**ZIMBABWE**

# REPORT

**of the**

# Auditor-General

**for the**

## FINANCIAL YEAR ENDED DECEMBER 31, 2014

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## NARRATIVE REPORT

## ON

## APPROPRIATION ACCOUNTS

## AND

## MISCELLANEOUS FUNDS

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ZIMBABWE

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

The Hon. Mr. P. Chinamasa
Minister of Finance and Economic Development
New Government Complex
Samora Machel Avenue
Harare

Dear Sir

I hereby submit my Report on the audit of Appropriation and Fund Accounts of Zimbabwe in terms of Section 309 (2) of the Constitution of Zimbabwe read together with Section 10(1) of the Audit Office Act [*Chapter 22:18*], for the year ended December 31, 2014.

Yours faithfully

M. CHIRI,
AUDITOR-GENERAL.

HARARE
June 15, 2015.

**ZIMBABWE**

## 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

**COMMITMENT**

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

**RESPECT**

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**INTEGRITY**

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

**ACCOUNTABILITY**

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

**EMPATHY**

Empathetic support and encouragement within the OAG family.

**TEAMWORK**

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

ZIMBABWE

# REPORT

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## NARRATIVE REPORT

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**LIST OF ACRONYMS**

1. AUSC - African Union Sports Council
2. BBR - Beitbridge-Bulawayo Railway
3. CBZ - Commercial Bank of Zimbabwe
4. COPAC - Constitution Parliamentary Select Committee
5. CPMZ - Campania Do Pipeline Mozambique-Zimbabwe
6. CSC - Civil Service Commission
7. DDF - District Development Fund
8. DIPA - Departmental Integrated Performance Agreement
9. GAAP - Generally Accepted Accounting Principles
10. GRN - Goods Received Note
11. IAS - International Accounting Standard
12. IDBZ- Infrastructure Development Bank of Zimbabwe
13. IDC - Industrial Development Corporation
14. IMPI - Information and Media Panel of Inquiry
15. MIPA - Ministerial Integrated Performance Agreement
16. NOCZIM - National Oil Company of Zimbabwe
17. OAG - Office of the Auditor-General
18. PFMS - Public Finance Management System
19. PMG - Paymaster General Account
20. PSIP - Public Sector Investment Programmes
21. RBM - Results Based Management
22. RBZ - Reserve Bank of Zimbabwe

23. RTGS - Real Time Gross Settlement

24. SADC - Southern African Development Community

25. SAP - Systems Application Programme

26. SEDCO - Small and Medium Enterprises Development Corporation

27. SPB - State Procurement Board

28. SSB - Salary Service Bureau

29. T&S - Travelling and Subsistence

30. UNDP - United Nations Development Programme

31. UNWTO- United Nations World Tourism Organisation

32. VAT - Value Added Tax

33. ZEC - Zimbabwe Electoral Commission

34. ZERA - Zimbabwe Energy Regulatory Authority

35. ZIMASSET - Zimbabwe Agenda for Sustainable Socio-Economic Transformation

36. ZIMRA - Zimbabwe Revenue Authority

37. ZINARA - Zimbabwe National Roads Administration

38. ZINWA - Zimbabwe Water Authority

39. ZRP - Zimbabwe Republic Police

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# GENERAL REPORT AND EXECUTIVE SUMMARY

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# GENERAL REPORT

## 1. SUBMISSION OF ANNUAL REPORT

In terms of Section 309(2) of the Constitution of Zimbabwe 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.

The Constitution of Zimbabwe requires that all fees, taxes and other revenues of the State of Zimbabwe from whatever source arising (not being monies that are payable by or under an act of Parliament into some other fund established for a specific purpose or may, by or under an act of Parliament be retained by the authority) 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 and amplified in the Audit Office Act *[Chapter 22:18]* are:-

- to examine, audit and report on accounts of all persons entrusted with public moneys or State property,
- to satisfy myself that the receipt and disbursement of public moneys 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,
- to carry out Value for Money audits, which entail the examination into the economy, efficiency and effectiveness with which those entrusted with financial and material resources have utilized them in carrying out their mandates.

## 3. BASIS OF PREPARATION OF PUBLIC ACCOUNTS

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

## 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 as well as visits to outstations. Results of the audit of Provincial and District stations are included in my findings in this report. In 2014 I visited 268 stations as compared to 47 in 2013, that is an increase of 470%. Details of the stations visited are on **Annexure A.**

There was no improvement in the administration of Appropriation Accounts by Ministries as 26 (96%) out of the 27 audited, had material audit findings warranting management's attention as compared to 94% in 2013. Out of the **75** audited Fund Accounts, 63(84%) had material audit findings warranting management's attention (3adverse, 10disclaimer, 25qualified and 25 unqualified with material issues) which is almost the same as 83% in 2013. **Annexure D** has more details. The Appropriation Account for the Office of President and Cabinet is not included as the audit had not been completed at the time of finalizing this report. Also the Accounting Officer for the Ministry of Finance had not signed the following accounts which are included in this report: Appropriation Account; National Development Fund; Receipts and Disbursement; Statement of Public Financial Assets and the Senior Officers Housing Fund.

My Office continued to contract to private auditors the audit of some State Enterprises, Parastatals and Local Authorities in terms of Section 9 of the Audit Office Act *[Chapter 22:18]* because of low staff levels in the Office. **Annexure B** shows the staff position during 2014. I will take over the audit of contracted audits as and when the staff situation improves.

## 5. TRAINING AND STAFF DEVELOPMENT

Staff training and development remained as one of the key objectives of my Office. With the assistance of the African Organisation of Supreme Audit Institutions for English speaking countries (AFROSAI-E) to which Zimbabwe is a member, Donor community,

Civil Service Commission and other stakeholders, a number of training programmes were attended by my staff in order to keep them updated with the developments taking place in the audit profession. The training programmes conducted 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, the Audit Office Act *[Chapter 22:18]* and the Public Finance Management Act *[Chapter 22:19]*.

### AUDIT OPINION

The audit opinion on Appropriation and Fund accounts varied from account to account. **Annexure D** shows the opinion per account. The financial statements are to be consolidated into one report by the Accountant General.


### ACKNOWLEDGEMENTS

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

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


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|---|---|
| HARARE | M. CHIRI, |
| June 15, 2015. | AUDITOR-GENERAL. |

# EXECUTIVE SUMMARY

The report outlines material audit findings noted during the audits of the Ministries' Appropriation, Fund Accounts and the Public Finance Management System which processes financial transactions and produces reports for all the Ministries. The audit findings were classified under governance issues, revenue collection and debt recovery, procurement of goods and services, employment costs, progress in the implementation of prior year recommendations and audit opinions. Included under each audited account are possible risks/implications associated with the audit findings, audit recommendations, management's response to the audit findings, audit comments to management's responses where necessary and the audit opinion thereto. Also included in the report is a follow up audit on the management of construction projects by Public Works Department under the Ministry of Local Government, Public Works and National Housing. The highlights of my findings on the audit of Ministries` Appropriation Accounts and Fund Accounts are as summarised below.

## 1. GOVERNANCE ISSUES

Governance weaknesses were observed in areas of internal control, record-keeping, diversion of resources from Fund Accounts to parent ministries, reconciliations of the Sub-Paymaster General Accounts with the Public Finance Management System (PFMS) records, late submission of fund accounts and management of government property and resources.

In my previous reports I highlighted that some Ministries were not reconciling differences between figures in the Sub-Paymaster General Accounts and the Public Finance Management System. My current audit revealed that the problem had not been addressed. This was evidenced by 13 (48%) Ministries out of 27 audited that had differences between the amounts reflected on the Sub-Paymaster General Accounts and the Public Finance Management System. Most of the Ministries attributed the differences to the direct payments effected to service providers by Treasury on behalf of the Ministries. In 2014 Treasury paid about $179 816 213 through direct payments to service providers on behalf of Ministries. I also noted that most of the direct payments were not supported by invoices and receipts from service providers. Failure to reconcile these two accounts might compromise the accuracy of the expenditure figures disclosed in the Appropriation Accounts.

Section 49 of the Public Finance Management Act *[Chapter 22:19]* requires public entities to keep full records of their financial affairs, for accountability and transparency. My audit revealed that some Ministries and Funds did not submit Departmental Assets Certificates. In some instances, the availed master assets registers and property registers were not being updated as most of the procured assets were not included in the registers. Furthermore, some Fund's assets were not revalued after the dollarization of the economy and as a result the value of the assets was not included in the financial statements.

Most of the Funds were not maintaining proper accounting records such as, receipts, payment vouchers, goods received vouchers, cash books and ledgers. Other Funds were operating without the Accounting Officer's Instructions Manual that guides officers when preparing the accounts. The absence of adequate records had the effect of limiting the scope of my audit.

My audit revealed that the majority of the Ministries had not yet established Audit Committees as required by Section 84 (1) of the Public Finance Management Act [Chapter 22:19] and did not have Risk Management Policies in place. This compromised the control environment. Due to weak internal control environments some Ministries lost amounts ranging from $23 634 to $204 441 through fraudulent activities. This contravenes Section 44 (1) (a) (i) of the Public Finance Management Act *[Chapter 22:19]* which requires public entities to establish and maintain effective, efficient and transparent systems of financial and risk management and internal controls.

I also noted that some Funds were not submitting within sixty days of the end of the financial year, financial statements for audit as required by Section 35 (6) (b) of the Public Finance Management Act *[Chapter 22:19]*. Some Fund accounts for 2009, 2010, 2011 and 2012 were submitted for audit in 2014 giving an average delay of three years after the statutory deadline. Delays to submit accounts within the statutory deadlines compromises effective accountability and any malpractices will continue to happen without being noticed.

An amount of about $2 335 643 was diverted from Fund Accounts to meet Appropriation Account expenditures of parent Ministries. The expenditure incurred by the Fund Accounts was not disclosed in the respective Appropriation Accounts. The money was not reimbursed to the respective Funds. Consequently, the achievement of objectives of the Funds from which resources were diverted was compromised.

Fund Accounts were not clearing balances in the Suspense and Temporary Deposit Accounts and as a result a total amount of $4 557 169 and R243 040 was in these two accounts as at December 31, 2014. Failure to clear the suspense accounts create a fertile ground for fraudulent activities since money will be lying idle awaiting allocation or clearance.

## 2. REVENUE COLLECTION AND DEBT RECOVERY

Weaknesses in debt recovery systems in some Ministries and their respective Fund Accounts resulted in an amount of about $95 million as at December 31, 2014 being owed to Government, an increase of 90% from the $50 million reported in my 2013 report. The debts were in respect of various debtors, long outstanding travel and subsistence advances, outstanding revenue (rentals, survey fees, and surcharges), disallowances, investments locked in financial institutions and loans advanced to Local Authorities. Some of the debts have been outstanding since 2009. If these amounts had been recovered they would have gone a long way in funding Government

operations and programmes. There is a risk that Government may fail to recover these amounts and may end up writing-off some of the debts.

## 3. PROCUREMENT

Some Ministries and Funds procured goods and services which were never delivered by the respective suppliers. For instance some goods and services paid for three years ago remained undelivered as at the time of concluding my audit in April 2015. Other Ministries continue to flout the requirements of Statutory Instrument Number 171 of 2002 (Procurement Regulations) when purchasing goods and services. I also observed that Ministries and Funds owed service providers for goods and services delivered. If these deficiencies are not urgently addressed, they would continue to drain Government of critical resources and failure to pay for service providers on time may attract litigation.

## 4. EMPLOYMENT COSTS

Some Ministries were not reconciling the pay sheets on a monthly basis and as a result the change in salary bill on a month by month basis could not be validated. Also some Fund Accounts continued to pay wages to contract workers who had expired employment contracts while others had no time sheets showing overtime hours worked. Failure to reconcile the pay sheets, paying wages after the expiry of contracts and payment of wages without time sheets may result in unauthorized payments not being detected and corrective measures not being taken on time.

## 5. PUBLIC FINANCE MANAGEMENT SYSTEM (PFMS)

Controls in the PFMS were not made full use of, such that changes to the system were not being checked systematically. The information technology policy in place had also not been communicated to users and implications of non-compliance were not spelt out. Also the system could not be relied upon to produce accurate asset records.

## 6. PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Audit revealed that most of the Ministries were not taking corrective action on the issues of irregularities raised in prior year audits hence some of the weaknesses remained unresolved or were recurring yearly. About 142 major areas of concern were raised in my 2013 report and only about (40%) were addressed by the Ministries and their respective Funds. Failure to take corrective action results in continued financial losses and hampers the improvement in the operations of the government.

## 6. AUDIT OPINIONS

My audit of Appropriation Accounts resulted in 17 (63%) Ministries getting modified opinions compared to 23 (70%) in my 2013 report and 10 (37%) Ministries had unmodified opinion compared to 10(30%) in 2013 report. As for Fund Accounts 38(51%) Funds had modified opinions (3Adverse, 10Disclaimer and 25Qualified) while in 2013 19(48) had modified opinions (4 Adverse, 6 Disclaimer and 9 Qualified) and 37 (49%) had unmodified opinions while in 2013, 21(52%) had unmodified opinions.

# SECTION 1

## Finance Accounts

SUMMARY OF CONTENTS

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**MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT**
**STATEMENT OF PUBLIC FINANCIAL ASSETS 2013**

I have audited the Statement of Public Financial Assets of the Ministry of Finance and Economic Development for the year ended December 31, 2013.

**Basis for Adverse Opinion**

## 1 GOVERNANCE ISSUES

### 1.1 Incomplete Accounting Records

**Finding**

For the third year running, I observed that Treasury did not keep proper records of accounts such as the ledger/register for Public Financial Assets that show the amounts disbursed from loan appropriations, net amounts outstanding, recoveries of loans and adjustments made during the year. This was in violation of Section 35 (6a) 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..."Consequently, I was unable to establish with certainty the completeness and accuracy of the statement that was submitted for audit. There was no evidence suggesting that the Statement of Public Financial Assets was checked and verified in line with good internal control practices.

**Risk/Implication**

The statement might have errors and/or omissions due to poor maintenance of records resulting in the misstatement of the Public Financial Assets and failure to effectively monitor the Account.

**Recommendation**

Treasury should ensure that a ledger/register for Public Financial Assets is maintained in the Public Finance Management System or a manual ledger/register can be used to properly account for the Public Financial Assets.

**Management Response**

**There were no responses from management.**

### 1.2 Opening balances which did not agree with certified closing balances

**Finding**

The opening take-on balance amounting to $549 128 116 did not agree with the closing balance of $554 128 116 as at December 31, 2012.This anomaly has been observed over a number of years. The adjusted opening balance was not supported by any documentary evidence. It was observed that registers/ledgers of the Public Financial Assets were not being maintained in the Public Finance Management system. Expenditure for lending and equity only appeared in the year the payments were made resulting in loss of accounting information. Section 37 of the Public Finance Management Act [*Chapter 22:19]* requires that financial statements be prepared in accordance with generally accepted accounting practice.

**Risk/Implication**

The value of Public Financial Assets may be materially misstated resulting in the understatement of Government shareholding and control in public enterprises.

**Recommendation**

The audited figures should not be adjusted, however if there is need the Treasury should provide an explanation in form of a note as well as provide documents to support the adjustment.

**Management Response**

**There were no responses from management.**

### 1.3 Recurring inconsistencies in the recording of transactions between Treasury and line Ministries.

**Finding**

There were variances between the balances reflected on the returns from Line Ministries and those from Treasury. The total of closing balances as per line Ministries was $619 666 596 against $294 996 528 on the Treasury return, resulting in a net difference of $324 670 068, thus rendering the Statement of Public Financial Assets unreliable.

It was also noted that at times the Ministry of Finance and Economic Development made direct payments to State Enterprises and on a number of occasions documents pertaining to such transactions were not availed to line Ministries, thereby resulting in differences between Treasury balances and those of line Ministries. Consequently, line Ministries' Appropriation Account expenditure figures on lending and equity totalled $62 308 950 whereas Treasury had total expenditure on lending and equity of $93 996 024. This resulted in a variance of $31 687 074.Treasury acted contrary to provisions of Section 10 of the Public Finance Management Act (*Chapter 22:19*) which empowers Accounting Officers to control and be accountable for expenditure of money allocated to their Votes by an Appropriation Act. Without information of what has been lent, Ministries are not able to follow up or monitor performance of the loans. Any revenue in form of interest or dividends will also remain uncollected.

**Risk/Implication**

There is risk that the statement may be materially misstated thereby rendering it inaccurate and unreliable.

**Recommendations**

Treasury should liaise with line Ministries to ensure that proper and accurate returns are prepared and reconciliations are done in accordance with the requirements of generally accepted accounting practices.

All expenditure on lending and equity should be paid through line Ministries responsible for the respective public entities.

**Management Response**

**There were no responses from management.**

### 1.4 Write-off of National Railways of Zimbabwe loans worth $5 025 000

An adjustment of $5 025 000 against loans issued to National Railways of Zimbabwe was not supported by documentary evidence. The authenticity of the adjustment was questionable in the absence of authority to write-off the loan.

**Risk/Implication**

Loans can be written-off without authority resulting in prejudice to the public resources.

**Recommendations**

The Statement should be subjected to checks and balances before submission to audit. Only genuine adjustments should be posted to the Statement after authorization.

**Management Response**

**There were no responses from management.**

**Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, in all material respects the financial position of the Statement of Public Financial Assets as at December 31, 2013. However, below are other material issues noted during the audit.

## 2 REVENUE COLLECTION AND DEBT RECOVERY

### 2.1 The Farmers' World Debt

**Finding**

The Government paid a total of $11 833 443 to China Exim bank in respect of a debt owed by a private company called the Farmers' World which had failed to meet its obligations. The company had secured loans for the purchase of farming equipment for sale to farmers on credit. I failed to establish what action Treasury had taken to recover the money from beneficiaries of the farm equipment and the role of the Farmers' World in recovering the outstanding amounts.

Furthermore, loan agreements and other supporting documents pertaining to the China Exim Bank and Farmers' World loan facility were not availed for audit examination and I could therefore not establish the total amount of the debt involved.

**Risk/Implication**

There is risk that funds might not be recovered leading to loss of public resources.

**Recommendation**

Effort should be made to recover the loans from the farmers who benefitted from the Farmers' World loan facility.

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

**Inadequate Record Keeping**

Treasury did not keep proper records of account for Public Financial Assets as the records were fragmented in contravention of Section 35 (6) (a) of the Public Finance Management Act *[Chapter 22:19]*.

**There was no improvement noted during the 2013 audits.**

## SECTION 2

## Revenue Statements

SUMMARY OF CONTENTS

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**MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT**

**STATEMENT OF RECEIPTS AND DISBURSEMENTS 2013**

I have audited the Statement of Receipts and Disbursements for the Ministry of Finance and Economic Development for the year ended December 31, 2013.

**Basis for Qualified Opinion**

## 1 GOVERNANCE ISSUES

### 1.1 Variances between line Ministry returns, Consolidated Treasury return and Public Finance Management (PFM) System figures.

**Finding**

Year end balances reported by line Ministries and Treasury had variances that remained unreconciled up to the time of concluding the audit. Comparison of the amounts disclosed in Treasury Consolidated return and line Ministries returns showed significant differences as follows; take on balances had variances of $146 627 464, collections differed by $15 776 749, payments to the main Exchequer Account had a difference $15 557 026 and payments to 'Other accounts' had a variance of $383 425 686. Furthermore, total Disbursements to the main Exchequer Account by line Ministries differed with balances in PFM system by $28 510 787.

For the past five years, I have observed variances without any corrective measures being taken and this situation was partly attributed to inadequate training to staff in line Ministries on how to perform monthly reconciliations through the Sales and Distribution module. The module is used by Central Government to receipt revenue and for performing reconciliations online. Furthermore, I observed that the PFM system experienced frequent failures and power outages which resulted in manual receipting with subsequent uploading of transactions in the system which may have led to errors and omissions.

**Risk/Implication**

The Statement of Receipts and Disbursements was rendered inaccurate and unreliable as a result of unreconciled variances.

**Recommendations**

Treasury should provide adequate training to staff so that they are able to carry out monthly reconciliations and correct errors.

The Sales and Distribution module in the PFM system should be customised and availed to all users.

Systems should be put in place to ensure that manually processed transactions are timeously uploaded in the system once it is up and running.

**Management Response**

**Treasury used audited closing balances for the year 2012 as opening balances.**

**Treasury used figures for deposits in the Exchequer Account as collections and reconciliations have been done.**

**Observation on variances on payments to the main Exchequer Account are noted. Ministries claimed to have transferred lesser amounts than the amounts which Treasury actually received in the main Exchequer Account and actual amounts deposited in the main Exchequer Account were used rather than the line Ministry's figure.**

**Variances on payments to 'Other Accounts' were as a result of the following;**

**The ZIMRA figure of $383 286 853 was omitted by Treasury from the Consolidated Treasury return.**

**Treasury used deposits from Ministry and this resulted in the variance of ($159 833) with the Ministry of Education, Sport, Arts and Culture.**

**The auditor used account 113500 which only reflects receipts in United States Dollars, while there are other Ministries with Exchequer Accounts denominated in other currencies such ZAR, GBP, EUR and BWP. This resulted in the variances between the Treasury return and SAP balances. Timing differences also cause variances as receipting is not real time in all remote provinces. Direct deposits received by Treasury were not receipted by some Ministries.**

***Auditor's Comment***

*The reporting currency is the United States Dollars and this is the currency used in PFM system therefore all other currencies were supposed to be converted to the reporting currency in the system.*

**Qualified Opinion**

In my opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraphs, the consolidated Statement of Receipts and Disbursements present fairly, in all material respects the total Receipts and Disbursements for the financial year ended December 31, 2013.

# 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

## 2.1 Discrepancies in opening and closing balances

The opening balance of the Statement of Receipts and Disbursements was $39 401 027 which was at variance with the audited closing balance of $28 010 429 as at December 31, 2011 resulting in a variance of $11 390 598.

**The variances were reconciled.**

## 2.2 Collection and disbursement balances

There were huge variances in revenue collection and disbursement balances at year end between Ministries and Treasury figures. Treasury reported total collections for the year under review amounting to $3 886 629 801 while Ministries reported collections totaling $3 767 653 638 giving a variance of $118 976 163. With regards to disbursements to the Exchequer Account, there was a difference of $112 315 933 between the Ministries` figure of $3 284 074 086 and the Treasury figure of $3 396 390 019.

**The financial statements for 2013 had variances reflecting a situation that has not improved.**

## SECTION 3

## Appropriation and Fund Accounts

SUMMARY OF CONTENTS

**Vote No.** *Page*

## VOTE 1.- OFFICE OF THE PRESIDENT AND CABINET

The audit of the Office of the President and Cabinet Appropriation Account for 2014 was still in progress at the time of concluding my report.

## DISTRICT DEVELOPMENT FUND 2009

### Objective of the Fund

The main objective of this Fund is to develop Communal Land and such other development areas as may be declared by the Minister. The Fund's annual estimates of expenditure are subject to approval by Parliament.

I have audited the financial statements of the District Development Fund for the year ended December 31, 2009.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Failure to Report on the Existence of Assets

#### Finding

The Fund's financial statements did not reflect assets belonging to the Fund that existed during the Zimbabwe dollar era, made up of, Land, Buildings, Plant and Machinery, Airplanes and other Equipment. No revaluation exercise was undertaken by either management or a professional valuer to determine the values of assets on hand as at the Balance Sheet date. Assets acquired during the year, such as Road Construction Equipment were not disclosed in the accounts.

#### Risks/Implications

Failure to report the existence of assets compromises reliability of the Financial Statements. It may be an indication that asset records are poorly maintained or are non-existent.

#### Recommendations

Assets should be recorded in the assets register on purchase and should be disclosed in the financial statements. All assets owned by the Fund before the multi-currency era should be revalued.

#### Management's Response

**The observation has been noted. Historically DDF's Accounting Policy on Fixed Assets was that assets are written off in the year of purchase. This policy is disclosed in the notes to the accounts. However, in 2009 disclosing the historical cost of assets bought in Zimdollars became impossible**

**because of the introduction of the United States Dollar as the reporting currency. As explained to auditors that there is need for a revaluation exercise to be carried out on assets bought during the Zimdollar era. Treasury was advised of the need to provide resources for the exercise, unfortunately Treasury has not prioritized the issue.**

**The Fund maintains an asset register as a tool to manage its assets. Management acknowledges that during the time of audit, the Fund had a manual register that was shown to auditors and this has since been computerized to improve on the weaknesses highlighted by audit.**

***Auditor's Comments***

*The Fund should prioritise the valuation of assets in order to enhance transparency and accountability.*

## 1.2 Fuel Management

### Finding

The Fund had no written agreement on the management of its fuel that was handled on its behalf by a private fuel company during the year under review. Neither the District Development Fund nor the private fuel company had fuel records indicating how much fuel was bought, drawn and the fuel on hand as at December 31, 2009.

### Risk/Implication

Weaknesses in the internal control system on fuel management may result in huge losses due to fraud and some vehicles may be refueled for non-official duties.

### Recommendation

A service level agreement with the private garage should be put in place, in order to protect the interests of the Fund.

### Management's Response

**DDF's operations are equipment intensive and fuel is a major input. DDF has a policy to procure fuels as and when required from authorized dealers who will be having the product within reach so as to cut on delivery costs. Fuel can be procured from whoever is able to supply the product. Fuels were not procured from one supplier as implied by the audit observation.**

**The usage control mechanism is based on logbooks which operate against fuel registers. The management of the product would therefore necessarily call for the inspection of fuel registers.**

***Auditor's Comment***

*The fact that DDF was making advance payments for a product not delivered meant that there was need to have a contract in place to safe-guard its interest. Audit noted that there was no evidence that the fuel register was being inspected as alluded to in the management's comment.*

**Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the District Development Fund for the year ended December 31, 2009.

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

## 2 GOVERNANCE ISSUES

### 2.1 Maintenance of Assets

**Finding**

It was observed that although vehicles valued at $306 326 were acquired as part of the recapitalization of the Roads and Construction Equipment, they were not disclosed in the financial statements.

The Fund gave away a Nissan double cab truck which had been purchased for $22 000 in October 2009 as an exit package to an officer who had resigned. The vehicle had been purchased for the recapitalization of the Roads and Construction Equipment. In order to remove the vehicle from the records this vehicle was said to have been written-off. The appropriate Minister is not authorized by the Constitution of the Fund to give away the Fund's assets.

An Isuzu truck KB 300 registration ABK 7981, received from RBZ was transferred to the Ministry of Water Resources and Development without following proper procedures. No evidence such as issue and receipt vouchers were produced to show that indeed the Ministry of Water Resources and Development had received the vehicle.

There was a lot of unauthorized cannibalization of motor vehicles, tractors, graders and other equipment used in road construction.

