vouchers which beneficiary farmers are made to sign at the time of borrowing. However, the Department of Irrigation is not fully capacitated to make recoveries from farmers and a recommendation is being made to forward loan recoveries to the Agricultural Development Bank of Zimbabwe (AGRIBANK).

2.2 Special Maize Production Programme under Sakunda Facility

Finding

I observed that there was no recovery of loans amounting to \$16 302 021 made to two hundred and thirty-three (233) beneficiaries during the 2017 financial year for the rehabilitation of irrigation infrastructure under the US\$18 000 000 Sakunda Holdings Facility Phase 1 in contravention of the provisions of Treasury Instruction 0501. This was caused by the fact that there was no billing system in place and the beneficiaries were not invoiced for the equipment they received and the Ministry had not done any formal verification of deliveries by Maka Resources (Private) Limited who were engaged to do the rehabilitation of irrigation infrastructure for the beneficiaries.

In addition, the difference of \$1 697 979 between the loans disbursed to beneficiaries and the loan facility was expected to capacitate the Department of Irrigation with motor vehicles and equipment, however, no vehicles were acquired under the facility. I was unable to determine how the loan facility operated since I was not provided with Term Sheet or Loan Agreement between Sakunda Holdings and the Government of Zimbabwe in violation of the provisions of Treasury Instruction 1216.

Risks/Implications

The loans might not be recovered and the objectives of the Special Maize Production Programme may not be attained.

It may be difficult to monitor the Programme if the Department of Irrigation is not capacitated.

Recommendations

The Ministry should ensure that the loans issued to beneficiaries are recovered so that the State is able to service the debt.

An Effective billing system should be put in place for the farmers.

The Ministry should ensure that mechanisms are in place to validate performance of contracted institutions to reduce contractual disputes between the State and farmers which may result in farmers defaulting on their loan repayments.

The Term Sheet or Loan Agreement between Sakunda Holdings and the Government of Zimbabwe should be availed for audit examination.

Management Response

Audit observation noted. Slow progress has been due to lack of an approved Term Sheet. However, the Department of Irrigation is not fully capacitated to make recoveries from farmers and a recommendation is being made to forward loan recoveries to the AGRIBANK.

Programme 7: Lands Management and Rural Resettlement

2.3 Receipts and Disbursements

Finding

Contrary to Treasury Instruction 0103, there were differences between revenue figures reflected under total receipts extracted from the SAP report of \$2 789 313, while the Receipts and Disbursements Return indicated collections of \$3 626 090. This resulted in a variance of \$836 777. Therefore, I could not substantiate the correct amount of revenue received by the Department of Lands for the year ended December 31, 2018. This was caused by lack of supervision during the recording and preparation of financial statements.

Risk/Implication

The revenue and receipts and disbursements returns might be misstated.

Recommendation

Department of Lands Management should investigate and reconcile the two different figures and disclose the correct revenue and receipts and disbursements amount for the year under review.

Management Response

We agree with the audit observation. There is an apparent confusion in the design of the Funds and their linkage to the appropriation Account. Efforts are underway to clear the confusion.

3 PROCUREMENT

Programme 5: Agricultural Engineering and Farm Infrastructure Development

3.1 Advance Payments for Motor Vehicles

Finding

I observed that the Department of Irrigation bought ten (10) motor vehicles from Solution Motors amounting to \$518 850 on December 19, 2017. The Department only received six (6) motor vehicles out of the ten (10) motor vehicles paid for in advance. The Ministry did not seek redress from the supplier for the remaining four (4) motor vehicles worth \$207 540 which were not delivered. Furthermore, in terms of the technical specifications of the contract Solutions Motors was supposed to have delivered the motor vehicles with canopies and bull bars and all the six (6) motor vehicles delivered had no such accessories. The supplier cited failure to access foreign currency as the cause for non-performance.

Risks/Implications

The motor vehicles may never be delivered and service delivery could be compromised.

Public funds in the form of advance payments made for the motor vehicles and accessories might result in nugatory expenditure if redress is not sought.

Recommendation

The Ministry should engage the Procurement Regulatory Authority of Zimbabwe (PRAZ) to seek guidance on enforcing performance by Solution Motors in line with procurement regulations.

Management Response

Audit observation is noted. The Department will engage the supplier on April 08, 2019 to agree on specific dates of the delivery of the outstanding motor vehicles. If no agreement is reached, the audit recommendation to engage the PRAZ will be followed.

3.2 Plant and Equipment

Findings

I observed that on December 5, 2017 the Department of Irrigation entered into a procurement contract with Solution Motors to buy two (2) excavators (SANY SY365C), one (1) Motorised Compactor, one (1) Water Bowser and two (2) Tipper trucks for irrigation rehabilitation valued at \$958 665. However, two (2) Excavators (SANY SY 365C) and one (1) Water Bowser valued at \$515 650 were not delivered and the Department did not seek redress from the supplier. The non-delivery was caused by the absence of due diligence process during the procurement of the plant and equipment.

Furthermore, I was unable to verify whether the Ministry owned the two (2) Tipper trucks and the one (1) Motorised Compactor, since I was not provided with the registration books for the plant and equipment contrary to the provisions of Section 6 of the Vehicle Registration and Licensing Act [*Chapter 13:14*]. In addition, the plant and equipment was not recorded in the Department of Irrigation's Master Asset, contrary to the provisions of Appendix 1 (2) (a) of the Treasury Instructions. The non-registration of Tipper trucks and Motorised Compactor was caused by the fact that Solutions Motors could not provide the Department of Irrigation with the Customs Clearance Certificates which are critical documents needed for registration of the plant and equipment.

Risks/Implications

Plant and equipment might never be delivered and the objectives of the National Irrigation Rehabilitation and Development Programme may not be achieved.

Plant and equipment which has been delivered could be made redundant through non usage.

Plant and equipment might not be accounted if it is not recorded in the Department's Master Asset Register.

Ownership of the plant and equipment may be difficult to ascertain in the absence of registration books.

Public funds paid may not be put to best use if items purchased are not delivered.

The Ministry might have engaged a supplier who had no capacity to deliver the plant and equipment.

Recommendations

The Ministry should engage the supplier on the issue of the outstanding deliveries of plant and equipment.

The Ministry should engage the supplier on the issue of the Customs Clearance Certificates to facilitate in the registration of the plant and equipment. The assets should be recorded in the Department's Master Asset Register.

The Ministry should consider recovering the advance payments made for undelivered plant and equipment.

Management Response

Audit observation is noted. However, upon getting the service provider from the PRAZ at initiation of the procurement, the Department carried out due diligence exercises by dispatching officers to inspect the equipment at the manufacturers' premises in China. The Department will engage the supplier on April 08, 2019 to agree on specific dates of the delivery of the outstanding plant and equipment and follow up on registration.

4 MANAGEMENT OF ASSETS

Programme 1: Policy and Administration

4.1 Handling of Government Assets

Finding

Contrary to Treasury Circular Number 8 of 2018, the Ministry did not take stock of the vehicles and update its asset register with assets from the other Ministries which it was merged with, namely Lands and Rural Resettlement and Water and Climate. Furthermore, I was not provided with any documentary evidence as proof of stock take hand over and takeover certificate.

Risk/Implication

Absence of such records may expose the assets to theft and misappropriation. Government might lose valuable assets.

Recommendation

The Ministry should comply with Treasury Circular Number 8 of 2018.

Management Response

Audit observation is noted. Departments have since submitted their registers and consolidation is in progress.

4.2 Vehicle Registration

Finding

I observed that nine (9) motor vehicle registration books were missing from the respective motor vehicle files. Hence, I was not able to confirm whether these vehicles were registered in the absence of such documentation. Furthermore, three (3) Toyota Land cruiser Prados that were acquired in 2017 were yet to be registered as at the time of my report. Although I was given an explanation that the paper work was still being sorted, I was not availed with a justification of why the registration of the vehicles was taking too long.

Risk/Implication

Unregistered Ministry vehicles can be easily misappropriated.

Recommendation

All vehicles should be registered as soon as they are acquired.

Management Response

Audit observation is noted. In respect of the three (3) Toyota Land Cruiser motor vehicles, the vehicles had no motor vehicle registration books as they are currently under Police investigation since they were delivered to the Ministry under individual names. The motor vehicle registration books were returned to the supplier that is Sakunda Holdings for formal registration with the Ministry. Motor vehicle registration books for motor vehicles (AAH 2154, AEN 2725, AEN 8572, GAGE 4021, GAGEM 004, GAG 615 and GAG 991) are available for inspection. Motor vehicle (AEF 9236) was sold to the former Director of Finance and Administration whilst motor vehicle (GAG 970) was sold through public auction.

Evaluation of Management Response

Motor vehicle registration books for motor vehicles (AAH 2154, AEN 2725, AEN 8572, GAGE 4021, GAGEN 004, GAG 615 and GAG 991) were never availed for my examination. I was not provided with documentary evidence for the disposal of motor vehicle (GAG 970) by public auction and the sale of motor vehicle (AEF 9236) to the former Director of Finance and Administration.

5 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

5.1 Public Financial Assets

The issue I raised concerning the unreconciled variance of \$643 932 191 between the Statement of Public Financial Assets' opening balance of \$712 530 782 and the audited figure of \$1 356 462 973, was addressed as the Ministry resubmitted a corrected statement.

5.2 Statement of Contingent Liabilities

The documents which had not been availed for audit inspection to support the transactions culminating in the total outstanding balance of \$65 572 238 disclosed on the Statement of Contingent Liabilities were availed for audit. In addition, the variance of \$479 262 between the year 2016 closing balance and 2017's opening balance was reconciled. The issue of adjustments to the Statement of Contingent Liabilities was addressed.

5.3 Statement of Other Capital Liabilities

No progress had been made on the issue I reported on that the Ministry did not avail documents to support the total outstanding balance of \$58 653 761(2016: \$235 207 112) on the Statement of Other Capital Liabilities. Also the evidence to support the movement of the outstanding balance from \$235 207 112 to \$58 653 761 was not availed for audit. Therefore, it was not clear how the reduction of \$176 553 351 in the liabilities was settled.

5.4 Budget Estimates

The Ministry had not made progress in addressing the matter I reported that the budgeted figure for the year 2017 could not be ascertained as a result of an unexplained variance amounting to \$1 871 000 between the figure disclosed in the Appropriation Act of \$292 696 000 and the Appropriation Account figure of \$294 567 000.

5.5 Unallocated Reserves

No progress had been made on addressing the issue of the total variance amounting to \$1 559 713 867 between the Unallocated Reserve figure disclosed in the Ministry's Appropriation Account and Treasury records. Furthermore, expenditure incurred amounting to \$4 515 542 in respect of Utilities and Other Services paid from Unallocated reserves had still not been supported by payment vouchers and creditors statements.

5.6 Transfers from Appropriation Account

The matter in which the Ministry transferred a total amount of \$2 205 000 (Veterinary services \$195 000, Livestock Research \$1 000 000 and Crop Research Services \$1 010 000) from the Sub-Paymaster General Account to the Agricultural Revolving Fund without Treasury authority, had not been addressed.

5.7 Expenditure Figures

The error which had resulted in the difference of \$8 689 597 between the Appropriation Account expenditure figure of \$169 046 684 and Public Finance Management System (PFMS)) figure of \$160 357 087, was corrected and supporting documents were availed for audit inspection. Furthermore, the issue in which Capital expenditure amounting to \$763 214 for various sub-votes which had not been reflected on the Public Finance Management System printout was addressed.

5.8 Set-Offs (Grain Marketing Board)

No progress had been made to address the issue of set-offs amounting to \$3 298 943, in respect of various amounts owed by the Grain Marketing Board (GMB) to various service providers which had been processed by Treasury but not captured as expenditure for the financial year 2017.

5.9 Renting Out of Premises

The matter concerning a canteen which was being sublet to two private individuals without lease agreements, Accounting Officer's approval and Treasury concurrence, was resolved.

5.10 Farm Equipment

The matter I reported that the Ministry distributed farm equipment recovered from Farmers World as loans without attaching monetary values to the equipment, had not been addressed. Furthermore, equipment valued at \$853 750 acquired from William Bain was not recorded in the Ministry's Master Assets Register.

5.11 Chinese Grant

No progress had been made in addressing the issue in which 36 tractors, 30 motor vehicles and 200 motor bikes received by the Ministry through a grant from the Republic of China had not been recorded in the Ministry's Master Asset Register. No documentation was availed for the Grant Agreement.

5.12 Payroll Reconciliations

The matter concerning the payroll reconciliations for seven sub-votes which had not been availed for audit to ascertain whether a total payment of \$48 483 634 under employment costs was an accurate expense, had been addressed.

AGRICULTURAL REVOLVING FUND 2017

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.

Disclaimer of Opinion

I am required to audit the financial statements of Agricultural Revolving Fund of the Ministry of Lands, Agriculture and Rural Resettlement, which comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	Amount (\$)
Income	17 764 691
Expenditure	17 993 103
Deficit	(\$228 412)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	1 506 472	-
Accumulated Fund		3 754 312
Suspense Account		(206 555)
Current	2 681 349	640 064
Total	\$4 187 821	\$4 187 821

I do not express an opinion on the financial statements of the Agricultural Revolving Fund. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(i) Financial Statements

Finding

For the fourth year in succession, the Fund did not prepare any financial statements in respect of the Matabeleland North, Matabeleland South, Masvingo and Manicaland

Provincial Veterinary Offices contrary to the provisions of Sections 2.8 and 3.3 of the Fund's Accounting Officer's Instructions Manual. This had an effect of limiting the scope of my audit.

Risk/Implication

It may be difficult to ascertain the financial performance of all Provincial Veterinary Offices.

Recommendation

The Ministry should ensure that financial statements in respect of the Matabeleland North, Matabeleland South, Masvingo and Manicaland Provincial Veterinary Offices are prepared in line with the provisions of Sections 2.8 and 3.3 of the Fund's Accounting Officer's Instructions.

Management Response

The observation is noted. The Ministry will include all Provincial Veterinary Offices financial statements in the consolidated financial statements starting with the 2019 financial year.

(ii) Maintenance of Accounting Records

Findings

For the third year in succession, in violation of the provisions of Section 37 of the Public Finance Management Act [*Chapter 22:19*], I was unable to verify the account balances as the Fund had no accounting ledgers in respect of transactions for the Economics and Markets, Tsetse and Trypanomiasis and Agricultural Engineering and Mechanisation Projects, Chibhero Agricultural College and the Fertilizer and Farm Feeds and Mlezu Agricultural College for the year under review. This was caused by the fact that the Fund does not have an Accounting Software. The scope of my audit was therefore limited.

I also observed that as a result of inadequate maintenance of accounting ledgers inter-departmental transfers were not eliminated on the consolidated financial statements of the Agricultural Revolving Fund resulting in the overstatement of revenue by \$1 578 179 and expenses by \$2 007 738 for the financial year under review.

Furthermore, in my report for the financial years ended December 31, 2015 and 2016, I expressed my concern over a suspense account balance then amounting to \$108 752 that was disclosed in the Statement of Financial Position. However, for the financial year under review the suspense account had risen to \$206 555. I was concerned that there were no adjustments that were effected to ensure that the Statement of Financial Position was fairly stated.

The Fund also incurred excess expenditure over income totalling \$228 412 due to improper application of accounting policies and incomplete accounting ledgers.

Risks/Implications

It may be difficult to verify account balances in the financial statement.

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

Recommendations

The Ministry should ensure that accounting ledgers are maintained and that there is supervision in the maintenance of accounting records.

The Ministry should consider introducing an Accounting Software such as Pastel to assist in processing of transactions.

The Ministry should investigate the suspense amounts and make the necessary adjustments to ensure that the Statement of Financial Position is fairly stated.

Management Response

The observation is noted. The Ministry will standardize the chart of accounts to facilitate consolidation and elimination of interdepartmental transactions. Also an analysis will be made so that focus can be made on the causative factors.

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

1 GOVERNANCE ISSUES

1.1 Service Delivery- Dipping Chemicals

Finding

I was concerned that the national cattle herd was depleted due to the shortage of dipping chemicals which led to the death of fifty thousand (50 000) cattle across the whole country. The shortage of dipping chemicals (tick buster and deltamethrin SC) was observed mainly in Manicaland, Mashonaland West, Mashonaland East, Masvingo and Matabeleland North. This also led to an increase in tick borne and water borne diseases such as Theileriosis. The shortage of dipping chemicals negatively affect the command livestock programme under the Division of Veterinary Services which is responsible for managing four thousand (4 000) dip tanks across the whole country.

Risk/Implication

The service delivery by the Division of Veterinary Services is negatively affected and may result in the Ministry failing to achieve its purpose in life.

The cattle restocking effort by the Ministry through the Command Livestock Programme may not yield positive results.

Recommendations

The Ministry should ensure that dipping chemicals are availed timeously. Alternative ways of managing the diseases should be pursued.

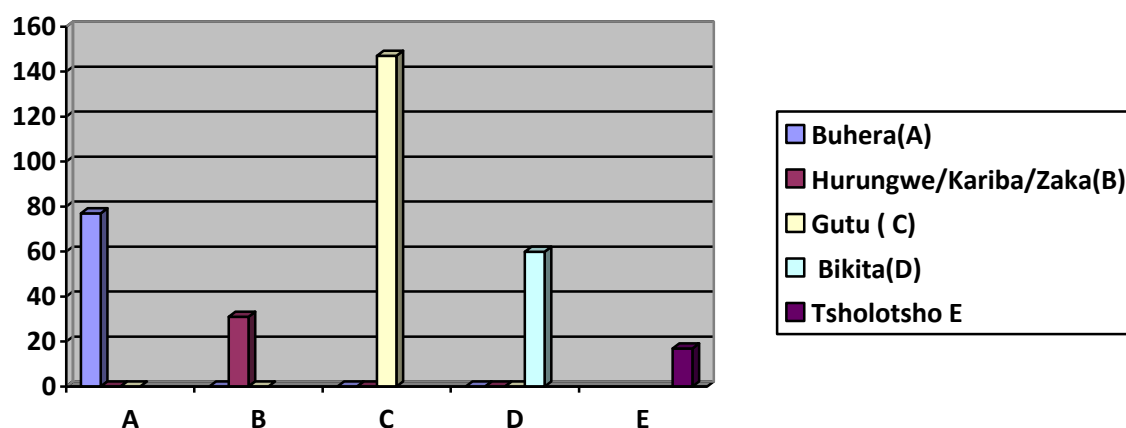
Management Response

The observation is noted. The two (2) companies awarded the tenders to supply the dipping chemicals had been having problems in acquiring Armitraz one of the components used in the manufacture of Acaricide from a sole supplier in China. The production of the component in China had been stopped due to environment effects associated with the manufacture of the component and this had a worldwide impact. The shortage of Amitraz dipping chemical is a known national problem which has been averted by introduction of the recently delivered Decatix SC.

1.2 Service Delivery- Dip Tanks

Findings

I observed that the Division of Veterinary Services resolved to use Decatix SC as an alternative available dipping chemical. However, the existing dipping infrastructure is not compatible with the use of Decatix chemical. As a result, dipping of livestock was not being carried out to prevent tick-borne diseases in some districts. The use of the chemical requires refurbishment of dip tanks, the construction of additional infrastructure such as water reservoir, side tanks and drilling of boreholes in dry regions. Decatix required a constant replenishment of water after dipping every four hundred and fifty (450) cattle. On average the dip tank required fifteen thousand (15 000) litres of water. The graph below depicts a sample of dip tanks requiring refurbishment:



Risks/Implications

Service delivery may be compromised if additional infrastructure such as water reservoirs, reserve water tanks, side tanks and boreholes are not provided.

Recommendation

The Ministry should ensure that resources are mobilized towards the construction of water reservoirs, reserve side tanks and side tanks and boreholes at dip tanks.

Management Response

The observation is noted. Lots of improvements like refurbishment of dip tanks drilling boreholes, side tanks, and reserve tanks water reservoirs are needed for effective use of Decatix SC. The Programme had been hampered by inadequate budgetary allocations.

1.3 Service Delivery-Foot and Mouth Disease (FMD)

Findings

I observed that there was a shortage of Foot and Mouth disease vaccines in Manicaland, Masvingo and Mashonaland East provinces. This resulted in outbreaks of the Foot and Mouth disease in Chipinge, Buhera, Makoni, Zaka, Bikita, Chivi, Gutu and Mudzi Districts during the year under review.

Risks/Implications

Foot and Mouth disease may not be eradicated if Foot and Mouth vaccines are not availed.

There is a risk that the Government's efforts to promote livestock growth may be compromised.

Recommendations

The Ministry should ensure that resources are mobilized towards the procurement of Foot and Mouth vaccines.

Management Response

The observation is noted. The Division of Veterinary Services was responsible for the procurement of Foot and Mouth vaccines. The procurement of the Foot and Mouth Disease vaccines had been constrained by a number of reasons during the period under review and these were as follows:

Foot and Mouth Disease (FMD) vaccines were manufactured by one sole supplier in the entire SADC (Southern African Development Community) region that is the Botswana Vaccine Institute (BVI) in Botswana and apparently the Institute also supplied the entire Sub-Saharan Africa. There had been outbreaks of the Foot and Mouth Disease

(FMD) within the region namely Mozambique, Malawi, Zambia, Botswana, Namibia, South Africa and Angola and consequently the supplier had been constrained.

The procurement of Foot and Mouth Disease (FMD) had been hampered by the shortage of foreign currency currently prevailing in the country.

A better response to the Foot and Mouth Disease (FMD) is preventative that is the restriction in the movement of cattle. The biggest transmitter of the Foot and Mouth Disease (FMD) was the African Wild Buffalo and the only mitigatory measure was erection of fences in areas bordering National Parks. A tender was awarded to a company for the erection of a three hundred (300) kilometer perimeter fence around Gonarezhou National Park. However, due to budgetary constraints the company has only erected a sixty (60) kilometer perimeter.

1.4 Service Delivery-Dairy Services Unit

Finding

Contrary to provisions of the Dairy Act [*Chapter 18:08*], the Dairy Service Units in Masvingo and Mutare Provinces were not carrying out inspections of milk parlors and testing the quality of milk. The units were not fully capacitated as they did not have vehicles, refrigerator, cooler boxes, universal bottles, apparatus and consumables such as respirators.

Risks/Implications

The health and safety of the public may be compromised if they consume dairy products which are not tested and approved by the Dairy Services Unit.

Recommendations

The Ministry should ensure that the Dairy Services Unit is adequately resourced to operate in line with the provisions of the Dairy Act [*Chapter 18:08*].

Management Response

The observation is noted. The Provincial Veterinary Officers will attend to the transport requirements for the Dairy Services Unit. Capacitation of Dairy Services Unit laboratories had been hampered by the shortage of financial resources.

1.5 Non-disclosure of Creditors and Debtors

Finding

Contrary to International Accounting Standard (IAS) 1, Presentation of Financial Statements, I was concerned with the non-disclosure of Chibhero Agricultural College debtors and creditors amounting to \$32 764 and \$86 851 respectively in the financial statements for the year under review.

Risk/Implication

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

Recommendation

The Ministry should ensure adherence to the provisions of International Accounting Standard (IAS) 1, Presentation of Financial Statements.

Management Response

Observation is noted. The provisions of International Accounting Standard Number (IAS 1) Presentation of Financial Statements will be complied with in future.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Misappropriation of Public Funds

Finding

I observed that cash amounting to \$1 861 could not be accounted for at Murewa District Veterinary Office. This came to light through my reconciliation of total receipts amounting to \$1 963 and cash in hand of \$102 at the Station. The Accounting Assistant confirmed in writing that he converted the amount of \$1 861 to his personal use and was reported to the Head of Office.

Furthermore, I observed that a total amount of \$238 which the district had withdrawn from the bank for office use was lying on the floor instead of being kept under lock in the safe. Also, the officer had in his desk drawer an amount of \$61 which was not supported by any documentary evidence of its origins or receipts, the amount was later on receipted under general receipt number 875338 in terms of Treasury Instruction 0433. This was attributed to lack of supervisory controls. I was also concerned that the Fund lost revenue amounting to \$5 389 following misappropriation by three (3) officers at Masvingo Provincial Veterinary Office during the financial year under review. This was partly caused by failure to institute adequate controls in management of funds.

Risk/Implication

Public funds misappropriated may never be recovered and such cases may continue to occur if steps are not taken to address the weak controls.

Recommendations

An investigation should be instituted for the funds which could not be accounted for at Murewa District Veterinary Office. The Ministry should ensure that adequate controls are put in place and supervision carried out at all Animal Health Management Centers.

Management Response

The observation is noted. Mashonaland East Provincial Veterinary Office which supervises Murewa District Veterinary Office carried out investigations into the issue and preliminary indications were that \$8 000 had been misappropriated however the Accounting Assistant had since absconded. The Division of Veterinary Services undertook to ensure that the provisions of Treasury Instruction 0430 are going to be complied with.

The audit finding on the fraud involving \$5 389 in Masvingo was acknowledged. This was caused by the reduced frequency of supervision of District Veterinary Offices and Animal Health Management Centres due to reduced funding following the introduction of centralization in the management of funds for all Revolving Funds.

3 MANAGEMENT OF ASSETS

3.1 Mbizi Quarantine Camp Farm

Finding

I observed that for thirteen (13) years the Division of Veterinary Services had no access to the Mbizi Quarantine Camp Farm and the state assets at the farm. The Division of Veterinary Services once lost Mbizi Quarantine Camp Farm with two thousand eight hundred (2 800) hectares in Mwenezi District on January 05, 2004 following an offer letter signed by the then Minister of Lands, Agriculture and Rural Resettlement to an individual. However, that offer letter was later withdrawn by the then Minister of Special Affairs in the President's Office in Charge of Lands, Land Reform and Resettlement on February 01, 2005, but the individual still occupied the farm at the time of audit.

Risk/Implication

Service delivery may be compromised if Government does not fully repossess the Farm which should be used for research purposes by the Division of Veterinary Services.

Recommendation

The Ministry should liaise with the Zimbabwe Land Commission to ensure that the issue of Mbizi Quarantine Camp Farm is resolved and that all the state assets at the Farm are recovered.

Management Response

The observation is noted. The Provincial Veterinary Officer on 15 August 2018 requested the service of Mwenezi District Lands Officer to remove the settler from Mbizi Quarantine Camp Farm.

3.2 Disclosure of Biological Assets

Finding

I observed that the Fund had biological assets valued at \$30 350 at the Umuza Quarantine Farm which were not disclosed in the Fund's consolidated financial statements for the financial year under review. This was contrary to the provisions of International Accounting Standard (IAS) 41 read with Section 4 (b) of the Fund's Constitution.

Risk/Implication

Financial statements may be misleading to users and assets may not be accounted for.

Recommendation

The Ministry should ensure that the provisions of International Accounting Standard (IAS) 41 read with Section 4 (d) of the Fund's Constitution are complied with.

Management Response

The observation is noted. The Province has been evaluating biological assets. However, they were not presented in the recommended format of the financial statements. Therefore, the Province is requesting for the training or the blueprint indicating the format of the financial statements.

Evaluation of Management Response

Management should consult the Accountant General for guidance on the format of the financial statements.

4 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

4.1 Agricultural Colleges

The issue remained unresolved. Differences between financial statements as per Project financial statements and consolidated financial statements were observed for the Agricultural Engineering and Mechanisation, Agricultural, Technical and Extension Services, Tsetse and Trypanomiasis, Veterinary Regulatory Services and Animal Health Management Centre's Projects.

4.2 CBZ Project Debtors

The issue remained unresolved. The CBZ Project Debtors were not disclosed in the financial statements of Kushinga Phikelela Agricultural College for the financial year under review.

4.2 Biological Assets at Matopos Research Station

The issue of the missing biological assets at Matopos Research Station remained unresolved. Biological assets were not disclosed in the financial statements of the Fund. Biological assets for research and the Fund were maintained in one register without identifying the assets separately.

LANDS AND RESETTLEMENT FUND 2017

OBJECTIVE OF THE FUND

The objective of this Fund shall be to support the on-going land and resettlement programmes, estate management, and related services in leased state land and resettlement areas; and re-capacitate the Department of the Surveyor General in order to improve the level and quality of Surveying and Mapping products and services.

Qualified Opinion

I have audited the financial statements of the Lands and Resettlement Fund for the Ministry of Lands, Agriculture and Rural Resettlement. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information. Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	1 165 690
Expenditure	1 208 173
Deficit	(\$42 483)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	1 310 014	-
Accumulated Fund	-	1 220 166
Current	388 414	478 262
Total	\$1 698 428	\$1 698 428

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Lands and Resettlement Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Trade Payables

Finding

I could not place reliance on the completeness and accuracy of trade and other payables figure reported in the statement of financial position for the year ended December 31, 2017,

as my reconciliation of the account established a variance amounting to \$28 439 which the Ministry could not explain. Table below refers:

Trade and other payable reconciliation

Details and Description	Amount \$	Amount \$
Trade and other payables as per Statement of Financial Position Year 2017		156 780
<i>Less : Trade payables as per Ledger</i>	102 253	
<i>Less: other payables (T&S)</i>	26 089	
Trade and Other Payables as per Ledger		128 341
(Understatement)/Overstatement Variance		\$28 439

Risk/Implication

The financial statements may be misstated resulting in wrong decisions being made by stakeholders.

Recommendation

Management should investigate the variance noted and make corrections in account balances. In addition, a trial balance should always be prepared first and then financial statements should be prepared from the trial balance. This helps management to detect errors where accounts are not balancing.

Management Response

Observation noted. The reconciliations are being done to address the anomaly.

(ii) Revenue Disclosed

Finding

I observed that the Lands and Resettlement Fund did not disclose revenue amounting to \$173 248 and debtors amounting to \$1 232 185 in the Funds' Financial Statements for the year ended December 31, 2017.

In addition, I could not verify the completeness and accuracy of the figures stated above as the Ministry had no adequate records from which the total revenue could be deduced. This contravened Treasury Instruction 0705 which requires Accounting Officers to keep full and proper accounts for transactions which they are responsible for.

Risk/Implication

Revenue and Receivables figures in the financial statement might be misstated.

Recommendation

The Ministry should ensure that the omitted revenue and debtors figures are included in the financial statements and ensure that accounting records are maintained to allow for proper computation of revenue.

Management Response

Observation noted. A Flexible Real Estate SAP Module has been configured by Twenty Third Century (TTC) which is a robust database tailor made to accommodate all land categories and revenue heads thus enhancing the completeness of outstanding revenue. Currently data verification and validation is ongoing and only data with integrity is uploaded into the computerised database platform.

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

1.1 Tender Splitting

The Fund did not implement the prior year recommendation.

LANDS COMPENSATION FUND 2017

OBJECTIVE OF THE FUND

The objective of the Fund is to compensate former farm owners whose properties were acquired for resettlement or urban expansion, for improvements or for both land and improvements; compensate for idle farm equipment acquired, and enhance productivity on allocated land.

Qualified Opinion

I have audited the financial statements of the Lands Compensation Fund for the Ministry of Lands, Agriculture and Rural Resettlement. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	5 494 775
Expenditure	3 613 272
Surplus	\$1 881 503

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current Accumulated Fund	- 8 077 656	-
Current	169 842	8 247 498
Total	\$8 247 498	\$8 247 498

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Lands Compensation Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Compensation Costs

Finding

I could not place reliance on the disclosed figure in the financial statements of \$3 542 066 for compensation costs paid to former white farmers. The actual payments made through Public Finance Management System (PFMS) to various famers amounted to \$4 428 687 and was only introduced into the Pastel accounting system of the Fund through unsupported journals, 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.

Risk/Implication

The Fund Accounts might have been misstated.

Recommendation

The Ministry should comply with the provisions of Treasury Instruction 0705

Management Response

Observation noted, the variances emanated from the treatment of the budgetary support from Treasury. In future remittances from Treasury will be treated as other income (Grants from Treasury).

(ii) Revenue Received

Finding

I observed that an amount of \$4 345 710 disclosed as revenue for the year under review, differed from the amount of \$4 470 000 which was disbursed by Treasury from Unallocated Reserve (UR), resulting in an unreconciled variance of \$124 290. This violated Treasury Instruction 0705, that requires every Accounting Officer or Officer administering a fund to ensure that full and proper accounts are maintained.

Risk/Implication

The revenue disclosed might be understated.

Recommendation

Management should reconcile the different revenue figures and correct the error.

Management Response

Observation noted, however reconciliation is in progress to address the anomaly.

(iii) Revenue and Debtors Recognition

Finding

Contrary, to the Lands Compensation Fund's Accounting Officer's Instructions section 2.1, the revenue earned figure of \$3 560 960 and cumulative debtors amounting to \$5 457 172 were not disclosed in the Fund's financial statements for the year ended December 31, 2017. Table 1 below shows the calculations.

Furthermore, I could not verify the completeness and accuracy of the figures above as the Ministry had no database from which the total revenue could be reliably calculated in contravention with Treasury Instruction 0705. Table 1 below refers:

Revenue and Debtors Recognition

OUTSTANDING REVENUE	2017	2017	DEBTORS(2016-2017)	
	100%	60%	100%	60%
	\$	\$	\$	\$
FARM RENTALS	5 373 735	3 224 241	5 373 735	3 224 241
COMMERCIAL FARMS	561 198	336 719	3 721 551	2 232 931
TOTAL	\$5 934 933	\$3 560 960	\$9 095 287	\$5 457 172

Risk/Implication

Revenue and current assets of the Fund may have been understated.

Recommendation

The Ministry should ensure that accounting records are maintained which should form the basis for proper computation of revenue in compliance with Treasury Instruction 0705.

Management Response

Observation noted, a Flexible Real Estate SAP module has been configured by Twenty Third Century (TTC), which is a robust database tailor made to accommodate all land categories and revenue heads thus enhancing the completeness of outstanding revenue. Currently data verification and validation is ongoing and only data with integrity is uploaded into the computerised database platform.

VOTE 9. - MINES AND MINING DEVELOPMENT

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry's mandate is to formulate policies that ensure sustainable mining and marketing of mineral resources for the socio-economic wellbeing of the country's citizens, regulate all mining operations by ensuring that all mining activities comply with statutory regulations, ensure mineral beneficiation and value addition before export and ensure reduction in mineral leakages.

Qualified Opinion

I have audited the financial statements for the Ministry of Mines and Mining Development for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year.

Voted Funds Appropriation	Unallocated Reserve/ Supplementary	Retention Fund	Total	Expenditure	Net Under spending
\$6 482 000	\$47 877 596	\$10 710 000	\$65 069 596	\$50 668 829	\$14 400 767

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section, the financial statements present fairly, in all material respects, the performance of the Ministry of Mines and Mining Development for the year ended December 31, 2018.

Basis for Qualified Opinion

(i) Outstanding Revenue

Finding

An examination of Outstanding Revenue Return revealed an outstanding amount of \$192 462 309 as at December 31, 2018. This represents a huge increase of \$185 506 175 (1 693%) from the previous year's outstanding revenue figure of \$10 956 134. I am concerned about the huge outstanding debt and the slow recovery rate.

Risk/ Implication

Potential revenue due to the Ministry may remain uncollected, resulting in the Ministry failing to carry out its mandate. Due to failure to collect revenue from debtors, the amounts outstanding may end up being irrecoverable as bad debts or employees may leave employment before settling their debts.

Recommendation

The Ministry should ensure that measures are taken to recover the outstanding amounts from debtors to guard against the debts becoming irrecoverable. By putting more effort in collecting debts, the Ministry will be able to achieve some of its objective.

Management Response

The observation is noted. The Ministry is putting all the efforts to make sure that revenue due to the Ministry is collected and that the debts will not accumulate.

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

1 GOVERNANCE ISSUES

1.1 Risk Management Policy

Finding

Section 50 of The Public Finance Management Act [*Chapter 22:19*] requires every public entity to adhere to and implement the principle of sound good corporate governance policies, procedures and practices. A Risk Management Policy is one of the principles of good sound corporate governance policies. In the period under review, the Ministry operated without a documented Risk Management Policy in place. As a result, there was no risk assessment carried out.

Risk/Implication

The Ministry may fail to detect and mitigate risks when they occur.

Recommendation

The Ministry should ensure that a Risk Management Policy is put in place to reduce and mitigate risks when they occur.

Management Response

The observation is noted, however, a draft risk management policy is in place and is awaiting management approval.

Evaluation of Management Response

This policy has been at drafting stage since 2016 and is yet to be approved by the Accounting Officer.

2 PROGRESS IN ADRESSING PRIOR YEAR AUDIT FINDINGS

Out of eleven issues mentioned in my previous report, the Ministry managed to implement nine audit recommendations. The following issues remained outstanding:

- Outstanding revenue. In the year under review revenue outstanding increased by 1 693%
- Public Financial Assets- The issue has now been resolved as the Ministry has disclosed them in their return.

MINING INDUSTRY LOAN FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the Mining Industry Loan Fund for the Ministry of Mines and Mining Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	31 901
Expenditure	48 270
Surplus	\$16 369

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non – Current	49 242	-
Accumulated Fund	-	1 236 043
Current	1 191 538	4 737
Total	\$1 240 780	\$1 240 780

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Mining Industry Loan Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Management of Debtors

Findings

For the second year in succession, the Ministry failed to recover amounts outstanding under debtors totaling \$613 924 (2016: \$697 541). Only \$83 617 was recovered despite that all

those amounts should have been fully recovered considering the fact that all the contracts for plant hire had expired.

Further, audit examination on a sample of customers or accounts receivable files selected revealed that, loan disbursements amounting to \$395 607 had missing documents required for a loan approval. This is contrary to the Fund's Standard Operating Procedures (SOPs) Manual which demands that, all requirements should be met before loan disbursements are made. Missing documents included a purchase proposal form, memorandum of plant hire, proof of residence, personal identity details, collateral security, bank statements and mineral production returns on one or more of the customer files.

Risk/Implication

The mandate of the Fund may not be fully realized if equipment is loaned to beneficiaries without following the laid down procedures, as recipients may not be able to honour their party of the contract. Failure by the Ministry to collect long outstanding debts may affect the liquidity position of the Fund, as some debts could end up being irrecoverable.

Recommendations

The Ministry should ensure that all outstanding debts are recovered to enhance efficient revolving of funds and improve the liquidity position of the Fund. Speed recovery would also allow other miners to benefit from the Fund.

The Ministry should ensure that all debtors' or customer's files have checklists of requirements for issuance of a loan. All relevant supporting documents authorised by the Fund Credit Committee for loan disbursements should be placed on files.

Management Response

The audit finding is noted. The Ministry managed to give notices of forfeiture of loaned mining equipment to beneficiaries. At least thirty-six plants were repossessed and another twenty-one were yet to be recovered because those plants were not on site when the Ministerial team visited.

Debtor's applications, technical reports and memorandum of agreements were being handled in provinces where customer files were created and filed in their respective registry offices hence failing to submit to Mining Industry Loan Fund office, where each debtor history is supposed to be handled. An exercise to follow up and collect missing information and compile files was in the pipeline.

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

Out of three issues mentioned in my previous year audit report the Ministry has one issue still outstanding.

Computerisation of Mining Titles System

The issue has not yet been resolved as it appeared again in the year under review.

MINES AND MINING DEVELOPMENT FUND 2017

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 system including other professional and technical services by the Ministry of Mines and Mining Development.

Qualified Opinion

I have audited the financial statements of the Mines and Mining Development Fund for the Ministry of Mines and Mining Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	8 781 672
Expenditure	3 198 442
Surplus	\$5 583 230

Statement of Financial Position

Item	Assets \$	Liabilities \$
Non – Current	11 967 888	5 400 000
Accumulated Fund		8 157 576
Current	1 880 670	290 982
Total	\$13 848 558	\$13 848 558

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Mines and Mining Development Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Inadequately Supported Expenditure

Finding

In violation of Treasury Instruction number 1216, the Ministry incurred expenditure amounting to \$148 089 which was not adequately supported. Receipts and goods received notes were not attached to payment vouchers to support the payments made. As a result, I was unable to determine whether the payments made were a proper charge to the Fund.

Risk/Implication

Fraudulent payments could be processed without detection if receipts and other supporting documents are not attached to payment vouchers.

Recommendation

The Ministry should ensure that all payments made are properly authorised and fully supported by relevant supporting documents as proof that the transactions were genuine and were made for the benefit of the Fund.

Management Response

The observation is noted and agreed, however, supporting documents will be attached and availed to you for inspection.

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

1 GOVERNANCE ISSUES

1.1 Computerisation of Mining Titles System

Finding

For the sixth year in succession, I have to report that the Administrators of the Fund have failed to put in place a functioning Computerised Mining Title System as required by Section 2 of the Constitution of the Fund. Sixteen years after the establishment of the Fund, the Computerisation of the Mining Titles System has not been done.

Risk/Implication

The Fund may continue to fail to reduce conflicts and disputes on mining claims ownership. The Fund may also not be able to know how much it is owed by mining debtors.

Recommendation

The Fund Administrators should ensure that the provision of section 2 of Fund's constitution are adhered to and avail funding for computerisation of the Mining Title System.

Management Response

The computerisation of the Mining Titles system is now in the implementation phase. All provinces have already started capturing data on excel to be uploaded on the system, staff trained and all offices including provincial offices have been networked. However, the project has been stalled due to foreign currency.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

Out of three issues mentioned in my previous report, one issue recurred during the year under review.

2.1 Failure to Fully Computerise the Mining Tittle System.

The issue has not yet been resolved.

SPECIAL GOLD UNIT FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the Special Gold Unit Fund for the Ministry of Mines and Mining Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information. Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	553 300
Expenditure	598 595
Deficit	(\$45 295)

Statement of Financial Position

Item	Assets \$	Liabilities (\$)
Non – Current Assets	619 039	-
Accumulated Fund	-	654 709
Current Assets	35 670	-
Total	\$654 709	\$654 709

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Special Gold Unit Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Inadequately Supported Expenditure

Finding

In violation of Section 81(b)(iii) of Public Finance Management Act [*Chapter 22:19*], read in conjunction with Treasury Instruction 1216 the Ministry incurred expenditure totalling

\$313 507 without sufficient supporting source documents such as receipts, procurement minutes, comparative schedules, invoices and goods received notes. Consequently, I was not able to establish whether the expenditure was a proper charge to the Fund.

Risk/Implication

Payments could be made for goods and services not received. Fraudulent transactions may be perpetuated if adequate supporting documents are not attached to payment vouchers

Recommendation

The Ministry should ensure that officials receiving the goods complete and sign the goods received notes as evidence of having received and inspected such goods as well as having them checked against potential defects. Valid receipts should be attached to the payment vouchers to substantiate that a payment was indeed made and the funds were used for the intended purpose.

Management Response

The audit finding is noted, efforts are in place to try and correct the errors.

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

1 GOVERNANCE ISSUES

1.1 Risk Management Policy

Finding

Section 50 of The Public Finance Management Act [*Chapter 22:19*] requires every public entity to adhere to and implement the principle of sound corporate governance policies, procedures and practices. A Risk Management Policy is one of the principles of sound corporate governance policies. In the period under review the Ministry operated without a documented Risk Management Policy in place. As a result, there was no risk assessment carried out.

Risk/Implication

In the absence of a Risk Management Policy, the Ministry may fail to detect and mitigate risks when they occur.

Recommendation

The Ministry should put in place a Risk Management Policy to mitigate against risks that may arise.

Management Response

The audit finding is noted, the Risk Management Policy is in place and now at the consultation stage.

Evaluation of Management Response

The Risk Management Policy was not in place at the time of concluding the audit as the Ministry said it was in the draft stage.

1.2 Accounting Officers' Instructions

Finding

Section 6(i) of the Fund Constitution requires the Secretary of Mines and Mining Development to issue detailed Accounting Officer's Instructions on accounting and administrative procedures for the effective administration of the Fund. The Ministry operated without the Accounting Officer's Instruction for the Special Gold Fund for the period under review. The officers administering the Fund did not have documented accounting and administration procedures to follow.

Risk/Implication

The staff members of the Fund may not have guidance on the accounting and administration procedures for the effective administration of the Fund.

Recommendation

The Secretary of Mines and Mining Development should issue detailed Accounting Officer's Instructions on accounting and administrative procedures for the effective administration of the Fund.

Management Response

The audit finding is noted, we are waiting for the Public Finance Management Regulations in order to complete the detailed Accounting Officer's Instructions.

VOTE 10. -ENVIRONMENT, WATER AND CLIMATE

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry is responsible for promoting sound environmental practices and sustainable development and utilisation of natural and water resources. It is mandated to plan, research, sustainably develop environmental resources, coordinate and implement climate change response action and policies. It is also mandated to coordinate and implement climate change action. Furthermore, the Ministry is committed to ensure the provision of weather and climate forecast, and advance warnings on weather conditions likely to endanger life and property.

Qualified Opinion

I have audited the financial statements for the Ministry of Environment, Water and Climate for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year.

Voted Funds	Unallocated Reserve	Total Allocated	Expenditure	Net Under Spending
\$85 818 000	\$85 162 027	\$170 980 027	\$139 376 477	\$31 603 550

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Ministry for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Reconciliation of the Sub Paymaster General Account

The Ministry's expenditure figures between the Sub Paymaster General Account and the Public Finance Management System (PFMS) were not the same as expected. The Appropriation Account and the PFMS reflected expenditure of \$139 376 477 whilst the Sub Paymaster General Account showed an expenditure amount of \$121 586 297 resulting in a variance of \$17 790 180. The bank reconciliation statement availed for audit had an imbalance of \$876 541. I was therefore unable to determine the accuracy of the total expenditure incurred reported by the Ministry during the year under review.

(ii) Unsupported Expenditure

Treasury made set off payments to various service providers on behalf of the Ministry.

However, the Ministry failed to obtain and keep adequate supporting documents such as invoices and receipts as evidence/proof to support the set off payments amounting to \$199 513. Consequently, the expenditure was not regularised and accounted for as instructed by the Accountant-General in the set off letters.

Risk/Implication

It would be difficult to place reliance on the expenditure disclosed in the financial statements if material differences exist between the figures in the account and in the PFMS and the Sub Paymaster General Account.

Recommendation

The Ministry should carry out reconciliations and clear variances before submission of the Appropriation Account for audit.

Management Response

The observation is noted and agreed. The Ministry is in the process of identifying direct payments and set offs actioned by Treasury without the knowledge of the Ministry.

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

1 PROCUREMENT

1.1 Outstanding Creditors

Finding

The Ministry failed to pay amounts due to suppliers of goods and services totalling \$1 064 194 (2017: \$1 714 692). This was contrary to the provisions of Treasury Instruction 1204 which requires all claims against Government to be settled promptly. I raised the same concern on page 153 of my 2017 report.

Risk/ Implication

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 suppliers promptly to avoid strained supplier customer relationship and incurring cost overruns on contracts as well as litigation costs that may also end up being incurred.

Management Response

The Ministry will continue to lobby with the Ministry of Finance-Treasury Department to release more funds in order to clear the outstanding amounts. However, the major reason for the delay in clearing these outstanding creditors is due to financial constraints the government as a whole is facing.

2 IMPLEMENTATION OF GOVERNMENT PROGRAMMES

2.1 Results Based Management

Finding

The Ministry did not submit quarterly performance reports and monitoring reports for Environment and Natural Resources, Meteorological Services and Climate Change departments. As a result, I was unable to evaluate the extent to which the Ministry achieved the goals set out in the Ministerial Integrated Performance Agreement.

Risks/Implications

In the absence of quarterly reports, it is difficult to monitor and evaluate progress towards the achievement of the Ministry's objectives. Resources may be misappropriated if reports to show what has been achieved are not prepared.

Recommendation

The Ministry should prepare quarterly reports so as to monitor progress and ensure that resources are used as intended.

Management Response

The observation is noted. Performance reports will be prepared in future.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Unsupported Expenditure

The Ministry did not obtain supporting evidence for the direct payment which were made by Treasury in 2017. During the year under review, the Ministry managed to support direct payments amounting to \$374 699 leaving a total of \$199 513 unsupported.

3.2 Budgetary Control

The variance of \$31 990 122 between the Unallocated Reserve transfer figure disclosed in the Ministry's Appropriation Account and Treasury records was not reconciled and accounted for.

3.3 Outstanding Payments to Suppliers

The Ministry managed to clear \$650 498 out of \$1 714 692 of its outstanding claims during the year under review which translates to a 38% decrease in the outstanding creditors' amounts.

METEOROLOGICAL SERVICES FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the Meteorological Services Fund for the Ministry of Environment, Water and Climate. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	811 437
Expenditure	609 018
Surplus	\$202 419

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	28 662	-
Accumulated Fund	-	2 182 447
Current	2 155 593	1 808
Total	\$2 184 255	\$2 184 255

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Meteorological Services Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Trade Debtors

Finding

In contravention of Treasury Instruction 0501 which states that steps should be taken to collect dues to the Government, the Fund's debt recovery system remained ineffective as

revenue due from airline operators remained uncollected and the cumulative amount of such non collections prejudiced the Fund. The outstanding amount in the debtors' records totalled \$2 042 582 (2016: \$1 840 232) which represents 95% of the total assets of the Fund. I am concerned with the slow debt recovery process.

Risk/ Implication

The Fund's liquidity position and its ability to sustain operations could be adversely affected if the amounts remain uncollected for too long and some of the debtors could become irrecoverable.

Recommendation

The Department should put more effort to recover the outstanding amount from debtors and make follow-ups on court action papers.

Management Response

Every effort is being made to recover amounts owed by airlines as evidenced by court action papers against SAA which is our major debtor.

(ii) Budgetary Control

Findings

Contrary to the provisions of Section 47 (4) of the Public Finance Management Act [*Chapter 22:19*] which states that the accounting authority for a public entity shall be responsible for ensuring that the expenditure of the public entity is in accordance with the approved budget, the Fund incurred expenditure amounting to \$609 068 which exceeded the budgeted amount of \$378 500. I was not availed with evidence of the approval/authority obtained to incur the additional expenditure.

Section 7(2) of the Meteorological Services Fund Act [*Chapter 13:21*], requires that the Meteorological Services Fund be applied for the purpose of enabling the department to fulfill its functions prescribed under section 4 of the same Act. In violation of this provision, the Fund incurred expenditure amounting to \$46 053 (23% of the 2017 total expenditure) on construction of a clinic, a school and on payment of tuition fees for university students. The nature of these costs incurred is not provided for in the Fund's constitution.

Risks/Implications

Failure to expend within budget limits may result in wasteful expenditure.

Failure to channel resources towards core operations may affect the achievement of the Fund's main objectives.

Recommendations

The Fund should expend within budget limits and whenever it is imminent that the budget will be exceeded, prior authority should be sought.

The administrators of the Fund should ensure that expenditure is incurred towards the implementation of functions stipulated by the Act.

Management Responses

The variance between budget and actual expenditure was as a result of under budgeting by the Department. However, the expenditure had to be incurred for the Department to continue operating and discharging its mandate.

The said payments were authorised by the Director, Meteorological Services during the 2017 financial period. However, the Department was ordered by the Accounting Officer to stop these transactions after these anomalies had been raised in 2016 audit.

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

1 GOVERNANCE ISSUES

1.1 Travel and Subsistence Allowances

Findings

The Outstanding Travelling and Subsistence return submitted for audit revealed that advances amounting to \$15 529 to officers for the period under review were not cleared in line with Treasury Instruction 1505, which require an officer to clear advances made within a calendar month of return to his home station.

Furthermore, a review of the ledger cards revealed omission of transactions amounting to \$2 550 due to absence of regular checks by a delegated officer to ensure errors are detected and corrected on time for accurate and complete recording of transactions. This was contrary to Treasury Instruction 1504 which stipulates that, there should be efficient controls and accounting records maintained in respect of all advances made.

Risks/Implications

Failure to recover long overdue advances may result in loss of funds which could be used for other purposes.

Financial records may be inaccurate due to non-updating of the ledger cards and absence of supervisory checks.

Recommendations

Travelling and subsistence advances should be cleared after one month of return to home station and failure to do so, the Accounting Officer should authorize a deduction from the salary to ensure accountability.

Ledger cards for travel advances should be updated timely and reviewed regularly to ensure completeness and accuracy of records and the return submitted for audit.

Management Response

The advances have since been cleared in 2018. Also the omissions on the ledger cards have since been rectified.

Some of the outstanding advances were given to officers on relief duties to other stations and can only be cleared after the officers have returned to home station after three or four months. Also some officers are located in remote areas making it difficult to send their acquittal forms as they don't have internet facilities. They can only send their acquittal forms when the respective Provincial Chiefs visits their stations.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Inconsistent Debtors' Records

Finding

Treasury Instruction 0103 requires receivers of revenue to ensure that full and proper accounts are kept of the transactions for which they are responsible. Contrary to these requirements the administrators of the Fund failed to maintain proper records for its debtors. I could not place reliance on the debtors' balance reflected in the financial statements presented for audit due to variances I noted on the Civil Aviation Authority of Zimbabwe (CAAZ) revenue return and the Debtor's Age Analysis. Under normal circumstances the debtors' balance reflected in the financial statements should be the same with debtors' balances reflected in the other two records. The financial statements disclosed a debtors' balance of \$2 042 582 while the CAAZ revenue return and the Debtor's Age Analysis had \$479 975 and \$359 430 respectively. Good accounting practice also require that reconciliations be performed where accounting records show different balances.

Risk/ Implication

If proper records of debtors are not maintained and reconciliations are not performed, the Fund may fail to keep track of the total amount of money it is owed by debtors and suffer financial losses.

Recommendation

The administrators of the Fund should ensure that debtors' records are properly maintained and reconciliations performed to provide a correct debtors' balance.

Management Response

Individual Debtor's Accounts and Debtors' Age Analysis only started in 2016 when Meteorological Fund became computerised. Debtor analysis of previous years were not being done because of non-computerisation of the accounting system.

3 PROCUREMENT

3.1 Delivery of Equipment

Finding

The Fund purchased a generator worth €474 600 and made a part payment of \$100 000 (€72 241) in 2006 to Meteo France International. Due to lack of foreign currency and follow ups with the Reserve Bank of Zimbabwe and Treasury, the Fund did not pay the deposit in full so as to ensure delivery by the supplier. The hydrogen generator had not been delivered as at the time of completing the audit on November 28, 2018. I reported this issue in my previous audit report.

Risk/Implication

There is high risk that the equipment may not be delivered.

Recommendation

The Ministry should make efforts to follow up the matter and ensure that the required amount of the deposit is paid in order to get the equipment delivered.

Management Response

Follow ups are still being made on this issue.

4 MANAGEMENT OF ASSETS

4.1 Maintenance of Asset Register

Findings

The asset register was not up to date at the time of audit in November 2018. Vital information such as purchase price, location, serial numbers, supplier's details, depreciation and revaluations was not filled in. There was no evidence of the asset register being reviewed by a senior person. As a result, I could not verify the existence of some assets.

Further, the Fund failed to conduct physical asset verification at the head office and at its provincial offices for the purpose of confirming whether all assets of the Fund were properly accounted for.

Risk/Implication

Without an updated record of all assets the Fund may not be able to effectively monitor the recording, utilisation, and existence of assets.

Recommendations

The department should expedite the updating of the assets register in order to enhance internal control systems and improve accountability over assets. Existence and condition of assets should be checked at least once a year at head office and provincial offices.

Management Response

Register is now being updated and modalities are in place to avoid the same problem in the next audit.

5 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

5.1 Trade Debtors

The recovery system remained ineffective as the debtors' figure continued to increase. Debtors' figure has increased by 9% from \$1 684 443 to \$1 840 232 during 2017.

5.2 Suspense Account Balance

The Fund managed to clear the suspense account balance from \$1 641 to \$125 during 2017.

5.3 Budgetary Control

The Fund continued to incur expenditure in excess of the approved budget without obtaining prior authority from Treasury.

5.4 Procurement Procedures

The issue of unsupported expenditure has not been fully addressed. During the year under review, the Fund incurred expenditure amounting to \$1 220 which was not supported by comparative schedules.

5.5 Irregular Expenditure

The issue was addressed. The Fund obtained authority from the Public Service Commission on October 9, 2018 to hire and pay allowances to casual workers and part time weather presenters.

5.6 Delivery of Equipment

The Hydrogen Generator has not yet been delivered. The Fund failed to pay the required deposit to ensure delivery of the equipment.

NATIONAL CO-ORDINATING UNIT FUND 2017

OBJECTIVE OF THE FUND

The National Coordinating Unit 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 marginalised during the Colonial era. The main objective of the National Action Committee is to coordinate water and sanitation matters in rural areas through its secretariat.

Opinion

I have audited the financial statements of the National Co-ordinating Unit Fund for the Ministry of Environment, Water and Climate. These financial statement comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	625 681
Expenditure	705 679
Deficit	(\$79 998)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	-	-
Accumulated Fund	-	41 661
Current	41 661	-
Total	\$41 661	\$41 661

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 PROCUREMENT

1.1 Violation of Procurement Procedures

Finding

Treasury Instruction 1005 (3) requires competitive quotations to be sought before the procurement of goods and services to ensure economic buying, contrary to this requirement expenditure amounting to \$20 666 was incurred without seeking competitive quotations. As a result, I was not able to confirm whether the effect of value for money was taken into consideration.

Risk/Implication

The procurement of goods and services without seeking competitive quotations could result in uneconomic buying and wasteful expenditure.

Recommendation

The procurement guidelines should be adhered to as this will ensure efficient use of Government resources.

Management Response

The observation has been noted. The Ministry is making frantic efforts to make sure that resources are put to good use by having contracts with various service providers of goods and services as required by the new Procurement Act. This will be a thing of the past as goods and services will be sourced from approved service providers.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Purchases Made Out of Tender

The issue has not been fully addressed. In the year under review, purchases were made without seeking competitive quotations.

SECRETARY'S FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the Secretary's Fund for the Ministry of Environment, Water and Climate. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	221 149
Expenditure	245 911
Deficit	(\$24 762)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	-	-
Accumulated Fund	-	2 102
Current	2 102	-
Total	\$2 102	\$2 102

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Secretary's Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Unsupported Expenditure

Finding

The Administrators of the Fund incurred expenditure totaling \$20 523 that was not supported by source documents such as competitive quotations, invoices and receipts. This was

contrary to provisions of section 81 of the Public Finance Management Act [*Chapter 22:19*], read in conjunction with Treasury Instruction 1216 which require all source documents to be obtained and attached to payment vouchers when making payments. I therefore, could not satisfy myself whether the payments made were a proper charge to the Fund.

Risk/Implication

If payments are made to suppliers of goods and services without adequate source documents, expenditure may not be incurred for the intended purposes and fraudulent payments may also be processed.

Recommendation

The Administrators of the Fund should ensure that all source documents are obtained and attached to relevant payment vouchers when making payments to suppliers of goods and services.

Management Response

The observation is noted and agreed. Effort is being made to make sure that relevant procedures will be followed before goods and services are paid for to avoid these instances. Contracts have been made with suppliers of goods and services as required by the new Act on Procurement. In making contracts, there will be limited chances of procuring services or goods without relevant source documents to support payments.

(ii) Misstatement of Revenue Received

Finding

In violation of Treasury Instructions 0454 and 0103 which require all revenue received to be banked intact and proper accounts to be kept of the transactions for which the Accounting Officers are responsible, the Administrators of the Fund received funds totalling \$9 852 from parastatals that are administered by the Ministry and expended it without receipting, recording and banking. Consequently, the amount of revenue disclosed in the financial statements was understated by the same amount.

Risk/Implication

Revenue that is received from State enterprises may not be properly accounted for.

Recommendation

The Fund administrators should ensure that revenue is properly receipted, recorded and banked intact according to standing instructions.

Management Response

The observation is noted and agreed. The Ministry will make sure that all revenue received from State enterprises is properly receipted and accounted for.