**Risk/Implications**

Failure to follow laid down procedures may result in loss or theft of assets.
Cannibalization of motor vehicles and road equipment before expert reports could result in misappropriation of assets as a result of lack of accountability.

**Recommendations**

The unauthorized exit package should be regularized.

The Fund should follow up on the vehicle transferred to the Ministry of Water Resources and Development and produce documents to prove the vehicle is now under the custody of the said Ministry.

Cannibalization of assets should be done after following proper procedures as detailed in the Accounting Officer's Instructions.

**Management Response**

**DDF was allocated money to purchase new equipment as well as rehabilitating the existing old equipment. The rehabilitation exercise meant that the Fund had to remove spares from equipment which was beyond repair so as to rehabilitate equipment that was in a fairly good condition. The exercise was done procedurally and documents are available at respective workshops substantiating this claim.**

**With regards to the Nissan Double Cab that was given to an officer who had resigned, the Fund has got the necessary document to confirm that this was done in line with the DDF Act. Audit was advised that the Minister as the Trustee of the Fund has authority to use the assets of the Fund as he sees fit.**

***Auditor's Comment***

*Reports from audit visits undertaken in various provinces revealed that unauthorized cannibalization was rampant with no documentation in place. The management of the Fund did not follow the correct procedure when it issued the vehicle to a former officer, as the Minister is not allowed to give away state property as gifts or gratuity.*

## 2.2 Tillage and Borehole Drilling Services.

**Finding**

The Fund provided tillage and borehole drilling services to individuals and private organizations in commercial and urban areas at the expense of communal lands and development areas contrary to Sections 3 (3) and 5 (1) of the District Development Fund Act No. 58 of 1981. The Act provides that the appropriate Minister should publish that District Development Fund intends to provide services outside the communal lands and development areas in a Government Gazette. The Minister administering District Development Fund Act did not disclose such activities to the public as required.

**Risk/Implication**

Service delivery in communal and development areas may suffer negatively at the expense of private individuals and organizations who are not a priority to receive farming and drilling services from the District Development Fund.

**Recommendation**

The requirements of Section 3 (3) and Section 5 (1) of the District Development Fund Act No. 58 of 1981, should be adhered to and resources should be used to improve communal and development areas.

**Management Response**

**Revenue from Tillage and Borehole drilling for individuals are disclosed under own resources. This could be done in rural, urban, farming, resettlement and commercial areas and such services are only provided if the Fund has excess capacity after satisfying assignments under PSIP and other Government programs.**

***Auditor's Comment***

*The Fund did not provide proof that it had excess capacity when it provided services to private individuals and there was no public notice in the Government Gazette as provided for in the DDF Act.*

### 2.3 Unreliable Revenue Records

**Finding**

DDF had not updated the rent register since 2006. It was also observed that rent receivable from debtors amounting to $44 462 was not included in the financial statements. There were no effective dunning procedures to ensure defaulting staff debtors were followed up. Consequently, only $24 295 in rentals was reported to have been collected during 2009.

**Risks/Implications**

Failure to maintain up to date accounting records could result in loss of revenue and misappropriation of funds. Lack of effective dunning procedures could result in debtors defaulting in their payments.

**Recommendation**

A rent register should be updated and more effort should be put in recovering rent arrears through vigorous dunning procedures.

**Management Response**

**The figure mentioned by audit of $44 462 was picked from Provincial Returns sent to Head Office. The returns are subject to reconciliation by Head Office debtors section. The referred amount could not be introduced into the accounts as it was not reconciled at Head Office. It turned out after reconciliation that most of the amounts quoted were not debtors. There are tenants who pay directly at Head Office and they are not captured at Provinces, in some cases individuals identified as debtors would have left occupation of DDF houses.**

**During the period under review, a directive had been given that DDF employees and other civil servants were receiving an allowance and thus no rental deductions were to be effected.**

***Auditor's Comment***

*The Ministry did not avail documentary evidence to collaborate their assertion. The response provided showed that the revenue reports are not integrated.*

### 2.4 Improper Use of Temporary Deposits Funds

**Finding**

The Fund failed to comply with the requirements of Treasury Instruction 1802 when $400 000 that was in Temporary Deposits was used to pay for Head Office expenditure amounting to $379 570. Part of the deposits amounting to $206 430 were used to purchase 7 Nissan Double Cab vehicles.

**Risk/Implication**

Unauthorized use of money held in Temporary Deposits could create opportunity for inappropriate or unbudgeted expenditure.

**Recommendation**

The Fund should desist from using money held in Temporary Deposits and should payout money from Temporary Deposits to the intended beneficiaries in terms of Treasury Instructions 1802.

**Management Response**

**It was agreed that since the money received from Treasury could not be immediately used, then it be transferred to Temporary Deposits Account until it was ready to be utilized. After buying vehicles the balance of $192 000 could not buy the intended grader, so authority was sought to rehabilitate the existing graders instead. The transfers were then effected from the Temporary Deposits Account to respective suppliers of materials required for rehabilitating the equipment.**

***Auditor's Comment***

*The Fund should apply resources availed by Treasury to budgeted items only and should use the Temporary Deposits Account as provided for in the Treasury Instructions.*

## DISTRICT DEVELOPMENT FUND 2010

### Objective of the Fund

The main objective of this Fund is to develop Communal Land and such other development areas as may be declared by the Minister. The Fund's annual estimates of expenditure are subject to approval by Parliament.

I have audited the financial statements of the District Development Fund for the year ended December 31, 2010.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Failure to Report on Existence of Assets

**Finding**

The Fund did not carry out a revaluation exercise nor engage a professional valuer to determine the values of land and buildings, plant and machinery, airplanes and other equipment belonging to the Fund that existed during the Zimbabwe dollar era. Expenditure amounting to $2 399 793 that was spent on maintenance of plant and equipment was reported in the financial statements, while the historical value of assets of $211 297 given in the form of a note could not be relied upon as all assets were not fully disclosed. The maintenance costs are rather high. Further, the register for these assets was being maintained on an excel spread sheet that was not in permanent form as entries could easily be deleted and /or adjusted.

**Risks/Implications**

Failure to disclose the Fund's assets could result in theft or misappropriation of the assets without trace. This would adversely affect service delivery.

**Recommendations**

Management should put more effort to disclose the assets of the Fund and ensure that all assets under the Fund have been revalued to the US dollar and that a permanent master asset register is maintained using computer software that has reliable controls. The management should also review whether they should buy new equipment or maintain existing equipment.

**Management Response**

**Audit was advised in 2009 that DDF assets acquired during the Zimdollar era needed to be revalued into United States Dollar values. Treasury has not provided us with the money. Until the revaluation exercise has been carried out, assets acquired in Zimbabwe dollars shall carry a zero value.**

**During the year under review, the Fund's assets records had been manually prepared and excel spreadsheet was used to consolidate the registers for Districts, Provincial and Head Office Master Asset Register. The Fund acknowledges the shortfalls of the system and a computerized register has now been installed. By the time of responding to this report the Fund was almost through with computerizing it's assets register.**

***Auditor's Comment***

*The Fund management should prioritise the valuation and recording of its assets to enhance transparency and accountability.*

## 1.2 Management of Fuel

### Finding

As reported in my previous year report, the Fund did not have a fuel management system to enable it to effectively control the dispensing and consumption of fuel. During the year under review DDF paid $1 124 400 to a private garage that handled its fuel procurement, but the Fund did not have a tracking mechanism in place that enabled it to establish how much fuel was on hand at any given time. Consequently financial statements did not reflect the value of fuel on hand at Balance Sheet date.

The Fund and the private garage did not have a service level agreement to ensure that the service provision was governed by a formal agreement, and that the parameters of the service were defined for the benefit of both parties.

### Risk/Implication

Weaknesses in the internal control system on fuel management could result in huge losses due to fraud and some vehicles may be refueled for non-official duties.

### Recommendations

It is recommended that stringent internal controls be put in place and that more regular monitoring should be instituted by management to ensure that the tracking mechanism is strictly followed.

A service level agreement with the private garage should be put in place as a matter of urgency, in order to protect the interests of the Fund.

**Management's Response**

**Procurement of fuel for DDF is normally done at Head Office, Provincial or District level depending on the site of the project or the equipment being used. This makes it necessary for DDF to procure fuel from service stations that have the product as and when required. This also makes it impossible for the Fund to have one preferred service station that the Fund can have a formal agreement with. Since fuel is sold on cash basis the Fund would make advance payments for the product and only consume to the extent of the cash paid.**

***Auditor's Comment***

*The fact that DDF made advance payments for a product not yet delivered meant that there was need to have a contract in place to safe guard its interest.*

## 1.3 Cash Withdrawals

**Finding**

The Fund made cash withdrawals amounting to $1 297 068 purportedly to pay suppliers of goods and services. The preference of cash payments is disturbing due to the high risk associated with cash handling, such as theft and misappropriation. I could not establish whether all cash withdrawn was used for the intended purpose, as there were no regular reconciliations of cash accounting records.

**Risk/Implication**

Use of cash when making payments may result in fraud and payment to non-existent or fictitious suppliers and the money can be stolen or misappropriated.

**Recommendation**

The Fund should utilize other methods of making payments such as the Real Time Gross Settlement (RTGS), cheque payments as well as Paynet instead of making direct cash payments.

**Management's Response**

**Management take note of the audit finding on the risks associated when dealing with cash. However, DDF employs a large number of casual workers (an average of 2 000) who are entitled to allowances for them to carry out field assignments. In limited cases some suppliers would request cash as opposed to RTGS. This was done only in exceptional cases and it was never encouraged.**

## 1.4 Going Concern

### Finding

The Fund had negative net current liabilities of $1 158 657 as at December 31, 2010 implying that it was unable to discharge its liabilities in its normal course of business. There was significant deterioration in the value of assets used to generate revenue as expenditure on maintenance of assets exceeded the book value as highlighted in paragraph 1, above. Further, the Fund was facing challenges in paying its creditors resulting in a negative closing balance of $1 322 509 as at the Balance Sheet date.

### Risks/Implications

The Fund will not be able to pay its creditors and this may negatively affect its reputation. This also implies that the Fund is not managing its resources efficiently and effectively.

### Recommendation

The Fund should manage its resources efficiently, effectively and not rely on creditors to fund its operations.

### Management's Response

**The Fund is a government arm and its operations are 100% financed by Government. While it is prudent to spend cash when availed by Treasury, in reality, this does not work. The reason being some projects like roads and bridges construction requires technical completion irrespective of availability of cash so as to preserve the investment already incurred. In the absence of cash, completion materials are sourced on credit from willing suppliers in anticipation of Treasury releases. The expenditure amounting to $1.3 million was incurred on credit based on the assumption that Treasury would release the budgeted $2 million by year end. This money was never released.**

***Auditor's Comment***

*The Fund should operate within its means.*

### Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the District Development Fund for the year ended December 31, 2010.

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Maintenance of Assets

Vehicles valued at $306 326 were acquired in 2009, as part of the recapitalization of the Roads and Construction Equipment. The assets were not disclosed in the financial statements.

There was a lot of unauthorized cannibalization of motor vehicles, tractors, graders and other equipment used in road construction.

The Fund gave away a Nissan double cab truck which was purchased for $22 000 in October 2009 as an exit package to an officer who had resigned.

An Isuzu truck KB 300 registration ABK 7981, received from Reserve Bank of Zimbabwe (RBZ) was transferred to Ministry of Water Resources and Development without following proper procedures.

***There was no improvement in the maintenance of assets by the Fund. No follow up was made on the Nissan double cab truck given to a former officer. No evidence was provided on the KB 300 truck received from the Reserve Bank of Zimbabwe that was transferred to Ministry of Water Resources and Development.***

### 2.2 Tillage and Borehole Drilling Services.

The Fund provided tillage and borehole drilling services to individuals and private organizations in commercial and urban areas at the expense of communal lands and development areas contrary to Sections 3 (3), and 5 (1) Development Fund Act No. 58 of 1981.

***The Fund continued to provide tillage and borehole drilling services to individuals and private organizations.***

### 2.3 Unreliable Revenue Records

DDF did not have an up to date rent register since 2006. Rent receivable from debtors amounting to $44 462 was not included in the financial statements. There was no effective dunning procedure in place to ensure that defaulting staff debtors were followed up.

***The Fund had not put in place a Rent register at the time of concluding the 2010 audit.***

### 2.4 Improper use of Temporary Deposits Funds

The Fund failed to comply with the requirements of Treasury Instruction 1802 when $400 00 which was in Temporary Deposits was used to pay for Head Office expenditure amounting to \$379 570. Another payment of \$206 430 was used from Temporary Deposits to purchase 7 Nissan Double Cab vehicles.

***The Fund continued to utilize funds from Temporary Deposits during the year under review.***

## DISTRICT DEVELOPMENT FUND 2011

**Objective of the Fund**

The main objective of this Fund is to develop Communal Land and such other development areas as may be declared by the Minister. The Fund's annual estimates of expenditure are subject to approval by Parliament.

I have audited the financial statement of the District Development Fund for the year ended December 31, 2011.

**Basis of Qualified Opinion**

### 1 GOVERNANCE ISSUES

### 1.1 Going Concern

**Finding**

The Fund had net current liabilities of $445 521 (2010: $1 158 657) as at December 31, 2011 implying that it was unable to discharge its liabilities in its normal course of business. Further, the Fund was facing challenges in paying its creditors resulting in a negative closing balance of $971 922 (2010: $1 322 509) as at December 31, 2011.

**Implication**

The Fund will not be able to pay its creditors and this may negatively affect its reputation. This also implies that the Fund is not managing its resources efficiently and effectively.

**Recommendation**

The Fund should manage its resources efficiently, effectively and not rely on creditors to fund its operations.

**Management's Comments**

**The Fund is a government arm and its operations are 100% financed by Government. While it is prudent to spend cash when availed by Treasury, in reality, this does not work. The reason being some projects like roads and bridges construction requires technical completion irrespective of availability of cash so as to preserve the investment already incurred. In the absence of cash, completion materials are sourced on credit from willing suppliers in anticipation of Treasury releases.**

***Auditor's Comment***

*Incurring expenditure without guarantee of funds availability reflect poor budgetary control practices and does not promote proper accountability for public funds.*

## 1.2 Control and Management of Fuel

### Finding

The Fund utilized different ledger accounts to process payments for procurement of its fuel. Previously, the Fund maintained one account for control purposes. From the various ledger accounts the fuel procured during the year amounted to $2 410 690 and Fuel worth $829 331 was distributed, leaving a balance of $1 581 359, which was not disclosed as stock on hand in the Balance Sheet as at December 31, 2011. I observed that the fuel management system in place was still manual and involved a lot of paperwork. This exposed the system to errors.

### Risks/Implications

Failure to have control procedures for fuel management may result in the misuse of fuel.

Manual systems are prone to manipulation.

### Recommendations

The fuel shortfall worth $1 581 359 should be investigated and conclusive action should be taken to avoid a similar situation. The Fund should consider migrating to a computerised fuel management system.

### Management's Comments

**Fuel is an expense item that falls under Maintenance of Plant and Equipment Vote. It is therefore disclosed under that vote. It must be noted that fuel is not only procured under Maintenance of Plant and Equipment Vote but it can be procured under any approved project. If fuel is to be disclosed separately then it implies that the Fund has to change its chart of accounts to accommodate the proposed disclosure requirements.**

***Auditor's Comments***

*It is prudent that fuel should be disclosed separately as it consumes a large percentage of budget. Previously the Fund used to disclose stocks of fuel on hand in its financial statements and this should have been maintained. The change in the accounting policy has not been justified.*

## 1.3 Existence of Assets

### Finding

As reported in the previous years, the Fund did not carry out a revaluation exercise nor engage a professional valuer to determine the values of land and buildings, plant and machinery, airplanes and other equipment belonging to the Fund that existed during the Zimbabwe dollar era. During 2011, expenditure amounting to $2 509 963 (2010: $2 399 793) was spent on maintenance of plant and equipment whose historical value was $293 282 (2010: $211 297). The maintenance costs are disproportionally higher than the value of assets disclosed. The amount spent on maintenance of plant and equipment could have been used to replace obsolete assets.

### Risks/Implications

Failure to disclose the Fund's assets could result in theft or misappropriation of the assets without trace. This would adversely affect service delivery.

### Recommendations

Management should put more effort and ensure that all assets under the Fund have been revalued to the USA dollar and that a permanent master asset register is maintained using computer software that has reliable controls.

There should be an annual maintenance plan for plant and equipment, to avoid maintenance works on an adhoc basis. Obsolete plant and equipment should be considered for write off and/or replacement.

### Management's Comments

**Audit was advised in 2009 that DDF assets acquired during the Zimdollar era needed to be revalued into United States Dollar values. Treasury has not provided us with the money. Until the revaluation exercise has been carried out, assets acquired in Zimbabwe dollars shall carry a zero value.**

**During the year under review, the Fund's assets records had been manually prepared, excel spreadsheet was used to consolidate the registers for Districts, Provincial and Head Office Master Asset Register. The Fund acknowledges the shortfalls of the system and a computerized register has now been installed. By the time of responding to this report the Fund was almost through with computerizing it's assets register.**

***Auditor's Comment***

*The Fund management should prioritize the valuation and recording of its assets to enhance transparency and accountability.*

**Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the District Development Fund for the year ended December 31, 2011.

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

## 1.4 Tillage and Borehole Drilling Services

**Finding**

The Fund was set up to provide tillage and borehole drilling services in communal lands and development areas Sections 3 (3), and 5 (1) of the Development Fund Act No. 58 of 1981 refers. The Act further states that the appropriate Minister should publish in a Government Gazette that District Development Fund intends to provide services outside the communal lands and development areas if there are any such cases. This was not done despite the fact that District Development Fund was providing services to private individuals and private companies since 2009.

**Risks/Implications**

Service delivery in communal lands and development areas may suffer negatively at the expense of private individuals and organizations who are not a priority in receiving farming and drilling services from the District Development Fund.

**Recommendation**

The requirements of Section 3 (3), and Section 5 (1) of the District Development Fund Act No. 58 of 1981, should be adhered to, and resources should be used to improve communal lands and development areas.

**Management's Comments**

**Revenue from Tillage and Borehole drilling for individuals are disclosed under own resources. This could be done in rural, urban, farming, resettlement and commercial areas and such services are only provided if the Fund has excess capacity after satisfying assignments under PSIP and other Government programs.**

*Auditor's Comments*

*The Fund did not provide proof that it had excess capacity when it provided services to private individuals and there was no public notice in the Government Gazette as provided for in the DDF Act No. 58 of 1981.*

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Cost of Maintenance for Plant and Equipment

During 2010 $2 399 793 was spent on maintenance of plant and equipment. However, the historical value of the plant and equipment owned by the fund was not fully disclosed in the financial statements since the adoption of USA dollar in 2009. The master asset register was being maintained on excel spreadsheet which can easily be manipulated as entries can be deleted and/or adjusted. This rendered the register unreliable.

***There was no improvement on the valuation of the assets to the functional currency and their subsequent disclosure in the financial statements.***

### 2.2 Management of Fuel

The Fund did not have a fuel management system that enabled it to effectively control the dispensing and consumption of fuel. During 2010 DDF paid $1 124 400 to a private garage that handled procurement of its fuel, but the Fund did not have a tracking mechanism that enabled it to establish how much fuel was on hand at any given time and the projects that were issued with fuel.

The Fund and the private garage did not have a service level agreement to ensure that the service provision is governed by a formal agreement, and that the parameters of the service are defined for the benefit of both parties.

***No service level agreement was provided as management said they can buy fuel from any service station and they are not tied to any one garage***.

### 2.3 Cash Withdrawals

The Fund made cash withdrawals amounting to $1 297 068 purportedly to pay suppliers of goods and services. The preference of cash payments was disturbing due to the high risk associated with cash handling, such as theft and/or misappropriation. I failed to establish whether all cash withdrawn was used for the intended purpose, as there were no regular reconciliations of cash accounting records.

***The Fund continued making cash withdrawals, although amounts withdrawn were lesser than in the previous years.***

## DISTRICT DEVELOPMENT FUND 2012

### Objective of the Fund

The main objective of this Fund is to develop Communal Land and such other development areas as may be declared by the Minister. The Fund's annual estimates of expenditure are subject to approval by Parliament.

I have audited the financial statements of the District Development Fund for the year ended December 31, 2012.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

#### 1.1 Disclosure of Assets

**Finding**

As reported in the previous years, the Fund did not carry out a revaluation nor engage a professional valuer to determine the values of land and buildings, plant and machinery, aeroplanes and other equipment belonging to the Fund that existed prior to the adoption of the multi-currency system. Additionally, expenditure amounting to $2 481 712 spent on maintenance of plant and equipment was disclosed in the financial statements whilst the historical value of assets totalling $495 512 disclosed in the form of a note could not be relied upon, as assets were not fully disclosed. This was in breach of tenets of good accounting practice.

**Risk/Implication**

Failure to fully disclose the Fund's assets could result in losses and misuse of public resources. This would adversely affect service delivery.

**Recommendation**

The management should ensure that all assets under the Fund have been re-valued to the USA dollar in compliance with tenets of good accounting practice.

**Management Response**

**Audit is advised that the revaluation of DDF assets is an issue beyond management's control. The exercise requires $1.2m and Treasury has been advised accordingly.**

#### 1.2 Sustainability of Services

The Fund had negative net current liabilities of $2 672 102 (2011: $445 521) as at December 31, 2012 implying that it was unable to discharge its liabilities in its normal course of business. There was significant deterioration in the value of assets used to generate revenue as expenditure on maintenance of assets exceeded the book value of assets. During the year under review, maintenance of plant and equipment stood at $ 2 481 712 whilst the book value of assets was $495 512. The current ratio for the Fund stood at 0.12:1 ($355 560 : $3 027 662) against a general benchmark of 2:1 implying that the Fund had no working capital and was not able to meet its current obligations i.e. paying sundry creditors whose balance stood at $2 997 194 as at the Balance Sheet date. This was an indication that the Fund might fail to fully carry out its mandate.

Moreover, this was in contravention of the provisions of section 65(1) of the Public Finance Management Act (Chapter 22: 19) as read in conjunction with Section 9(1) (2) and (3) of the District Development Fund 1981 which restrict the entering into transactions that bind the entity or the Consolidated Revenue Fund to any future financial commitment unless such borrowing is authorized in terms of the Public Finance Management Act [Chapter 22: 19]. This could be attributable to failure by management to engage in realistic planning and adequate financial control.

### Risk/Implication

The Fund will not be able to pay its creditors and this may create a bad image for itself as well as for the government when it faces litigation. This also implies that the Fund is not managing its resources efficiently, effectively and economically.

### Recommendation

The Fund should manage its resources efficiently, effectively and economically, and not merely rely on Treasury to fund its operations.

#### Management's Response

**The DDF operates on the bases of an approved budget supposedly to be financed by Treasury and ZINARA. Operational plans are thus based on the approved budget. While in theory operations are supposed to be responding to cash releases by either Treasury or ZINARA, the assumption is not feasible practically, because of the nature of the operations, particularly Roads Construction and Borehole Drilling which require technical completion of assignments once started. As a result the technical completion in some instances can only be achieved through sundry creditors but in anticipation of a release within the budget period, from Treasury or ZINARA. Effort is always made to advise both Treasury and ZINARA of the commitments and naturally expect Treasury or ZINARA to pay during the budget period. If Treasury or ZINARA fails to honour their promise then, technically outstanding liabilities have to be disclosed on the Balance Sheet.**

**Therefore Working Capital Management is not solely the function of DDF but rather a function of various players who cannot be directly controlled by DDF management. Both Treasury and ZINARA have been advised of the Working Capital shortfalls and have promised to address the situation to avert litigation.**

**As DDF, strategies have also been put in place to reduce the liabilities through the "Internal Hire of Equipment-Force Account" so as to generate revenue to clear off the creditors. Evidence of reduction in liabilities due to management initiatives can be seen is subsequent years.**

***Auditor's Comment***

*Given that this has been the trend, by now the Department would be knowing that the budgeted money is not released in full, hence need for effective budgetary control.*

## 2 PROCUREMENT

### 2.1. Goods Purchased

**Finding**

The Department purchased a variety of accessories of earth moving equipment from different suppliers to the tune of $49 688. The goods were neither recorded as goods received nor supported with goods received vouchers. This was as a result of a general disregard of internal controls. There was therefore no sufficient evidence to support that the goods were ever delivered to Central stores, contrary to good purchasing practices. Details are tabulated below:

| Date | Voucher No. | Supplier | Items Supplied | Valued in $ |
|---|---|---|---|---|
| 16/03/12 | 20R/12 | High Performance Tubes | 10x20 litre drums of oil | **9 030** |
| 30/03/12 | 37R/12 | Mild Engineering | 11 pairs 4ft & 5ft grader's blades | **9 680** |
| 13/04/12 | 45R/12 | Locomotive Trading P/L | 142 Filters | **11 461** |
| 23/05/12 | 97R/12 | Mild Engineering | 10 pairs 4ft and 3ft grader's blades | **9 800** |
| 29/11/12 | 193R/12 | Spring Tech Engineering | 26 pairs 4ft grader's blades | **9 717** |
| | | | **TOTAL** | **$49 688** |

**Risk/Implication**

Without the records to show how the goods were accounted for, it is difficult to confirm that the funds were used for the intended purposes.

**Recommendation**

All goods delivered should be recorded in the goods received registers kept at the Central stores. Furthermore the Fund should carry out further investigations and establish whether the goods were indeed delivered.

**Management Response**

**Goods supplied by Locomotive were initially received but condemned and returned back to suppliers and a set-off payment through another delivery was later arranged. The other goods were sent to Dema Station through Stores Received Vouchers 039758 and 039783. The goods from Spring Tech Engineering were received at Central Stores through SRV 129704 and 129750.**

***Auditor's Comment***

*At the time of audit the goods were not recorded in the goods received register as evidence that they were delivered.*

**Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs above, the financial statements present fairly, in all material respects, the financial position of the District Development Fund for the year ended December 31, 2012.

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

## 3 OTHER GOVERNANCE ISSUES

### 3.1. FUEL USAGE

**Finding**

Officials drew excessive fuel during the month of December 2012 and it was not clear what the fuel was being used for. In some instances the same official would draw fuel which in other Ministries or Government Departments can be allocated for the whole month, but in the case of DDF the fuel would be drawn once or twice a day. I was concerned that officers would use the same vehicle or change vehicles more than once per day to draw fuel. For example the officers at some point would withdraw 550 litres of fuel indicating that the fuel was used to fill a certain vehicle and when in reality no ordinary vehicle have fuel tanks with a capacity of more than 180 litres. In total 6 242 litres of fuel were consumed for bulk withdrawals for the month of December 2012. This was attributable to lack of an effective documented system of fuel allocation, coupled with weak supervisory controls.

**Risk/Implication**

Without an effective control system, there is likelihood that the fuel might be used for personal benefit at the expense of fulfilling objectives of the Fund.

**Recommendation**

The Management should come up with more stringent measures to control fuel usage thus curtailing on wasteful expenditure and action should be taken against the officials who might be found abusing the fuel facility.

**Finding**

The Fund did not have a fuel policy to regulate fuel use by the management who were issued company vehicles. Monthly allocation for each manager could not be determined.

**Risk/Implication**

There is high risk of misuse of fuel in the absence of a clearly defined policy to regulate monthly fuel allocations.

**Recommendation**

There is need for a fuel policy that is aligned to other Government Departments practices that governs the allocation of fuel to officials allocated with vehicles for personal use.

**Management Response**

**Issuance of fuel to management as observed by audit is project and assignment based because of the nature of operations that call the same manager to be always on the move throughout the country supervising the projects or on administrative assignments.**

***Auditor's Comment***

*The management response fall short of addressing the issue of a fuel policy or regulating the fuel usage. Fund records do not show the project for which fuel will be drawn to ensure proper accountability.*

## 3.2 Payments

**Finding**

Audit noted that two senior officials exceeded their prescribed monthly cell phone and telephone allowances on different occasions. Out of a total allocation allowance of $900, the two officials' allowances totalled $3 900 thereby resulting in an overpayment of $3 000. This was due to management's failure to adhere to rules and regulations as provided for in Treasury Circular 1 of 2010 on cell phone and telephone allowances.

**Risk/Implication**

There is likelihood of fruitless expenditure when the entity disregards the regulations.

**Recommendation**

Management should comply with the provisions of Treasury Circular 1 of 2010 and overpayments should be recovered.

**Management Response**

**While we acknowledge the limits set by the Treasury on airtime, audit is advised that the nature of the duties and responsibility of the observed directors, who perform core functions to the running of the institution, require regular and sometimes inevitable communication with various stakeholders such that business to be discussed takes precedence over limits. You will note that during the observed period, communication had become more on the cell phone than land line to conduct business.**

***Auditor's comments***

*The fund should operate within the laws, regulations and controls put in place by Government. Management should liaise with Treasury for variation instead of unitarily varying the figures. All entities use cell phones for communication and this is the reason why Ministry of Finance issued a circular to control usage.*

## 4 EMPLOYMENT COSTS

### 4.1 Vacant Posts

**Finding**

The DDF organogram reflected that the Department should have five Directors in post. However at the time of audit in February, 2014 there were only three Director's posts which were filled. The positions of the Director of Finance and Director Tillage have been vacant for the past five years and the same people have been acting in those positions for the last five years. These posts are vital in the strategic decision making process of the organization and as such should be given priority. There was no evidence to indicate that concerted follow-ups were done with the Civil Service Commission to have the posts filled.

**Risk/Implication**

Service delivery may be negatively affected due to non-availability of substantive and qualified personnel for such key posts.

**Recommendation**

The management should liaise with the Civil Service Commission to ensure that Directors' posts are filled timeously as these are very critical posts. There is also need to rotate acting persons for training and exposure purposes.

**Management Response**

**The appointment of Directors for the Fund cannot be conclusively dealt by the DDF management since such appointments of the Fund's Directors is the prerogative of the Civil Service Commission. In any event, when the Public Service has decided to do so, they normally would request the Director General to recommend if any of the current Acting Directors who are employees of the Fund can make the grade for ensuring institutional memory and continuity of service delivery consistence**.

***Auditor's Comment***

*Those in the acting capacity are supposed to go through the interview process for purposes of transparency and fairness.*

## 5 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 5.1 Sundry Creditors

The breakdown of sundry creditors amounting to $971 922 disclosed in the Balance Sheet was not made available for my audit examination. I was therefore unable to verify the accuracy of the sundry creditors disclosed. It was also noted that the Fund managers failed to prepare monthly creditors' reconciliations.

The magnitude of sundry creditors resulted in the Fund having as at December 31, 2011 negative net current liabilities of $445 521 (2010: $1 158 657) implying that it was unable to discharge its liabilities in its normal course of business.

***Auditor's comments***

*The Fund was now preparing the breakdown of sundry creditors using the pastel accounting package and monthly creditors' reconciliations were now being prepared.*

### 5.2 Disclosure of Fuel Expenditure

The Ministry utilized a number of ledger accounts to procure its fuel. Previously the Fund maintained one account for control purposes. From the various ledger accounts the fuel procured during the year amounted to $2 410 690 and fuel worth $829 331 was distributed, leaving a balance of $1 581 359, which was not disclosed as stock on hand in the Balance Sheet as at December 31, 2011. I observed that there were control weaknesses in the fuel distribution system, as multiple fuel requisitions books were used simultaneously.

***Auditor's comments***

*Fuel management system did not improve in 2012 although stock on hand was now being disclosed. Control weaknesses in the distribution of fuel were still prevalent as there was no policy to regulate distribution of fuel.*

## 5.3 Roads Re-gravelling

Payments towards Road Fund expenditure amounting to $346 714 were made without work progress certificates nor completion of certificates contrary to best practice. I was therefore unable to establish how much work was accomplished against planned programmes. The Fund had no internal control measures to ensure that it paid for work that was done.

***Auditor's comments***

*Work in progress certificates and certificates of completion were now being completed and filed for all work done.*

## 5.4 Approval of Estimates of Expenditure for 2011

In terms of section 7 (2) of the District Development Fund Act [Chapter 58] the Minister is required to lay before Parliament copies of a statement showing estimates of receipts, expenditure and balance of the Fund. The estimates of expenditure approved by Parliament were different from the budgets which were used by District Development Fund, during 2011.

***Auditor's comments***

*There was improvement on this aspect. The estimates of expenditure approved by Parliament agreed with the budget used by District Development Fund in 2012.*

## VOTE 2.- PARLIAMENT OF ZIMBABWE

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for Parliament of Zimbabwe for the year ended December 31, 2014.

### Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Parliament of Zimbabwe as at December 31, 2014.

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

## 1 GOVERNANCE ISSUES

### 1.1 Sub-Paymaster General's Account

#### Finding

The Sub-Paymaster General's Account (Sub-PMG) is the bank account used for paying all expenditure and the Public Finance Management System (PFMS) or (SAP) is a computerised system used by Government for processing transactions. Under normal circumstances the expenditure paid through the Sub-PMG account should agree with expenditure processed in the SAP system. Parliament of Zimbabwe was not reconciling expenditure processed in the SAP system with expenditure paid through the Sub-PMG account. Consequently, there was a difference of $8 026 between the expenditure reflected by the SAP expenditure report of $31 470 256 and the Sub-PMG account expenditure of $31 462 230.

#### Risk/Implication

Failure to reconcile SAP expenditure and Sub-PMG account does not enable Parliament of Zimbabwe to authenticate the genuineness of expenditure paid and detect any errors in the payments made.

#### Recommendation

Parliament of Zimbabwe should reconcile the two records so that any differences are identified and rectified on time.

#### Management Response

**The observation on the difference of $8 026 has been noted. We have started reconciliation to establish the source of the variance. We also undertake in future to do monthly reconciliation so that variances are timeously cleared when they are detected.**

## 1.2 Motor vehicle loan scheme

### Finding

During 2014 financial year the Ministry of Finance and Economic Development paid suppliers $13 024 000 on behalf of Members of Parliament for the procurement of motor vehicles through a loan scheme. My audit revealed that Members of the 8th Parliament of Zimbabwe who took delivery of the vehicles were not repaying the vehicle loans as required by Section 4 (b) of Parliament of Zimbabwe Motor Vehicle Revolving Fund Constitution. Parliament of Zimbabwe did not open books of accounts to record the indebtedness of the Members of Parliament to government. A nil return for the Motor Vehicle Revolving Fund was submitted for audit, an indication that nothing was owed by Members of Parliament, despite that Parliament of Zimbabwe had in its files loan agreements signed by Members of Parliament.

### Risk/Implication

Without maintaining records of indebtedness, the loan amounts owed by Members of Parliament might not be recovered during the tenure of the 8th Parliament as what happened with the 7th Parliament.

### Recommendations

Parliament of Zimbabwe should make sure that all Members of Parliament service their loans as per the loan agreement. Also loan ledgers should be maintained so that financial statements for the Motor Vehicle Revolving Fund are produced for audit. Parliament of Zimbabwe should liaise with the Ministry of Finance and Economic Development regarding the operation of the Fund so that more members can benefit from repayments by those who have already benefited.

### Management Response

**The Ministry of Finance and Economic Planning provided funding for the members to purchase their motor vehicles from Croco Motors through a loan with the Commercial Bank of Zimbabwe (CBZ). All members prior to collection of vehicles at Croco Motors signed loan agreement forms confirming repayment of the vehicle loans. The Ministry of Finance and Economic Planning in order to facilitate the repayment of the loan with CBZ directed Parliament to treat the payments of the same as capital transfer under the Parliament Budget. Letters confirming the same were submitted to Parliament. Therefore, no money was deposited into the Fund prior to disbursements.**

**Members agreed that their unpaid sitting allowances of the 8th Parliament were to credit their vehicle loans based on provision of funds by Treasury. To date only $900 000 has been availed by Treasury and this amount was utilised as part payment of the loan with CBZ.**

**It is in this context that a Nil return was submitted to your office as the Fund was not operational. Repayments by members has not commenced as Treasury has not yet started making available resources to pay Members' allowances since 2013.**

***Auditor's comment***

*Parliament of Zimbabwe should consider that sitting allowances may not clear the debts, hence there is need to encourage Honourable Members to start repaying the loans in line with the agreements or the Fund's constitution.*

## 1.3 Internal Audit

**Finding**

The internal audit function was still being manned by one officer and the Audit Committee was not yet established as required by Section 84 (1) of the Public Finance Management Act *[Chapter 22:19]*. This compromises the control environment in that one Internal Auditor may not be able to effectively carry out all the checks and balances.

**Risk/implication**

There is a risk that the control environment might be compromised as there will be no independent oversight function.

**Recommendations**

The internal audit department should be strengthened in order to enhance its effectiveness. Also an Audit Committee should be established in order to strengthen the control environment of Parliament of Zimbabwe.

**Management Response**

**The observation is noted especially with regards to operationalization of the Audit Committee. The framework to operationalize the Audit Committee framework is in place and was availed to the auditors. What remains is the appointment of the Committee. Parliament is engaging Treasury to get assurance on funds availability to pay fees for the following:**

**i. One of the Committee Members who is not employed by government,**

**ii. The majority of Committee Members who should not be employed by Parliament and**

**iii. The Chairperson who should not be employed by Parliament.**

**Treasury is being engaged to get its commitment to fulfil the financial obligation associated with nominating members to the Committee as outlined above.**

## 1.4 Non Recovery of Outstanding Advances

### Finding

Treasury Instruction 1505 states that the Accounting Officer shall authorize deduction from salary of the whole amount of an advance that has remained outstanding after one month of an Officer's return from a trip.

Parliament of Zimbabwe was not effecting deductions of outstanding foreign travel balances one month after an officer's return from a foreign trip. The outstanding amount as at December 31, 2014 was $33 949. The balance was made up of advances to former Officers of Parliament, Officers in Service, Security Aides and Honourable Members of Parliament. Some of the advances have been outstanding since 2009. The outstanding advances increased by 276% as compared to the outstanding balance of $9 035 for the year ended December 31, 2013. In some cases it was not clear whether trips were undertaken or not.

### Risks/Implications

There is a risk that Parliament of Zimbabwe may fail to recover the advances if they remain outstanding for a long period. Also non recovery of the advances deprives funding of other trips. Without acquittals it is not clear whether the advances were for genuine trips or were soft loans.

### Recommendations

In compliance with Treasury Instruction 1505 Parliament of Zimbabwe should effect stop order deductions through Salary Service Bureau (SSB) for members who are in service without further delay. For members who have left concerted effort should be put to recover the advances from them or from terminal benefits through the Pensions Office or from the sitting allowances owed by Parliament of Zimbabwe to former and current members. Parliament of Zimbabwe should consider engaging the Civil Division of the Attorney General's Office where legal action is necessary.

### Management Response

**i. Noted and agreed. One of the officials with an outstanding advance was the Director who was re-engaged by Parliament for the Speaker's office, a critical office which the administration has no discretion on. Letters to prove that Treasury concurrence was sought to engage the Director were availed for inspection. However, no feedback was received from Treasury. The matter has been compounded by the fact that the Officer in question had his contract terminated at the end of the 7$^{th}$ Parliament.**

**ii. The other advances are for foreign trips which are normally cleared by the submission of passport pages stamped by the Department of Immigration on departure and arrival or submission of receipts for allowances. We will endeavour to comply with Treasury Instruction 1505.**

**We concede that in some cases there is no paper trail related to our efforts to recover or get proof of travel by the members of staff.**

***Auditor's comment***

*Audit was concerned that the attached schedule indicated that the outstanding advances were still to be recovered and not that recoveries were being done.*

## 2 EMPLOYMENT COSTS

### 2.1 Findings

Parliament of Zimbabwe was not reconciling the pay sheet on a monthly basis and as a result, there was no documented evidence supporting variances of salary payments on a month to month basis as indicated in table below:

| Month | Basic salary | Allowances | Total monthly bill | Month on month variance | Explanations given |
|---|---|---|---|---|---|
| JANUARY | 366 153 | 324 718 | 690 871 | - | - |
| FEBRUARY | 342 086 | 311 801 | 653 887 | 36 984 | - |
| MARCH | 340 657 | 307 208 | 647 865 | 6 022 | - |
| APRIL | 678 610 | 589 575 | 1 268 185 | (620 320) | variance is due to salary adjustment backdated to Jan |
| MAY | 456 385 | 405 211 | 861 596 | 406 589 | variance is a result of arrear payments paid in April |
| JUNE | 430 777 | 407 273 | 838 050 | 23 546 | - |
| JULY | 431 194 | 392 450 | 823 644 | 14 406 | - |
| AUGUST | 431 194 | 392 450 | 823 644 | - | - |
| SEPTEMBER | 431 787 | 392 466 | 824 253 | (609) | - |
| OCTOBER | 431 389 | 385 362 | 816 751 | 7 502 | - |

| | | | | | |
|---|---|---|---|---|---|
| NOVEMBER | 431 989 | 385 888 | 817 877 | (1 126) | - |
| DECEMBER | 428 738 | 411 642 | 840 380 | (22 503) | - |
| **TOTAL** | **5 200 959** | **4 706 044** | **9 907 003** | | - |

**Risk/Implication**

There is a risk that unauthorized salary payments might be effected.

**Recommendation**

Parliament of Zimbabwe should always reconcile salary pay sheets on a monthly basis so that variances are tracked and addressed timeously.

**Management Response**

**Noted and agreed. Monthly salary variance analysis will be done going forward. An analysis of the 2014 variances will be carried out by the Accounts Department with HR input on Officers payroll analysis.**

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 3.1 SUB-Paymaster's General Account

There was no evidence that the reconciliation was done.

### 3.2 Non recovery of advances –foreign travel

Management did not institute recoveries of outstanding advances.

### 3.3 Payment of excess airtime allowances

Management did not institute recoveries of excess airtime allowances.

### 3.4 Motor vehicle loan scheme

The situation remains the same as no loan agreement forms were completed and recoveries were not instituted from the Members of the 7$^{th}$ Parliament.

## VOTE 3.- PUBLIC SERVICE, LABOUR AND SOCIAL WELFARE

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account of the Ministry of Public Service, Labour and Social Welfare for the year ended December 31, 2014.

**Basis for Qualified Opinion**

### 1 GOVERNANCE ISSUES

### 1.1 Direct Payments by Treasury

**Finding**

Treasury made direct payments/set offs on behalf of the Ministry amounting to $35 455 798 to various service providers in 2014. The Ministry was advised to obtain confirmation of payments made from each respective service provider but this was not done. Further, an unexplained variance of $102 573 between the Treasury figure of $35 455 798 and Public Finance Management System (PFMS) figure of $35 558 371 was noted. As a result, I could not confirm whether the direct payments made by Treasury were paid against existing debts, and whether the Ministry`s accounts were subsequently credited with the same amounts. The table below is an analysis of the variance:

| Service Provider | SAP Ledger $ | Treasury Figure $ | Variance $ |
|---|---|---|---|
| PSMAS | 33 396 434 | 33 295 888 | 100 546 |
| CMED | 942 117 | 923 998 | 18 119 |
| Tel One & Associated newspapers of Zimbabwe | 637 027 | 638 933 | (1 906) |
| Utilities- ZESA, ZINWA, City Councils | 581 805 | 589 046 | (7 241) |
| Prinflow | - | 4 809 | (4 809) |
| AMTEC | 988 | 3 124 | (2 136) |
| **Total** | **$35 558 371** | **$35 455 798** | **$102 573** |

**Risks/Implications**

In the absence of confirmation of receipt of payments from the respective service providers, it will be difficult to monitor and control the debts the Ministry owes to service providers. Errors made by either part will not be detected and overpayments may end up being done.

**Recommendations**

The Ministry should obtain confirmation for payments from each respective service provider as evidence of payments made.

Furthermore, the variance of $102 573 should be investigated and cleared.

**Management response**

**Set off payments to service providers like ZESA and Tel-one etc. did not have receipts. The explanation ZESA Head Office gave was that they could not issue receipts because they distribute the amounts to their various offices country wide. These recipients should in turn issue the receipts in respect of the amounts allocated to them, which receipts should ideally be kept at district offices who received the service.**

**Whilst Treasury has availed a schedule with details of payments made to service providers, the schedule fall short of the amount disbursed by $102 573. The Ministry has written to Treasury seeking clarity on the discrepancies.**

**Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account and the supporting returns present fairly, in all material respects, the expenditure and receipts of the Ministry of Public Service, Labour and Social Welfare as at December 31, 2014.

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

## 2 GOVERNANCE ISSUES

### 2.1 Transfers of Financial Resources from Fund Accounts

**Findings**

At the beginning of the year, the Ministry owed various Funds under its administration $195 730. During the year, expenditure amounting to $142 389 was met from the Funds' resources. My concern is that this may result in Fund Accounts failing to meet their objectives. The practice of borrowing financial resources from Funds is not in line with current regulations which empower the Minister of Finance to borrow on behalf of Government.

The table below shows the movement of amounts borrowed.

| Name of Fund | Amount Borrowed Brought Forward 1.1.2014 $ | 2014 Borrowings $ | Repayment 2014 $ | Outstanding Balance 31.12.2014 $ |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Disabled Persons Fund | 67 694 | 66 132 | 97 199 | 36 627 |
| Public Service Training Loan Fund | - | 31 279 | 5 612 | 25 667 |
| Welfare Fund | 8 080 | 9 777 | - | 17 857 |
| Child Welfare Fund | 1 155 | 4 200 | - | 5 355 |
| National Drought Fund | 19 622 | 1 400 | - | 21 022 |
| Public Service Training Centres Amenities Fund | 99 180 | 29 601 | 125 460. | 3 321 |
| **Total** | **$195 731** | **$142 389** | **$228 271** | **$109 849** |

I also noted that there was a lot of movement of money between the Ministry and the various Fund Accounts. The Ministry pays grants to the Funds and later on borrows the same money which it subsequently reimburses upon receipt of Treasury releases. This criss-cross of funds does not promote effective budgetary control and financial discipline.

**Risks/Implications**

Recording of the Appropriation expenditure outside the system results in non-disclosure of transactions relating to the Appropriation account and opens avenues for misappropriation of funds. In addition to that, the practice of borrowing from Funds cripples operations of the same.

**Recommendation**

The Accounting Officer, as the responsible authority, should ensure that the amount involved is refunded to the respective Funds and stop borrowing of funds that will never be reimbursed as Treasury is struggling to release resources to Ministries.

**Management's Response**

**It is acknowledged that the Ministry borrowed the sum of $109 849 from Statutory Funds to finance Appropriation expenditure. This was necessary for the efficient and effective running of the Ministry' programmes. Government is on a cash budget system and hence this expenditure could not be captured on to this year's Appropriation Account as this would be tantamount to double counting when it is finally captured into the system in the New Year under a new budget. Accordingly, the amount should remain as such until a budget has been availed.**

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Failure to maintain a register showing details of properties owned, details of tenants and rentals paid.

**Registers for the purposes are now in place and were availed for inspection.**

3.2 Transfer of Appropriation funds to Fund accounts without appropriate authority

**Audit did not observe the same pattern in 2014.**

3.3 Failure to have a risk assessment policy and to document and maintain records of assessments carried out.

**The same scenario prevailed in 2014**

## NATIONAL DROUGHT FUND 2013

### Objective of the Fund

The purpose of the Fund is to alleviate the effects of 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.

I have audited the financial statements of the National Drought Fund for the year ended December 31, 2013.

### Basis for Disclaimer of Opinion

## 1 GOVERNANCE ISSUES

### 1.1 Non Acquittal of District Funds

#### Finding

During the 2013 financial year, sixteen districts received funding amounting to $36 000. I observed that $30 000 of the amount received was not acquitted because fifteen of the districts did not submit annual returns for the period under review. This was in contravention of Section 7 of the Accounting Officer's Instructions which stipulates that districts are to submit annual returns to the Director of Social Services. Therefore, I could not verify the accuracy and completeness of the public works figure disclosed in the financial statements.

#### Risk/Implication

Transparency and accountability on the utilization of financial resources managed by the Fund, may be impaired if complete records of the activities of the Fund are not maintained.

#### Recommendation

The Fund should ensure that all districts submit annual returns in accordance with Section 7 of the Accounting Officer's Instructions.

#### Management Response

**It is acknowledged that Returns from 15 Districts amounting to $30 000 had not been received at the time of audit, contrary to Section 7 of the Accounting Officer's Instructions. This is due to the decentralized nature of the programme where returns come from individual districts through their provinces. Reminders have been sent to each of the districts to expedite submissions and all records should be in place.**

**Disclaimer of Opinion**

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

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

**GOVERNANCE ISSUES**

## 1.2 Accounting Records

**Finding**

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 the Fund did not use a secure and robust accounting package to record accounting information. Ledgers were maintained on Microsoft Excel spreadsheet which did not have adequate security controls.

**Risk/Implication**

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

**Recommendation**

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

**Management Response**

**It is acknowledged that the Fund does not have an Accounting Software Package which would allow proper maintenance of records for the credibility of the financial statements. It is hoped that funds permitting an appropriate Accounting package will be secured which would allow compliance with provisions of Section 49 (1) (a) and (b) of the Public Finance Management Act *[Chapter 22:19]*.**

## 1.3 Outstanding Advances

**Finding**

In my 2012 audit report, I observed that the Ministry borrowed $5 763 from the Fund. The problem persisted in 2013 with the Ministry continuing the practice. During the year, the Ministry further borrowed $13 859 from the Fund, bringing the total amount borrowed to $19 622. At the time of concluding my audit, the amount was still outstanding.

**Risk/Implication**

The Fund may fail to achieve its intended objectives if financial resources are tied in debtors.

**Recommendation**

The Fund should fully recover the outstanding debts owed by the parent Ministry.

**Management Response**

**It is acknowledged that a sum of $19 622 was owed by the Parent Ministry at the time of audit. It is common knowledge that Government has had limited fiscal space which has made it difficult to execute various government programmes and projects and these cannot be deferred, the necessity to borrow cannot be ruled out.**

**NATIONAL DROUGHT FUND 2014**

**Objective of the Fund**

The purpose of the Fund is to alleviate the effects of 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.

I have audited the financial statements for the National Drought Welfare Fund for the year ended December 31, 2014.

**OPINION**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Drought Fund as at December 31, 2014 and its performance for the year then ended.

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

**1 GOVERNANCE ISSUES**

**1.1 Advances to Parent Ministry**

**Finding**

In my 2013 report I observed that the Fund advanced $13 859 to its parent Ministry. The problem persisted in 2014 with the Fund advancing a further $1 400 in 2014 to the parent Ministry, bringing the total amount owed to $21 022. At the time of concluding the audit, the amount had not been recovered.

**Risk/Implication**

The practice of lending money to fund the Ministry activities would cripple its operations.

**Recommendation**

The Accounting Officer, as the responsible authority, should ensure that the amount involved is refunded to the Fund and stop lending resources of the Fund to Ministry as this negatively affects its operations.

**Management Response**

**The shortcoming of advances from the Fund is acknowledged but this arose due to financial difficulties being faced by the Ministry. However, advances will be repaid once Treasury avails budgetary support.**

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Failure by Districts to Submit Annual Returns Acquitting Funds Received

The outstanding acquittals of funds advanced to districts in 2013 were availed for audit inspection. However, I noted that out of a total amount of $36 000 received by the districts a balance of $1 335 had not been acquitted at the time of concluding the 2014 audit.

## NATIONAL HEROES' DEPENDANTS ASSISTANCE FUND 2013

### Objective of the Fund

The Fund was established to provide assistance to designated national heroes' dependants.

I have audited the financial statements for the National Heroes` Dependants Assistance Fund for the year ended December 31, 2013.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position and performance of the National Heroes' Dependants Assistance Fund as at December 31, 2013.

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

## 1 GOVERNANCE ISSUES

### 1.1 Internal Controls

#### Finding

Section 49(1) (a) 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. However, the Fund's ledgers were being maintained on 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.

#### Recommendation

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 information.

#### Management Response

**It is acknowledged that the Fund's ledgers were up to the time of the audit being maintained on Microsoft Excel spreadsheets. For the current year the Ministry intends to buy an appropriate accounting software package that has adequate security features to manage the accounting records.**

## 1.2 Board Composition and Board Meetings

### Finding

Section 4(4) of the National Heroes' Dependants Assistance Act No. 13 of 1984 provides that a member of the National Heroes' Dependants Assistance Board shall hold office for such a period not exceeding five years, and on such terms and conditions as may be fixed by the President at the time of his/her appointment. Contrary to the above provision, the Fund operated with a board whose tenure of office expired in 2006. The matter was previously raised in management letter referenced I/69/690/11 dated March 22, 2013.

### Risk/Implication

Decisions made by a board whose tenure of office has expired will not be legally binding when challenged.

### Recommendation

New Board members to the National Heroes' Dependants Assistance Board should be appointed to run the affairs of the Fund in compliance with the provision of Section 4(4) of the National Heroes' Dependants Assistance Act No. 13 of 1984.

### Management Response

**The process of reconstituting the National Heroes' Dependants Assistance Board was resuscitated in earnest on the 15th of October 2013. However, the matter has not yet been finalised as nominees recommended to His Excellency, the President are in progress.**

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

## 2.1 Lack of segregation of duties.

Segregation of duties is now being practiced.

## 2.2 Dependants not receiving their Benefits.

Most of the duties were transferred to the pension office except for school fees and dependants allowance as a result all dependants received their allowances.