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

1 GOVERNANCE ISSUES

1.1 Income from Water Fund

Finding

For the third year in succession, the Ministry transferred funds amounting to \$73 484 (2016: \$98 231), from the Water Fund Account into the Secretary's Fund Account without Treasury approval. The amount constituted 33% of the total revenue of the Secretary's Fund. This was contrary to the Constitution of the Fund which states that the Fund is supposed to be funded by donations and monies which may be appropriated by Parliament.

Risk/Implication

Transfer of resources from one Fund account to another without Treasury approval does not promote proper accountability and may result in lack of financial discipline.

Recommendation

The Ministry should seek Treasury approval before transferring funds from one Fund account to another.

Management Response

The observation is noted and agreed. This has been rectified by not transferring the funds from the Water Fund to the Secretary's Fund as from 1 January 2018.

1.2 Accounting Officer's Instructions Manual

Finding

Contrary to Treasury Instruction 0706 which requires the Accounting Officer to issue a detailed Accounting Officer's Instructions which govern the conduct of financial business and the control of all public monies and property for which they are responsible, for the fourth year in succession, the Fund continued to operate without Accounting Officer's Instructions.

Risk/Implication

If the Accounting Officers' Instructions are not in place, employees may fail to effectively administer the resources of the Fund as a result of lack in guidance on accounting and administrative procedures that should be followed.

Recommendation

The Ministry should put in place Accounting Officer's Instructions that guide employees on accounting and administrative procedures.

Management Response

The observation is noted and agreed. However, the draft was done and it was being forwarded to the Ministry of Finance and Economic Development for approval, a new development of the new Procurement Act was raised and that is what the Ministry is now taking into consideration before submission to Treasury for approval.

2 PROGRESS ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Budgetary Control

In the previous financial year, it was observed that the administrators of the Fund incurred expenditure without an approved budget. In the year under review, the Fund managed to produce an approved budget.

2.2 Accounting Officer's Instructions Manual

In the previous financial year, it was observed that the Fund was operating without Accounting Officer's Instructions. In the year under review, the Fund continued to operate without Accounting Officer's Instructions.

WATER FUND 2017

OBJECTIVE OF THE FUND

The Fund was established for the purpose of providing for the development and utilisation of the water resources of Zimbabwe; to provide for the establishment of powers and procedures of the Catchment Councils and Subcatchment 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 Act [Chapter 20:22] and to provide for matters incidental to or connected with the foregoing.

Qualified Opinion

I have audited the financial statements of the Water Fund for the Ministry of Environment, Water and Climate. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	1 857 487
Expenditure	495 125
Surplus	\$1 362 363

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	390	-
Accumulated Fund	-	2 474 999
Current	2 474 609	-
Total	\$2 474 999	\$2 474 999

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Water Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Revenue not Receipted

Finding

Receivers and collectors of revenue are required by Treasury Instruction 0100 to be responsible for the collection, receipt, custody, issue, and control of public monies. Contrary to this provision, the Ministry did not receipt the 2017 revenue of the Fund amounting to \$1 767 667 for the periods from February to December 2017. The total amount which was not receipted constitute 95% of the reported total revenue of \$1 857 488 for the financial year under review. The Fund computed its revenue balances using the bank statements instead of invoices. I was unable to determine the accuracy of the total revenue figure disclosed in the financial statements.

Risks/Implications

If revenue collected is not receipted, it could be lost through misappropriation as absence of records create opportunity for fraudulent activities.

Revenue figures disclosed in the financial statements become inaccurate.

Recommendation

The administrators of the Fund should ensure that all revenue received is receipted to mitigate against loss of funds through misappropriation.

Management Response

The observation is noted. However, the issue was rectified as from January 2018 as receipts are supposed to be issued as remittances are received from the Sub-Catchment Councils by the Ministry.

(ii) Debtors Recovery

Finding

Treasury Instruction 0103 requires receivers of revenue to supervise and enforce efficient collection of revenue and other public moneys in accordance with the laws, regulations, instructions or agreements relating thereto. Contrary to this instruction, the total water levy debtors' balance has remained static at \$1 087 081 since 2016 financial year. The management of the Fund failed to recover revenue relating to outstanding water levies.

Risk/Implication

The Fund may fail to fulfil its mandate if outstanding water levies are not collected from debtors.

Recommendation

The management of the Fund should put effort in following up on all outstanding water levy debts.

Management Response

The observation is noted. Effort is being made to recover the outstanding amounts from Sub-Catchment Councils. Follow up meetings were made and the Councils made some payment plans which they are trying to meet in payment of outstanding amounts.

(iii) Unsupported Expenditure

Findings

Treasury Instruction 1216 require expenditure to be supported by receipts, goods received notes, invoices or any proof of payment. Contrary to this instruction, expenditure amounting to \$283 275 was not adequately supported by goods received notes, job cards, work certificates and receipts as evidence of work completed. Consequently, I was not able to establish whether the money was spent for the intended purposes.

Risks/Implications

Absence of job cards, work certificates, goods received notes and receipts to support expenditure incurred creates opportunity for fraudulent activities.

Failure to obtain documents to support payments and to maintain the same may result in duplicate payments being made to a supplier and or a wrong supplier being paid in error.

Recommendations

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

The management of the Fund should ensure that all payments are fully supported by relevant documents to prevent the processing of fraudulent and irregular payments.

Management Response

The observation is noted. We are awaiting work certificates from the contractors. Delivery notes relating to the cement were sent to ZINWA which has been responsible for receiving and distributing cement. Copies of receipts will be attached to the originating documents, including the tax invoices that were issued in place of receipts.

Effort will be made to ensure that receipts for all payments made will be appended to the payment vouchers.

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

1 GOVERNANCE ISSUES

1.1 Project Plans

Finding

The Fund was established for the purposes of providing for the development and utilisation of water resources of Zimbabwe. This mandate includes the construction of water infrastructures in the country. The Fund operated without project plans that specify project activities to be undertaken, estimated costs, start and completion time frames for planned activities among other requirements. This was contrary to the provisions of Section 43 (a) of the ZINWA Act [*Chapter 22:25*], which states that no money shall be applied towards any expense that is not provided for in a budget approved by the Minister.

Risk/Implication

Failure to produce projects plans that are approved by the Minister could result in the Fund failing to deliver on its mandate.

Recommendation

The management of the Fund should produce project plans that are approved by the Minister.

Management Response

The observation is noted. Project plans will be availed in future.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Weakness in Internal Controls over Water Levy

Finding

The Fund does not have effective control measures to ensure the completeness and accuracy of water levy collection, remittance and reporting by catchment and sub-catchment councils. The Fund relies on verifications that are done by the internal auditors. Internal auditors are not able to visit all the catchment and sub-catchment councils to perform the verification exercise. Issues noted in some catchment and sub-catchment councils visited by internal auditors include failure to maintain proper books of accounts, failure to remit the water levies and non-functionality of some of the sub-catchment councils yet with potential to perform their mandates which places doubt on the completeness and accuracy of the Fund's revenue figures. The Fund is not regularly monitoring the status, functions and operations of the catchment and sub-catchment councils established under Sections 20 and 24 of the Water Act [*Chapter 20:24*].

Risk/Implication

Failure to design and implement effective control measures on water levy collection, remittance and reporting by catchment and sub-catchment councils may result in revenue leakages and inaccurate amounts of water levies being reported.

Recommendations

The management of the Fund should continuously monitor the status, functions and operations of the catchment and sub-catchment councils.

The management of the Fund should also put in place controls aimed at ensuring that complete and accurate water levy is collected, remitted and reported by catchment and sub-catchment councils.

Management Response

The observation is noted. The accounts section is in the process of organising visits to catchments and sub-catchments councils to validate and verify the observations brought forward by the internal auditors. The issues to be addressed include failure to maintain proper books of accounts, failure to remit the water levies to the Ministry and dealing with non-functionality of some sub-catchment councils. Water levies debtors accounts will be updated so as to report accordingly.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Fuel Management

In the previous financial year, it was observed that expenditure on fuel was not properly accounted for as there were no log books or other documents to support that the fuel was used for the intended purposes. In the year under review, the Fund no longer used personal motor vehicles for official businesses. It used government vehicles that had log books.

VOTE 11.-TRANSPORT AND INFRASTRUCTURAL DEVELOPMENT

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry's mandate is to provide and manage transport and transport related infrastructure and services through the development of policies and regulations for the transport sector. Major functions are: provision of road, rail, air, inland waterways and management of transport services.

Qualified Opinion

I have audited the financial statements for the Ministry of Transport and Infrastructural Development for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve Transfers	Total Allocated	Expenditure	Net Under spending
\$87 501 000	\$415 562 653	\$503 063 653	\$425 373 773	\$77 689 880

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Appropriation Account for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Paymaster General Account Expenditure

Finding

Section 49 (2) (a) of the Public Finance Management Act [*Chapter 22:19*] states that the annual report and financial statements shall fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives at the end of the financial year concerned. Expenditure for the Ministry incurred through the Sub-Paymaster General Account (PMG) was \$299 484 351 whereas the Appropriation Account disclosed total expenditure of \$425 344 514, resulting in an unreconciled difference of \$125 860 163. This implies that some of the expenditure did not go through the Sub-Paymaster General Account. Therefore, completeness, accuracy and occurrence of expenditure amounting to \$125 860 163 could not be validated.

Risk/Implication

The Appropriation Account may be materially misstated.

Recommendation

All the expenditure incurred by the Ministry should be processed through the Sub-PMG Account for proper accountability.

Management Response

The difference of \$125 860 163 is made up of the following figures processed by Treasury which did not go through the Ministry's Sub- PMG bank account (GL113800) as they did not involve cash movement from the Ministry's side during the year under review:

- 1. \$57 million for project expenditure was released into the GL113800 in January 2019 but was processed in 2018.**
- 2. \$51 156 505 was a direct payment to Air Zimbabwe by Treasury released in 2018.**
- 3. \$1 670 461 was a direct payment for CMED which was released in 2018.**
- 4. \$9 526 819 was a direct payment to SSB for employment costs for 2018.**

These figures will give us a total of \$119 353 785 leaving us with a variance of \$6 606 378 which is being reconciled.

Evaluation of Management Response

The supporting documents for \$52 826 966 attributed to the variance were not availed.

(ii) Funding Assistance to Air Zimbabwe, Civil Aviation Authority of Zimbabwe and Central Mechanical Engineering Department

The Ministry provided funding assistance to Air Zimbabwe, Civil Aviation Authority of Zimbabwe (CAAZ) and Central Mechanical Engineering Department (CMED) of \$51 156 505, \$2 600 000 and \$12 963 861 respectively. The amounts differed with what was confirmed to have been received by the three entities, CMED received \$11 293 400 and Air Zimbabwe and CAAZ only received funding amounting to \$1 284 597 and \$2 000 000 respectively.

Appropriation Account and External Confirmation Differences

Account Details	Balance as per Appropriation Account \$	Balance as per External Confirmation \$	Difference \$
Air Zimbabwe	51 156 505	1 284 597	49 871 908
Civil Aviation Authority of Zimbabwe	2 600 000	2 000 000	600 000
Central Mechanical Engineering Department	12 963 861	11 293 400	1 670 461
Total	\$66 720 366	\$14 577 997	\$52 142 369

The difference of \$52 142 369 was not accounted for. Journal entries that were used to introduce expenditure in the PFMS system had no supporting documents to prove occurrence, existence of goods and assets procured, valuation and classification of expenditure. Treasury instructed the Ministry to process journals that had no supporting documents. This was contrary to Treasury instruction 1216 which states that before forwarding a cash voucher for payment or a journal voucher for adjustment the officer initiating the transaction shall satisfy himself that the claim is a proper charge against public funds and is supported by the relative requisitions or an explanation for their absence and generally in order.

Risk/Implication

If payments are made without supporting documents fraud may be perpetrated.

Recommendation

All expenditure should be supported by relevant, reliable and sufficient documents.

Management Response

Air Zimbabwe was allocated \$51 156 505 for recapitalisation purposes and in our view recapitalisation does not fall under Lending and Equity. CAAZ was paid \$600 000 through IDBZ for outstanding certificates for J. M. Nkomo International Airport.

The payment was processed through PFMS as was highlighted in our submitted Appropriation Report for 2018 under note number one. On the issue of CMED not receiving the money, it was established that Treasury paid direct to Croco Motors through Treasury bills and the Ministry is in the process of obtaining a copy of the Treasury bill which will be availed to the Auditors and CMED for their record.

Evaluation of Management Responses

Air Zimbabwe, CMED and CAAZ disputed receiving the money disclosed except for the balances as per my finding. There is need for the Ministry to engage the respective entities to clear the issue.

(iii) Actual Project Expenditure

Finding

Treasury instructions 1205 and 1206 (ii) and (iii) state that where a payment voucher is submitted covering a number of requisitions, invoices or statements the voucher shall contain sufficient information to enable the expenditure to be verified, the total payable, total amount paid to date and due and all other relevant information. My re-computation of the project expenditure incurred by Infrastructure Development Bank (IDBZ), on behalf of the Ministry came up with \$106 936 140, while the expenditure disclosed in the Appropriation Account was \$108 852 545 giving a variance of \$1 916 405 which was not reconciled.

Risk/Implication

The expenditure figure disclosed in the Appropriation Account may be misstated as the variance was not reconciled.

Recommendation

The Ministry should reconcile the expenditure disclosed in the Appropriation Account against the project expenditure submitted by IDBZ.

Management Response

The variance was as a result of rejections/reversals made by the bank. The Ministry is currently compiling the rejections/reversals from bank statements. These will be made available to auditors.

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

1 IMPLEMENTATION OF PROGRAMMES

1.1 Transfers of Funds from Project Accounts

Finding

The Ministry moved funds termed temporary transfers adding up to \$16 050 000 between projects that were being implemented.

Funds Transferred from Projects

Date	Projects Funds Transferred From	Projects Receiving Funding	Amount \$
19/09/2018	Alaska Copper	Harare-Gweru	2 000 000
30/11/2018	Alaska Copper	Harare-Bulawayo	1 500 000
30/11/2018	Beatrice –Mubaira	Harare Mutare	3 000 000
30/11/2018	Beatrice –Mubaira	Hwedza –Sadza	3 000 000
19/09/2018	Guruve-Kanyemba	Bindura –Shamva	650 000
19/09/2018	Kirkman Rd	Harare-Gweru	1 500 000
30/11/2018	Kirkman Rd	Hre-Byo	1 000 000
30/11/2018	Mberengwa -West Nich	Jeka Bridge	400 000
19/09/2018	Mount Darwin-Mkumbura	Bindura-Matepatepa	3 000 000
	Total		\$16 050 000

There was no prior needs assessment carried out before funds were transferred to ensure that the projects whose funds had been transferred to other projects were not stalled.

Risk/ Implication

Implementation of projects may be stalled if project planning, costing and needs assessment is not carried out.

Recommendation

Project monitoring should be carried out consistently in order to promote efficiency in the implementation of projects.

Management Response

The movement of funds from one project to another was as a result of some projects commencing earlier than the others. Projects were reprioritised during the year thus triggering the movement of funds to those projects given higher priority. For example, Kirkman Road project had no designs but was allocated funds by Treasury and the funds had to be moved to other projects which were already under construction.

Skyline – Mubaira was outsourced but this was challenged in court after award of tender thus stalling progress resulting in no movement of funds on the project.

Jeka Bridge was designed long back and the designs proved to be costly and there was also need to change the site as the initial one was costly and this also triggered the need to redesign the bridge.

Please note that the temporary transfers will not be affected as these funds will not be swept at year end because they will have been deposited into a holding account which is

not affected by the operations of the Appropriation system. Therefore, reimbursements to projects can be done any time as long as there are sufficient funds to the project.

1.2 Outstanding Certificates

Finding

The Ministry did not maintain a detailed record of outstanding certificates, indicating the total amounts owed to suppliers, amount paid and balance outstanding. As a result, I was unable to establish whether the outstanding certificates for the years 2012 to 2016 amounting to \$1 036 719 that were paid in 2018, had not been previously paid. This was in contravention of Treasury instructions 1205 and 1206 which state that where a payment voucher is submitted covering a number of requisitions, invoices or statements the voucher shall contain sufficient information to enable the expenditure to be verified and that such documents shall be clearly marked "supporting voucher only". A voucher for a progress payment should show the total amount payable under the contract; the total amount paid to date, including the payment made by the voucher; the balance due and all other relevant information.

There were no reconciliations between transfers done by the Ministry to IDBZ and actual payments processed by the bank, to ensure that all certificates were cleared. The Ministry paid outstanding certificates amounting to \$1 244 572 during the year ended December 31, 2018. However, the IDBZ bank statements disclosed payments of outstanding certificates amounting to \$723 220 resulting in a difference of \$521 352.

Adequate records for certificates of payments submitted were not being maintained. For example Hwedza-Sadza had an outstanding balance of \$462 264 in 2017 and in 2018 it had a balance of \$731 835 showing an increase of \$269 571. This increase was not supported by outstanding certificates. In another instance, outstanding certificates for Little Sebakwe, and Victoria Falls-Kazungula were omitted from the 2018 schedule submitted for audit. I could not therefore, confirm the completeness and accuracy of the outstanding certificates of expenditure for projects as at December 31, 2018.

Risks/Implications

Incorrect records for outstanding certificates may result in dual payments.

Failure to pay suppliers for goods and services in time may result in legal action being taken against the Ministry which could result in litigation costs.

Recommendation

The Ministry should maintain adequate records that clearly disclose certificates submitted or claimed, those paid, when and how much was due, to promote transparency and accountability.

Management Response

The Ministry maintained the record of outstanding certificate in the commitment registers. Every payment voucher had a certificate indicating “not previously paid” that is signed by a person with knowledge and evidence that the document was not previously paid. This procedure was followed on all outstanding certificates paid during 2018.

The Ministry could not pay all outstanding certificates due to the lapse of time, so the Ministry had to request creditors to confirm their outstanding invoices. Some creditors confirmed their outstanding certificates while others are still to respond.

Reconciliations were being carried out between the list of outstanding creditors and the list of creditors paid out during the year. The outcome of the reconciliation will be communicated to auditors.

The increase of \$269 571 on outstanding certificates was due to the fact that in 2016 Wedza-Sadza bridge had some outstanding certificates, which were taken over when construction of Wedza-Sadza road commenced.

Evaluation of Management Responses

The reconciliation statements were not submitted for audit examination.

1.3 Project Implementation

Finding

I noted that there was slow progress in the utilisation of road construction project funds released by Treasury. Out of \$292 651 023 transferred to Infrastructure Development Bank during the year 2018, only 37% amounting to \$108 852 544 was utilised to fund 51 projects and bridges.

Risk/ Implication

Delays in implementing projects may result in cost over-runs.

Recommendation

The Ministry should efficiently sequence the implementation of projects and avoid implementing too many projects that may result in delays in their completion.

Management Response

The Ministry faced implementation challenges which included delays in the procurement processes and late disbursements of funds. For example, funds disbursed in June, July and December could not be utilised immediately as there was need for time to mobilise and procure materials.

Please note that a project requires a minimum of three months to be implemented, which could not be done in 2018 as some of the Project Funds were received towards the end of the year. Examples are: - \$52 million and \$57 million received on November 3, 2018 and 31 December 2018 respectively.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Revenue Collecting Stations

Finding

The Ministry carried out a joint scoping/needs analysis exercise, involving its ICT department, Ministry of Information Communication and Technology and Ministry of Finance officials, who visited 21 Vehicle Inspection Department (VID) depots, with a view to determine the existing Wide Area Network and Local Area Network current status, requirements to resuscitate the infrastructure and operationalise the system. The detailed needs analysis report revealed that 6 VID stations namely Kwekwe, Marondera, Mutare, Chinhoyi, Gwanda and Gweru were connected to the network but were not fully functional because they required basic equipment such as surge protectors, power sockets, receipt printers and PFMS user training. Only 3 revenue collecting depots were fully functional. I am concerned that despite the resources that were channeled to connect the 6 VID stations the desired results were not realised due to administrative inefficiencies.

Implication /Risk

Manual receipting is prone to fraudulent activities and it may take 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 revenue. The projects office should be requested to connect all stations to SAP.

Management Response

The Ministry engaged Central Computing Services (CCS), who have provided a bill of quantities of the items they can provide and those that the Ministry should procure. The Ministry will provide the basic requirements such as surge protectors and power sockets to the stations cited above. As for receipt printers and PFMS training to staff the Ministry will engage CCS.

2.2 Point of Sale (POS) Transactions

Finding

The Ministry did not prepare Point of Sale (POS) monthly reconciliations to determine revenue due to the Retention Funds and amounts to be transferred to the Exchequer Account, for the period February to December 2018. As a result, the accuracy and reliability of POS revenue transferred to the Exchequer Account amounting to \$8 389 164 could not be relied

upon. This was in contravention to the Public Finance Management Act [*Chapter 22:19*] Section 44 (1) (a) which state that an accounting authority for a public entity shall ensure that the public entity establishes and maintains effective, efficient and transparent systems of financial and risk management and internal controls.

Risk/Implication

Failure to prepare POS reconciliations may result in discrepancies that may not be detected or resolved in a timely manner and incorrect revenue may be remitted to the Exchequer Account.

Recommendation

The Ministry should prepare monthly POS reconciliations for revenue collected at VID stations to promote accurate and complete recording of revenue.

Management Response

Reconciliations are done daily at the Revenue collecting stations by comparing the Daily Bank Cash up report and the individual receipts issued to clients. The master receipts and Daily Bank cash up reports were submitted together with the sub-collector to Head Office monthly for capturing into SAP. Currently we are continuing with our monthly reconciliations though we are facing challenges of staff shortages.

Evaluation of Management Responses

POS reconciliations to determine revenue due to the Retention Fund and to the Exchequer Account, were not availed for audit examination.

3 DEPARTMENTAL ASSETS

3.1 Maintenance and Custody of Assets

Finding

The Ministry through CVR purchased 2 Mazda BT Double Cab vehicles each valued at US\$63 900, whose specifications among others was that it should have an engine capacity of 3200cc. However, one of the vehicles (AFC 8971) delivered had an engine capacity of 2200cc, despite the Ministry having paid the price for a vehicle with a higher engine capacity. There was no evidence that the Ministry had sought refund for the vehicle that had a smaller engine capacity.

Risk/ Implication

The Ministry paid for a bigger engine capacity vehicle and delivery was for a small engine capacity, therefore Government could have been prejudiced.

Recommendation

The Ministry should ensure that the supplier refunds a fair value of the amount overpaid given the current changes.

Management Response

The Ministry made a decision to accept the two vehicles with 2200cc engine capacity, rather than foregoing the vehicles and getting a refund of RTGS\$127 800, which would not make any economic sense. Therefore, the Ministry will be refunded RTGS\$3 000 for the two vehicles which is the total price variation. Willovale Mazda Motor Industries our suppliers indicated that the 3200cc vehicles were no longer available on the market.

Evaluation of Management Response

There is no evidence that the Ministry enforced provisions of the contract for the supplier of two 3200 cc vehicles.

4 GOVERNANCE ISSUES

4.1 Expenditure from Retention Funds

Finding

The Ministry did not disclose in the Appropriation Account an amount of \$49 608 000 that was provided for through the Appropriation (2018) Act, 2018 as a Supply Grant from Retention Funds. Consequently, the reported budget provision for the Appropriation Account was understated by the same amount. The Ministry did not provide registers to support expenditure of \$12 232 709, that was reported under Retention Funds.

Risk/Implication

The financial statements were misleading and could eventually affect management decision making processes as well as users thereof.

Recommendation

The Ministry should liaise with Ministry of Finance and Economic Development to get guidance on how Supply Grants from Retention Funds are to be reported upon.

Management Response

It has been the practice in the Ministry to report Retention Fund expenditure in the Appropriation Account by way of a note. However, if it is now a requirement that the expenditure be reported under the Appropriation Account, the Ministry will comply once a format of the reporting has been availed.

4.2 Unsupported Expenditure for Projects

Finding

Treasury instruction 0906 (a) and (b) states that no payment shall be made from voted moneys except for services rendered; or value received, however the Ministry could not avail for my examination payment vouchers with a value of \$212 250. The Ministry also did not avail for audit examination daily plant returns on hired equipment amounting to \$698 927 and goods received vouchers with a value of \$229 575 for Birchnough-Murambinda and Mount Darwin-Mukumbura Project. Consequently, I was not able to establish whether the expenditure incurred, was complete and correctly classified.

Risk/Implication

Irregular or fraudulent payments may be processed if expenditure is not supported by source documents.

Recommendation

All expenditure should be supported by payment vouchers to promote accountability, transparency and prevent the processing of irregular and fraudulent payments.

Management Response

The vouchers for \$212 250 will be availed for audit once they are received from IDBZ where the originals are kept.

The audit query could be true in that documents were photocopies. The Ministry has engaged IDBZ and the respective provinces for copies of the documents.

5 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

5.1 Agency Agreement

There was no agency contract in place between IDBZ and the Ministry of Transport and Infrastructural Development. I was therefore unable to establish the roles of IDBZ vis-a-vis those for the Department of Infrastructural Development.

The Agency agreement was not made available.

5.2 Transfer of Harare–Bulawayo Construction Funds to other Road Projects.

Funds released for the construction of Harare –Bulawayo road were diverted to fund new Parliament road construction, Chegutu-Chinhoyi–Slurry and Mupfure Bridge. Requisitions were raised in the names of the three projects to make it appear as if they had procured road construction materials.

The Ministry did not provide requisition documents for Chegutu-Chinhoyi–Slurry and Mupfure Bridge.

5.3 Creditors Reconciliations

The Ministry paid invoices with a total value of \$158 576 without carrying out creditors reconciliations.

The reconciliations were still outstanding.

DEPARTMENT OF ROADS FUND 2017

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 Financial Management Act [*Chapter 22:19*]. It was formed to provide financing of Road Development, Rehabilitation and Maintenance works.

Disclaimer of Opinion

I am required to audit the financial statements of the Department of Roads Fund of the Ministry of Transport and Infrastructural Department, which comprise the statement of financial position as at December 31, 2017, statement of comprehensive income, statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	26 995 389
Expenditure	31 363 642
Deficit	(\$4 368 253)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Accumulated Fund	-	(3 535 672)
Non-Current	1 691 305	-
Current	4 028 173	9 255 150
Total	\$5 719 478	\$5 719 478

I do not express an opinion on the financial statements of Department of Roads Fund. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer Opinion

(i) Unsubstantiated Transactions in Ledgers

Findings

The Fund maintained three RBZ cashbooks to record all money receipted and payments made during the year. The Fund entered 361 transactions in its three RBZ cashbooks valued at \$8 489 488, referenced as reversals or rejections. These transactions had no corresponding entries on the credit side, thus inflating inflows in the bank accounts.

Inter-bank transfers from FBC bank and Provincial bank accounts to the Reserve Bank of Zimbabwe (RBZ) bank account amounting to \$4 712 931 were treated as administration expenses in the financial statements. I was not provided with justification on why the transactions were not properly classified.

The revenue figure of \$26 995 389 included transfers from Provincial Offices amounting to \$3 424 593. The Fund failed to provide source documents for this revenue amount. As a result, I could not satisfy myself whether revenue disclosed was complete and accurate.

Accordingly, on all these transactions, I could not perform the necessary audit procedures to obtain sufficient assurance on the existence, accuracy and completeness of the balances disclosed in the financial statements.

Risks/Implications

Failure to properly account and classify transactions may lead to fraud or misappropriation of the Fund's resources.

Including unsubstantiated transactions results in misstated financial statements, thus misleading users and decision makers.

Recommendations

The Fund management should properly, analyse, review and record transactions that are supported by source documents.

Production of monthly expenditure schedules may assist in the elimination of some of these errors.

Management Response

The Payment Vouchers, RTGS and Pastel Cash books are available for audit inspection. The total amount of \$8 489 488 represents reversals, rejections mostly for contract workers' wages, transfers from IDBZ and provinces that were entered in the Pastel System. Ledgers for ZINARA Pastel account have various revenue heads namely, Routine Maintenance, Construction works and Emergency works, all these feed into one Revenue Head.

According to IAS 8 it is allowed to adjust errors in the current period and in prior years. The figure of \$5 010 230 was inclusive of transfers amounting to \$4 712 931. Transfers from provinces were swept or transferred to the Reserve Bank of Zimbabwe and the expenditure was to be recorded according to the respective expenditure general accounts. However, in order to reverse or correct the expenditure a journal voucher was introduced to cancel the administration expenses.

The source documents for the revenue of \$3 424 593 were the payment vouchers and RTGS for the funds transferred from Local Government for the New Parliament Road and other deposits from provinces.

Evaluation of Management Response

The Fund could not avail evidence that reconciled each transaction that was reversed hence the \$8 489 488 reversals remain unreconciled in the Cashbooks.

The Fund did not submit Pastel System Journal Vouchers to show that the \$4 712 931 had been corrected in the Pastel System. Although the Fund submitted manual Journal Vouchers these had not been effected in the Pastel Accounting System.

The inter-company (inter-provincial) transactions were not eliminated from the Consolidated Financial Statements in accordance to Generally Accepted Accounting Practice (GAAPs).

(ii) Unsupported Expenditure

Finding

I could not obtain payment vouchers and invoices for payments amounting to \$5 890 884. Therefore, the expenditure could not be traced to source documents and I could not satisfy myself on the validity, existence and accuracy of the expenditure. Accordingly, the occurrence and completeness of the expenditure could not be confirmed.

Schedule of Unsupported Expenditure

Details	Amount \$
Transfers to IDBZ	865 305
Fuels, Oils & lubricants	89 689
Travelling and Subsistence	144 792
Subcontracting (Security Services)	15 384
Salaries and Wages	1 808 092
Administration Expenses	24 016
Physical Infrastructure	766 827
Rental Hire and Lease	2 176 780
TOTAL	\$5 890 884

Risk/Implication

If payments are made without adequate source documents, irregular and fraudulent transactions may be processed without detection.

Recommendations

The Fund should ensure that all expenditure is supported by adequate documentation to prevent the processing of irregular or fraudulent payments.

The Fund should avail the above mentioned payment vouchers for audit purposes.

Management Response

The Expenditure was supported by payment vouchers and IDBZ RTGS which the auditors can inspect.

Evaluation of Management Response

RTGS forms and corporate payment print-outs from the bank were presented. The payment vouchers that are important source documents for confirming validity, completeness, existence and accuracy of the expenditure were not availed for audit purposes.

(iii) Consolidation of Expenditure Figures from the Provincial Offices

Findings

The Fund's expenditure in the financial statements include a consolidation of transactions from Provincial Offices. The submitted consolidated schedule of entries used in the preparation of the financial statements had \$4 368 253, while schedules from Provincial Offices had expenditure of \$11 137 795 resulting in an unreconciled variance of \$6 769 541. Under normal circumstances the two statements should be the same.

Furthermore, the figures posted in the financial statements for some items differed with the ledger figures giving a net variance of \$1 975 697, which was not reconciled (see Table below). The financial statements were materially misstated.

Variances in Ledger Balances and Figures Posted to the Financial Statements

Account Details	Amount reflected in the Ledgers \$	Amount Reported in the Financial Statements \$	Difference Overstated (Understated) \$
Fuels, Oils & lubricants	880 650	799 241	(81 409)
Travelling and Subsistence	486 000	403 742	(82 258)
Subcontracting (Security Services)	2 006 169	1 490 067	(516 102)
Salaries and Wages	9 483 387	6 958 190	(2 525 196)
Property, Plant and Equipment	637 773	611 761	(26 011)
Rental Hire and Lease	6 917 562	7 381 674	464 112
Trade Payables	9 250 730	9 255 150	4 420
Administration Expenses	307 798	5 045 940	4 738 141
Total	\$29 970 068	\$31 945 765	\$1 975 697

Risks/Implications

Financial statements may be misstated if accounting records from Provincial Offices are not captured correctly when preparing accounts.

Failure to reconcile balances in the ledger accounts and the financial statements compromises the integrity of financial statements.

Recommendations

The Fund should consolidate its annual financial statements in accordance with sections 37 and 32 (3) the Public Finance Management Act [*Chapter 22:19*].

Balances in the ledger accounts should be used whenever financial statements are being prepared.

Management Response

The consolidated figure of \$11 137 795 relates to expenditure incurred by the Fund and \$4 368 253 was the deficit. The schedule of \$11 137 795 was erroneously attached to the Financial Statement as it included creditors for 2016 which were paid in 2017.

The expenditure disclosed of \$31 363 642 differs from the figure of \$29 970 068 referred to by the Auditor. The variance of \$1 975 697 were creditors and transfers which were treated as administration expenses in error.

Evaluation of Management Response

The Fund submitted an updated consolidation schedule but failed to avail evidence to support how the difference of \$6 769 541 was eliminated from the accounts.

The Fund did not correct the \$1 975 697 error through Journals in the Pastel Accounting System.

(iv)Accounting for Prior Year Expenditure

Finding

Paragraph 1.3 of the Fund's Accounting officers' instructions stipulates that books of accounts shall be maintained on an accrual basis in accordance with International Accounting standards and the relevant Treasury circulars. Expenditure amounting to \$935 533 relating to the 2015 and 2016 financial years was included as expenditure in 2017 ledgers despite the fact that the same expenditure had been recognised in the financial statements of the prior years. This resulted in the overstatement of expenditure for the year.

Risk/Implication

Restating expenditure reported in previous years overstate expenses and compromise the integrity of the financial statements thereby misleading decision makers and users of the accounts.

Recommendation

Proper financial administration should be exercised to ensure that accurate financial statements are produced.

Management Response

These were creditors for 2016 which were paid in 2017; however this has been noted and will be treated as such in 2018. A journal voucher was passed to reduce the over expenditure.

Evaluation of Management Response

The Fund did not submit Pastel System Journal Vouchers to show that the \$935 533 had been corrected in the Pastel System. Manual Journal Vouchers that were submitted were not processed in the Pastel Accounting System.

(v) Maintenance of Accounting Records

Finding

The Fund has continuously failed to maintain ledger accounts for Accounts Payable, Assets, Staff Debtors, Depreciation and Provincial Bank accounts. These accounts had substantial balances making up the statement of financial position, 33% of the assets and 100% of the liabilities. Without the ledger entries which are the primary source of recording transactions, I could not validate the balances.

Risks/Implications

The Fund collects and handles huge financial transactions and with poor record keeping this may result in financial losses.

Fraud and errors may go through undetected.

Recommendation

The Fund should create and maintain all ledger accounts to enhance accuracy and completeness of records. Adequate internal controls must be instituted to ensure proper accountability.

Management Response

The observation on maintenance of individual ledgers is noted. The Fund is going to maintain the ledger accounts for each individual creditor.

(vi) Disclosure of Revenue

Finding

The Fund's financial statements disclosed revenue amounting to \$19 092 664 as having been received from ZINARA and ZIMRA while external confirmations revealed revenue of \$28 264 124 had been received from the two sources, resulting in an unreconciled variance of \$9 171 460. Accordingly, I could not validate the occurrence, completeness and accuracy of the Revenue figure disclosed in the financial statements.

Risk/Implication

The extent of the variance is of concern and the revenue reported may be materially misstated if third party confirmations are not reconciled to the Fund's revenue records.

Recommendation

There is need to seriously review the management processes to ensure that revenue is accurately accounted for, reported and disclosed in the financial statements.

Management Response

We have carried out a reconciliation with ZINARA and ZIMRA using the schedule submitted to auditors by ZINARA and ZIMRA and figures tally. The figure of \$9 171 460 that was included in the financial statements was supposed to have been transferred to IDBZ. This figure was erroneously omitted from the financial statements during consolidation and at the same time the income ledger was debited instead of the expenditure ledger resulting in the reduction of the income balance. The error will be corrected by passing a journal voucher to reinstate the omitted disbursement.

Evaluation of Management Response

The Fund did not submit Pastel System Journal Vouchers to show that the \$9 171 460 error had been corrected in the Pastel System however, the Fund submitted manual Journal Vouchers which had not been posted to Pastel Accounting System.

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

1 GOVERNANCE ISSUES

1.1 Management of Cash at Bank

Finding

Inadequate planning resulted in the Fund failing to use cash in its RBZ bank account to clear or reduce amounts owed to creditors. As at December 31, 2017 the RBZ bank account had \$4 028 172, while creditors were \$9 255 150. I could not get an explanation why the Fund was failing to pay creditors when the cash was available in its RBZ bank account.

Risk/Implication

Maintaining high cash balances in the bank account without paying creditors may result in financial losses in the form of interest, penalties and legal fees when creditors sue the Fund.

Recommendation

The Fund should pay its creditors with cash in the bank and make sure that bank balances are not maintained at unnecessary high levels.

Management Response

The Department of Roads could not utilise the funds in the bank accounts because the funds were committed or earmarked for some of the projects namely:

- (a) Access Road to the New Parliament building;**
- (b) Contract wages, road surfacing materials and hire of plant and equipment for the Routine Maintenance works in provinces**
- (c) Part of the four million dollars in the bank account was used to settle the outstanding creditors; and**
- (d) Road Access fees were earmarked for procurement of road equipment however, the Fund faced foreign currency challenges and lengthy procurement processes.**

Evaluation of Management Response

The Fund did not submit evidence showing how the balance at the Bank Account of \$4 028 172 had been committed.

1.2 Property, Plant and Equipment

Finding

Accounting Officer`s Instruction number 7.3 states that balances from the general ledger accounts shall be used for the preparation of the financial statements of the Fund. There was a difference of \$1 272 410 between the closing balances for Property, Plant and Equipment. The general ledger had \$1 354 177 while the balance for the same period disclosed in the notes to the Financial Statements was \$2 626 587. No reconciliations were provided to explain the differences.

Risk/Implication

Financial statements may be misstated due to errors and mis-postings.

Recommendation

The Fund managers should reconcile the two figures to ensure that correct figures are disclosed in the ledgers and financial statements.

Management Response

Auditors were advised that the Fund was not using the closing balances in the pastel ledgers since it is still to adopt the Property Plant and Equipment module on pastel. Therefore, the consolidation was done outside pastel system. The variance of \$2 626 587 comprise of 2016 creditors that were paid in 2017.

Evaluation of Management Response

The Fund did not submit reconciliations to explain and clear the \$1 272 410 difference in Property, Plant and Equipment.

1.3 Construction of Weighbridge

Finding

The Fund included an amount of \$213 892 in its financial statements being the cost of constructing six (6) weighbridges owned by ZINARA. The cost of constructing the weighbridges should have been reported under the Traffic and Legislation Fund as Vehicle Inspectorate Department (VID) has been receiving funding from ZINARA for these projects. Management undertook to transfer the cost of construction to the Traffic and Legislation Fund, however, this transfer had not been effected in the financial statements as at the time of concluding this audit.

Risk/Implication

The carrying amount of assets in the financial statements was overstated as the weighbridges were constructed on behalf of ZINARA.

Recommendation

The cost of the weighbridges should be reversed from the asset account ledger and accounted for by the Traffic and Legislation Fund.

Management Response

The Department of Roads had committed itself in writing to transfer the cost of construction works amounting to \$213 892 to the Traffic and Legislation Fund during the 2017 financial period. The cost of construction works was not transferred and the assets will be accounted for in the Traffic and Legislation in the 2018 financial year. The Ledger account for Traffic and Legislation Fund will be updated accordingly.

1.4 Quality Test Reports

Finding

The Fund did not avail evidence showing whether quality tests were conducted and reports prepared confirming that the materials acquired amounting to \$3 682 653, were of the right standard for road construction. Statutory Instrument 171 of 2002 of the Procurement Regulations states that, deliveries of supplies shall be systematically inspected, sampled and tested by the procuring entity and shall not be accepted unless they comply with the specifications. Furthermore, the department's policy states that all materials procured for road construction and maintenance should be tested and examined in order to verify if they meet the Fund's set quality standards and specifications before acceptance upon delivery. In the absence of quality reports, I could not come up with an opinion regarding the quality of construction materials supplied.

Risk/Implication

Inferior road construction materials may be supplied to the Fund if quality tests are not carried out. The quality of roads constructed may be compromised.

Recommendation

Quality tests of construction materials should be carried out to ensure that they meet the right standards and reports should be prepared in accordance with Statutory Instrument 171 of 2002.

Management Response

Quality tests were carried out before the deliveries were made.

2 EMPHASIS OF MATTER

2.1 Sustainability of Services

Finding

I draw your attention to the fact that the Fund incurred a loss of \$4 368 253 for the period ending December 31, 2017, and as at that date the total net current liabilities were \$5 226 977 and the Accumulated Fund had a negative balance of \$3 535 673. These issues cast doubt on the Fund's ability to continue offering its services to the public.

Risk/Implication

The Fund may fail to meet its liabilities leading to technical insolvency.

Recommendation

The Fund's management should come up with financial management and control strategies that will enable it to continue offering services.

Management Response

The Fund is not a profit making organization but provides a service to the public. The Fund has the Budget to operate and the financier (ZINARA) releases funds after expenditure has been incurred. This resulted in the Fund accumulating creditors as ZINARA at times delays in releasing funds.

Evaluation of Management Response

The Fund did not submit evidence and confirmation from ZINARA that it was liable and was the financier of all the creditors that the Fund had accumulated.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Adjustment to Financial Statements

In 2016 there was an unreconciled variance of \$6 107 337 between the expenditure reported in the Financial Statements and the ledger accounts balance. The variance emanated from 29 adjustments that were not effected in the accounting records for 2015.

The adjustments had not been effected and the variance remained unreconciled.

3.2 Procurement Committee Minutes

Procurement committee minutes, comparative schedules and competitive quotations for goods and services purchased valued at \$1 054 193 were not availed for my examination. I was unable to determine whether there was optimum use of public funds.

The Fund managers did not avail the procurement committee minutes, comparative schedules and competitive quotations.

3.3 Registration of Motor Vehicles

Two unregistered trucks used in Mashonaland East Province shared number plates stripped from a redundant vehicle.

Audit recommendations were implemented. The vehicles were registered in the name of the Fund.

NEW VEHICLE SECURITY REGISTRATION NUMBER PLATE REVOLVING FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the New Vehicle Security Registration Number Plate Revolving Fund for the Ministry of Transport and Infrastructural Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	8 928 929
Expenditure	7 128 601
Surplus	\$1 800 328

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Accumulated Fund	-	45 543 237
Non-Current	43 881 124	-
Current	5 473 465	3 811 352
Total	\$49 354 589	\$49 354 589

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the New Vehicle Security Registration Number Plate Revolving Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Maintenance of Accounting Records

Finding

In my report for 2016, I highlighted that the Fund purchased a Pastel Accounting Software that was not used for processing financial transactions and producing financial statements. Therefore, financial statements for 2017 were prepared from manual ledgers extracted from

Excel Spread sheets. This resulted in unreconciled variances amounting to \$915 139 on five ledger accounts namely Revenue CVR Head Office and Municipalities, Printing and Stationery, Food and Refreshments and Sales Commission, compared to balances disclosed in the financial statements. I therefore, could not confirm the correctness of balances disclosed in the financial statements. Table below refers

Variances Between Submitted Balances and Ledger Balances

Detail of Account	Balances as Per Financial Statements	Balances as Per Ledger Accounts	Differences
	\$	\$	\$
Revenue: CVR Head Office	6 509 197	7 365 942	(856 745)
Revenue: Municipalities	131 602	134 380	(2 778)
Printing and Stationery	76 905	81 732	(4 827)
Food and Refreshments	238 995	293 895	(54 900)
Sales Commission	523 226	519 115	4 111
Net Total			(\$ 915 139)

Risks/Implications

Fraudulent transactions, errors and omissions may go through undetected if reconciliations are not carried out.

Financial Statements may be materially misstated.

Failure to use the Pastel system for the purpose it was intended is tantamount to wasteful expenditure.

Recommendations

Reconciliations should be carried out where variances exist.

The Pastel Accounting Software should be used to process financial transactions to enhance the accuracy of Financial Statements and create value from the use of the software.

Management Response

The delayed full implementation of Pastel accounting software was due to non-renewal of license fees, following Treasury's promise that all Fund accounts were going to use SAP accounting package. The Fund has resolved to renew its Pastel accounting licenses and make full use of the software in 2019.

(ii) Application of Accruals Concept

Finding

According to the accrual accounting concept, transactions should be recognised when invoices are raised, regardless of whether a cash transfer or payment has been made. Contrary to this, liabilities amounting to \$115 556 were not disclosed in the financial statements. Furthermore, invoices raised in 2016 amounting to \$297 008 but paid in 2017 were not accounted for as prior year transactions although they were not disclosed as liabilities in 2016. This overstated the expenditure for 2017.

Risk/Implication

Failure to apply the accruals concept may result in material misstatements of financial statements.

Recommendation

The accrual concept should be applied when preparing financial statements.

Management Response

The error has been noted. Journals will be effected to correct the anomaly.

(iii) Take on Balances

Findings

The audited closing balance on the Accumulated Fund as at December 31, 2016 was \$43 742 909, while the taken on balance in the financial statements as at January 1, 2017 was \$47 260 628. The variance emanated from the transfer of the suspense account figure of \$3 517 719 to the Accumulated Fund although there was no documentary evidence provided to support the adjustment.

There were variances amounting to \$215 561 between the audited closing balances as at December 31, 2016 and the take-on balances as at January 1, 2017. Variance on Property, Plant and Equipment was \$119 781, on Depreciation it was \$64 665 and on Trade Receivables for ZIMRA and ZIMPOST it was \$16 117 and \$14 998 respectively. No reconciliations and/or explanations were provided, casting doubt on the reliability of financial statements.

Risks/Implications

Netting of suspense account balances with other figures without thorough investigation may conceal fraud or improper accounting treatment.

Use of incorrect take on balances may result in material misstatements of accounts as the figures will be distorted and misleading.

Recommendations

Take on balances should agree with audited closing balances and any subsequent adjustments should be supported by documentary evidence.

The suspense account balance should be investigated and adequately supported before clearance.

Management Response

Regarding the suspense figure observed, the Fund managers will seek guidance from the Accountant General's Office on how to clear the balance. The suspense account started in 2009, when the closing stock of number plates were not revalued after the adoption of the multicurrency regime.

(iv) Maintenance of Sales Records

Finding

The revenue figure of \$6 509 197 for Central Vehicle Registry (CVR) Head Office was extracted from monthly bank statements, therefore, I was unable to confirm whether all revenue collected and receipted was banked intact and whether accrued revenue was accounted for. Consequently, the revenue figure of \$13 985 043 disclosed in the financial statements could not be validated. This anomaly resulted from weak and inadequate internal controls.

Risk/Implication

Failure to maintain detailed cash books and sales ledger may result in misstatements of financial statements as the breakdown of transactions may not be properly classified.

Recommendation

Revenue figure should be extracted from receipts and sub-collectors schedules to enhance accuracy of the financial statements.

Management Response

The Fund started maintaining the cash book and sub-collectors schedules with effect from March 2018.

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

1 GOVERNANCE ISSUES

1.1 Disclosure of Other Income

Finding

Statutory Instrument 79/2009 prescribes other fees and charges that should be collected by the Fund. The Fund has over the years failed to separately disclose in the financial statements the various fees and charges. The other fees consist of search fees, registration book replacements, drivers' licences and change of vehicle particulars. Weak internal controls led to the anomaly.

Risk/Implication

If separate revenue records are not kept it may be difficult to assess whether all revenue collected has been accounted for.

Recommendation

Separate revenue records for other income heads should be maintained to enhance transparency.

Management Response

Observation has been noted. Other Income and payables to the Exchequer and Traffic and Legislation will be disclosed separately starting with the 2018 financial statements.

1.2 Cash Flow Statement

Finding

A cash-flow statement provides information about cash receipts, cash payments, and the net change in cash resulting from the operating, investing, and financing activities. The Fund did not submit a cash flow statement for my examination rendering the financial statements incomplete.

Risk/Implication

Failure to prepare a cash flow statement may deprive users of financial information about how the cash was generated and deployed.

Recommendation

A cash flow statement should be prepared to enhance transparency and accountability.

Management Response

The observation has been noted. In future the Fund will prepare and submit the Cash Flow Statements as required by the Public Finance Act [*Chapter 22:19*].

1.3 Distribution of Number Plates

Finding

In my audit report 2016, I highlighted that, the Fund had failed to record in its stores register, issue vouchers and the delivery note for numbers plates received and issued to its 32 agents. This was in contravention of Appendix I section 5-95 (b) of the Treasury Instructions that requires all inventory to be brought on charge by means of receipt vouchers.

Risk/Implication

In the absence of detailed information regarding to number plates received and distributed to agents fraud may occur without detection.

Recommendation

An inventory register should be maintained for all number plates received and distributed to agents.

Management Response

The observation has been noted. The registers are now being maintained.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Sales Reconciliation

Monthly sales reconciliations were not being carried between the sales general ledger and revenue returns from agents’.

Reconciliations were performed during 2017.

2.2 Trade Payables

The Fund did not record transactions as they occurred as a result, Trade Payables amounting to \$334 834 were not disclosed in the financial statements.

The trade payables were not disclosed in the accounts.

2.3 Unsupported Adjustments

The Fund resubmitted a set of accounts for 2016 reflecting a reduction in balances of Sales Revenue and Trade Receivables by \$117 999 and \$770 018 respectively.

The documentary evidence to support the reductions of balances was not availed.

2.4 Inventory Records

Reliance could be placed on the accuracy of closing value of inventory of \$3 648 705 disclosed in the financial statements as stock sheets for inventory for CVR head office and Southern Region Trading Company (SRTC) were not availed for my verification.

The stock sheets were not availed.

2.5 Management of Vehicles

Fuel request forms and log books were not completed. Administration and Human Resources officers were using pool vehicles without written authority of the Accounting Officer, although they were in receipt of transport allowances.

Pool vehicles were withdrawn from officers who were in receipt of transport allowances.

2.6 Uniforms Policy

The fund failed to avail a uniform policy which provides guidelines on entitlement, distribution of uniforms and clothing items. 24 officers stationed at the Ministry's Head Office received uniforms during 2016.

Audit recommendation was partly implemented, as some of the officers stationed at Head Office were still being issued uniforms meant for CVR staff.

NEW LIMPOPO BRIDGE FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the New Limpopo Bridge Fund for the Ministry of Transport and Infrastructural Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	12 749 009
Expenditure	25 518 016
Deficit	(\$12 769 007)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Accumulated Fund		6 696 080
Non-Current	2 590 180	
Current	21 925 399	17 819 499
Total	\$24 515 579	\$24 515 579

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the New Limpopo Bridge Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Accounting records

Findings

Trade Payables amounting to \$17 819 497 (2016: \$2 081 970) were not posted to individual ledger accounts as provided for in the Accounting Officer's manual. Of this amount \$15 840 234 was in respect of revenue due to the South African government, which has not

been paid over since the inception of the Fund. As a result, financial statements were misstated.

The Accounting Officer's manual states that once a payment has been processed the amount shall be entered in the respective ledger account. Contrary to this requirement, payment vouchers worth \$103 709 were not posted to their respective ledger accounts. The amounts were for purchase of assets, hire of plant and equipment and salaries and wages. This omission was caused by weak internal controls.

Risk/Implication

Failure to fully account for all transactions, compromises the reliability of financial statements.

Recommendations

Work of junior staff should be checked on a regular basis in order to ensure that correct and accurate records are maintained.

Payment vouchers should be serialized to prevent omissions.

Management Response

The Fund maintains one creditor's control ledger account and not individual ledger accounts. This was done in order to try and reduce the number of ledger accounts.

The understatement was a result of rejections from invalid accounts. The pay net system generates reports for corporate payments and a list of rejected items. The two reports add up to the total amount on the payment voucher.

Evaluation of Management Response

The Fund officials did not explain how a creditor's control ledger account could be maintained without individual's ledger accounts.

(ii) Valuation of Construction Projects

Finding

I was unable to establish the value of roads constructed or maintained during 2017 due to non-disclosure of the projects undertaken, despite the expenditure for Hire of Plant and Equipment amounting to \$3 853 143 (2016: \$2 199 067). Furthermore, the Fund did not disclose construction materials on hand at year end. The Accounting Officer's manual does not prescribe how to account for and disclose value of projects undertaken and materials on hand.

Risk /Implication

Failure to disclose the costs incurred on road construction and value of materials on hand may result in misstatement of financial statements and theft of construction materials without detection.

Recommendation

Road construction and maintenance costs as well as, the value of materials on hand should be disclosed in the financial statements.

Management Response

Valuation of projects are going to be implemented once IPSAS has been adopted as the government is moving away from cash accounting to accrual accounting framework.

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

1 GOVERNANCE ISSUES**1.1 Emphasis of Matter**

Without qualifying my opinion, I draw attention to the fact that the Fund incurred a loss of \$12 769 007 as at December 31, 2017. This was partly attributed to the South African revenue share of \$15 840 234 that had not been recognised since 2014.

Risk/Implication

The Fund may fail to meet its liabilities leading to technical insolvency.

Recommendation

The management should exercise good financial administration to ensure that all liabilities are accounted for.

The Fund's management should come up with financial management and control strategies that will enable it to continue offering services.

Management Response

The loss was due to recognition of amounts owed to the South African Government in the 2017 Statement of Comprehensive Income.

1.4 Confirmations of Outstanding Creditors

Finding

Six provincial offices along the North and South Corridors did not provide confirmations that they had no outstanding creditors at year end. There is risk that liabilities may not have been fully disclosed.

Risk /Implication

Trade payables may have been understated.

Recommendations

Ledger accounts for Trade Payables should be maintained and monthly reconciliations should be performed.

Management Response

There was one creditor's control ledger account which was used to prepare the financial statements for the year ended December 31, 2017. From the beginning of 2018 individual ledger accounts will be kept at Provincial Offices.

1.5 Commission on Prepaid Toll Fees

Finding

In order to avoid delays at the Beitbridge Border post some haulage truck companies who cross the Limpopo Bridge on a regular basis, pay toll fees in advance. A commission of 15% due to ZINARA should be deducted from the prepaid fees whenever the vehicles cross the bridge. However, the commission on prepaid fees amounting to \$159 572 was not deducted during the twelve-month period. Weak supervisory controls lead to the oversight.

Risk/Implication

Revenue from toll fees may be overstated.

Recommendation

Supervisory controls should be strengthened and monthly revenue reconciliations should be performed in order to minimise errors and omissions.

Management Response

The prepayment usage reports are now being received on a monthly basis for the purpose of reconciliations.

1.6 Unsupported Expenditure

Findings

Payment vouchers for Salaries and Wages amounting to \$191 256 were not availed for audit. I was unable to verify if the expenditure was for bona fide employees of the Fund. Poor filing might have led to the missing vouchers.

Implication /Risk

Fraudulent payments may be processed if payment vouchers are not prepared and secured.

Recommendations

All payments must be accompanied or supported by vouchers.

The Fund should implement a filing system that keeps track of all payments vouchers.

Management Response

The unvouched expenditure was as a result of using the corporate payments reports when recording wages in the cashbook.

1.7 Assets Bought for Other Provinces

Finding

According to a Bilateral Agreement entered into between the governments of Zimbabwe and South Africa, funds realized from the New Limpopo Bridge Fund should maintain roads that fall under the Beitbridge-Harare-Chirundu road (North Corridor) and Beitbridge-Bulawayo-Victoria Falls road (South Corridor). The Fund bought assets valued at \$188 146 that were issued to Manicaland and Mashonaland Central provinces that are not in the North and South Corridors.

Risk/ Implication

Purchasing assets for provinces not covered under the North and South corridors may result in a breach of the Bilateral Agreement with the South African government.

Recommendation

The Fund should buy assets for provinces that fall under the North South Corridors.

Management Response

The assets concerned were purchased for the provinces that falls under North South corridors. The Manicaland and Mashonaland Central provinces were temporarily loaned the assets by sister provinces under North South Corridor.

Evaluation of Management Response

No proof was provided to show that the assets were temporarily loaned to the two Provinces. At the time of concluding the audit the assets had not yet been returned to the provinces that lie in the North South corridors.

1.8 Distribution of Fuel

Finding

My review of four Provincial fuel registers, revealed that 87 000 litres of fuel valued at \$149 105 had no receipt and distribution vouchers. Therefore, I could not confirm that the fuel purchased was received by the intended beneficiaries. This could have been caused by failure to maintain fuel registers.

Risk/Implication

Fuel may be misappropriated or misused if records are not maintained.

Recommendations

The Fund managers should investigate how 87 000 litres of fuel were distributed and advise me of the outcome.

Management must ensure that fuel registers are maintained to promote accountability.

Management Response

The six provinces along the North South corridor were allocated funds to purchase fuel for plant and equipment used for the maintenance of roads. The fuel records and registers are kept at Provincial Offices, as they purchase fuel direct from the suppliers within their provinces.

2 EMPLOYMENT COSTS

2.1 Signing of Pay Sheets by Contract Employees

Finding

My examination of salaries and wages payments amounting to \$1 166 522 revealed that contract employees were not signing pay sheets as proof of having rendered services. This cast doubt on whether wages were paid to bona fide contract workers.

Risks/Implication

The Fund may pay salaries and wages to ghost workers if internal controls on the payroll are not enforced.

Recommendation

The management of the Fund should ensure that salaries and wages are only paid when employees have signed the pay sheets.

Management Response

The Contract workers were not signing on the pay sheets because wages are now being paid through their bank accounts.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Maintenance of Accounting Records

The accuracy of figures disclosed in the financial statements could not be verified because ledger accounts were maintained on Microsoft Excel spreadsheets which have no adequate security controls.

Audit recommendations were implemented as ledger accounts maintained on Excel Spreadsheet were printed, signed off and filed as way of enhancing security controls.

3.2 Disclosure of Revenue Due to South Africa

The financial statements did not disclose the portion of Toll Fees revenue from the operating income of \$13 329 801 which was due to the South African Government.

The Fund disclosed revenue due to the South African government in the financial statements for 2017.

3.3 Disclosure of Prior Year Liabilities

An amount of \$202 170 was charged to the Fund for security services and hire of plant and equipment for services rendered from 2012 to 2014 before the Fund came into existence.

The Fund was granted approval by Ministry of Finance to reimburse the New Limpopo Bridge Fund, however, reimbursement has not yet been done.

3.4 Use of Department of Roads Letter Head

The New Limpopo Bridge Fund shared the same letterhead with the Department of Roads, as a result Salaries and Wages for the Department of Roads amounting to \$321 876 were paid from the Fund.

The Fund has not yet addressed the anomaly.

3.6 Payments on Behalf of ZINARA

The Fund paid Value Added Tax (VAT) amounting to \$86 046 on behalf of ZINARA, which, was irregular. The irregular tax payments were not recovered.

The Fund recovered \$86 046 it had paid on behalf of ZINARA.

3.7 Procurement Procedures

Contractors for plant and equipment hire whose contracts had expired were paid \$1 361 331 despite State Procurement Board having turned down a request to renew their contracts.

Contractors who were not on the approved SPB list were not engaged by the Fund 2017.

TRAFFIC AND LEGISLATION FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the Traffic and Legislation Fund for the Ministry of Transport and Infrastructural Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	10 925 843
Expenditure	9 912 981
Surplus	\$1 012 862

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Accumulated Fund	-	4 959 245
Non-Current	4 053 080	-
Current	5 611 606	4 705 441
Total	\$9 664 686	\$9 664 686

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Traffic and Legislation Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Maintenance of Accounting Records

Finding

The Fund did not maintain individual ledger accounts for Liabilities amounting to \$355 664, contrary to the Accounting Officer's manual which states that once expenditure has been incurred the transaction should be entered in the respective ledger account.

Depreciation ledger accounts for assets uploaded onto the Pastel accounting software were not maintained. This made it difficult to trace depreciation calculated for each class of assets and identify assets that had been depreciated in full. As a result, the depreciation figure of \$283 781 disclosed in the financial statements could not be relied upon.

Risks/ Implications

Failure to maintain individual ledger accounts for trade payables and depreciation may result in misstatement of Financial Statements as errors of omission and commission may go undetected.