## NATIONAL REHABILITATION CENTRE WELFARE FUND 2013

### Objective of the Fund

The Fund was established to provide funding for the training and welfare of disabled ex-combatants at the three Rehabilitation Centres namely: Ruwa, Lowdon Lodge and Beatrice**.**

I have audited the financial statements of the National Rehabilitation Centre Welfare Fund for the year ended December 31, 2013.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position and performance of the National Rehabilitation Centre Welfare Fund as at December 31, 2013.

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

## 1 GOVERNANCE ISSUES

### 1.1 Advances

#### Finding

I observed that the Fund advanced $26 329 to the Appropriation Account during the year. Of the amount, $18 249 was reimbursed leaving the balance of $8 080 still outstanding as at December 31, 2013. This was in violation of the Fund's Constitution which specifies the expenditure of the Fund.

#### Risk/Implication

Objectives of the Fund will not be fully achieved if funds generated are used to finance services which are not in line with the Fund's Constitution.

#### Recommendation

The Fund should ensure that its financial resources are expended only on issues stipulated by its Constitution.

#### Management Response

**The observation has been acknowledged. The advances were as a result of administration expenses which were urgent hence the need to borrow from Statutory Funds with a view of reimbursing when releases have been made by the Treasury. Only $8 000 was outstanding by year end.**

## NATIONAL REHABILITATION CENTRE WELFARE FUND 2014

### 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 Centres namely: Ruwa, Lowden Lodge and Beatrice**.**

I have audited the financial statements for the National Rehabilitation Centres Welfare Fund for the year ended December 31, 2014.

### OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position and performance of the National Rehabilitation Centre Welfare Fund for the year ended December 31, 2014.

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

## 1 GOVERNANCE ISSUES

### 1.1 Advances to Parent Ministry

**Finding**

The Fund had a brought forward advance receivable amounting to $8 080 and it further gave to its parent Ministry $13 673. As at April 30, 2015, the balance of $17 602 was still outstanding. The advances were to be cleared on receipt of Treasury releases.

**Risk/Implication**

Objectives of the Fund may not be fully achieved, if funds generated are used to finance services which are not in line with the Fund's Constitution.

**Recommendations**

The Fund should ensure that its financial resources are expended on transactions stipulated by its Constitution.

The Fund should recover all outstanding advances and invest all surplus funds as provided by the Fund's Constitution.

**Management Response**

**The shortcoming of advances from the Fund is acknowledged but this arose due to financial difficulties being faced by the Ministry. However, advances will be repaid once Treasury avails budgetary support.**

## PUBLIC SERVICE TRAINING CENTRES AMENITIES FUND 2012

### Objective of the Fund

The purpose of the Fund is to provide funds for the provision and maintenance of Public Service Training Centres as well as to provide cost recovery courses to Parastatals and Non-Governmental Organisations.

I have audited the financial statements for Public Service Training Centres Amenities Fund for the year ended December 31, 2012.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Accounts Payable

**Finding**

The Accounts Payable figure of $51 640 disclosed in the Financial statements could not be relied upon as the Fund failed to avail source documents to support the amount.

**Implication**

There is a risk of misstating the creditors' figure in the financial statements if the source documents to support that figure are not available.

**Recommendation**

The Fund should ensure that the amount of creditors disclosed in the financial statements is supported by relevant source documents.

**Management response**

**Observation noted. The trade payables are a result of direct transfers to the Ministry's bank account which are not supported with documentation. The Ministry is unable to realise them as income. The Ministry has advised Training Centres to urge their clients to come forward and produce proof of payment whenever they have made direct deposits.**

### Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position and performance of the Public Service Training Centres Amenities Fund for the year ended December 31, 2012.

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

## 1.2 Appropriation Transfers

**Finding**

Funds amounting to $350 000 were transferred from the Appropriation Account to the Fund and utilised through the Fund to pay for Public Sector Investment Programmes projects for the Appropriation Account. The transfer of the amount violates the budgetary control requirements which stipulate that all unused funds should be returned to Treasury, otherwise Treasury concurrence has to be sort to put them in a holding account pending their use in the subsequent financial year.

**Risk/Implication**

Transfer of money into the Fund account from the Appropriation Account without following proper procedures does not promote proper accountability. The funds may not be applied for the purposes intended once they are utilised under the fund. Also the financial statements of the Fund will be misleading as they will be reflecting revenue and expenditure which is not in line with the objectives of the fund.

**Recommendation**

The Fund account should only be used in pursuance of its core business to safeguard state resources from abuse.

**Management response**

**Indeed no formal authority was sought to transfer these funds from the Appropriation Account to the Amenities Fund.**

T**he funds were released late into December such that the necessary tender processes could not be done before the end of the financial year for the funds to be spent under the Appropriation Account. The PSIP work would not have been undertaken had we not transferred the late releases into the Amenities Fund.**

**Please note that the transfer was not done to circumvent inherent controls associated with the Public Finance Management System as all the necessary procurement procedures were followed.**

***Auditor`s Comment***

*Utilizing Appropriation Account funds through the Amenities Fund exposes the funds to abuse and this should be avoided at all costs.*

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Weaknesses in the systems of revenue collection resulting in differences in total revenue collected during the year under review

Investigations were being undertaken by the Ministry to identify the errors and take corrective action as at the time of audit in April 2015.

#### 2.1.1 Guest/booking registers maintained at training centres without check out dates

All training centres were now completing check in and checkout dates for all visitors seeking accommodation at their training institutions.

#### 2.1.2 Utilisation of accommodation facilities at Training Centres by Ministry of Public Service officials without paying for services offered

Training centres are now charging accommodation to all officers from the Ministry of Public Service who would have utilised accommodation facilities at Training Centres. However, audit was not furnished with evidence to prove that those officers who were provided with accommodation for the period they stayed in 2011 paid up.

### 2.2 Non maintenance of the cash book and other relevant ledger accounts

The Ministry now have a pastel accounting package and all relevant ledger accounts have been opened and monthly bank reconciliations were now being carried out.

### 2.3 Failure to perform monthly debtor's reconciliations

Monthly reconciliation statements and debtor's age analysis were now being done through the pastel accounting package.

### 2.4 Collection of revenue from the stakeholders and the disbursement of the same without the authority from either Parliament or the Ministry of Finance.

The Ministry was crafting an accounting manual providing guidelines on revenue collection at training centres.

## PUBLIC SERVICE TRAINING CENTRES AMENITIES FUND 2013

### Objective of the Fund

The objective of the Fund is to provide funds for the provision and maintenance of Public Service Training Centres as well as provision of cost recovery courses to Parastatals and Non-Governmental Organisations.

I have audited the financial statements for the Public Service Training Centres Amenities Fund for the year ended December 31, 2013.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Suspense Account

**Finding**

A suspense account is an account in which amounts are temporarily recorded with a view to transfer the amounts when proper accounts have been identified. It is good accounting practice to investigate and clear the suspense account before the preparation of year-end financial statements. I observed that the Fund failed to clear a suspense account balance of $51 045 disclosed in the financial statements.

**Risk/Implication**

The existence of a suspense account balance may be an indication that financial statements are misstated. Decisions could be formulated on inaccurate financial information.

**Recommendation**

The suspense account balance of $51 045 should be investigated and cleared.

**Management Response**

**The observation has been noted. The Ministry is making efforts to clear the account, a team of accounting personnel was appointed to investigate and clear the transactions on the account. The team has already started working on it and has made significant effort to clear the account. The account had $75 381 by the end of year 2013 and a total of $24 336 was identified leaving an outstanding balance of $51 045. Monthly reconciliations have been carried out as evidenced by monthly bank reconciliations submitted to audit.**

**Qualified Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position and performance of the Training Centres Amenities Fund for the year ended December 31, 2012.

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

**GOVERNANCE ISSUES**

## 1.2 Accounts Receivable

**Finding**

During the 2013 financial year, the Fund advanced to its parent Ministry an amount of $99 180 to fund its operations. The funds were treated as a loan to the Ministry refundable on receipt of releases from the Treasury. This was in violation of Section 5 of the Fund`s Constitution which states that the expenditure of the Fund shall consist of payments for the furtherance of the objectives of the Fund. The debt remained outstanding as at December 31, 2013.

**Risk/Implication**

The objectives of the Fund may not be fully achieved if funds generated are used to finance services which are not in line with the Fund's constitution.

**Recommendation**

Resources generated by the Fund should be used to fund core operations of the Fund as stipulated in paragraph 5 of the Fund's constitution. The Fund administrators should expedite recovery of the money advanced to the Ministry.

**Management Response**

**The Ministry is committed to reimburse the outstanding amount of $99 180.**

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

## 2.1 Lack of Segregation of Duties.

Segregation of duties was still not being practiced.

## 2.2 Capital Expenditure

The assets have still not yet been recorded in the register.

## PUBLIC SERVICE TRAINING LOAN FUND 2013

### Objective 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 Civil 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 training for which it is an integral part of a State Training Scheme.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Management of Loan Debtors

**Finding**

The loan debtors' account was characterised by numerous anomalies that included double submission of deduction forms to the Salary Service Bureau (SSB) resulting in over recoveries in some cases, double accounting for receipts in individual ledgers, recording of loan deductions before the respective loans are recorded and non-recovery of loans. This could be a result of weak supervisory controls in the maintenance of loan debtors' account. As a result, I could not ascertain the completeness and accuracy of the figure of loan debtors disclosed in the financial statements.

**Risk/Implication**

Inadequate controls over the maintenance of loan debtors' account will result in misstatements of financial information. Overdue accounts will not be identified on time for recovery action to be taken thereby increasing cases of irrecoverable debtors.

**Recommendation**

The Fund should put in place strong supervisory controls as this will ensure that errors are identified and corrected on time. Loan recoveries will also be timeously effected thereby minimising cases of irrecoverable debts.

**Management's Response**

**The Fund is in the process of engaging the system maintenance vendor to allow all the modules in the Pastel system to comply with the user needs such as allowing the capturing and posting of journals. The current system was designed in such a way that the journal module was not activated since it was not envisaged that errors may**

**need to be corrected. Therefore the Fund has not yet corrected the trade receivables refunds in the system but the process of refunding has already started.**

**Qualified Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position and performance of the Public Service Training Loan Fund as at December 31, 2013.

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

**GOVERNANCE ISSUES**

**1.2 Cash at Bank**

**Finding**

Sections 2(b) and 4(f) of the Fund's Constitution state that the Public Service Training Loan Fund was established to grant loans to eligible members of the public service and that monies in the Fund not immediately required for the purpose of the Fund, may be invested subject to directions issued from time to time by the Secretary for Public Service, in consultation with the Ministry of Finance. Contrary to the affirmed regulation, the Fund had cash at bank amounting to $139 420 as at December 31, 2013. The surplus funds were not invested as required by Section 4(f) of the Constitution.

**Risk/Implication**

Holding of idle cash deprives the Fund of income from investments. The money should also not be held unnecessarily without assisting the intended beneficiaries.

**Recommendation**

Any surplus funds should be invested as required by section 4(f) of its constitution as this will generate income for the Fund. Also the money should be disbursed to benefit those undertaking studies.

**Management's Response**

**The observation has been accepted. The main cause was the merging of the Ministry of Labour and Social Welfare and the Ministry of Public Service in 2013 and handover takeover processes were not properly done.**

## 1.3 Administration of the Fund

**Finding**

According to Treasury Instruction 2002, Accounting Officers are responsible for issuing instructions governing the method of accounting for and the procedure regarding the purchase, receipt, recording, and custody of state resources. However, the Fund for the second year running operated without an Accounting Officer's Instruction giving guidelines on accounting for the state resources.

**Risk/Implication**

Without the Accounting Officer's Instruction there is no guidance on how the Fund should be managed.

**Recommendation**

The Fund should have Accounting Officer's Instructions to give direction in the running of its operations.

**Management's Response**

**The finding is acknowledged and the Accounting Procedure's Manual will be prepared in the future.**

## VOTE 4.- DEFENCE

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account and the supporting returns for the Ministry of Defence for the year ended December 31, 2014.

**Basis for Qualified Opinion**

## 1 GOVERNANCE ISSUES

### 1.1 Direct Payments

**Finding**

For the second year running, an amount of $26 713 099 (2013: $35 164 363) was directly paid by Treasury to the service providers on behalf of the Ministry. Treasury advised the Ministry to obtain receipts from each respective service provider confirming payments made. However, there was no indication that this was done and no reconciliations were provided to show the actual invoices paid and actual amount owed to each service provider.

Therefore, I could not confirm whether the direct payments made by Treasury were paid against existing debts and that the Ministry accounts were subsequently credited with the same amounts.

**Risks/Implications**

In the absence of confirmation of payments from respective service providers, it will be difficult to monitor the debts the Ministry owes to service providers. Errors made by both parties will not be detected.

**Recommendation**

The Ministry should obtain confirmation of payments from each respective service provider as evidence of payments made.

**Management Response**

**Treasury has been processing some of the set-offs directly to service providers without prior communication with the Ministry, as a result, it is difficult to get invoices and receipts for the transactions in time. In some cases, Treasury has been overpaying the service providers. The Ministry has a debt management department which is responsible for the reconciliation of all the debts before any payment is made. This department adjusts the age analysis every time communication is received from Treasury in respect with any direct payments or set-offs.**

## 1.2 Assets

For three consecutive years, the Ministry failed to submit a departmental asset certificate for the whole Ministry as required by Treasury Instruction 2004 which states that the Accounting Officer should submit a certificate to show that assets have been physically compared against records, not later than two months after the close of each financial year. Ministry officials did not take corrective action to submit for audit the departmental asset certificate. Therefore, I was not able to confirm that assets had been properly accounted for.

**Risk/Implication**

Failure to submit the departmental assets certificate might result in the Ministry not being fully accountable for its assets thereby exposing them to misuse and theft.

**Recommendation**

The departmental assets certificate of the whole Ministry should be submitted for audit as per the provisions of Treasury Instruction 2004. This will ensure full accountability for State assets.

**Management Response**

**The consolidated certificate will be prepared and submitted for audit.**

**Qualified Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the Appropriation Account and the supporting returns present fairly, in all material respects, the results of operations of the Ministry of Defence as at December 31, 2014.

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

## 1.3 Audit Committee

**Finding**

The Ministry has not yet established the audit committee whose responsibilities should be to liaise with external audit, supervise internal audit and review the annual accounts and internal controls. This was contrary to the provisions of Section 84 of the Public Finance Management Act *[Chapter 22:19]* which requires the Ministry to have an audit committee.

**Risk/Implication**

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

**Recommendation**

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

**Management Response**

**The Ministry is still investigating on who should be appointing the committee as it is not clear in the Public Finance Management Act *[Chapter 22:19]*.**

## 1.4 Risk Management Policy

**Finding**

The Ministry did not have a documented and approved risk management policy. A risk management policy is a set of procedures and controls to identify and mitigate the possible risks in the operating and financial activities of the entity. As a result, there was no documented evidence to show that risk assessment processes were conducted by management.

**Risk/Implication**

Failure to formulate a risk management policy might result in the Ministry not identifying and responding to material risks or threats effectively.

**Recommendation**

The Ministry should have a risk management policy that will adequately and effectively mitigate risk exposures.

**Management Response**

**The Ministry is in the process of formulating such a policy which should be completed before the end of the 2015 third quarter. Evidence of the progress is available for your inspection.**

## VOTE 5.- FINANCE AND ECONOMIC DEVELOPMENT

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account of the Ministry of Finance and Economic Development for the year ended December 31, 2014.

### Basis for Qualified Opinion

### 1 PROCUREMENT AND EXPENDITURE

### 1.1 Direct payments

**Finding**

For the second year running, I observed that Treasury made direct payments amounting to $179 816 213 to service providers on behalf of line Ministries. In 2013 the amount paid was $ 187 781 965. The payments were however, not supported by documentation. The payments were made on the strength of confirmations by Directors of Finance of line Ministries, service providers and the Zimbabwe Revenue Authority. I noted that there are no written procedures on how the Ministries were expected to implement the direct payments system.

**Risks/Implications**

The direct payments violate the principles of double entry in that only the PFMS reflects the transactions while Ministries Sub-Paymaster General accounts are not charged with the expenditure.

**Recommendations**

Accounting officers should be given responsibility for managing their votes as provided for in the Public Finance Management Act *[Chapter 22:19]*.

**Management Responses**

**Initially Treasury used to pay service providers from a suspense account and transfer the expenditure through journals. As from October 2014 Treasury is debiting the relevant line Ministry General Ledger accounts when making the direct payments; therefore the instances of payments not showing in Ministries expenditure has been eliminated.**

**Set-off arrangements where a Government creditor has his payment re-directed to another Government department or agency where he owes is in line with Treasury Instructions 0502 to 0505. Therefore the principle is in order.**

**Treasury has realized the need to improve the system in order to ensure that transactions are properly recorded and vouched. In that regard an Accounting Procedures' Manual specifically for dealing with direct payments is being drafted. Once the draft is complete Finance Directors will be consulted so that they make their contributions before the document is published.**

***Auditor's Comment***

*The corrective measures that the Ministry has cited will be reviewed and evaluated during 2015 interim audits.*

### 1.2 Expenditure Reversals

**Finding**

Towards the end of 2014, Treasury uploaded budget support funds to line ministries' SAP system General Ledger accounts to enable them to spend money against the budget releases in the system. Ministries then went on to commit and post the expenditure on the strength of the budget releases. However, Treasury failed to transfer cash to the line ministries Sub PMG bank accounts to meet expenditure that had already been posted.

Treasury then instructed line ministries through a Treasury minute referenced, "Reversal of Unfunded Releases as at 31 December 2014" dated January 06, 2015 to reverse all the payments done in the system. I could not establish the total amount of expenditure reversals that were made by the Ministry of Finance and Economic Development as no documentation for these expenditure reversals was availed to me.

**Risks/Implication**

Total expenditure for the year may be misstated if the Ministry fails to account for the total expenditure reversals for the year.

**Recommendation**

The Ministry should avail the information pertaining to the reversals that were processed for the year 2014.

**Management Responses**

**A schedule of reversals has now been submitted.**

***Auditor's Comment***
*The schedule provided does not show the full breakdown of the reversals.*

## 1.3 Misappropriation of Funds

### Finding

Some Ministry officials are alleged to have connived with suppliers and third parties and defrauded the Government of substantial amounts of money. The information was brought to my attention by the Accounting Officer through his letter February 23, 2015. A number of officials were suspended and investigations are in progress. Some of the cases are before the courts. The extent of the prejudice has not yet been established.

### Risk/ Implication

The State may lose a lot of money if financial controls are not put in place. Direct payments on behalf of line Ministries is risky as Accounting Officers are divested of responsibility over their votes by Treasury.

### Recommendation

The Treasury should issue detailed instructions on how Accounting Officers and Directors of Finance should manage public resources and provisions of the PFM Act *[Chapter 22:19]* should be implemented in all cases of flouting financial procedures.

### Management Responses

**Financial controls are in place, including guidelines on the handling of public resources. The misappropriation of funds amounting to US$ 729 345 occurred due to failure by officers concerned to comply with set guidelines. The case is being investigated to facilitate appropriate administrative action, in addition to processes that may arise from Police investigations into the matter.**

## 2 REVENUE COLLECTION AND RECOVERY

## 2.1 Use of cash before banking

### Finding

Cash amounting to $20 035 collected by the Ministry from January 01, 2014 to December 31, 2014 was expended before it was banked. Furthermore, a cash count conducted on March 23, 2015 revealed that total collections for the day were $1 100 but only $200 was on hand. The difference of $900 was said to have been used before banking. Use of receipted cash before banking contravenes Treasury Instruction 0454 which requires receipted cash to be banked daily or on the next banking day in an official banking account. The practice does not complete the Government cash accountability cycle.

**Risk/Implication**

Fraudulent activities may be perpetrated by Ministry officials and cash may not be accounted for.

**Recommendation**

The Ministry should ensure that receipted cash is banked intact in compliance with Treasury Instructions.

**Management Responses**

**The money was expended in instances where resources were released late by Treasury. Going forward, the Ministry will comply and ensure that all the money receipted is banked intact, regardless of any pressing items.**

**Qualified Opinion**

In my opinion, except for the effects of the matters raised above, sums expended have been applied for the purposes authorised by Parliament and the Account fairly present the expenditure and receipts of the vote for the year ended December 31, 2014.

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

## 3 GOVERNANCE ISSUES

### 3.1 Documentation of systems by the Accountant General's Office

**Finding**

The Treasury Instructions which give guidelines to user Ministries on how to account for public funds have not been updated since the introduction of the multi-currency. Guidance to Ministries has been in form of the circulars and in some cases verbal, resulting in inconsistencies in the application of the accounting principles.

**Risk/ Implication**

If there are no documented guidelines the integrity of financial systems may be compromised. Lack of documented systems exposes public finances to arbitrary decisions and in some cases to criminal activities.

**Recommendation**

The Treasury should issue guidelines to user Ministries to strengthen and enhance confidence in the public financial system.

**Management Responses**

**Treasury Instructions that guide user Ministries on handling of and accounting for public resources are being reviewed to align them with the new legal framework and computerized operating environment. The review exercise is scheduled to be completed by July 2015.**

### 3.2 Revaluation of Assets

**Finding**

A number of Government assets have still not been revalued from the Zimbabwean dollar values to the United States dollar resulting in the non-disclosure or distortion of the true value of the assets in the Government records. Ministry of Finance is supposed to give guidance to all public entities on accounting for these assets.

**Risk/Implication**

A number of assets are not being disclosed in financial statements and in cases of disclosure, the value of assets in the financial statement may be misstated.

**Recommendations**

The Treasury should come up with guidelines on how the assets that were bought during the Zimbabwean dollar era should be revalued in United States dollar.

Guidance should also be given on how the assets should be reported in the financial statements.

**Management Responses**

**The challenge with respect to this matter was the absence of an exchange rate to be used for conversion. Treasury is currently working with the Reserve Bank on this matter in the context of demonetizing, and will issue a Statutory Instrument to allow for consistent revaluation of assets**

### 3.3 Internal Audit

**Findings**

Internal Audit did not prepare and submit to the Accounting Officer and my Office, periodic reports in respect of audits performed during the financial year under review. This was in contravention of the Public Finance Management Act *[Chapter 22:19]* Section 80 (5) which stipulates that the internal audit department should furnish the mentioned offices with periodic reports. The Internal Audit unit also did not conduct audits in Treasury, Budgets and

Zimbabwe Debt Management Office as well as Fund Accounts. This may have been caused by the absence of an approved Audit Committee.

**Risk/Implication**

Internal controls weaknesses may not be addressed timeously.

**Recommendations**

Internal auditors should prepare and submit to the Accounting Officer and my Office periodic reports in respect of audits performed.

Internal auditors should submit an annual plan that has been approved by the Accounting Officer in order to obtain commitment from the management of the Ministry.

Internal audit should extend its audit coverage to all the departments that are within the Ministry.

**Management Response**

**Submitted five reports.**

***Auditor's Comments***

*All the reports were finalized in 2015 way after the statutory deadlines.*

## 4 PROCUREMENT AND EXPENDITURE

### 4.1 Contracts for Security and Cleaning Services

**Findings**

The Ministry engaged DDNS Security Company to provide security services without a valid contract or service level agreement during the financial year ended December 31, 2014. The company has been providing security services since 2001 to date. The last contract that was signed was in August 2001 and it appeared that no efforts had been made to review the contract at the advent of the multi-currency in early 2009. The company was paid an amount of $165 631 during the 2014 financial year.

I also observed that the Ministry engaged Rangers Security Co-operative to provide cleaning services at the reception and in boardrooms at a monthly cost of $860 without a service level agreement. I was not able to establish the basis of the payments that were being made. Management oversight could have contributed to the non-review of the contracts.

**Risks/Implications**

Payments may not be justified in the absence of a current contract agreement since the introduction of multi-currency. Without contracts, it is difficult to monitor or evaluate the performance of the service provider. Also obligations of either party cannot be easily ascertained.

**Recommendation**

The Ministry should have valid contracts with the security and cleaning companies.

**Management Responses**

**The Ministry properly engaged DDNS Security Company in 2001 and signed a contract to provide security services in the Ministry.**

**In 2009, in the advent of the new currency, the company continued to provide services up to this date.**

**The Ministry is reviewing the arrangement and will update audit accordingly including Rangers Security co-operative.**

## 5 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 5.1 Non- Disclosure of Public Financial Assets

The Ministry has not been maintaining a Public Financial Assets Register with details of loans and investments that were paid to Parastatals, Private sector and various organisations since the dollarisation, in 2009. I could not validate the correctness of Public Financial Assets disclosed on the return.

**A register is now in place but it does not include all the investments and loans.**

### 5.2 Expired Lease Agreement National Economic Conduct Inspectorate

The ministry was paying rentals at $5 625 per month for its offices at ICL House without a valid lease agreement. A valid lease agreement expired in December 2009. It was noted that the rentals and maintenance costs consumed $108 000 which represents 22% of the budget for National Economic Conduct Inspectorate.

**There is a current Lease Agreement, effective January 1, 2014.**

### 5.3 Direct Payments

I observed that Treasury made direct payments amounting to $187 781 965 to service providers. Treasury cited the need to enable service providers to meet their tax obligations to ZIMRA. Ministries had been failing to pay service providers for services provided due to liquidity constraints.

**The Ministry continued making direct payments during the year under review without transferring the funds to the respective sub-PMG bank accounts**

## NATIONAL DEVELOPMENT FUND 2013

### Objective of the Fund

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

I have audited the National Development Fund for the year ended December 31, 2013.

### Basis for Adverse Opinion

## 1 REVENUE COLLECTION AND RECOVERY

### 1.1 Variances in Accounts Receivable Figures

**Finding**

The Fund disclosed a total of $103 390 032 in the financial statements as accounts receivable while the confirmation from projects being managed by IDBZ Bank, Zimbabwe Economic Trade Revival Facility (ZETREF) and the Farmer's World debt amounted to $221 205 034. This resulted in a net variance of $117 815 002. Reconciliations were not being carried out hence the make of the difference could not be explained.

**Risk/Implication**

There is risk that public funds are not being properly accounted for and the financial statements may therefore be materially misstated.

**Recommendation**

Reconciliations should be carried out to determine the source of the variances and corrective action taken.

**Management Response**

**The amounts confirmed by the IDBZ bank to auditors include both disbursements made through NDF and PSIP department under Budgets. These amounts were not separated by the bank as they were maintained in a single Ministry of Finance and Economic Development portfolio.**

**NDF is in continual liaison with IDBZ and PSIP in order to find the correct position regarding these projects. We have however taken a position in which all the repayments will be accounted for through NDF, until the correct pro-rata amounts are recalculated.**

### 1.2 Investments in Interfin bank

**Finding**

As highlighted in my prior year audit report, the financial statements show an amount of $18 068 044 that was invested with Interfin bank meant for Zimbabwe Economic and Trade Revival Fund (ZETREF). The bank was placed under curatorship for the period June 11, 2012 to June 11, 2013.The Bank's curatorship was extended by a further eighteen months to December 31, 2014 and later it was recommended for liquidation.

The Fund did not submit a claim to the liquidator in respect of this investment to ensure that the Fund received some residual payments as the investment was not secured.

**Risk/Implication**

There is risk of loss of the whole investment as it was not secured and a claim was not lodged with the liquidator.

**Recommendation**

A claim should be submitted to the liquidator if the window is still open.

**Management Response**

**The observation is noted. The Fund will approach the Attorney General for guidance and way forward over the investment locked up in the Bank.**

### 1.3 Investments with the Central Africa Building Society (CABS)

**Findings**

The Fund disclosed in the financial statements an investment with CABS amounting to $11 098 574 as per its books of accounts, while the investment certificate from the bank had a total of $10 717 500 giving a variance of $381 074. The Ministry did not take steps to reconcile the differences with the bank.

**Risk/Implication**

The financial statements may be misstated hence leading to wrong decisions being made on the basis of the figures.

**Recommendation**

The fund officials should reconcile their ledger balances with investment certificates and bank statements.

**Management Response**

**A reconciliation has been done. The confirmation which was received by the auditors from the bank relates only to the initial Investment of $10 000 000 and did not take into account the other amount of $339 482, which was an additional investment from the CABS Savings account done on September 20, 2013. The bankers have confirmed that the investments were held separately from each other and they have provided an extra investment confirmation certificate relating to the other investment outside the $10 000 000. The investment account was overstated by $41 645 and an adjustment will be passed in the 2014 financial statements.**

***Auditor's Comment***

*The financial statements were not adjusted to take into account the overstatement of $41 645 revealed by the reconciliations, hence they remained misstated.*

### 1.4 Non Recovery of outstanding project loans

**Finding**

Out of a total of $70 460 000 loaned out to various institutions through IDBZ bank in the year 2010, only a total amount of $21 628 420 had been repaid at the time of audit leaving a total of $48 831 580 outstanding. In some instances institutions such as the Civil Aviation Authority of Zimbabwe, Central Registry, Transmedia Corporation and National Railways of Zimbabwe had paid nothing as at November 24, 2014. There was no evidence of follow-up by the Ministry to ensure that the outstanding amounts were paid. This was in violation of paragraphs 7.4 and 7.5 of the Memorandum of Agreement which states that loans were to be repaid into a revolving fund account.

**Risk/Implication**

There is risk that beneficiaries may fail to repay, thereby leading to loss of public funds.

**Recommendation**

The Ministry should make an effort to ensure that the outstanding amounts are recovered.

**Management Responses**

**The Fund, through its managing agent, IDBZ bank has made several efforts to get repayments from the various projects with little or no success. However, the Bank**

**carried out an analysis of all the projects and a number of challenges which include cash flow challenges among others were cited for lack of repayment.**

## 2 GOVERNANCE ISSUES

### 2.1 Non-provision of information for the Zimbabwe Economic Trade Revival Facility (ZETREF)

**Finding**

Zimbabwe Economic Trade revival (ZETREF) is a facility set by Zimbabwe Government to assist distressed companies by accessing loans at concessionary rates. Under the facility the Zimbabwe government contributed $20 million while Afri Exim Bank contributed $50 million. Interfin bank was the implementing agent for the Zimbabwe government while the bank of China was to administer the $50million. Interfin bank went bankrupt before disbursing the loans to beneficiaries and to date the money is yet to be recovered.

The Fund managers failed to avail for audit examination crucial documents such as the facility agreement with implementing agencies and beneficiaries, bank statements and monitoring reports to enable me to verify trade receivables and interest receivables, amounting to $12 699 810and $566 819 respectively. The non-provision of information limited the scope of my audit. I could therefore not place reliance on the receivable figure of $12 699 810 and interest receivable amount of $566 819 disclosed in the financial statements.

**Risk/Implication**

Failure to avail information results in limitation of scope and financial statements may be materially misstated.

**Recommendation**

The fund managers should ensure that the requested information is provided in time to auditors.

**Management Response**

**The ZETREF facilities agreement was submitted.**

***Auditor's Comment***

*The Fund managers did not however, submit bank statements, and copies of agreements with the beneficiaries hence the issue remained outstanding.*

### 2.2 Mixing of National Development Fund (NDF) and Treasury Public Sector Investment Programme (PSIP) funds in one IDBZ bank account.

**Finding**

Disbursements made by the Fund to the Infrastructure Development Bank of Zimbabwe (IDBZ) for on-lending to various Implementing Agents were co-meddled with Treasury funds intended for PSIP projects in one IDBZ bank account. This was contrary to provisions of the Memorandum of agreement paragraph 7.1 which required IDBZ bank to open a separate bank account for the receipt and disbursement of funds from the National Development Fund account. The Fund managers alleged that IDBZ bank could have assumed that the monies came from the same source, the Ministry of Finance and Economic Development.

**Risk/Implication**

The co-meddling of the funds makes it difficult to account and report separately for the usage and repayments of those funds.

**Recommendation**

The Fund Managers should advise IDBZ bank to keep separate bank accounts and accounting records for PSIP and NDF disbursements.

**Management Response**

**The Fund has noted the observation and shall approach the bank in order for the monies to be separated as they relate to different portfolios.**

### 2.3 Outstanding Farmers' World Debt

**Finding**

The Farmers' World debt amounting to $1 142 407 (including interest) disclosed in the financial statements resulted from a payment of $970 000 by the Government to China Exim Bank in March 2010 on behalf of the Farmers' World after the original guarantor, the Reserve Bank of Zimbabwe was unable to repay the debt. It was alleged that the Government later assumed the guarantor status. The debt was in respect of agricultural machinery, equipment and implements which had been imported from China by the Farmers' World Company. However, guarantee letters were not made available and the debt was not included in the Statement of Contingent liabilities. I failed to establish what action the Fund had taken on behalf of Government to recover the money from Farmers' World and or beneficiaries of the agricultural machinery, equipment and implements.

**Risk/Implication**

There is risk that the Fund may fail to recover money paid on behalf of beneficiaries of agricultural machinery, equipment and implements.

**Recommendation**

Effort should be made to recover monies paid on behalf the Farmers' World and or beneficiaries of the farm equipment and also the Ministry should avail documentation relating to transactions between the Reserve Bank of Zimbabwe and the Farmers' World.

**Management Response**

**The Reserve Bank of Zimbabwe Guarantee letter which was then transferred to the Ministry of Finance and Economic Development could not be obtained but correspondences between the Bank and the Farmers' World Lawyers are available.**

**The Fund shall approach the Attorney General's department for guidance over the debt.**

**Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs above, the financial statements do no present fairly, in all material respects the financial position of the National Development Fund as at December 31, 2013.

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 3.1 Overdue Debt from Olivine Industries Limited

Olivine Industries Limited has an overdue debt of $262 565 in respect of soya beans received during 2009, under the Commodity Import Programme (CIP) financed by the National Development Fund. The total amount including interest is now $306 364. The recoverability of the debt is in doubt since Olivine Industries Limited advised NDF that a resolution was passed during the Annual General Meeting with stakeholders not to pay the outstanding debt for reasons not yet established.

***Auditor's Comment***

*The Olivine Industries' debt was still outstanding at the time of audit and it grew to $325 799 due to interest charges raised during the year under review.*

## PUBLIC FINANCE MANAGEMENT SYSTEM 2014

The Public Finance Management System (PFMS) is an Enterprise Resource Planning 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 systems and the Accountant General is the head of PFMS while the Deputy Accountant General is the Project Manager. The infrastructure of the system is managed by the Ministry of Information Communication Technology. The following modules have been implemented:

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

### Objective of the Public Finance Management System (PFMS)

The objective of PFMS is to process the financial transactions, produce reports and financial statements for all Ministries and Government departments

This audit was conducted to determine the effectiveness of general information technology controls for the Public Finance Management System. The audit also aimed at ascertaining whether application controls were implemented and operating effectively

I have audited the Public Finance Management System for the year ended December 31, 2014.

The following issues were noted during the audit:

## 1 GOVERNANCE ISSUES

### 1.1 SAP_ALL Profile

#### Finding

The SAP_ALL profile is a powerful profile which grants unlimited access to the system, including all functional areas and Basis Security Administration. Audit sought assurance that access to this profile was granted based on business need, restricted to a limited number of users and was being monitored closely.

My audit revealed that a senior official in the Accountant General’s Office had been granted SAP_ALL rights in the SAP system which enabled him to create and delete accounting documents. This profile was not in line with the job description of the official.

**Risk/Implication**

If super user rights are not granted in line with job descriptions (business needs) invalid or inappropriate changes to the system may be made either intentionally or unintentionally.

**Recommendation**

SAP rights should be granted on the basis of business need to ensure that only valid changes are made to the system.

**Management Response**

**The observation is noted. However, the senior officer has now been assigned an audit role as from Monday May 18, 2015 as opposed to the previous SAP_ALL role. The audit roll enables him to view all records in the production environment.**

### 1.2 Audit Information System

**Finding**

The Audit Information System is used to record user activities on the SAP application system in audit logs (trails). At the time of audit the Audit Information System was not enabled within the SAP application system.

**Risk/Implication**

If the audit information system is not activated to enable recording of activities and their nature, possible violation or violation attempts may not be detected in a timely manner and there would be no audit trail of what took place.

**Recommendation**

The Audit Information System should be enabled and reviewed on a regular basis.

**Management Response**

**The Audit Information System (AIS) is no longer available under the current environment. The Audit Management Module is available, however it needs somebody who has audit knowledge to come up with audit plans and has knowledge to configure. Funds permitting, we will hire a consultant to configure and train staff. We will check under AfDB funding, whether the funding can be accommodative.**

## 1.3 Program Change

### Finding

The SAP application system has the capacity to generate system changes reports. I observed that there was an upgrade of the system from version ECC6.0 to EHP7 in March 2014. There was however, no supporting documentation for changes made to ascertain appropriateness and approval by management. I further noted that production changes and reviews were not being checked systematically on a regular basis to ascertain that they are appropriate.

### Risk/Implication

The Application Vendors may promote invalid or inappropriate changes into the production environment without management's knowledge, resulting in inappropriate modifications to system programs, applications, algorithms, configurations and data.

### Recommendation

Management should generate a system report of production changes and reviews of the changes should be done on a regular basis to ascertain that they are appropriate and approved.

### Management Response

**The comments are noted. However, it is recommended by the software vendor that software should always be up-to-date to ensure that unknown bugs are cleared before challenges are experienced. A change request document will be drafted for routine upgrades.**

## 1.4 System Availability and Network Monitoring

### Finding

According to the Ministry's Departmental Integrated Performance Agreement (DIPA) which is the Ministry plan, the system should be functional 98% of the time.(System uptime) I established that the Central Computer Service (CCS) had not been able to maintain the 98% uptime as stated in the DIPA. The licence for the Solarwinds Network Monitoring Tool (for monitoring network availability) had expired and hence the tool was not functional at the time of audit.

### Risk/Implication

Network problems may go undetected if the network is not being reviewed.

**Recommendation**

There is need to renew the license of the Solarwinds Network Monitoring Tool to enhance Network Monitoring activities.

**Management Response**

**We have since corrected the situation of Solarwinds. It is now up but, the license payment obligation is still outstanding. As soon as we get funds released by Treasury we will renew the software license.**

## 1.5 IT Security Policy

**Finding**

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

Audit sought assurance that the policy had been approved by management and communicated to all staff members to ensure that they were aware of their security responsibilities. Audit also sought assurance that staff had signed acknowledgement forms as evidence of having read the policy.

I observed that the PFMS had an IT Security Policy. However the policy did not address the following aspects as recommended by Best Practice:

- The policy was not endorsed by management.
- The policy review periods were not specified.
- It did not specify how the policy would be communicated to users. In addition, there was no evidence to show that the policy was communicated to users during the period under review.
- There was no management statement to support the goals and principles of IT.
- Data and Information Ownership was not stated
- Consequences of Information security policy violations were not clearly and visibly stated.

In addition, there was no evidence that the Business Continuity Policy was approved by management.

**Risk/Implication**

The absence of an approved document may imply that management's commitment to the implementation of data security practices and guidelines is low. That may cascade to ordinary users at CCS disregarding and overriding IT security controls, thus threatening data security and integrity.

Areas of security, which are critically important to the organisation, that are not documented might be overlooked resulting in be violation of IT security by system users. Moreover this may result in an incomplete setup or structure that addresses security issues at CCS.

**Recommendation**

There is need to ensure that the IT Security policy contains adequate details in line with best practice and is approved and communicated to staff.

The ISO 27002 (or equivalent national standard) may be considered a benchmark for the content covered by the Information Security Policy.

**Management Response**

**Noted. Corrective measures will be applied by second quarter 2015.**

## 1.6 Upload of Expenditure

**Finding**

My audit revealed that some Ministries such as Foreign Affairs continued to post prior year (2014) expenditure in the Systems Application Products in data processing (SAP) system up to as late as March 2015, two months after the cut off period of January 31(13$^{th}$ period). I observed that the 13$^{th}$ period could be re-opened for Ministries after applying to Treasury. This was contrary to the standard 13$^{th}$ period of one month after the end of the financial year. At the time of audit March 12, 2015, Foreign Missions expenditure for October to December 2014 was still being captured at the Head Office.

**Risk/Implication**

Failure to close the 13$^{th}$ period by the due date will result in the Ministries failing to submit accounts on time and others introducing new expenditure.

The Ministry of Foreign Affairs Expenditure reported in the Appropriation Account may be understated if it is prepared before taking into account expenditure incurred by missions outside the system, making it difficult to rely on the system figures.

**Recommendations**

There is need to come up with mechanisms to monitor the capturing of expenditure within the stipulated 13$^{th}$ period. The 13$^{th}$ period needs to be fixed to one month after the end of a financial year to curb processing of expenditure after the end of the financial year and after financial statements have been prepared and submitted for audit.

Measures should be put in place to ensure that expenditure for Foreign Missions has been captured in the system before financial statements are submitted for audit.

**Management Response**

**We will engage the Ministry of Foreign Affairs on the use of an upload program to update the system with foreign expenditures by end of June 2015. A template will be availed to them for onward transition to the Embassies, which template will be forwarded to Head Office for uploading.**

**As for the opening of periods, we are going to issue a circular before the end of the year to inform every officer on how expenditure should be incorporated in the system when it has been omitted during the 13th period.**

## 1.7 Upload of Assets

**Finding**

The system could not display asset registers therefore I could not verify the assets for the Ministries of Finance and Economic Development, Information Communication Technology, Postal and Courier Services and Foreign Affairs, in the system. Assets for the Ministry of Defence could be displayed in the system but only those assets acquired from 2009 to date. Assets for all ministries bought prior to 2009 were not in the system at the time of audit. My audit further revealed that there was a configuration problem regarding the uploading of assets purchased prior to the introduction of multicurrency.

**Risk/Implication**

The integrity and completeness of asset records becomes compromised and unreliable if some assets are not recorded in the system.

**Recommendation**

There is need to engage consultants to prioritise the development of a program for assets and to ensure that all Government assets have been uploaded into the system.

**Management Response**

**We take note of your recommendations. We will engage the consulting firm and try to resolve the issue by July 2015. Thereafter we will provide information on the ministries to upload their assets.**

## 1.8 Public Financial Assets and Direct Payments

### Finding

The 2013 returns submitted by some line ministries had different figures from those submitted by Treasury and balances in the SAP system.

The table below shows some of the variances:

| VOTE | MINISTRY | EXPENDITURE | | |
|---|---|---|---|---|
| | | **APPROPRIATION ACCOUNT** | **TREASURY RETURN** | **SAP PRINT OUT** |
| 9 | Industry and Commerce | $12 658 331 | $25 316 662 | $12 658 331 |
| 10 | Agriculture, Mechanisation and Irrigation Development | $11 834 000 | $23 667 443 | Nil |
| 22 | Media, Information and Publicity | Nil | $6 800 000 | $6 800 000 |
| 23 | Small and Medium Enterprises and Co-operative Development | Nil | $395 000 | Nil |
| **TOTAL** | | **$24 492 331** | **$56 179 105** | **$80 658 331** |

Registers for Public Financial Assets were not maintained in the system. Expenditures for Lending and Equity only appeared in the year the payments were made by ministries. However repayments were not deducted from the original payment made through the system as manual records were maintained.

I further observed that the Ministry of Finance made direct payments to service providers such as CMED (Pvt) Ltd, NetOne and TelOne. In some instances documents pertaining to such transactions were not availed to line ministries, thereby resulting in differences between Treasury records and those of line ministries.

### Risk/Implication

The Completeness and reliability of Public Financial Assets may be compromised if up to date records are not maintained in the system.

### Recommendations

There is need to ensure that all direct payments made by Treasury are communicated to line ministries to enable adequate record keeping at both ends.

Management should consider maintaining registers for Public Financial Assets in the system.

**Management Response**

**All your recommendations are noted and will be implemented. We have started the process of incorporating Public Financial Assets as regards loans given. We have now created recipients of loans as debtors in the system. Efforts are being made to establish a possibility of introducing a component of Loans Management Module. This Module will not replace the Debt Management System.**

**We are going to call for workshops beginning from June 2015 to educate ministries on the proposed way of recording loans given to Public Entities as a short term measure whilst we are considering the possibility of configuring the Loans Management Module.**

## SENIOR OFFICERS HOUSING FUND 2013

### Objective of the Fund

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

I have audited the Senior Officers Housing Loan Fund of the Ministry of Finance and Economic Development for the year ended December 31, 2013.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Accounting Officer's Instructions and Administrative Procedures Manual

**Finding**

The Fund was operating without the Accounting Officer’s instructions and administrative procedures manual. Management oversight could have resulted in the non-issue of the manual as no satisfactory explanation was given. This is in contravention of Section 3 of the Civil Service Housing Fund Constitution which requires the Accounting Officer to issue instructions on accounting and administrative procedures for the Fund.

**Risk/Implication**

The absence of the manual makes it difficult to effectively administer the Fund and to implement controls that protect the resources of the Fund.

**Recommendation**

The Accounting Officer’s instructions and administrative procedures manual as stated in Section 3 of the Civil Service Housing Fund Constitution should be put in place.

**Management Response**

**There were no management responses.**

### 1.2 Opening Balances

**Finding**

The opening Accumulated Fund figure amounting to $8 825 343 disclosed in the financial statements submitted for audit differed from the take-on audited closing balance of $8 576 383. This resulted in a variance of $248 960 that was not supported by documentary evidence. The amount could have been included as a balancing figure to the financial statements to compensate for uncorrected errors in the books of accounts contrary to good accounting practices.

**Risk/Implication**

Financial statements may be materially misstated.

**Recommendation**

The figure of $248 960 should be investigated and corrective action taken to address the anomaly.

**Management Response**

**There were no management responses.**

## 2 REVENUE RECOVERY AND COLLECTION

### 2.1 Fund Debtors

**Finding**

I could not verify the correctness of the debtors' figure falling due within one year ($949 417) and those falling due after one year ($8 178 028) disclosed in the Fund's financial statements. The figures could not be traced to the ledger and cashbook submitted for audit. The anomaly was due to poor recordkeeping as evidenced by failure to produce a trial balance to support balances in the Income and Expenditure account and Balance Sheet. This was in contravention of Section 6 of the Public Finance Management Act *[Chapter 22:19]* which requires the Ministry to properly manage and control public resources.

**Risk/Implication**

There is risk that the Fund’s resources may not be properly accounted for and this could lead to loss of public resources.

**Recommendation**

The Fund managers should submit a trial balance together with financial statements in order to enhance accountability and transparency.

**Management Response**

**The Ministry extracted the debtor's figures from closing ledger balances.**

***Auditor`s Comment***

*During an exit meeting the Fund managers admitted that they did not have software to produce debtor's age analysis and hence they could not support debtors' balances disclosed in the financial statements.*

### 2.2 Bank withdrawals unaccounted for

**Finding**

Section 6 of the Public Finance Management Act (Chapter 22:19) requires the Ministry to properly manage and control public resources. The Fund withdrew $1 437 852 from its bank account for disbursements to loan beneficiaries. However, only $1 413 500 was distributed to beneficiaries, leaving $24 352 unaccounted for. There was no documentary evidence provided to account for the difference. The anomaly could have been as a result of poor record keeping or theft of the unacquitted cash.

**Risk/Implication**

The Fund's financial resources may be used for purposes not in line with its objectives thereby prejudicing potential beneficiaries.

**Recommendations**

The Fund's resources should be fully accounted for. Furthermore, an investigation should be carried out to establish what happened to the cash amounting to $24 352.

**Management Response**

**The amount of $24 352 was for a UNDP sponsored workshop held at Kadoma Hotel and the travel and subsistence for the two officers. The payment of the workshop to Kadoma Hotel was processed through the Senior Officer's Housing Account, as UNDP preferred to pay through the Ministry.**

***Auditor`s Comment***

*Evidence submitted did not tie up with the amount in question and the dates when the workshop was held.*

**Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs 1 to 4 above, the financial statements present fairly, in all material respects, the financial position of the Senior Officers Housing Fund as at December 31, 2013.

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

## 3 OTHER GOVERNANCE ISSUES

### 3.1 Loans in excess of maximum limit

**Finding**

Seven senior officers received loans in excess of the maximum loan limit of $20 000 per disbursement that is stipulated in the Inter Ministerial Guidelines for the Senior Officers' Housing Scheme (section 2.3). The excess payments totalled $120 000. The Inter-Ministerial Committee approved the loans without following its Guidelines.

**Risks/Implications**

Failure to observe the loan limit set in the ministerial guidelines may result in unfair distribution of resources. Other senior officers may be deprived of the funding as resources are limited.

**Recommendation**

The Inter-Ministerial Committee should adhere to its Guidelines when disbursing loans to its members.

**Management Response**

**In order to guide disbursements under the scheme, limits were established for each grade with permanent secretaries and equivalent grades' limit being set at $20 000. Key determinants of actual allocations to beneficiaries take into account the ability to pay, costs of construction and the need to ensure speedier execution of the targeted works.**

***Auditor's Comment***

*Other Senior Officers are being disadvantaged by the practice and the purpose of setting the limits is defeated.*

### 3.2 Security for loans disbursed to Senior Officers

**Finding**

Housing Loan borrowers did not surrender title deeds to the Fund as security for loans disbursed to them since the inception of the Fund in 2006. This was as a result of management override of the Zimbabwe Government Civil Service Loan Agreement Form (clause 4) which requires the borrower to surrender to the Fund the title deeds to the immovable property registered in the borrower or co-borrower's name.

**Risk/Implication**

The Fund may suffer losses should the borrower default in making the loan repayment.

**Recommendation**

The Ministry should comply with the loan agreement terms by ensuring that title deeds of properties of borrowers are surrendered as security.

**Management Response**

**All the housing loans in Zimbabwean dollars were reduced to nil after the slashing of zeroes by the reserve bank of Zimbabwe, hence any collateral security for the period was returned to the beneficiaries. No housing loans were issued in 2009 when the multi-currency was introduced. The Ministry will follow-up on collateral security on loans disbursed from 2010.**

***Auditor's Comment***

*The Fund managers did not request borrowers to surrender title deeds since the year 2010.*

## STATE ENTERPRISES RESTRUCTURING AGENCY FUND 2013

### Objective of the Fund

The Fund was established in terms of Section 18 of the Public Finance Management Act [Chapter 22:19]. Its purpose is to focus on public enterprises reform and restructuring. The objective of the Fund is to provide funds for technical and material support for institutional capacity building and advice on restructuring programmes.

I have audited the financial statements for the State Enterprises Restructuring Agency Fund account for the year ended December 31, 2013.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the State Enterprises Restructuring Agency Fund Account for the year ended December 31, 2013.

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

## 1 GOVERNANCE ISSUES

### 1.1 Employment Costs

**Renewal of contract of employment**

**Finding**

The contract of employment of one of the Fund's employees expired on December 1, 2013. However, by the time of audit, more than 10 months after the expiry of the contract, the contract had not been renewed although the employee was still rendering services and being paid. A minute from the Agency dated January 31, 2014 addressed to the Accounting Officer, requested for renewal of the contract. There was however no evidence of follow-up to ensure regularization of the issue in terms of paragraph 1.2 of the expired contract of employment which states that the contract may be renewed or extended by the Government on the same terms and conditions.

**Risk/Implication**

If employees are allowed to continue working without signing employment contracts the Fund may incur unauthorised employment costs.

**Recommendation**

The Fund is advised to follow-up on renewal of this contract to ensure regularisation of the issue.

**Management Response**

**The Agency has been following up on the renewal of the employment contract of the staff member. The follow ups will continue to be done until the contract has been signed.**

## VOTE 7.- INDUSTRY AND COMMERCE

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Industry and Commerce for the year ended December 31, 2014.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Direct Payments

**Finding**

For the second year running, an amount of $196 193 (2013: $955 973) was directly paid by Treasury to the service providers on behalf of the Ministry. Treasury advised the Ministry to obtain receipts from each respective service provider confirming payments made. However, there was no indication that this was done, and no reconciliations were provided to show the actual invoices paid and actual amount owed to each service provider.

Furthermore, there was a variance of $32 538 between the direct payments figure obtained from Treasury of $196 193 and $163 655 shown in the Public Finance Management System (PFMS) of the Ministry. Therefore, I could not confirm whether the direct payments made by Treasury were paid against existing debts, and that the Ministry accounts were subsequently credited with the same amounts. The correct amount could also not be established.

**Risks/Implications**

In the absence of confirmation of payments from respective service providers, it will be difficult to monitor the debts the Ministry owes to service providers. Errors made by service providers will not be detected.

**Recommendations**

The Ministry should obtain confirmation of payments from each respective service provider as evidence of payments made. Reconciliations of the same accounts should be done to ensure that the correct amount paid is determined and that the bills the Ministry receive are accurate.

**Management Response**

**Reconciliations are being done and will be provided for audit.**

**Qualified Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the results of operations of the Ministry of Industry and Commerce as at December 31, 2014.

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

## 1.2 Public Financial Assets

**Findings**

In my 2013 report, I observed that the Ministry issued loans to Zimbabwe Steel Company (ZISCO) and Industrial Development Corporation (IDC) amounting to $12 658 331 without signing loan agreements. The problem persisted in 2014 with the Ministry further issuing $11 663 363 to the same parastatals without loan agreements. Therefore, the legality of the loans could not be ascertained.

**Risk/Implication**

In the absence of legally binding loan agreements, repayment of loans may become difficult to enforce.

**Recommendations**

Loan agreements between the Ministry and the parastatals should be made to legalize the transaction. This will ensure that terms and conditions of the loans are clearly specified and that all the parties are agreeing to them.