Failure to disclose depreciation rates for each class of assets may result in wrong depreciation amounts and misstatements of financial statements.

Recommendation

Individual ledger accounts for trade payables and depreciation accounts for each class of assets should maintained.

Management Responses

The ledger accounts in the Pastel accounting software contained errors. In order to rectify the problem, the Fund has been in touch with consultants from the software providers to assist in creating new ledger accounts. The exercise will be carried out after the audit.

Auditors were provided with ledger accounts that we maintained outside the Pastel accounting system.

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

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Reconciliation of Point of Sale Receipts

Findings

In July 2017, the Fund introduced Point of Sale (POS) terminals to facilitate electronic payments at 25 Vehicle Inspection Department stations. It was expected that the Fund would perform monthly reconciliations of all revenue collected using the (POS) terminals against receipts issued. However, the Fund failed to perform monthly POS reconciliations, for the period July to December 2017.

The monthly reconciliations would have provided information on whether all POS collections were receipted and also assist in determining the revenue that was due to the Main-Exchequer Account. As a result, the liability figure of \$2 866 453 due to the Exchequer Account was not verifiable. This was caused by management's failure to develop and implement adequate internal controls over revenue collection.

Risk/ Implication

Failure to perform POS reconciliations may result in incorrect amounts being remitted to the Exchequer Account.

Recommendations

POS reconciliations should be performed monthly to ensure accuracy of revenue receipted.

Clear guidance should be given on management of electronic payment methods.

The Fund should avail POS reconciliations to support the liability figure of \$2 866 453 disclosed in the financial statements.

Management Response

The monthly bank reconciliations for the period could not be undertaken due to high volumes of transactions and the absence of separate accounts for each POS machine.

As a result of the challenges mentioned above, a comprehensive reconciliation was carried out at the year end, to verify the amounts due to the Exchequer. The funds were then transferred during the year 2018.

1.2 Recovery of Travelling and Subsistence Advances

Finding

Outstanding Travelling and Subsistence advances to staff increased by 7 % to \$219 986 in 2017 (2016: \$205 263). Treasury Instruction 1505 states that advances should be cleared within 30 days of an officer's return to his home station and that an Accounting Officer can

authorise the deduction from salary of an officer the whole amount of an advance that has remained outstanding after one month. The instruction was not complied with.

Risk/Implication

There is high risk of defaulters if recoveries are not effected timeously.

Recommendation

Outstanding Travelling and Subsistence advances should be recovered within 30 days as provided for in the Treasury Instructions.

Management Response

The balances have been outstanding since the inception of the Pastel system in 2012. Efforts have been put in place to recover and capture acquittals over the years, we hope to clear all debtors by the end of 2019.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Revenue Received

There was a variance of \$165 654 between the revenue figure extracted from bank statements and the sub-collector's schedule.

The variance was not reconciled.

2.2 Take on Balances

There was a difference of \$396 612 between the take on balance of \$704 948 and the closing balance of \$1 101 560 for motor vehicles and equipment. The variance was attributed to reclassification of assets.

A reconciliation was carried out and the variance was cleared.

2.3 Repairs and Maintenance

The Fund paid \$501 940 for repairs and maintenance of brake roller testers installed at 23 depots operated by the Vehicle Examination Department (VED). However, the value of the roller brake testers was not disclosed in the Statement of Financial Position nor by way of a note to the accounts.

The valuation of brake roller testers has not yet been carried out.

2.4 Suspense Account

The Suspense account balance of \$2 645 958 was cleared after it was established that cash at bank was erroneously overstated in the 2009 financial statements.

VOTE 12. -FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry is mandated to promote, protect and safeguard the national interests, image and influence of the Republic of Zimbabwe in the regional and international arena and to protect the interests of Zimbabwean nationals abroad.

Qualified Opinion

I have audited the financial statements for the Ministry of Foreign Affairs and International Cooperation for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes to the Account.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve Transfers	Total Allocated	Expenditure	Net Under / Over spending
\$49 667 000	-	\$49 667 000	\$33 059 875	\$16 607 125

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Ministry for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis of Qualified Opinion

(i) Expenditure Disclosed in the Appropriation Account

Finding

Expenditure for forty-five (45) foreign missions disclosed in the Appropriation Account, excluding employment costs was \$6 590 745 whereas the actual expenditure vouchers received from missions had a total amount of \$16 061 770 resulting in an understatement of expenditure reported by \$9 471 025. This was contrary to the Public Finance Management Act [*Chapter 22: 19*] section 49(2) (a) which states that an annual report and financial statements shall fairly present the state of affairs of the public entity and its financial results as at the end of the financial year concerned.

Risk/Implication

The expenditure for foreign missions is understated resulting in the misstatement of the Appropriation Account.

Recommendation

All expenditure for missions should be posted and disclosed in the Appropriation Account to enhance accountability and transparency in the management of public funds.

Management Response

The Ministry acknowledges the variance of US\$ 9 471 025 which was understated expenditure.

The variance represents expenditure which could not be posted into the system due to the following reasons:

- 1. January to March 2018 expenditure of \$3 265 187 which should have been captured in 2017 budget since reimbursements for 2017 were sent to Missions as late as March 2018 due to Nostro funding challenges.**
- 2. Documents totaling US\$ 2 481 178 could not be posted into the system as relevant mission budgets had been exceeded.**
- 3. Expenditure of US\$3 724 677 for some Missions could not be processed because either the Missions could not send Diplomatic bags in time due to lack of finance or the GLs for some accounts did not have enough budget. The PFMS 13th period closed before the accounts from the Missions were received.**

In future, the Ministry will ensure that accounts or working papers for expenditure are received in time from Missions for capturing. Where possible, a virement would be done so that budget exceeded documents are posted in the PFMS System.

The Ministry will seek audience with Ministry of Finance and External Audit to find a solution to the challenge caused by release of disbursements at year end leading to late submission of accounts from Missions. The Ministry of Finance may also consider rolling out PFMS system to all Missions so that all transactions can be captured in real time.

Evaluation of Management Response

Management's comments are noted. In response to a similar observation the Ministry advised that it would engage Treasury on how to capture unreported expenditure, however this was not done. The expenditure for Missions has not been fully disclosed.

The Ministry should have engaged Treasury regarding expenditure that was not captured on time. The Mission Sub-Vote had savings amounting to \$16 607 125 so the budget was not exceeded.

(ii) Missions Expenditure

Finding

The Ministry incurred unsupported expenditure amounting to US\$7 280 598 at its various missions. There were no vouchers or bank statements to support the expenditure. I was therefore unable to validate accuracy, completeness, classification and probity of the expenditure disclosed. This was contrary to Treasury Instruction 1216 (f) which states that before forwarding a payment or journal voucher for processing, it should be supported by the relative requisition or an explanation for its absence.

Risks/Implications

Fraud may be perpetrated if expenditure is not supported by documents.

Processing of payments without supporting documents may result in misstatement of the Appropriation Accounts.

Recommendation

All expenditure disclosed in the Appropriation Account should be supported by documentary evidence.

Management Response

The observation has been noted. The correspondences relating to the expenditure shall be availed in due course. Expenditure documents specifying the nature of expenditure expended from the donation are available for inspection.

Evaluation of Management Response

There were no bank statements from missions that disclosed the related expenditure.

(iii) Sub-Paymaster General Account

Findings

The total expenditure on the Appropriation Account should ordinarily agree with expenditure on the Sub-Paymaster General Account, however the Appropriation Account disclosed expenditure of \$33 059 875 while the Consolidated Sub-Paymaster General's Account had expenditure amounting to \$24 605 183 resulting in a variance of \$8 454 692. The reconciliations submitted for audit were defective in that they did not compare entries between the Sub- Paymaster General and the Public Finance Management System hence the variances were not identified. The variances represent expenditure that did not go through the Ministry's Sub-Paymaster General Account.

The Ministry did not disclose closing balances for bank accounts held by the Missions as at December 31, 2018. Section 17 (8) of the Public Finance Management Act [*Chapter 22: 19*] states that the unexpended balance of any money withdrawn from the Consolidated Revenue

Fund (CRF) shall be redeposited in the CRF when the Appropriation Act lapses unless Treasury otherwise directs. The Ministry did not provide me with authority from Treasury allowing it to retain the unexpended balances held by Missions amounting to US\$3 480 547 and in the local two bank accounts, a balance of US\$1 467 466 in the Nostro account and a balance of \$8 286 163 in the Real Time Gross Settlement dollars (RTGS\$).

Risks/Implications

In the absence of a reconciliation, the accuracy of expenditure reported on the Appropriation Account as at December 31, 2018 could be misleading.

Misappropriation of funds may occur without trace if reconciliations are not performed.

The budget for the Ministry may be unconstitutionally increased if bank balances at year end are not redeposited into the CRF or set off against the new budget.

Recommendations

Monthly reconciliations should be carried out between the Sub- PMG and balances in the PFMS to enhance the accuracy of the Appropriation Account.

The Ministry should liaise with Treasury on the treatment of unexpended bank balances in order to comply with the provisions of the Public Finance Management Act [*Chapter 22:19*].

Management Response

The observation has been noted.

The expenditure figures from the PFMS and the Appropriation Account shall be reconciled and resubmitted for audit inspection.

The unexpended balances held at Missions of \$3 480 547 were largely reimbursements from Head Office and revenue generated at Missions that had not yet been expended. At Head Office, RTGS\$8 286 163 was awaiting Nostro funding so it could be sent to Missions, while the Nostro balance of \$1 467 466 was awaiting transfer to Missions.

In future Treasury will be notified of such bank balances and guidance sought accordingly.

(iv) Use of Revenue Generated at Missions

Findings

Statutory Instrument 76 (4)(1) 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 does not exceed the approved budget. The Johannesburg Consulate paid rentals for staff, security services and cleaning services from revenue it collected amounting to R2 219 646 equivalent to US\$174 978. It further made transfers of R281 050 and US\$3 135 to Zim-Pretoria, US\$163 200 to Zim –Cairo and US\$153 000 to Zim –Hong Kong without seeking approval from Treasury.

Furthermore, the Consulate paid medical bills amounting to R1 150 479 and US\$3 960 without Treasury approval.

The Zim-Addis Ababa mission expended revenue amounting to BIRR31 815 equivalent to US\$1 200 without Treasury approval.

Risk/Implication

Use of revenue by missions may result in abuse of public funds as it does not promote transparency and accountability.

Recommendation

Missions should first seek Treasury approval before spending the revenue.

Management Response

The Financial situation prevailing at Missions can sometimes be so dire and desperate. In such circumstances, Missions are sometimes forced to use such funds, albeit without authority, to protect the image of the country.

The amount paid for medical bills amounting to R1 150 479 has since been reimbursed, copy of receipt was attached.

Evaluation of Management Response

Management's comments are noted. The Ministry should comply with the Statutory Instrument 76 (4) of 2013.

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

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Uncleared Temporary Deposits

Finding

The Public Finance Management System (PFMS) had uncleared Temporary Deposits amounting to \$8 946 885 dating as far back as 2011. Treasury Instruction 1804 states that all temporary deposits must be reviewed and any which have been on hand and remain unclaimed for a period in excess of six months shall, unless the Accounting Officer, receiver of revenue or other responsible officer appointed for the purpose decides otherwise, be paid into the Exchequer account as unclaimed and confiscated money or property. There was no

evidence that the temporary deposits were reviewed during the year. Furthermore, the Ministry did not submit for audit the return for Outstanding Temporary Deposits.

Risk/Implication

Long Outstanding Temporary Deposits are susceptible to theft if they are not reviewed on a regular basis.

Recommendations

Long Outstanding Temporary Deposits should be reviewed and cleared as provided in Treasury Instructions.

The Ministry should submit for audit the return for Outstanding Temporary Deposits.

Management Response

The observation has been noted. The issue was raised in previous audits where a recommendation was made that the Ministry should approach the Ministry of Finance with a view to write off the balances. However, this has not been possible up to this day as the Ministry of Finance has requested for the source documents supporting the Temporary Deposits in question which the Ministry has not been able to provide.

The Ministry will continue to engage the Ministry of Finance with the view to bring closure to the issue.

The Outstanding Temporary Deposits return will be availed to the Auditors by the week ending May 24, 2019.

1.2 Authentication Fees

Findings

The Ministry collected authentication fees at its head office amounting to \$61 565 and undisclosed fees from Missions without authority contrary to the provisions of Treasury Instruction 0111 which states that any rates which may affect revenue shall be referred to the Treasury for approval before being submitted for the ascent of the President or other requisite authority and before being brought into operation.

Public Finance Management Act [*Chapter 22:19*] section 35 (6) states that, every accounting officer of a public entity shall keep or cause to be kept proper records of account. Contrary to this provision, I noted that the total receipts for authentication fees were \$61 565 while the Sub Exchequer bank account had receipts amounting to \$216 854 resulting in a variance of \$155 289. This was due to failure to receipt direct deposits that were paid into the Sub-Exchequer bank account.

I was not furnished with white paper estimates of revenue for my examination. This would have enabled me to determine whether revenue collections were in line with the estimates.

Risks/Implications

Collection of authentication fees may be illegal as there is no gazetted statutory instrument for the fees charged.

If receivers of revenue collect ungazetted fees, fraud may be perpetrated and the public may be prejudiced.

Revenue may be misappropriated if direct deposits are not receipted timeously.

Assessment of the efficient collection of revenue may be compromised if there are no revenue estimates.

Recommendations

The Ministry should apply to Treasury for the gazetting of authentication fees.

Direct deposits appearing on the bank statement of the Sub-Exchequer should be receipted.

The Ministry should prepare white paper estimates to promote efficient collection of revenue.

Management Response

The observation has been noted. The Department is engaging the Ministry's Legal Department which is mandated to authenticate documents, with the view to establish the legal framework governing the collection of authentication fees.

The Ministry has since corrected the authentication amount and it consists of the following items: Authentication Fees \$61 695, PSMAS \$155 059 and Travelling and Subsistence excess \$100.

2 EMPLOYMENT COSTS

2.1 Transport Allowances and Disallowances

Finding

The Ministry did not recover \$1 200 from an officer, who received both fuel coupons and transport allowance during 2017, despite having made an undertaking to do so.

Risk/Implication

Failure to recover unauthorised payments may result in loss of public funds.

Recommendations

Transport allowance should not be paid to members who have been issued motor vehicles and are in receipt of fuel coupons.

The Ministry should timeously recover moneys that were overpaid to the officer.

Management Response

The Ministry has written to the officer who received both fuel coupons and transport allowance during 2017, informing him of the decision to recover the transport allowance.

Evaluation of Management Response

Management committed to recover the allowance in the previous year but a year later nothing had been recovered. The Accounting Officer has authority to deduct through SSB paysheet.

2.2 Payroll Reconciliations

Findings

The Ministry's Head Office pay sheets were not being signed to indicate that they had been reconciled to the staff establishment and that only bona fide employees were paid.

An officer who was sent on paid leave on March 20, 2018 pending reassignment, was still on the Ministry's payroll as at February 28, 2019. There was no evidence that the Ministry had followed up this matter with the Public Service Commission with an aim of resolving it.

Risks/Implications

Payments to ghost workers and overpayments of salary allowances may go undetected if pay sheets are not reconciled every month.

Paying officers who are not providing any services may result in nugatory expenditure.

Recommendations

The Ministry should carryout monthly payroll reconciliations in order to confirm the accuracy and occurrence of salary payments.

The Ministry should follow up with the Public Service Commission on the issue of the officer who is on leave pending reassignment.

Management Response

Observation is duly noted. The Ministry was not able to perform pay sheet reconciliations at Head Office during the period under review (2018) as most officers were not collecting their pay slips every month.

Pertaining to the official on leave pending reassignment the Ministry is in consultation with the Public Service Commission to find a way forward.

Evaluation of Management Response

Management's responses are noted. Reconciliations could still have been carried out despite officers not collecting their pay slips.

2.3 Outstanding Salary Advances

Finding

The Ministry did not collect \$563 692 from officers who were paid salary advances. Some debts date back to 2000. For the officers who are still in service, the outstanding advances amounted to \$440 880. Most of these advances remained outstanding because there were no deductions effected through SSB, contrary to Treasury Instruction 0501 which 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.

Risk/Implication

Debts may become irrecoverable due to lapse of time.

Recommendation

Recovery measures should be strengthened and timely action taken to avoid bad debts.

Management Response

The observation has been noted. Human Resources Department has been consulted with the view to engage Pensions Office for the recovery of the amounts owed by the officers, some of whom have already left the service. Some recoveries will be done through SSB deductions for the officers who are still in the service.

3 DEPARTMENTAL ASSETS

3.1 Non-runner Motor Vehicles

Finding

Treasury Instruction 2300, states that any deficiency in, damage to or destruction of Government Property shall be reported immediately by the Head of the office or to his Accounting Officer, and, in the case of damage to or destruction of vehicles, reports shall be sent to the nearest office of the Central Mechanical Equipment Department (CMED). I observed that the Ministry had a total of eleven (11) motor vehicles which were non-runners. The Ministry did not submit reports that were sent to CMED in respect of the grounded motor vehicles. There was evidence of neglect of the grounded vehicles.

Risk/Implication

Without proper documentation on how vehicles become non-runners there is a risk of cannibalisation of vehicles, depriving the Ministry of the vehicles for its operations.

Recommendation

The Ministry should prepare documentation for the eleven non-runner motor vehicles, as required by Treasury Instruction 2300.

Management Response

The Ministry has written to CMED requesting for the assessment and evaluation of motor vehicles in order to carry out the disposal process.

Evaluation of Management Response

No proof was provided showing that the Ministry had written to CMED in respect of the grounded motor vehicles.

3.2 Board of Inquiries for Accident Damaged Motor Vehicles

Finding

Treasury Instruction 2302 states that an accounting officer shall institute an enquiry into any deficiency, damage or destruction reported to him. The Ministry had nine (9) accident damaged motor vehicles, but did not avail accident reports and Boards of Inquiry for the damaged vehicles. Weak supervisory controls led to this anomaly.

Risk/Implication

Failure to institute Boards of Inquiry to look into cases of accident damaged vehicles may lead to abuse of vehicles with impunity.

Recommendation

The Ministry should institute Boards of Inquiry for accident damaged vehicles.

Management Response

Only two vehicles were accident damaged in 2014 and this was two years after the vehicles were received. The reports were sent to CMED, which had the vehicle files and they did the whole investigation process as the vehicles were still under their custody. All the other vehicles were affected by normal wear and tear and the non-availability of spares rendered them non-runners.

Evaluation of Management Response

The physical inspection I conducted on March 15, 2019 revealed that 9 (nine) vehicles were accident damaged. Pictures of these vehicles were captured as proof.

4 MISSIONS

4.1 Johannesburg Bank Statement Reconciliation

Finding

I am concerned by the Ministry's failure to take action to address anomalies raised, seven (7) years down the line. In 2012 I highlighted that the Johannesburg Consulate bank reconciliations reflected receipts not deposited amounting to R4 734 514, direct deposits not receipted were R6 100 792, unpresented cheques amounted to R126 214, unvouched expenditure was R961 181 and US\$45 164, under banking of R61 670, overpayments were R1 814, overbanking of R4 530 and reversals by the bank were R1 590. These balances still appeared on the bank reconciliation statements for the year ended December 31, 2018. I could not establish why they have not been cleared as investigations were conducted after my report for 2012 was issued.

Risk/Implication

Failure to clear the outstanding items may imply that the balances were fictitious.

Recommendation

The Ministry should investigate the reason why the balances have remained uncleared for more than seven years.

Management Response

The Ministry takes note of the observation. A decision on this matter will be finalised in due course.

4.2 Zim-Tokyo Mission

Findings

The Ministry failed to avail for audit purposes translated supporting documentation for payment vouchers amounting to \$461 222 shown on the SAP ledger GL 132035 for the Zim-Tokyo Mission. I was unable to give an opinion regarding the occurrence and integrity of the transactions without translated documents.

In my report for 2017, I highlighted that there was no formal arrangement between Zim-Tokyo and the Honorary Consular in South Korea to collect visa fees on behalf of the mission. Since 2015 the Honorary Consular has not submitted revenue returns despite receiving visa stickers running into thousands of dollars and receipt books. The former

Ambassador and Mission Accountant were still signatories to the revenue account in South Korea, making it impossible for the current Zim-Tokyo Ambassador and Accountant to monitor transactions that were taking place in South Korea and the revenue collected.

Risks/Implications

Payments may be made for goods and services not received if invoices are not translated to English.

Failure to access the current revenue information may hinder supervision of the Consular at Seoul resulting in loss of public funds.

Recommendations

The Ministry should avail supporting documents that are translated for understandability.

The Honorary Consular in South Korea should disclose revenue collected and provide monthly returns for accountability and transparency.

The current Ambassador and Accountant should replace the former signatories in order to exercise oversight role.

Management Response

The observation has been noted. However, the Mission does not have a translator to do the translation. Outsourcing the translation services would be too costly given the current financial situation that the country and in extension the Missions are going through.

It is worth noting that of the total \$995 772 raised by auditors, \$534 550 relates to employment costs paid at Head Office for both Home Based Staff and Locally Recruited Staff based at the Mission.

The obtaining situation with regard to revenue collection at the Honorary Consulate of Zimbabwe in Seoul, South Korea is sound, with all revenue collected being accounted for by way of returns which are submitted to the Embassy by the Consulate. What is lacking is the proper recording of such revenue in Primary Books of Entry, the income schedule and Sub-Collectors Schedule in order to establish a permanent record of such revenue. This entails the Mission Accountant being granted permission to visit the Consulate to compile such records. It also entails the current Ambassador and Accountant being authorized to go to South Korea to have their signatures on the Consulate's Bank Account-panel of signatories as recommended earlier.

Evaluation of Management Response

It is worrying that a mission would function without having its accounting documents translated. Previously the receptionist translated the documents.

The returns from Seoul, South Korea were not availed for my audit examination.

Expenditure vouchers with a value of \$461 222 were not submitted for my examination.

4.3 Mission Expenditure Vouching

Finding

Zim-Brussels mission did not submit monthly accounting records such as cashbooks, ledgers and payment vouchers. This limited the scope of my audit as I was unable to establish whether expenditure of \$954 624 incurred during the period January 01, 2018 to December 31, 2018 was valid. This was contrary to section 35(6) of the Public Finance Management Act [*Chapter 22:19*] which states that every accounting officer shall keep or cause to be kept proper records of accounts.

Risks/Implications

Failure to maintain accounting records may result in fraudulent activities.

The Zim-Brussels expenditure may be misrepresented.

Recommendation

Accounting records at missions should be maintained according to the accounting procedures manual for the Ministry.

Management Response

The observation has been noted. Due to critical budgetary constraints the Mission was unable to send monthly returns to Head Office. However, it was possible to electronically send working papers of the monthly returns to Head office for the same period, from which expenditure figure of \$957 624 was extracted.

It is worth noting that the bulk of this figure amounting to \$830 816 relates to employment costs paid at Head office for both Home based Staff and Locally Recruited Staff based at the mission.

Evaluation of Management Response

The pay sheets with employment costs amounting to \$830 816 were submitted for my examination leaving expenditure amounting to \$126 808 uncleared.

5 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

5.1 Unsupported Expenditure

The payment vouchers for the unsupported expenditure amounting to \$7 916 191, were later compiled and submitted for audit examination.

5.2 Employment Costs

The Employment Costs of \$2 549 978 that were not supported by payment vouchers, were still unsupported.

5.3 Rental and Hire

The lease agreements for the payments amounting to \$230 000 for office rentals, were availed for audit examination.

5.4 Medical Aid Refunds

The supporting documents for the Zimbabwe Mission in Washington medical premium payments amounting to \$111 479 were submitted for audit examination.

VOTE 13. -LOCAL GOVERNMENT, PUBLIC WORKS AND NATIONAL HOUSING

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry's mandate is to ensure that functional human settlements are promoted and sustained in all Urban Local Authorities backstopped by sound Local Governance and provision of quality well maintained Government infrastructure.

Qualified Opinion

I have audited the financial statements for the Ministry of Local Government, Public Works and National Housing for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve/ Supplementary	Total	Expenditure	Net Under
\$121 351 000	\$30 850 269	\$152 201 269	\$88 720 801	\$63 480 468

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Appropriation Account for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Outstanding Revenue from Land Developers

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. From a sample of Land Developers allocated State land, I observed that the Ministry did not compile a comprehensive list of outstanding revenue for all the State land allocated. From the farms that were valued, I noted that a total amount of \$43 482 106 was owed to the State land Department but was not disclosed as outstanding revenue in the return submitted for audit.

I also noted that there were farms that had not been valued and thus the outstanding revenue that had not been included in the relevant return was more than the figure stated above as one of the farms was allocated to a Land Developer in 2005. The reasons for non-valuation were not provided. Poor record maintenance by the State Lands Department should have attributed to the problem.

Risks/Implications

The Ministry's outstanding revenue may have been materially misstated.

The failure to record all outstanding revenue may result in failure to follow up and recover the money.

The Ministry may continue to give out State land to various Land Developers who will in turn hold on to the land without paying for it.

Recommendation

The Ministry should put in place a robust accounting system which gives a clear record of outstanding amounts in compliance with Treasury Instruction 0501.

Management Response

The observation is noted. The Ministry is sending final demand letters to all land developers who have not paid and appropriate action will be taken against those who do not respond. There is also need for the computerisation of State Land Management Section so that information can be easily accessed, unlike the current manual/file system being used. However, the computerisation of State Land management is one of the strategic issues in the Ministry and is budgeted for in the 2019 financial year.

(ii) Temporary Deposits

Finding

A figure of \$1 080 696 was in the return submitted for audit without any breakdown and was not in the format prescribed by Treasury Instruction 1805. The person(s) or accounts to receive the ultimate benefit of the deposits were not indicated, the dates of the deposits and the arrangements made for their disposal were not also disclosed. The figure emanated from Provincial offices. I could not therefore rely on the return submitted for audit.

Risks/Implications

If temporary deposits are not properly disclosed, that may create a fertile ground for misappropriation of public funds.

These could be illegal transfers of money from the Appropriation account to avoid surrendering the money to the exchequer at the end of the financial year.

Recommendations

The Ministry should submit a statement of Temporary Deposits in the format required by Treasury Instruction 1805 to Treasury and the Auditor-General.

Money that has been sitting in the account for more than six months should be surrendered to Treasury.

Management Response

The Temporary Deposit account is a composite account in which various Provincial and District credits are paid. These payments include those pertaining to Traditional Leaders and others like Civil Protection as well as those for State Occasions. As at December 31, 2018 the actual outstanding amount for Traditional Leaders allowances was \$25 617. This is as a result of the fact that other village Heads may not have been paid by close of business at December 31, 2018. An extract of the Temporary Deposit acquittals is attached for your perusal.

Evaluation of Management Response

The response however, did not address the lack of detail in the return submitted for audit.

(iii) Direct Payments and the Sub-Paymaster General Account Reconciliation

Finding

Treasury Instruction 0705 requires the Accounting Officer to maintain a proper account of the transactions for which he or she is responsible. The submitted Sub-Paymaster-General (PMG) Account Reconciliation only dealt with transactions that went through the Sub-PMG. However, upon adding direct payments and employment costs to the Sub-PMG, the figure did not reconcile with the expenditure figure reported in the Appropriation Account. Also the employment costs figure was considered unreliable. This was caused by lack of reconciliation by the Ministry Officials Table below refers.

Direct Payments, Sub-PMG Reconciliations

	Amount \$
Direct Payments	2 821 020
Add: Sub-Paymaster-General	64 516 366
Employment Costs	21 520 218
Total Expenditure	\$88 857 604
Appropriation Account Submitted for Audit	\$88 720 801
Variance	\$136 803

Risk/Implication

Transparency in the utilisation of public resources may not be guaranteed as the expenditure figure disclosed in the Appropriation Account could have been misstated.

Recommendation

The Ministry should ensure that all expenditure is properly accounted for in compliance with Treasury Instruction 0705.

Management Response

The balance of \$136 803 was a result of rejections as detailed below:

Vendor Number	Name	Amount \$
236	P. A Matebeleland South	8 570
704825	Vortex Technologies (Pvt) Ltd	6 199
206120	Magodhlo Cosmas	549
704991	Friqstar Investments (Pvt) Ltd Mutare	225
706215	Calibra Enterprises	115
	Nyambuya and Associates	122 261
Total		\$137 919

The figure should be deducted from the Sub-Paymaster General figure of \$64 516 366 because they were not paid. This will leave an imbalance of \$1 115.

(iv) Employment Costs

Finding

Treasury Instruction 0705 states that every Accounting Officer should keep a proper account of their transactions. I noted with concern that the Appropriation Account figure for the employment costs submitted for audit was not reconciled with figures from Salary Service Bureau, payment vouchers and the Public Finance Management System as indicated below:

	Salary Service Bureau	PFMS	Payment Vouchers
	\$	\$	\$
Figure as per	23 910 118	22 020 219	21 427 270
Appropriation Figure	21 520 218	21 520 218	21 520 218
Variance	\$2 389 900	\$500 001	\$92 948

The differences were neither reconciled nor explained. I therefore, could not rely on the employment costs figure disclosed in the Appropriation Account.

Risks/Implications

The financial statements may have been materially misstated.

Undeserving individuals may have been paid although they did not render any services to the Ministry.

Recommendations

The Ministry should engage Salary Services Bureau to find out the sources and/or causes of the differences and find a lasting solution to the issue.

Monthly reconciliations should be carried out between the figures in the PFM system, payment vouchers and the paysheets

Management Response

The Ministry pays the invoiced monthly paysheets from the Salaries Services Bureau (SSB) and any other payment outside the paysheets from SSB is beyond the Ministry. The issue can only be clarified by SSB.

Evaluation of Management Response

The Ministry did not attend to the variances noted between the PFMS and the Payment Vouchers figures.

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

1 GOVERNANCE ISSUES

1.1 Appraisals of Local Authorities Heads

Finding

I observed that the Local Government Board did not conduct appraisals for Town Clerks for all the thirty-two (32) Urban Local Authorities during the year ended December 31, 2018. This was in contravention of Section 123 (a) of the Urban Councils Act [*Chapter 29:15*], which states that the board should provide guidance for the general organisation and control of employees in the service of Councils. This could have been caused by inadequate planning on the part of the Local Government Board.

Risks/Implications

The Town Clerks or Heads of Local Authorities may not perform their work to the expected levels if they are not held accountable.

Residents of respective Local Authorities may continue to get compromised service delivery without any recourse.

Recommendation

Performance Appraisal of the Town Clerks or Heads of Local Authorities should be done by the Local Government Board in compliance with Section 123 (a) of the Urban Councils Act [*Chapter 29:15*].

Management Response

The Local Government Board has noted your observation that it did not appraise Town Clerks for all the thirty-two (32) Urban Local Authorities during the year ended December 31, 2018. The appraisal of Local Authorities heads is a function of the responsible Council Since Local Authorities heads are employed by the Council. The Local Government Board will from now on going forward facilitate the appraisal of Local Authorities heads. The Local Government Board has not been facilitating the appraisal of these Local Authorities heads due to lack of sufficient funds and resources. The Board's annual budget is normally on +/- \$25 000 which is very little as compared to its functions prescribed under Section 123 (a-g) of the Urban Council Act [Chapter 29:15].

1.2 Management of State lands by the Ministry

Finding

Treasury Instruction 0705 requires Ministry Officials to maintain a full and proper record of activities.

For the second consecutive year, the Ministry did not have a register of all designated State lands. This made it difficult to validate the quantity of State lands allocated to various Land Developers and Local Authorities and the remaining quantity of State lands, after deducting from the National Register of State lands. Inquiries revealed that some of the designated State lands had no title deeds, such that the State Lands Department would create State lands in the name of the President of Zimbabwe, so as to facilitate the processing of title deeds for such land. In the absence of title deeds proving ownership of all State lands, I could not validate whether the current ownership of State lands was fairly stated. This was caused by inadequate record keeping, lack of a clear database and inadequate State lands management processes.

Risks/Implications

The Ministry may double allocate land to Land Developers and/or Local Authorities if there are inadequate records.

The quantity of Land available for distribution may not be known with accuracy if records are not properly maintained.

Recommendation

The Ministry should put in place a clear record of a brief description of the original quantity of State lands from the start, a brief description of the quantity of State lands allocated to Developers and Local Authorities, and a brief description of the quantity of the State lands available as at any given point in time. This should be done in compliance with Treasury Instruction 0705.

Management Response

The Department has a database of all titled urban state land around the country and a list of all title deeds that were processed was compiled. Database of farms that were handed over by Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement and the allocations thereon to land developers, co-operatives and other organisations is in place and available for audit inspection.

The Section is this year organising to carry out the exercise of compiling the information of all State land in Local Authorities that administer land on the Ministry's behalf this year. The Section will be assisted in carrying out this exercise by Twenty Third Century Systems. This includes those pieces of State land within Local Authorities that have their land transferred to them. The exercise involves moving around the country to collect the requisite information from all Local Authorities, Ministries, Parastatals and other Government Department as stated below:

- Surveyor General's Department in Harare and Bulawayo
- Department of Physical Planning offices throughout all Provinces
- All Government Departments, Ministries and Parastatals' land records
- National Archives records on all land files which have been closed
- Deeds offices in Harare and Bulawayo on all land records

Evaluation of Management Response

The register which is required is the one which shows titled land with title in urban areas and untitled land designated as State land so as to get a complete database. The register will enable the Ministry to quantify State land remaining at any given date and there is need to understand what transpired before 2005.

1.3 Efficiency in the Disaster Risk Management Department

Finding

Section 9 (2) of the Constitution of Zimbabwe Amendment (No.20) Act 2013 states that the State must ensure that all institutions and agencies of Government at every level, in particular Commissions and other bodies established by or under this Constitution, are provided with adequate resources and facilities to enable them to carry out their functions conscientiously, fairly, honestly and efficiently.

I observed with concern that the Civil Protection Department was operating at a very low efficiency level, and it was also evident that in most cases it was taking a reactive approach instead of being proactive when responding to disasters. The Department showed delayed responses in dealing with the September 2018 Cholera outbreak, the Rusape and the Gwanda bus disasters.

I noted that the current National Civil Protection Act [*Chapter10:06*] which was promulgated in 1989, was no longer suitable to current state of disaster and risk incidents being experienced. The challenges faced were that the Civil Protection Department is only housed

in Harare and did not have secretariats in Districts and Provinces which posed co-ordination challenges thereby affecting the response rate when disasters occur. The current set up is that each Ward, District and Province has a Civil Protection Committee comprising of Heads of Ministries and other crucial Government Departments in respective Districts and Provinces. It was noted that the respective Local Authorities have Disaster Risk Management Departments which have resources emanating from rates paid by residents, but this is not institutionalised and integrated with the Civil Protection Committee. This was caused by delays in processing Disaster Risk Management Bill which is still at draft stage since 2012, coupled with the under resourced Department.

Risks/Implications

The nation may continue to experience loss of life, property and natural resources.

Donations given in respect of victims may be misappropriated

Failure to have adequate budgetary support may impact on the response rate to disasters that happen country wide.

The Disaster Risk Management Department may not be able to respond effectively and efficiently to climate changes that are continuously taking place in the environment.

Recommendation

The Ministry should, through the National Civil Protection Department advocate for the speedy approval of the Disaster and Disaster Management Bill through Parliament to provide the enabling legislation so as to adequately resource and empower the Department to deal with disasters which are evolving and revolving on the climate change in compliance with Section 9 (2) of the Constitution of Zimbabwe Amendment (No. 20) Act 2013.

Management Response

The specific disasters that you have mentioned, the Department promptly responded to the two (2) horrific bus disasters even before His Excellency declared a State of Disasters, the Department activated its sub national structures to deal with the disasters.

The September 2018 Cholera outbreak also serves to show that efficiency in disaster management is also a function of a robust early warning system. Most line Ministries constitute our early warning systems.

In the case of Government and Coordination architecture of disaster in Zimbabwe, there is definitely a need to review upwards the manning levels considering that the population has tremendously increased, levels of vulnerability to Climate Change is real and high as well as other environmental factors which must be taken seriously. The observation on the need to resource and equip the Department remains topical and relevant.

1.4 Emergency Operational Centres and Safe Havens

Finding

Section 194 (1) (b) of the Constitution of Zimbabwe Amendment (No: 20) Act 2013 states that public administration in all tiers of Government should include the principles of efficient and economical use of resources being promoted.

Contrary to the above, I observed that the Ministry did not have Emergency Operational Centres in Districts and Provinces which can house trained experts in various specialities to gather, co-ordinate and exchange notes in the event of a disaster. In addition, the Ministry did not comply with the United Nations Sendai framework for Disaster and Risk reduction (2015-2030) under priority 2: to strengthen disaster risk governance: which fosters prevention and reduction of hazard exposure and vulnerability to people and property and increases preparedness for response and recovery.

I also noted that the Ministry did not have safe havens (Evacuation Centres) in risk prone areas such as Tsholothso, Muzarabani, and Chiredzi among others and forewarn members of the Public to take precautionary measures before disasters occur.

Risk/Implication

The nation may continue to experience loss of life, property and natural resources.

Recommendation

The Ministry through the National Civil Protection Department should consider the setting up of Emergency Operational Centres and safe havens in respective Districts and Provinces which can provide safety and interim shelter to victims prior to and during disasters in compliance with Section 194 (1) (b) of the Constitution of Zimbabwe Amendment (No: 20) Act 2013 read together with the United Nations Sendai framework for Disaster and Risk Reduction (2015-2030) under priority 2.

Management Response

The Department is currently working in conjunction with partners to establish integrated Emergency Operation Centre in Harare and other provinces and various tiers of Government.

1.5 Security Systems for Government Buildings

Finding

I observed that the Ministry paid \$13 730 728 during the year under review for the manning of Government Buildings without considering the use of electronic monitoring systems which would ultimately reduce costs. The issue was also reported in a Special Audit Report Number 1/2019 of the Internal Audit Department of the Ministry. There is need for Ministry officials to keep pace with technological advancements.

Risk/Implication

The Ministry may lose assets and information due to theft.

Recommendation

The Ministry should take advantage of the technological advancements to enhance the security system of Government Buildings at a lower cost in compliance with Section 298 (d) of the Constitution of Zimbabwe Amendment (No.20) Act 2013.

Management Response

For manning Government buildings, we have a two pronged approach as given below:

(i) External Security Systems

For External Security Systems we designed and went to tender and awarded contracts for perimeter solar lights but the project has stalled owing to lack of funding.

(ii) Internal Security Systems

We are at design stage for electronic monitoring systems such that funds permitting we can go to tender for Internal Security Systems.

Evaluation of Management Response

There is need for the Ministry to continue liaising with Treasury to enable the release of funds for the stalled project.

1.6 Other Capital Liabilities for Service Providers

Finding

Section 3 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 Ministries.

The Ministry owed various companies consultancy fees worth \$18 627 074 and these were classified as other capital liabilities. This was the case although the Ministry had internal expertise to handle some of the work which was being outsourced. There was no evidence to show that the Ministry was utilizing the services of the professionals in the departments of Architecture, Surveying, Maintenance and Engineering within Ministry.

Risks/Implications

The Budget for the following year may be depleted by the debts of the previous years, resulting in non-achievement of the targets set for the year by the Ministry.

There is a risk that by not utilising its professionals, the Ministry would lose scarce resources which would have been used to meet its core activities.

Recommendation

There is need to explore ways of utilising available professionals in the respective departments of the Ministry to mitigate against the high cost of consultancy fees and use of contractors in compliance with Section 3 of the Public Finance Management Act [Chapter 22:19].

Management Response

The issue was beyond the Ministry's control. Treasury had to call for reversal of unfunded batches government wide. In 2019 some of the Funds were availed.

The best practice in construction industry is that you do not supervise your own work. Some of the projects are too big for the internal capacity.

Evaluation of Management Response

The Ministry should employ people with requisite qualifications and pay them commensurate salaries and allowances. The Ministry should engage Treasury to negotiate for special rates for the professionals required in the identified areas.

1.7 Open Spaces in Districts

Findings

Section 49 (4) of the Regional, Town and Country Planning Act [Chapter 29:12] read together with Section 205 (1) (a) and (3) (1) or (2) of the Urban Councils Act [Chapter 29:15], requires that any stand reserved for public purposes (schools, clinics, churches, open spaces (active and passive) should get Ministerial approval before it can be used for any other purpose than it was solely reserved for. The application should be subjected to Public scrutiny before the Minister can make a decision on the proposed change of reservation.

I noted with concern that some Districts in Harare and other areas no longer have open spaces and areas designated for Public Schools or other social amenities (Table 3 Refers). The matter described above was also reported by the Internal Audit Department of the Ministry referred to in table 3 below. The Ministry as the Administrator of this Act had not taken sufficient action to prevent or correct these anomalies. It appears that this was caused by the Ministry either not being proactive in preventing the anomalies from happening nor taking timely, appropriate remedial action.

Open Spaces Converted to Residential Stands

Area	Document Reviewed	Audit Comment
Hatchliffe: Harare North	Document Referenced :UL/349/5 and dated September 19, 2016	Illegal occupation of area near sewage ponds. Members of the Public duped of their cash.
Stand 210 Mount Pleasant Township of Harare	Document Referenced: T/59 and dated August 9, 2018	In due time all open spaces will no longer be there.

Internal Audit Reports on Open Spaces

Local Authority	Name of Report Reviewed	Audit Comment
Mutare City Council	Land Management Report 2007 to 2018	At this rate, all open spaces and areas reserved for schools will be converted to residential stands
Zvimba Rural District Council	Report into the Investigation of Zvimba Rural District Council	At this rate, all open spaces and areas reserved for schools will be converted to residential stands

Risks/Implications

Residents within these Local Authority areas may end up not having sufficient space reserved for schools depriving children from attending schools within their residential areas.

Land reserved for open spaces and other social amenities may end up being subdivided and allocated as stands without following appropriate procedure.

Recommendation

The Ministry should ensure that for each area under development, there are designated Public Schools and open spaces in compliance with the Section 49 (4) of the Regional, Town and Country Planning Act [*Chapter 29:12*] read together with Section 205 (1) (a) and (3) (1) or (2) of the Urban Councils Act [*Chapter 29:15*].

Management Response

Stand 210 Mount Pleasant Township Harare

A portion of this passive open space was converted to institutional use (Church). The relevant Regional, Town and Country Planning Act [*Chapter 29:12*] procedures (Section 49) (4) were followed and approved on 28 June 2017. An advertisement was made in the Herald and consultations with neighbouring property owners were also done. No objections were received from consulted stakeholders.

The remaining portion of the open space has not been planned. However, there has been a request by State lands Office for land swap with city of Harare so that the

change of reservation procedures may also be invoked in order to accommodate senior civil servants.

Hatcliffe North Harare

There are no approved layout plans on the said piece of land and upon being notified of the illegal developments, the Ministry wrote to the Zimbabwe Republic Police to take legal action against the illegal occupants.

Mutare City Council

The Department did not approve any layout on the said open spaces and areas reserved for institutional purposes. The Local Authority (i.e Mutare Municipality) has been directed to follow the due planning processes in order to regularize the relevant land use.

Zvimba Rural District Council

The Ministry through the Department of Rural Local Authorities will further address the matter through the investigation report.

Overall it is crucial to note that although there is still rampant illegal development around the country, the Ministry of Local Government, Public Works and National Housing has made several attempts in trying to preserve areas reserved for open spaces and other uses. The Ministry in 2009 issued a directive to local authorities prohibiting irregular/unprocedural conversions of all recreational areas and open spaces to residential uses.

The Ministry has also initiated legislative reviews to address the issue of land barons and illegal developers through the Land Developers' Bill which includes criminalizing these land related offenses.

Evaluation of Management Response

The Ministry should note that creation of stands in open spaces will also require change of sewer and water pipes to suit the new residential structure created. Initially the water and sewer infrastructure could only sustain a certain number of structures, so any changes on use of open spaces would require revisiting these areas as well, not just meeting the requirements of the Law. The Ministry should be taking legal action against any illegal developments and the Zimbabwe Republic Police (ZRP) would come in when enforcing evictions.

1.8 Prioritisation of Projects

Finding

Section 298 (1) (d) of the Constitution of Zimbabwe Amendment (No.20) Act 2013 states that public funds must be expended transparently, prudently, economically and effectively. Furthermore, the Ministry's mandate is to plan, design and supervise Government Construction and Maintenance Programmes. Treasury Instruction 2001 also states that departmental assets for Public Works Department include immovable property such as land and buildings, which are not controlled by any other designated Ministry or department.

Contrary to the above principles of allocating funds to the Public Works Department which is charged with ownership of all Government buildings, I noted with concern that there was no prioritisation of Public Sector Investment Programmes (PSIP) construction projects which resulted in significant failures in project implementation as evidenced by the Public Works database comprising of two hundred and thirty-two (232) outstanding works on Government Projects from all Provinces which had significant sunk costs. In addition to the above, PSIP projects were not planned with the participation of Public Works Project Team which has the technical and professional expertise on construction works.

Further inquiries from the Public Works Project Team revealed that from the two hundred and thirty-two (232) projects there were seventy-four (74) stalled projects leaving a balance of one hundred and fifty-eight (158) as work in progress. A further analysis of a sample of the stalled projects revealed that some had begun prior to the period 2008 and the estimated costs to complete projects was revised to US\$27 200 000 during the year under review. This was caused by the decentralisation of construction projects to Line Ministries and the implementation of multiple projects at the same time without adequate funding being released by Treasury.

Risks/Implications

There may be inadequate allocation of funds meant for all construction works if the Public Works Department is not involved in the process of Infrastructure and Construction budgets as there is need for the prioritisation of all outstanding PSIP projects in all provinces before embarking on new ones.

Materials and labour costs may continue to escalate on the stalled projects.

There is high likelihood that staff with technical and professional expertise will move on before completion of the projects.

Files with Construction Works outstanding may get lost due to archiving of files with more than five (5) years.

Recommendations

The Ministry should be involved in the planning process of all PSIP projects for each year using database of all outstanding works on Government projects in all provinces, preliminary

estimate cost of completing these projects and the Government's expected revenue collection as well as the Client Ministries' prioritization and donor community mobilization in compliance with the requirements of section 298 (1) (d) of the Constitution of Zimbabwe Amendment (No.20) Act 2013.

The Ministry of Finance and Economic Development should consider directing all funds for PSIP projects to the Ministry of Local Government, Public Works and National Housing rather than to the line Ministries, for effective and efficient implementation of construction programmes.

The Ministry should devise a system of incentivising critical technical personnel of construction works so as to attract as well as retain these personnel for the fulfilment of its mandate in compliance to the requirements of Treasury Instruction 2001.

Management Response

The Ministry of Local Government, Public Works and National Housing agrees with the recommendations put up by the Audit as it is the best practice by all Governments throughout the world.

Due to the fact that each Ministry manages resources pertaining to its projects, the Ministry of Local Government, Public Works and National Housing's influence and advice in project prioritisation and budgeting has become minimum as the responsibility of prioritisation rests within Ministry of Finance and Economic Development and line Ministries.

In terms of annexure quoted in your document the figures are in US dollars so they are going to be changed to RTGS dollars so the figures will be four (4) times more in line with market prices.

As per the provision of incentives to critical staff/professionals, the Ministry agrees with the recommendations of audit and that these incentives will go a long way in retaining staff. It has been noted that the current salaries discourage professionals.

1.9 Disaster Management in Government Buildings

Finding

Section 194 (1) (b) of the Constitution of Zimbabwe Amendment (No: 20) Act 2013 states that public administration in all tiers of Government should include the promotion of principles of efficient and economical use of resources.

Appendix I of Treasury Instructions under security and care of government buildings has the following definitions. 'Security involves prevention of damage by exposure and fire as well as precautions against theft. The position of fire points should be chosen so as to give easy access to the appliances and the appliances themselves should be regularly serviced and be of the right type for the sort of fire which might occur'. Safety regulations must be prominently displayed so well as "orders in case of fire". Public Works Department Circular No. 4 of

1970 should be referred to in this regard. The guide on emergency preparedness and response on government buildings (October 2016) also provides that in case of fire outbreaks, fire alarms should be activated, fire brigade should be called and trained personnel are to use firefighting equipment when the fire is still small and finally evacuate the building.

Contrary to the above, I observed that the Ministry did not have Emergency Fire Prevention, detection and control systems at Ambassador and Burroughs houses.

In addition, the Ministry did not comply with the United Nations Sendai framework for Disaster and Risk reduction (2015-2030) under priority 2: to strengthen disaster risk governance: which fosters prevention and reduction of hazard exposure and vulnerability to people and property and increases preparedness for response and recovery.

This was caused by failure to comply with Section 194 (1) (b) of the Constitution of Zimbabwe Amendment (No: 20) Act 2013 and the United Nations Sendai Framework for Disaster and Risk Reduction (2015-2030)

Recommendations

The Ministry should ensure that fire extinguishers are serviced timeously in order to safeguard life and property. The conditions of the Fire extinguishers should be inspected by licensed fire engineers regularly.

The Ministry through the Engineering services, Architectural, Construction and Civil Protection Department should consider the setting up of firefighting equipment like sprinklers, fire alarm systems and installation of serviceable fire extinguishers in all composite buildings which can provide safety and relief to victims in the event of a fire disaster taking place in compliance with Section 194 (1) (b) of the Constitution of Zimbabwe Amendment (No. 20) Act 2013 read together with the United Nations Sendai framework for Disaster and Risk Reduction (2015-2030) under priority 2.

Management Response

Ambassador House

The Ambassador House was bought by the Government with the design which did not have fire sprinklers. Only the Hotel side has Sprinkler system on the ground floor. Maintenance budget is with the Ministry of Primary and Secondary Education and not with our Ministry. We however, made submission of maintenance bids pertaining to the issue of fire safety but no funds have been availed so far. Bids for 2019 were done for the servicing of Fire Extinguishers. We are waiting for funding. As for the Ministry of Primary and Secondary, the maintenance was done in February 2019.

Burroughs House

Maintenance budget is with the Audit Office and not with our Ministry. Submissions of maintenance bids by the occupants were made pertaining to the issue but no funds have been availed to us so far.

2 INVESTMENTS

2.1 Loans Management

Finding

For the second year running, I observed that the Financial Advisory section under the Ministry made no recovery efforts in respect of loans advanced to local authorities for rehabilitation of water and sewer infrastructure. Furthermore, the Local Authorities which had not serviced their loans continued to get new funding despite not having serviced their obligations. This was also aggravated by the fact that some local authorities treated loans advanced to them as grants and hence were not disclosing such loans as obligations in their respective financial statements. It appears that this was caused by the Ministry's inadequate communication strategy coupled by inadequate monitoring and evaluation of the respective Local Authorities.

Risks/Implications

Lack of effective communication and follow up may lead to misappropriation of money obtained through loans and material misstatements of financial statements.

Residents of the respective Local Authorities may continue to get compromised service delivery without any recourse.

Loans obtained for the rehabilitation of road, waste management, sewer and water infrastructure by Local Authorities may have been used for other purposes.

Recommendation

The Ministry should come up with robust loan recovery mechanisms on all outstanding loans and should desist from advancing more loans to local authorities which were failing to service their current obligations in compliance with the provisions in the Memorandum of Understanding signed between the respective parties. Furthermore, the Ministry should enhance communication with Local authorities so that loans are treated as such.

Management Response

Local Authorities' mindset that loans given to them are grants has been addressed by the coming of devolution in which \$310 million has been allocated in 2019. Furthermore, reminders were sent early in the year advising them of their of their respective obligations.

Two options are being explored to write off these loans or match the loans against devolution allocation for respective Local Authorities.

The Ministry is in the process of a policy shift that will allow PSIP funds to be deposited directly to beneficiary Local Authorities.

2.2 Management of Loans Advanced to Local Authorities

Finding

Section 7.1 of the Loan and Performance Agreement states that the Ministry can terminate the Agreement and claim from the borrower immediate payment of all the outstanding amounts should the borrower commit any material breach or in the event of default of this Agreement. Section 4.1 of the Loan Performance Agreement requires the Ministry to levy a late payment charge of 1% above the prevailing interest on outstanding obligations.

The combined total loans advanced to both Urban and Rural Local Authorities amounting to \$52 745 105 attracted a late payment charge of 1% or \$527 451 for all defaulting Local Authorities as per Section 4.1 which was not disclosed in the outstanding revenue return.

Risks/Implications

The outstanding loans may become irrecoverable if the Ministry does not put in place robust recovery mechanisms.

Loans obtained for the rehabilitation of roads, waste management, sewer and water infrastructure by Local Authorities may have been used for other purposes resulting in compromised service delivery.

Recommendation

The Ministry should adhere to the requirements of Section 7.1 of the Loan and Performance Agreement and recover all outstanding loans advanced to both Rural and Urban Local Authorities and ensure that funds are used for the intended purposes.

Management Response

The Ministry acknowledges the clause in the Loan Agreement, however, it is difficult to penalise Local Authorities with projects that are incomplete due to non-disbursement of approved funds by Treasury.

PSIP loans increased by 7% from prior years due to new projects undertaken by Gokwe, Shurugwi, Mvurwi and Zvishavane. These projects remained incomplete at the end of December 2018 as they were not fully funded.

We note the observation and we will incorporate the 1% penalty on all completed projects.

4 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

4.1 Sub-Paymaster General's Account

The recommendation was partially implemented as the variance on employment costs was reduced from (2017: \$727 965) to (2018:\$136 803).

4.2 Servicing of Loans

The recommendation had been partially implemented. The Ministry still did not send reminders to Local Authorities informing them of their pending obligations though engagements between Infrastructure Development Bank of Zimbabwe (IDBZ) and Ministry of Finance had been initiated.

4.3 Loans Management

The recommendation had not yet been implemented. The Ministry was yet to reconcile loans disbursed and ensure Local Authorities maintain an updated loans register in respect of outstanding interests and principal amounts accruing to them.

4.4 Maintenance of Infrastructure

The observation was not yet implemented as Line Ministries continued to be allocated budgets towards maintenance of infrastructure as opposed to the consolidated budget being given to Ministry of Local Government which has requisite expertise and mandate in maintaining government buildings.

4.5 Consultancy Fees

The recommendation had not yet been implemented, as the Ministry had not yet paid off the outstanding consultancy fees owing to various companies. However, while attempts had been made to clear the outstanding obligations, some payments were reversed due to non-release of funds by Treasury.

GOVERNMENT POOL PROPERTIES RETENTION FUND 2017

OBJECTIVE OF THE FUND

The Fund was established to maintain Government owned pool properties in a state that meets national and international standards.

Qualified Opinion

I have audited the financial statements of the Government Pool (GP) Properties Retention Fund of the Ministry of Local Government, Public Works and National Housing. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Income and Expenditure

Item	\$
Income	3 572 208
Expenditure	2 316 462
Surplus	\$1 255 746

Statement of Financial Position

Item	Asset(\$)	Liabilities(\$)
Non-Current	538 370	-
Current	4 992 489	4 190
Accumulated Fund	-	5 526 669
Total	\$5 530 859	\$5 530 859

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Government Pool Properties Retention Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Accounts Receivables

I could not verify the Accounts receivables worth \$3 375 258 and the Revenue figure of \$3 572 149 disclosed in the Financial Statements due to the following:

(i)(a) Limitation of Scope

Findings

Section 8(1) (a) of the Audit Office Act [*Chapter 22:18*] states that the Auditor General or any other person authorized by him or her may call upon an officer for the Fund and shall be entitled to receive without undue delay from that officer, any explanations and information he or she may require in order to enable him or her to discharge his or her duties.

Tsholotsho district in Matabeleland North Province did not produce for audit inspection supporting documents for rent receivables. This was caused by none adherence to handover and takeover procedures when the responsible person will be away from the station.

Risks/Implications

Failure to avail information results in limitation of scope and there may be no compliance with set regulations and procedures.

The receivables and expenditure amounts disclosed in the financial statements might be materially misstated.

Recommendations

Requested information should be provided timeously.

There should be segregation of duties and proper handover/takeover when other subordinates are leaving the office to allow for accessibility of information in their absence.

Management Response

The observation is noted and there will be investigations and corrective action will be taken.

(i)(b) Accounts Receivable Reconciliation

Finding

I was unable to determine the accuracy of Accounts Receivable figure in the Statement of Financial Position as no reconciliations and timely updating of books was being done. There was an unexplained difference of \$78 087 between the Pastel posted individual debt figures of \$31 932 and the balance of \$110 019 reflected in the rent cards for Bulawayo province

This was in contradiction to Section 35 (6)(a) of the Public Finance Management Act [*Chapter 22:19*] which states that every Accounting Officer of a Ministry shall keep or cause to be kept proper records of account.

Risk/Implication

The absence of a reconciliation between the Pastel balance and the Rent Card balance may result in the reported receivables in the Fund's Statement of Financial Position Account for the year under review being misstated.

Recommendation

The Province should prepare monthly receivables reconciliation statements and maintain accounting records up-to-date at all times. They should ensure that all debtors are included and properly disclosed in the financial statements.

Management Response

The Provincial office will request for a reconciliation with Head Office undertaking GP properties both accounts section and estates to bring the information to agreement.

(i)(c) Maintenance of Rent Receivables returns at Provincial Level

Finding

Treasury Instruction 0705 states that every Accounting Officer or Officer administering a fund shall ensure that full and proper accounts are kept of the transactions for which he is responsible. Accounting Officers shall prescribe the form of such books of account to be maintained by the officers under their control.

Contrary to the above, I observed that Mashonaland Central Province did not submit returns of accounts receivables amounting to \$105 555 (2016: \$100 675) which was omitted in the financial statement figures disclosed for the year ended December 31, 2017. Mashonaland West Province did not keep or monitor the submission of outstanding revenue returns that should have been submitted by the Districts to the Provincial Office and Head Office for consolidation. Hence, I could not rely on the outstanding revenue figure disclosed in the Financial Statements amounting to \$6 903 for the Mashonaland West Province, when confirmation at the Provincial Office revealed a figure of \$411 936. This was caused by an oversight and lack of monitoring on the part of Ministry Officials.

Amounts Outstanding for each District submitted to the Provincial Office

Province	Amount Outstanding As At December 31, 2017
Mashonaland Central	\$105 555
Mashonaland West	\$411 936
Total	\$517 491

Risk/Implication

The revenue and receivables figures disclosed in the financial statements may be misstated.

Recommendation

In compliance with Treasury Instruction 0705 the Ministry Officials should maintain, and monitor submission of outstanding revenue returns by district personnel to ensure that there is a complete audit trail for amounts disclosed in the Financial Statements.

The Ministry Officials for the Provinces should ensure that adequate steps are taken to submit a return of cash receipts together with the return for outstanding amounts for the year ended December 31, 2017 in compliance with Section 10 (1) of the Public Finance Management Act [*Chapter 22:19*].

Management Response

The Provincial Head has taken note of the observation as the Province is currently updating the records for all GP properties as evidenced by submission from districts. Previously the ledgers were kept by District Administrators (DAs) and handovers and takeovers between District Public Works Office and District Administrator's office were done in December 2017. In pursuance of the above anomaly, Head Office conducted a training workshop at ZIPAM in September 2018 for District Public Works Officers and Administration Assistants in order to equip the staff with revenue collection skills. Furthermore, the responsible officials from our Provinces will conduct a follow up before year end to expedite the process of updating GP properties ledgers so that Outstanding Revenue Returns disclosed at year end will reflect the exact receivables figure in the financial statements.

(i)(d) Negative Rent Receivables

Finding

I observed with concern that Ministry officials did not maintain adequate and up-to-date accounting records to facilitate proper administration of the Fund in contravention of the requirements of Treasury Instruction 0705 which requires Accounting Officers to keep full and proper accounts for all transactions affecting Funds under their custody. Hence, I could not ascertain the receivables figures for Midlands province as the records differed significantly with the balances reflected in the respective files where 11 files showed a ledger balance of (\$14 669) against a file balance of (\$1 687). This was caused by inadequate supervision of subordinates

Risks/Implications

The Fund may not be able to legally claim all outstanding rentals from tenants if adequate records are not maintained.

There is risk that the financial statement may be materially misstated thereby rendering them inaccurate and unreliable.

Recommendation

The Fund should open and maintain full and proper accounting records and update all property files in compliance with the requirements of Treasury Instruction 0705.

Furthermore, the Ministry should adequately supervise provincial and district officers to ensure that correct information is maintained.

Management Response

Lease agreements for GP properties houses are signed and filed at District level. Only two copies are signed, the one for the file at district level and another one for the tenant.

Evaluation of Management Response

The response doesn't address the negative receivable balances due to excel system failures of non-billing and unavailability of leases in the files at District levels.

(ii) Stock Counts and Segregation of Duties

Findings

Section 32 (3) (b) of the Public Finance Management Act [Chapter 22:19] requires financial statements to fairly present the state of affairs of the Ministry, reporting unit, constitutional entity or public entity for which the Ministry is responsible. Furthermore, Section 7.6 of the Fund's Constitution requires the Fund to recognise inventories of consumables used in the repair and maintenance of the Fund's property.

However, the fund did not conduct any stock counts and submit details to the Provincial Offices and Head Office to consolidate the inventory figure for the year ending December 31, 2017 in relation to Guruve District in Mashonaland Central Province, Karoi and Makonde districts in Mashonaland West province. There was no segregation of duties as the Administration Officer was responsible for the receiving, issuing and maintenance of stock records. This was caused by poor monitoring of District activities by the Provincial Ministry Officials.

Risks/Implications

The inventory figure disclosed in the financial statements may be misstated.

The Fund's stock may be open to misappropriation and fraudulent activities may go undetected.

Recommendations

The Ministry officials should ensure that stock counts are carried out at the end of the year to enhance the integrity of the inventory figure disclosed in the financial statements in compliance with Section 32 (3) (b) of the Public Finance Management Act [Chapter 22:19].

The District Office should conduct a stock count for all building materials at the end of each financial year in compliance with Treasury Instruction 0705. The regular stock takes are to be done by someone independent of stores management to enhance accountability and to safeguard the resources of the Fund.

Management Response

Mashonaland Central

Agreed with the observation that stock balances were not submitted as at December 31, 2017 to the Provincial Office although balance checks were done. However, although we were not aware that the above was supposed to be done, we promise to abide by the rules and regulations in future.

Mashonaland West

Audit observation has been noted. The stock counts were carried out at the said district though they were not showing their values. The District shall impress it upon Fund Management to institute clear stock count policy and to ensure physical stock counts are carried at the end of each year and showing their values with independent members. Currently the District does not have a clear stock valuation policy from our Head Office whether to use the cost values or inflation adjusted valuation.

The District shall conduct a stock count for all building materials at the end of each financial year in compliance with Treasury Instruction 0705. Such stock counting shall be done with unfailing regularity.

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

1 GOVERNANCE ISSUES

1.1 Accounting Records

Findings

Good accounting practice requires that an entity should use a secure and robust accounting package to record and maintain its financial information. Contrary to the above, I noted that Lupane District in Matebeleland North Province had abandoned updating paper ledger cards instead, they were now maintaining them on a Microsoft excel spreadsheet which did not have adequate security controls.

Risk/Implication

The use of Microsoft Excel spreadsheet will result in financial records being manipulated because of the weak controls.

Recommendations

A secure accounting system should be put in place and access to the terminals where the records are being maintained should be restricted to individuals responsible for the maintenance of the records to ensure credibility of the financial statements.

Management Response

We produce returns in Summary form using excel. Ledgers are kept at District Level.

Evaluation of Management Response

No Ledgers and or provincial returns were availed for audit.

1.2 Procurement

Findings

(a) Tender Procedures

The Fund made a purchase of 12 335 litres of Petrol worth \$16 714 and 11 260 litres of diesel worth \$13 906 from Redan Petroleum company on April 3, 2017 resulting in a total payment of \$30 620. 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.

(b) Quotations

The State Procurement Board regulations require that there should be at least three competitive quotations whenever a Government entity is procuring goods or services. The Fund procured goods and services without subjecting them to any competition. **Table below refers**

Sample of the Vouchers Without Three Quotations

Document Number	Description	Amount (\$)
GPPRF222/17	External travel fares	6 709
GPPRF43/17	Major vehicle service	1 953
GPPRF493/17	Fit & supply complete pro shaft	1 845
GPPRF295/17	Suspension overhaul	1 665
Total		\$12 172

Risks/Implications

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.

The Fund may fail to get value for money if procurement of goods and services is done without subjecting suppliers to competition.

Irregular payments may also be processed if there is no transparency.

Recommendations

The Fund should comply with procurement regulations as they provide for an efficient and transparent procurement system.

The Fund should always comply with procurement regulations in the procurement of goods and services in order to get value for money from the Funds resources.

Management Response

The observation is noted, however authority was sought and granted by State Procurement Board through PBR 0543 of June 2017 to procure bulk fuel coupons from Zimbabwe Regulatory Authority (ZERA) approved dealers and amongst them is Redan.

The Ministry could not get three quotations for vehicle services and repairs. There were cost associated with diagnoses needed to be paid first for the ministry to get a quote before the service was carried out. However, the Ministry will in future follow tender procedures.

1.3 Stock Count Instructions and Stock Valuation Policy

Findings

Treasury Instruction 0705 states that every Accounting Officer or officer administering a Fund shall ensure that a full and proper account is kept of the transaction for which he or she is responsible. The International Accounting Standard number 2 (IAS 2) on Inventories also states that stock should be valued at the lower of cost or fair value less costs to sell.

Contrary to the above, I noted that Head Office did not issue stock counts instructions to enable provinces to conduct stock counts and valuations of inventories at the end of the year. This resulted in most provinces, with the exception of Mashonaland West provincial office, not conducting inventory valuations. I could therefore not rely on the value of inventories that was disclosed in the financial statements.

Risks/Implications

The valuation of building materials at year end may have been incorrectly valued in the financial statements.

The respective Provinces may end up valuing stock using a different standard of their choice resulting in an understatement or overstatement of the stock figure disclosed in the financial statements.

Recommendation

The Head Office in liaison with Provincial Offices should come up with stock count instructions and a stock valuation policy in compliance with Treasury Instruction 0705 and International Accounting Standard number 2 (IAS 2) on Inventories.

Management Response

Audit observations are noted. All observations contained in the report shall be addressed with our Head Office with regard to valuation policy of any stock items remaining at the end of each year. The District Public Works shall ensure that stock valuation shall be carried in liaison with our Head Office and in compliance with Treasury Instruction 0705 and International Accounting Standards (IAS 2) on Inventories.

1.4 Maintenance of Government Pool Properties

Finding

From a sample of houses, I inspected in Chiredzi, Zaka, Masvingo, Gutu, Luveve, Bulawayo Airport, Kwekwe, Zvishavane, Tsholotsho and Lupane districts which are maintained by the Fund, I observed that Government Pool Properties houses were not being maintained as per Clause 11 of the Lease Agreement. This was caused by lack of routine maintenance and failure to attend to reported faults timeously by Public works officers.

Risk/Implication

The property might be destroyed due to leaking roofs and occupants might be electrocuted in the event of the water getting into electrical gadgets and electrical supplies within the property.

Recommendations

The Provincial Planning Officer and District Public Works Officers should prioritize the health and safety of their tenants and as such implements all non-cash works which are critical especially leaking roofs and damaged gutters and plumbing before the situation deteriorates.

The Ministry should regularly and timeously inspect the properties in line with Section 17 of the Agreement of Lease and maintain the houses as per the provisions of the lease agreements. The Ministry's provincial staff should monitor repairs and maintenance works in districts within their province to avoid wastage of the Fund's resources.

Management Response

Bulawayo

Bulawayo province is still waiting for more funds to be allocated to the GP properties houses so that they can renovate these houses. Currently the Provincial office is waiting for the Government to assist on the issue of the funds so that they can start the works.

Also some of these houses were targeted in the next phase but suddenly the government proposed to demolish all of them. The cracks on most of the houses is due to settlement of ground.

Masvingo

From 2007 to 2015 the Ministry did not receive any funds towards maintenance of GP houses thus causing houses to dilapidate to current state. The Ministry has been inspecting properties and submitting bids to Ministry of Finance during 2007 to 2015 and no funds were availed. 25 Ebony way was not well maintained due to insufficient funds since it was not on the 2017 work plan. The Ministry is doing its best to clean roofs and gutters but, due to manpower shortages the pace was derailed. Since GP properties funds are now being received, the Ministry is going to increase manpower.

Midlands

At the end of each year, estimates of properties which need to be maintained are submitted to the Head Office. The Head Office however releases funds which are not enough to maintain all the properties. At the moment, there is no money released for day to day or minor maintenance which will reduce the damage of the properties. There are no funds to maintain vehicles which will be used for supervision in the districts from the Head Office.

Matebeleland North

The District Public Works Office (DPWO) has been informed to forward to province comprehensive maintenance estimates of these properties so that funds can be sort. The DPWO has been informed to do routine inspections and regular maintenance of these houses.

Evaluation of Management Response in Bulawayo

Documentation concerning the demolishing of the houses were not availed to the audit.

1.5 Breach of Terms of Lease Agreements

Findings

(a) Commercial Activities

Section 8(a) of the Agreement of Lease states that the premises should be used for residential purposes only and the Lessee or his/her dependents shall not operate or run any activities of a commercial nature on the premises. From a sample of houses in Chiredzi, Masvingo, Zaka, Zvishavane, Kwekwe, Luveve and Lupane district which were inspected, I observed that there were commercial businesses activities being conducted at GP Properties houses.

(b) Non Payment of Rates

Section 6 of the Agreement of Lease states that the lessee shall pay for all electricity, water, rubbish removal, telephone, supplementary and service charges levied in respect of the premises. From a sample of houses in Luveve District inspected by the audit team, whose average monthly rate was \$25 per house, it was observed that tenants in the GP properties houses were not paying their City of Bulawayo rates. In Makonde Local authority under Chinhoyi, I also observed that most sitting tenants are not paying water utility bills as most of the names appearing on the utility bill statements are the names of former tenants and cannot inherit arrears of the predecessor. This resulted in the properties accumulating exorbitant outstanding bills which discourage incoming and occupying tenants from paying their bills, please refer to the table below:

Outstanding Water Bills

District	GP House Number	Amount (\$)
Luveve	GP1911/13	1 106
	GP1911/16	531
	GP1911/20	801
	GP1911/21	528
	GP1911/25	722
	GP1911/26	382
	GP1911/31	643
	GP1911/1	852
Chinhoyi	GP883/4	1 407
	GP883/7	1 619
	GP883/12	1 148
	GP883/13	868
	GP883/3	909

This was caused by lack of routine inspections, and inadequate planning of works programs by Ministry officials.

Risks/Implications

The properties may become inhabitable for fear by the incoming tenants to inherit the outstanding rates left unpaid by the previous tenants as the properties may become inhabitable due to lack of maintenance.

If the buildings are not regularly inspected by the Ministry officials the Fund stands to lose its already scarce resources.

Commercial use of the property might be a source of fraud of the Fund's materials while depriving the needy tenants in the civil service of the housing benefits.

The properties may become inhabitable if Bulawayo City Council opted for litigation against the said Fund properties which could otherwise be avoided had those who could afford to stay in the pool properties, signed lease agreements.

Non-payment of water and rates might be a source of fraud as deposits may be insufficient to meet unpaid bills and rates by the defaulting tenants upon vacating the property by the tenant.

Recommendations

The Ministry officials should ensure that regular inspections are carried out more frequently especially on all houses as provided for in the Lease Agreements. The Ministry officials should remind all tenants of the provisions of Sections 14 to 16 of the Lease Agreements which in part state that, in the event of non-compliance to the terms of the lease, the Lessor (Ministry) shall cancel the lease and exercise the right of *paratie executes* and evict the lessee without recourse to the Rent Board or Civil suit.

Management Response

The lease does not permit commercial activities and the Provinces have been advised to ensure compliance by the tenants.

Non-payment of rates is a breach of lease agreement hence, all provinces have been advised to make sure tenants clear their utility bills.

1.6 Renewal of Lease Agreements

Finding

Section 2 (a) and (b) of the Agreement of Lease states that the lease shall be for a period of one year and any extension of lease shall be at the sole discretion of the lessor. From a sample of property files inspected, I observed that the Ministry Officials for Makonde, Karoi, Bindura and Lupane districts did not ensure that tenants occupying Government Pool Property houses signed new lease agreements for the year ended December 31, 2017. This was caused by lack of adherence to the Agreement of Lease clauses by the Ministry Officials.

Risks/Implications

The occupying lessee may leave the house without paying all electricity, water, telephone and service charges levied in respect of the premises, thereby prejudicing the next tenant.

The Fund may have no recourse in the absence of valid lease agreements in the event of a dispute or litigation in courts of law.

Recommendations

The Ministry Officials should ensure that all tenants are current in the payment of their bills for electricity, water and rates as well as telephone. Renewal of Agreement of Lease in compliance with Section 3 of the Agreement of Lease should be done on time.

Management should ensure that valid lease agreements with all sitting tenants are in place.

Management Response

All the tenants will have their leases renewed except those with rent arrears.

1.7 Tenants Refusing to Vacate GP Properties in Kadoma

Finding

Section 22 of the Agreement of Lease states that the property is let to the Lessee, while he/she is employed as a Civil Servant working in that particular Government Institution. Cessation of service as a civil servant or in that Government Institution will automatically terminate the agreement of lease and the Lessee shall vacate the premises within two months of such cessation of service. A transfer from the city of Kadoma shall have the effect of cancelling and terminating of the lease. However, upon interviewing and an examination of a sample of Kadoma District Public Works property ledger cards for the tenants occupying Government Pool Properties I observed that six (6) tenants refused to vacate Government Pool Properties houses after they ceased to be Civil Servants. The tenants are not paying rentals. The properties are GP 55 (resigned from service), GP 18 (claimed to have purchased the property), GP 134/30 (dismissed from service in 2016), GP 4659 (retired), 3716/2 (dismissed from service) and GP 134/31 (retired).

Risk/Implication

Outstanding rentals may become uncollectable through lapse of time.

Recommendation

The District Office should engage tenants who are refusing to pay and make necessary follow up to ensure that the issue is resolved and comply with Section 22 of the Agreement of Lease.

Management Response

Legal action is in progress to have tenants refusing to vacate Government Pool Properties in Kadoma evicted.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Non-Payment of Rentals

Findings

Section 2 (b) and 3 of the Agreement of Lease requires that the lease is intended to provide temporary accommodation to a serving Civil Servant in a specified Ministry of the Government and rentals are payable monthly in advance strictly by way of a stop order deduction.

(a) Matebeleland North

From a sample of Government Property houses visited and files inspected in Lupane District, I observed that 13 houses were occupied by some officers who had neither signed any lease agreements nor were they paying rentals. The occupants' non-payment of monthly rentals was contrary to Section 3 of the Agreement of Lease and objectives of the Fund. This was caused by inadequate communication between the relevant officers and Ministry officials concerning GP properties houses.

(b) Harare Province

From a sample of Government Property houses visited and files inspected, I observed that these houses were occupied by non-Civil servants and have accrued rental arrears amounting to \$169 815 as at December 31, 2017. The occupation of the said houses by non-Civil Servants was contrary to Section 3 of the Agreement of Lease.

(c) Mashonaland West

An analysis of a sample of nine (9) rent cards for Government Pool Properties (GP) revealed that the GP properties houses had ceased to pay rentals to the Fund a long time ago despite these being owned by the Fund. As a result of rental non-collection the sample showed an outstanding amount of \$84 690. All houses occupied by CAAZ are being sublet whilst those occupied by ZNA are not paying anything.

Risks/Implications

If tenants who occupy Government owned Pool Properties do not pay rentals to Government, the Fund will not be able to fulfil its Constitutional mandate of "*maintaining Government owned Pool Properties in a state that meets national and international standards*" as rental income is the only source of income for the Fund. Consequently, in the long run, the Fund might fail to render the service for which it was created.

The Fund may lose potential rental income if the houses are occupied by people who were not employed by the Government.

Collecting revenue will be compromised as these tenants will not be on stop order payments and these rentals may become irrecoverable if corrective measures are not taken on time to recover the long overdue rentals.

Recommendations

The Ministry Officials should ensure that all tenants, sign their Lease Agreements and abide by the terms of the Lease Agreements

The Ministry should also ensure that all tenants timeously pay their rentals in order to capacitate the Fund to fulfil its constitutional mandate.

The Ministry Officials should ensure that these tenants who are not Civil Servants, pave way for Civil Servants who are supposed to stay in the Government houses in compliance with Section 3 of the Agreement of Lease.

The Ministry Officials should ensure that all lease renewals must be for Civil Servants and all Non Civil servants who are not paying their rentals and arrears be handed over to the Legal Division.

Management Response

Matebeleland North

Tenants from the President's Office have now signed Lease Agreements and are paying rentals.

Mashonaland West

The GP properties houses in question are all being disputed in terms of ownership by the tenants and the District Public Works Office. ZNA is occupying six (6) units which they claim are their properties and are refusing to pay rentals to the Fund. In the same manner CAAZ are also occupying three (3) units and have taken up the matter with their legal division. Kariba District has since referred the matter to the Ministry of Local Government, Public Works and National Housing's Estates Department.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Non-disclosure of Inventory and Accounts Receivables

The status is still the same as the Customer Relationship Management module has a system challenge.

3.2 Labour Costs

The Ministry is yet to write to the Public service commission seeking General Authority for recruitment of contract workers and casual labour for all the projects.

3.3 Maintenance of Ledger Cards and Property Files

Provincial offices have updated the ledgers handed over by the District Administrator's office except where there are vacancies in some provinces for Administrative Assistance.

HOUSING AND GUARANTEE FUND 2016

OBJECTIVE 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 the Housing and Building Act [*Chapter 22:07*].

Qualified Opinion

I have audited the financial statements of Housing and Guarantee Fund for the Ministry of Local Government, Public Works and National Housing. These financial statements comprise the statement of financial position as at December 31, 2016, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	258 472
Expenditure	81 145
Surplus	\$177 327

Statement of Financial Position

Item	Assets\$	Liabilities\$
Non-Current	3 678 536	
Capital Reserve		3 070 028
Accumulated Fund		955 042
Current	2 168 351	1 821 817
Total	\$5 846 887	\$5 846 887

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Housing and Guarantee Fund as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Land Compensation-Expansion of Urban Areas

I was not provided with the Memorandum of Understanding between Udcorp, Ministry of Local Government, Public Works and National Housing and the Ministry of Lands and Rural

Resettlement on how land purchased around urban areas would be transferred from the current title deed holder to the State and eventually to the new tenants. I was also not provided with the authorised percentage of administration fees that was to be retained by Udcorp and the Ministry of Local Government, Public Works and National Housing.

Furthermore, the agreement of sale for the farms with the title holders were not attached to the invoices provided.

Risks/Implications

Without proper legal documentation, the Fund may fail to prove ownership of the farms in the event of disputes and monies meant for payment of the farms may be misappropriated.

The financial statements may also be misstated.

Recommendation

The Fund should ensure that all legal documentation to prove ownership of the farms is in place in order to safeguard the Fund as well as beneficiaries in the event of possible future disputes.

Management Response

The observation is noted. Since the matter involves other outside players and Ministries necessary contracts and conditions will be put in place in order to safeguard beneficiaries who are contributing/buying for their pieces of land with the hope of owning housing stands.

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

1 GOVERNANCE ISSUES

1.1 Outstanding Rentals

Finding

The Ministry Officials did not take adequate steps to recover outstanding rentals from tenants amounting to \$523 111. This was in contravention of Treasury Instruction 0501 which 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.

Risk/Implication

Outstanding amounts may become irrecoverable due to passage of time threatening the sustainability of services.

Recommendation

The Ministry Officials should ensure that all rental payments are done timeously and that adequate steps are taken to safeguard the resources of the Fund, and in this particular instance, action should be taken to recover the outstanding amounts in compliance with Treasury Instruction 0501 as non-recovery might affect the sustainability of services.

Management Response

Action is being taken to recover the outstanding balances through the legal route and some tenants are making payment plans.

Evaluation of Management Response

On average the rentals are \$220 per month and the huge outstanding amounts highlight that the process to recover the amounts has taken an unreasonably long time as some tenants have outstanding rentals of up to five years. The Fund may fail to recover the outstanding rentals.

1.2 Interest Income Raised on Sales Arrears

Finding

I observed that Interest Debt for Harare Province of \$43 117 remained constant from 2014 to 2016 despite the fact that the figure under Agreement of Sale had been increasing as follows: \$830 659 (2014), \$865 208 (2015) and \$902 692 (2016). I therefore, could not verify whether the figure of \$43 117 was properly stated in the financial statements. This was in contravention of Section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:19*] which requires Accounting Officers to keep or cause to be kept proper records of account.

Risk/Implication

The Fund resources may be susceptible to abuse if balances disclosed in the financial statements are not fully accounted for.

Recommendation

The Fund Administrators should ensure that Section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:19*] is complied with in order to safeguard the resources of the Fund.

Management Response

The observation is noted. The amount referred to has now been realigned properly in the Fund Debtors Control Account where it will be reduced by agreements of sale purchase instalments receipts otherwise instalments paid will need to be split each time such payment is made into interest paid and capital repayment. Necessary journal vouchers have been done.

Evaluation of Management Response

The management did not avail the agreements of sale for Harare from 2014 to date so that a detailed evaluation could be done.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Advances

The Fund is to still to recover the outstanding amounts from the Appropriation Account.

NATIONAL HOUSING FUND 2015 and 2016

OBJECTIVE OF THE FUND

The National Housing Fund assists with the development of housing schemes and ancillary services in terms of the Housing and Building Act [*Chapter 22:07*].

Disclaimer of Opinion

I am required to audit the financial statements of National Housing Fund of the Ministry of Local Government, Public Works and National Housing, which comprise the statements of financial position as at December 31, 2015 and 2016, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of Statement of Comprehensive Income and Statement of Financial Position for the year 2016:

Statement of Comprehensive Income

Item	\$
Income	5 874 108
Expenditure	378 818
Surplus	\$5 495 290

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	102 481 502	-
Capital Reserve	-	94 809 024
Accumulated Fund	-	27 055 102
Current	21 647 007	2 264 383
Total	\$124 128 509	\$124 128 509

I do not express an opinion on the financial statements of National Housing Fund. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(i) Disclosure of Infrastructure Development Bank of Zimbabwe (IDBZ) Facility

Finding

The Fund did not disclose the nature of its operations being managed by IDBZ. Instead, only disbursements worth \$46 034 352 for the year 2015 and \$46 133 016 for the year 2016 were included in the statement of financial position on IDBZ projects. This was contrary to the requirements of the Memorandum of Agreement entered into between the former

Ministry of National Housing and Social Amenities and IDBZ which states that the facility shall be administered by the bank on behalf of the Ministry. Section 32 (3) (b) of the Public Finance Management Act [*Chapter 22:19*] requires that the financial Statements should fairly present the state of affairs of the Ministry, reporting unit, constitutional entity or public entity for which the Ministry is responsible.

Risk/Implication

If material information is not fully disclosed, the financial statements would inevitably be materially misstated and misleading resulting in inappropriate decisions being made.

Recommendation

The Ministry should ensure that all material information is fully disclosed so as to enhance accountability and transparency in compliance with section 32 (3) (b) of the Public Finance Management Act [*Chapter 22:19*].

Management Response

The issue of the Ministry, the IDBZ and the Ministry of Finance regarding the facility is still being discussed for the smooth operation of the facility including matters of accountability and reporting on the finances of the same. However, IDBZ is being requested to submit financial statements of the facility since its inception.

(ii) Discrepancies in Rent Debtors Balances

Finding

An examination of Debtors Records maintained at Chikomba, Wedza, Murehwa, Marondera, Chipinge, Nyanga, Rusape and Mutare Districts revealed that there was a variance amounting to \$280 212 between the figure on the rent cards and those disclosed in the financial statements for the year ended December 31, 2016. 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. Accounting officers shall prescribe the form of such books of accounts to be maintained by the officers under their control.” I therefore, could not confirm the correctness of the amount of uncollected rentals.

Risks/Implications

Outstanding rent collections may be extinguished through lapse of time.

The rent debtors' figures may be materially misstated in the financial statements.

Recommendation

The Fund Officials should conduct monthly rent debtors' reconciliations in accordance with the requirements of Treasury Instruction 0705.

Management Response

The observation is noted. Heads of Provinces and Districts will be reminded to carefully examine the figures that are compiled by Accounts staff to ensure accuracy.

(iii) Disclosure of Properties in the Financial Statements

Finding

Treasury Instruction 0705 requires Accounting Officers to keep full and proper accounts for all transactions affecting Funds under their custody. However, an audit examination of property files for Mutare, Nyanga, Marondera, Rusape and Murehwa Districts revealed that the Fund did not disclose 40 houses and 1 238 stands in the financial statements for the year ended December 31, 2016 despite having title deeds of the said properties. This was caused by inadequate supervision and lack of proof reading of accounting returns by Head of Station before submission to Head office.

Risk/Implication

The Fund's property values will be misstated in the financial statements if properties are not fully disclosed.

Recommendation

The Fund should fully disclose all stands and houses under its custody in the financial statements in accordance with Treasury Instruction 0705.

Management Response

The discrepancy is noted and the Ministry intends to correct this situation by reminding all Provincial Heads to review and ensure that all District and Provincial properties have been accounted for in their financial returns before submitting to Head Office.

(iv) Inconsistencies in Assets Values

Finding

Motor vehicles revalued in 2009 worth \$37 800 shown in the asset register were not disclosed in the financial statements. The book values for the vehicles were supposed to be \$7 927 for 2015 and \$6 342 for 2016 respectively after depreciation at twenty percent per annum on the reducing balance method. However, the financial statements had a figure of \$17 241 for 2015 and \$10 367 for 2016 respectively, whose source could not be established.

Furthermore, there was no evidence that assets were physically compared with records during the 2015 and 2016 financial years. Asset returns from the provinces were not availed for audit examination. This was contrary to Treasury Instruction 2004 which among other things requires accounting officers to physically compare the departmental assets of the Fund with records at least once during the financial year and that the records have been properly maintained in accordance with Treasury Instructions.

Risks/Implications

The figures for assets may be understated in the financial statements.

The financial statements may be materially misstated.

It may be difficult to identify assets that are redundant and unserviceable.

Recommendations

Asset values disclosed in the register should tally with those disclosed in the financial statements.

An asset count exercise should be done at least once during the financial year.

Management Response

The discrepancy is noted, the financial returns excluded three (3) motor vehicles which were assigned to the following provinces:

- i . Harare Governor's Office**
- ii. Physical Planning Office Gweru**
- iii. Public Works Office Gweru**

In future these motor vehicles shall be incorporated since they are National Housing Fund assets.

Regarding comparison of physical assets and registers, the Ministry used to have only one Certificate Report of assets for the entire Ministry. However, starting 2018 there will be Sectional Assets Certificate.

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

1 GOVERNANCE ISSUES

1.1 Late Submission of Financial Statements

Finding

For the fifth and sixth consecutive years respectively, the Fund did not comply with the statutory deadline for submission of financial statements. The Fund submitted its financial statements on January 13, 2017 for the 2015 financial year and on March 20, 2018 for the 2016 financial year which was nine (9) months after the statutory deadline of March 31, 2016 for the 2015 financial statements and twelve (12) months after the statutory deadline of March 31, 2017 for the 2016 financial statements. This was caused by inadequate supervision to ensure compliance with statutory provisions.

Risk/Implication

Delays in the submission of financial statements will render the information irrelevant for timeous economic decision making purposes.

Recommendation

Financial statements should be produced on time and submitted for audit within the prescribed statutory deadline.

Management Response

Delays have been noted and as of now the Unit is catching up in its Financial Statements submission.

The National Housing Fund returns for the year 2018 should be submitted by August/September 2019.

1.2 Transfer of Title Deeds

Finding

Clause 8 of the Agreement of Sale states that transfer to the purchaser shall be tendered when the purchaser has fully paid any outstanding balance including interest. However, an audit examination of property files for Kwekwe District and Districts in Mashonaland East Province revealed that the Fund did not process title deeds for 261 houses for the year ended December 31, 2016. This was caused by inadequate supervision and monitoring by the relevant Ministry Officials.

Risk/Implication

The Fund's assets may be misstated due to delays in transferring title to the respective beneficiaries.

Recommendation

The Ministry should ensure adherence to the requirements of Clause 8 of the Agreement of Sale.

Management Response

The process of transfer of title deeds will depend on the purchaser's ability to clear outstanding rates before a rates clearance certificate can be issued.

Evaluation of Management Response

The Ministry should advise the tenants on the procedures to be followed for them to have title deeds processed.

1.3 Valuation of NHF properties Sold During the Zimbabwe Dollar Era but not paid up

Finding

In order for tenants to completely purchase properties bought in the Zimbabwe Dollar era, a valuation exercise had to be conducted to determine the outstanding amounts in the current reporting currency. I observed that the valuation exercise has not been conducted and tenants have since ceased paying. This was caused by management oversight. The outstanding amounts were not disclosed in the figure of \$1 589 475 shown as properties on course of sale.

Risks/Implications

The receivables may have been misstated in the financial statements.

Outstanding amounts may become irrecoverable due to lapse of time.

Recommendation

The Ministry should revalue all the NHF houses and recover all outstanding amounts from the tenants.

Management Response

Revaluation of property needs to have sales ledger updated to establish the outstanding capital balance. Currently staff employed at Provinces are Administration staff instead of Accounts staff. We will pursue in house training which may take a bit of time.

Evaluation of Management Response

The Ministry should expedite the exercise of revaluing the properties as it is long overdue.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Other Debtors-Advances to Appropriation and Other Fund

Finding

Treasury Instructions 1504 and 1506 state that Accounting Officers are responsible for the recovery of all advances, making arrangements for its recovery and for ensuring that the terms and conditions of the advance are complied with. They shall ensure that efficient controls and accounting records are maintained in respect of all advances. In addition, the National Housing Fund Enabling Act requires that monies spent by the Fund should be for the purposes stipulated in the Act, which are the provision or construction of housing for both to sell and lease.

Contrary to the above, I observed that the Fund advanced some money to Appropriation and to other Funds which were not being used for the purposes of the Fund. During the period 2015-2016 there was an increase of 82% of money advanced to the Appropriation of 82% from \$455 792 to \$829 685. Advances to Inter-funds increased by 6.5% from \$485 829 to \$517 767.

Risk/Implication

Outstanding amounts may become irrecoverable due to non-collection of debts which may result in the Fund failing to meet its operational objectives as enshrined in the Housing and Building Act [*Chapter 22:07*].

Recommendation

The Fund Administrator should recover or make arrangements for the recovery of advances in accordance with the requirements of Treasury Instructions 1504 and 1506.

Management Response

Funds are now managed through PFMS system, hence advances to Appropriation and other funds are now a thing of the past. However, monies that were borrowed will be reimbursed to the Fund when Treasury releases funds for Appropriation.

3 INVESTMENT

3.1 Revaluation of Property

Finding

The Fund is in the business of letting its properties to its employees and also construct properties for sale to its employees in compliance with section 15 of the Housing and Building Act [*Chapter 22:07*]. However, properties disclosed in the financial statements were last revalued in 2011 so as to meet the requirements for financial reporting. Since that time, the Fund did not make attempts to revalue its properties that are scattered throughout

the country. Revaluations were only done in Harare and Chitungwiza in 2016. Of concern was the authenticity of balances of properties for 2015 and 2016 respectively, shown in the financial statements as their source could not be established. This was contrary to the requirements of paragraph thirty-one (31) of International Accounting Standard Number 16 which requires that after recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

There were also no valuation regulations in place which give in detail the stage at which and when these revaluations should be done.

Risks/Implications

Government properties may be disposed of at a loss.

Sitting tenants may be over or under charged as other houses may not have all the necessary facilities.

The financial statements may be materially misstated.

Recommendations

Sale of properties should be done after a careful and critical revaluation.

Tenants should be charged taking into account the condition of the property they were going to occupy.

Revaluation should be done regularly to meet the requirements of generally accepted accounting practice in the absence of any prescribed rules.

Management Response

Revaluation of National Housing Fund and Housing and Guarantee Fund properties is in progress, and so far Manicaland Province has been completed. The remaining provinces will be revalued starting late 2019.

4 MANAGEMENT OF ASSETS

4.1 Failure to Act on Land Illegally Acquired by Private Developers

Finding

I noted that the Fund failed to take necessary measures on its pieces of land that were illegally acquired by private developers. These pieces of land were earmarked for the development of flats in Chitungwiza (Seke Unit B) and Harare (Tynwald and Willowvale).

The flats were at foundation level as indicated in the valuation report dated 23 August 2016. That was contrary to section 15(i) of the Housing and Building Act [*Chapter 22:07*] which requires the Minister to acquire land for the construction thereon of dwellings or other buildings or for the purpose of any scheme, and sell or otherwise dispose of such land. This was caused by Fund officials who did not take appropriate action on the illegal occupiers.

Risks/Implications

The Fund may be deprived of land meant for its housing schemes thereby failing to meet its mandate.

The Fund will lose revenue which should have accrued had the land been developed.

Recommendations

Efforts must be made to regularize the acquisitions.

The Government must be compensated for land value and development.

Management Response

Chitungwiza Municipality is erroneously claiming land at Seke Unit B Flats site on which the Ministry wanted to develop utilising the National Housing Fund some two (2) decades ago – over the years Treasury has consistently failed to provide funding for the project. The Ministry is engaging Council to desist from implementing any unauthorised development on same.

Evaluation of Management Response

The Ministry should provide evidence to the effect that it was engaging Council.

5 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

5.1 Transfer of Title Deeds

Regarding the issue of transfer of title deeds to respective beneficiaries for property numbers 13304/27/112 Odzi Flats, 993/15/182 Willowvale Flats, 991/7/53 Highfield Flats, 3942 Kuwadzana, 15190 Zengeza 4 and 992/27/209 Mufakose, audit had recommended that the Ministry should ensure adherence to the requirements of Clause 8 of the Agreement of Sale. The recommendation was partially implemented.

5.2 Overstatement of Rent Debtors

The Fund had an amount of \$22 281 classified as unknown deposits meaning that individual tenant rent cards had not been adjusted for payments made. Audit had recommended that the Fund should fairly present the state of rent debtors and appropriately adjust for the direct deposits made by tenants in their respective ledger cards. The recommendation is yet to be implemented.

STADIA REVOLVING FUND 2017

OBJECTIVE OF THE FUND

The objective of the Fund as established shall be to finance the costs of maintaining all Government owned stadia.

Qualified Opinion

I have audited the financial statements of Stadia Revolving Fund for the Ministry of Local Government, Public Works and National Housing. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	391 791
Expenditure	282 815
Surplus	\$108 976

Statement of Financial Position

Item	Asset (\$)	Liabilities (\$)
Non-Current	73 477	—
Accumulated Fund	—	508 584
Current	466 401	31 294
Total	\$539 878	\$539 878

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Stadia Revolving Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Chitungwiza Aquatic Complex Swimming Pools

Finding

State of the Swimming Pools

The objective of the Fund as established in the Fund's Constitution is to finance the cost of maintaining all Government owned stadia. Contrary to the above, I observed that

maintenance of Chitungwiza Aquatic Complex Swimming Pools was not being done so as to preserve the state of the existing infrastructure.

Risk/Implication

The Fund may lose revenue due to malfunctioning swimming pools.

Recommendation

The Ministry should take appropriate measures to ensure that swimming pools are functional in order to broaden its revenue base which could be generated from schools and the surrounding communities.

Management Response

The Ministry has for the past years been engaging the Ministry of Finance on funding of the Chitungwiza Aquatic Complex swimming pools. However, Treasury has failed to avail funding, the reason being that the type of works were of a capital nature and required huge amounts of money. The income generated from the Fund cannot finance the cost of \$1 000 000 required for the rehabilitation of the swimming pools. Meanwhile, the Ministry of Finance has promised to avail funding in the 2019 financial year.

(ii) Outstanding Reimbursements from Appropriation

Finding

I also observed that the Fund had outstanding advances amounting to \$287 211 which had not been reimbursed at the time of the audit. The Fund Administrators could afford to pay expenditure on behalf of the Appropriation Account although the objective of maintaining stadia was lagging behind due to lack of financial resources.

Risk/Implication

The Fund is failing to meet its goals and objectives as advances are not reimbursed on time.

Recommendation

The Ministry should take appropriate measures to ensure that resources are used for the objectives of the Fund and advances for any other purposes should be avoided in order for the Fund to fulfill the objectives for which it was created.

Management Response

The observation is noted. This is because of the shoe string resource envelop availed by Treasury to the Ministry. Management in most cases is forced to firefight and attend to sensitive urgent matters which are inescapable.

However, the Ministry managed to reimburse a sum of \$141 151 and the balance will be reimbursed as soon as Treasury avails funds.

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

1 GOVERNANCE ISSUES

1.1 Maintenance of Magamba Hockey Stadium

Finding

I observed that maintenance of infrastructure at Magamba Hockey Stadium had long been abandoned, water reticulation services were a challenge due to worn out water pipes despite the existence of two boreholes. In addition, there was a pile of old turf rubble which had never been replaced since the hosting of All Africa Games in 2005. This was caused by failure by the Management Committee in prioritizing maintenance of the said facility.

Risk/Implication

The Fund may lose potential revenue from schools in and around Harare and other potential clients who may be in need of such facilities.

Recommendation

The Ministry should take appropriate measures to ensure that Magamba Hockey Stadium is resuscitated as a reputable recreational institution which could be of benefit to members of the public as well as generating revenue to enhance the Fund's going concern.

Management Response

Infrastructure maintenance at the above Stadium has lagged behind due to the substantial amount required to restore the Hockey Stadium. The current estimated cost of maintaining the stadium is one million two hundred thousand (\$1 200 00) which the Fund cannot sustain.

However, the Ministry has engaged the Ministry of Finance and Economic Development for funding to resuscitate the stadium.

1.2 Chitungwiza Aquatic Complex Generators

Finding

Two generators at Chitungwiza Aquatic Complex which were meant to provide power to the entire complex in the event of load shedding or power outages, were not working. This was caused by oversight by those charged with the responsibility of ensuring repairs and maintenance of such critical assets are done timeously.

Risk/Implication

The Fund may lose potential revenue due to power outages or load shedding during events. Government property may be susceptible to theft due to power outages.

Recommendation

The Ministry should take appropriate measures to ensure that the generators at Chitungwiza Aquatic Complex are repaired as a contingent measure to mitigate power outage risks which can affect revenue during events at the complex.

Management Response

The batteries which were procured in 2015 are now flat because of continued non running of the generators. The District Public Works Officer will secure a specialist to service the generators.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS**2.1 Certificates of Completion on Contracted Work**

The Ministry is yet to implement the audit recommendation as it could not avail to audit an official document to substantiate its claim that there were instances where contracted work is not subject to a certificate of completion.

2.2 Revenue Recognition

The Fund did not improve as revenue realised in 2017 was only receipted in 2018.

VOTE 14. -HEALTH AND CHILD CARE

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry's mandate is to provide the highest standards of health care services to all Zimbabweans in line with the Primary Health Care approach as set out in the National Health Strategy.

Qualified Opinion

I have audited the financial statements of the Ministry of Health and Child Care for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year.

Voted Funds	Unallocated Reserve	Total Allocated	Expenditure	Net Under Spending
\$520 000 000	\$171 514 108	\$691 514 108	\$561 900 626	\$129 613 482

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Ministry for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Unauthorised Transfer of Funds

For the second year in succession, the Ministry made unauthorised transfers of funds amounting to \$26 140 865 from the Sub-Paymaster General Account into the Health Services Fund and Infrastructure Development Bank of Zimbabwe (IDBZ) Accounts. I was not availed with evidence of the written authority from Treasury. This contravened section 22(3) of the Public Finance Management Act [*Chapter 22:19*] and section 5 of the Appropriation (2018) Act, 2018. Consequently, I could not satisfy myself whether funds appropriated by Parliament were used for the intended purposes.

Risks/Implications

Failure to utilise funds as appropriated by Parliament and without Treasury authority may result in misappropriation of funds.

Recommendations

The Ministry should utilise appropriated funds in line with the provisions of the Appropriation Act.

Management Response

We have noted the observation. Due to the nature of our PSIP projects which extend beyond one financial year we had ring fenced the funds into our HSF Account. All payments from the transferred funds are for the said projects and documents are available for inspection. Management, as a commitment to accountability have through Ministry of Finance engaged IDBZ to manage our PSIP funds. This will result in us no longer using HSF Account to keep PSIP funds.

Evaluation of Management Responses

The written authority from Treasury to open the IDBZ Accounts and transfer funds were not availed.

(ii) Budget Amounts

I noted a variance of \$9 968 000 on the 2018 Ministry's budget figures. The Budget Estimates showed \$520 000 000 whilst the Appropriation Act had \$510 032 000. Ideally, the two sources should show the same amounts of the Ministry's budget. Further, the uploaded budget in the Public Finance Management System (PFMS) was different from the approved budget allocation. This was as a result of funds for capital projects being uploaded to incorrect programs. I was therefore unable to ascertain the correct amount of the 2018 Ministry's budget and whether it was allocated and expended correctly under each program.

Risk/Implication

Budget errors defeat the whole purpose of budgeting and this may result in the Ministry failing to plan, coordinate and control resource allocations.

Recommendation

The Ministry should effectively communicate with Treasury throughout the process of its budget preparation, approval and upload.

Management Response

We noted that the difference could have emanated from an additional Budget for Vehicle Loans for Doctors amounting to \$10million. This amount was neither supported by an Unallocated Reserve or a virement but the Ministry got it as an additional budget. The Ministry of Finance has agreed to prepare a document to support the amount. Also included in this difference could be \$32 000 for Program 3 Sub Program 5, Monitoring and Evaluation, which the Ministry did not include in their books as there was no communication to this effect.

Due to the changes that were done on PFMS in 2018, the budget General Ledgers were changed more than three times. It was during this movement that the error occurred and the cost centres quoted for most of the Programs were defaulted to Administration and General. By the time we realised that the Budget movement was incorrectly done, reversals were not possible as the bank statement had already been cleared. We also felt that this could have created more errors.

(iii) Unsupported Expenditure

Section 81 (b) (iii) of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with Treasury Instruction 1216 requires expenditure to be supported by receipts, goods received vouchers, invoices or any proof of payment. Contrary to these regulations, the Ministry failed to support payments amounting to \$9 039 850. Payments amounting to \$5 548 985 related to set off payments that were made by Treasury on behalf of the Ministry whilst payments amounting to \$3 490 865 related to expenditure that was incurred in years 2012 to 2015.

Risk/Implication

Failure to obtain supporting documents may result in fraudulent transactions being processed without detection. Without proof of payment there will be no evidence that the service providers cleared the Ministry's debts.

Recommendation

The Ministry should adequately support all payments.

Management Response

The observation has been noted. We have distributed confirmation letters to each hospital that received set offs. Accountants have been tasked to collect receipts and also ensure that accounts are credited with the respective amounts. The target approach payments that date back from 2012 had been provided for in our 2018 budget request. All supporting documents paid are available for inspection.

Evaluation of Management Response

Supporting documents were not availed up to the time of completing the audit.

(iv) Unallocated Reserves

There was a variance of \$1 724 829 between the Unallocated Reserves (URs) transfer figure disclosed in the Ministry Appropriation Account and Treasury records. According to the schedule from Treasury, URs amounting to \$169 789 279 were transferred to the Ministry. However, the Ministry confirmed having received \$171 514 108 through the PFMS. The variance has not been reconciled. The Ministry failed to obtain and keep URs letters making it difficult to confirm completeness and accuracy of the total amount of URs transferred to the Ministry during the year under review.

Risk/ Implication

The Appropriation Account may be misstated.

Recommendation

The Ministry should liaise with Treasury so as to reach a consensus on the unallocated reserve amount for 2018. The Ministry should maintain records of UR letters so as to keep track of the total balance of UR transfers.

Management Response

We noted the variance. We are currently engaging Treasury as we have noted that the System figures have not been static from the time we prepared our accounts to date. We have requested for any possible additional UR letter to explain the differences.

(v) Variance on Employment Costs

The Ministry failed to carry out monthly salary bill reconciliations as indicated in the Treasury Circular (Ref B/1/88) dated June 5, 2018. The circular stated that all Ministries were to carry out monthly reconciliations between Salary Service Bureau (SSB) payroll bill and the PFMS. As a result, I noted a variance of \$1 289 732 between SSB and PFMS employment costs. The submitted Appropriation Account had total employment cost of \$438 692 672 while the SSB records showed \$439 982 404. I was therefore unable to confirm the accuracy of the employment costs of the Ministry.

Risk/Implication

Failure to carry out monthly salary reconciliations may result in the Ministry failing to detect misappropriations or fraudulent activities.

Recommendation

The Ministry should carry out monthly reconciliation for employment costs, investigate any variance and take corrective action.

Management Response

Audit observation noted. It is confirmed that monthly reconciliations were not done as directed by Treasury. The reconciliations will be done with effect from June 2019 for all payments for 2019.

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

1 PROCUREMENT

1.1 Outstanding Creditors' Amounts

Findings

According to the Ministry's creditors' list as at December 31, 2018 an amount of \$40 805 807 (2017: \$48 304 527) was owed to various suppliers. Although the Ministry managed to clear \$7 498 720 during the year under review, the un-cleared balances negatively affected service delivery. The Ministry failed to continue to procure required quantities of goods and services from the same suppliers.

The Ministry failed to validate the accuracy and completeness of outstanding creditors' amounts due to lack of supporting records such as creditors' ledgers, creditors' statements, payment vouchers, invoices, and creditors' reconciliations. Out of the eight provincial hospitals only three confirmed their creditors' balances as at December 31, 2018. However, there were variances between the confirmed amounts and the amounts shown on the creditors' list. I was therefore not able to authenticate the accuracy and completeness of the outstanding creditors' amount disclosed on the creditors' list availed for audit.

Risks/ Implications

If suppliers of goods and services refuse to do business with the Ministry, service delivery may be impacted.

Failure to carry out reconciliations may result in processing dual payments and or billing errors may not be detected timeously. The outstanding creditors' amount might be misstated.

Recommendation

The Ministry should ensure that supporting records such as creditors' ledgers are maintained and that creditors' reconciliations are done as a control mechanism to verify the accuracy and completeness of outstanding creditors' payments.

Management Response

The creditors' submission comes to Head Office as raw data. There is no system to capture creditors, no recommended template and agreed cut off period. We note that some Provincial Hospital submitted to auditors totally different figures from what they had submitted to Head office in December which is also different from what they submitted in April when circularisation was spearheaded by a project under World Bank. Other health institutions recognise creditors as soon as they get a service while others after 30 days or 90 days. Until a proper SAP system is introduced, the variations may always be there. We therefore, adopt what has been submitted to Head Office as the correct position of creditors.

2 EMPLOYMENT COSTS

2.1 Human Resources Management System

Finding

My analysis of the Outstanding Disallowances returns submitted for audit indicated weakness of controls on the recruitment and termination processes of the Ministry's human resources management system. As at December 31, 2018 the Ministry had outstanding disallowances amounting to \$653 353. I noted that disallowances related to overpayment of salaries and allowances to employees and late notification of terminations, resignations, deaths and suspensions. Overpayment of salaries and allowances constituted 69% whilst late notifications constituted 31% of the total disallowances raised.

Risk/Implication

Weak internal controls in processing terminations and recruitments may cost the Ministry as fraudulent activities could be perpetrated. Also the Ministry's payroll could inadvertently have ghost employees.

Recommendation

The Ministry should implement a sound payroll and human resources management control system to prevent and detect payroll errors and fraud. This includes coordination of human resources activities across provinces and districts, use of Provincial and District Public Service Commission offices to process payroll adjustments and the utilisation of the Public Finance Management System's Human Resources Management Module.

Management Response

Disallowances caused by payment of wrong allowance is beyond Human Resources' control as the payroll is managed by SSB. Once SSB processes a wrong allowance the correction of the transaction will result in a disallowance being raised for the wrong allowance which has been paid. There are five specific allowances which members receive and a member is entitled to only one of the five and when these allowances were introduced in April 2018 a lot of omissions and errors were made by SSB hence a lot of disallowances were raised. Since the payroll is managed by SSB errors and overpayments are detected during the pay sheet acquittal hence disallowances are then raised. The HR Directorate will continue to engage SSB through monthly meetings with a view to addressing disallowances raised through payment of wrong allowances. Efforts are being made to ensure that overpayments which cannot be recovered from terminal benefits are followed up through the institutions.

3 MANAGEMENT OF ASSETS

3.1 Maintenance of Motor Vehicles

Findings

The Ministry failed to pay service providers for the repair of broken down motor vehicles. According to the Ministry's motor vehicle register, 19 motor vehicles were at various garages country wide. I was not provided with details of when the motor vehicles were sent for repairs, the nature of repairs and amounts owing to the service providers. Also there was no evidence of follow up by the Ministry to check on the safety of motor vehicles at the garages.

In addition, my examination of the motor vehicles register revealed that the Ministry had 82 motor vehicles which have been non-functional for long periods of time. There was no evidence that boards of survey were conducted to determine whether the motor vehicles were still serviceable or not. This was contrary to Treasury Instructions 2006 and 2007 which require that in the case of redundant assets, inquiries shall be made of other departments likely to be interested in them and those assets which are not disposed of in this manner shall, together with unserviceable assets, be considered for disposal.

Risk/Implication

Motor vehicles might be vandalised or have their parts stolen if they are left at garages for long periods of time.

Recommendation

Ministry should conduct boards of survey to establish non-serviceable motor vehicles which might need to be disposed of.

Management Response

Matabeleland North: Motor Vehicles GHCW 659 and GHCW 1457 are at Univik and Nissan Clover Leaf respectively. The vehicles were sent during the Target Approach Programme and since then funds have not been availed to pay for services rendered. Truck GHCW 1570 for Binga District was serviced and returned back to the hospital.

Evaluation of Management Response

Other health institutions have not responded to the issue of motor vehicles at garages. Furthermore, management did not comment on the issue of boards of surveys.

4 SERVICE DELIVERY

4.1 Ambulances

Finding

Section 3 (2) (b) of the Public Health Act [*Chapter 15:09*] states that the functions of the Ministry shall, amongst other responsibilities be to promote the public health, and the prevention, limitation or suppression of infectious and contagious diseases within Zimbabwe. In order for the Ministry to promote public health it requires ambulances to provide transport to patients. My examination of the asset register for the Ministry however, revealed a constraint in the provision of transport to patients around the country. As at December 31, 2018 the Ministry had 282 ambulances and out of the 282 ambulances, 134 (48%) were functional whilst 148 (52%) were non-runners.

Risk/Implication

Failure to have adequate number of functional ambulances negatively affects service delivery as patients are not transported on time.

Recommendation

The Ministry should continue to source funds to repair and acquire ambulances in order to improve service delivery.

Management Response

The Ministry is aware of the inadequacy of the ambulances in the health delivery system. This inadequacy is due to the current economic situation prevailing in the country which has affected the disbursement of financial resources from Treasury to the Ministry. Despite this lack of financial resources to buy ambulances the Ministry had approached different partners to assist in this endeavour. The Ministry has also continued to engage Ministry of Finance who have agreed to finance the purchase of ambulances in batches. The Ministry has already floated a tender.

5 IMPLEMENTATION OF GOVERNMENT PROGRAMMES

5.1 Monitoring and Evaluation of Programmes

Finding

The Ministry reported achievements in 2018 for Public Health (Programme 2) and Primary Health Care and Hospital Care (Programme 3). Achievements stated by the Ministry included free dialysis services at all central hospital, free cervical cancer screening for women across the country, finalisation of the Maternity waiting homes guidelines and free blood for all patients at all public health institutions. However, supporting evidence for example statistics and information on interventions/efforts, costs, output, percentage of achievements and the resultant impact were not provided to support these stated achievements. This was because of failure by management to coordinate the reporting of

departmental performance and consequently avail the 2018 Departmental Integrated Performance Assessments (DIPAs). I was therefore unable to confirm the accuracy of the stated achievements.

Risk/Implication

In the absence of health statistics and performance assessment reports, it is difficult to monitor and evaluate performance and usage of resources.

Recommendations

The Ministry should consider linking targets, indicators and outputs for Sustainable Development Goals (SDGs) and Budget Estimates to the targets, indicators and outputs indicated in National Health Strategy so as to enable channelling of efforts and resources.

DIPAs should be prepared and statistics to support outputs be readily available.

Management Response

2018 performance reports available are from the programs and departments namely; Reproductive, Maternal, New-born and Child Health (RMNCH), Malaria, HIV, Tuberculosis, Exocrine pancreatic insufficiency (EPI), Environmental Health, Nursing Directorate, Human Resources, Pathology and Mental Health. The performance reports are not complete because major components are missing, and therefore no consolidated 2018 report. There is nothing on infectious diseases, Non-communicable diseases (NCDs), Oral health, because we still await their submissions.

We are not able to supply information on program performance against budget, because we also have not yet received the Finance and Administration 2018 report.

Evaluation of Management Response

If the performance reports were not complete and a consolidated report not prepared, then the authenticity of the stated 2018 achievements is doubtful.

5.2Public Sector Investment Programmes

Finding

The Ministry had Public Sector Investment Projects (PSIPs) which have gone for more than ten (10) years without being completed. The projects have exceeded their planned dates of completion and these include construction of the Lupane Provincial Hospital, Hwange District Hospital, Mortuary at Harare Hospital and Hwange District Phase II. Reasons cited included lack of funding resulting in contractors withdrawing services. As a result of the delays, these projects have not provided economic value to the health delivery system.

Risk/Implication

Delays in the completion of critical infrastructure have negatively impacted on the health delivery system and the delays may also result in cost overruns.

Recommendation

The Ministry together with Treasury should prioritise projects and avoid implementing many projects at once which may require huge capital outlays. Also when PSIP funds are disbursed they should be utilised as planned to avoid depletion of value.

Management Response

The recommendation is noted and agreed to. Further to that, the mentioned projects stalled mainly because of poor macro-economic environment. During the dollarisation era the Ministry prioritised on projects near completion i.e. Zvishavane OPD and CSSD, St Lukes Admin Block, Zumba RHC and Gandavaroyi RHC, Rusape OPD and Mahusekwa Hospital. We note the recommendation that Treasury should priorities projects and avoid implementing many projects at once. However, this may be difficult due to the nature of our Ministry. This will result in neglecting some areas as we pursue to complete long projects.

6 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

6.1 Unauthorised Transfer of Funds

The Ministry continued to transfer funds into the Health Services Fund Account without Treasury authority.

6.2 Unallocated Reserves

The variance of \$48 734 583 between the Unallocated Reserve transfer figure disclosed in the Ministry Appropriation Account and Treasury records was not uploaded on the Public Finance Management System and accounted for.

6.3 Temporary Deposit Account

The Ministry continue to face challenges in clearing the Temporary Deposit Account. In 2018 they managed to clear an amount of \$13 717.

6.4 Outstanding Payments to Suppliers of Goods and Services

As at December 31, 2018 total creditors amounted to \$40 805 807 (2017: \$48 304 527) indicating a 15% decrease from 2017 amount.

6.5 Receipts and Disbursement Return

The Ministry continued to fail to receipt all direct deposits due to unavailability of adequate information that is required when receipting revenue.

6.6 Unsupported Expenditure

The Ministry has not made efforts to get supporting documents for set off payments.

6.7 Outstanding Revenue

Outstanding Revenue for the Ministry continue to increase. During the year under review total outstanding revenue for the Ministry amounted to \$1 155 549 (\$925 315).

HEALTH SERVICES FUND 2017

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.

Qualified Opinion

I have audited the financial statements of Health Services Fund for the Ministry of Health and Child Care. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	16 951 848
Expenditure	12 459 723
Surplus	\$4 492 125

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	-	-
Accumulated Fund	-	31 905 405
Current	32 080 339	174 934
Total	\$32 080 339	\$32 080 339

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Health Services Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Recovery of Debtors

Findings

The debtors figure continued to accumulate standing at \$30 807 577 (2016: \$26 933 205) translating to a 14% increase. Despite follow ups and engagement of debt collectors which

assisted in recovery of debts, the debtors' figure remained significant. Some of the debtor's dated back to the 2009 financial year. In addition, the Ministry failed to write off debtors who had proved to be irrecoverable contrary to provisions of section 6.11 of the Fund's Financial and Accounting Procedures Manual which details steps to be followed when writing off bad debts.

Furthermore, Mashonaland East Provincial Medical Director's Office, Gutu District, Mutare Provincial and Rusape General Hospitals had sundry debtors amounting to \$20 143. The sundry debtors' amounts constituted salaries advanced to members of staff and had not been recovered since the 2011 financial year. I was not availed with the supporting documents or debtors' ledgers to show details of the debtors amounting to \$12 750. This was contrary to section 44 (b) (i) of the Public Finance Management Act [*Chapter 22:19*], which requires that an Accounting authority for a public entity take effective and appropriate steps to collect all revenues due to the public entity concerned.

Risk/Implication

If debtors remain outstanding for a very long time the amounts may not be recovered at all and the inclusion of unrecoverable debts or bad debts in the debtors' amount overstate the current assets of the Fund.

Recommendation

The Ministry should engage Treasury on the issue of long outstanding debtors and bad debts.

Management Response

It is agreed that the debtors date back to 2009. Recovery from the debtors has proved to be a challenge as some debtors have passed on while others have no traceable references. The Ministry is in communication with the Ministry of Finance on the issue of writing off bad debts.

(ii) State of Accounting Records

Findings

Section 11.5 of the Financial and Accounting Procedures Manual prescribes month end procedures for general ledgers and financial statements. However, Chegutu District Hospital, Marondera Provincial Hospital, Mashonaland East Provincial Medical Director's Office and Murewa District Hospital did not follow these prescribed procedures. The institutions did not maintain general ledgers and as a result failed to prepare trial balances to support the amounts disclosed in the financial statements.

Further to the above, I noted variances between amounts disclosed in the PMD's financial statements and the respective provincial and district hospital financial statements in Matabeleland South, Midlands and Mashonaland West Provinces. Therefore, I was not able to determine the completeness and accuracy of the amounts disclosed in the financial statements submitted for audit. The net effect of the variances was as follows:

	\$
Income understated by PMDs	242 194
Expenditure overstated by PMDs	70 339
Current Assets overstated by PMDs	684 908

Risk/Implication

Without ledger accounts and a trial balance, financial statements transactions may contain inaccurate information and failure to properly consolidate financial statements at provincial level may negatively impact on the accuracy of the Fund's financial statements.

Recommendation

The Ministry should ensure that ledger accounts are maintained so that transactions and significant events are recorded and classified to ensure completeness and reliability of financial statements and there should be constant coordination between the Provincial and the health institutions' Accountants when preparing financial statements before their final submission to Head Office for consolidation.

Management Response

The issue of ledgers at Mashonaland East PMD's Office, Chegutu District, Marondera Provincial, and Murewa District Hospitals has been noted. The Ministry is making efforts to ensure that ledgers are maintained at the institutions. Marondera Provincial Hospital has ledgers in place and they are being updated.

The variances noted in Matabeleland South, Midlands and Mashonaland West were as a result of adjustments made by the PMD's Office and not communicated to the respective Provincial and District Hospitals. The Ministry is in the process of verifying the figures and rectifying the anomalies. It was also resolved that all figures be confirmed by both the PMD's Office and the hospitals before final submission of reports by the Provincial offices to the Head Office.