**Management Response**

**Draft loan agreements have been prepared and are awaiting Treasury's input.**

## 1.3 Audit Committee

**Finding**

The Ministry has not yet established the audit committee whose responsibilities should be to liaise with external audit, supervise internal audit, review the annual accounts and internal controls. This was contrary to the provisions of Section 84 of the Public Finance Management Act [Chapter 22:19] which requires the Ministry to have an audit committee.

**Risk/Implication**

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

**Recommendation**

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

**Management Response**

**The observation is noted, as a Ministry we are waiting for directions from the Accountant General.**

## 1.4 Risk Management Policy

**Finding**

The Ministry did not have a documented and approved risk management policy. As a result, risk assessments were not carried out. This was contrary to the requirements of Section 44 of the Public Finance Management Act [Chapter 22:19] which states that an effective, efficient and transparent system of risk management should be established and maintained.

**Risk/Implication**

Failure to formulate a risk management policy might result in the Ministry not identifying and responding to material risks or threats effectively.

**Recommendation**

The Ministry should have a risk management policy that will adequately and effectively mitigate risk exposures.

**Management Response**

**The observation is noted. The Ministry is in the process of hiring a consultant to assist with the development of Enterprise Risk Strategy and three officers have been trained on risk management as part of the preparatory process.**

**STANDARDS DEVELOPMENT FUND 2013**

**Objective of the Fund**

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

I have audited the financial statements for the Standards Development Fund for the year ended December 31, 2013.

**Basis for Qualified Opinion**

**1 REVENUE COLLECTION AND DEBT RECOVERY**

**1.1 Levy Income**

**Finding**

Section 3 of the Standards Development Fund Act *[Chapter 14:19]* stipulates that the Minister may, by statutory instrument, impose a levy on such class or description of employers as may be specified by notice. The Fund had no comprehensive list of employers upon which levy is imposed. The completeness and accuracy of the levy income figure of $12 846 938 disclosed in the financial statements could not be validated.

**Risk/Implication**

In the absence of a comprehensive database of employers, the Fund may not be able to accurately levy employers in the country and this will result in the revenue figure being misstated.

**Recommendation**

The Fund should establish and maintain a comprehensive database of employers to ensure maximum collection of revenue.

**Management Response**

**The Fund first established its database using information from ZIMDEF and Registrar of Companies, of which some were shelf-companies. The current database takes into account deletions, insertions and current employers paying levy according to the Standards Development Fund Act *[Chapter 14:19]*. Section 2(b) defines an employer as a person whatsoever, other than the State, who employs or provides work for another person and remunerates him. However, the Fund is currently in the process of computerization which will make it easier when updating the database.**

**Qualified Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Standards Development Fund as at December 31, 2013.

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

## 1.2 Unidentified Deposits

**Finding**

The Fund was taking long to clear the figure for 'Unidentified Deposits' which amounted to $937 423 as at December 31, 2013. These were direct deposits in the Fund's bank account for levy fees but could not be directly linked to specific clients. By the time of concluding the audit, $807 427 of the amount had been cleared and receipted.

**Risks/Implications**

Failure to clear the unidentified deposits will result in debtors being misstated.

**Recommendation**

The Ministry should ensure that the Unidentified Deposits are cleared timeously.

**Management Response**

**The point is noted. The Fund has been experiencing challenges in clearing unidentified deposits due to insufficient information supplied by the employer on the deposit slip despite the fact that the Fund has a customized deposit slip. However, the Fund has approached the bank requesting assistance to be provided with more details of such depositors. This has helped the Fund to reduce the unidentified deposits figure and communication with the bankers is still going on in a bid to clear this amount.**

## 1.3 Interest on Investments

**Finding**

Section 13 (2) of the Standards Development Fund Act *[Chapter 14:19]* states that any excess funds not immediately required for the purposes of the Fund may be invested after approval by the Accounting Officer. Contrary to this provision, there was no evidence that the Ministry had taken steps to invest surplus funds of $6 647 649 that were in the bank during the year. Consequently, the Fund had a nil balance on the 'interest on investments' item compared to the $588 657 that was received in the previous year.

**Risk/Implication**

The Fund could be losing a substantial amount of income in form of interest by not investing surplus funds.

**Recommendation**

The Fund should consider investing surplus funds to generate additional income as per the Standards Development Act *[Chapter 14:19]*.

**Management Response**

**Authority to invest is granted by Treasury and currently no authority is being granted as Treasury is now recalling funds from the Fund.**

## TRADE MEASURES FUND 2010–2013

### 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.

I have audited the financial statements of the Trade Measures Fund for the years ended December 31, 2010 – 2013.

### Basis for Disclaimer of Opinion

## 1 GOVERNANCE ISSUES

### 1.1 Absence of Financial Records

**Finding**

For four consecutive years, the Fund did not maintain books of accounts such as cashbooks, ledgers and registers in which financial transactions are recorded. Financial statements were prepared from bank statements, sub-collectors' schedules and payment vouchers. I could not confirm whether all financial transactions were accounted for as payment vouchers were not numbered and monthly bank reconciliations were not performed.

Furthermore, the financial statements for 2011 to 2013 disclosed suspense account balances as shown in table below which remained uncleared as at the time of concluding my audit. As a result, I was not able to establish whether the financial statements were free from material misstatements.

**Suspense Account Balances**

| Year | Amount $ |
|---|---:|
| 2011 | 33 375 |
| 2012 | 37 577 |
| 2013 | 33 840 |

**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.

Non clearing of the suspense accounts may provide a fertile ground for fraudulent activities.

**Recommendations**

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

The suspense account should be investigated and cleared.

**Management Response**

**The observation is noted. The journals and ledger accounts will be maintained as required. The Fund will ensure that the ledgers, cash book and reconciliations are carried out as required. The debtors control accounts and the ledger cards are now being maintained.**

**The suspense accounts are still under investigation.**

**Disclaimer of Opinion**

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

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

### 1.2 Procurement

**Findings**

In my 2012 annual report, I raised concern over delays experienced by the Fund in receiving goods and services from suppliers who would have been paid substantial amounts of money. The problem persisted in 2013 with the Fund officials not following up on outstanding orders. During the year, the Fund entered into a contract with Applied Weighing Scale Company for the procurement and installation of four (4) weigh bridges in Harare, Gweru, Mutare and Masvingo, at a total cost of $496 340. A deposit of $347 438 was paid on March 25, 2013, and the balance was to be paid upon complete installation of the weigh bridges on May 31, 2013. The terms of the contract were revised and the installation date moved to September 30, 2014. As at April 30, 2015, the weigh bridges had not been delivered.

**Risks/ Implications**

Failure to follow-up undelivered equipment and taking appropriate action against the supplier may lead to wasteful expenditure and this may impinge on the service delivery by the Fund.

State funds are exposed to misappropriation.

**Recommendations**

The Fund should make follow-ups with the supplier on the outstanding equipment and appropriate action be taken against such contractors.

**Management Response**

**Please note that this is a formal tender and the awarding authority is the State Procurement Board. However, the Ministry has been engaging the suppliers to have equipment delivered.**

### 1.3 Fund Administration

I noted that Petrotrade staff members who were assigned to handle the Fund`s operations were not directly accountable to the Accounting Officer contrary to the provisions of Section 3 of the Fund`s constitution which stipulates that the Secretary shall appoint a management committee that shall be responsible for day to day running of the Fund.

**Risk/Implication**

The non-functionality of a management committee compromises the efficient management of the Fund and it causes unnecessary delays in decision making.

**Recommendation**

Management committee should be responsible for the day to day running of the Fund.

**Management Response**

**The Fund is administered by Petrotrade and national Oil Infrastructure Company (NOIC) staff since the two entities acts as the ministry`s agents in the procurement and storage of strategic fuel. Though Petrotrade and NOIC staff are not directly accountable to the Accounting Officer, they are bound by the rules and regulations of the two entities which bind them not to disclose information about the fund`s operations to third parties as embodied in their contracts of employment**.

***Auditor`s Comment***

*The current arrangement should be synchronised with the provisions of the Fund`s constitution which is the legal document that outlines the operations of the Fund*.

## 1.4 Absence of Accounting Officer's Instructions

**Finding**

The Fund was operating without Accounting Officer's Instructions contrary to the provisions of Treasury Instruction 0706 which stipulates that the Accounting Officer should issue detailed instructions governing the conduct of financial business and control of public monies and property for which they are responsible.

**Risk/Implication**

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

**Recommendation**

The Accounting Officer should ensure that accounting and administrative procedures are issued to facilitate smooth operations of the Fund. This would ensure uniformity in the execution and recording of transactions, serve as a training tool for officers there by reducing processing errors and inconsistencies.

**Management Response**

**The approved manual is there but could have been misplaced and measures are being taken to review the accounting manual in line with current trends in accounting.**

## 1.5 Debtors

The Fund advanced $61 109 to the Parent Ministry during the year 2009 to use on Appropriation Account expenditure. No documentation was produced as authority for this advance. The amount was supposed to be refunded when releases were received from Treasury. However, the Ministry had not yet reimbursed the money at the end of the audit.

**Risk/Implication**

The Fund may fail to meet its objectives if its financial resources are used to defray expenditure for the Appropriation Account.

**Recommendations**

The management should ensure that funds are utilised towards meeting the Fund's objectives as outlined in the Constitution of the Fund.

All monies advanced to the Ministry should be recovered.

**Management Response**

**The $61 109 could not be refunded because the documentation to support the figure was not available. However, an investigation on this issue will be instituted.**

## VOTE.- 8 AGRICULTURE, MECHANISATION AND IRRIGATION DEVELOPMENT

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Agriculture, Mechanisation and Irrigation Development for the year ended December 31, 2014.

**Basis of Qualified Opinion**

### 1 GOVERNANCE ISSUES

**ADMINISTRATION AND GENERAL**

### 1.1 Public Financial Assets

**Finding**

In my report for the year ended December 31, 2013 page 65, I made mention of the absence of a loan agreement in respect of $11 833 423 paid to Farmers World. During the year under review, an additional $11 566 000 was paid under lending and equity in the Appropriation Account and the total figure of $23 million was disclosed as Public Financial Assets. However, I was not provided with an agreement in respect of the loan between the Ministry of Agriculture, Mechanisation and Irrigation Development and Farmers World as directed by the Ministry of Finance through correspondence referenced A/26/1/1 dated December 30, 2013.

**Risk/Implication**

The loan might not be recovered due to the absence of an enforceable contract.

**Recommendation**

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

**Management Response**

**The loan agreement was entered into among Treasury, Reserve Bank of Zimbabwe and Farmers World a copy of which agreement was availed to audit. Ministry of Agriculture, Mechanisation and Irrigation Development could not enter into a different agreement for the said arrangement which was done by Treasury as mentioned above. Treasury instructed that the loan be introduced into the Ministry`s books on the basis that it was agricultural related. The agreement had its own terms and recoverability. Treasury has been approached to guide on the treatment of the amount paid on behalf of Farmers World.**

***Auditor`s Comment***

Over and above the recording in the books, Ministry of Finance also directed that new loan agreement be signed between the Ministry of Agriculture, Mechanisation and Irrigation Development and Farmers World.

## 1.2 Other Capital Liabilities

### Finding

In my report for the year ended December 31, 2013 page 66, I mentioned that documentary evidence to support an amount of $361 067 821 in the return for Other Capital Liabilities was not availed for my audit examination. During the year under review documentary evidence for $21 879 543 pertaining to Input suppliers, Transporters and Subscriptions to International Organisations was not availed for audit, as a result I could not verify the correctness of the return figure amounting to $193 464 382.

### Risk/Implication

Users of financial statements may make wrong decisions based on inaccurate financial information. Disputes may arise in respect of contingent liabilities and other capital liabilities in the absence of contract documents.

### Recommendation

The Ministry must ensure that contracts are entered into and documents relating to such contracts should be readily available for verification whenever required.

### Management Response

**US$2 681 781 worth of subscriptions to International Organisation documents were re submitted to audit. Documents for US$4 088 622 relate to balances to suppliers for government inputs for 2013/2014 agricultural season and US$14 867 959 being value for 2014/2015 agricultural season balances owing to suppliers for inputs delivered at cut off point (December 31, 2014). The information was resubmitted to audit. Documents relating to the transporters are lodged at Reserve Bank of Zimbabwe and efforts to have sight of them proved to be fruitless.**

***Auditor`s Comment***

*The documents indicated by management were not availed for audit.*

**DEPARTMENT OF VETERINARY FIELD SERVICES**

**1.3 Unlicensed firearms**

**Finding**

An examination of records and physical check revealed that the department had two hundred and forty nine (249) firearms which were not licensed. Furthermore an internal audit report dated July 2014 with reference number DVFS/PVOMSE/2013/01 revealed that two (2) firearms, a Shortgun Pietro Beretha and a Pistol from Mashonaland East Province went missing. One of the firearms was issued to Mutoko but could not be physically located at Mutoko District Veterinary Office while the other one was issued to an unknown destination.

**Risk/Implication**

Firearms may be used for illegal purposes which might be criminal.

**Recommendation**

All firearms in the Department should be licensed and management should establish the location of missing firearms.

**Management Response**

**Noted. The Division is in the process of renewing licenses of the firearms with the Registrar of firearms Criminal Investigation Department.**

***Auditor`s Comment***

*The expired license document was not availed for audit examination.*

**ADMINISTRATION AND GENERAL**

**REMUNERATION/PAYROLL AUDIT**

**2.1 Employment costs**

**Finding**

I was unable to determine actual expenditure incurred by the Ministry`s Administration and General Department in relation to remuneration due to unreconciled differences between the disclosed figures in the Appropriation account and the relevant source documents. The Appropriation Account had a total of $4 124 782 while totals on payment vouchers and pay sheets were $3 816 824 and $1 169 145 respectively.

**Risk/Implication**

Monthly reconciliations might not have been done and remuneration costs may be misstated.

**Recommendation**

Monthly salary reconciliations should be carried out.

**Management Response**

**Noted. Reconciliations and documents relating thereto are hereby submitted.**

***Auditor`s Comment***

*Outstanding payment vouchers amounting to $307 958 were not availed for audit examination.*

## 3. PROCUREMENT AUDIT

### 3.1 Direct payments

**Finding**

From an examination of records in respect of Utilities, Rental and Hire, and other goods and services, it was revealed that there were differences between the figures disclosed in the Appropriation Account and the audit figures calculated from direct payments and payment vouchers. The table below refers:

| **Details** | **Appropriation Account**<br><br>**$** | **Audited direct payments and vouchers**<br>**$** | **Variance**<br><br>**$** |
|---|---:|---:|---:|
| Rental and Hire | 302 447 | 813 726 | 511 279 |
| Utilities and other service charges | 592 000 | 712 607 | 120 607 |
| Other goods and services not classified above | 166 107 | 183 509 | 17 402 |
| **Total** | **1 060 554** | **1 709 842** | **649 288** |

**Risk/Implication**

Credibility and reliability of financial statements may be compromised.

**Recommendation**

The Ministry should ensure that reconciliations are prepared and all direct payments are captured into the system.

**Management Response**

**Noted. Reconciliations and documents relating to direct payments are hereby submitted for your consideration.**

***Auditor`s Comment***

*The reconciliations and documents mentioned by management were not availed for audit examination*.

**Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs 1 to 3 above, the Appropriation Account present fairly, in all material respects the results of operations of the Ministry of Agriculture, Mechanisation and Irrigation Development as at December 31, 2014.

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

**DEPARTMENT OF AGRICULTURAL TECHNICAL EXTENSION SERVICES**

**GOVERNANCE ISSUES**

**4.1 Unregistered motor cycles**

**Finding**

My examination of records for the year under review revealed that out of 632 unregistered motor cycles as observed during 2013 audit only 40 had been registered as at December 31, 2014. I am concerned at the slow pace of the regularisation process.

**Implication**

Such valuable assets may be misappropriated without trace if they are not registered in the name of the Ministry.

**Recommendation**

Management should ensure that all assets in their custody are registered in order to enhance proof of ownership.

**Management`s Response**

**Most of the motor cycles were acquired through Reserve Bank of Zimbabwe programme without enabling documents. Efforts to get the documents proved fruitless. However our administration is working with the Central Vehicle Registration to regularize this anomaly.**

**DEPARTMENT OF AGRICULTURAL ENGINEERING AND MECHANISATION**

### 4.2 Management of Assets

**Finding**

Examination of records revealed that there were weak internal controls in the management of assets, as reflected in three cases whereby one member of staff without a license was issued with a motor cycle which he wilfully handed over to a stranger who disappeared with it. Another one took a motor cycle home without authorisation and subsequently it was stolen and the Board of Inquiry recommended that government should replace the asset. Another member continued to use a government vehicle beyond the authorised period and was involved in an accident.

**Risk/Implication**

Government assets are prone to abuse due to weak internal controls.

**Recommendation**

Officers should take government vehicles and motor bikes home only after authorisation.

**Management Response**

**Two of the three cases cited by the auditors relating to the use and management of assets have their Board of Inquiry conducted and minutes and recommendations pertaining to the findings are yet to be referred to the Accounting Officer for determination. The third case`s outcome is yet to be availed as Board of Inquiry has not been convened.**

## 5 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

## ADMINISTRATION AND GENERAL

### 5.1 Public Financial Assets

**Finding**

I was concerned by the Ministry`s failure to disclose Public Financial assets amounting to $11 833 443 in Farmers World which is under its control. Furthermore I could not confirm the occurrence, rights, obligations and existence of the government`s stake as I was not provided with loan agreement forms for my audit examination.

**Progress**

The Ministry disclosed the amount in the return; however the loan agreement forms were not produced for audit.

### 5.2 Contingent liabilities

**Finding**

I could not rely on the return figure for Contingent Liabilities submitted for audit as I was not availed with documentary evidence to verify the correctness of an amount of $ 29 659 200 in respect of Cold Storage Company.

**Progress**

The situation did not improve in 2014.

### 5.3 Other Capital Liabilities

**Finding**

Documentary evidence to support an amount of $361 067 821 in the return for Other Capital Liabilities was not availed for my audit examination, as a result I could not verify the correctness of the figure.

**Progress**

The situation improved in 2014 as documentary evidence was availed except for other capital liabilities amounting to $21 879 543 pertaining to Input suppliers, Transporters and Subscriptions to International Organisations.

# 6 REVENUE

## ADMINISTRATION AND GENERAL

### 6.1 Receipts and Disbursements

**Finding**

I could not rely on the return submitted for audit as I was not provided with evidence on how the Ministry had cleared a closing balance of $181 913 for the year ended December 31, 2012 as the return submitted for audit did not disclose this amount. Furthermore the Ministry did not carry out monthly reconciliations for the year under review.

**Progress**

Monthly reconciliations are still not being done.

**Finding**

The Ministry's receipts and disbursements return had an amount of $369 114 as payments to the Sub-Exchequer Account but a review of the Ministry's Sub-Exchequer Account indicated payments amounting to $431 491 for the financial year under review.

**Progress**

The situation remained unchanged.

**Finding**

I was concerned by the Ministry`s failure to supervise revenue staff as evidenced by incidences of under banking, late banking and non-banking of revenue received during the year under review. I noted under banking of $10 on February 23, 2013, late banking of receipts amounting to $1 872 by almost ten months whereby money receipted from February to October 2013 was banked in December 2013 and receipts for November and December 2013 were banked in January 2014. Furthermore a total of $162 was not banked and could not be accounted for as at the conclusion of this audit in July 2014.

**Progress**

There was an improvement in banking as the delay was now one week only.

**DEPARTMENT OF RESEARCH SERVICES**

## 6.2 Outstanding Rentals

**Finding**

My examination of the records revealed that the department of Agricultural Research for Development had not been collecting rentals amounting to $100 400 from tenants of Henderson, Matopos and Makoholi Research Institutes for the period September 2012 to December 2013 as detailed below:

| **Station** | **Amount $** |
|---|---|
| Henderson Research Institute | 44 600 |
| Matopos Research Institute | 34 000 |
| Makoholi Research Institute | 21 000 |
| **Total** | **100 400** |

**Progress**

The department is now collecting revenue.

# 7 PROCUREMENT AUDIT

DEPARTMENT OF AGRICULTURAL REGULATORY SERVICES

## 7.1 Assets

**Finding**

The Department of Regulatory Services made an advance payment of $19 998 on August 5, 2013 to a local company for the supply of two sets of Genetically Modified Organisms scanners. Documentary evidence regarding the delivery of the complete order was not availed for my audit and I was therefore not able to verify the completeness of the purchase.

**Progress**

The scanner was delivered and was loaned to National Biotech Company belonging to Ministry of Higher and Tertiary Education.

## AGRICULTURAL REVOLVING FUND 2012

### Objective of the Fund

The objective of the Fund is to provide additional resources to the Ministry's sub-votes to enable them to supplement their operations with regards to the maintenance and improvement of essential equipment, purchase of drugs and consumables required to improve the level and quality of departmental service.

I have audited the financial statements of Agricultural Revolving Fund for the year ended December 31, 2012.

### Basis of Disclaimer

### 1 GOVERNANCE ISSUES

ADMINISTRATION AND GENERAL

### 1.1 Financial Statements

**Finding**

I was not provided with source documents to substantiate the aggregate variance in revenue amounting to $3 137 203 and expenditure amounting to $2 683 033 as disclosed in the 2011 restated consolidated income and expenditure account. The restatement increased the reported surplus for the year ended December 31, 2011 by $454 171 which was treated as prior year adjustment in the 2012 financial statements. Consequently, I could not rely on the 2012 accounts presented for audit as the prior year adjustment of $454 171 could not be confirmed with certainty.

**Risk/Implication**

Financial statements might be misstated and users may make wrong decisions based on incorrect financial information.

**Recommendation**

The Ministry should come up with the relevant documents to substantiate the adjustments.

**Management Response**

**The source documents for the consolidated financial statements are found at the relevant departments. On auditing these projects in the relevant departments, the auditor will be provided with documents to support figures reported for the projects. The surplus figure reported for the financial year ending December 31, 2011 has been revised by the effects of incorporating errors that were made in prior years.**

***Auditor's Comment***

*Given that the 2011 financial statements were produced by the Ministry, audited and signed by the Accounting Officer, any corrections arising from that year required sufficient evidence to be availed for audit in support of the adjustments.*

## 1.2 Maintenance of Cash Book, Ledgers and Bank Reconciliations

**Finding**

In my previous report for the year ended December 31, 2011, I made mention of the non-updating and absence of cash books and relevant ledgers which support the amounts reflected in the financial statements at some outstations. The situation remained unchanged at Plant Quarantine Mazowe, Kushinga Phikelela Agricultural College, Veterinary Regulatory Services, Veterinary Technical Services, Livestock and Meat Grading, Tsetse and Trypanosomiasis Control and Gwebi Agricultural College during the year under review. Further examination of the payment vouchers at Kushinga Phikelela revealed that expenditure amounting to $18 447 and bank charges amounting to $1 162 for Veterinary Regulatory Services were not recorded in the cash book. As a result, I could not ascertain with any degree of accuracy whether all the transactions for the year under review were captured in the financial statements.

**Risk/Implication**

Transactions and other business activities and events may not have been recorded and accounted for. As a result, the financial statements might be misstated.

**Recommendations**

All business activities and events should be recorded in the appropriate and relevant books of accounts. Furthermore, the cash book should be properly maintained and reconciled with the bank statement to enable early detection and rectification of errors.

**Management Response**

**The relevant departments have been instructed to rectify the error. Cash book updates and bank reconciliations are now being done monthly.**

***Auditor's Comment***

*During the year under review the records were not in place.*

## 1.3 Other Currencies

### Finding

The management of the Fund did not disclose income collected and expenditure incurred in other currencies for Plant and Quarantine Mazowe Station other than the United States Dollar in the financial statements submitted for my audit examination. As a result the following income and expenditure denominated in other currencies was not converted to the reporting currency and disclosed in the financial statements. The table below refers:

| CURRENCY | INCOME | EXPENDITURE |
|---|---|---|
| South African Rand | 180 308 | 121 739 |
| Botswana Pula | 2 780 | 501 |

### Risk/Implication

Revenue and expenditure figures disclosed in the financial statements might be misstated.

### Recommendation

Other currencies should be converted at point of consolidation to the reporting currency and disclosed in the financial statements.

### Management Response

**Although expenditure would be shown in the other currencies other than the United States Dollar, which is the functional and presentation currency, these expenditure shown for the department included those shown in other currencies as per requirements of IAS 21, Effects of Foreign currency Exchange Rates. The cash and cash equivalents figure in the balance sheet included the balance of other currencies converted to the United States Dollar.**

### *Auditor's Comment*

*Contrary to the management's response, revenue collected in South African Rand and Botswana Pula was not converted to the reporting currency at the point of consolidation of financial statements.*

## 1.4 Creditors

### Finding

Reliance could not be placed on the financial statements submitted for audit as creditors amounting to $42 761 for Grasslands Research Station were not disclosed in the financial statements for the financial year ended December 31, 2012.

**Risk/Implication**

Users of financial statements may make decisions based on misstated creditors figure.

**Recommendation**

The Ministry should ensure that creditors from all stations are consolidated and disclosed in the financial statements.

**Management Response**

**The observation was noted. Adjustments to the books of accounts and financial statements were made in the preceding years.**

## 1.5 Suspense Account

**Finding**

I could not rely on the financial statements for the year ended December 31, 2012 as the suspense figure of $115 427 in the Balance Sheet was not satisfactorily explained.

**Risk/Implication**

The assets and liabilities of the Fund might be misstated.

**Recommendation**

The Fund management should investigate the suspense figure of $115 427 and make necessary adjustments to ensure that the Balance Sheet is fairly stated.

**Management Response**

**The Ministry had never reported any suspense figures in its financial statements submitted for audit in any financial year. The figure being questioned by the auditor is non-existent in the financial statements for the year ending 31 December 2012 as evidenced by the attached copy of the financial statements submitted for audit.**

***Auditor's Comment***

*The financial statement signed by the Accounting Officer for the years 2009 to 2011 reflect the suspense account balance referred above hence the management response is incorrect.*

## 2. REVENUE COLLECTION, MANAGEMENT AND USAGE

### 2.1 Debtors

**Finding**

I could not verify the correctness of the debtors figure amounting to $159 654 disclosed in the financial statements as I was not provided with the breakdown and the respective debtors' ledger accounts. Furthermore, it was noted that Veterinary Technical Services had outstanding debtors amounting to $269 712 which could not be reconciled to the figure disclosed in the financial statements. I could not verify the correctness of the debtors figure amounting to $159 654 as I was not provided with its breakdown and the debtors' ledger accounts.

**Risk/Implication**

All revenue earned during the year might not have been disclosed.

**Recommendation**

The Colleges must ensure that they adhere to basic principles of accounting and disclose information in the financial statements as well as maintain debtors ledger accounts for easy of verification.