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

1 GOVERNANCE ISSUES

1.1 Fuel Management

Findings

I noted that there were weaknesses in the internal control system for management of fuel. Health institutions namely Beitbridge District, Chinhoyi Provincial, Murewa District, Gweru Provincial and Zvishavane District Hospitals did not properly account for fuel. Consequently, I could not satisfy myself whether the fuel procured by the institutions was used for the intended purposes.

Furthermore, Murewa District Hospital, issued fuel amounting to 590 litres without authority. The fuel request forms were not authorised and details of issued by, designation of issuing officer, amount issued and mileage to be covered were not filled. This was as a result of lack of adequate controls on fuel management.

There were also no fuel requests availed for my inspection to support 185 litres of fuel valued at \$226 which was issued to various motor vehicles at Murewa District Hospital. This was contrary to the requirements stated in the Ministry of Health and Child Care Transport Policy on fuel which stipulates that allocation of fuel should be made upon request.

Gweru Provincial, Zvishavane District and Chinhoyi Provincial Hospitals failed to record in the respective log books a total of 105 litres of petrol valued at \$137 and 477 litres of diesel valued at \$587 upon issue. This was also as a result of lack of supervisory checks by a senior person.

Risk/Implication

Violation of set controls for maintaining proper fuel registers, log books and authorisation of fuel requests could result in theft and abuse of fuel.

Recommendation

Hospital institutions should abide by the set procedures that are meant to ensure efficient and transparent fuel management. The Ministry should regularly review and supervise fuel management activities to ensure proper accountability.

Management Response

The anomaly on fuel which was not entered in log books has been noted and will be rectified. Also supervisors were instructed to carry periodic checks on fuel records.

1.2 Creditors' Claims

Findings

There were claims made against Rusape General Hospital that amounted to \$29 823 from various service providers. However, the institution had no records to support the amounts that were being claimed.

In addition, the hospital's motor vehicle, a Toyota Land Cruiser registration number GHCW0832 was attached by the messenger of court after the hospital had failed to pay a service provider for a prior period debt amounting to \$9 475. I was unable to ascertain the origins of the debt and the period the debt was incurred due to the absence of supporting documents. This was as a result of the institution's failure to maintain creditors' records and other important information.

Risk/implication

The hospital may continue to lose valuable assets through court litigations that would impact negatively on service delivery if it fails to honour its obligations with service providers.

Recommendation

The Ministry should settle payments to its creditors in time to avoid losing assets through court attachments and should also engage the Attorney-General's Office for legal assistance in issues that require legal advice.

Management Response

Flatbridge and Avett Medical claimed to have rendered services to the hospital but there are no records to support the deliveries. We have engaged the Attorney General's Office with regards to the Flatbridge issue. We are currently looking for supporting documents for Avett Medical. We have been processing payments to Farlaam on a regular basis in an effort to offset the debt.

2 PROCUREMENT

2.1 Prepayment of Medical Supplies

Findings

Mutare Provincial Hospital purchased two syringe infusion pumps from a supplier at a cost of \$3 700 on November 15, 2017 and as at the time of concluding the audit (October 5, 2018), the pumps had not been delivered. There was no evidence to show the Hospital's efforts in following up on the matter except for an e-mail dated October 4, 2018 showing communication between the Hospital and the supplier in which the supplier acknowledged receipt of the funds but requested to reproduce the order and the tender document. Contrary to the requirements of Treasury Instruction 0408 which stipulates that payments required for goods consigned but not received at the time payment is made shall be recorded in a register, this was not done. The register shall be examined at least once a month and at year end and un-cleared items shall be thoroughly investigated.

In addition to the above, Rusape General Hospital did not maintain a prepayments register for the purpose of maintaining records for medical supplies. The Hospital did not reconcile medical supplies delivered with those that were paid for. The hospital received fewer quantities of medical supplies than the quantities actually paid for. There was no evidence to show that the Hospital was following up on the variations between medical supplies paid for and those that were actually delivered.

Risk/Implication

Fraudulent activities may be perpetrated and the Hospital may lose funds if goods and services are paid for in advance and not delivered as per contract of sale.

Recommendation

The Hospital should maintain a prepayments register, reconcile all deliveries made for medical supplies and medical equipment paid for in advance and make a follow up on all outstanding deliveries.

Management Response

The supplier applied for foreign currency allocation for use in the procurement of the Infusion Pump but up to the date of audit the supplier had not yet been allocated the foreign currency. The Hospital cancelled the order and requested return of funds.

The Ministry pays National Pharmaceutical Company of Zimbabwe (Natpharm) prices presented on the quotations, however by the time the payment is made the medical supplies will be out of stock. When the consignment is delivered the prices would have increased resulting in a mismatch between quantity on quotation and on invoice. The prepayment book is now in place and mechanism to follow unsupplied goods have been put in place.

2.2 Unsupported Expenditure

Finding

Five health institutions namely Rusape General, Chegutu District, Chinhoyi District, Gweru Provincial Hospital and Zvishavane District Hospitals incurred expenditure amounting to \$69 635 that was not adequately supported by source documents such as three competitive quotations, procurement committee minutes and comparative schedules. This was contrary to the provisions of section 5 (1) of the Procurement Regulations of 2002 read in conjunction with Treasury Instruction 1005 (3). Consequently, I was unable to determine whether the purchases were made to the best economic advantage of the Ministry.

Risk/Implication

If purchases are done without following procurement procedures, goods and services may not be obtained from the most competitive suppliers which could result in wasteful expenditure and uneconomic buying.

Recommendation

The Ministry should ensure that procurement procedures are adhered to when procuring goods and services and ensure that they are sourced from the most competitive suppliers to avoid wasteful expenditure. The Ministry should ensure that all supporting documents are attached to payment vouchers.

Management Response

Most of the invoices were available in the Administration departments and were not attached to the payment documents. The invoices and other relevant documents are now attached to the payment document and emphasis was put on ensuring that in future all supporting documents are attached to the payment vouchers.

3 SERVICE DELIVERY

3.1 Status of Service Delivery

Findings

Section 3 (2) (b) of the Public Health Act [*Chapter 15:09*] states that the functions of the Ministry shall, subject to the Act, be to promote the public health, the prevention, limitation and suppression of infectious and contagious diseases within Zimbabwe. However, service delivery continued to be a challenge at most of the institutions as a result of lack of resources such as medical equipment, infrastructure, ambulances, reagents and medical personnel. The table below shows the affected hospitals.

HEALTH INSTITUTION	SERVICE AREAS AFFECTED								
	Maternity Ward	Ambulances	Mortuary	Water and Sanitation	Renal Unit	X-Ray	Theatre	Laundry	Laboratory
Chinhoyi Provincial Hospital						√			
Chegutu District Hospital		√	√					√	
Murewa District Hospital		√	√				√		
Gwanda Provincial Hospital		√							
Beitbridge District Hospital	√	√		√					
Marondera provincial Hospital	√		√	√	√	√			
Masvingo Provincial Hospital	√		√		√	√			√
Mutare Provincial Hospital	√				√		√		√
Rusape General Hospital	√		√	√				√	

Key

√- Service available

Blank box- Service not available

In addition, the specialist units of the Masvingo Provincial Hospital (MPH) lacked sufficient number of skilled personnel. The Hospital required personnel with specialised skills to deliver its mandate in an efficient and effective manner. As at September 26, 2018 the Hospital had an approved establishment of 731 staff members but only 589 of the positions were filled resulting in a shortfall of 142 (19,43%) of the approved establishment.

Risk/Implication

If Hospitals operate without adequate equipment, infrastructure, ambulances and medical personnel, they may negatively affect service delivery which then would result in loss of human life.

Recommendation

The Ministry should lobby for financial resources required to refurbish health institutions' infrastructure, repair non-functional equipment and acquire ambulances so as to enhance service delivery. Staff establishments for health institutions should be reviewed to cater for shortages by engaging the Health Services Board and Treasury.

Management Response

All posts are not filled due to the freeze on recruitment across Government Ministries. Both the Health Services Board and the Ministry will continue to lobby Treasury for concurrence to fill vacant critical posts and create an establishment for specialist nurses. Efforts will also continue to be made to encourage Provincial Hospitals to recruit specialist doctors.

Lack of financial resources in particular the availability of foreign currency to import spare parts is the major drawback on the issue of repairing non-functional and or acquiring equipment as well as maintain dilapidated infrastructure. However, we will continue to engage other partners such as Global Fund to continue supporting our efforts to re-equip. We have also managed to access the Health Levy Fund which is set to procure critical medical equipment worth over US \$6million.

3.2 Vital, Essential, Necessary (VEN) Medicines

Findings

Health institutions are required to use the Vital, Essential and Necessary (VEN) monitoring tool to measure medicines availability under the three classes of vital, essential and necessary medicines. This tool is a formulated excel worksheet which automatically calculates the VEN status as information about medicine availability is entered. The following institutions namely Mutare Provincial Medical Director's Office, Rusape General, Mutare Provincial and Murewa District Hospitals did not avail for audit inspection, the VEN status reports for the year under review. Therefore, I was unable to ascertain the VEN status of the health institutions that is, the availability of such drugs.

Contrary to Zimbabwe National Medicines Policy of 2011 that requires highest possible availability of VEN medicines to sustain a health institution for four months at any given time, Gwanda Provincial, Beitbridge District, Gweru Provincial and Zvishavane District Hospitals had below minimum order levels while some medicines were out of stock.

Risks/Implications

Failure to prepare and maintain VEN status reports may result in the health institutions having over or under stocks of such medicines. It may also lead to failure to plan stocks of critical medicines that would be required by the health institutions and affect service delivery.

Recommendation

Management of the health institutions should monitor and enforce the preparation and maintenance of VEN stock reports. The Ministry should prioritise procurement of VEN medicines to improve effectiveness of service delivery.

Management Response

Medicines Information System (MIS) forms are expected to be completed by all facilities monthly for aggregation to produce a consolidated Provincial and National stock status report. The MIS forms capture availability of medicines by categories of VEN. The Ministry has revised and standardised the MIS forms for District, Provincial and Central Hospital levels to allow ease of consolidation. Institutions have been trained in the use of the forms and reporting monthly.

Based on the Ministry continual medicines availability monitoring activities, the country has maintained an average stock status of 53% against a set target of 80%. This is largely due to the fact that the requirements for medicines are not fully funded. The 53% is mainly attributed to funding from international partners for Contraceptives, ARVs, Tuberculosis and Malaria medicines. Inadequate funding is mainly for medicines for non-communicable diseases such as diabetes, cancer and hypertension. The resources received under local support from Government of Zimbabwe, National AIDs Trust Fund and Health Levy have not been backed by adequate foreign currency.

4 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

4.1 Recovery of Debtors

The recovery system remained ineffective as the debtors' figure continued to increase. It has increased by 14% from \$26 933 205 to \$30 807 577 during the year under review.

4.2 Purchases Made Without Following Procurement Procedures

The issue of unsupported expenditure was not resolved as Rusape General Hospital, Chegutu District Hospital, Chinhoyi District Hospital, Gweru Provincial and Zvishavane District Hospital incurred expenditure that was not adequately supported by source documents during the year under review.

4.3 Irregular Expenditure

Mashonaland East Provincial Medical Director's Office continued to incur accommodation expenditure for doctors who were also being paid housing allowances.

4.4 State of Accounting Records

The issue of institutions failing to maintain ledger accounts and consequently prepare trial balances to support the amounts disclosed in their financial statements was not resolved. Also, variances were noted between amounts disclosed in the Provincial Medical Director Offices' financial statements and the respective Provincial and District Hospital financial statements.

4.5 Fuel Management

The issue was not fully addressed as Murewa District, Zvishavane District and Gweru Provincial Hospitals failed to properly account for fuel procured.

4.6 Service Delivery

Service delivery remained a challenge at health institutions due to lack of medical equipment, medical staff, ambulances, water, sanitation and infrastructure.

4.7 Management of Assets

The condition of Motor vehicles and ambulances at health institutions did not improve.

4.8 Public Private Partnership Contract

Marondera Provincial Hospital had not benefited from the Public, Private Partnership contract it entered with Doves Funeral Services (Pvt) Limited. There were neither profit shared nor installation of new refrigerators as was agreed in the contract.

4.9 Medicines Management

Vital, Essential and Necessary medicines continue to be out of stock with some institutions having below minimum order levels of the medicines.

VOTE 15. -PRIMARY AND SECONDARY EDUCATION

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry's mandate is to provide quality, inclusive, relevant and competent driven infant, junior, secondary and non-formal education.

Opinion

I have audited the financial statements for the Ministry of Primary and Secondary Education for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year.

Voted Funds	Unallocated Reserve Transfer	Total Allocated	Expenditure	Net Underspending
\$905 593 000	\$125 231 784	\$1 030 824 784	\$1 011 646 239	\$19 178 545

In my opinion, the financial statements present fairly, in all material respects, the financial performance of the Ministry for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Supply Grant from Retention Funds

The Ministry did not disclose in the Appropriation Account an amount of \$29 890 000 that was provided for through the Appropriation (2018) Act, 2018, as a supply grant from retention funds. Consequently, the reported budget provision for the Appropriation Account was understated by the same amount. The Ministry did not also indicate by way of a note how much of the \$29 890 000 had been expended through the Retention Funds.

Risk/Implication

The financial statements were misstated and could eventually mislead management decision making processes as well as users thereof.

Recommendation

The Ministry should liaise with Ministry of Finance and Economic Development to get guidance on how Supply Grants from Retention Funds are to be reported upon, to ensure completeness of financial information.

Management Response

Management is still to respond.

1.2 Risk Management Policy

Finding

The Ministry did not have a documented and approved risk management policy, a tool that is used to identify and mitigate possible risks in its operations. Furthermore, there was no documentary evidence that any risk assessments were carried out during the year under review. The tenets of good corporate governance practice require that there should be a documented and approved risk management policy.

Risk/Implication

In the absence of a clearly documented and approved risk management policy, the Ministry would be susceptible to numerous risks like fraud which could negatively impact on its performance.

Recommendation

Priority should be given to come up with a documented and approved risk management policy in conformity with good corporate governance practice.

Management Response

The Ministry has taken note of the observation and will put in place a team to develop a Departmental Risk matrix, that will be used to develop a Ministry Risk Management Policy. The necessary assistance from Treasury will also be considered.

1.3 Audit Committee

Finding

The Ministry appointed an Audit Committee on September 25, 2017, to monitor its financial reporting, internal control systems, risk management systems and the internal and external audit functions as spelt out in the Public Finance Management Act. There was no evidence in the form of minutes of meetings or attendance register that the Audit Committee met and deliberated on its mandate. Public Finance Management Act [*Chapter 22:19*] section 84(1) and (2) require that every Ministry and government department establish an Audit Committee to periodically review internal controls and also recommend appropriate action to be taken by the responsible authorities.

Risks/ Implications

Absence of an effective Audit Committee may compromise the effectiveness of the internal controls and that of the Internal and External Audit functions.

Further, audit issues may remain unresolved for long periods of time.

Recommendation

The Accounting Officer should make follow-ups on appointed members so that the Audit Committee can start functioning in order to add value to the organisation.

Management Response

We concur that the Audit Committee which had been appointed did not meet, because its membership had been disturbed partly by promotion of the chairperson to Secretary of a Ministry and another retiring from service. The Ministry will propose an alternative Audit Committee to Treasury.

1.4 PROGRAMME IMPLEMENTATION

The Ministry received funds amounting to US\$6 090 000 to procure books for the Curriculum Development and Technical Services. However, the Ministry failed to buy the books, but used the funds on other purposes. I was not able to ascertain how the curriculum was implemented without the required materials.

Risks/Implications

The Ministry might fail to achieve Sustainable Development Goal number 4, which seeks to ensure inclusive and equitable quality education and promote life- long learning opportunities for all.

The budgeting process is rendered ineffective when funds for that particular year are not utilised as per the budget dictates.

Recommendation

The Ministry should put mechanism in place to ensure that funds availed for a specific programme are utilised for that purpose.

Management Response

The initiating Department delayed in making its request because some books for new competence based curriculum were not yet on the market.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Long Outstanding Revenue

Finding

Revenue from Departmental Surcharges, Treasury Orders, Penalties and Fines some dating as far back as 2009 remained uncollected and the cumulative effect of such non collections prejudiced the State of a total amount of \$2 455 872. Treasury Instruction 0501 stipulates 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. The Ministry's debt recovery system remained ineffective. There was no evidence that dunning processes were in place to recover the outstanding revenue. The same issue was raised in my previous audit report.

The breakdown of outstanding revenue is as follows:

Revenue Head	Amount(\$)
Departmental Surcharges	2 408 658
Penalties and Fines	30 499
Treasury Order	16 715
Total	\$2 455 872

Risks/Implications

Failure to collect revenue adversely affects service delivery within government departments due to strained financial resources.

Failure to recover outstanding revenue would lead to loss of state funds which is needed to boost the government's operations.

Recommendations

The Ministry should continue to pursue the recovery of the long outstanding departmental surcharges with Pensions Office.

Effective measures should be put in place to monitor revenue collection.

Management Response

Penalties, Fines and Departmental Surcharges recoverable by Ministry are affected by the fact that they relate to members who will have already left service. The processes to institute recovery take long such that by the time the instruction to recover is released, the member's last known address will have changed. Most letters of demand are never responded to. The Civil Division of the Attorney General is no longer engaging on amounts below \$500 because of the cost benefit analysis.

EDUCATION MATERIALS DISBURSEMENT FUND 2017

OBJECTIVES 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.

Opinion

I have audited the financial statements of the Education Materials Disbursement Fund for the Ministry of Primary and Secondary Education. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	92 614
Expenditure	72 466
Surplus	\$20 148

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	2 158	-
Accumulated Fund	-	51 260
Current	146 144	97 042
Total	\$148 302	\$148 302

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are other issues noted during the audit:

1 GOVERNANCE ISSUE

1.1 Book Evaluators

Finding

There was no evidence that the Ministry evaluated the book evaluators' qualifications, competencies and experience. Book evaluators consist of teachers and other professionals. Good accounting practices require the Ministry to assess the book evaluator's abilities and competencies before awarding them any contract to perform a service. The anomaly can be attributed to the absence of a documented policy framework guiding staff members on procedures to be followed when engaging evaluators.

Risk/Implication

The quality of the books published for pupils may be compromised if competency evaluations are not done.

Recommendations

The Fund management should provide evidence for my audit purposes demonstrating that the book evaluators appointed were assessed.

A documented policy framework guiding staff on procedures to be followed when engaging evaluators should be put in place.

Management Response

Qualifications are considered before the evaluators are selected from teachers and other officials from the industry.

Evaluation of Management Response

Even though the Ministry indicated that qualifications were considered they could not provide evidence such as copies of educational or professional certificates of engaged members.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Evaluation of Manuscripts

Findings

Section 18(7)(b) of the Public Finance Management Act [*Chapter 22:19*] states that subject to the approval of the Treasury, the Fund may be paid and credited any money from other sources for the purposes of that Fund. However, the Ministry did not avail authority from Treasury to set rates for evaluation, administration, royalty and transport fees. The total fees collected amounted to \$92 614 for the year under review.

Further, there was no evidence of an agreement between Pearson Publishers and the Ministry with regards to royalty fees charged of \$4 758. The Ministry also did not avail sales schedules supporting how this figure was computed. Treasury Instruction 0107 states that receivers of revenue shall whenever practicable ensure that all contracts and agreements involving the payment of moneys to Government with which their Ministries may be concerned, are in writing and expressed in appropriate terms.

Risks/ Implications

Uneconomic rates may be charged.

Failure to obtain and avail sales schedule for royalties may result in incorrect revenue being declared and this may lead to understatement of the royalty fees.

Recommendations

The Ministry should seek Treasury approval in retrospect for rates to be charged for evaluation, administration, royalty and transport.

An agreement should be put in place between Pearson Publishers and the Ministry which outlines the condition relating to royalty fees.

The Ministry should have a mechanism to validate sales made by Pearson Publishers or any other Publisher together with computation of the royalties and match with the amount received.

Management Response

The Ministry has written to Ministry of Finance and Economic Development to get Treasury Authority to charge the relevant charges on collection of fees. Further, the Ministry will engage Pearson Publishers to agree on the basis for computation of royalty fees.

INDEPENDENT COLLEGES GUARANTEE FUND 2017

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.

Opinion

I have audited the financial statements of the Independent Colleges Guarantee Fund for the Ministry of Primary and Secondary Education. These financial statement comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	327 706
Expenditure	98 985
Surplus	\$228 721

Statement of Financial Position

Item		Assets (\$)	Liabilities (\$)
Non-Current		275 116	-
Accumulated Fund		-	2 204 509
Current		2 043 954	114 561
Total		\$2 319 070	\$2 319 070

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Accounting Records

Finding

The Fund did not maintain ledger accounts for income, expenditure, assets and creditors. Financial statements for 2017 were prepared using the cashbook, payment vouchers and the debtor's schedule/ list. Good accounting practices require that proper books of accounts are maintained.

The Fund maintained financial records on manual and excel spreadsheets resulting in errors and omissions going through the system undetected. For example, the debtors closing balance for 2016 of \$993 250 was different from the debtors opening balance for 2017 of \$997 050. Further, Microsoft Excel spreadsheets do not have adequate security controls. Public Finance Management Act [*Chapter 22:19*] section 35(6) states that, every Accounting Officer of a Ministry shall keep or cause to be kept proper records of accounts.

Risks/Implications

Financial statements may be misstated in the absence of ledgers and it would be difficult to trace the transactions.

The manual accounting system is susceptible to human errors and manipulation as the financial information can easily be erased without trace.

Recommendations

The Fund should introduce ledgers and record all transactions accordingly.

The Ministry should introduce an accounting package system that leaves an audit trail.

Management Response

The audit finding is noted. The Fund is introducing new ledger cards. Further, the Ministry of Finance and Economic Development is in the process of computerising Fund Accounts.

1.2 Advances to the Parent Ministry

Finding

The Fund issued advances to the Parent Ministry without Treasury Authority. The figure disclosed in 2016 was \$279 811 and in 2017 the figure increased to \$301 284 thereby resulting in an increase of \$21 473 (7%). Of notable concern to the audit was that the advances made by the Fund to its parent Ministry were dating back from 2013 and still remain outstanding as shown below:

YEAR	AMOUNT (\$)
2013	142 369
2014	89 284
2015	43 427
2016	4 558
2017	21 646
Total	\$301 284

Risk/ Implication

The practice of lending funds to the Ministry cripples the operations of the Fund and may result in the Fund failing to achieve its objectives due to financial resources tied up in advances.

Recommendations

The Accounting Officer, as the responsible authority, should ensure that the amount is fully refunded to the Fund.

The Fund management should obtain Treasury Authority first before giving advances to the Ministry.

Management Response

The audit observation is noted.

In 2017, \$24 773 was further advanced to the Ministry, and of that amount, \$15 056 was refunded in 2018. The Ministry is trying its best to refrain from borrowing money from the Fund.

1.3 Constitution and Accounting Officer's Instructions of the Fund

Finding

The Fund operated without an approved Constitution and Accounting Officers Instructions during the year under review. Public Finance Management Act [*Chapter 22:19*] Section 18 (2) require that a constitution to guide and regulate the affairs of the fund be drawn up. The draft Constitution and Accounting Officer's Instructions availed to audit have been under consideration since 2014.

Risks / Implications

In the absence of an approved Constitution and an Accounting Officer's Instruction, there is no legal basis to assess the Fund's performance and this has an impact on accountability.

The Fund may fail to fulfil its intended mandate and could easily be manipulated as a result of lack of guidelines.

Recommendation

The Ministry should prioritise the finalisation of the Fund's Constitution and the Accounting Officer's Instructions.

Management Response

The Ministry has made a draft Constitution and Accounting Officer's Instructions for the Fund. The drafts cannot be finalised before the promulgation of the amended Education Act.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Investment

An amount of \$228 761 (principal of \$200 000 and interest of \$28 761) that was invested with Zimbabwe Allied Bank Group (ZABG) in 2013 had not been recovered at the time of the audit, as the Bank was under liquidation.

SCHOOL SERVICES FUND 2017

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.

Qualified Opinion

I have audited the financial statements of the School Services Fund for the Ministry of Primary and Secondary Education. These financial statements comprise the statement of financial position as at December 31, 2017, statement of comprehensive income, statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	30 746 434
Expenditure	27 934 562
Surplus	\$2 811 872

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	458 122	-
Accumulated Fund	-	17 321 527
Current	32 461 488	15 598 083
Total	\$32 919 610	\$32 919 610

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the School Services Fund as at December 31, 2017 and its financial performance and its cash flows for the year then ended, in accordance with Generally Accepted Accounting Practice GAAP.

Basis for Qualified Opinion

(i) Maintenance of Accounting Records

Finding

Income figures disclosed for school fees, in the financial statements, could not be substantiated to the enrolment figures at some of the schools. Cases of overstating and understating of the revenue by \$242 020 and \$110 264 respectively were noted.

Risk /Implication

The financial statements were misstated and could eventually mislead management decision making processes as well as any users thereof.

Recommendations

The misstatements should be adjusted so as to reflect the correct position.

The Ministry should ensure that income ledgers are maintained in schools.

(ii) Levies Pending Transfers to SDCs

Schools did not maintain ledgers or supporting schedules for a total amount of \$692 507 disclosed as levies pending transfer to School Development Committees (SDCs). The basis of coming up with the figures without ledgers could not be determined. As a result, I was not able to validate the accuracy of the figures disclosed in the financial statements.

Section 35 (6)(a) of the Public Finance Management Act [*Chapter 22:19*] specifies that every Accounting Officer of a Ministry shall keep or cause to be kept proper record of account’.

Risk /Implication

Absence of ledger accounts curtails audit trail and makes it difficult to detect and correct errors in the financial figures.

Recommendations

The Ministry should consider reviewing the Fund’s accounting manual in line with good accounting practices so that ledgers are introduced for income and expenditure accounts.

All figures in the financial statements should be supported to enhance transparency and accountability.

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

1 GOVERNANCE ISSUES

1.1 Merged Bank Accounts and Financial Records

Finding

Audit of twenty schools revealed that sixteen of these schools merged bank accounts and financial records of the School Development Committee (SDC) and School Services Fund (SSF). There was no legal documentation availed to substantiate the basis or modalities of merging the financial records and bank accounts of the two. As a result, the cash at bank and cash equivalents balances amounting to \$7 222 777 in the financial statements included financial resources worth \$676 487 due to both SDC and SSF. There was no further information provided to audit to establish the balance relating to each separate account. The Public Finance Management Act [*Chapter 22:19*] section 32 (3) (b) requires annual financial statements to present fairly the state of affairs of the public entity including its financial position as at the financial year end.

Risk /Implication

Merging without the legal documentation and operational modalities may result in lack of transparency and accountability in management of the Fund.

Recommendation

Separate financial records and bank accounts should be maintained for each Fund so as to enhance transparency and accountability.

1.2 Finance Meetings

Finding

Government schools are required to establish finance committees that assist in providing financial oversight to their respective schools. This responsibility is carried out through committee meetings. Four out of twenty schools audited did not avail minutes of meetings as evidence that finance committees held meetings during the year under review. Section 3.5 of the School Services Fund Accounting Procedure Manual states that meetings must be held monthly during a school term. This state of affairs could be prevalent to other government schools throughout the country. As a result, I could not establish how finance committees were carrying out this oversight role in the absence of minutes of meetings. I raised the same issue in my previous audit report.

Risk/ Implication

Financial resources could be exposed to misuse through expenditures that would not have been approved by finance committees.

Recommendations

Finance meetings should be held monthly 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.

1.3 Financial Statements

Finding

Audit of twenty schools in the Harare Metropolitan Province revealed that no ledgers were maintained for respective income and expenditure accounts. The School Services Fund manual was silent on the need to maintain income and expenditure ledgers, emphasising on analysis cashbook thereby compromising on the double entry concept. The expenditure figures were understated by \$24 277. As a result, I could not validate the accuracy of the expenditure figures. Good accounting practices require that ledger accounts be maintained and that quarterly financial statements be prepared to enhance timely management decision making process.

Further, schools were neither raising invoices nor maintaining tuition fees ledger cards to record invoices raised and payments made. The receivable figure in the financial statements was understated by \$235 392. Therefore, it was difficult to trace the existence and completeness of the accounts receivable. Sections 9.1 (a) and (b) of the School Services Fund Manual require that parents be issued with invoices at the end of every term and that individual pupils' ledger cards be maintained.

Risks /Implications

Lack of ledger accounts curtails audit trail and makes it difficult to detect and correct errors in the financial figures.

The financial statements were misstated and could eventually mislead management decision making processes as well as any users thereof.

Timely decision making is hampered in the absence of quarterly financial statements.

Recommendations

The Ministry should consider reviewing the fund's accounting manual in line with good accounting practices so that ledgers are introduced for income and expenditure accounts.

The misstatements should be adjusted so as to reflect the correct position.

School management should raise invoices and maintain ledger cards for all the pupils.

All figures in the financial statements should be supported to enhance transparency and accountability.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Accounts Receivable

Finding

The Fund had accounts receivable amounting to \$25 238 711 as at December 31, 2017. There was an increase of 23% from the 2016 figure of \$20 589 787. Some debts had been outstanding since 2009. There was no evidence that parents were engaged to influence them to pay school fees for their children and subsequently make payment plans. However, the Ministry seemed not to have effective strategies in place to recover long outstanding debts. As a result, much needed resources were tied up in debtors that could be used to develop schools, if collected on time. I highlighted the same issue in my previous audit report.

Risks / Implications

In the absence of effective debt recovery strategies, the Ministry may not collect the outstanding amounts.

Possible loss of revenue can occur due to poor tracking of tuition fees debtors and receipts.

Recommendations

The Ministry should come up with debt recovery strategies and engage parents so that they (parents) show commitment and come up with payment plans. This would enhance recovery of outstanding fees and improve service delivery by the school.

A billing system should be introduced, through invoicing parents and maintenance of ledger cards for all the school pupils as required by the SSF Manual.

3 PROCUREMENT

3.1 Procurement

Finding

Seven out of twenty schools made payments worth \$95 951 for goods and/or services without following proper procurement procedures. This was shown by some payments not being authorised, finance meetings not being quoted and some did not have three quotations. Treasury Instruction 1216 states that before forwarding a cash voucher for payment or a journal voucher for adjustment, the officer initiating the transaction shall satisfy himself that the claim is a proper charge against public funds, is covered by competent authority, supported by the relative requisitions including procurement minutes, three quotations, comparative schedule or explanation for their absence and properly certified. The state of affairs could be prevalent to other government schools throughout the country. The same issue was raised in my previous audit report.

Risk/ Implication

Value for money might be compromised and fruitless and wasteful expenditure may be incurred if procurement procedures are not adhered to.

Recommendation

The provisions of Treasury instruction 1216 should be adhered to by ensuring that all payment vouchers are properly certified, passed for payment covered by competent authority and supported by relevant documents.

Management Response

At the time of finalising this report, the Ministry was still to respond to the issues raised.

VOTE 16. -HIGHER AND TERTIARY EDUCATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry is responsible for the oversight, formulation and implementation of policies related to planning, training and development of human capital and the promotion of science, technology and innovation. It also facilitates cooperation in research and development, higher and tertiary education as well as in science and technology at local, regional and international levels.

Opinion

I have audited the financial statements for the Ministry of Higher and Tertiary Education, Science and Technology Development for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year.

Voted Funds	Unallocated Reserve Transfers	Total Allocated	Expenditure	Net Underspending
\$316 954 000	\$24 352 670	\$341 306 670	\$317 325 491	\$23 981 179

In my opinion, the financial statements present fairly, in all material respects, the financial performance of the Ministry for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUE

1.1 Budget Preparation

Findings

According to Sustainable Development Goal (SDG) 4, the Ministry should ensure inclusive and equitable quality education and promote life-long learning opportunities for all citizens of a country. However, the Ministry operated without approved strategic plan, operational plan and there was no proper guidance on spending priorities. Therefore, I could not ascertain whether a high quality of service was delivered to students enrolled at the country's tertiary and higher learning institutions.

The approved budget of the Ministry did not incorporate arrears and liabilities since it was prepared on a cash accounting basis. Therefore, the Ministry's real expenditure forecasts were not fully reflected in the budget.

Risks/Implications

Lack of clarity in expenditure targets might lead to difficulties in evaluating the Ministry's performance.

Unrealistic budgets might give rise to misleading financial reporting.

Recommendation

The Ministry should formulate approved strategic and operational plans to enhance public service delivery.

Management Response

This was due to changes of top executives (Ministers and Accounting Officers) who did not own the draft strategic plan.

The budget proposal included arrears and liabilities but the treasury had a ceiling of each expenditure head which resulted in liabilities not being considered in the Ministry, Department /Agency) (MDA) budget due to limited financial resources from Treasury. However, Treasury later settled some of the arrears through Set-offs and Unallocated Reserve transfers.

2 PROCUREMENT

2.1 Direct Payments

Finding

I observed that Treasury made payments amounting to \$1 444 451 to various service providers on behalf of the Ministry during the year ended December 31, 2018. However, payments totalling \$355 753 were not reported in the Ministry's current year Appropriation Account. Reference is made to the Table below:

Instruction Number	Service Provider	Amount (\$)
136	Net-One	87 343
156	City of Bulawayo	159 732
484	City of Bulawayo	108 678
	Total	\$355 753

Risk/Implication

The Ministry's Appropriation Account expenditure might not be fairly stated.

Recommendation

The Ministry should engage Treasury to seek guidance on the status of payments amounting to \$355 753 before considering making adjustments to the Appropriation Account if it is proven that the payments were actually made to the service providers as indicated above.

Management Response

Observation is noted. We are engaging Treasury to confirm the transactions. Treasury introduces set-off transactions into Ministries' cashbooks then requests them to enter one side of the transaction into the vendor account/charge the correct expenditure code. From the checks done on the Ministry's side these transactions do not seem to have been introduced by Treasury.

Therefore, we need to confirm with Treasury whether set-offs were done and if so establish the effect of the transactions on the Ministry's Appropriation Account.

3 EMPLOYMENT COSTS

3.1 Salary Bills Variance

Findings

Treasury Circular B/1/88 dated June 5, 2018 requires Finance Directors of line Ministries to perform monthly reconciliations of amounts billed by the Salary Services Bureau (SSB) and employment expenditure shown in the Public Finance Management System (PFMS). I observed that the Ministry's total salary bill for the year ended December 31, 2018 disclosed in the Appropriation Account was \$56 965 222. However, the Salary Services Bureau (SSB) print out showed a total of \$56 889 828 resulting in a variance of \$75 394.

Furthermore, the Ministry's employment expenditure ledgers in the PFMS reflected a balance of \$56 962 417 against the salary bill documents submitted for audit of \$56 962 043 leading to an unreconciled variance of \$374.

Risk/Implication

The exact cost incurred towards remuneration of employees during the financial year under review might not be verifiable.

Recommendation

The Ministry should carry out monthly employment cost reconciliations of SSB salary bills and relevant ledgers in the PFMS in compliance with Treasury Circular B/1/88.

Management Response

Observation is noted. The Ministry is working on the reconciliation to account for the difference between the Ministry's expenditure as per the salary bill and expenditure on the SSB schedule submitted to the Office of the Auditor-General. The monthly

reconciliation as per Treasury Circular had not been done because the Ministry had only its salary bill from SSB and nothing to compare with it.

Evaluation of Management Response

The Ministry remains responsible for ensuring that its employment cost figure are accurately recorded and reported in the financial statements. It is advisable for the Ministry to engage Salary Service Bureau (SSB) on a monthly basis with a view of obtaining the necessary comparable information.

4 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

4.1 Foreign Services

The issue of receipts, proof of payment and acquittals for expenditure amounting to \$359 050 (2016: \$121 000) relating to the Ministry's Attaches' at Foreign Missions had not yet been addressed.

4.2 Fuel Allocations

The matter on fuel allocated to Ministry officials who conducted official duties over holidays was resolved and it did not recur during the financial year under review following controls instituted by the new Accounting Officer.

4.3 Programmes – National Skills Audit / STEM Mainstreaming

On the matter of sitting allowances amounting to \$12 825 and \$20 400 paid to members who attended the Higher Education draft bill meeting and National Skills Audit Committee members, the new Accounting Officer has since stopped the practice.

4.4 Transfer of Funds to Vocational and Technical Examinations (VOC TEC) Fund Account

The transfer of \$643 233 for Programmes from the Sub-Paymaster General' account to the VOC TEC Fund account that could not be traced with clarity in the previous year was resolved as the Ministry's officials availed the requisite documents.

4.5 Rental and Hire

The Ministry availed for audit inspection receipts and statements pertaining to payments of \$48 000 to Finealt and Verify Engineering for rent and \$60 000 made to Platinum Investment Managers (Woodsbrand Properties).

4.6 Recovery of Disallowances and Surcharges

Surcharges amounting to \$167 565 and Disallowances totalling \$128 372 dating back to February 2010 in respect of current serving members had not yet been fully recovered at the time of concluding the audit.

4.7 Virements

The issue of more funds than the balances in the ledgers being moved from two general ledgers of Research and Intellectual Expo and Industrial Training and Trade Testing was resolved, no such cases were noted in the current financial year audit.

4.8 Sub-Paymaster General (Sub-PMG) Account Reconciliation

The matter on Sub PMG Account expenditure of \$233 773 561 which varied with expenditure disclosed in the Appropriation Account of \$287 893 361 resulting in a variance of \$54 119 800 did not recur as no variances were noted in year 2018.

4.9 Operationalisation of Audit Committee

The issue of the Ministry's Audit Committee which was not fully operational was addressed since the Audit Committee was now functional as corroborated by minutes of meetings that were availed for my inspection.

AMENITIES FUND ACCOUNT 2017

OBJECTIVE OF THE FUND

The main 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.

Disclaimer of Opinion

I am required to audit the financial statements of Amenities Fund of the Ministry of Higher and Tertiary Education, Science and Technology Development, which comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	21 286 308
Expenditure	16 301 367
Surplus	\$4 984 941

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	5 513 138	-
Accumulated Fund	-	15 724 235
Current	14 493 999	4 282 902
Total	\$20 007 137	\$20 007 137

I do not express an opinion on the financial statements of the Amenities Fund Account. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(i) Suspense Account

Finding

The Fund's financial statements for the year ended December 31, 2017 reflected an imbalance of \$2 808 215 (2016: \$3 717 142) which was disclosed as a suspense account. The imbalance remained unreconciled at the time of concluding the audit.

Risk/Implication

Unreconciled imbalances distort the financial statements and also mislead the users of the accounts.

Recommendation

The Fund should investigate the suspense account balance and take corrective measures to reconcile and clear the imbalance.

Management Response

The observation is noted. The imbalance was caused by imbalances that were reported by some of the Institutions that were consolidated. The Ministry has directed that all suspense balances be investigated and reported. Going forward, all Institutions are going to include suspense balance explanation in the notes to the financial statements.

(ii) Hire of College Facilities

Finding

I observed that Belvedere Technical Teachers' College discontinued maintenance of the Hire of College Facilities (HOCF) register during the year ended December 31, 2017. The register provides, among other information, columns for the recording of invoiced amounts and the amount received on a transaction by transaction basis. I was not provided with an alternative and reliable source record where revenue from HOCF for the year was determined. I was therefore not able to validate the accuracy and completeness of revenue from HOCF amounting to \$477 126 disclosed in the financial statements.

Risk/Implication

Reliability of revenue from HOCF could have been compromised.

Recommendation

Belvedere Technical Teachers' College should improve on supervision of personnel responsible for the maintenance of HOCF register to ensure constant updating of accounting information.

Management Response

The discontinuation of the HOOF register was a result of the attitude of the officer responsible. She felt that she was being treated unfairly by being forced to carry out administration duties which she was not trained to do. She always highlighted that she was trained to carry out personnel duties by the Public Service Commission.

Evaluation of Management Response

Internal administrative issues cannot be an excuse for proper accountability for public resources.

(iii) Debtors' Ledger Accounts

Findings

Morgan Zintec College could not avail for audit inspection debtors' ledger accounts and other underlying records to enable me to verify the accuracy of a debtors' balance of \$698 481 shown in the financial statements for the year ended December 31, 2017.

Notes to the financial statements indicated that the College operated a private Social Fund which owed the Amenities Fund a total of \$5 233 as at December 31, 2017. Upon enquiry it was revealed that the Social Fund monies were mixed-up with the Amenities funds in violation of Treasury Instruction 0460 which prohibits officers from including any private monies in an official banking account nor any public moneys in a private account.

In addition, Harare Polytechnic disclosed a debtors' balance of \$783 169 in the financial statements for the year under review but the ledger account on the pastel system had a debtors' balance of \$2 774 633. Furthermore, Seke Teachers College's debtors balance from the Pastel System was \$28 283 but the College disclosed \$970 431 resulting in a variance of \$942 148 which was not explained.

Belvedere Teachers' College had a balance of \$477 685 representing debtors. I was not provided with a detailed breakdown of the debtors making up the balance disclosed in the Statement of Financial Position.

Risks/Implications

The Consolidated debtors' balance could be materially misstated.

Public funds might have been diverted to settle private expenses.

Recommendations

The Colleges should maintain debtors' ledger accounts which agree with amounts disclosed in the financial statements.

A separate bank account should be opened for the Social Fund.

Management Responses

The observation on Morgan Zintec College has been noted. The College failed to produce the requested ledger accounts during the period audit. A cashbook was used to ascertain the totals for the relevant areas. The College has since stopped this and we are now keeping ledgers for 2018. The College will be making further investigations on the issue of the Social Fund at hand and come up with the correct position.

The figure of \$28 283 disclosed by the Pastel System on Seke Teachers' College is a credit figure which represents a collection of cash receipts only without invoicing of students thereby giving a misleading impression that the students had overpaid their accounts by the stated figure.

The observation on Belvedere Teachers' College has been noted. Mechanisms have now been put in place by way of Pastel system which is now operational.

(iv) Cash and Cash Equivalents

Finding

I observed with concern that the balance as per updated cashbook for Seke Teachers' College on the Pastel system amounted to \$240 250 but the College authorities disclosed a total of \$103 642 in the financial statements for the year under review resulting in an unexplained understatement of \$136 607.

Risk/Implication

Financial statements might be misleading if the cash and cash equivalents figure disagrees with the balance as per updated cashbook in the Pastel Evolution system.

Recommendation

Seke Teachers' College should ensure that cash and cash equivalents in the financial statements agree with the amount recorded in the updated cashbook.

Management Response

The figure of \$103 642 was the one which reflected in pastel system before the direct deposits from Tertiary were receipted.

Evaluation of Management Response

The figure remained misstated as those direct deposits were supposed to be receipted on time and included in the cashbook for the year under review to reflect the correct updated cashbook balance at the end of the accounting period.

(v) Unsupported Expenditure

Finding

I observed that Harare Polytechnic College's financial statements for the year 2017 showed that the College incurred a total expenditure of \$87 394 (2016: \$4 030) on learning and training materials. However, this amount could not be traced back to the source records. Therefore, I was not able to validate the authenticity of the amount disclosed in the Income Statement.

Risk/Implication

Unbudgeted expenditure might have been incurred.

Recommendation

Harare Polytechnic College should avail source documents to substantiate a total expenditure of \$87 394.

Management Response

Observation noted. It is noted with concern that the figure has no traceable reference to our ledgers which is also contributing to the suspense figure. It is suspected that the mistake emanated from the process of transferring figures into the template that was provided by Head Office since the chart of accounts vary from one institution to another.

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

1.1 Preparation of Consolidated Account

The issue concerning the omission of the financial statements for Marymount Teachers' College, Bulawayo, Masvingo and Harare Polytechnic Colleges was resolved as all College financial statements were included in the consolidated financial statements for the year ended December 31, 2017.

1.2 Presentation of Financial Statements

The anomaly in which the Amenities Fund financial statements submitted for audit by Mkoba, Madziwa Teachers' Colleges and Kushinga, Kwekwe, Gweru Polytechnic Colleges for the years ended December 31, 2015 and 2016 had not reflected the requisite comparative information was resolved as all Colleges managed to present comparative information.

1.3 Other Income

The audit recommendation on the need to transfer fees paid by students to their respective revenue heads was implemented as the 'Other Income' declined to 1% in 2017.

1.4 Debtors' Ledger Accounts

The matter on the Fund's failure to maintain appropriate ledger accounts for revenue and debtors of \$ 2 539 290 and \$895 738 disclosed in the consolidated financial statements for the years ending December 31, 2015 and 2016 respectively, persisted into the year 2017 as two out of four Colleges visited namely; Morgan Zintec and Belvedere Technical Teachers' Colleges did not maintain appropriate ledgers.

1.5 Other Expenses

There was a significant improvement as expenditure misallocations that resulted in 15 % of all Fund expenditure in 2015 being allocated to 'Other Expenses' dropped to 5% in 2017.

1.6 Non- Current Assets

There was no improvement on assets distinction as assets could still not be separately identified between Amenities and Tertiary Education and Training Development Funds at local Institutions visited.

There was no improvement on depreciation of assets as assets were not depreciated at Seke Teachers', Morgan Zintec and Harare Polytechnic Colleges during the year under review.

VOCATIONAL AND TECHNICAL EXAMINATIONS FUND 2017

OBJECTIVE OF THE FUND

The object of the Fund shall be to finance the development and maintenance of services, programmes and related activities for National Examinations, Curriculum Research and Development activities.

Qualified Opinion

I have audited the financial statements of the Vocational and Technical Examinations Fund for the Ministry of Higher and Tertiary Education, Science and Technology Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	2 658 781
Expenditure	2 796 411
Deficit	(\$137 630)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	342 599	-
Accumulated Fund	-	415 409
Current	999 762	926 952
Total	\$1 342 361	\$1 342 361

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Vocational and Technical Examination Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Sustainability of Services

Finding

For the second year running, the Fund incurred excess expenditure over income of \$137 630 (2016: \$1 051 842). Hence, the future sustainability of the Fund's operations was uncertain under these circumstances.

Risk/Implication

The Fund may not be able to timely service its financial obligations.

Recommendation

The Fund should put in place robust financial management systems to guarantee the Fund's operational existence.

Management Response

The observation is noted. Current expenditure exceeded our revenue collected. The goods and services have been on the rise while the fees levels have remained unchanged. The Fund is proposing to increase fees in line with the prevailing costs related to the Fund. The Fund had to rely on retained revenue to sustain its operations.

(ii) Suspense Account

Finding

For the second consecutive year, the Fund's financial statements submitted for audit reflected a suspense account balance of \$341 319 (2016: \$345 156) which the Fund could not clear at the time of concluding the audit.

Risk/Implication

Uncleared suspense account balances may be used to hide financial malpractices.

Recommendation

The Fund should institute investigations on the causes of the suspense account balance of \$341 319 and find ways to address this irregularity.

Management Response

The observation is noted. The Fund had a backlog since 2013 and could not do the reconciliations for current periods on time. When we adopted the Pastel Accounting System in 2016 we had difficulties in getting correct take-on balances. We are still investigating the suspense bank reconciliations for previous years.

(iii) Direct Deposits

Finding

As previously reported, the Fund did not issue receipts or make journal entries to bring direct deposits amounting to \$865 952 (2016: \$1 372 428) into accounting records.

Risk/Implication

It may be difficult to apply the double-entry system if the identity of directly deposited monies are not known.

Recommendations

The Fund should engage the bank with a view of requesting identification particulars of depositors of monies amounting to \$865 952.

The Fund should advise institutions and individuals that deposit money into the Fund's bank account to include all necessary details on deposit slips to enable the bank to capture names of depositors and purpose of deposits made.

Management Response

The observation is noted. Invoicing of students is currently being done at institution level and revenue for examination fees is collected at the institution. The institution then transfers revenue collected to the Head Office. Head Office had not been invoicing colleges in error. Going forward, the Fund shall invoice colleges basing on registration of students for the term and therefore maintain a proper debtor system. College registration fees and licencing fees were being collected on a once-off customer basis in error. Similar invoicing system will be adopted.

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

1.1 Maintenance of Accounting Records

It was observed that the Fund did not maintain a debtors' ledger and control account during the financial years ended December 31, 2014, 2015 and 2016. The situation did not improve in year 2017 as no debtors' ledgers were available for audit inspection.

1.2 Other Expenses

The Fund misclassified payments to service providers and cash withdrawals amounting to \$85 454 (2015: \$180 925 and 2014: \$142 174). No misclassifications were observed in the year 2017 financial statements.

1.3 Board of Inquiry

A board of inquiry had not been convened in respect of a Toyota Hilux motor vehicle ADY 7352 which was involved in an accident on May 01, 2016. No audit evidence could be available by the Ministry to prove that a board of inquiry was appointed to investigate the cause of the accident.

INNOVATION AND COMMERCIALISATION FUND 2017

OBJECTIVE OF THE FUND

The objectives of the Fund are to: Support the development and commercialisation of innovation in Zimbabwe; Fund projects carried out by individuals, public and private research institutions and companies; and Fund transfer of technology or innovations from outside the country.

Qualified Opinion

I have audited the financial statements of the Innovation and Commercialisation Fund for the Ministry of Higher and Tertiary Education, Science and Technology Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	18 835
Expenditure	13 759
Surplus	\$5 076

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current Accumulated Fund	313 230	- 318 006
Current	4 776	-
Total	\$318 006	\$318 006

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Innovation and Commercialisation Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Loan Disbursements

Finding

For the second consecutive year, the Fund did not finance new innovation projects in contravention of Section 3 of the Fund's Constitution. I observed with concern that there were no loan recoveries during the year under review. The total outstanding loans as at December 31, 2017 increased to \$237 230 (2016: \$218 396) due to accumulation of interest charges on principal loan amounts.

Risk/Implication

Outstanding loans may be extinguished through lapse of time.

Recommendation

The Fund should put in place robust debt recovery mechanisms.

Management Response

The observation is noted. The Ministry did not fund new projects because current projects proved to be unsustainable. The Innovation and Commercialisation Fund (ICF) was meant to be a revolving Fund with initial capital injection from Treasury. Beneficiaries are not paying back the loans even after the grace period.

Ministry had surrendered the issue to its legal division who advised that recoveries may be difficult because some of the beneficiaries cannot be found and have no capacity to pay back.

Efforts to recover loans disbursed have proved to be fruitless. The Ministry is currently planning to write off these loans. Some beneficiaries still believe they received grants instead of loans.

NATIONAL EDUCATION AND TRAINING FUND 2017

OBJECTIVE 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.

Qualified Opinion

I have audited the financial statements of the National Education and Training Fund for the Ministry of Higher and Tertiary Education, Science and Technology Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	2 854 854
Expenditure	2 150 440
Surplus	\$704 414

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	70 176	-
Accumulated Fund	32 921 167	-
Current	3 640 324	36 631 667
Total	\$36 631 667	\$36 631 667

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the National Education and Training Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Sustainability of the Fund's Operations

Finding

The Fund operates a Scholarship and Cadetship scheme which created an obligation for the Fund to pay tuition fees on behalf of selected students enrolled at tertiary institutions of higher learning.

As previously observed, the Fund owed \$35 466 522 (2016: \$35 715 322) to tertiary institutions of higher learning arising from outstanding fees for students on Scholarship and Cadetship programme resulting in working capital constraints evidenced by current liabilities exceeding current assets by an amount of \$32 991 343 (2016: \$35 657 089) which translated to an excess of 906% as at December 31, 2017.

Risk/Implication

The Fund's future operational existence might be rendered doubtful.

Recommendation

The Fund should engage tertiary institutions of higher learning with a view to negotiating a payment plan towards settlement of the debt.

Management Response

The observation is noted. The Ministry has since stopped taking new students on cadetship programme. The Ministry has been bidding for the outstanding amount from Treasury of which only \$1 000 000 per year has been availed in the last three years'. The Ministry has requested for the full amount in the 2019 budget bid in order to clear the arrears. Should we fail to get the funding, we will apply for the debts to be written off.

(ii) Loan Recoveries

As previously observed, the Fund did not recover loans amounting to \$2 030 972 (2016: \$2 031 992) from various students who completed their University studies abroad under the National Scholarship Scheme.

Risks/Implications

The Fund might face cash flow challenges if revenue remains tied up in debtors.

Academically gifted children from marginalised families may not be able to access educational assistance in the foreseeable future.

Recommendation

The Fund should consider approaching the Attorney-General's Office with a view of obtaining assistance to recover the outstanding loans.

Management Response

The observation is noted. The Scholarship programme has since been surrendered to the Scholarship Department in the Office of the President and Cabinet (OPC).

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

1.1 Receipting of Income for Other Entities

On the issue of an amount of \$305 500 pertaining to the Vocational and Technical Examinations Fund and the Industrial Training and Trade Testing Fund which was receipted and classified as income in error, the Fund took sufficient corrective measures on the inter-fund account transfers.

TERTIARY EDUCATION AND TRAINING DEVELOPMENT FUND 2017

OBJECTIVE OF THE FUND

The objective of the Fund is to collect and administer fees for the purposes of supplementing the Ministry of Higher and Tertiary Education, Science and Technology Development's budget (both capital and recurrent), for the development and maintenance of services, programmes and activities at tertiary institutions.

Disclaimer of Opinion

I am required to audit the financial statements of Tertiary Education and Training Development Fund of the Ministry of Higher and Tertiary Education, Science and Technology Development, which comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	38 370 015
Expenditure	31 282 241
Surplus	\$7 087 774

Statement of Financial Position

Item	ASSETS (\$)	LIABILITIES (\$)
Non-Current	16 881 766	
Current	34 129 528	
Accumulated Fund		28 036 422
Suspense Account		17 714 812
Current Liabilities		5 260 060
Total	\$51 011 294	\$51 011 294

I do not express an opinion on the financial statements of Tertiary Education and Training Development Fund. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(i) Suspense Account Balance

Finding

A suspense account is an account in which amounts are temporarily recorded with a view to transfer them when proper accounts to be debited or credited have been identified. It is good accounting practice to investigate and clear the suspense account balance before finalisation of financial statements. I observed with concern that the suspense balance rose sharply from \$1 603 531 in year 2016 to \$17 714 812 as at December 31, 2017.

Risk/Implication

An uncleared suspense account balance distorts fair presentation of financial statements.

Recommendation

The Fund should investigate and clear the suspense account balance of \$17 714 812.

Management Response

The observation is acknowledged. The Ministry is still in the process of investigating the suspense account balances at each institution. Significant progress has been achieved in the 2018 financial statements to reduce the suspense account balance. The changeover from manual to Pastel accounting software came with challenges of wrong take-on balances that led to imbalances.

(ii) Accumulated Fund

Finding

In my 2016 audit report, I observed that four (4) tertiary institutions namely, Harare, Masvingo, Bulawayo Polytechnic Colleges and Marymount Teachers College did not submit their financial statements for audit. This had resulted in the misstatement of the aggregate accumulated fund as at the close of that financial year. However, the Fund did not institute corrective measures to adjust the opening balances for the year under review with figures from the previously omitted four (4) tertiary institutions.

Risk/Implication

Uncorrected misstatements lead to wrong interpretation of financial statements.

Recommendation

The Fund should incorporate the 2016 closing balances for Harare, Masvingo, Bulawayo Polytechnic Colleges and Marymount Teachers' College into the consolidated financial statements for the year under review.

Management Response

The observation is noted. The correction is currently being done. A corrected account is going to be sent to the Office of the Auditor-General.

Further, institutions failed to submit their financial statements within the deadline. The Ministry had to send the consolidated account excluding them. However, the consolidation of the four institutions should have been done immediately upon submission for onward transmission to the Office of the Auditor-General.

(iii) Accounting Policy and Maintenance of Records

Findings

Section 3 paragraph 5.3 of the Tertiary Education and Training Development Fund Accounting Manual provides that the Fund shall maintain a nominal ledger to be used for posting of all entries from the Cash book, Debtors Control and Creditors Control and Journals of the Fund. Contrary to the afore-mentioned regulation, the following issues were observed:

Harare Polytechnic College had not yet started using the Procurement Module on Pastel accounting software, more than five (5) years after acquisition of the system. This resulted in the college recognising revenue on accrual basis while expenditure was recognised on a cash basis. In addition, assets were being depreciated manually. The use of two (2) different accounting basis on one account was at variance with the disclosure note which indicated that consolidated financial statements submitted for audit were prepared on accrual basis.

Morgan Zintec College did not maintain the required ledger accounts during the year ended December 31, 2017. In the absence of ledgers and any other alternative sources of information, I could not verify the correctness of income of \$3 019 170, expenditure of \$976 870 and equity and liabilities total figure of \$2 337 623 disclosed in the financial statements. This limited the extent of my audit procedures.

At Seke Teachers' and Harare Polytechnic Colleges, a comparison of the figures disclosed in the financial statements produced by Pastel system and closing ledger balances revealed a lot of variances that had not yet been reconciled at the time of concluding the audit.

Ledgers that were submitted for audit by Belvedere Technical Teachers' College did not show detailed information on every transaction but were rather summarized and presented on a quarterly basis making audit trail difficult. In view of this, I could not ascertain the authenticity of revenue amounting to \$2 449 422 disclosed in the College's financial statements for the year under review.

Treasury Instructions 0705 and 0706 require Accounting Officers to ensure that full and proper accounts are maintained. Contrary to the afore-mentioned regulations, Morgan Zintec College did not maintain an updated cash book during the financial period under review. Bank reconciliations were not complete. Hence, I could not carry out an examination of how the College's cash resources were generated and expended.

Furthermore, Certificates of balance obtained from Commercial Bank of Zimbabwe (CBZ) (Account No. 68260858750032) and ZB Bank (Account No. 4126-408984-200) had balances of \$244 076 and \$270 067 respectively. Therefore, no reliance could be placed on the cash at bank balance of \$60 166 disclosed in the College's statement of financial position.

Risks/Implications

Cash basis accounting treatment of expenditure results in unpaid invoices for goods delivered not being reported in the financial statements.

Unreliable financial statements might be produced.

It may be difficult to identify fraudulent transactions if the cash book is not properly maintained and bank reconciliations not updated.

Recommendations

Harare Polytechnic College should fully adhere to the requirements of accrual accounting basis.

The Colleges should open and maintain updated ledger accounts from which financial statements are to be prepared.

The Fund should identify and resolve the challenges being faced by Morgan Zintec College to ensure maintenance of proper books of account.

Management Responses

The observation is noted. The Ministry had planned to roll out Pastel Accounting system in phases starting with financials. This did not achieve the desired results in the planned time periods. To date, the Ministry acknowledged significant progress in financials on Pastel but much can still be done to ensure full implementation. The Ministry is going to roll out other modules in the 2019 financial year.

In addition, the Ministry is also in the process of hiring a single Pastel consultant for all our institutions to standardise the accounting system. Going forward, all institutions are going to report on a similar template discussed with auditors. All anomalies noted are being rectified.

Morgan Zintec College stopped updating all manual records including cash books because they had been updating the cash books on the Pastel Accounting platform. However, their Pastel system still had challenges due to staff competency and the application itself. Going forward, two sets of books, manual and electronic will be maintained during the transition period.

Morgan Zintec College is also closing the Tertiary Education and Training Development Fund CBZ account to avoid accumulation of bank charges.

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

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Accounts Receivable

Findings

Treasury Instruction 0501 requires Officers responsible for collecting debts to take adequate steps towards collection of sums due to the Government to ensure that no debt becomes extinguished through lapse of time. I observed that Colleges had not taken action to recover outstanding accounts receivable resulting in the aggregate figure rising by more than 100% from \$9 443 310 in the previous financial year to \$23 204 124 as at December 31, 2017.

According to paragraph 5.3 of the Tertiary Education and Training Development Fund's Financial and Accounting Manual, Colleges are required to maintain debtors' ledgers. However, institutions visited namely; Harare Polytechnic, Belvedere, Seke, Morgan and Belvedere Teachers' Colleges did not avail schedules of debtors to support the accounts receivable figure disclosed in the Fund's consolidated financial statements for the year ended December 31, 2017. The Table below illustrates the movement of debtors' balances in respect of the institutions mentioned above:

Institution	Balance as at December 31, 2016 (\$)	Balance as at December 31, 2017 (\$)	Increase/ (Decrease) (\$)	Comments
Harare Polytechnic College	2 906 203	1 788 107	(1 118 096)	Movement not supported.
Seke Teachers' College	1 537 429	2 193 933	656 504	Movement not supported.
Morgen Zintec	98 374	2 080 473	1 982 099	Source of all figures not availed.
Belvedere Teachers' College	183 454	713 203	529 749	Movement not supported.

Morgen Zintec debtors increased during the period under review by \$1 982 099 from \$98 374 to \$2 080 473. A breakdown of what constituted the debtors' balance showed that students in respect of intakes 37 to 41 made a significant contribution whereas the University of Zimbabwe owed the institution \$100 955. However, debts in respect of intakes 42 to 48 were not included in the closing balance. I was not able to verify how much students in the omitted categories owed the institution as records were not available for audit.

Furthermore, the Pastel system could not separate accounts receivable between Tertiary Education and Training Development Fund and Amenities Fund. As a result, all accounts receivable were reported under the Tertiary Education and Training Development Fund thereby causing overstatements.

Risk/Implication

Long outstanding debts may be irrecoverable thereby depriving the Fund of the much needed revenue inflows.

Recommendations

The Fund should put in place robust debt recovery mechanisms.

The Management Committee should assist Colleges to recover all outstanding debts and where debts can no longer be recovered authority to write-off should be sought from Treasury.

Management Response

The observation is acknowledged. Institutions have been facing challenges to collect outstanding revenues due to the current economic situation. The Ministry introduced students' loan scheme with the hope of improving payment of fees. The programme has been further supported by students' loan fund guarantee.

The Ministry has taken a step to configure the system to separate the debtors by Fund and is in the process of procuring the services of a single consultant for uniformity. The Ministry is also working on combining the two Fund Accounts into one.

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

1.1 Provision for Depreciation

The issue in which financial statements for the years 2015 and 2016 had a provision for depreciation totalling \$4 118 762 as an item of income was addressed in 2017 as no such item was included.

1.2 Budgeting and Budgetary Control for the Fund

The matter concerning Colleges operating without approved budgets in contravention of Section 3 paragraph 7.2 of the Fund's Financial and Accounting Manual continued into 2017.

1.3 Management of Debtors

There was no improvement in the management of debtors as the 2016 figure was shown as \$647 876 in the 2017 financial statements. Closing balance for 2017 was \$750 432. The movement was not explained in the notes to the financial statements.

1.4 Late Submission of Financial Statements

There was no improvement in the submission of financial statements as the 2017 financial statements were submitted on August 6, 2018 instead of the March 31 statutory deadline.

1.5 Preparation and Presentation of Financial Statements

The same challenges in which take-on balances on the consolidated Statement of Financial Position were different from the previous year certified account balances was observed at the four (4) institutions visited namely; Harare Polytechnic, Morgan Zintec, Belvedere Technical Teachers' and Seke Teachers' Colleges.

1.6 Maintenance of Accounting Records (Students Ledgers)

The same issue in which total enrolment could not be determined with certainty due to improper record maintenance persisted into 2017.

1.7 Introduction of Pastel Accounting Software

The system usage had not yet been resolved in an orderly manner as institutions acquired software on their own and challenges were being faced at the implementation stage because of the non-involvement of the Management Committee.

1.8 Management Committee

A Management Committee was still not established at Head Office for the efficient administration of the Fund.

1.9 Financial and Accounting Manual

The Fund's Financial and Accounting Manual produced in May 1999 had still not been updated.

VOTE 17. –WOMEN AND YOUTH AFFAIRS

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The mandate and purpose of the Ministry of Women and Youth Affairs is to:

Spearhead women empowerment and communities that enjoy Gender equality and equity.

Develop, promote and implement policies and programmes for the empowerment of youths and indigenise citizens in order to achieve sustainable and equitable development.

Qualified Opinion

I have audited the financial statements of the Ministry of Women and Youth Affairs for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve Transfers	Total Allocated	Expenditure	Net Underspending
\$39 769 000	\$20 022 804	\$59 791 804	\$41 081 558	\$18 710 246

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Ministry for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Annual Asset Certificate

Finding

Treasury Instruction 2004 provides that not later than two months after the close of each financial year Accounting Officers shall forward to the Auditor-General a certificate stating that the departmental assets of their Ministries have been physically compared with the records at least once during the financial year and that the records have been properly maintained in accordance with Treasury and Departmental Instructions.

Contrary to the above, the Ministry did not submit an Annual Asset Certificate for audit. In the absence of the asset certificate, I could not confirm whether the assets purchased by the ministry were recorded in the asset register. This was caused by inadequate co-ordination and non-supervision of staff members at Head Office and in provinces and districts.

Risk/Implication

The Ministry's assets may be converted to personal use and/or misappropriated.

Recommendation

The Ministry should ensure that Departmental assets are physically compared with the records at least once during the financial year and that records are properly maintained in accordance with Treasury and Departmental Instructions, in compliance with Treasury Instruction 2004.

Management Response

The observation has been noted. The Ministry has been having challenges with the slow pace of transfer of assets from the Ministry of Industry and Commerce. Efforts have been put to have the work done in order to come up with an up to date asset register.

(ii) Revenue

Finding

In my 2017 audit report I made mention that Revenue received figures on the return submitted for audit were at variance with those extracted from the SAP ledgers. In its response the Ministry attributed this variance to some revenue transactions from the two exchequer accounts at the Reserve Bank of Zimbabwe (RBZ) and Commercial Bank of Zimbabwe (CBZ) which were not captured in the various SAP ledgers. The Ministry indicated that it was in the process of updating its records. However, no progress was made in updating records as Revenue received return for the year under review continued to be at variance with the amounts of revenue extracted from the SAP ledgers. Revenue reported on the Revenue received return totalled \$86 117 whereas the SAP ledgers figure amounted to \$57 814 giving a variance of \$28 303. **The following table refers.**

Component	SAP Ledger Balance \$	SSB deduction schedules and deposit slips \$	Variances \$
Rent	31 160	31 140	(20)
RMPV	5 898	11 568	5 670
Tuition Fess	20 756	43 409	22 653
Totals	\$57 814	\$86 117	\$28 303

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.

Risk/Implication

The credibility of the Financial Statements is reduced if there are variances between ledger balances and those on the Revenue received return.

Recommendation

Variances should be investigated and adjustments made in the ledgers and the returns.

Management Response

Variances in revenue figures between SAP Ledger Balances and Salary Service Bureau (SSB) deduction schedules and deposit slips are due to the following:

Rent variance of \$20 is due to cash rental payments that do not come through SSB deductions.

RMPV variance of \$ \$5 670 is due to the fact that not all deductions from SSB are payable to revenue heads as some are meant for clearing debts such as disallowances, surcharges etc, hence there will always be different totals between revenue SAP totals and SSB deduction schedules.

Tuition fees are receipted at the Ministry's Vocational Centres dotted around the country and hence, variance of \$22 653 is due to time lag in conveyance of source documents from Centres to Head Office to facilitate entry of transactions in the SAP system.

Evaluation of Management Response

While it is acknowledged that there was a time lag between conveyance of source documents from centres to head office, the Ministry had two months of January and February 2019 to obtain the said documents.

(iii) Missing Vouchers

Finding

Section 81 (2) (b) (iii) of the Public Finance Management Act [Chapter 22:19] requires all incurred expenditure to be supported with source documents. Contrary to the aforementioned legislation, the Ministry incurred expenditure amounting to \$25 433 whose payment vouchers were not produced for audit examination.

Risk/Implication

If payments are processed without adequate source documents, fraudulent transactions may occur without detection.

Recommendation

Management should monitor and supervise procurement processes to ensure that payment vouchers are supported by adequate source documents to prevent the processing of fraudulent transactions and incurring of wasteful expenditure. The filing of all payments should be done in sequential order making use of dates or payment voucher numbers.

Management Response

The Ministry hopes to submit the remaining documents before exit meeting.

Evaluation of Management Response

The missing vouchers were not availed for audit examination at the exit meeting.

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

1 GOVERNANCE ISSUES

1.1 Inspections and Audits of Cooperatives

Finding

Section 112 of the Cooperative Act [*Chapter 24:05*] states that, the Registrar may at any time (a) inspect the records, books and accounts of any registered society; and (b) carry out a physical check of property and assets, including stock and cash in hand, held by a registered society. Section 113 (1) (a) of the same Act states that the Registrar may at any time on his own initiative conduct (i) an inquiry into the constitution, administration, management of finances of a registered society; or (ii) an audit of the accounts of a registered society. However, during the financial year ended December 31, 2018 the Ministry did not conduct the inspections and audits of the cooperatives due to shortage of staff.

Risk/Implication

Failure to inspect and audit cooperatives regularly may result in loss of revenue to the Central Co-operatives Fund as the co-operatives can be mismanaged. There can also be an increase in litigation costs as a result of an increase in disputes in the running of the cooperatives.

Recommendation

The Ministry should ensure that the Registrar's Department is adequately staffed so that the co-operatives are regularly inspected and audited in compliance with section 112 (a) (b) and 113 (1) (a) of the Co-operative Act [*Chapter 24:05*].

Management Response

The finding is noted. The Department has repeatedly submitted the position that the current staffing arrangement does not augur well for efficient delivery of service. The provision of resources for Small and Medium Enterprises is not readily available. Requests for Small and Medium Enterprises movements are not authorised.

1.2 Auditing and Submission of Annual Report to the Registrar

Finding

Section 35 (1) (a) and (b) as read together with section 36 (1) of Cooperative Societies Act [*Chapter 24: 05*] state that every registered society shall have its books audited once a year by a person entitled to practice as a public auditor in terms of the Public Accountants and Auditors Act [*Chapter 27:12*] not later than six months after the close of its financial year, an annual report on its activities during the year, together with two certified copies of the audited financial statements of the society and the audit report for that year. The Co-operative Societies were not audited during the financial year ended December 31, 2018.

Risk/Implication

Failure to audit co-operatives each year may result in loss of revenue as the cooperatives may be mismanaged and there may be litigation costs as a result of an increase in disputes in the running of the cooperatives.

Recommendation

The Ministry should ensure that registered societies are audited annually and submit their annual report to the Registrar in compliance with section 35 (1) (a) and (b) and 36 (1) of Co-operative Societies Act [*Chapter 24: 05*].

Management Response

The finding is noted. The Co-operative Department has no capacity to audit cooperatives. Instead the Co-operatives themselves identify their own auditors and carry out the audit at their expense. Most Co-operatives have been struggling with audit fees. The Public Service Commission has over the years reduced personnel in the Department and abolished the auditors' posts.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Variances on Expenditure Figures

Implementation was partially done. Some set-offs had still not been actioned by the Accountant-General's Office but with regard to other expenditure items they do now tally with PFMS reports.

2.2 Anti-Domestic Violence Council (ADVC) Allowances

Implementation of the recommendation was partially done. The outstanding allowances had not been paid.

WOMEN'S DEVELOPMENT FUND 2016

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.

Disclaimer of Opinion

I am required to audit the financial statements of Women's Development Fund of the Ministry of Women and Youth Affairs, which comprise the statement of financial position as at December 31, 2016, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	1 434 742
Expenditure	148 423
Surplus	\$1 286 319

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	236 111	-
Accumulated Fund	-	2 771 821
Revaluation Reserve	-	39 400
Current	2 575 507	-
Suspense	-	397
Total	\$2 811 618	\$2 811 618

I do not express an opinion on the financial statements of Women's Development Fund. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(i) Accounting Records

Finding

I noted with concern that the Ministry did not maintain a separate set of records for loans issued out to women groups. This was in contravention of Treasury Instruction No. 0705

which requires, every Accounting Officer or officer administering a Fund to ensure that full and proper accounts are kept of the transactions for which he is responsible and the Accounting Officers shall prescribe the form of such books of account to be maintained by the officers under their control.

Risks/Implications

Transparency in the usage of public resources may not be guaranteed.

The receivables figure disclosed in the financial statements could have been misstated

Recommendations

The Ministry should maintain records of loan disbursements to reconcile with the POSB balances.

The record of receivables in all provinces should be maintained at all times so that follow ups are not done on fully paid up loans. Also accurate records would facilitate the recovery of all loans.

Management Response

The Ministry used to keep separate records in spreadsheets but the computer was corrupted due to virus attack. However, we are looking forward to input all the records in the SAP system as per Treasury initiative in 2018. The physical documents were being submitted to POSB without keeping a separate file with copies and that was an oversight on the part of the Ministry. We have created a separate file for all documents relating to WDF funded projects starting with 2017 disbursements.

(ii) Advances Made to POSB

Finding

The Ministry purchased fifty (50) motorbikes in 2014 but the purchase which amounted to \$91 425 was recorded as an advance to POSB. This was in contravention of Treasury Instruction 0705 which requires every Accounting Officer or Officer administering a fund to ensure that full and proper accounts are kept of the transaction for which he is responsible. This was caused by an oversight on the part of Ministry officials.

Risk/Implication

The Property, plant and equipment figure disclosed in the financial statements could have been misstated.

Recommendation

The Ministry should maintain its non-current assets separate from trade receivables as this is misstating the state of affairs for the Fund.

Management Response

Initially POSB entered into an arrangement with the Ministry to advance loans to Ministry staff in the form of motor cycles for the purpose of enhancing monitoring and evaluation of WDF projects. However, several staff members who wanted to benefit from the loans did not meet the minimum requirements as per the bank regulations which prompted the bank to cancel the agreement. The Ministry has however taken note of the need to correct the anomaly since the transactions were supposed to be reversed and recorded correctly in the books of accounts.

(iii) Projects which Ceased Operations

I observed with concern that sixteen (16) projects which received loan disbursements amounting to \$33 566 and with an outstanding balance of \$31 649 had ceased operations. The loans had been given to people without the capacity to carry out the businesses as it indicates that no proper assessment was made prior to issuance of the loans. There is no Value for money derived by the Fund as the loans were issued out to non performing groups without the capacity to repay back the loans. This was in contravention of Section 308 (2) of the constitution of Zimbabwe Amendment (No.20) Act 2013 which requires every person responsible for the expenditure of public funds to safeguard the funds and ensure that they are spent only on legally authorized purposes and in legally authorized amounts read together with article 5.7 of the Memorandum of Understanding (MoU) between POSB and the Ministry. This was caused by failure to exercise due care in the issuance of the loans on the part of the Ministry officials.

Risks/Implications

These loans may become irrecoverable as there were no income generating activities to support the repayments.

Fraud may be perpetrated if there are no proper controls to ensure that loans are disbursed to deserving women groups.

Recommendations

Loans should only be disbursed after carrying out adequate vetting of business proposals and the applicants.

Ministry officials should carry out monitoring and evaluation of projects in line with Article 6 of the MoU.

Management Response

The Ministry has taken note of the observation and efforts are underway to improve on the chain of receiving the application, identification of the projects and recommendations as well as approval. Monitoring and evaluation mechanisms have also been intensified to reduce the risk of non-payment of loans. Physical project

inspections have been intensified to improve on verification so as to reduce incidence of delinquency.

The Ministry will be conducting some audits in various provinces and districts in an effort to identify the project owners and the projects that were funded. It is this endeavor that the Ministry will come up with recommendations on the possible action to would be offenders and implementation of the recommendations.

(iv) Suspense Account Balance and Variance on the Cash Flow Statement

Finding

I noted with concern that the Ministry Officials introduced a Suspense Account balance of \$397 in its adjusted Statement of Financial Position and also created an unexplained variance of \$3 431 in the Cash Flow Statement. This was contrary to section 37 of the Public Finance Management Act [*Chapter 22:19*] which requires annual accounts to be prepared in accordance with Generally Accepted Accounting Practices (GAAP) as read together with Treasury Instruction 0705.

Risks/Implications

The financial statements might be misstated.

The Fund's resources might be open to misappropriation.

Recommendation

The Fund Administration should provide an explanation to the variance and clear the suspense balance in the financial statements in compliance to the requirements of section 37 of the Public Finance Management Act [*Chapter 22:19*] and Treasury Instruction 0705.

Management Response

Management is still to respond.

(v) Reluctance to Repay Loans

I noted that seven (7) groups which benefited from the loan facility from the Fund were not repaying the loans although they had the resources to service the loans. These included income generating projects such as poultry, bottle store, crèche, retail outlet, estate business with several properties, wedding décor and equipment business, while two of the members were serving civil servants. This was in contravention of Article 6 of the Memorandum of Understanding (MoU) between POSB and the Ministry which requires the Ministry to institute recoveries from defaulting debtors. This was caused by inadequate debt recovery systems.

Risks/Implications

The loans may become irrecoverable.

The revolving nature of the Fund may not be achieved, thereby failing to meet the objectives of the Fund.

Recommendations

The loans should only be issued to women groups with the capacity to operate the businesses and after proper assessment has been made in order for the Fund to serve the purpose for which it was established.

The Ministry should institute recoveries from defaulting beneficiaries as per article 6 of the MoU.

The Fund Administrators should institute strong recovery mechanisms as well as enforce routine monitoring and evaluation by District and Ward Development Officers to increase chances of the groups repaying.

The Fund Administrators should get signed Payment Plans from these beneficiaries and enforce them through legal means if the groups continue to default in making timeous payments.

Management Response

The Ministry is taking corrective measures to ensure deductions for members of the Civil Service are done at SSB as well as setting up teams to follow up on the outstanding loans.

(vi)Reimbursements from Pay-Master General (PMG) Account

I noted with concern that the Ministry overstated the Fund's income figure by including the figure for reimbursements from the PMG account amounting to \$61 687 in violation of section 5 (a) of the Fund's Constitution which states that only monies appropriated by the legislature forms part of income to the Fund. In addition, the Ministry also included expenditure amounting to \$81 422 which was supposed to be part of internal receivables in contravention of section 6 (a) (b) and (c) of the Fund's constitution as the said figure does not constitute expenses to be charged to the Statement of Comprehensive Income as that amounted to writing off the expenses.

Risk/Implication

The financial statements may be materially misstated and mislead users thereof.

Recommendations

The Ministry should prepare the Financial Statements in compliance with the requirements of sections 5(a) and 6(a) (b) and (c) of the Fund's Constitution.

Reimbursable expenditure paid on behalf of the Appropriation account should not be charged to the Statement of the Comprehensive Income instead it should be part of internal receivables recoverable from the Appropriation Account.

Management Response

The Ministry has taken note of the observation and we have corrected the anomaly.

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

1 GOVERNANCE ISSUES

1.1 Distribution of Motor Bikes

Finding

I noted with concern that fifty motor bikes acquired in 2014 for the purpose of monitoring and evaluation of projects were not distributed to the respective provinces. The Fund was therefore, unable to determine the progress, existence, monitoring and evaluation of proposed projects and to identify the defaulters on loan obligations. This was contrary to Article 5 of the Memorandum of Understanding with POSB which requires monitoring and evaluation of women empowerment projects by Ministry officials in designated offices across the country. This was caused by management oversight and lack of review on the work of junior staff members.

Risks/Implications

The purpose for which the motorbikes were acquired may not be achieved.

The motorbikes may develop faults and become obsolete as a result of long periods of non-usage and more financial resources may be required to make them functional.

Recommendations

The Fund Administrators should ensure that motorbikes are distributed to the respective provinces.

The Fund Administrators should put in place mechanisms to ensure that the motorbikes are put to use before they become obsolete.

Management Response

The Ministry was waiting for the Honorable Minister's direction with regards to the distribution of motor cycles. When the process is through the Ministry will be in a position to give the intended staff members the motor cycles for the purpose of monitoring and evaluation of WDF women projects.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Excess of Expenditure over income

Despite Ministry officials having commented that excess of expenditure over income will be recovered after intensifying the monitoring and evaluation exercise of the non-performing loans, no recovery mechanisms were put in place during the year under review.

2.2 Budget for the Fund

The Ministry officials instituted corrective measures in the preparation of the budget for the Fund.

2.3 Accounting Officer's Instructions

The Ministry is yet to get an approved Accounting Officer's Instruction from Treasury despite another submission having been made.

SMALL AND MEDIUM ENTERPRISES REVOLVING (SME) FUND 2017

OBJECTIVES 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.

Opinion

I have audited the financial statements of the Small and Medium Enterprises Revolving Fund for the Ministry of Women and Youth Affairs. These financial statement comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	1 755 400
Expenditure	4 009
Surplus	\$1 751 391

Statement of Financial Position

Item	Asset (\$)	Liabilities (\$)
Non-Current Accumulated Fund	-	21 901 392
Current	21 901 392	-
Total	\$21 901 392	\$21 901 392

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Mixing Project Funds

Finding

A total amount of \$21 300 for the United Nations Development Programme (UNDP) Livelihoods Revolving Fund was disbursed through the SME Revolving Fund. The

disbursement was not disclosed in the financial statements for 2017 submitted for audit. Furthermore, separate financial statements were not produced for the UNDP Livelihood Revolving Fund as per my recommendation. The two Fund Accounts have different repayment periods and charge different interest rates.

Risks/Implications

It may be difficult to evaluate the financial performance of the Fund if activities and resources of two different programmes with different requirements are combined.

Non-disclosure of the disbursement could result in loss of accountability.

Recommendations

The Ministry should disclose the UNDP disbursement in the Financial Statements submitted for audit.

In addition, there is need to separate the activities of SME Revolving Fund and UNDP Livelihoods Revolving Fund since they have different repayment periods and charge different interest rates.

Management Response

The observation is agreed to. The total of \$21 300 for UNDP Livelihoods has been disclosed as in the financial statements under receivables.

Treasury is trying to reduce the opening of Fund Accounts and as such, they granted authority to use the SME Revolving Fund, since the UNDP is also supporting SME Development.

Evaluation of Management Response

The amount disbursed was not disclosed in the financial statements submitted for audit.

A determination should be made to have consistent repayment periods and interest rate charges if the two Fund Accounts are to be merged.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Follow up on Loan Repayments

Findings

There was no evidence of follow up on the repayment of \$15 200 000 which was disbursed to SMEDCO in 2016. This was contrary to the requirement of the Memorandum of Understanding (MOU) signed between SMEDCO and the Ministry which stipulates that loan repayments should be made between March 31 and September 30 of each year.

The accounts receivable figure increased from \$20 121 703 in 2016 to \$21 893 139 in 2017. However, the cash at bank as at December 31, 2017 was \$8 253. I am concerned about the sustainability and liquidity of the Revolving Fund.

Risks/Implications

The Ministry may fail to recover both the principal amount and interest if follow ups are not done timeously.

The objectives of the Revolving Fund may not be achieved.

Recommendation

Regular follow up should be made on outstanding repayments to minimise bad debts.

Management Response

There was no Memorandum of Understanding (MOU) signed between SMEDCO and the Ministry particularly for the \$15 000 000 Treasury bills. The funds were meant to capitalize SMEDCO.

Evaluation of Management Response

There is need to seek clarification with Ministry of Finance and Economic Development on whether the \$15 000 000 was not a debt capital. The interest income disclosed in the financial Statements submitted for audit was inclusive of interest charges on the \$15 000 000.

Furthermore, the Ministry should consider the issue of the sustainability of the Fund.

YOUTH DEVELOPMENT AND EMPLOYMENT CREATION FUND 2017

OBJECTIVE OF THE FUND

The purpose of the Fund is to mobilise resources for on-lending to youth businesses, projects and youths intending to start income generating projects and businesses and to finance programmes related to youth training so as to empower youths and create employment for them.

Qualified Opinion

I have audited the financial statements of Youth Development and Employment Creation Fund for the year ended December 31, 2017. These financial statements comprise the statement of financial position, statement of comprehensive income, statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of the Statement of Comprehensive Income and the Statement of Financial Position for the year.

Statement of Comprehensive Income

Item	Amount (\$)
Income	3 426 930
Expenditure	2 651 149
Surplus	\$775 781

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-current	2 680 937	---
Current	959 058	847
Accumulated Fund	---	3 639 148
Total	\$3 639 995	\$3 639 995

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Youth Development and Employment Creation Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Debt Management

Findings

There was no evidence of effective and appropriate steps taken to recover all outstanding debts at the twelve (12) Vocational Training Centers (VTCs) visited. The Ministry's strategy

to withhold certificates was not effective. No reminders and follow-up letters were issued to the debtors.

As at December 31, 2017, the VTCs had outstanding debtors in respect of fees and rentals from hire of premises amounting to \$337 193 and this figure was not recognised in the financial statements of the Fund.

However, Treasury Instruction 0501 provides 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.

Risk/Implication

Without issuing reminders and follow-up letters to debtors, such debts could become irrecoverable and would deprive the VTCs of funds to finance their operations.

Recommendations

The VTCs' management should issue reminders and follow-up letters to all debtors to ensure that they recover all outstanding revenue due to the VTCs in order to boost their working capital.

Management Response

The findings are acknowledged. In future VTCs shall issue reminders and follow up letters to all outstanding revenue due to the centres as a debt recovery strategy. The Ministry will also come up with a debt management policy that should act as a point of reference for all debts owed by trainees.

The bulk of outstanding debts relate to students whose fees are paid under Social Welfare. Treasury has not been supporting the Fund and as a result no payments were remitted to the centres. The Ministry has since written to Treasury for settlement of the arrears. In addition, as a stop gap measure, Vocational Training Centres have been urged to encourage students who cannot pay their fees to work for the fees as opposed to deregistering the students as this will impact negatively on the youth empowerment programme. Furthermore, Centres will withhold certificates till fees are paid and also on the other hand entering into a fees guarantee agreement with the parents and guardians when they are seeking places for their children.

Some of the students did not complete their courses but left soon after acquiring basic knowledge and locating such students was considered uneconomic.

(ii) Accounting for Revenue

Finding

An inspection of the financial statements prepared by the twelve VTCs visited revealed that all invoices in respect of student fees were not accounted for but instead recognised only cash receipts as revenue thereby understating total revenue recognised in the financial statements. Section 37 of the Public Finance Management Act [*Chapter 22:19*] provides that the

financial statements required to be prepared in terms of this Act shall be prepared in accordance with generally accepted accounting practice (GAAP). GAAP provides that revenue is typically recognized when there is realisability, which means that the service provider has received payment or a valid promise of payment from the customer.

Risk/Implication

Failure to account for all invoices raised in respect of student fees would misstate total revenue generated by the VTCs.

Recommendation

Management should account for all student fees invoices raised to enhance proper recognition of revenue generated.

Management Response

The observation is acknowledged. The VTCs will in future issue invoices to all prospective trainees before receipting what has been paid by each trainee.

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

1 GOVERNANCE ISSUES

1.1 Loans

Finding

In my previous audit report for the year ended December 31, 2016, I made mention of the Ministry's failure to institute effective recovery action on loans. This persisted in the year 2017 resulting in a high default rate by the loan borrowers. The amount of outstanding loans remained stagnant at \$506 138. This is contrary to Treasury Instruction 0501 which 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. 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.

Recommendations

Management should put more efforts to recover all outstanding debts.

Where debts have become irrecoverable, appropriate action to adjust the financials by a provision should be taken so that a true picture will be reflected to ensure reliability of financial information.

Management Response

The finding is acknowledged. The loans outstanding were advanced to youths under Youth Empowerment Programme. However, the youths who benefitted did not have adequate training on projects and hence most of the projects failed at infant stage. There is no hope of recovery. Although the Banks have been engaged to recover the amounts, there has not been any meaningful progress made. In this regard a write-off has been proposed and Treasury will be approached for guidance by 31 May, 2019.

1.2 Maintenance of Accounting Records

Finding

The twelve (12) Vocational Training Centres (VTCs) visited namely Sizinda, Lobengula, Esigodini, Phangani, Zvishavane, Kadoma, Mashayamombe, Chinhoyi, Chawarura, Rushinga, Mt Darwin and Chaminuka did not maintain ledgers for their assets, liabilities, owner's equity (accumulated fund), revenues and expenses. This was contrary to Section 37 of the Public Finance Management Act [*Chapter 22:19*] which provides that the financial statements required to be prepared in terms of this Act shall be prepared in accordance with generally accepted accounting practice (GAAP). GAAP provides that a ledger, which is a complete record of financial transactions over a financial period, must be maintained for assets, liabilities, owner's equity, revenues and expenses.

Risk/Implication

Without ledgers, management would not fully account for assets, liabilities, owner's equity (accumulated fund), revenues and expenses account balances. Also it would be difficult to come up with accurate account balances.

Recommendation

The Fund's management should ensure that all VTCs maintain ledgers for assets, liabilities, owner's equity (accumulated fund), revenues and expenses to enhance accurate reporting of the financial statements.

Management Response

Observation acknowledged. The problem was mainly due to non-accounting staff being assigned accounting responsibilities without first going through an induction process or training. As a corrective measure centres have been instructed to maintain up to date records. In addition, a training workshop scheduled for May 2019 has been organised for all accountants. Further to the above senior accountants from Head Office have been tasked to visit the Centres assisting in updating the records and also carrying out inspections.

1.3 Classification of Transactions

Finding

The Fund did not have an approved Accounting Officer's Instructions neither did it have its own customised chart of accounts to guide the Vocational Training Centres (VTCs) in the recording and classification of transactions. The twelve Centres visited were using a draft Accounting Procedure's Manual and the Government of Zimbabwe Appropriation Account Chart of Accounts which applied to cash basis accounting and not accrual basis accounting.

This resulted in the Fund having expenditure under goods and services, maintenance and current transfers classified as "other goods not classified above". Total expenditure classified under "other goods not classified above" of \$332 193 was in the financial statements. The Fund also had other income amounting to \$200 173 recognised in its financial statements. No explanatory notes giving a breakdown of these significant and material figures were given in the financial statements of the Fund.

Treasury Instruction 0706 states that Accounting Officers shall, within the framework of these Instructions, 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. Such instructions shall include directions as to the operation of internal check systems.

Risks/Implications

Without the Accounting Officer's Instructions, there may be no guidelines on how the Fund's financial and operational activities should be accounted for.

The absence of the Fund's customised Chart of Accounts may result in inconsistencies in the accounting or treatment of the financial and operational transactions or activities.

Failure to properly classify income and expenditure may result in unreliable projections of income and expenditure patterns by those charged with governance when planning and budgeting for the institutions.

Recommendation

The Fund's management should formulate Accounting Officer's Instructions and its own customised Chart of Accounts detailing how the Fund's financial and operational activities are to be classified and accounted for as required by Treasury Instruction 0706 for consistence and objective reporting.

Management Response

Observations are acknowledged. There is a draft Accounting Officer's Instruction which could not be finalised due to absence of Treasury Instructions which form the point of reference when drafting the Accounting Officer's Instructions. The Accounting Officer's Instructions will be finalised once Treasury Instructions are done.

Draft Chart of Accounts were developed and these will be finalised with guidance from Treasury. This will also assist the officers to properly classify income and expenditure items.

1.4 Advances to Parent Ministry

Finding

The Fund did not take effective and appropriate steps to recover the long outstanding advances to the Parent Ministry. The account balance of \$127 746 recognized in the financial statements has been outstanding since 2015. Transfer of funds from the Youth Development and Employment Creation Fund is a violation of the Fund's founding constitution.

Risk/Implication

The practice of lending funds to the Ministry cripples the operations of the Fund and may result in the Fund failing to achieve its objectives as the much needed financial resources may remain tied up in advances.

Recommendation

The Accounting Officer, as the responsible authority, should ensure that the amount is fully repaid to the Fund.

Management Response

The amount recorded as advances to parent Ministry was incorrectly classified. This was merely support to Ministry staff visiting centres on Vocational Training Centres related businesses. However, this method of funding operations was disbanded and therefore it is no longer recurring. In order to correct the anomaly, the amount recorded as advance was adjusted and the correct entries done. The financial statements have been adjusted accordingly.

Evaluation of Management Response

It is appreciated that you intend to write off Advances to Parent Ministry from the Statement of Financial Position. However, due process has to be followed. The Ministry has to seek Treasury permission to write off the transfers made to head office before expensing the same in the consolidated income statement.

2 ASSET MANAGEMENT

2.1 Capitalisation of Non-Current Assets

Findings

The Fund did not include in its statement of financial position, moveable, non-moveable and biological assets at the Vocational Training Centres visited. In addition, the Fund did not include a provision for depreciation of Office Furniture valued at \$77 294 purchased during

the year under review. Section 37 of the Public Finance Management Act [*Chapter 22:19*] provides that the financial statements required to be prepared in terms of this Act shall be prepared in accordance with generally accepted accounting practice (GAAP). GAAP provides that an asset be capitalised at the time of purchase and depreciated over its useful economic life.

Risk/Implication

The financial statements were misstated due to non-recognition of non-current assets at VTCs and the related depreciation.

Recommendation

The Fund's management should ensure that all non-current assets are capitalized and that the assets are depreciated over their useful economic lives.

Management Response

The financial statements were prepared using the cash basis method of accounting and the Appropriation Chart of Accounts was adopted. As such no provisions for depreciation were made and all assets were expensed at acquisition. However, following the Government position/policy to adopt accrual method of accounting which is in its infancy the Ministry has started depreciating assets and capitalising them at acquisition.

Evaluation of Management Response

There was no basis for adopting the cash basis method of accounting and the Appropriation Chart of Accounts when Section 37 of the Public Finance Management Act requires that an accrual method of accounting be used for the Fund accounts. Also there is no evidence that the Ministry has started depreciating assets and capitalising them at acquisition in the 2017 financial statements.

2.2 Infrastructure Management – Vocational Training Centres

Findings

Officers at the Phangani VTC were using 20 houses that were condemned by the Ministry of Public Works according to minute A/16/1 dated February 3, 1995. Most of the houses had cracks and were costly to maintain since they were old and had outlived their useful lives. Furthermore, two of the three shower cubicles of the northern wing of the boys' hostel were not functional. The toilet cisterns were leaking and creating pools of dirty water on the floors. As a result, the hallway and common rooms were dirty. Also the boys' hostel had window panes, doors, locksets, electrical sockets and built-in wardrobes were vandalised.

Esigodini VTC was occupying and utilising the old farm house that was inherited when the Government bought the farm in 1980. Ever since its acquisition no meaningful renovations were made and it was costly to repair and maintain the old structures. The buildings were dilapidated, ceiling had collapsed in most of the rooms, walls and floors had cracks, doors

were destroyed by termites and the roof had crevices and was leaking. One of the two garages and makeshift classrooms had its roof giving in as a result of old worn out trusses and a pole had to be used to support the roof from collapsing. Furthermore, the new girls' hostel was not properly maintained. The doors had damaged padlocks, some sockets damaged with naked electricity wires. The sewer system was not functional and there were pools of dirty water running outside the hostel due to the drainage system that had a blockage.

Mashayamombe VTC's infrastructure was constructed in 1982 as young farmers club. It was later transformed to Vocational Training Centre in 1999. Most of the buildings were now old and needed renovations and refurbishments. The institution's classroom blocks, student hostels and staff houses ceilings, doors and wooden shelves were destroyed by termites. Thus the VTC's appearance was not appealing. The building for the department of Tourism and Hospitality was not being maintained as evidenced by broken electric plugs, non-functioning water taps and blocked sinks. The building had a leaking roof and broken window panes. The hostels were in a deplorable condition as the floors were dirty, some doors were broken while those doors that were still intact were ununlockable and the ceilings were falling apart. The water supply was erratic and students had to use bucket system for flushing in the toilets. It was, however, noted that some of the students used the toilets and left without flushing them hence exposing others using the same facilities to diseases.

Risks/Implications

The continued use of condemned houses exposes the lives of the Phangani VTC's manpower and students to danger should they give in as a result of their deplorable state.

Failure to maintain, repair and keep the hostel clean exposes the lives of the students to electric shocks due to naked cables and danger of contracting diseases. Hostel rooms are exposed to rain especially during rain seasons due to broken window panes.

The hostel set-up may scare away potential students from enrolling at the Centre.

Recommendations

Phangani VTC should engage their Head Office such that funds are set aside for the construction of new housing units for the Centre's manpower.

Phangani and Mashayamombe VTCs should ensure that the boys' hostel window panes, doors, locksets, electrical sockets and built-in wardrobes which were vandalized are attended to as matter of urgency.

Management of Phangani and Mashayamombe VTCs should ensure that the boys' hostel bath rooms, toilets, corridors and rooms are regularly cleaned for the health and safety of the students.

Esigodini VTC should embark on a massive renovation and repairing exercise so as to spruce up its image and improve service delivery and enrolment.

Mashayamombe VTC needs to buy a generator with the capacity to pump water into the Training Centre's tank. Water will be supplied from the tank to the facilities using kinetic energy.

Management Response

The findings are acknowledged. Your recommendations are sincerely noted and Head Office will be advised on the desire to construct new houses for Phangani VTC manpower and as such the budget should have a provision so that we are considered.

The boys' hostel window panes, doors, locksets, electrical sockets and build-in wardrobes which were vandalized will be attended to as a matter of urgency.

The hostel supervisor will ensure that the boys hostel bathrooms, toilets, corridors and rooms are regularly cleaned for the health and safety of the students and for monitoring this a health and safety committee will be set up to check and supervise as from 3/1/2019.

Esigodini VTC had a plan for new infrastructure to be constructed near the new hostel site, but presently funding has not been availed. Despite lack of funding the VTC using its resources has repainted the old farmhouse including the roof. The Centre had made a request for the Public Works Department to attend to faulty sewer system at the hostel. Meanwhile, two Blair toilets and two bathrooms were built to manage the situation.

COMMUNITY DEVELOPMENT FUND 2017

OBJECTIVES 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.

Qualified Opinion

I have audited the financial statements of the Zimbabwe Community Development Fund for the Ministry of Women and Youth Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	366 752
Expenditure	111 093
Surplus	\$255 659

Statement of Financial Position

Item	Asset (\$)	Liabilities (\$)
Non-Current	25 718	—
Accumulated Fund	—	284 942
Current	262 995	3 771
Total	\$288 713	\$288 713

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Zimbabwe Community Development Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Storage Fees for Ballot Boxes at Rodger Howman Training Centre

Finding

Section 2 (d) of the Fund's Constitution, one of the Fund's objectives is to provide financial, technical and managerial support for the development of Training Centres infrastructure, and maintenance of facilities and equipment of the Training Centres.

A documentary review for the Rodger Howman Training Centre revealed that two (2) of the existing four (4) classroom blocks at Rodger Howman Training Centre had been storing ballot boxes on behalf of ZEC since July 2013, but no storage fees had been paid for the warehousing facility. In my 2015 Annual Report, I raised the same issue but no remedial action was taken. This was caused by inadequate ways being used by management to engage the Zimbabwe Electoral Commission (ZEC) to resolve the issue.

Risk/Implication

Loss of potential revenue may derail the goals and objectives of the Training Centre.

Recommendation

The Fund Administrators should engage the Zimbabwe Electoral Commission with a view of resolving the issue of the disposal of the ballot boxes to create room for learning purposes in order for the Fund to fulfil one of its objectives as provided for in Section 2 (d) of the Fund's Constitution.

Management Response

The observation has been noted. The Ministry however, has started engagements with the Zimbabwe Electoral Commission with a view to have a lasting solution on the payment of the storage fees for the ballot boxes.

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

1 GOVERNANCE ISSUES

1.1 Training Targets for the National Training Centre for Rural Women (NTCRW)

I observed that the Training Centre did not have specific targets as to the number of trainings they were supposed to conduct during the year. This was caused by lack of clear targets set by the Skills Development Section under the Community Development Department.

Risk/Implication

The Training Centre may lose focus of the aspect of training participants who are drawn from different parts of the respective communities.

Recommendation

The Fund management should break down the number of trainings expected to be done by each Training Centre so as to enable yearly evaluations.

Management Response

The Ministry has noted the observation and was now implementing the calendar of trainings for the year as per the training programs specified in the Departmental Integrated Performance Agreement of Community Development.

1.2 Income Generating Infrastructure for 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.

For the third consecutive year, I observed with concern that, Rodger Howman Training Centre did not repair and maintain the Training Centre's infrastructure as at December 31, 2017.

Further analysis by the audit team revealed that, the Community Development Fund had a consolidated cash at bank of \$247 956 as at December 2017. This was despite that the Training Centre had an incomplete girls' hostel.

Risk/Implication

The Training Centre may be losing potential revenue to be generated from the girl's hostel with a capacity to accommodate forty-eight (48) people.

Recommendation

The Fund management should repair and maintain the Training Centre's Infrastructure before it gets even more expensive to complete in compliance with Section 2 (d) of the Fund's Constitution.

Management Response

The observation has been noted but the balance was as follows:

- \$200 000 was transferred into the Community Development Fund for the sole purpose of the Community projects in the revolving Fund.
- \$40 000 was also earmarked for NTCRW PSIP.
- Balance was generated by the two centres which was inadequate for the major renovations at Rodger Howman Training Centre.
- This year Treasury has availed \$80 000 for the completion of Rodger Howman Girls hostel and was awaiting tender processes to be completed.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Services Payments System for National Training Centre for Rural Women

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.

After analysis of the services payments system of the Training Centre, I observed with concern that the Training Centre did not have in place a mechanism to facilitate payments to be made using the various payment methods, by prospective clients. This was caused by delayed intervention by Fund management.

Risk/Implication

The Training Centre may be losing potential revenue to be generated from accommodation and conference services.

Recommendation

The Fund management should put in place a services payments system that caters for the various modes of payments at the disposal of the various prospective clients in compliance with Section 2 (d) of the Fund's Constitution.

Management Response

The observation has been noted and the Ministry has engaged the bankers who have indicated that there were shortages of POS machines. The bank however, pledged to identify idle POS machines from its customers which they would give to the Ministry for the NTCRW.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Accounting Management System

The cash book and ledgers are now being maintained on both soft and hard copies.

3.2 Rent Debtors

The Ministry indicated that they trained the Accounting Assistant and corrective measures have been instituted.

3.3 Income

The Pre-School at the National Training Centre for Rural Women was closed by the end of December 31, 2017.

3.4 Labour Costs

The Ministry has stopped using casual workers for their Training Centre's and has also applied to the Civil Service Commission for authority to engage casual workers when they are needed.

3.5 Use of Fund Resources to Meet Appropriation expenditure

The recovery of amounts dating from 2015 going back had not yet been done.

VOTE 18. -HOME AFFAIRS AND CULTURE

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry is responsible for promoting a secure and conducive environment through maintenance of law and order, migration management, timely registration and issuance of secure identification documents, regulation of gaming board and entertainment activities and provision of forensic science services.

Qualified Opinion

I have audited the financial statements for the Ministry of Home Affairs and Culture for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve/ Supplementary	Total	Expenditure	Net Under spending
\$435 471 000	\$91 420 663	\$526 891 663	\$498 137 668	\$28 753 995

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Ministry for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Reconciliation Between Sub-PMG and Appropriation Account

Finding

The Appropriation Account reflected total expenditure as \$498 137 668, the Sub-Paymaster General's Account showed \$60 547 711, while the Public Finance Management System's consumed budget had a figure of \$484 640 827. Although reconciliations were carried out, I noted that the Ministry took long to clear the erroneous entries of \$594 183 and \$14 900 dated February 23, 2015 and February 2016 which continued to feature in the Sub-PMG respectively. The Ministry did not give satisfactory explanations on why the errors could not be cleared timeously.

Risk/Implication

The expenditure reported might be over/understated.

Recommendation

Ministry officials should carry out monthly reconciliations between the bank statement and the PFM System balances timeously as this would enable the detection of errors of omission and commission.

Management Response

The discrepancy has been noted. Efforts are under way to clear the two figures that have been featuring in the Sub-PMG reconciliation.

(ii) Variance on Employment Cost Figures

Finding

The reported employment costs amounted to \$421 722 188 while Salary Service Bureau reported \$421 439 330 giving a variance of \$282 858. This is contrary to the Ministry of Finance minute reference B/1/88 dated June 5, 2018 which called upon all line Ministries to perform monthly reconciliations of the billed amounts by Salary Service Bureau against employment cost expenditure as shown in the Public Finance Management System (PFMS). The difference had not been reconciled.

Risk/Implication

The Appropriation Account may be misstated.

Recommendation

The Ministry should liaise with SSB to reconcile the figures.

Management Response

The employment costs reported by the Ministry correspond with the bills received from Salary Service Bureau (SSB). Our figures correspond to releases made by Treasury which are done after verifications with SSB. With reference to the minute quoted, there are no open items pertaining to employment costs indicating that reconciliations were done. The SSB was contacted and could not avail the documents they forwarded to you other than bills hence the reconciliation with SSB figure was not feasible.

Evaluation of Management Response

The variance remained unreconciled. The Ministry officials should liaise with SSB in an effort to find common ground. If the monthly figures are compared, then the discrepancies can and will be identified and corrected.

(iii)Revenue Received

Findings

For the second year in succession, I noted that the reported revenue received of \$19 062 414 was understated. This also had an effect on the receipts and disbursements return which again was understated as it showed total collections of \$19 057 874. The table below refers:

Details	\$
Revenue Collected by Immigration Control Sub Vote	19 245 865
Less: Total Revenue Reported for Ministry	19 062 414
Difference/Variance	\$183 451

Risk/Implication

There could be misappropriation of revenue.

Recommendations

The Department of Administration and General should reconcile all the revenue received from the various sub-votes.

Management Response

The observation is noted. The difference will be looked into.

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

1 GOVERNANCE ISSUES

1.1 Attainment of Set Objectives

Finding

I observed that the Department of Registrar-General did not fully achieve the following objectives stated in the Departmental Integrated Performance Agreement (DIPA).

Objective Number	Description	Output Description	Target	Achieved
2	To establish and upgrade e-government structures and systems in the department from 65% to 75% by December 31, 2018	Queue management system installed	2	0
2	As above	Bio- enrolment capturing booths installed	5	0
2	As above	Automated Biometric Identification System stations(ABIS) installed.	10	2
3	To complete construction of five district registry buildings namely Guruve, Nyanga, Goromonzi, Murewa and Kadoma by December 31, 2018.	Completed registry buildings	5	1

Risk/Implication

Service delivery may be compromised if the department fails to meet set objectives.

Recommendation

The Department should endeavour to achieve set targets.

Management Response

The observations are noted. However, the Department failed to achieve outputs under objective two which was “To establish and upgrade e-government structures and systems in the Department from 65% to 75% by 31 December 2018” due to non- availability of foreign currency to fund the projects.

The Department failed to complete District Registry Buildings due to insufficient funds at Guruve and Murewa whereas Kadoma and Goromonzi, the funds for the projects were released. However, there were delays by the Ministry of Local Government, Public Works and National Housing in compiling the bill of quantities.

Evaluation of Management Response

I am concerned on how the budget was made without the bill of quantities. On the other hand, those funds have already lost value due to inflation.

1.2 Achievement of Objective - Zimbabwe Republic Police Crime Department

Finding

The Service's objective number one (1) under the Key Result Area on Peace and Security was to reduce the general crime by 4% by December 31, 2018 compared to a similar period in 2017. Objective number 5 of the same Key Result Area was also to reduce traffic accidents by 3% by December 31, 2018 compared to a similar period in 2017. However, I noted that there were increases in the number of cases and accidents reported as indicated in the Commissioner General of the Zimbabwe Republic Police's Annual Report for the year ended December 31, 2018. The table below refers:

RBM Document	Output: 2017	Output: 2018	% Increase
Cases reported	336 428	401 682	19
Crimes of National Concern	201 928	243 225	20
Traffic Accidents	42 430	53 591	26

Risk/Implication

Loss of confidence in the service of the Police Force resulting in the citizens taking the law into their own hands.

Lives may continue to be lost if accidents are not curbed.

Reputation of police force may be compromised.

Recommendation

The Department should come up with strategies that enhance improved service delivery.

Management Response

The observation is noted. Recording an increase in crime at the end of the year is regrettable and must not be allowed to recur.

In order for this objective of reducing crime to become a reality, the ZRP is doing the following through the whole country:

- **Conducting awareness campaigns to conscientise the public on emerging modus operandi of prevalent crimes.**
- **Conducting motorized, dog, foot and cycle patrols in all crime prone areas**
- **Carrying out traffic enforcement duties to manage flow of vehicular traffic, detect and arrest traffic offenders and reducing road traffic accidents.**

- **Strengthening all community policing initiatives such as Neighbourhood Watch Committees, Hotlines, use of social media platforms,**
- **Heightening Wanted Persons Checks to account for all fugitives of justice and sustaining intelligence led policing in the spirit of proactivity in policing.**

1.4 Maintenance of Immigrants Database

Finding

I noted that the Department of Immigration Control did not maintain a database of all immigrants who visited and exited the country for the past 10 years. The compliance Section maintains a manual system which is very difficult to trace the status of immigrants at any given time.

Risks /Implications

The country could be having many undocumented and illegal foreigners who could be staying in the country without being pursued by relevant authorities.

Regulation of immigrants maybe difficult.

Recommendation

The Department should make efforts using available resources to maintain a database of all immigrants and responsible sections should do periodical checks on the status of immigrants.

Management Response

The observation has been noted. The Department of Immigration does maintain database for all immigrants who have entered or left the country through major ports of entry and exit where there is a Border management system. However, instances where immigrants enter the country through uncomputerised border posts the databases are manual.

Evaluation of Management Response

The system shows the visitors who entered but their movements within the country needs to be monitored.

1.5 Direct Payments

Finding

I noted that the Ministry had direct payments made by Treasury which were not captured in the Public Finance Management System (PFMS) during the year under review. Table below refers. I was concerned that the expenditure was not disclosed in the Appropriation Accounts for the same period.

Ref: Paynet	Payee/Client	Department	Direct payments Amount \$	Amount in system \$	Variance \$
716	AC Control	ZRP	396 191	-	396 191
1808	Print flow	Immigration Control	31 886	4 531	27 355
2850	Rainbow		17 160	-	17 160
	City of Masvingo		372 699	172 699	200 000
	ZARNET		35 674	-	35 674
Total			\$853 610	\$177 230	\$676 380

Risk/ Implication

There could be misappropriation of funds or understatement of expenditure

Recommendation

The Ministry should liaise with Ministry of Finance in order to verify the correct position and regularise the relevant expenditure.

Management Response

The observation has been noted. There is lack of proper channels of communication between Ministry of Finance and the Ministry and in these instances by the time the Ministry received the letters the respective Departments had already parked and posted and got funding through the bank and line items' budget exhausted. In future we will keep liaising with the Ministry of Finance and Economic Development to avoid recurrence of such scenarios.

1.6 Operation of Board of Censors Programmes (RBM)

Finding

I am concerned that the Board of Censors Department could not carry out their mandate for the period under review due to the absence of the Board which was dissolved on February 22, 2018, on the understanding that it was no longer necessary.

Risks/Implications

The absence of the board was affecting the regulation and control of the public entertainment and publication of materials which may have resulted in indecent, obscene, offensive and undesirable content reaching the public.

Recommendation

The Ministry should expedite the appointment of the new Board so as to enable the Board of Censors Department to be operational.

Management Response

The Government dissolved the Board and the understanding was that it was not necessary to have such a Board. The Ministry is in the process of ensuring that the Board is resuscitated. The composition of the Board was also a challenge as Ministry officials were considered unsuitable for such appointments.

2 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

2.1 PSIP Projects

Findings

I observed that the Registrar-General incurred questionable expenditure on PSIP projects that took long to be completed as remedial works and security costs were incurred on various projects as outlined on the table below. The contractors had to re-do some work that had previously been done such as replacing water damaged roof trusses, roof area with sagging tiles, wall cracks etc. I also noted that when the projects stalled the contractors hired security guards to guard the buildings and the material on site resulting in unplanned security costs. The costs could have doubled or trebled due to inflation since prices of material required are based on quotations obtained between August – November 2018.

Name of Project	Remedial Works Costs Incurred (\$)	Security costs Incurred (\$)	Total (\$)
Hwedza District Registry	121 590	55 742	177 332
Guruve District Registry	30 879	-	30 879
Murehwa District Registrar	33 385	-	33 385

I further noted that Treasury released \$400 000 for Kadoma District Registry and another \$400 000 for Goromonzi District Registry in September and October 2017 respectively but no work was done on the two projects in 2017 and 2018. Further inquiries revealed that Public Works commenced working on the two projects in March 2019. Public Works could not explain the causes for the delay. I am concerned that at the time the funds were released by Treasury in 2017, they were sufficient for the materials that were required to complete the District Registrar's Offices but it was no longer the case in 2019.

Risk/Implication

The funds were no longer adequate because of inflation resulting in having incomplete projects.

Recommendation

Projects should be completed as soon as possible. If funds are not adequate to complete the various projects the Department should concentrate on one or a few projects and complete them before embarking on other projects.

Management Response

PSIP Projects are managed by Public Works.

Evaluation of Management Response

While it is appreciated that Public Works is the manager of such projects, there was no evidence of follow up from Home Affairs and Culture showing concern over the delays in completing the projects. On the other hand, the response does not indicate whether the Ministry has willingness to address the issues raised.

4 MANAGEMENT OF ASSETS

4.1 Maintenance of Motor Vehicles by Administration General

Findings

I observed that two vehicles Mazda 323 sedan registration number GMOHA 005 and Mazda BT50 2.5 double cab with registration number ABE6328 were sent to a private garage (Barep Investment) for repairs in June and September 2017 respectively. At the date of audit in May 2019, the vehicles were yet to be repaired and were still parked at the garage.

I also noted that some vehicles did not have log books hence I could not verify whether these vehicles were used for official duties during the period under review. Refer to table below.

Vehicle make/ model	Vehicle registration number	Ownership	Condition
Nissan Hardboby	AAX 8809	Ministry	Runner
Nissan NP300	MOHA 008	Ministry Pool	Runner
Toyota Land cruiser	AEF 5498	Ministry Project	Runner
Mercedes Benz	AEH 5111	Ministry Project	Runner
Mitsubishi L200	MOHA 007	Ministry Pool	Runner

In addition, I was not provided with either board of surveys or inquiries reports for the vehicles that were said to be non-runners with some dating back as far as 2010. Vehicle log books were also not available to ascertain the last date the vehicles were used.

Vehicle make/ model	Vehicle registration number	Ownership	Condition
Mazda 626 Sedan	MOHA 001	Ministry Pool	Non-runner since January 2010
Mitsubishi Lancer Sedan	GMOHA 004	Ministry Pool	Non-runner since April 2013
Mazda 323 Sedan	GMOHA 005	Ministry Pool	Non-runner since June 2017
Mazda BT50 2.5	ABE 6328	Ministry Pool	Non-runner since September 2017

The Ministry received a Toyota Noah vehicle (chassis number SR40-0212705) as a donation, on January 12, 2017 from ZIMRA. However, at the date of audit, May 2019, the vehicle had not been registered and was still parked and exposed to bad weather conditions. This was the case although some police stations did not have station vehicles.

The vehicles register was not up to date as evidenced by vehicle registration number ABA 8280 that was not recorded in the register. In addition, according to Treasury Instruction 1215 (a) (iii), goods classified as departmental assets should be entered in the relevant schedule of departmental assets before a payment voucher is submitted for payment. Contrary to this, the Ministry bought five (5) vehicles on October 18, 2018 for \$297 000 from Willowvale Mazda Motor Industries but were not recorded in the schedule of vehicles that was submitted for audit.

Risks/Implications

There may be risk of further damage which could be costly to repair if the vehicles remain parked for a long time. There could also be risk of losing vehicle parts.

It will be difficult to check the vehicle usage as well as fuel usage if vehicle log books are not completed.

Failure to record assets may result in accountability challenges or even losses.

Recommendations

The Ministry should ensure that the vehicles are repaired.

Vehicle log books should be completed for all pool vehicles.

The Ministry should conduct board of surveys for the vehicles which have been non-runners for too long.

The vehicle register should be up dated and checked regularly by a senior officer.

Management Response

The observations are noted. The Ministry vehicle repairs are underway.

Board of survey or inquiries for the vehicles to be conducted.

The issue of vehicles without log books have been noted. However, some of the vehicles without logbooks have been issued with the logbooks.

The pending registration process of Toyota Noah will be completed.

5 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

The Ministry made some progress in implementing recommendations made in my previous report. Out of nine (9) recommendations seven (7) were implemented while two (2) had not been addressed as at the date of completion of this audit as indicated below:

5.1 Processing of Payment Vouchers

The audit recommendation was implemented as sampled payment vouchers inspected for the year under review had the same reference as that in the system.

5.2 Variance on Employment Figures

The audit recommendation that the Ministry should liaise with SSB to reconcile the figures was not implemented.

5.3 Unallocated Reserves

The audit recommendation was implemented and there were no differences for the Unallocated Reserve transfer figure.

5.4 Irregular Transfer of Funds

The Department transferred \$8 997 500 from the Appropriation Account to the RG Retention Fund and then to an undisclosed FBC Account number 6115178680376 without Treasury Authority. The Account has since been closed and the amount therein deposited into the main retention fund account.

5.5 Supporting Evidence Not Attached to Payment Vouchers

The Department did not attach supporting evidence (procurement minutes, purchase requisitions, purchase orders and delivery notes) to payment vouchers amounting to \$1 129 360. The Department was attaching supporting evidence to payment vouchers.

5.6 Expenditure Control and Classification

The Service had included \$920 000 under Domestic Travel Expenses which was not related to the Domestic Travel allowances. The Service corrected the issue as there were no mispostings during the year under review.

5.7 Inadequate Supporting Documents

Payment voucher with reference number 1900026428 amounting to \$400 000 for Domestic Travel Expenses was not supported by advance requisition forms. The issue was addressed and the advance requisition forms were attached to payment vouchers for the year under review.

5.8 Employment Cost Reconciliation

The 2017 Appropriation Account reflected total employment cost expenditure of \$326 472 318 whilst the payment vouchers reflected \$354 106 119 resulting in a difference of \$27 633 301. This issue was cleared in the year under review.

5.9 Late Completion of Cases of Members on Suspension

The Service took too long to finalise cases of members who were suspended in terms of Section 47 of the Police Act, [*Chapter 11:10*]. There was no notable progress in the implementation of the audit recommendation.

REGISTRAR GENERAL RETENTION FUND 2017

OBJECTIVE OF THE FUND

The main objectives of the Fund are to provide for additional resources for all vital registration exercises, staff development and retention programs and to finance the information dissemination activities of the Registrar General's Department.

Adverse Opinion

I have audited the financial statements of Registrar General Retention Fund of the Ministry of Home Affairs and Culture. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of statement of comprehensive income and statement of financial position for the year:

Statement of Comprehensive Income

Item	\$
Income	39 127 199
Expenditure	36 486 292
Surplus	\$2 640 907

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current Accumulated Fund	7 856 207	16 573 721
Current	8 717 514	-
Total	\$16 573 721	\$16 573 721

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Registrar General Retention Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Adverse Opinion

(i) Disclosure of Asset Balances for Motor Vehicles, Furniture and Equipment

Findings

I noted that the closing balance for motor vehicles as at December 31, 2016 was \$5 747 508 yet the opening balance for January 2017 was reported as \$4 486 320 giving a variance of \$1 261 188. No explanation was given regarding this variance.

Furthermore, the increase in depreciation worth \$311 113 which arose as a result of additional furniture and office equipment worth \$4 907 713 could not be relied on as the charge did not translate to the depreciation rate of 10%. The figure was also based on furniture and office equipment worth \$3 806 561 which was not produced for audit inspection.

Risk/Implication

There could be misstatement in the financial statements.

Recommendation

The Fund Management should ensure that the correct depreciation is disclosed in the financial statements.

Management Response

The observation has been noted. Corrective measures will be put in place by uploading the assets onto the PASTEL System which will assist with the accurate computation of depreciation.