**Management Response**

**The debtors figure cited is correct in respect of the consolidated figure disclosed in the financial statements for the year ending 31 December 2012. However, the figure did not refer to Veterinary Technical Services alone; it was a summation of figures from several departments as shown by schedule submitted together with the statements for audit.**

**Veterinary Technical Services uses the Pastel Accounting package in accounting for its transactions and as such all its books of accounts including its ledgers is electronically kept. However, the department could not provide printed copies of the electronic ledgers due to a failed system during the time of audit.**

***Auditor's Comment***

*Debtors for one department were more than the total consolidated figure for all departments thereby casting doubt on the reliability of the disclosed figure.*

## 3 ASSET MANAGEMENT

### 3.1 Assets

**Finding**

I was unable to determine the accuracy and correctness of the Balance Sheet figures for the Fund as at December 31, 2012, as the Department of Livestock and Meat Grading, Veterinary Technical Services, Henderson Research Institute and Grasslands Research Station did not disclose non-current assets worth $100 124 acquired during the financial year under review. The table below refers:

| Department | Details | Amount $ |
|---|---|---|
| Livestock and Meat Grading | Various assets | 16 762 |
| Veterinary Technical Services | Motor vehicles | 81 113 |
| Grasslands Research Station | Generator | 1 450 |
| Henderson Research Station | Desktop computer | 799 |
| **Total** | | **$100 124** |

**Risk/Implication**

The undisclosed assets could be misappropriated.

**Recommendation**

All non-current assets acquired should be properly accounted for and disclosed in the financial statements.

**Management Response**

**The assets were recorded in the books of accounts and financial statements of the subsequent years were adjusted accordingly.**

## 4 Employment costs

### 4.1 Employment Contracts Attendance Registers

**Finding**

The departments of Veterinary Technical Services, Veterinary Regulatory Services and Plant Quarantine Mazowe Institute made payments amounting to $13 249 to casual workers who had no employment contracts contrary to good corporate governance and Generally Accepted Accounting Practice (GAAP). Furthermore, no attendance registers or proof of work done was availed for my audit examination and this limited the scope of my audit. As a result, I was unable to determine whether this was a proper charge against public funds. The table below shows the breakdown of the payments:

| **Department** | **Date** | **Amount $** |
|---|---|---|
| Veterinary Technical Services | 29/08/2012 | 6 984 |
| Veterinary Regulatory Services | 26/10/2012 | 4 585 |
| Plant and Quarantine Mazowe Institute | 30/05/2012 | 1 680 |
| Total | | **$13 249** |

**Risk/Implication**

Fraudulent payments may be processed.

**Recommendation**

The Ministry must ensure that contracts are entered with the casual workers and attendance registers must be attached to the payment vouchers to authenticate the expenditure incurred.

**Management Response**

**Veterinary Technical Services and Plant Quarantine Research had contracts and registers relating to its casual workers in place during 2012. The contracts and registers are available for inspection by the auditor. However, Veterinary Regulatory Services had no such documents in place and corrective measures were since taken. To date contracts and registers relating to casual workers are in place at the stations where they are engaged.**

***Auditor's Comment***

*The Ministry did not avail the documents for verification.*

**Opinion**

Because of the significance of the matters described in the basis for Disclaimer of Opinion paragraphs 1 to 4, I have not been able to obtain sufficient appropriate audit evidence to provide a basis of opinion. Accordingly, I do not express an opinion on the Agricultural Revolving Fund financial statements for the year ended December 31, 2012.

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

## 5 CASH MANAGEMENT

### 5.1 Cash Deficiency

**Finding**

A reconciliation of cash on hand and the cash registers maintained at the Animal Management and Health Centre revealed a cash deficit of $11 266 during a cash count conducted at the accounts office on September 27, 2014. I could not establish the cash holding position as no satisfactory explanation was provided for the difference.

**Risk/Implication**

State and donor funds may have been misappropriated.

**Recommendation**

The Department must institute an investigation to look into cash variances noted above and appropriate action should be taken.

**Management Response**

**Internal audit has been requested to carry out an investigation relating to the cash deficit and measures will be taken where facts indicate that embezzlement of Government funds took place.**

**PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**

**Consolidation of the Financial Statements**

I could not verify the correctness of the figures disclosed in the consolidated financial statements for 2011. There was improvement in 2012 as the breakdown or make up of the figures was shown.

**Procurement of Goods and Services**

Payments for goods and services were done without the requisite three quotations.

**Progress**

There was improvement at Matopos Research Station, however there was no change in the other stations.

**Suspense Account**

I could not rely on the financial statements because amounts of $1 066 377 and $198 152 disclosed in the Balance Sheet as Suspense Account in 2010 and 2011 respectively were not explained satisfactorily.

**Progress**

The situation remained unchanged with the suspense being reported at $115 427.

**Submission of Accounts**

Late Submission of Consolidated Financial Statements.

**Progress**

There was an improvement even though the statutory deadline was not met.

**Cash Book**

The cash books at Plant Quarantine Services Mazowe, Forbes Border Post Mutare, Mutare Provincial Agritex Office, Nyanga Experiment Station, Masvingo Veterinary Field Services, Beit Bridge Plant Quarantine Services, Makoholi Research Station and Chiredzi Research Institute were not being updated and reconciled with bank statements. I could not therefore ascertain whether all transactions for the financial years 2009, 2010 and 2011 were fully captured in the accounts.

**Progress**

The situation remained unchanged.

**Depreciation**

The Fund did not charge depreciation on its Property, Plant and Equipment in 2009 and 2011. There was improvement as the Ministry was now charging depreciation.

**Management of Public Resources**

A total of 864 cattle for Matopos Research Institute had been missing for a period ranging from 3-7 years. At the time of audit only 89 cattle had been recovered. I was not satisfied with the recoveries at the time of audit as 775 cattle were still missing.
The Ministry bought 207 motor bikes for $579 600 in the year 2010 and 20 motor vehicles for $478 927 in 2011 but the two figures were not disclosed in the respective balance sheets under non-current assets.

**Progress**

The situation had not improved during the year under review as the count of biological assets carried out in September 2014 revealed an increase in missing cattle from 864 in 2011 to 1381.

The issue of motor bikes has been resolved as the assets were included in the 2012 financial reporting period.

## VOTE 9.- MINES AND MINING DEVELOPMENT

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Mines and Mining Development for the year ended December 31, 2014.

**Basis for Qualified Opinion**

## 1 GOVERNANCE ISSUES

### 1.1 Unreconciled Year End Balances

**Finding**

There was an unexplained difference of $4 919 between the total expenditure figures disclosed in the Appropriation Account of $3 351 894 and the balance of $3 356 813 reflected in the Sub- Paymaster General's Account. I was unable to determine the accuracy of the total expenditure disclosed in the Appropriation Account as no reconciliations had been done.

**Risk/Implication**

If a reconciliation statement is not properly done by disclosing the sources of variances between the accounting records, the financial statements could be misstated or errors may not be detected. The correctness of financial statements may also be in doubt.

**Recommendation**

The Ministry should prepare monthly reconciliation statements and maintain accounting records up-to-date at all times. In cases where there are differences between accounting records, the sources of such differences should be identified and disclosed.

**Management Response**

**The observation is noted. We are still looking into the matter.**

## 2 REVENUE COLLECTION AND DEBT RECOVERY

### 2.1 Revenue

**Finding**

Examination of revenue records revealed that total revenue received from provincial offices amounted to $673 580. This figure was subsequently reversed in the financial records by way of journal entries. The reasons for the reversals were not explained.

### Risk/Implication

The Ministry may continue to lose revenue if the internal control systems are not strengthened.

### Recommendation

The Ministry should strengthen the revenue collection system to ensure that it does not contain leakages. Revenue records should be properly maintained and any adjustments that may be effected should be properly supported by adequate documentation and competent authority.

### Management Response

**The observation is noted. Reversal profiles will be allocated to supervisors. Members of staff will be trained to avoid the recurrence of such errors.**

## 2.2 Computerisation of Mining Titles and Records

### Finding

On page 77 of my report for the year ended December 31, 2013, I mentioned that the Ministry had not computerised mining titles and records. In the year under review, the Ministry was still on a manual system and had not computerised its system. If the system was computerised, the Ministry would be in a position to determine the amount of revenue receivable from clients in a given financial period. For the year under review, I observed that revenue collected decreased from $41 882 228 in 2013 to $22 233 930, giving a difference of $19 648 298 (47%).

### Risk/Implication

The Ministry may continue to lose revenue if the database for the mining titles is not computerised and if the internal control systems are not strengthened.

### Recommendation

The Ministry should continue making efforts to computerise the mining titles system to improve reliability of database of its clients.

### Management Response

**The observation is noted. We are still in the process of computerising the mining titles system.**

## 3 PROCUREMENT

### 3.1 Inadequately Supported Payment Vouchers

**Finding**

For the third year in succession, expenditure amounting to $142 828 (2013: $121 093) was not supported by sufficient and relevant documentation such as goods received notes and receipts. The expenditure is made up of an amount of $124 245 paid directly to a service provider by Treasury and other expenditure of $18 583. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself that the expenditure was a proper charge to the vote. The weakness could have been a result of lack of supervision and enforcement of internal controls by management.

**Risk/Implication**

Suppliers could be paid for goods not received or funds could be misappropriated if receipts and goods received notes are not raised and kept to support expenditure.

**Recommendation**

The Ministry should ensure that goods received notes are raised and filed. Receipts to support the actual payments should be attached to the relevant payment vouchers.

**Management Response**

**The observation is noted. Corrective measures have been taken to avoid repetition of the same weakness.**

***Auditor`s Comment***

*The Ministry has made commitment to address the weakness in the future. The current position has not changed.*

## 4 EMPLOYMENT COSTS

### 4.1 Payment of Transport Allowances

**Finding**

In violation of the Public Service Commission Circular Number 5 of 2011, the Ministry paid transport allowances totalling $6 900 to 10 employees who had received official motor vehicles. Contrary to the provisions of the same regulations, the Ministry issued to employees the motor vehicles without obtaining authority from the Civil Service Commission.

**Risk/Implication**

The employees were double dipping through receiving both transport allowances as well as full access to official motor vehicles.

**Recommendations**

The Ministry should cease payment of transport allowances for all employees who received motor vehicles. The Ministry should also obtain authority from the Civil Service Commission to regularise the use of official motor vehicles.

**Management Response**

**The observation is noted. The Ministry was in the process of regularising all irregular cases.**

**Opinion**

In my opinion, except for the matters described in the Basis for Qualified Opinion paragraphs 1 to 4 above, the Appropriation Account fairly present in all material respects, the financial position and performance of the Ministry of Mines and Mining Development for the year ended December 31, 2014.

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

## 5 ASSETS MANAGEMENT

### 5.1 Management of Motor Vehicles

**Finding**

It was observed that at least 30 motor vehicles were not recorded in the motor vehicles register or master assets register.

The Ministry also failed to match the Government number plates to the relevant yellow registration number plates for 11 motor vehicles which could result in loss of identity and control of motor vehicles.

**Risks/Implications**

If proper asset records are not maintained up to date, the Ministry could lose assets as these could be converted to personal use without detection.

Failure by the Ministry to match the Government white number plates to the yellow registration number plates, is evidence of poor recording keeping.

**Recommendation**

The Ministry should maintain an up to date motor vehicles register as one of the ways to ensure control and safeguard assets against loss or conversion to personal use.

**Management Response**

**The Motor Vehicles Register provided for audit does not include Minerals Unit vehicles. The register for Minerals Unit Vehicles is housed and maintained at Minerals Unit. The Ministry however, has a record for vehicles under the minerals unit.**

**Most of the pool vehicles have dual number plates i.e. yellow and Government number plate. However, in the majority of cases, vehicles were recorded in the register using only one number plate which gave rise to double counting on auditing. We are however unable to match the Government number plate to the yellow number plate captured in the register for some of the vehicles.**

## 6.1 Non Submission of Return

**Finding**

The Ministry failed to submit a return of loans or advances received from Statutory Funds as required by Audit Circular number 1 of 2014. I was unable to determine the total amount of loans or advances made to the Ministry by the Statutory Funds under the administration of the Ministry.

**Risk/Implication**

Failure to disclose the amounts of loans or advances made to the Ministry by Statutory Funds under the Ministry could result in concealment of liabilities and abuse of the resources of the Funds.

**Recommendation**

The Ministry should disclose all the loans or advances made to it by Statutory Funds and ensure that the amounts are repaid to the Funds and submit the return for audit examination in compliance with Standing Instructions.

**Management Response**

**The observation is noted. The schedules of loans or advances have been treated as debtors in the financial statements.**

## 7 ZIMBABWE AGENDA FOR SUSTAINABLE SOCIO-ECONOMIC TRANSFORMATION

### Achievements during the Year

The Ministry belongs to the **Value Addition and Beneficiation cluster** under the ZIMASSET.

1. The Ministry managed to license three cutting and polishing companies during the year under review, from zero in 2013.
2. Industrial diamonds were processed and produced 100 000 carats resulting in the creation of 1 000 jobs.
3. The Ministry banned the export of chrome ore and commissioned a chrome smelter plant (Afrochine) at Selous with a capacity to process 190 000 tons of ore per month.
4. The Ministry identified a location for the establishment of a diamond park.
5. Diamond cutting and polishing training programme was introduced at Mutare Polytechnic College.
6. Database on the nation's minerals was setup.
7. The Ministry decentralised its activities closer to its clients in provinces.

## 8 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### Findings

The Ministry managed to implement one issue out of four issues raised in my previous year audit report. The following issues remained outstanding:

- Delayed installation of the computerisation of mining titles systems. All activities of the Ministry were still being manually processed at the time of audit.
- Inadequately supported payment vouchers, these did not have goods received notes and receipts attached to them.
- Incomplete Master Assets Register.

### Risk/Implication

It would be difficult to effect improvement in accountability if audit recommendations are not implemented.

### Recommendation

The Ministry should implement all audit recommendations in order to effect improvement in accountability.

### Management Response

**The audit observation is noted and agreed. The Ministry was making effort to ensure that all remaining audit recommendations are implemented.**

## SPECIAL GOLD UNIT FUND 2013

### Objective of the Fund

The Fund was established to mobilize and manage financial, human and material resources for the purpose of curbing mineral leakages, particularly gold.

I have audited the financial statements for the Special Gold Unit Fund for the year ended December 31, 2013.

### Basis for Qualified Opinion

## 1 GOVERNANCE ISSUES

### 1.1 Travelling and Subsistence Advances not Acquitted

#### Finding

In violation of Treasury Instruction 1505, the administrators of the Fund made advance payments for Travelling and Subsistence allowances totalling to $38 625 to members of the Special Gold Unit under the Ministry of Home Affairs. The total amount had not been acquitted by the time of completing the audit on April 30, 2015. I am concerned that the chances of getting the amounts cleared are slim as all the debtors are employed by another Ministry.

#### Risk/Implication

The Fund might end up failing to recover the advances if action is not taken to acquit the advances cleared upon return to home station by recipients.

#### Recommendations

The administrators of the Fund should ensure that advances for travelling and Subsistence allowances are cleared timeously as required by Treasury Instruction 1505. New advances should not be issued before old ones are cleared.

#### Management Response

**The rejected acquittals have since been returned to Special Gold Unit Head of Department for regularization.**

***Auditor`s Comment***

*The acquittals produced for audit were not properly compiled because the papers were not filled in by the recipients of the advances but rather processed in bulk by third parties in the Ministry.*

**Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements fairly present, in all material respects, the financial position of the Special Gold Unit Fund as at December 31, 2013 and its financial performance for the year then ended.

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

## 1.2 Cash Payments

**Finding**

Due to non-compliance with Section 6 (iii) of the Fund's Constitution, the administrators of the Fund made several cash payments instead of using the bank transfers or cheques. Furthermore, an analysis of the cash disbursement register submitted for audit showed that it was not properly maintained. I was therefore unable to determine and satisfy myself that all the cash withdrawn during the year under review was properly accounted for.

**Risk/Implication**

Processing of payments using cash transactions and failure to maintain an up to date disbursement register could result in cash losses or misappropriation of funds.

**Recommendation**

The administrators of the Fund should adhere to the requirements of Section 6 (iii) of the Fund’s Constitution by ensuring that methods of payments such as cheques or bank transfers are used in order to guard against cash losses or misappropriation of funds. A cash disbursement register should be maintained up to date to ensure that all cash transactions are properly recorded.

**Management Response**

**Special Gold Unit’s operations sometimes require the use of cash on emergencies. However, we have since abandoned the use of cash as from January 2014.**

## 1.3 Accounting Officer’s Instructions

**Finding**

The Fund’s Constitution Section 6(i) requires the Secretary for Mines and Mining Development to issue detailed Accounting Officer’s Instructions on accounting and administrative procedures for the effective administration of the Fund. Contrary to this requirement, the Fund was operating without an Accounting Officer’s Instructions.

**Risk/Implication**

The absence of the Accounting Officer's Instructions manual may result in staff failing to effectively administer the Fund as they would lack guidelines on accounting and administrative procedures that should be followed.

**Recommendation**

The Accounting Officer should put in place an Accounting Officer's Instructions manual that could be used by staff members on accounting and administrative procedures for the effective administration of the Fund.

**Management Response**

**The audit observation is noted. New Accounting Officer's Instructions will be put in place.**

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

**Finding**

2.1 Out of the two issues raised in the Auditor-General's 2013 report, the Ministry managed to partly implement one issue concerning fraud where the suspect was summarily discharged from the service. However, the Ministry is still in the process of approaching the civil courts for authority to recover the amount of prejudice totalling $8 000.

2.2 The issue of missing payment vouchers amounting to $11 850 still remained outstanding as the missing documents had not been recovered.

## VOTE 10.- ENVIRONMENT, WATER AND CLIMATE

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Environment, Water and Climate for the year ended December 31, 2014.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Unsupported Expenditure

**Finding**

In violation of Treasury Instruction 1216, the Ministry did not obtain and keep adequate source documents such as receipts or any proof of payment to support expenditure totalling $404 805 in respect of utility bills paid on behalf of the Ministry by Treasury. I was therefore unable to determine whether the expenditure was a proper charge to the Vote.

**Risk/Implication**

Funds may be exposed to misappropriation if expenditure is incurred without following proper procedures and if not supported by source documents.

**Recommendation**

The Ministry and Treasury should work closely to ensure that proof of payment is obtained from service providers.

**Management Response**

**Ministry of Finance minute Reference A/26/1/40 dated December 12, 2014 advised of a setoff of an amount of $404 605 to Tel-One. The former Ministry of Water Resources had outstanding telephone bills. Relevant Tel-One bills are available for inspection.**

***Auditor's Comment***

*The Tel-One bills which were availed for audit inspection were not adequately supported by receipts as proof of payment.*

### Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the Appropriation Account present fairly, in all material respects, the financial position and performance of the Ministry of Environment, Water and Climate for the year ended December 31, 2014.

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

## 2 ZIMBABWE AGENDA FOR SUSTAINABLE SOCIO-ECONOMIC TRANSFORMATION (ZIM-ASSET)/RESULT BASED MANAGEMENT PROGRESS REPORT

The Ministry of Environment, Water and Climate falls under the clusters of Infrastructure and Utilities, Food Security and Nutrition. The Ministry is responsible for environmental management, climate and climate mitigation programmes and water resources planning and management.

**Achievements during the year**

### CLUSTER: INFRASTRUCTURE AND UTILITIES

**Dam Conveyance Systems Construction**

The Ministry planned to construct eight (8) dams, one dam was completed while four (4) were constructed to 90% completion and above. One dam was partially constructed and construction of the other two (2) was not commenced mainly due to resource constraints.

**Construction of Rural Water Supply and Sanitation schemes**

The Ministry had planned to construct twelve (12) Rural Water Supply Sanitation schemes. The Ministry partially achieved three (3) and the other six (6) were not done.

**Construction of Urban Water Supply and Sanitation schemes**

The construction of Urban Water Supply and Sanitation Schemes was in progress in ten (10) urban areas. The levels of completion ranged from 30-90%.

### CLUSTER: FOOD SECURITY AND NUTRITION

**Environment Management**

The Department of Environment and Natural Resources had planned for ten (10) outputs on improved natural resource management and none of these were achieved.

**Protection and Conservation**

The Department of Environment and Natural Resources managed to achieve two (2) outputs on increased ecosystem representations in the parks estates as planned.

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Out of four issues highlighted in my previous audit report, the Ministry managed to implement three audit recommendations. The issue relating to failure to maintain a consolidated master assets register remained outstanding.

## LAKE KARIBA FISHERIES RESEARCH INSTITUTE 2013

### Objective of the Fund

The Institute is established in terms of the Public Finance Management Act *[Chapter 22:19]*. Its mandate is to foster the sound development of a fishing industry and ancillary activities in the Lake Kariba area through investigations into the limnological, technological and economic aspects of the fisheries potential and setting up of demonstrations and training programmes in fishing and related activities. The Institute is administered by Parks and Wildlife Authority.

I have audited the financial statements of Lake Kariba Fisheries Research Institute for the year ended December 31, 2013.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lake Kariba Fisheries Research Institute as at December 31, 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

### 1 GOVERNANCE ISSUES

### 1.1 Threatened viability of Kapenta industry

**Finding**

The quantity of Kapenta harvested from Lake Kariba has been decreasing every year since 1970 thereby threatening the viability of the industry. The causes for such decrease included illegal harvesting of Kapenta in restricted areas such as river mouths and shallow areas which are the breeding places for Kapenta. Furthermore, the increase in players increased pressure on the resource over time. Zimbabwe currently has 400 rigs against Zambia's 1 000 rigs. The research that was done recommended that only 500 rigs should be in the Lake for it to be viable.

In the 1970s one rig could harvest 1400kgs of Kapenta per night, but currently only 60kgs per night is being harvested. The following table illustrates the decline in Kapenta harvesting over a period of four decades:

| Period | Kilograms/Rig/Night |
|---|---:|
| 1970s | 1 400 |
| 1980s | 350 |
| 1990s | 80 |
| 2012/2013 | 60 |

**Risk/Implication**

The viability of the Kapenta industry is threatened and overfishing was occurring due to increased players in the Lake.

**Recommendations**

There is need to adhere to the recommended number of rigs that should optimally operate in the lake.

The ratio of rigs between Zambia and Zimbabwe should be observed and each nation should confine itself to its approved boundaries to avoid overfishing through encroachment.

**Management response**

**Noted. Efforts are actually underway where Zimbabwe and Zambia have undertaken a Bio-economic survey of the lake. It was agreed that the optimal number of rigs for Lake Kariba is 500. Therefore Zimbabwe and Zambia will have to reduce the number of rigs operating on the lake. Over a 10 year period, Zimbabwe shall have to reduce at a rate of 13 rigs per year and Zambia at a rate of 50 rigs per year. It is envisaged that by 2023, Zimbabwe will have 275 rigs and Zambia will have 225 rigs according to the Protocol agreement on fishing effort sharing. At this point, the lake will be at its Maximum Sustainable Yield (MSY) level**

## 2 REVENUE COLLECTION AND DEBT RECOVERY

### 2.1 Trade and Other Receivables

**Finding**

The value of trade and other receivables in the financial statements included amounts dating back to 2010. The recoverability of such amounts was doubtful. The Debtor's policy states that a final warning is issued after 21 days and the defaulter is handed over to the legal section after 28 days with the subsequent suspension of his operating permit. However, there was no evidence that defaulters were handed over to the entity's legal department as per the Authority's receivable policy. The following is a list of debtors who failed to honour their obligations since 2010:

| Year | Name | Amount US$ |
|---|---|---:|
| 2010 | Chiedza fisheries | 2 108 |
| 2010 | Lake Freight | 3 090 |
| 2010 | Kapenta Ventures | 6 256 |
| 2010 | Muyamuri Enterprises | 1 642 |
| 2010 | Prime Fisheries | 1 171 |
| 2010 | Promeb Distributors | 3 587 |

**Risks/Implications**

The Institute may experience cash flow challenges due to non-payment by debtors.

Debts may be irrecoverable.

**Recommendation**

Evaluation of trade debtors (Kapenta permits) should be done annually so that those not operating and defaulting in payments can have their permits withdrawn.

**Management response**

**Noted. An exercise has already been carried out that identified defaulters and a total of 72 fishing units under 26 companies were recommended for cancellation. These operators have not been making significant payments to the Authority. The Regional Office has received the list of defaulters and has forwarded these to the Authority's legal section. This exercise shall continue to be carried out to regularly update debtors and possible cancellations of those who fail to service their debt to the Authority.**

### 2.2 Banking

**Finding**

Cash that was being receipted for fish permits at Nyamhunga Township was not banked daily as per standard practice despite the fact that the receipting point was in town, close to the bank. The following table shows a sample of days selected which show the time lag between receipting date and banking date:

| **Date** | **Receipt** | **Amount $** | **Date Banked** | **Time lag (days)** |
|---|---|---|---|---|
| 3/05/13 | 112568 | 500 | 9/05/13 | **6** |
| 6/05/13 | 112569-71 | 240 | 9/05/13 | **3** |
| 10/05/13 | 112572-78 | 1 945 | 14/05/13 | **4** |
| 27/12/13 | 0380968-72 | 2 355 | 30/12/13 | **2** |

**Risk/Implication**

Delayed banking may result in embezzlement of funds and there is also an increased risk of being robbed.

**Recommendation**

Cash should be banked timeously after receipting at least on a daily basis.

**Management response**

**Noted. Strict measures have been put in place to ensure that all monies are banked on the day of collection.**

## 2.3 Cash Receipts

**Finding**

The Officer receipting cash at Nyamhunga Township, especially for gillnetting was doing so at an open space within the Council premises. There was no security for the Officer and the receipted cash. At the end of the day, the Officer carried the money receipted to his home and not to the office for safe keeping.

**Risks/Implications**

Carrying money without adequate security exposes the Officer to robberies.

The Officer is exposed to harsh weather conditions such as heat and rain due to the absence of a shelter to operate from.

**Recommendations**

The receipted money should be banked daily and where this is not possible it should be kept in a safe under lock and key at the Institute's offices. In addition the Institute should consider having an appropriate structure with adequate security from which it conducts business.

**Management response**

**Noted. The arrangement was initially made to reduce the distance that people wishing to buy fish buying and selling permits would have to travel if payments were to be made at the Authority's various offices. However, issues raised are appreciated and steps shall be made to ensure more secure conditions are employed.**

## 2.4 Fishing Offenders

**Finding**

There was a high incidence of repeat offenders for Kapenta fish, especially for fishing in the prohibited areas. From a sample analyzed, the following repeat offenders were identified:

| Operator | Amount owing US$ | Number of times fine tickets were issued |
|---|---|---|

| | | |
|---|---|---|
| Caribbean Fisheries | 5 759.50 | 8 |
| Chakanyuka Development | 11 312.00 | 13 |
| Chiedza Fisheries | 2 107.50 | 5 |

**Risks/Implications**

Excessive harvesting may result.