(ii) Disclosure of Income, Expenditure and Bank Balance

Finding

The Fund Administrators did not disclose an amount of \$2 489 000, which was in their FBC Bank Account, in the financial statements. The total income and the source thereof and the expenditures which resulted in the stated closing balance were not disclosed in the financial statements. The source documents were not produced for audit inspection. I could therefore not rely on the financial statements which excluded such vital information.

Risk/Implication

There could be misstatement in the financial statements.

Recommendation

The Fund Management should ensure that all account balances are disclosed as they constitute public funds.

Management Response

It was not disclosed because it did not form part of the Retention Fund. The funds were allocated by Treasury for Mobile Registration purposes in preparation for the 2018 harmonized elections held in August 2018. The expenditure was disclosed under the 2017 Appropriation Account.

Evaluation of Management Response

The amount transferred from the Appropriation Account to the Fund Account was supposed to be disclosed as income/receipt and then expensed therefrom.

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

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Processing of Revenue

Finding

Although the Fund had acquired a Pastel accounting system, revenue information was still being processed manually and on Excel spreadsheets. It was therefore difficult to verify the reported revenue received of \$39 127 199.

Risk/Implication

Using a manual system for recording transactions may result in errors of commission and omission.

Recommendation

The Fund should upload the revenue on the system.

Management Response

The Fund updates the cash book using master receipts as source documents. However, since the Department was relocating to a new building, the Fund was still in the process of fully adopting Pastel Accounting system so that in future all its accounts are prepared using the system. It was not cost effective to install the computers at the old building during the year 2017 since the Fund was about to relocate to the new building.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Failure to Follow Procurement Procedures

The audit recommendations were partly implemented as evidenced by similar observations during the 2017 audit. Procurement procedures were adhered to on some purchases.

2.2 Excess Expenditure Incurred

Recommendations were being implemented as no expenditure items exceeded the budgeted amounts.

ZIMBABWE REPUBLIC POLICE RETENTION FUND 2017

OBJECTIVE OF THE FUND

The Fund was established to facilitate the provision of funds to the Zimbabwe Republic Police for the effective and efficient execution of the organization's constitutional mandate.

Opinion

I have audited the financial statements of the Zimbabwe Republic Police Retention Fund for the Ministry of Home Affairs and Culture. These financial statement comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	43 706 171
Expenditure	45 197 297
Deficit	(\$1 491 126)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	28 055 319	-
Accumulated Fund		24 017 319
Current	18 768	4 056 768
Total	\$28 074 087	\$28 074 087

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Inadequate Supporting Documents

Finding

I noted that comparative schedules, approved procurement minutes and delivery notes to support the purchase and receipt of Printing and Stationery, Food and Refreshments, Printing Equipment and Computer Equipment amounting to \$417 662 during the year ended

December 31, 2017 were not attached to payment vouchers availed for audit. This was in contravention to Treasury Instruction 1205. I was therefore not able to ascertain whether the transactions were economical and that the assets were actually received.

Risk/Implication

Payment may be made for goods not received.

Recommendation

The Department should ensure that all relevant supporting documents are attached to all payment vouchers as per Treasury Instruction 1205.

Management Response

The observation has been noted. This anomaly will be corrected as per the observation to comply with the instruction. Also note that correspondence was sent to Amazing Ville Technologies to avail the outstanding equipment.

2 EMPLOYMENT COSTS

2.1 Authority to Pay Casual Workers

Finding

A total of \$322 473 was paid as casual workers` wages in 2017. There was no evidence that authority had been obtained to meet such expenditure from the Fund. I was therefore, unable to verify whether it was a proper charge to the fund.

Risk/Implication

Expenditure that is outside the mandate of the Fund may be incurred.

Recommendation

The Department should ensure that only expenditure that is directly linked to the mandate of the Fund is incurred.

Management Response

The application for authority to pay casual workers was not sought as per procedure following the development that these casual workers were transferred from the Ministry of Youth, Gender and Employment Creation to the Ministry of Home Affairs (ZRP) and were regarded as already engaged on a contract hence that important process was not followed on the mistaken belief that the due process had already been executed. The anomaly will be rectified and regularized.

VOTE 19. -JUSTICE, LEGAL AND PARLIAMENTARY AFFAIRS

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry is responsible for the delivery of justice throughout the country and upholding the Constitution of Zimbabwe, as well as rehabilitation of offenders through maintenance of Legal Services to the state, reviewing and reforming the laws of Zimbabwe, providing legal research and formulation of legal policies.

Qualified Opinion

I have audited the financial statements for the Ministry of Justice, Legal and Parliamentary Affairs for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve/ Supplementary	Retention Funds	Total	Expenditure	Net Under spending
\$124 374 000	\$5 687 035	\$1 977 000	\$132 038 035	\$117 888 102	\$14 149 933

In my opinion, except for the possible effects of the matters described in the basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the performance of the Ministry of Justice, Legal and Parliamentary Affairs for the year ended December 31, 2018.

Basis for Qualified Opinion

(i) Sub Paymaster-General's Account

Finding

I noted that the Ministry's figures in the Sub Paymaster-General account had a balance of \$2 625 099 whilst that shown by the Public Finance Management System had a negative balance of \$1 806 727. The Ministry did not reconcile the expenditure figures between the Sub Paymaster-General Account and Public Finance Management System (PFMS). I am concerned by the Ministry's failure to perform regular reconciliations between these two accounts.

Risk/Implication

The unreconciled amounts may contain material misstatements due to fraud or error which the Ministry may not be able to detect in the absence of proper reconciliations.

Recommendation

The Ministry should disclose in its financial statements and returns figures from its own records and where they differ with third party records, reconciliations should be performed to agree the differences.

Management Response

The observation has been noted. A reconciliation of the figures will be availed to Audit.

Evaluation of Management Response

The Ministry agreed to the finding and indicated that it will provide a reconciliation to the figures, however audit was not availed with the reconciliation as at the end of the audit as indicated.

However, below are other findings noted during the audit:

1 GOVERNANCE ISSUES

1.1 Fuel Donation

Finding

The Ministry entered into an arrangement with a South African company for a donation of 4 million litres of diesel to Zimbabwe Prisons and Correctional Services (ZPCS). The Ministry on behalf of ZPCS went on to obtain a duty free certificate for the waiver of duty of \$2 460 000. It also entered into an arrangement with National Oil Infrastructure Company (NOIC) for the storage of the fuel. According to the records provided to me by the Ministry, it had taken delivery of 39 010 litres from the facility as at December 31, 2018.

However, records for the same period provided by CMED who are the official transporters of the diesel indicate that the transporter had withdrawn a total of 672 500 litres from the facility storage at NOIC Depot. Audit was not furnished with details of how 642 490 litres of the diesel withdrawn from NOIC Depot was used and accounted for. This was in violation of section 69 (i) and (ii) of the Public Procurement and Disposal of Public Assets Act.

Risk/ Implication

The fuel might be diverted to the commercial fuel market and the Government prejudiced revenue in excess of \$2,540 million coming from various levies which were waived on the pretext that the fuel was for Government use.

Recommendation

The Ministry should obtain all the relevant documentation and reconciliations of the deliveries made to date and the remaining balance of the facility. There should be proper accounting of the fuel receipt, issuance and running balance collaborated with adequate documentation and physical checks.

Management Response

The Ministry, in collaboration with the fuel donor (Gloew Trading (Pvt) Ltd) are compiling the relevant documentation and reconciliation of deliveries made to date. The relevant documentation and reconciliation statements shall be furnished to Audit.

2 PROCUREMENT

2.1 Payments to Service Providers

Finding

The Ministry paid a total amount of \$1 612 556 to a service provider for motor vehicles hired by the Zimbabwe Prisons and Correctional Service. However, I was not provided with tender documents to support that the service provider had actually won and had been selected to render the service to the Ministry. This was in violation of Treasury Instruction 1216. As a result, I was not able to satisfy myself that payments from public monies had been properly incurred.

In addition to the above, I was not satisfied with the correctness and accuracy of the payment made as the Ministry lost at least \$60 305 through payment for services not rendered

Risk/Implication

Failure to check documents before payment may result in improper payments and loss of public funds. Failure to follow tender procedures may result in uncompetitive procurement of goods and services as well as failure to obtain value for money on procurement.

Recommendation

Ministry's management should ensure that payables reconciliations are performed to enhance accuracy of trade payables records and to avoid misappropriation of funds.

Management Response

We concur with the observation. We will liaise with the service providers to credit our account with the over payment as we still owe them in excess of the overpayment.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Outstanding Revenue

The Ministry has not implemented the observation as it has indicated that it has no records pertaining to 2015.

3.2 Inadequately Supported Payments

The Ministry has not taken steps to address the issue including obtaining relevant documents to support the expenditure. Therefore, the issue is still outstanding as at the time of concluding the audit, the ministry has not produced supporting documents.

ZIMBABWE PRISONS AND CORRECTIONAL SERVICE FUND 2017

OBJECTIVE OF THE FUND

The Fund was established for the purpose of providing resources to the Zimbabwe Prisons and Correctional Service Retention Fund for enhancing the effective and efficient administration of the service. The Fund retains all the revenue generated by the department.

Qualified Opinion

I have audited the financial statements of the Zimbabwe Prisons and Correctional Service Fund for the Ministry of Justice, Legal and Parliamentary Affairs. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	(\$)
Income	307 598
Expenditure	317 439
Surplus	(\$9 841)

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	-	-
Accumulated Fund	-	46 176
Current	56 662	10 486
Total	\$56 662	\$56 662

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Zimbabwe Prisons and Correctional Service Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Unauthorised Expenditure

Finding

For the sixth year in succession and in violation of Section 5.4 of the Fund's Constitution, which require the Fund to meet medical expenses for inmates only, the Fund incurred

medical expenses for employees of the Zimbabwe Prisons and Correctional Service totalling \$17 484 (2016: \$80 003) without Treasury Authority.

Risk /Implication

The use of the Fund's resources for expenses not covered by the Fund's Constitution and not sanctioned by Treasury is tantamount to abuse of the resources of the Fund. This may affect the ability of the Fund to deliver its mandate.

Recommendation

The Expenditure of the Fund should be restricted to activities covered in its Constitution. Authority should always be obtained from Treasury before the Fund's resources are used for expenses not covered by its Constitution.

Management Response

We have since stopped paying officers' medical bills using Retention Fund. The last payment was made in June 2017.

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

The issue of unauthorised expenditure raised in the previous four successive years persisted in the year under review. I am concerned by the Ministry's delay in implementing audit recommendations.

VOTE 20.- INFORMATION, MEDIA AND BROADCASTING SERVICES

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The mandate of the Ministry of Information, Media and Broadcasting Services, is to articulate and promote Government policies and programmes by facilitating two-way communication between Government and the citizenry; developing a diverse and plural media industry for Zimbabwe; building and defending a good image of the country; bridging the rural urban North-South information divide; developing and projecting national viewpoint.

Opinion

I have audited the financial statements of the Ministry of Information, Media and Broadcasting Services for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve/ Supplementary	Total	Expenditure	Net Underspending
\$26 901 000	-	\$26 901 000	\$13 786 883	\$13 114 117

In my opinion, the financial statements present fairly in all material respects the financial performance of the Ministry for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Non Submission of Financial Statements: Zimbabwe Film and Television School of Southern Africa (ZIFTESSA)

Finding

In 2007, the Ministry took over from UNESCO the management and control of the Zimbabwe Film and Television School of Southern Africa (ZIFTESSA) after the expiry of the contract that was in existence with the Government of Zimbabwe. The objective of the ZIFTESSA among others is to train film and video makers in content creation.

I noted that the status of the ZIFTESSA has remained unclear as to whether it is a public entity or a department under the Ministry as there was no evidence provided to suggest that ZIFTESSA had assumed a public entity status by way of an Act of Parliament.

My analysis of the budget estimates showed that ZIFTESSA was receiving budget support from Government through current transfers. During the period 2009 – 2018, a total of \$1 562 639 was transferred to the ZIFTESSA as budget support.

I am concerned that the Ministry did not cause the ZIFTESSA to have its activities subjected to audit by producing financial statements in terms of Section 49(1) of the Public Finance Management Act [Chapter 22:19], if the School is a public entity, or in terms of Section 35(6) of the same Act if the school is a department within the Ministry.

Risks/Implications

Fraudulent activities could be perpetrated if ZIFTESSA's operational activities are not being subjected to audit. The unclear status of ZIFTESSA compromises transparency and accountability of the organization.

Recommendations

The Ministry should regularize as a matter of urgency the status of ZIFTESSA.

The entity should account for resources generated and received by preparing financial statements and submitting the same for audit.

Management Response

Currently ZIFTESSA is being treated as a department/sub-vote in the Ministry. However, this position impacts negatively on our vision of being a regional Film School of Southern Africa. That is the reason why we are pushing for a stand-alone status so that the vision can be accomplished.

ZIFTESSA is receiving the grant support from the government after a lobby by the former Accounting Officer. However, ZIFTESSA was subjected to periodical audit by an internal audit. It is up to Office of the Auditor-General to audit the Film School during its audit of the Appropriation Account of the Ministry.

Evaluation of Management Response

While I appreciate the idea of pursuing the vision of the ZIFTESSA, my concern is that the activities of the School have not been supported by financial statements that should have been prepared together with the Ministry's Appropriation Account and subjected to audit.

2 EMPLOYMENT COSTS

2.1 Contract Employees

Finding

The Ministry violated Treasury Instruction 1100 which requires an employee to be on contract for not more than 6 months. The Ministry employed 7 contract employees since 2009. Two of the contract workers were dismissed in 2018 and were replaced in January 2019. On February 2, 2019 the two contract workers dismissed were now, through the Ministry of Labour, challenging the Ministry's decision, for unfair termination of contracts and non-payment of terminal benefits.

In my 2015 audit report, I raised concerns about engaging contract workers for more than 6 years, wherein I recommended that the Ministry should engage the Public Service Commission to have the employees included on the establishment if their services were very critical and needed on a permanent basis.

Risk/Implication

The Ministry may lose funds through litigation and this tarnishes the image of Government as a result of unfair labour practices if the dismissed workers win the case.

Recommendation

The Ministry should comply with regulations which guide the employment of contract workers.

Management Response

The Ministry acknowledges the observation regarding contract workers. Mitigatory measures are being taken by the Ministry and now await Public Service Commission approval for placement of the seven contract workers on the Ministry's establishment because their services are still required.

3 PROCUREMENT

3.1 Unbudgeted Expenditure

Finding

According to Treasury Instruction 0900, after the Appropriation Act has been promulgated, Treasury will issue a general authority to the Accounting Officer to incur expenditure on the services under their administration to the extent which provision has been made in the estimates of expenditure. Treasury Instructions 0904 - 0906 further state that Treasury shall be approached for prior authority for any expenditure in respect of any service not included in the budget estimates.

I noted that the Ministry made a payment amounting to \$5 000 which was owing to a supplier for office furniture purchased for the Information and Media Panel of Inquiry (IMPI) project in 2014. The expenditure was recorded in the Public Relations general ledger account. There was no evidence provided to show that prior authority was sought from Treasury in respect of this expenditure as the expenditure was not provided for in the 2018 budget estimates.

Risk/Implication

The current budgeted expenses may be compromised as funds are diverted to pay for unbudgeted items.

Recommendations

The Ministry should take into account during the budgetary processes all outstanding amounts for goods and services provided but not paid for.

The Ministry should also seek prior authority from Treasury for any expenditure for services/goods not voted for before payment can be made.

Management Response

Management concurs with audit observation. It is regrettable that the Ministry paid an amount of \$5 000 for the purchase of furniture from the Public Relations General Account without Treasury approval. In future, the Ministry will seek Treasury Authority for such expenditure as enshrined in Treasury Instructions 0904 -0906.

3.2 Public Address (PA) System Repairs

Finding

The Procurement Act [*Chapter 22:14*] Part IV requires that all procurement of goods and services must follow proper procurement procedures.

In 2017, the Ministry transferred \$24 000 meant for PA System maintenance spare parts without Treasury approval to Zimbabwe Film and Television School of Southern Africa (ZIFTESSA) an entity within the Ministry as an internal arrangement to avoid surrendering the funds to Treasury at the year end. ZIFTESSA then made payments for Public Address System repairs to a Chinese based company in April and May 2018 of \$7 659 and \$17 187 respectively. At the time of concluding the audit in March 2019, the spare parts had not been delivered. Evidence of follow-ups made was not availed for my examination.

Risk/Implication

The Ministry may fail to receive the spare parts given the time it has taken and in the process, the government may lose the money paid.

Recommendation

The Ministry should follow up with the supplier to establish the causes of the delay and have the spare parts delivered so that the PA System is repaired.

Management Response

The original Public Address (PA) System was bought from Guangzhou Fangye Import and Export trading company limited, a Chinese company. The original parts could only be sourced from the stated company. The money was paid in two tranches of \$7 659 as 30% down payment for the start of manufacturing the parts and \$17 187 as a final payment.

The second payment of \$17 187 was returned twice. After the first time, the Ministry was advised when the money was returned after January 30, 2019 that the supplier could not submit the required certificates to the central Bank of China. The bank held the payment for a specific period of time and returned the money back into the Ministry account. It is correct that the former management did not make a follow-up with the supplier to establish the cause of delay after the second submission of the payment.

As stated above, the money was returned to ZIFTESSA CBZ Account and was converted into the RTGS currency. The Ministry is making a follow-up on the matter with the supplier to come up with a way forward which will be communicated to the Auditor-General.

4 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

4.1 Asset Registers

Audit noted that there were no asset registers being maintained for all the six stations visited namely, Marondera Provincial Information Office (PIO), Marondera District Information office (DIO), Murehwa DIO, Bindura DIO, Centenary DIO and Goromonzi DIO.

The asset registers for the provinces and districts were not yet available. However, the Ministry made a commitment to put in place the registers.

4.2 Servicing and Maintenance of Motor Vehicles

Government vehicles were not being serviced by the Ministry but rather by employees out of their own personal resources as they were not getting an allocation from Head Office.

There were no changes as Officers were still using their resources to service motor vehicles.

4.3 Audit Committee

Audit noted that the Ministry was operating without an Audit Committee which is responsible for reviewing internal controls and also ensuring that financial statements are prepared timeously.

The Audit Committee was not yet set up at the time of audit though the Ministry had already identified the members.

VOTE 22.- ENERGY AND POWER DEVELOPMENT

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The mandate of the Ministry is to provide adequate and sustainable energy supply through formulating and implementing effective policies and regulatory framework.

Opinion

I have audited the financial statements for the Ministry of Energy and Power Development for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year.

Voted Funds	Unallocated Reserve Transfers	Total Allocated	Expenditure	Net Under spending
\$13 323 000	\$138 163 834	\$151 486 834	\$141 563 944	\$9 922 890

In my opinion, the financial statements present fairly, in all material respects, the financial performance of the Ministry for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Supply Grant from Retention Funds

Finding

The Ministry did not disclose in the Appropriation Account an amount of \$81 612 000 that was provided for through the Appropriation (2018) Act, 2018, as a supply grant from retention funds. Consequently, the reported budget provision for the Appropriation Account was understated by the same amount. The Ministry did not also indicate by way of a note how much of the \$81 612 000 had been expended through the Retention Funds.

Risk/Implication

The financial statements were misstated and could eventually mislead management decision making processes as well as users thereof.

Recommendation

The Ministry should liaise with Ministry of Finance and Economic Development to get guidance on how Supply Grants from Retention Funds are to be reported upon, to ensure completeness of financial information.

Management Response

Management is still to respond.

1.2 Salary Reconciliation

Finding

The Ministry did not perform monthly reconciliations on the amounts billed by the Salary Service Bureau (SSB) and the employment cost expenditure in the Public Finance Management System (PFMS) ledgers resulting in an unexplained variance of \$16 107 at the end of the year. According to the pay sheets, employment costs for the Ministry amounted to \$875 990 whilst the PFMS ledgers indicated a total amount of \$859 883. There was no evidence that management had monitoring mechanism in place to ensure that monthly salary reconciliations were being done. Treasury Minute B/1/88 dated June 5, 2018 requested Directors of Finance of line Ministries to perform monthly reconciliations of the amounts billed by the SSB against the employment cost expenditures as per PFM ledgers. This was meant to ensure that year end employment costs as reflected in the PFMS are reconciling to amounts paid by SSB during the course of the year.

Risk/ Implication

Failure to perform monthly reconciliations may result in payment of salaries to fictitious employees and errors may go undetected. Thus, financial statements may be misstated.

Recommendation

The Ministry should perform monthly reconciliations of the amounts billed by the SSB against the PFMS ledger on employment cost expenditures and improve on its monitoring mechanism.

The variance of \$16 107 should be explained accordingly.

Management Response

Salary Reconciliations are now being performed. The variances were emanating from SSB salary disallowances.

1.3 Audit Committee

Finding

The Ministry appointed an Audit Committee on July 5, 2017, to monitor its financial reporting, internal control systems, risk management systems and the internal and external

audit functions as spelt out in the Public Finance Management Act [*Chapter 22:19*]. There was no evidence in form of minutes of meetings or attendance register that the Audit Committee met and deliberated on its mandate. Public Finance Management Act [*Chapter 22:19*] section 84 (1) and (2) require that every Ministry and government department establish an Audit Committee to periodically review internal controls and also recommend appropriate action to be taken by the responsible authorities.

Risks/ Implications

Absence of an effective Audit Committee may compromise the effectiveness of the internal controls and that of the Internal and External Audit functions.

Further, audit issues may remain unresolved for long periods of time.

Recommendation

The Accounting Officer should make follow-ups on appointed members so that the Audit Committee can start functioning in order to add value to the organisation.

Management Response

The Accounting Officer will follow up with the Chairperson to have the Audit Committee, meet and deliberate on their mandate.

2 REVENUE COLLECTION AND DEBT MANAGEMENT

2.1 Outstanding Revenue

Finding

Treasury Instruction 0501 stipulates 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 debt recovery system remained ineffective. Revenue from departmental surcharges, penalties and Treasury orders and interest on Public Financial Assets remained uncollected and the cumulative effect of such non collections prejudiced the State of a total amount of \$ 24 363 468. As at December 31, 2018, ZESA Holding owed the state an amount of \$24 339 935 in outstanding interest charges. There was no evidence that dunning procedures were put in place to recover the outstanding revenue. The same issue was raised in my previous audit report. The breakdown of outstanding revenue is as follows:

Item	Amount \$
Interest on Public Financial Assets	24 339 935
Departmental Surcharges	17 655
Penalties	4 585
Treasury orders	1 293
Total	\$24 363 468

Risks/Implications

Non recovery of revenue adversely affects service delivery within government departments due to strained financial resources.

Loss of state funds which is needed to boost the Government's operations may occur if it takes long to follow up and recover what is due to Government.

Recommendations

The Ministry should come up with robust dunning procedures in collecting revenue under its jurisdiction.

The Ministry should engage ZESA Holding so that a payment plan can be worked out.

Management Response

The Ministry will continue to engage ZESA so that they not only pay the interest but the loan advanced as well. Some of the long outstanding Departmental Surcharges have since been referred to the Civil Division of the Attorney General's Office.

3 FINANCE STATEMENTS

3.1 Contingent Liabilities

Finding

Contingent Liabilities to the tune of \$556 383 135 had not been ratified by Parliament and as such could not be considered as public debt. This was despite the Accounting Officer having proposed the issue to the Ministry of Finance and Economic Development and the last reminder was dated March 8, 2017. The matured loans date as far back as 2001. I raised the same issue in my previous audit report.

Risk/Implication

Failure to properly disclose public debt from contingent liabilities has an effect of understating the consolidated public debt figure giving a wrong representation of the country's net worth.

Recommendation

The Accounting Officer should continuously engage Ministry of Finance and Economic Development by making regular follow-ups to ensure that the ratification processes are initiated.

Management Response

There is no movement on this item. The Ministry of Finance and Economic Development did not respond to my follow up letter in which I brought the matter to

their attention. The Ministry of Energy will continue to engage the Ministry of Finance and Economic Development in this regard.

4 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

4.1 Holiday Fuel Allowances

The Ministry allocated fuel totalling 5 900 and 6 300 litres in July and December 2016 respectively to managers and further in March, July and December, 2017 granted another 4 400 litres, 6 300 litres and 5 700 litres respectively to managers over above their limits, without Treasury authority. The issue has not been regularised.

4.2 Board of Inquiry

Two vehicles a Toyota Hilux Twin Cab registration number ADL 9351 (no accident date) and a Toyota VX AEE registration number 1641 (accident 2016) were involved in road traffic accidents. The Ministry hasn't instituted a board of inquiry since 2016 when I first raised the issue.

STRATEGIC FUEL RESERVE FUND ACCOUNT 2017

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.

Opinion

I have audited the financial statements of the Strategic Fuel Reserve Fund for the Ministry of Energy and Power Development. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	20 073 806
Expenditure	183 568
Surplus	\$19 890 238

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current Accumulated Fund	57 256	- 133 078 948
Current	133 021 692	
Total	\$133 078 948	\$133 078 948

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during the audit;

1 GOVERNANCE ISSUE

1.1 Advances to Related Parties

Finding

The Fund granted Zimbabwe Power Company (ZPC) an advance of \$12 200 000 in 2016. In 2017, an additional advance of \$5 000 000 was issued to Zimbabwe Electricity Transmission

and Distribution Company (ZETDC) for the importation of power. This brought the total amount advanced to \$17 200 000 as at December 31, 2017. The Constitution of the Fund does not provide for such transactions.

Risk/Implication

The Fund may fail to achieve its mandate if financial resources remain tied up in transactions done outside the constitutional provisions.

Recommendation

Management should desist from effecting transactions which may hamper the objectives / purpose of the Fund.

Management Response

The Ministry has since commenced recovery of the advances. As at January 29, 2019, the ZPC advance had been reduced to \$10 300 000 while the ZETDC stood at \$1 000 000.

Evaluation of Management Response

The progress in recovery of the advances from ZPC and ZETDC is noted. However, management's response did not address the issue of the advances not being constitutional.

2 ASSET MANAGEMENT

2.1 Undelivered Fuel

Finding

Fuel valued at \$965 263 (1 096 890 litres) had not been received at December 31, 2017. The Fund won an arbitration case on June 07, 2017 against Mowhelere Trading (Pvt) Ltd, a South African based company, which was ordered to restitute the Fund \$964 480 together with interest at the rate of 15.5% per annum from May 04, 2011 to the date of payment. As at December 31, 2017 the Fund was owed a total of \$996 629 in interest charges, bringing the total debt to \$1 961 109.

The Ministry's lawyers were said to be working with their South African counterparts to recover the funds.

However, I am concerned with the slow progress of recovery of the debt. There were no recoveries that had been made since June 07, 2017 when the Fund won the arbitration case.

Risk/Implication

The Fund may fail to recover the debt due to lapse of time.

Recommendation

The Fund should continuously engage their lawyers in an effort to recover the amount of \$1 961 103 from Mowhelere Trading (Pvt) Ltd.

Management Response

Observation is noted.

The Ministry's lawyers, Dube Manikai and Hwacha (DMH) are still working with their South African counterparts to recover the amount.

VOTE 23.-TOURISM AND HOSPITALITY INDUSTRY

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry is responsible for the development, implementation of tourism policies in Zimbabwe through the development and promotion of Tourism products and services; promoting investment in tourism; coordinating and implementing international tourism policies, programmes and protocols, monitoring standards of all tourism facilities.

Qualified Opinion

I have audited the financial statements for the Ministry of Tourism and Hospitality Industry for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve	Total	Expenditure	Net Under / Over spending
\$5 138 000	\$7 800 891	\$12 938 811	\$11 333 362	\$1 605 529

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial performance of the Appropriation Account for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Payments without Adequate Supporting Documents

Findings

Section 10 of the Public Finance Management Act [*Chapter. 22:19*] states that an accounting officer shall control and be accountable for the expenditure of money applied to the Vote by an Appropriation Act, and Treasury Instruction 0904 states that Treasury shall be approached for prior authority for any expenditure contemplated which does not fall within the provisions of Treasury Instructions. During the year 2017, the Zimbabwe Tourism Authority (ZTA) paid \$209 063 on behalf of its parent Ministry which was reimbursed in 2018. However, there were no documents to support the nature of expenditure that was reimbursed by the Ministry.

Risks/Implications

Fraud may be perpetrated if transactions between related parties are not guided by written policies and procedures where Treasury guidance is not sought.

If payments are made without sufficient documents, fraud may be committed.

Recommendations

Payments for the Ministry should be processed through the Public Finance Management System (PFMS)

Payment vouchers should be adequately supported to promote accountability and transparency.

Management Response

The point has been noted. Management will ensure that all invoices and receipts are collected from suppliers to who were paid.

(ii) Current Transfers

Findings

Treasury Instruction 1215 states that a certificate is required to be attached to a voucher before it is submitted for payment in respect for services rendered, that such service was carried out in a satisfactory manner. However, in a letter referenced A/26/1/43 dated February 13, 2019 Treasury instructed the Ministry to post \$3 329 266 in the Public Finance Management System, although there were no supporting documents. The payment was for expenses incurred to promote the Soccer Legends match held in November 2017. There was no request for the budget support from the Ministry to Treasury to justify the budget release, nor was there a release letter from Treasury advising of the transfer of funds. I was unable to confirm that the expenditure disclosed was accurate, occurred and was a proper charge to public funds.

Risk/Implication

The validity and occurrence of this expenditure is doubtful as it was paid long after the event, and the payment was made without supporting vouchers.

Recommendations

Payments should be supported by source documents or certificates.

Only expenditure aligned to the Ministry's mandate should be paid for.

Payments should be made soon after the expenditure has been incurred.

Management Response

Legends Matches were a way of promoting Sports Tourism using yesteryear soccer legends such as Ronaldo, Diego Maradona and others in that category. This is why there was an intention to process this transaction under the Ministry. The Ministry

received an instruction from Ministry of Finance and Economic Development to regularise the expenditure into PFMS though the funds which were meant for the Zimbabwe Tourism Authority were not processed through the Ministry.

Evaluation of Management Response

The invoices supporting the expenditure were not submitted.

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

1 GOVERNANCE ISSUES

1.1 Foreign Missions Expenditure

Findings

There were outstanding invoices amounting to \$701 769 from Missions which were not processed in the Public Finance Management System. Some of the invoices date back as far as 2012. Delays in posting the documents was due to weak internal controls.

Risks/Implications

Failure to authenticate long outstanding invoices may result in dual payments or fraud.

Expenditure for foreign missions may be misstated due to inordinate delays in posting the expenditure to the PFMS.

Recommendations

Expenditure from missions should be processed timeously.

Furthermore, internal controls should be put in place for processing long outstanding invoices to guard against dual payments.

Management Response

The Ministry is continually liaising with Treasury for the opening of previous financial years to enable the processing of expenditures received from Foreign Missions.

1.2 Audit Committee

Finding

The Ministry did not have an active Audit Committee, as provided in Section 84(1) of the Public Finance Management Act [*Chapter 22:19*]. An Audit Committee promotes confidence in the operation of the Internal Audit function and internal control environment as well as credibility of financial statements. Though the Ministry indicated that an Audit Committee had been constituted, three of the committee members had left the Ministry for various reasons hence no audit committee meetings were held during the year.

Risk/Implication

Corporate governance issues may be overlooked in the absence of an active Audit Committee.

Recommendation

An Audit Committee should be put in place to promote good corporate governance.

Management Response

The Audit Committee members have since left the Ministry for various reasons. However, the new management is in the process of setting up the audit committee after the merging of the Ministry of Tourism and Hospitality Industry and the Ministry of Environment, Water and Climate and your Office will be advised once this has been completed.

Even then, this process had been delayed because we are still waiting for Public Service Commission confirmation of staff that will remain in the Ministry.

2 EMPLOYMENT COSTS**2.1 Conditions of Service****Finding**

Statutory Instrument No 1 of 2000 of the Public Service Regulations, states that an employee who joined the Public Service on or after May 1, 1992 shall have a pensionable age of sixty years. An officer, whose EC Number is 3016479F joined the Public Service on June 3, 2002 and reached retirement age of 60 years on June 10, 2016 while she was on tour of duty as a Tourism Attachés in Sao Paulo, Brazil. She however, assumed the post of director in May 2018 on her return from Sao Paulo, Brazil after her retirement date. There was no vacant post of a director then and there was no letter from Public Service Commission authorizing the Ministry to extend her services beyond her retirement date.

The officer received salary and allowances amounting to \$13 317 together with 1 600 litres of fuel for the period she has been engaged as a director.

Risk/ Implication

The Ministry may incur unauthorised employment costs.

Recommendation

The Ministry should liaise with Public Service Commission on whether the officer should continue to be engaged beyond her retirement date.

Management Response

The point has been noted. The Ministry has since written to Public Service Commission seeking guidance on the extension of her employment.

2.2 Leave Pending Redeployment

Finding

An officer of the Ministry with EC Number 1594602M who was employed as the Director for International Trade was placed on leave pending redeployment with full salary and benefits with effect from April 9, 2018. At the time of completing my audit on April 29, 2019 she was still on leave and had received \$15 881 as salary and allowances together with 1 800 litres. There was no evidence to show that the Ministry had contacted the Public Service Commission regarding her deployment.

Risk/ Implication

Delays in redeploying the officer may result in nugatory expenditure.

Recommendation

The Ministry should seek the Public Service Commission guidance on the way forward.

Management Response

The point is acknowledged. Kindly note that following non resolution of the issue through discussions, management wrote to the Public Service Commission on April 03, 2019 emphasising the need to finalise this issue.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Domestic and Outbound Tourism Survey programme -Advance payments

Evidence of acquittals was not provided for audit examination.

3.2 Acquittal of Foreign Missions Expenditure

The outstanding foreign mission expenditures were still not acquitted.

3.3 Nugatory Expenditure

The Ministry did not incur penalties as a result of late cancellation of bookings during the year under review.

3.4 UNWTO Campaigns

The Ministry did not provide financial statements for the Secretary General's Campaign Programme Fund Account as recommended.

3.5 Public Financial Assets –Mosi-Oa-Tunya Development Company

The Ministry now have a register for Public Financial Assets and investments were disclosed in the Statement of Public Financial Assets return.

3.6 Public Financial Assets -Rainbow Tourism Group

The Ministry changed its name again to Environment, Tourism and Hospitality Industry. The share certificates now have the same name.

3.7 Foreign Missions

The tourism attachés activity reports on tourism promotion were not availed for audit examination.

3.8 Outstanding payments

Some outstanding payments were cleared.

3.9 Idle Assets

The Public Viewing Areas screens were transferred to Mosi-Oa- Tunya Development Company which is housed at the Ministry's premises.

3.10 Motor Vehicle Management

Ownership of the vehicles was changed into the name of the Ministry and this was later complicated by Ministry's change of name.

3.11 Risk Assessment

There was no change as the Risk Assessment Policy was not drawn up.

VOTE 24.- INFORMATION, COMMUNICATION TECHNOLOGY AND CYBER SECURITY

APPROPRIATION ACCOUNT 2018

Mandate of the Ministry

The Ministry's mandate is to develop a knowledge-based society with ubiquitous connectivity by exploiting the potential of Information Communication Technology, Postal and Courier Services for sustainable socio-economic development.

Opinion

I have audited the Appropriation Account for the Ministry of Information Communication Technology and Cyber Security for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve/ Supplementary	Total	Expenditure	Net Under spending
\$10 528 000	\$77 024	\$10 605 024	\$5 453 749	\$5 396 364

In my opinion, the financial statements present fairly, in all material respects, the financial performance of the Ministry for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 REVENUE COLLECTION AND DEBT MANAGEMENT

1.1 Statement of Contingent Liabilities

Findings

The Contingent Liabilities return submitted for 2018 audit had an opening balance of \$724 882 480 whilst the closing balance for 2017 was \$655 955 180. No explanation was provided for the variance of \$68 927 300. I was therefore, unable to rely on the return submitted for audit.

Furthermore, the Contingent Liabilities return closing balance for 2018 was \$748 269 866 whilst third part confirmation from Treasury had a balance of \$452 629 847. There was no evidence of reconciliations and coordination between the Ministry, State Owned Enterprises and Treasury. As a result, I was unable to place reliance on the amounts submitted for audit.

There was no evidence of follow up letters and coordination between the Ministry and State Owned Enterprises regarding the payments of outstanding Contingent Liabilities amounting to \$748 269 866.

Risks/Implications

The return was materially misstated.

The Public debt balance could increase due to lack of follow ups on outstanding loans repayment.

Loans may be used for unintended purpose in the absence of follow ups.

Recommendations

Regular checks and reviews should be done by an independent senior official to ensure that correct amounts are recorded in the register and take on balances are accurate.

There is need for a reconciliation to be made so that the Contingent Liabilities Return reflects the correct position for 2018.

Management Response

The State Owned Enterprises submitted unaudited schedules of Contingent Liabilities to the Parent Ministry. The variances noted are a result of interest due, exchange variations and penalty charges. The Ministry together with the State Owned Enterprises will arrange for a meeting in May 2019 with Treasury so that the figures can be reconciled.

Evaluation of Management Response

Management did not provide documentary evidence of follow up letters that were sent to the State Owned Enterprises in 2018.

1.2 Statement of Public Financial Assets

Finding

There was no evidence of follow up letters and coordination between the Ministry and its Parastatals regarding the payments of outstanding Public Financial Assets amounting to \$25 310 419.

Risks/Implications

The Public debt balance could increase due to lack of follow ups on outstanding loans repayment.

Loans may be used for unintended purpose in the absence of follow ups.

The disclosed Public Financial Assets balances may be materially misstated due to lack of coordination with the parent Ministry, Parastatals and Treasury.

Recommendation

Written follow ups and coordination on the given loan amounts should be done regularly by the Parent Ministry to the Parastatals and efforts should be made to coordinate with the Treasury.

Management Response

It is the Ministry's understanding that good Corporate Governance dictates that Parent Ministries should not be involved in the daily activities of their State Owned Enterprises (SOE) since boards are appointed to manage affairs on their behalf. In light of this, it would be tantamount to micro managing the entities if we were seen to be requesting documents.

In terms of repayments, the issue was discussed again in the previous audits and the situation has not changed. The SOEs continue to writhe under legacy debts coupled with harsh economic conditions. The entities do not have the capacity to repay the debts, hence the Cabinet decision to partially private them.

Evaluation of Management Response

Following up on loan repayments does not amount to micro managing of entities but instead, it gives credibility to the reports that are produced by the Parent Ministry.

There should be communication in writing from the State Owned Enterprises highlighting their inability to repay the loans to support the Ministry's response.

2 PROCUREMENT

2.1 Creditors Records

Findings

I noted that Treasury made direct payments on behalf of the Ministry by setting off Telone and Netone bills of RTGS \$500 000 and \$30 000 respectively. The Ministry did not avail the Journal Vouchers used to introduce payments into the PFMS system, invoices which were used to make the payments and receipts from the service providers. There was also no proof that reconciliations had been done to ensure that the Ministry's debts had been reduced.

In addition, from a sample of payment vouchers examined, it was observed that an amount of \$30 360 was made for services provided to the Ministry between 2014 and 2017. Creditors' ledgers and age analysis schedules requested were not availed for audit. Therefore, I could not verify the exact amount of creditors the Ministry had for the year under review. The table below refers.

Service provider	Voucher Number	Amount (RTGS \$)
Netone	1900011555	25 000
Foneshow Communications	1900011519	2 860
People's Voice	1900012052	2 500
	Total	\$30 360

Risk/Implication

Double payments may be made to service providers if creditors' records are not maintained and reconciliations not done.

Recommendations

Creditors' ledgers and age analysis schedules should be maintained and updated regularly.

Creditors' reconciliation should be done and supporting documents such as invoices and receipts should be maintained.

Management Response

The Ministry did not introduce the journals for direct payments into the PFMS system, this was done by Treasury. The Ministry was advised of the set offs through correspondence from Treasury.

Furthermore, the Ministry does not maintain creditors' ledgers, but maintains a creditor's age analysis schedule which is continually updated upon receipt of invoices and statements.

Evaluation of Management Response

The management response is contradicting instructions from Treasury which call upon Ministries to regularize the direct payments at the Accountant General's department through Journal Vouchers. Management did not provide evidence of invoices, receipts and reconciliations that relate to the period under review. The creditors' age analysis schedule submitted as evidence was for April 2019 and not for 2018.

3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

3.1 Audit Committee

There was progress as the Audit Committee was appointed and met three (3) times in 2018.

3.2 SAP Register of Assets

There was no evidence that all the assets had been uploaded in the Public Financial Management System.

VOTE 25.- JUDICIAL SERVICE COMMISSION

APPROPRIATION ACCOUNT 2018

Mandate of the Commission

The mandate of the Commission is to promote and facilitate the independence and accountability of the Judiciary and the efficient and effective administration of Justice in Zimbabwe.

Opinion

I have audited the Appropriation Account for the Judicial Service Commission for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes. Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve/ Supplementary	Total	Expenditure	Net Under Spending
\$18 979 000	\$10 331 689	\$29 310 689	\$27 676 328	\$1 634 361
Constitutional and Statutory Appropriations				
\$ 4 860 000	\$ 863 000	\$5 723 000	\$5 586 384	\$ 136 616

In my opinion, the financial statements present fairly, in all material respects, the financial performance of the Judicial Service Commission for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

The Commission made some progress in implementing recommendations made in my previous audit report. Out of 3 recommendations one (1) was implemented while two (2) had not been addressed as at the date of completion of this audit as indicated below:

1.1 Revenue Written-Off

The recommendation I made of following necessary procedures and seeking Treasury authority to write-off an amount of \$338 647 was not implemented.

Management responded that due to the unique nature of the transaction, to classify it as revenue would not be proper despite the expectation that is inherent in the transaction yet to be concluded, given that the litigant may opt to serve the alternative sentence. Monies expected from the litigants could therefore only be revenue on receipt.

Evaluation of Management Response

The Commission should then however, consider a way of recognizing these transactions besides classifying them as revenue.

1.2 Outstanding Revenue

The Commission started implementing the recommendation of recovering surcharges amounting to \$56 370 by making follow ups with the Master of High Court and the Attorney-General's Civil Division.

1.3 Payment of Excess Mobile Phone Allowances

The audit recommendation that the Commission should pay authorised phone allowances was not implemented during the year 2018. However, the Commission started implementing the recommendation in 2019.

COURTS ADMINISTRATION FUND 2017

OBJECTIVE OF THE FUND

The Fund was established for the purpose of providing resources to the courts for the purpose of enhancing the effective and efficient administration of justice.

Qualified Opinion

I have audited the financial statements of Courts Administration Fund of the Judicial Service Commission. These financial statements comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	15 306 101
Expenditure	14 806 895
Surplus	\$ 499 206

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current Accumulated Fund	11 581 470	\$11 724 260
Current	142 790	-
Total	\$ 11 724 260	\$11 724 260

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of Courts Administration Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Salaries, Wages and Allowances

Finding

I noted with concern that the Fund Administrators were paying responsibility allowances to members of the Judicial Service Commission Secretariat, whose functions were considered as support services and none to other civil servants working for the Judicial Service. This was the case although section 28(2) of the Judicial Service Act states that 'every member

specified in section 3 who, immediately before the fixed date, was employed by the Public Service, shall be deemed to have been transferred to the Judicial Service, unless he or she opts out of employment with the Judicial Service’.

The payment of a responsibility allowance is based on section 30 of Statutory Instrument Number 30 of 2015 of the Judicial Service Regulations and is “payable to a member who acts for a continuous period of at least thirty days where a member undertakes some of the duties of a post which is at least two levels higher than his or her present grade and the allowance was pegged at 70% of the normal acting allowance.” Some members who were not in acting capacity were also paid the responsibility allowances.

As already indicated above, inconsistencies were noted between the remuneration that was paid by the Commission to members within the same grade. The inconsistencies were contrary to section 5(1)(d) of the Labour Act [*Chapter 28:01*] as amended.

Risks/Implications

There may be double dipping in salaries, wages and allowances and the violation of the Country’s tax laws.

There may be unfair labour practices.

Recommendation

Explanations and supporting documents like source of authority to pay the responsibility allowances in excess of the prescribed limit from the Fund should be provided.

Management Response

The Responsibility Allowance on the other hand was established to create a remuneration package meant to attract and retain the relevant skills from within and outside the Judicial Service Commission at secretariat level as alluded to the above. It is paid to secretariat staff as a way to bridge the gap between an appointed employee’s substantive position, including those recruited externally, and the officer’s position at the secretariat.

You correctly noted that some members were not acting at all. These are new positions which were created at the formation of the JSC. Nobody had occupied them previously.

Evaluation of Management Response

There is need to look into this issue so that the discrepancies are addressed.

(ii) Distribution of Revenue

Finding

I noted that the Judicial Service Commission collected revenue and retained a total of 66% of the said revenue instead of 40% as stipulated under section 32(9) of the National Prosecuting Authority Act [*Chapter 7:20*]. I was advised that there was an agreement between the Judicial Service Commission and Treasury which allowed the Commission to retain 50% of the earnings for capital expenditure but the agreement was not produced for audit examination.

Risk/Implication

Misapplication of resources.

Recommendation

The Commission should pay the regulated revenues to other Funds as indicated under section 32(9) of the National Prosecuting Act [*Chapter 7:20*].

Management Response

Distribution of revenue collected and retained from the operations of the courts is done in accordance with the National Prosecuting Authority Act [*Chapter 7:20*]. It relates to the 50% retained and is distributed amongst stakeholders within the administration of justice as stated in the Act.

The other 50% which is being retained by the Judicial Service Commission (JSC) is meant for capital expenditure. It is approved by Treasury on an annual basis through the budget. Kindly refer to the 2017, 2018 and 2019 Blue Books. In 2017 the facility was incorporated into the budget after a request by the then Secretary of the JSC.

It is against that background that the analysis of expenditure should be based on budget allocation and not on a percentage basis.

Evaluation of Management Response

Section 32(9) of the National Prosecuting Authority Act is clear about the percentages. Any changes should follow the necessary legal processes.

VOTE 26. –PUBLIC SERVICE COMMISSION

APPROPRIATION ACCOUNT 2018

Mandate of the Commission

The Public Service Commission's mandate, as enshrined in the Constitution of Zimbabwe, Section 199 and 203 is to create operational structures for all line Ministries, appoint qualified and competent persons to hold posts in the Civil Service, fix and regulate conditions of service including salaries and allowances of members of the Civil Service, exercise disciplinary powers and investigate and remedy grievances of members of the Civil Service. The Commission is also mandated to implement measures to ensure effective and efficient performance within and general well-being of the Civil Service and to ensure that members of the Civil Service carry out duties efficiently and impartially.

Opinion

I have audited the financial statements for the Public Service Commission for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve Transfers/Warrant	Total Allocated	Expenditure	Net Under spending
\$19 666 000	\$184 182 269	\$203 848 269	\$199 054 212	\$4 794 057
Constitutional and Statutory Appropriations				
\$477 600 000	\$79 001 000	\$556 601 000	\$552 632 887	\$3 968 113

In my opinion, the financial statements present fairly, in all material respects, the financial performance of the Public Service Commission for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practice (GAAP).

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

1 EMPLOYMENT COSTS

1.1 Salary Bills Variance

Finding

I observed that employment costs reported by Public Service Commission amounted to \$16 032 333 which did not agree with the Salary Service Bureau (SSB) payroll print out figure of \$15 601 065, resulting in an unreconciled variance of \$431 268.

This contravenes Treasury Circular B/1/88 dated June 5, 2018 which requires Finance Directors of line Ministries to perform monthly reconciliations of amounts billed by the Salary Services Bureau (SSB) and employment expenditure shown in the Public Finance Management System (PFMS).

Risk/Implication

It may be difficult to state with certainty the exact employment expenses incurred by the Public Service Commission during the financial year under review.

Recommendation

The Commission should reconcile the variance of \$431 268 between employment costs reported in the Appropriation account and the SSB payroll print out in accordance with Treasury Circular B/1/88.

Management Response

Observation noted. We have engaged the Salary Services Bureau to further investigate the reason behind the variance.

SKILLS RETENTION FUND 2017

OBJECTIVE OF THE FUND

The main objective of the Fund is to build and retain the capacity of public service so as to enable Government to implement the economic turnaround strategies and achieve sustainable development and economic growth.

Opinion

I have audited the financial statements of the Skills Retention Fund for the Public Service Commission. These financial statement comprise the statement of financial position as at December 31, 2017, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a Summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

Statement of Comprehensive Income

Item	\$
Income	360 000
Expenditure	217 392
Surplus	\$142 608

Statement of Financial Position

Item	Assets (\$)	Liabilities (\$)
Non-Current	1 208	-
Accumulated Fund	-	200 251
Current	199 043	-
Total	\$200 251	\$200 251

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Money held in Zimbabwe Allied Banking Group (ZABG)

Finding

For the second year running, an amount of \$39 875 belonging to the Fund was still locked-up in the liquidated Zimbabwe Allied Banking Group (ZABG). I observed that this amount was disclosed as cash on hand in the financial statements for the year ended December 31, 2017.

However, no firm commitment from the Deposit Protection Corporation could be availed for audit inspection to substantiate the prospects of recovering the full amount.

Risk/Implication

Public resources might be irrecoverable through lapse of time.

Recommendation

The Fund should consider engaging the Attorney-General for assistance to recover the locked-up public funds.

Management Response

In our continued efforts to recover the \$39 875 held at the now defunct ZABG, the Liquidation Agent, Tudor House Consultants (Pvt) Ltd on January 30, 2018 wrote to the Secretary informing the Public Service Commission that payment hinged on the recovery of funds from creditors of Zimbabwe Allied Bank Group. The Audit recommendation to approach the Attorney-General for assistance shall be vigorously followed.

1.2 Board of the Fund

Finding

For the fourth consecutive year, the Fund was operating without a board in contravention of section 4 (b) of the Fund's Constitution. As a result, the payment of skills retention allowances amounting to \$189 371 was done without the requisite Board's approval.

Risk/Implication

There may be lack of transparency in the selection of beneficiaries for the skills retention allowances

Recommendation

The Chairman to the Commission should appoint a Board in compliance with the Fund's Constitution to ensure efficient and effective administration of the Fund.

Management Response

Consultations and identification of new Board Members is in progress.

VOTE 27. –COUNCIL OF CHIEFS

APPROPRIATION ACCOUNT 2018

Mandate of the Council

The National Council of Chiefs' mandate is to capacitate Traditional Leadership institutions to effectively drive rural development as well as promoting and preserving cultural values of their communities.

Qualified Opinion

I have audited the Appropriation Account for the Council of Chiefs for the year ended December 31, 2018 and the notes to the Account. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and what was spent during the year:

Voted Funds	Unallocated Reserve Transfers	Total Allocated	Expenditure	Net Under Spending
\$3 400 000	\$3 717 875	\$7 117 875	\$7 077 883	\$39 992
Constitutional and Statutory Appropriation				
\$7 821 000	\$117 000	\$7 938 000	\$7 936 732	\$1 268

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Council of Chiefs for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Excess Expenditure

Finding

There was an over expenditure of \$304 172 incurred during the year under review as shown in the table below: This is contrary to section 17(2) (a) of the Public Finance Management Act [*Chapter 22:19*] which requires Government Departments and Ministries not to exceed the amount appropriated. This was attributed to inadequate financial controls on the part of Council of Chiefs' officials, which resulted in the failure to capture all the expenditure paid through the SSB.

Item	Source
Expenditure	SAP \$
Through PFMS	13 785 015
<i>add:</i> Direct Payments (Chiefs and Headmen allowances)	1 575 032
	15 360 047
<i>less:</i> Budget allocation and transfers from Vote 5-Finance	15 055 875
<i>Excess Expenditure</i>	\$304 172

Risk/Implication

Spending beyond limits set by Parliament has the effect of undermining Parliamentary authority and has negative effects on the economy.

Recommendation

The Council of Chiefs should spend within its budget limits, and where there is need to exceed the budget, authority should be sought from Treasury.

Management Response

Government payments are done through SAP, and in turn SAP processes payments which are contained in the budget. It is highly unlikely that an entity would end up spending more than what is contained in the budget. The Council will continue to investigate the variance.

Evaluation of Management Response

The expenditure as indicated above is adequately supported by pay-net corporate payments reports.

(ii) Sub-Paymaster-General Account Reconciliations

Finding

There were unreconciled differences between the total expenditure figures shown in the Appropriation Account of \$ 15 014 615, the SAP which had \$15 360 047 and the Sub-Paymaster General account which had \$15 943 042. This is contrary to section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:19*] as read together with Treasury Instruction 0705 which requires Accounting Officers to ensure that full and proper accounts are kept of the transactions for which one is responsible.

Item	Source	
	SAP \$	Bank Reconciliation Return \$
Through PFMS	13 785 015	14 368 010
<i>add:</i> Direct Payments	1 575 032	1 575 032
	15 360 047	15 943 042
<i>less:</i> Appropriation Account Figure	15 014 615	15 014 615
Differences	\$345 432	\$928 427

Risks/Implications

The expenditure figure disclosed in the financial statements may not be relied upon.

Failure to reconcile the PFMS system expenditure report and Sub-PMG account may result in errors going undetected.

Recommendation

Council of Chiefs management should reconcile the two records to ensure that expenditure figures reflected in the PFM system report and Sub-PMG are always in agreement.

Management Response

The observation has been noted. Reconciliations to rectify the difference are still being done.

(iii) Overstatement of Traditional Leaders' Allowances

Finding

I could not rely on the expenditure figure of \$7 936 732 indicated as Traditional Leaders Allowances as the figure included outstanding allowances worth \$623 889. The inclusion of the amounts which had not been paid to the Traditional Leaders was in violation of Treasury Instructions 1204 and 1221 which require disclosure of payments within the year in which the expenditure would have been made. The table below refers:

Province	Amount \$
Manicaland	21 929
Mashonaland Central	25 274
Mashonaland East	382 166
Matabeleland North	81 249
Mashonaland West	42 628
Matabeleland South	32 620
Midlands	18 454
Masvingo	19 569
Total	\$623 889

Risks/Implications

If outstanding amounts are included in the accounts, that may provide fertile ground for perpetration of fraud.

The activities of the Council of Chiefs may not be fairly stated in the financial statements.

Recommendation

Outstanding amounts should not be regarded as expenditure as this would distort the expenditure in the Appropriation Account.

Management Response

The figure of \$623 889 includes traditional Leaders allowances for December 2018 which amounted to \$539 541 paid by Head Office on December 20, 2018. The allowances were only paid to the beneficiaries in January 2019 due to the following reasons:

- (a) There was a Christmas Holiday and**
- (b) Time taken to effect transfers by the Provinces and the Districts to the beneficiaries.**

The expenditure was recognized in December 2018 and disclosed on the Appropriation Account. The benefit to the Traditional Leaders was received in January 2019 for reasons cited above.

Evaluation of Management Response

The allowances were only paid to beneficiaries in January 2019, as the Ministry Head Office had only transferred into the Provincial Temporary Account on December 20, 2018

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

1 GOVERNANCE ISSUES

1.1 Absence of Integrity and Ethics Committee

Finding

According to the section 287 of the Constitution of Zimbabwe Amendment (No.20) Act 2013, there is supposed to be an Act of Parliament for the establishment, membership and procedures of an Integrity and Ethics Committee which was supposed to exercise the following functions:

- (a) To develop and enforce integrity and ethical conduct on the part of traditional leaders;
- (b) To resolve disputes between traditional leaders;
- (c) To deal with complaints against traditional leaders.

An Act of Parliament was not in place to address the above mentioned items. The Integrity and Ethics committee had not been established at the conclusion of the audit.

Risks/Implications

Complaints by members of the public against traditional leaders may not be resolved expeditiously.

The absence of an Act of Parliament as provided for in the said section of the Constitution may result in challenges when dealing with issues pertaining to traditional leaders.

Recommendations

The Council of Chiefs should either push for the enactment of the new Act of Parliament as a matter of urgency, or for the alignment of the existing one to the new Constitution.

There is an urgent need to establish the Integrity and Ethics committee to deal with the functions as stated in terms of section 287 of the Constitution of Zimbabwe Amendment (No.20) Act 2013.

Management Response

The Act of Parliament governing Traditional Leaders is in place. However, it requires alignment so as to provide for the Integrity and Ethics Committee as provided for in the Constitution.

The alignment process has already begun and being spearheaded by the Legal Services Department. The alignment will enable the inclusion of the section on Integrity and Ethics Committee.

2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

2.1 Unallocated Reserves

The recommendation was fully implemented.

2.2 Traditional Leaders Acquittals

The recommendation was not implemented. Acquittals were not being submitted to Head Office.

2.3 Use of Donation money without Treasury concurrence

The recommendation was fully implemented.

2.4 Cash Book Maintenance at Hwange District Administrator

The recommendation was fully implemented.

2.5 Preparation of Payment Vouchers

The recommendation was fully implemented as inductions were being done in the districts by Head Office Accountants.

2.6 Delays in Payment of Traditional Leaders

The recommendation was partially implemented as there were Traditional Leaders who were still not on online payment platforms.

VOTE 29. –NATIONAL PEACE AND RECONCILIATION COMMISSION

APPROPRIATION ACCOUNT 2018

Mandate of the Commission

The Commission's mandate is to provide sustainable peace, equality, reconciliation, national healing, cohesion, unity, and the peaceful resolution of disputes and conflicts in Zimbabwe.

Opinion

I have audited the Appropriation Account for the National Peace and Reconciliation Commission for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve Transfers	Total Allocated	Expenditure	Net Underspending
\$1 399 000		\$1 399 000	\$1 231 234	\$167 766

In my opinion, the financial statements present fairly, in all material respects, the financial performance of the Appropriation Account for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Policy Documents

Findings

The Commission operated without approved policy documents to guide its operations. Policy documents such as; Terms of Reference for the Executive Secretary of the Commission, Operating Manual for the Commissioners, Human Resources Policy Procedures Manual and the Code of Conduct which were availed for audit were still in draft form.

In addition, the Commission did not have a documented and approved risk management policy to assist management in mitigating against potential risk that may hamper its operations. No risk assessments were carried out during the year under review. There was no evidence of progress made by the Commission's management on the issues.

Risks/Implications

In the absence of approved policy documents to guide its operations, the Commission may fail to achieve its mandate and its service delivery may be compromised.

Without a clearly documented and approved risk management policy, the Commission is susceptible to numerous risks like fraud which could negatively impact on its performance.

Recommendations

The Commission's management should prioritise having the policy documents approved without delay.

In addition, risk assessments should be carried out regularly and timeously in order to identify and take preventative measures on potential risks.

Management Response

Management is still to respond.

1.2 Audit Committee

Finding

Section 84 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". There was no evidence that the Commission had an Audit Committee in place to monitor its financial reporting, internal control systems, risk management systems, the internal and external audit functions as spelt out in the Public Finance Management Act [*Chapter 22:19*].

Risk/ Implication

Without an Audit Committee in place, the Commission will lack guidance in fulfilling its oversight responsibilities regarding financial reporting, internal control systems, risk management systems and the internal and external audit functions.

Recommendation

Management should appoint an Audit Committee that will monitor its financial reporting, internal control systems, risk management systems and the internal and external audits.

Management Response

Management is still to respond.

VOTE 30. –NATIONAL PROSECUTING AUTHORITY

APPROPRIATION ACCOUNT 2018

Mandate of the Authority

The Authority is responsible for instituting and undertaking criminal prosecutions on behalf of the State, promoting a just and fair system for all persons approaching the courts and upholding the rights of the arrested and detained persons as provided for by the Constitution.

Opinion

I have audited the Appropriation Account of the National Prosecuting Authority for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve	Total	Expenditure	Net Under spending
\$7 839 000		\$7 839 000	\$5 865 756	\$1 973 244

In my opinion, the financial statement present fairly, in all material respects, the financial performance of the National Prosecuting Authority for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practice (GAAP).

1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

1.1 Unauthorised Expenditure

The Authority has ceased payment of transport allowances to officers who have been issued with official vehicles.

1.2 The Results Based Management (RBM) documents

The issue is not yet resolved. The Authority is working towards full implementation of the requirements by working on the remaining documents.

1.3 Risk Management Policy

Implementation is now at an advanced stage with the draft now approved by the Board and working towards training of staff and engaging a consultant.

1.4 Procurement of Goods and Services

Treasury is still taking two to four weeks to fund purchases. The prevailing economic environment at the moment has caused instability in prices, price increases with higher

margins and changes in prices almost every week. It has become difficult to buy from renowned suppliers as they demand cash up front, so the issue is still prevalent.

VOTE 33. –ZIMBABWE GENDER COMMISSION

APPROPRIATION ACCOUNT 2018

Mandate of the Commission

The Commission's mandate is to promote gender equality and equity as well as addressing the gap between policy and legislation and lived realities of women, men, girls and boys in Zimbabwean society.

Qualified Opinion

I have audited the financial statements of the Zimbabwe Gender Commission for the financial year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserve/ Supplementary Budget	Total	Expenditure	Net Under Spending
\$1 836 000	—	\$1 836 000	\$1 279 517	\$556 483

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial performance of the Zimbabwe Gender Commission for the year ended December 31, 2018 in accordance with Generally Accepted Accounting Practice (GAAP).

Basis for Qualified Opinion

(i) Employment Costs

Finding

The submitted Appropriation Account had total Employment Costs amounting to \$718 673 whereas the Schedule of Employment Costs payments from the Salary Services Bureau showed total employment costs amounting to \$702 120 resulting in a variance of \$16 553. I therefore, could not rely on the figure disclosed in the Appropriation Account. Efforts to reconcile the figures with Salary Service Bureau had not yielded the intended results.

Risk/ Implication

The disclosed Employment Costs could have been misstated.

Recommendation

There is need to reconcile the three figures in order to establish the correct amount of Employment Costs.

Management Response

The Commission hereby advises that the total employment costs is \$718 673 for the year 2018 and the breakdown is as follows:

Item	\$
Wage Bills from Salary Services Bureau	616 822
September –December 2015 Salary Arrears for Commissioners paid in 2018	101 851
Total	\$718 673

The difference of \$16 553 emanated from Salary Service Bureau's system, is beyond our control as a Commission and Salary Service Bureau confirmed during our engagement.

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

1 GOVERNANCE ISSUE

1.1 Results Based Management

Finding

The Commission did not prepare its Integrated Performance Agreement, Departmental Integrated Performance Agreements, Work and Performance Monitoring Plan and Quarterly Performance Reports for the year ended December 31, 2018. Consequently, I could not verify the programmes, plans and achievements for the year under review. This was caused by oversight at the Commission.

The omission contravened the provisions of Section 32(3) (a) of the Public Finance Management Act [*Chapter 22:19*] which states that annual reports and audited financial statements should contain a report on the activities, outputs and outcomes of the Ministry.

Risk/Implication

The Commission may lose focus of its operations if Results Based Management documents are not prepared on a yearly basis and may end up not attaining its set objectives.

Recommendation

The Commission should prepare its Results Based Management documents in compliance with Section 32(3) (a) of the Public Finance Management Act [*Chapter 22:19*].

Management Response

The Commission recruited key staff members and a training workshop was conducted on Result Based Management and Strategic Planning. Currently, the Commission is in the process of finalising its Result Based Management documents for 2019.

VOTE 35. –ZIMBABWE MEDIA COMMISSION

APPROPRIATION ACCOUNT 2018

Mandate of the Commission

The Commission`s mandate is to promote freedom of expression and equitable access to information. The Commission is also mandated to promote media development and contribute to the training of media practitioners.

Opinion

I have audited the financial statements of the Zimbabwe Media Commission for the year ended December 31, 2018. These financial statements comprise of the Appropriation Account, other supporting statements and notes.

Below is a summary of what was allocated and spent during the year:

Voted Funds	Unallocated Reserves	Total Allocated	Expenditure	Net Underspending
\$1 423 000	-	\$1 423 000	\$913 338	\$509 662

In my opinion, the financial statements present fairly in all material respects the financial performance of the Commission for the year ended December 31, 2018, in accordance with Generally Accepted Accounting Practices (GAAP).

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

1 GOVERNANCE ISSUES

1.1 Absence of Risk Management Policy

Finding

According to Section 44 (1) (a) (i) of the Public Finance Management Act [*Chapter 22 :19*], an accounting authority for a public entity shall ensure that, the public entity establishes and maintains effective, efficient and transparent systems of financial and risk management and internal controls. The Zimbabwe Media Commission did not put in place a Risk Management Policy during the year ended December 31, 2018. A risk management policy would help the Commission to mitigate risks and assist the entity to achieve its mandate.

Risk/Implication

Absence of a Risk Management Policy may lead to failure to identify potential risks by the Zimbabwe Media Commission which may affect its operations.

Recommendation

The Accounting Officer should put in place a Risk Management Policy to guide the Commission in its operations.

Management Response

The observation has been noted. However, it is the prerogative of the Board to approve a risk management policy and currently there is no Board.

Evaluation of Management Response

There was no mention of how the Commission is dealing with risk issues in the absence of the Board.

2 EMPLOYMENT COSTS

2.1 Employment Contracts: Chief Executive Officer and Manager Research and Development

Finding

Section 6 (10) (b) (i) of Statutory Instrument 1 of 2000 as amended states that, Members appointed on contract for a specified period of service shall not be appointed before the contract related to them has been signed by them and the appointing authority.

My Audit noted that the Chief Executive Officer (CEO) and the Research and Development Manager were operating with expired contracts. The CEO's contract of employment expired on March 31, 2005 and was not renewed. The Research and Development Manager's contract expired on March 17, 2015 and was also not renewed, although they both continued to offer services.

Risk/Implication

In the absence of a contract, the right and obligations of each party with regards to conditions of service will not be clear and cannot be legally enforced.

Recommendation

The Commission should approach the line Ministry so that the contracts may be renewed by the Minister in the absence of the Board.

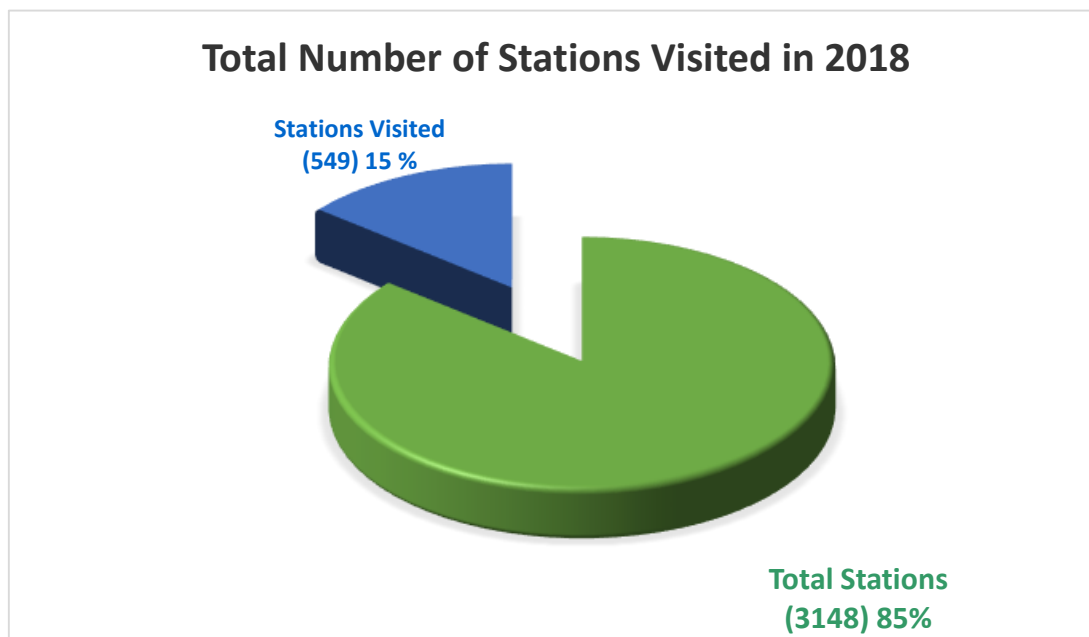
Management Response

Management has been participating in work towards the new Zimbabwe Media Commission (ZMC) Bill and Access to information bill led by Inter-Ministerial Taskforce Realignment. It is our understanding that the Minister will only appoint a

new board only after the ZMC Bill becomes law because the law does not allow appointment of an interim Commission.

ANNEXES

ANNEXURE A



STATIONS VISITED DURING THE 2018 FINANCIAL YEAR

Name of Ministry	Total number of stations	Number of Stations visited	
		2018	2017
Office of the President and Cabinet	92	57	17
Labour and Social Services	301	12	4
Defence, Security and War Veterans	75	Nil	Nil
Industry, Commerce and Enterprise Development	92	43	10
Land, Agriculture and Rural Settlement	635	190	45
Mines and Mining Development	8	Nil	8
Transport and Infrastructural Development	41	24	16
Local Government, Public Works and National Housing	171	48	31
Health and Child Care	45	24	45
Primary and Secondary Education	757	22	40
Higher and Tertiary Education, Science and Technology Development	27	4	14
Women and Youth Affairs	197	14	8
Home Affairs and Culture	609	19	49

Energy and Power Development	3	Nil	Nil
Judicial Service Commission	78	33	16
Public Service Commission	76	58	Nil
Sports Arts and Recreation	79	Nil	Nil
Foreign Affairs and International Cooperation	33	Nil	13
Justice, Legal and Parliamentary Affairs	1	1	1
Total	3 320	549	317

ANNEXURE B

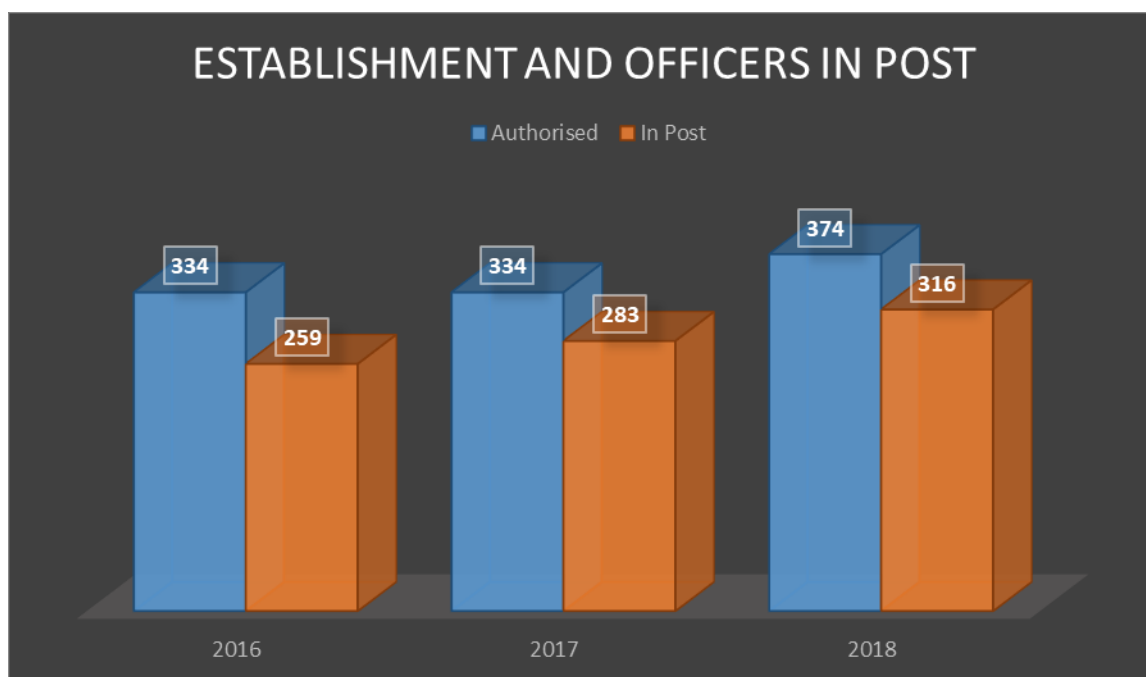


RESIGNATIONS AND NEW APPOINTMENTS IN THE YEAR 2018 COMPARED WITH 2017

	AUDIT STAFF	SUPPORT STAFF	TOTAL
In post as at January 2017	211	48	259
<u>Less</u> movement out	8	0	8
<u>Add</u> Appointments	203	48	251
	32	0	32
Total	235	48	283
In post as at January 2018	235	48	283
<u>Less</u> movement out	16	1	17
<u>Add</u> Appointments	219	47	266
	48	2	50
In post as at December 31, 2018	267	49	316

ANNEXURE B (continued)

ESTABLISHMENT



Establishment and Officers in Post

IN POST	AS AT 31. 12.17		AS AT 31. 12.18	
	Authorised	In post	Authorised	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	10	11	10
Chief Accountant	1	1	1	1
Deputy Director of Audit	22	17	22	17
Deputy Director Human Resources	1	1	1	1
Systems manager	1	1	1	1
Deputy Director Legal	1	0	1	0
Deputy Director Public Relations	1	0	1	1
Audit Assistant/Auditor/Senior Auditor/Principal	229	205	229	202

Local Authority –Auditor	38	0	38	36
Accountant/Senior Accountant	4	4	4	4
Accounting Assistant	4	1	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
Drivers	2	2	2	2
Senior Office Assistants	2	1	2	1
Office Assistants	11	10	11	10
Administration Officer/Senior/ Principal	2	3	2	3
Librarian	1	1	1	1
Human Resources Officer /Senior /Principal	2	2	2	3
Administration Assistant	2	1	2	0
Computer Technician	3	3	3	3
Human Resources Assistant	2	1	2	1
Total	334	283	374	316

ANNEXURE C

TRAINING PROGRAMMES AND ACTIVITIES FOR THE YEAR 2018

COURSE / ACTIVITY	NUMBER OF PARTICIPANTS
Standards and Methodology Workshops	285
Audit Workshops and Conferences	518
Developmental Workshops	35
Soft Skills	47
Information Systems Support and IT Audit Workshops	15
Induction Workshop	39
Corporate Services Workshops	33
Regional and International Workshops	57
Sponsored Professional Programmes	116
Master's Degree in Auditing- Nanjing University- China	1
Exchange Programme/ Experimental Training	3
Joint Audits	10

ANNEXURE D

AUDIT OPINION PER ACCOUNT AUDITED

Vote No.	ACCOUNT	Current Year Opinion	Prior Year Opinion
Appropriation and Fund Accounts			
1	Office of the President and Cabinet 2018 District Development Fund 2017	Unqualified Unqualified	Unqualified Unqualified
2	Parliament of Zimbabwe 2018	Qualified	Unqualified
3	Labour and Social Services 2018 Child Welfare Fund 2017 Children on the Street Fund 2017 Disabled Persons Fund 2017 National Drought Fund 2017 National Rehabilitation Centre Welfare Fund 2017 Older Persons Fund 2017 Public Service Training Centres Amenities Fund 2017 Public Service Training Loan Fund 2017 Yvonne Eustasie Parfitt Homes for the Aged 2017	Unqualified Unqualified Unqualified Unqualified Unqualified Unqualified Unqualified Qualified Qualified Unqualified	Unqualified Unqualified Unqualified Unqualified Qualified Unqualified Unqualified Qualified Unqualified Unqualified
4	Defence, Security and War Veterans 2018 Defence Procurement Fund 2017 National Heroes' Dependents Assistance Fund 2017 War Veterans Fund 2017	Qualified Qualified Unqualified Qualified	Unqualified Unqualified Unqualified Unqualified
5	Finance and Economic Development 2018 Public Finance Management System Summary of Transactions on the Exchequer 2016 Statement of contingent liabilities 2015-2017 Statement of Public Financial assets 2015-2016 Statement of Revenue written Off 2016 Schedule of Revenue Received 2016 Schedule of Outstanding Revenue Statement of Receipts and Disbursements Summary of Transactions of the Consolidated Revenue Fund 2015 Summary of Transactions of Consolidated Revenue Fund 2016 State Enterprises Restructuring Agency Fund 2017 National Development Fund 2016	Qualified Adverse Adverse Adverse Qualified Qualified Qualified Adverse Adverse Adverse Unqualified -	Adverse Disclaimer N/A N/A N/A Qualified Qualified Adverse Disclaimer N/A Unqualified Qualified
6	Office of the Auditor General 2018	Unqualified	Unqualified
7	Industry and Commerce and Enterprise Development 2018 Standards Development Fund 2017 Trade Measures Fund 2017 Industrial Training and Trade Testing Fund 2017	Unqualified Qualified Unqualified Unqualified	Qualified Unqualified Unqualified Unqualified

	Indo-Zimbabwe Fund 2017	Unqualified	Unqualified
8	Lands, Agriculture and Rural Resettlement 2018 Agricultural Revolving Fund 2017 Land Compensation Fund 2017 Lands and Resettlement Fund 2017	Qualified Disclaimer Qualified Qualified	Qualified Disclaimer Unqualified Disclaimer
9	Mines and Mining Development 2018 Mines and Mining Development Fund 2017 Mines Industrial Loan Fund 2017 Special Gold Unit Fund 2017	Qualified Qualified Qualified Qualified	Qualified Qualified Qualified Unqualified
10	Environment, Water and Climate 2018 National Coordinating Unit Fund 2017 Secretary's Fund 2017 Meteorological Services Fund 2017 Water Fund 2017 Lake Kariba Fisheries Fund 2017 Rhodes Matopos Fund 2017	Qualified Unqualified Qualified Qualified Qualified Unqualified Unqualified	Qualified Unqualified Unqualified Qualified Unqualified Unqualified Unqualified
11	Transport and Infrastructural Development 2018 Department of Roads Fund 2017 New Limpopo Bridge Fund 2017 New Vehicle Security Registration Number Plate Revolving Fund 2017 Traffic and Legislation Fund 2017	Qualified Disclaimer Qualified Qualified Qualified	Qualified Qualified Qualified Qualified Qualified
12	Foreign Affairs and International Co-operation 2018	Qualified	Qualified
13	Local Government, Public Works and National Housing 2018 Government Pool Properties Retention Fund 2017 National Housing Fund 2015-2016 Stadia Revolving Fund 2017 Housing Guarantee Fund	Qualified Qualified Disclaimer Qualified Qualified	Qualified Qualified Qualified Qualified Qualified
14	Health and Child Care 2018 Health Services Fund 2017 Medical Research Council of Zimbabwe 2014 Medical Research Council of Zimbabwe 2015	Qualified Qualified - -	Qualified Qualified Qualified Disclaimer
15	Primary and Secondary Education 2018 Education Materials Disbursement Fund 2017 Independent Colleges Guarantee Fund 2017 School Service Fund 2017	Unqualified Unqualified Unqualified Qualified	Unqualified Unqualified Unqualified Disclaimer
16	Higher and Tertiary Education, Science and Technology Development 2018 Amenities Fund 2017 Innovation and Commercialisation 2017 National Education and Training Fund 2016 Vocational and Technical Examinations Fund 2017 Tertiary Education and Training Development Fund	Unqualified Disclaimer Qualified Qualified Qualified Disclaimer	Unqualified Disclaimer Qualified Qualified Qualified Disclaimer

17	Women and Youth Affairs 2018 Women's Development Fund 2017 Small and Medium Enterprises Revolving Fund 2017 The Community Development Fund 2017 Youth Development Fund 2017	Qualified Disclaimer Unqualified Qualified Qualified	Qualified Qualified Unqualified Qualified Qualified
18	Home Affairs and Culture 2018 Immigration Services Fund 2017 Registrar General Retention Fund 2017 Zimbabwe Republic Police Retention Fund 2017	Qualified Unqualified Adverse Unqualified	Qualified Qualified Qualified Unqualified
19	Justice, Legal and Parliamentary Affairs 2018 Attorney-General's Office Administration Fund 2017 Deeds and Companies Office Fund 2017 Legal Aid Fund 2017 Zimbabwe Prisons and Correctional Service Retention Fund 2017	Qualified Unqualified Unqualified Unqualified Qualified	Qualified Qualified Unqualified Unqualified Qualified
20	Information, Media and Broadcasting Services 2018	Unqualified	Unqualified
21	Sport, Arts and Recreation 2018	Unqualified	Qualified
22	Energy and Power Development 2018 Strategic Fuel Reserve Fund 2017 NOCZIM Debt Redemption Fund 2017 Pipeline and Rail Fund 2017	Unqualified Unqualified Unqualified Unqualified	Qualified Unqualified - -
23	Tourism and Hospitality Industry 2018	Qualified	Qualified
24	Information Communication Technology and Cyber Security	Qualified	Unqualified
25	Judicial Services Commission 2018 Courts Administration Fund 2017 Guardian's Fund 2017	Unqualified Qualified Unqualified	Unqualified Unqualified Unqualified
26	Public Service Commission 2018 Salary Services Bureau General Purpose Fund Funeral Assistance Fund 2017 Pensions Office Retention Fund 207 Public Service Transport Management Fund 2017 Skills Retention Fund 2017	Unqualified Unqualified Unqualified Unqualified Unqualified Unqualified	Unqualified Unqualified Unqualified Unqualified Unqualified Unqualified
27	Council of Chiefs 2018	Qualified	Qualified
28	Zimbabwe Human Rights Commission	Unqualified	Unqualified
29	National Peace and Reconciliation Commission 2018	Unqualified	Unqualified
30	National Prosecuting Authority	Unqualified	Unqualified
31	Zimbabwe Anti-Corruption Commission 2018	Not Audited	Not Audited
32	Zimbabwe Electoral Commission 2018	Not Audited	Not Audited
33	Zimbabwe Gender Commission 2018	Qualified	Unqualified
34	Zimbabwe land Commission 2018	Unqualified	Unqualified
35	Zimbabwe Media Commission 2018	Unqualified	Unqualified

ANNEXURE D (continued)

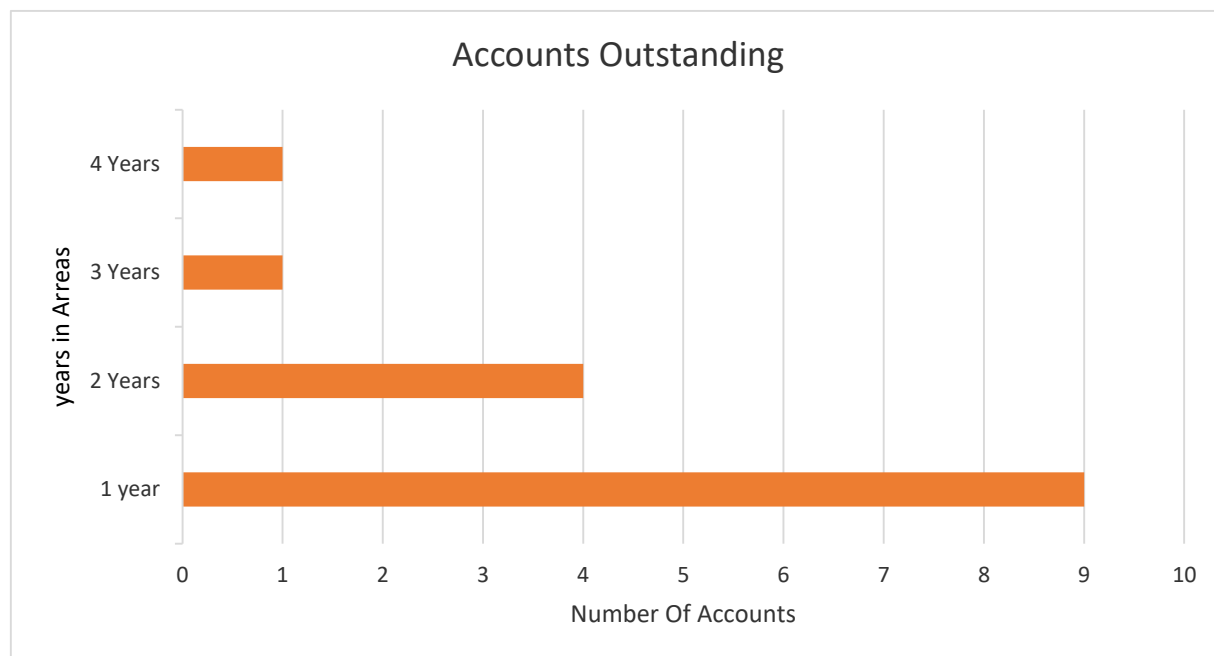
SUMMARY OF AUDIT OPINIONS	
Total Appropriation Accounts	35
Total Appropriation Accounts not Audited.....	2
Total Appropriation Accounts Audited.....	33
Adverse.....	0
Qualified.....	15
Unqualified, with other material issues.....	10
Unqualified, without other material issues.....	5
Total.....	33
Total Fund Accounts Audited	74
Adverse.....	7
Disclaimer	6
Qualified.....	31
Unqualified, with other material issues.....	15
Unqualified, without other material issues.....	15
Total Consolidated Finance Accounts Audited.....	3
Adverse.....	3
Disclaimer.....	0
Total Consolidated Revenue Statements.....	5
Adverse.....	2
Qualified.....	3

ANNEXURE D (continued)

Opinion	Number of Accounts		Percentage total (%) = (A/B)*100	
	Current year	Prior year	Current year	Prior year
Appropriation Accounts Audited (A)				
Qualified	15	18	45	47
Adverse	Nil	1	Nil	3
Disclaimer	Nil	Nil	Nil	Nil
Unqualified, with other material issues	13	14	39	37
Unqualified, without other material issues	5	5	16	13
Total (B)	33	38	100	100
Fund Accounts Audited (A)				
Adverse	7	2	10	3
Disclaimer	6	15	9	18
Qualified	31	29	41	35
Unqualified, with other material issues	15	27	20	32
Unqualified, without other material issues	15	11	20	13
Total (B)	74	84	100	100
Consolidated Finance Accounts Audited (A)				
Qualified	1	Nil	33	Nil
Adverse	2	1	67	50
Disclaimer	Nil	1	Nil	50
Total (B)	3	2	100	100
Consolidated Revenue Statements (A)				
Qualified	1	2	20	67
Adverse	4	1	80	33
Disclaimer	Nil	Nil	Nil	Nil
Unqualified without issues	Nil	Nil	Nil	Nil
Total (B)	5	3	100	100

ANNEXURE E

NUMBER OF OUTSTANDING ACCOUNTS



ACCOUNTS NOT SUBMITTED FOR AUDIT AS AT MAY 26, 2019

MINISTRY	YEAR
Parliament of Zimbabwe	
Constitutional Development Fund	2018
Labour and Social Services	
National Drought Fund	2018
Finance and Economic Development	
Schedule of Revenue Received	2017
Schedule of Outstanding Revenue	2017
Statement of Revenue Written Off	2017
Statement of Public Financial Assets	2017
Schedule of Revenue Received	2018
Statement of Public Financial Assets	2018
Summary of Appropriation Account	2018
Summary of Transactions of The Consolidated Revenue Fund	2018
State Asset Disposal Fund	2014 - 2018
Senior Officers Housing Fund	2016-2018
Defence, Security and War Veterans	
War Veterans Fund	2018
National Heroes' Dependents Assistance Fund	2018
Transport and Infrastructural Development	
Department of Roads Fund	2018
New Limpopo Bridge Fund	2018

Traffic and Legislation Fund	2018
New Vehicle Number Plate Registration Revolving Fund	2018
Local Government, Public Works and National Housing	
Civil Service Housing Loan Fund	2017-2018
National Civil Protection Fund	2018
Housing Guarantee Fund	2018
Health and Child Care	
Medical Research Council of Zimbabwe	2016-2018
Higher and Tertiary Education, Science and Technology	
Amenities Fund	2018
Tertiary Education and Training Development Fund	2018
Women and Youth Affairs	
Youth Development and Employment Creation Fund	2018
Women Development Fund	2018
Zimbabwe Electoral Commission	2016-2018

ANNEXURE F

AUDITS IN PROGRESS OR BEING FINALISED AS AT MAY 24, 2019

Office of the President and Cabinet	
District Development Fund	2018
Labour and Social Services	
National Rehabilitation Centres Welfare Fund 2018	2018
Child Welfare Fund 2018	2018
Children on the Streets Fund 2018	2018
Yvonne Parfitt Homes for the aged Fund 2018	2018
Disabled Persons Fund 2018	2018
Older Persons Fund 2018	2018
Finance and Economic Development	
National Development Fund	2017
Statement of Receipts and Disbursements	2017
Statement of Transactions on the Exchequer Account	2017
Summary of Appropriation Account	2017
Statement of Public Debt	2017
Consolidated Revenue Fund	2017
Consolidated Revenue Fund	2018
Statement of Public Debt	2018
Statement of Receipts and Disbursements	2018
Schedule of Outstanding Revenue	2018
Statement of Revenue Written Off	2018
Statement of Transactions on the Exchequer Account	2018
Statement of Contingent Liabilities	2018
State Enterprises Restructuring Agency Fund	2018
Industry Commerce and Enterprise Development	
Standards Development Fund	2018
Trade Measures Fund	2018
Lands, Agriculture and Rural Resettlement	
Agricultural Revolving Fund	2018
Command Agriculture Fund	2018
Tobacco Levy Account	2018
Lands and Resettlement Fund	2018
Lands Compensation Fund	2018
Pig Levy Fund	2018
Mines and Mining Development	
Mine and Mining Development Fund Account	2018
Mining Industry Loan Fund Account	2018
Special Gold Unit Fund Account	2018
Environment, Water and Climate	
National Co-ordinating Unit Fund	2018
Water Fund	2018
Secretary's Fund	2018
Meteorological Services Fund	2018
Local Government, Public Works and National Housing	
Civil Service Housing Loan Fund	2015-2016

National Civil Protection Fund	2017
National Housing Fund	2017
Government Pool Properties Retention Fund	2018
Stadia Revolving Fund	2018
Housing Guarantee Fund	2017
Health and Child Care	
Health Services Fund	2018
Primary and Secondary Education	
School Services Fund	2018
Independent Colleges Guarantee Fund	2018
Education Materials Disbursement Fund	2018
Higher and Tertiary Education, Science and Technology	
Vocational & Technical Examinations Fund	2018
Industrial Training & Trade Testing Fund	2018
National Education & Training Fund	2018
Innovations & Commercialisation Fund	2018
Zimbabwe Manpower Development fund	2017
Home Affairs and Culture	
Registrar General Retention Fund	2018
Immigration Services Fund	2018
Zimbabwe Republic Police Retention Fund	2018
Justice, Legal and Parliamentary Affairs	
Deeds and Companies Office Fund Account	2018
Zimbabwe Prisons and Correctional Service	2018
Legal Aid Fund Account	2018
Attorney-General's Office Administration Fund Account	2018
National Prosecuting Authority Courts Retention Fund	2018
Energy and Power Development	
Strategic Fuel Reserve	2018
NOCZIM Debt Redemption Fund	2018
Pipeline and Rail Fund	2018
Women and Youth affairs	
Women's Development Fund	2017
Judicial Service Commission	
Courts Administration Fund	2018
Guardians Fund	2018
Public Service Commission	
Salary Service Bureau General Purpose Fund	2018
Skills Retention Fund	2018
Public Service Training Loan Fund	2018
Pensions Office Retention Fund	2018
Public Service Funeral Assistance Fund	2018
Public Service Transport Management Fund	2018
Public Service Training Centres Amenities Fund	2018
National Prosecuting Authority	
National Prosecuting Authority Courts Retention Fund	2018
Zimbabwe Anti-Corruption Commission	2016-2017
National Peace and Reconciliation Commission	2018

ANNEXURE G

MINISTRIES WITH SUB-PMG ACCOUNT BALANCES NOT RECONCILING WITH THE PFMS BALANCE

Ministry	Current Year Variance \$	Prior Year Variance \$
Parliament of Zimbabwe	954 916	351 059
Environment, Water and Climate	876 541	
Industry Commerce and Enterprise Development	-	21 247
Transport and Infrastructural Development	52 826 966	5 002 123
Foreign Affairs and International Cooperation	8 454 692	12 650 886
Home Affairs and Culture	424 093 116	-
Local Government, Public Works and National Housing	136 803	727 965
Women and Youth Affairs	-	24 580
Justice and Legal Parliamentary Affairs	4 431 826	-
Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restrictes	-	336 649
Council of Chiefs	582 995	-
Total	\$492 357 855	\$19 114 509

ANNEXURE H

SUSPENSE ACCOUNT BALANCES IN MINISTRY/ FUND ACCOUNTS AS AT DECEMBER 31, 2018 OF THE RESPECTIVE YEARS OF THE FINANCIAL STATEMENTS

Ministry/Fund	Current year (\$)	Prior year (\$)
Ministry of Labour and Social Services		
Disabled Persons Fund 2017	-	50
Public Service Training Centres Amenities Fund	150 495	-
Ministry of Industry and Commerce and Enterprise Development		
Trade Measures Fund 2017	179	977
Ministry of Lands, Agriculture and Rural Settlement		
Agricultural Revolving Fund	(206 555)	(108 752)
Ministry of Environment, Water and Climate		
Metrological Services Fund	125	1 641
Ministry of Transport and Infrastructural Development		
New Vehicle Security Registration Number Plate Revolving Fund	3 224 031	3 347 599
Traffic and Legislation Fund	-	2 645 958
Health and Child Care		
Health Services Fund	-	-
Primary and Secondary		
Independent Colleges Guarantee Fund	(62 620)	-
Ministry of Higher and Tertiary Education, Science and Technology		
Amenities Fund 2017	(2 808 215)	3 717 142
Industrial Training and Trade Testing Fund 2017	-	12 854
Vocational and Technical Examinations Fund	-	345 156
Tertiary Education and Training Development Fund 2017	17 714 812	1 603 531
National Education and Training Fund 2017	341 319	2 277
Ministry of Home Affairs and Culture		
National Archives Publications and Productions Trust Fund	-	(89)
Total	\$18 353 571	\$11 568 344

ANNEXURE I

OUTSTANDING PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES

Ministry/ Fund	Current Year Amount (\$)	Prior Year Amount (\$)
Finance and Economic Development	EUR 5 044 062 ZAR 318 675	
Labour and Social Services	-	7 299 398
War Veterans Fund	1 151 948	-
Finance and Economic Development	-	1 723 776
Industry, Commerce and Enterprise Development		155 012
Standards Development Fund	-	29 981
Land, Agriculture and Rural Settlement Agriculture Revolving Fund	86 851	442 831
Limpopo Bridge Fund	17 819 497	-
Department of Roads	9 255 150	
Environment, Water and Climate	1 064 194	1 714 692
Local Government, Public Works and National Housing	-	4 432 241
Health and Child Care	40 805 807	48 304 527
Health services Fund	29 823	-
Skills Retention Fund	39 875	-
Small and Medium Enterprises and Co-operative Development	-	1 167 850
Tourism and Hospitality Industry	-	675 148
Total	EUR 5 044 062 ZAR 318 675 \$69 188 951	\$65 945 456

ANNEXURE J

UNSUPPORTED EXPENDITURE

Ministry	Current Year Variance \$	Prior Year Variance \$
Defence, Security and War Veterans	4 113 758	-
Defence Procurement Fund 2017	382 925	-
War Veterans Funds	4 734 018	-
Labour and Social Services		
Child welfare Fund 2017	13 800	-
Finance and Economic Development	197 009 227	-
Industry and Commerce and Enterprise Development	338 200	250 827
Mines and Mining Development		
Mines and Mining Development Fund 2017	148 089	-
Special Gold Unit Fund 2017	313 507	-
Environment, Water and Climate	199 513	411 871
Secretary's Fund 2017	20 523	-
Transport and Infrastructural Development	1 140 752	5 000 000
Limpopo Bridge Fund 2017	489 466	-
Department of Roads Fund 2017	12 998 130	
Traffic Legislation Fund 2017	355 664	
Foreign Affairs and International Cooperation	8 696 444	7 916 191
Local Government, Public Works and National Housing		
Stadia Revolving Fund 2017	-	28 104
National Civil Protection Fund 2017	-	15 500
Health and Child Care		97 504
Health Services Fund 2017	69 635	384 651
Medical Research Council of Zimbabwe 2017	-	80 295
Medical Research Council of Zimbabwe 2017	-	33 417
Higher and Tertiary Education, Science and Technology		
Amenities Fund 2017	87 394	-
Home Affairs (Registrar General)	-	1 129 360
Zimbabwe Republic Police Retention Fund 2017	417 662	-
Women and Youth Affairs	25 433	-
Justice, Legal and Parliamentary Affairs		2 590 508
Attorney-General's Office Administration Fund 2017	-	-
National Prosecuting Authority Courts Retention Fund 2017	-	-
Small and Medium Enterprises and Co-operative Development	-	90 440
Lands, Agriculture and Rural Settlement		3 603 243
Water Fund 2017	283 275	-
Foreign Affairs and International Cooperation	US\$7 280 598	
Tourism and Hospitality Industry	209 063	-
Welfare Services for War Veterans War	-	62 062

Collaborators, Former Political Detainees and Restricttees War Veterans Fund 2016	-	5 407 194
Zimbabwe Human Rights Commission	140 947	-
Total	\$232 187 525 US\$ 7 280 498	\$27 101 167

ANNEXURE K

ACCOUNTS THAT HAD EXCESS EXPENDITURE OVER INCOME

Fund Accounts	Current year Amount (\$)	Prior year Amount (\$)
Office of the President and Cabinet		
District Development Fund	-	(1 236 861)
Labour and Social Services		
Child Welfare Fund	-	(971)
Older Persons Fund	-	(13 407)
Children on the Street Fund	(308)	(86)
Yvonne Eustasie Parfitt	(140)	-
Defence, Security and War Veterans		
War Veterans Fund	-	(10 518 271)
Defence Procurement Fund	(1 501 082)	-
National Heroes' Dependents Assistance Fund	(2034)	-
Industry and Commerce and Enterprise Development		
Trade Measures Fund	(31 967)	(93 318)
Mines and Mining Development		
Mining Industry Loan Fund	(16 369)	-
Special Gold Unit Fund	(45 295)	-
Environment, Water and Climate		
National Coordinating Unit	-	(49 146)
Secretary's Fund	(24 762)	-
Lake Kariba Fisheries	(237 211)	
Transport and Infrastructural Development		
Limpopo Bridge Fund	(12 769 007)	
Department of Roads Fund	(4 368 253)	(1 417 901)
Traffic and Legislation Fund	-	(452 783)
Local Government, Public Works and National Housing		
National Civil Protection Fund	-	(68 078)
Health and Child Care		
Medical Research Council of Zimbabwe	-	(16 600)
Higher and Tertiary Education, Science and Technology Development		
Amenities Fund	-	-
National Education and Training Fund	-	(37 025 339)
Vocational and Technical Examinations Fund	(137 630)	(594 532)
Tertiary Education and Training Development Fund 2013	-	(1 051 842)
Tertiary Education and Training Development Fund 2014	-	(4 154 110)
Tertiary Education and Training Development Fund 2015	-	(2 145 413)
Home Affairs and Culture		
Immigration Services Fund	(220 735)	(123 767)
Registrar General Retention Fund	-	-
Zimbabwe Republic Police Retention Fund 2016	(1 491 126)	-

Justice, Legal and Parliamentary Affairs		
Deeds and Companies Office Fund	-	(69 166)
Zimbabwe Prisons and Correctional Services Fund	(9 841)	-
Energy and Power Development		
NOCZIM Debt Redemption Fund	(1 711 787)	-
Women and Youth Affairs		
Zimbabwe Community Development Fund	-	(19 489)
Lands, Agriculture and Rural Settlement		
Agriculture Revolving Fund	(228 412)	-
Lands Compensation Fund	-	(9 797 047)
National Coordinating Unit Fund	(79 998)	-
Land and Resettlement Fund	(42 483)	-
Public Service Commission		
Funeral Assistance Fund	(242 667)	(877)
Skills Retention Fund		-
SSB General Purpose Fund		-
Pension Office Retention Fund 2015	(1 161 584)	(1 020 753)
Public Service Transport Management Fund 2015		(15 334)
Public Service Transport Management Fund 2016	(93 097)	(276 473)
Total	\$24 415 778	\$69 161 624

ANNEXURE L

UNCOLLECTED DEBTORS AS AT DECEMBER 31 OF THE RESPECTIVE YEARS OF THE FINANCIAL STATEMENTS

Ministry/Fund	Amount \$	
	Current year	Prior year
Office of the President and Cabinet	-	-
District Development Fund 2017	4 442 021	678 842
Labour and Social Services	-	16 703
Disabled Persons Fund	18 325	59 319
Public Service Training Centres Amenities Fund	475 714	459 113
Public Service Training Loan Fund	403 225	45 468
National Rehabilitation Centre Welfare Fund	53 441	-
Finance and Economic Development	-	18 068 044
National Development Fund 2016	-	18 068 044
Industry Commerce and Enterprise Development	-	79 106
Standards Development Fund	6 236 648	5 782 403
Trade Measures	462 788	-
Indo-Zimbabwe Fund	223 380	9 509
SME Revolving Fund	21 893 139	-
Lands Agriculture and Rural Settlement	-	39 045
Agriculture Revolving Fund	1 050 579	39 045
Water Fund	1 087 080	-
Lands and Resettlement Fund	159 527	-
Land Compensation Fund	900	-
Mines and Mining Development	192 462 309	10 956 134
Mines and Mining Development Fund (Three Provinces only)	1 813 873	-
Mining Industry Loan Fund	613 924	697 541
Special Gold Unit Fund	24 002	-
Environment, Water and Climate	-	1 840 232
Meteorological Services Fund	2 051 855	1 840 232
Rhodes Matopos Estate Fund	581 196	858 909
Lake Kariba Fisheries Research Institute	702 592	-
Foreign Affairs and International Cooperation	563 692	-
Local, Government, Public Works and National Housing	62 109 180	6 750 458
Stadia Revolving Fund	374 508	-
Government Pool Properties Retention Fund	3 375 258	-
Health and Child Care	-	455 982
Health Services Fund	30 897 294	26 981 166
Higher and Tertiary Education, Science and Technology Development	-	295 937
Amenities Fund 2016	8 238 452	895 738
Tertiary Education and Training Fund 2016	23 204 124	9 443 310

Innovation and Commercialisation Fund 2016	4600	218 396
National Education Training Fund 2016	-	2 031 992
Vocational and Technical Examination	464 291	-
Energy and Power Development	-	21 268 566
NOCZIM Debt redemption	1 542 145	-
Pipeline and Rail Fund	193 733	-
Strategic Fuel Reserve	20 469 629	-
Women and Youth Affairs		
Zimbabwe Community Development Fund 2016	-	18 637
Judicial Service Commission	-	56 370
Public Service Commission	-	-
Public Service Commission Transport Management Fund	86 139	-
Salary Service Bureau	17 500	-
Rural Development, Promotion and Preservation of National Culture and Heritage	-	682 951
Primary and Secondary	2 455 872	2 413 204
School Service Fund	25 238 711	20 589 788
Independent Colleges Guarantee Fund	1 463 270	1 273 483
Youth Indigenisation and Economic Empowerment	-	276 227
Justice, Legal and Parliamentary Affairs	655 402	655 402
Attorney-General's Office Administration Fund	69 489	-
Transport and Infrastructural Development		-
New Vehicle Security Registration Number Plate	388 285	-
Traffic and Legislation Fund	219 986	-
National Prosecuting Authority	-	-
National Prosecuting Authority Court Retention Fund	64 237	-
Total	\$416 852 415	\$133 897 975

ANNEXURE M

COMPARISON OF TREASURY BALANCES AND MINISTRY BALANCES OF TRANSFERS FROM THE UNALLOCATED RESERVE

Vote	Treasury Records \$	Ministry Records \$	Variance \$
Office of the President and Cabinet	126 177 583	122 524 489	3 725 247
Labour and Social Services	24 267 208	24 267 208	
Defence, Security and War Veterans	202 658 706	202 658 706	
Finance and Economic Development	314 896 480	314 896 480	
Industry Commerce and Enterprise Development	42 524 547	42 524 547	
Land, Agriculture and Rural Settlement	1 409 056 680	1 409 056 680	
Mines and Mining Development	47 877 596	47 877 596	
Environment, Water and Climate	85 162 027	85 162 027	
Transport and Infrastructural Development	415 562 653	415 562 653	
Local Government, Public Works and National Housing	30 850 269	30 850 269	
Health and Child Care	169 789 279	171 514 108	(1 724 829)
Primary and Secondary Education	125 231 784	125 231 784	
Higher and Tertiary Education, Science and Technology Development	24 352 670	24 352 670	
Women and Youth affairs	22 298 302	20 022 804	2 275 498
Home Affairs and Culture	91 420 663	91 420 663	
Justice, Legal and Parliamentary Affairs	5 687 035	5 601 875	85 160
Energy and Power Development	139 163 834	138 163 834	
Tourism and Hospitality Industry	7 800 891	7 800 891	
Information Communication Technology and Cyber Security	77 024	77 024	
Judicial Service Commission	10 331 689	10 331 689	
Public Service Commission	77 585 628	77 585 628	
Sport, Arts and Recreation	-	475 498	(475 498)
Council of Chiefs	3 717 873	3 834 875	117 002
Zimbabwe Land Commission	705 000	705 000	
Total	\$3 376 267 576	\$ 3 372 498 998	\$ 3 768 578

ANNEXURE N

MINISTRY EMPLOYMENT COSTS BALANCES NOT RECONCILING WITH SALARY SERVICES BUREAU BALANCES

Ministry	Ministry balance \$	SSB Balance \$	Variance \$
Labour and Social Services	7 468 701	7 346 367	122 334
Health And Child Care	438 692 672	439 976 377	1 283 704
Local Government, Public Works and National Housing	22 020 219	23 910 118	1 889 899
Home Affairs	421 722 188	421 439 330	282 788
Higher and Tertiary Education, Science and Technology Development	56 965 222	56 889 828	75 394
Energy and Power Development	859 883	875 990	(16 107)
Lands and Rural Resettlement	86 963 180	88 620 146	(1 656 966)
Industry Commerce and Enterprise Development	4 385 692	3 801 742	583 994
Public Service Commission	16 032 333	15 601 605	431 268
Zimbabwe Gender Commission	718 673	702 120	16 553
Total	\$1 055 828 763	\$1 059 163 623	(\$3 012 861)

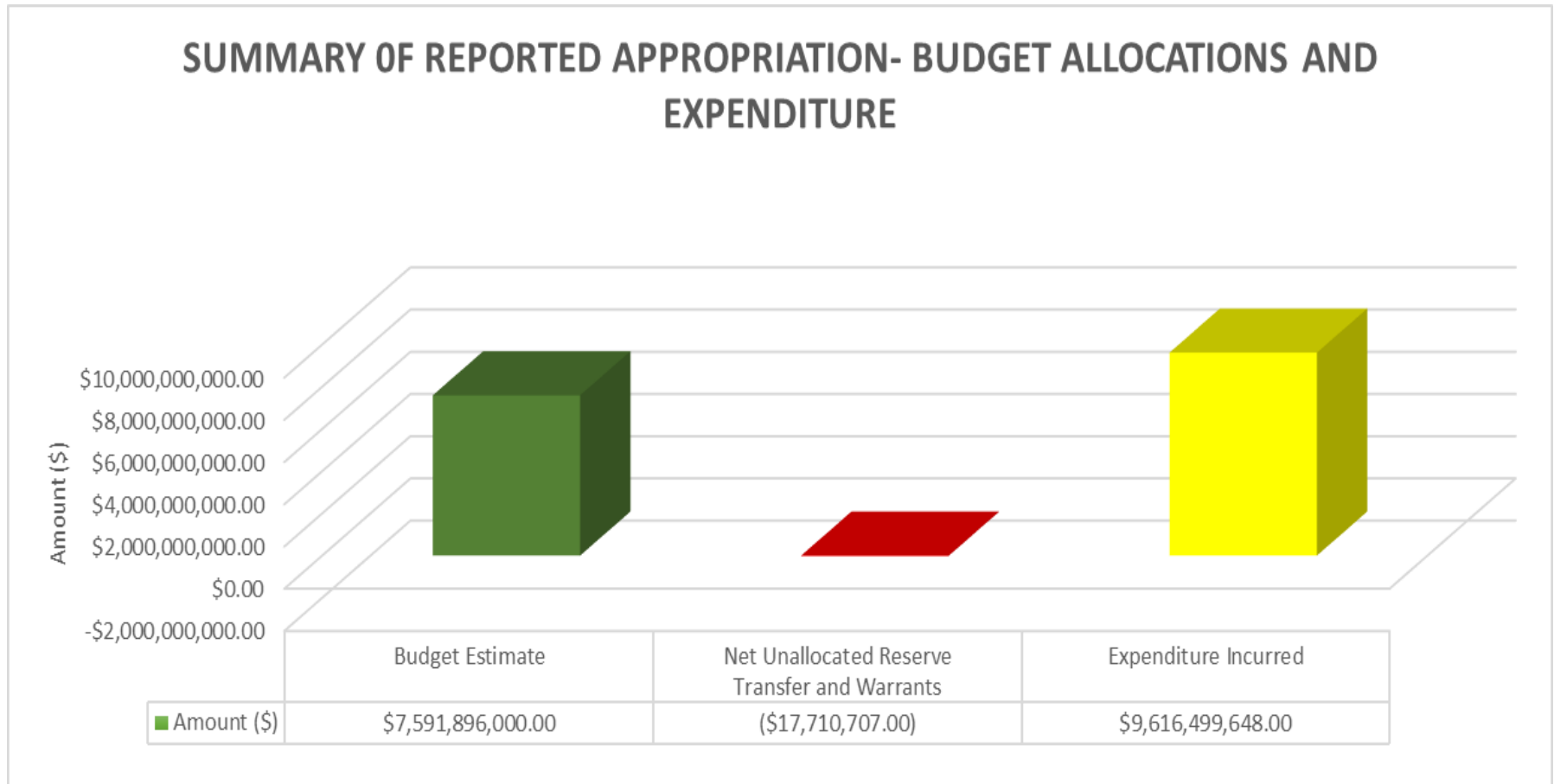
ANNEXURE O

COMPARISON OF REPORTED EMPLOYMENT COSTS AGAINST TOTAL EXPENDITURE

Vote	Employment Costs \$	Total Expenditure \$
Office of the President and Cabinet	11 276 837	337 704 430
Parliament of Zimbabwe	11 035 427	42 070 094
Labour and Social Services	61 027 590	127 202 422
Defence, Security and War Veterans	362 101 092	600 106 727
Finance and Economic Development	3 026 954	467 402 886
Office of the Auditor-General	2 750 884	3 483 000
Industry Commerce and Enterprise Development	4 385 692	58 398 142
Land, Agriculture and Rural Resettlement	86 963 180	1 719 933 618
Mines and Mining Development	4 610 855	50 668 829
Environment, Water and Climate	2 130 341	139 367 477
Transport and Infrastructural Development	9 526 818	425 373 773
Foreign Affairs and International Cooperation	1 877 176	33 059 875
Local Government, Public Works and National Housing	21 520 217	88 720 801
Health and Child Care	438 692 672	561 900 629
Primary and Secondary Education	995 235 860	1 011 646 239
Higher and Tertiary Education, Science and Technology Development	56 965 222	317 325 491
Women and Youth Affairs	33 624 501	41 081 558
Home Affairs and Culture	421 722 118	498 137 668
Justice, Legal and Parliamentary Affairs	89 259 628	117 888 102
Information, Media and Broadcasting Services	1 151 544	13 786 883
Energy and Power Development	875 990	141 563 944
Tourism and Hospitality Industry	1 190 288	11 333 362
Information, Communication Technology and Cyber Security	1 142 385	5 208 660
Judicial Service Commission	19 076 114	33 262 712
Public Service Commission	195 500 457	199 054 212
Sports, Arts and Recreation	1 646 178	13 183 296
Council of Chiefs	7 953 801	15 014 615
Zimbabwe Human Rights Commission	1 260 844	2 865 005
National Peace and Reconciliation Commission	769 264	1 231 234
National Prosecuting Authority	4 077 004	5 865 756
Zimbabwe Anti-Corruption Commission	-	-
Zimbabwe Electoral Commission	-	-
Zimbabwe Gender Commission	718 673	1 279 517
Zimbabwe Land Commission	1 674 900	4 575 119
Zimbabwe Media Commission	289 308	913 338
Total	\$2 855 059 814	\$7 090 609 414

ANNEXURE P

SUMMARY OF APPROPRIATION ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018



ANNEXURE P (continued)

No.	Vote	Voted/Original Estimate	Unallocated Reserve Transfer	Amended Estimate/Total	Expenditure	Surplus/Deficit
		\$	\$	\$	\$	\$
1.	Office of the President and Cabinet	231 974 000	122 524 489	354 498 489	337 704 430	16 794 059
2.	Parliament of Zimbabwe	80 000 000	-	80 000 000	41 845 296	38 154 704
3.	Labour and Social Services	213 407 000	24 267 208	237 674 208	127 202 422	110 471 786
4.	Defence, Security and War Veterans	420 364 000	202 658 706	623 022 706	600 106 727	22 915 979
5.	Finance and Economic Development	333 680 000	(3 075 525 385)	(2 741 845 385)	467 402 886	(3 209 248 271)
6.	Office of the Auditor General	5 058 000	-	5 058 000	3 483 000	1 575 000
7.	Industry Commerce and Enterprise Development	30 507 000	42 524 547	73 031 547	58 398 142	14 633 405
8.	Lands, Agriculture and Irrigation Rural Resettlement	497 381 000	1 409 056 680	1 906 437 680	1 719 933 618	186 504 062
9.	Mines and Mining Development	6 482 000	47 887 596	54 359 596	50 668 829	3 690 767
10.	Environment, Water and Climate	85 818 000	85 162 027	170 980 027	139 376 447	31 603 580
11.	Transport and Infrastructural Development	87 501 000	415 562 653	503 063 653	425 373 773	77 689 880
12.	Foreign Affairs and International Cooperation	49 667 000	-	49 667 000	33 059 875	16 607 125
13.	Local Government, Public Works and National Housing	121 351 000	30 850 269	152 201 269	88 720 801	63 480 468
14.	Health and Child Care	520 000 000	171 514 108	691 514 108	561 900 629	129 613 479
15.	Primary and Secondary Education	905 593 000	125 231 784	1 030 824 784	1 011 646 239	19 178 545
16.	Higher and Tertiary Education, Science and Technology Development	316 954 000	24 352 670	341 306 670	317 325 491	23 981 179
17.	Women and Youth Affairs	41 314 000	20 022 804	61 336 804	41 081 558	20 255 246

18.	Home Affairs and Culture	435 471 000	91 420 663	526 891 663	498 137 668	28 753 995
19.	Justice, Legal and Parliamentary Affairs	124 374 000	5 687 035	130 061 035	117 888 102	12 172 933
20.	Information, Media and Broadcasting Services	26 901 000	-	26 901 000	13 786 883	13 114 117
21.	Sports, Arts and Recreation	11 689 000	475 498	12 164 498	13 183 296	(1 018 798)
22.	Energy and Power Development	13 323 000	138 163 834	151 486 834	141 563 944	9 922 890
23.	Tourism and Hospitality Industry	5 138 000	7 800 891	12 938 891	11 333 362	1 605 529
24.	Information Communication Technology and Cyber Security	10 528 000	77 024	10 605 024	5 208 660	5 396 364
25.	Judicial Service Commission	18 979 000	10 331 689	29 310 689	27 676 328	1 634 361
26.	Public Service Commission	19 666 000	77 585 628	97 251 628	199 054 212	(101 802 584)
27.	Council of Chiefs	3 400 000	3 834 875	7 234 875	7 077 883	156 992
28.	Zimbabwe Human Rights Commission	3 341 000	-	3 341 000	2 865 005	475 995
29.	National Peace and Reconciliation	1 399 000	-	1 399 000	1 231 234	167 766
30.	National Prosecuting Authority	7 839 000	-	7 839 000	5 865 756	1 973 244
31.	Zimbabwe Anti-Corruption Commission	3 351 000	-	3 351 000	-	3 351 000
32.	Zimbabwe Electoral Commission	104 001 000	-	104 001 000	-	104 001 000
33.	Zimbabwe Gender Commission	1 836 000	-	1 836 000	1 279 517	556 483
34.	Zimbabwe Land Commission	6 412 000	705 000	7 117 000	4 575 119	2 541 881
35.	Zimbabwe Media Commission	1 423 000	-	1 423 000	913 338	509 662
	Sub-total	4,746,122,000.00	(17,827,707)	4,728,284,293	7,076,870,470	(2,348,586,177)
	<i>Constitutional and Statutory Appropriations</i>					
i.	President and Cabinet	600 000	-	600 000	627 691	(27 691)
ii.	Parliament of Zimbabwe	230 000	-	230 000	224 798	5 202
iii.	Labour and Social Services	150 000	-	150 000	150 000	-

iv.	Finance and Economic Development	2 354 017 000	-	2 354 017 000	1 972 074 054	381 942 946
v.	Office of the Auditor General	78 000	-	78 000	77 880	120
vi.	Justice, Legal and Parliamentary Affairs	247 000	-	247 000	242 120	4 880
vii.	Judicial Service Commission	4 860 000	-	4 860 000	5 586 384	(726 384)
viii.	Public Service Commission	477 600 000	-	477 600 000	552 632 887	(75 032 887)
ix.	Council of Chiefs	7 821 000	117 000	7 938 000	7 936 732	1 268
xi.	National Prosecuting Authority	171 000	-	171 000	76 632	94 368
	Sub-total	2 845 774 000	117 000	2 845 891 000	2 539 629 178	306 261 822
	GRAND TOTAL	\$7,591,896,000.00	(\$17,710,707)	\$7,574,175,293.00	\$9,616,499,648.00	(\$2,042,324,355)

ANNEXURE Q

MAINTENANCE OF IMPROPER ACCOUNTING RECORDS RESULTING IN UNDER AND OVER STATEMENT OF BALANCES IN THE FINANCIAL STATEMENTS

Name of Ministry	Details	Overstatement \$	Understatement \$
Health Services Fund 2017	Income		241 194
	Expenditure	70 339	
	Current Assets	684 908	
Agriculture Revolving Fund 2017	Income	1 578 179	
	Expenditure	2 007 738	
War Veterans Fund 2017	Expenditure	701 750	
Meteorological Services Fund 2017	Expenditure	609 068	
Traffic Legislation Fund 2017	Current liabilities	355 664	
Department of Roads Fund 2017	Cashbook	8 489 488	
	Income	1 975 679	
	Expenditure		9 171 460
	Property Plant and Equipment	272 410	
Industrial Training and Trade Testing Fund 2017	Income		18 721
Registrar General Retention Fund 2017	Expenditure		2 489 000
Foreign Affairs and International Cooperation 2017	Expenditure		9 471 025
Higher and Tertiary Education Science and Technology Development	Expenditure		355 753
Total		\$16 745 223	\$21 153 747

ANNEXURE R

AMOUNTS THAT COULD NOT BE VERIFIED

Name of Ministry	Details	Amount \$
Tertiary Education and Training Development Fund 2017	Income	3 019 170
	Expenditure	976 870
	Equity and liabilities	337 623
New Vehicle Security Registration Number Plate Revolving Fund 2017	Income	13 985 043
Amenities Fund Account 2017	Income	477 126
	Debtors	2 929 766
Total		\$21 725 598

ANNEXURE S

DIRECT PAYMENTS MADE BY TREASURY THAT WERE NOT RECONCILED FOR THE YEAR 2018

Name of Ministry	Amount \$
Information Communication Technology and Cyber Security	530 000
Parliament of Zimbabwe	319 874
Higher And Tertiary Education, Science And Technology Development	355 753
Home Affairs and Cultural Heritage	676 380
Lands, Agriculture and Rural Resettlement	847 954 752
Total	\$849 836 759