High incidence of repeat offenders could signal inadequacy of existing enforcement mechanisms or that fines and penalties are not punitive enough.

**Recommendations**

The fines should be deterrent enough so that one will not repeat the same offence.

The Institute should look into the possibility of taking legal action through the civil court.

**Management response**

**Noted. As stated measures are being employed to ensure that defaulters have their permits withdrawn and debt collection is handed over to legal section to ensure full recovery of monies owed to the Institute.**

## LAKE KARIBA FISHERIES RESEARCH INSTITUTE 2014

### Objective of the Fund

The Institute is established in terms of the Public Finance Management Act *[Chapter 22:19]*. Its mandate is to foster the sound development of a fishing industry and ancillary activities in the Lake Kariba area through investigations into the limnological, technological and economic aspects of the fisheries potential and setting up of demonstrations and training programmes in fishing and related activities.

I have audited the financial statements for the Lake Kariba Fisheries Research Institute for the year ended December 31, 2014.

### Opinion

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

However, below are material issues noted during the audit.

### 1 GOVERNANCE ISSUES

### 1.1 Risk Management Policy

**Finding**

I noted that the risk management policy in place was adopted from the Zimbabwe Parks and Wildlife Management Authority and the policy was not customised to suit the circumstances prevailing at the Institute.

**Risk/Implication**

The policy may not be able to address risks specific to the Institute‘s operations.

**Recommendation**

The Institute should customise its risk management policy in line with its operations.

**Management response**

**A more relevant and specific policy to the institute will be put in place.**

## 1.2 Strategic Plan

**Finding**

A strategic plan assists organisations by giving them direction through establishment of organisational objectives that will lead to the development of effective operational plans. I however noted that Lake Kariba Fisheries Research Institute was operating without a strategic plan.

**Risk/Implication**

The Institute may fail to achieve its mandate in the absence of a strategic plan

**Recommendation**

The Institute should formulate and implement a strategic plan

**Management response**

**The institute draws its strategic plan from the main Zimbabwe Parks and Wildlife Management Authority strategic plan. However, plans are underway to formulate an institute strategic plan. Efforts were made in 2011 to formulate a strategic plan but this was put on hold to wait for the Authority's strategic plan which was finalised in 2014. By the end of 2015 a plan will be in place for the institute.**

## 1.3 Declaration of Interests

**Finding**

There was no evidence that Board members declared business interests for the Board meetings that they attended.

**Risk/Implication**

Conflict of interest may impair objectivity.

**Recommendation**

Board members should declare their business interest in all meetings.

**Management response**

**Noted. A declaration of interests register shall be put in place.**

## 2 FINANCIAL PERFORMANCE

### 2.1 Revenue Growth

**Finding**

Total Revenue for the Institute declined by 0.86% as compared to the 2013 financial year. Of the revenue heads, only Kapenta sales revenue increased by 2.91% as compared to prior period. Other revenue heads such as gillnetting, fish vending and law enforcement recorded declines of 18.5%, 31% and 2.59% respectively and this was largely attributed to the decision to withdraw permits from some fisheries. Expenditure grew by 16% against a corresponding 0.86% decline in revenue which is a potential threat to the sustainability of the institute.

| Revenue item | 2014 US$ | 2013 US$ | Difference US$ | Percentage Variance |
|---|---|---|---|---|
| Kapenta sales | 408 378 | 396 820 | 11 558 | 2.91 |
| Gillnetting | 13 200 | 16 200 | -3 000 | -18.5 |
| Fish vending | 23 955 | 34 600 | -10 645 | -31 |
| Law enforcement | 97 735 | 100 336 | -2 601 | -2.59 |
| **Total** | **543 268** | **547 946** | **-4 678** | **-0.86** |

**Staff costs as a percentage to revenue**
Whilst revenue declined, staff costs to revenue percentage increased from 36% in 2013 to 47% in 2014.

| Year | Staff costs US$ | Revenue US$ | Staff cost as % of Revenue |
|---|---|---|---|
| 2014 | 253 904 | 543 268 | 47 |
| 2013 | 195 422 | 547 956 | 36 |

The fishing industry was characterised by diminishing fish catches, high operating costs and the general liquidity challenges.

**Risk/Implication**

The existence of the institute as a going concern is compromised.

**Recommendation**

Management should harness expenditure in line with revenue growth

**Management response**

**Ageing fleet indeed explained the increase in repairs for boats and motor vehicles. A new vehicle will be purchased in the forthcoming year. New vessels purchase option will be pursued, resources permitting.**

**Sales declined as some permits were withdrawn and none existent debtors were not invoiced any more.**

## 3 REVENUE COLLECTION AND DEBT RECOVERY

### 3.1 Credit Policy

**Finding**

I noted that the credit policy in place was adopted from Zimbabwe National Parks and Wildlife Management Authority and was not customised to suit the circumstances prevailing at Lake Kariba Fisheries Research Institute. Such failure to have a specific receivables policy had significantly contributed to the situation where 85% of the debts were aged over 120 days.

**Risks/Implications**

Financial loss due to non-recoverability of debts

The institute should develop a policy that suits its operations

**Recommendation**

The Institute should formulate its own receivables policy that suits its operations.

**Management response**

**A more relevant and specific policy to the institute will be put in place.**

## RHODES MATOPOS ESTATE FUND 2013

### Objective of the Fund

The Rhodes Matopos Estate Fund is constituted in terms of the Rhodes Matopos Estate Act *[Chapter 20:14]*. The main purpose of the fund is to protect, manage and conserve the environment in Matopos and surrounding areas.

I have audited the financial statements of Rhodes Matopos Estate Fund for the year ended December 31, 2013.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Rhodes Matopos Estate Fund as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

### 1 GOVERNANCE ISSUES

### 1.1 Declaration of interest

**Finding**

There was no register for declaration of interests by members of the Rhodes Matopos Committee in 2013. I noted that;

A member of the Rhodes Matopos Committee during the period under review, was operating a sailing club under the name Matopos Lake Sailing Club (UmguzaYatch Club) without a valid lease agreement with the Parks and Wildlife Management Authority. This member is the Managing Director of this club that occupies 1.5208 hectares of the Park area and is deriving economic benefit from entry fees at the sailing club as well as fishing. There was no evidence that the Sailing club ever paid annual lease rentals since January 1, 2010. In addition, I observed that there was an unsigned draft memorandum of agreement that had pegged the lease rentals at $1 500 per annum. I was not availed with a signed copy of the final agreement.

I also noted that this member was involved in a mining dispute on one of the mining fields within the estate. The dispute was between Duive Enterprises and Mining Investment Syndicate represented by the aforementioned member of the Rhodes Matopos Committee. According to documents availed for audit none of the two parties had current rights to the claim since the Mining Investment Syndicate’s special grant was cancelled by the Ministry of Mines through an unreferenced minute dated 28 August 2013. On the other hand Duive

Enterprises had a special grant from the Ministry of Mines but did not have a lease agreement from National Parks which effectively authorizes the mining to commence.

**Risks/Implications**

Objectivity may be impaired when committee members deliberate on issues they have interests in.

Involvement by a member of the Rhodes Matopos Committee in such disputes may impact negatively on the reputation of the Fund since it is a tourist attraction.

**Recommendation**

The Fund should put in place formal procedures for declaration of business interests by its Committee members and key management staff.

**Management response**

**Management has noted the recommendation. Currently, Rhodes Matopos Committee is not in place, as soon as another Committee is appointed, management will ensure that declaration of business interest forms are completed by the Committee.**

**1.2 Statutory obligations**

**Finding**

During the year under review the Fund did not remit the following tourism fees to the Zimbabwe Tourism Authority and the Zimbabwe Revenue Authority.

| **Statutory fees** | **Amount $** |
|---|---:|
| Tourism Levy | 15 398.00 |
| VAT (ZIMRA) | 21 438.00 |

**Risk/Implication**

The Fund may be penalised for non-remittance of statutory obligations.

**Recommendation**

The Fund should remit statutory fees to relevant authorities on time.

**Management response**

**Management will remit VAT and Tourism fees as recommended.**

### 1.3 Cash payments to staff

**Finding**

Transport and subsistence allowances were paid in cash. I however, noted that the recipients were not acknowledging receipt of the money. The table below refers.

| Date | Applicant | Amount | Receipt Acknowledgements |
|---|---|---|---|
| 27.02.2013 | Zhuwawo Colum | US$250.00 | No Acknowledgement |
| 27.02.2013 | Mvula John | US$250.00 | No Acknowledgement |
| 22.02.2013 | Munkuli N. | US$60.00 | No Acknowledgement |
| 27.03.2013 | Nyathi O. | US$90.00 | No Acknowledgement |
| 11.02.2013 | Moyo S. | US$160.00 | No Acknowledgement |
| 11.02.2013 | Mutungoza P. | US$140.00 | No Acknowledgement |

**Risk/Implication**

Misappropriation of cash resources.

**Recommendation**

Beneficiaries of cash payments should acknowledge receipt by signing the cash disbursement register.

**Management response**

**All payments to individuals are now being acknowledged by signing on the payment voucher.**

## 2 REVENUE COLLECTION AND DEBT RECOVERY

### 2.1 White Waters-Cash office

**Finding**

White Water is a tourist centre which generates a sizable amount of income. However, I noted that the cash office at the station was being manned by a general hand without an accounting background. During the year, the station collected revenue amounting to about $40 451.

**Risk/Implication**

Possible errors may occur.

**Recommendation**

A qualified and knowledgeable accounting assistant should be employed at White Waters to attend to the cash office.

**Management response**

**An Accounts Clerk was deployed in June 2014 to White Waters.**

## 2.2 Mining Lease Agreements

**Finding**

Miners are expected to have mining lease agreements and special grants before they can start mining operations. However, I noted that there were no copies of such signed mining lease agreements on file for the following debtors:

Nugget Mine, Goerdie Mine, Carry Mine, Lone Star Mine, Criterion Mine, and Ntuhu Mine.

**Risk/Implication**

In the event of disputes the Fund may have no legal recourse in the absence of signed mining lease agreements.

**Recommendation**

The Fund should ensure that lease agreements with miners are signed and filed.

**Management response**

**Management will issue out mining permits to miners who comply with both mineral laws and Parks and Wildlife regulations.**

## 2.3 Debt Recovery

**Finding**

The debtors figure in the financial statements included debtors whose recoverability appeared doubtful. Debtors amounting to $352 310 were sitting in the books of the Fund for more than 120 days contrary to the debtors' policy which stipulates a 30 day payment period.

**Risk/Implication**

Recoverability of the debtors may be doubtful.

**Recommendation**

Management should put in place effective debt recovery methods.

**Management response**

**Management has noted the observation. Effective debt collection methods enshrined in the Debtors Policy will be implemented. Irrecoverable debts will be recommended for write off.**

## RHODES MATOPOS ESTATE FUND 2014

### Objective of the Fund

The Rhodes Matopos Estate Fund is constituted in terms of the Rhodes Estate Act *[Chapter 20:14]*. The main purpose of the fund is to protect, manage and conserve the environment in Matopos and surrounding areas.

I have audited the financial statements for the Rhodes Matopos Estate Fund for the year ended December 31, 2014.

### Opinion

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

### Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 20 to the financial statements. The Fund experienced a fire on October 31, 2014 which resulted in the destruction of the accounts office, accounting records and assets therein. Financial statements for the year then ended had to be prepared from duplicate documents from the regional office, other stations and reconstructed records and duplicate copies from suppliers. Reliance was therefore placed on this disaster recovery process applied to my satisfaction by management.

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

## 1 GOVERNANCE ISSUES

### 1.1 Strategic Plan

#### Finding

Rhodes Matopos National Park was operating without a strategic plan for the period under review. The last strategic plan covered the period 2007 to 2010.

#### Risk/Implication

The Institute may fail to achieve its mandate in the absence of a strategic plan

#### Recommendation

The Institute should formulate and implement a strategic plan

**Management response**

**Currently the station is using the Parks and Wildlife Management Authority's strategic plan. The observation has been noted and the Fund will come up with its own strategic plan document.**

## 1.2 Budget

**Finding**

The budget that was availed for audit for the period under review was not approved by the parent Ministry. Upon enquiry, Management informed me that they had prepared the budget and submitted it to the parent Ministry. However there was no evidence that the Ministry had responded to the budget.

**Risk/ Implication**

The entities operations may not be in sync with the strategic objectives of the parent Ministry

**Recommendation**

The Fund management should ensure that budgets are approved before they are put into operation.

**Management response**

**The budget was forwarded to Ministry of Environment, Water and Climate but they were never returned. Future follow ups will be made as recommended by Audit.**

# 2 REVENUE COLLECTION AND DEBT RECOVERY

## 2.1 Trade Receivables

**Finding**

Included in the debtors amount of $749 632 are debtors amounting to $635 613 (84.79%) which were in excess of 120 days. A large proportion of the amounts owed to Rhodes Matopos Estate Fund were in respect of mining activities that were being carried out in the Estate.

**Risk/ Implication**

There is risk of financial distress as funds will be locked in long outstanding debts.

**Recommendation**

Management should intensify its debt collection processes

**Management response**

**Management is continuously engaging the mining debtors. Currently service was disrupted to defaulters and some have now payment plans in place.**

## RHODES NYANGA ESTATE FUND 2013

### Objective of the Fund

The Rhodes Nyanga Estate Fund is constituted in terms of the Rhodes Nyanga Estate Act *[Chapter 20:14]*. The main purpose of the fund is to protect, manage and conserve the environment in Nyanga and surrounding areas.

I have audited the financial statements of Rhodes Nyanga Estate Fund for the year ended December 31, 2013.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Rhodes Nyanga Estate Fund as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

## 1 REVENUE COLLECTION AND DEBT RECOVERY

### 1.1 Long Outstanding Debtors

**Finding**

Trade receivables of $192 920 for the Fund as at December 31, 2013 were made up of amounts which were in excess of 90 days and there was no indication that the debtors were likely to settle their debt obligations sooner rather than later.

**Risk/Implication**

Long outstanding debts tie up cash resources that could be utilized to finance operations and other working capital requirements.

**Recommendation**

The Fund should revisit its policy of credit rating and exhaust all efforts to recover the debts.

**Management response**

**A number of debtors have been handed over to the Authority's lawyers and some cases taken to court. The station has since taken measures to ensure that outstanding debts are collected which include suspension of operations, cancellation of leases and where appropriate negotiations with the assistance of the parent ministry.**

## 2 EMPLOYMENT COSTS

### 2.1 Compensation Administration

**Finding**

An employee was injured at work and died on 17 May, 2006. National Social Security Authority received his claim from National Parks on 27 June, 2011. The Fund violated the National Social Security Authority regulations by not reporting the accident within 14 days of occurrence. This resulted in a penalty of two thousand dollars ($2 000) being levied against the Fund. The Fund failed to pay this amount until 11 March, 2013 when GNP 670 B1800 vehicle was attached by the messenger of court. This resulted in the Fund paying $3 417 made up of $590 messenger of court fees and $2 827 as the fine.

**Risks/Implications**

Late submission of claims may prejudice staff or dependants of their benefits.

Non-compliance with set regulations may result in penalties being levied or legal action being taken against the Fund.

**Recommendation**

The Fund should report accident claims within the prescribed period to avoid unnecessary penalties or legal action being taken against it.

**Management response**

**The Fund now has an officer responsible for Human Resources issues and is now able to report accident claims within the prescribed period to avoid unnecessary penalties.**

## RHODES NYANGA ESTATE FUND 2014

### Objective of the Fund

Rhodes Nyanga Estate Fund (the Fund) is an organisation which was established in Zimbabwe by an Act of Parliament, Rhodes Estate Act [Chapter 20.17]. It is mainly engaged in the operation of sustainable conservation. Other activities of the Fund include trout fish farming.

I have audited the financial statements for Rhodes Nyanga Estate Fund for the year ended December 31, 2014.

### Opinion

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

However, below are material issues noted during the audit.

## 1 GOVERNANCE ISSUES

### 1.1 Sustainability of Services

#### Finding

I observed that the ability of the Fund to effectively discharge its mandate (sustainability) could be threatened by the following challenges:

Revenue from operations declined by 10% from $544 164 (2013) to $487 996 (2014).

There was no significant movement of the debtors figure from 2014 $294 144 compared to 2013 $273 581. Included in debtors was an amount of $274 903 owed by Allied Timbers which had not been settled since the introduction of multi-currency in 2009.

Losses incurred in 2013 of $337 762 and $324 513 in 2014 reduced the accumulated fund from $1 388 975 at December 1, 2013 to $1 064 462 as at December 31, 2014.

#### Risks/Implications

Continued and sustainable losses may have negative impact on service delivery

Failure by debtors to settle outstanding amounts may cause liquidity constraints.

Liquidity constraints have a negative effect on service delivery.

**Recommendation**

The Fund should develop initiatives for revenue generation and cost containment. The entity should also make rigorous follow ups on its debtors.

**Management response**

**Agreed. A revaluation of assets will be carried out to reduce depreciation and old furniture in the lodges will be replaced when resources are available. The station is in the process of procuring a vehicle in order to sustain operations. On the Allied debt the station will continuously engage the parent Ministry for recovery of the debt**.

### 1.2 Declarations of Interest Register

**Finding**

There was no evidence that Board members declared business interests for the Board meetings that they attended.

**Risk/Implication**

Conflict of interest may impair objectivity.

**Recommendation**

Board members should declare their business interest in all meetings.

**Management response**

**Noted. The station will seek guidance from Head Office on the matter.**

### 1.3 Resource allocation

**Finding**

I observed that the Fund had inadequate motor vehicles for its operations. The Fund had only two vehicles that were always under repair. The numerous breakdowns resulted in increased repairs and maintenance costs during the period under review.

**Risk/Implication**

The Fund may not be able to discharge its duties effectively and continued maintenance of an aged fleet of motor vehicles impacts negatively on the Fund's financial resources.

**Recommendation**

There is need to replace the aged fleet of vehicles in order to reduce maintenance costs.

**Management's response**

**Agreed. Head Office will be asked to assist where they can but for now the Fund had placed an order for an additional vehicle from its own resources.**

## 2 REVENUE COLLECTION AND DEBT RECOVERY

### 2.1 Allied Timbers Debt

**Finding**

I noted that the Fund represented by the then Ministry of Internal Affairs entered into a lease agreement with Forestry Commission for an 80 year lease contract in 1949 for growing and processing soft wood at Erin forest, leasing 10 700 ha of land. In 2005 Forestry Commission was unbundled into a commercial entity and a research entity resulting in the formation of Allied Timbers as the commercial entity. Allied Timbers took over the lease agreement. Since the takeover of Erin forest by Allied timbers in 2005, 10 years ago, the rentals have not been paid. Since inception of the multi-currency in 2009 to date the amount owed by Allied timbers has risen to $274 903.The Authority in 2009 failed to stop Allied Timbers from operating and this resulted in a court interdict prohibiting the Fund's employees from entering Allied Timber's premises. Numerous efforts have been made by the Fund to recover the amounts owed without success.

As at March 19, 2015, the remaining years on the lease were 13 years as it expires in 2028.

**Risks/Implications**

The initial lease might not be legally binding to Allied Timbers (Private) limited hence the numerous battles.

Financial statements might be misstated due to recognition of revenue and irrecoverable trade receivables amount.

The amount recorded in the trade receivables might be impaired.

The Fund continues to lose potential revenue had it leased the area to someone else.

**Recommendations**

The Fund should draft a new lease agreement with Allied Timbers.

The Fund should seek legal guidance on the way forward with regards to the wrangles between the Fund and Allied Timbers (Private) limited.

There is need to assess the recoverability of the receivables due from Allied Timbers and the issue surrounding revenue recognition of the lease rentals.

**Management response**

**Agreed. Efforts have been made in the past and new efforts are being made now with the new management at the Ministry. The new management at the Ministry is sympathetic with our situation, so there is hope to recover the money**.

## VOTE 11.- TRANSPORT AND INFRASTRUCTURAL DEVELOPMENT

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account and supporting returns for the Ministry of Transport and Infrastructural Development for the year ended December 31, 2014.

**Basis for Qualified Opinion**

### 1 GOVERNANCE ISSUES

### 1.1 Unvouched and Misallocation of Expenditure

**Finding**

Section 81 (2) (b) (iii) of the Public Finance Management Act *[Cap. 22:19]* requires that all payments of public monies should be supported by sufficient vouchers or proof of payment. Contrary to this provision, the Ministry failed to avail for audit examination, payment vouchers amounting to $608 478 for the Harare- Mutare road project. I was therefore not able to verify the nature of expenditure incurred.

Treasury Instruction 0950 states that all expenditure on voted funds shall be classified under the appropriate subheads and items as shown in the estimates of expenditure. Treasury released $400 378 for the Harare- Mutare project, however the money was used to settle outstanding invoices for other projects, which were not catered for in the 2014 budget. The projects financed were namely Harare - Masvingo $199 785, Shamva-Bindura $58 965, Harare- Gweru $54 473, Makuti reseal unit $45 027, and Manyame Bridge $41 790. This expenditure was reported under Harare- Mutare project, thereby overstating the expenditure on that project and understating expenditure on various projects that actually received funding. The funds therefore, were not used on the planned project.

**Risks/Implications**

Without supporting vouchers it becomes difficult to verify payments made.

Failure to follow proper budgetary processes may result in State funds being used for purposes not intended.

The value of projects may be distorted if reporting of expenditure is misstated, creating room for fraudulent activities.

**Recommendations**

The Ministry of Transport should avail all payment vouchers so that the expenditure is validated.

Documents should be filed properly and secured.
Proper project accounting should be implemented to enhance accountability.

**Management Response**

**The Ministry is looking into the issue of missing payment vouchers once the list of the contractors has been availed.**

**The observation is correct. Treasury Instruction 0806 allows the Accounting Officer to move funds which are within the same sub-head to meet expenditure under another item within the Vote. The use of money from Harare-Mutare project to finance other projects was to avert pending litigations from contractors.**

***Auditor's Comment***

*The funds were availed by Treasury specifically for the Harare-Mutare project, and if the Accounting Officer decided that the long outstanding invoices should be prioritized, payments should not have been made through Harare-Mutare project.*

## 2 REVENUE COLLECTION AND DEBT RECOVERY

### 2.1 Receipts and Disbursements

**Finding**

In terms of Treasury Instruction 0411, all public money received should be receipted and the receipted money is also known as collections. In terms of Treasury Instruction 0454, all receipted monies should be banked in an official banking account daily or on the next banking day. I could not place reliance on the total annual receipts amounting to $20 091 146 reflected on the Receipts and Disbursement return, as it was at variance by $1 193 840 with the balance of $21 284 987 shown in the Public Finance Management System (PFMS) as at December 31, 2014. The Ministry did not reconcile the balances to establish the source of the variances.

**Risks/Implications**

Revenue accruing to the state may be lost if there are weak internal controls in the collection, recording and reporting processes.

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

**Recommendation**

The unreconciled figure of $1 193 840 should be investigated and corrected.

.

**Management Response**

**The Ministry is investigating the variance of $1 193 840 which was overstated in the PFMS.**

***Auditor's Comment***

*At the time of concluding the audit, I had not received the reconciliation.*

**Opinion**

In my opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion paragraph, the Appropriation Account fairly presents in all material respects the financial position and performance of the Ministry of Transport and Infrastructural Development for the year ended December 31, 2014.

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

## 3 GOVERNANCE ISSUES

### 3.1 Understated Expenditure

**Finding**

During the year under review the Ministry of Finance made direct payments amounting to $2 762 669 on behalf of the Ministry. However, the Appropriation Account submitted for audit reflected expenditure to the tune of $2 590 004 in respect of direct payments made to service providers. The Ministry did not carry out a reconciliation to establish the source of the variance of $172 695. I was therefore, not able to confirm the correctness of the expenditure relating to direct payments.

**Risks/Implications**

The Appropriation Account may be misstated.

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

**Recommendation**

The Ministry should provide a reconciliation of the difference of $172 695.

**Management Response**

**A reconciliation was done to establish the source of the variance of $172 695. However, the actual variance is $186 419 which, was on the release letter done by Ministry of Finance. The Ministry could not ascertain whether the funds were paid direct to the service providers and the funds subsequently released during the year under review. This understatement can be rectified provided Ministry of Finance has confirmed paying the service providers.**

***Auditor's Comment***

*The Ministry should approach Treasury to investigate the variance and advise accordingly.*

## 3.2 Suspected Fraud

**Finding**

Treasury Instruction 0435 states that, where any loss or deficiency of cash, stamps or negotiable instruments is discovered and after preliminary investigation it is suspected that such loss or deficiency is attributable to criminal action it shall immediately be reported to the police for investigation. An Internal Audit report referenced 51/5 dated December 18, 2014 revealed that between January 2012 and May 2014, the Ministry suffered a loss of $181 950 through fraudulent activities perpetrated by an accounts clerk at its Victoria Falls station. The accounts clerk resigned when the fraud was uncovered to avoid prosecution. No subsequent action was taken to recover the loss suffered.

**Risks/Implications**

Failure to strengthen internal controls exposes public funds to misappropriation. Delays in taking appropriate measures against the suspect may send wrong signals to the rest of staff, that management tolerates fraud.

**Recommendation**

The Ministry should adhere to the requirements of Treasury Instruction 0435 by instituting recovery procedures for money that was stolen.

**Management Response**

**The case was reported to the Police in 2015. The reference numbers are available for audit inspection.**

***Auditor's Comment***

*The Ministry did not undertake any further action to recover the money that was stolen. The case was only reported to the Police in January 2015.*

## 3.3 Confirmations of Telephone Bills

**Finding**

Treasury made direct payments totalling $240 330 to telephone and cellular phone service providers on behalf of the Ministry. The Ministry was required to obtain confirmation from service providers on the amounts paid. However, the Ministry of Transport failed to provide evidence that it had obtained confirmations and receipts that the service provider had credited its accounts.

**Risks/Implications**

Payments by Ministry of Finance on behalf of the Ministry may result in overpayments to service providers.

Payments may be directed to wrong accounts resulting in loss of public funds.

**Recommendations**

The Ministry should liaise with Treasury on the payments made on its behalf and it should obtain receipts from the service providers for purposes of ensuring that payments were credited to its accounts.

**Management Response**

**We have engaged the service providers to which direct payments were made in an effort to obtain receipts or have the account credited.**

***Auditor's Comment***

*As at end of April 2015 I had not been provided with the evidence to confirm that payments had been posted to the Ministry's accounts.*

## 3.4 Telephone Usage

**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 moneys and the property for which they are responsible. The Ministry's telephones at Head Office are open to members of staff via the switchboard but there are no measures in place to control the use of landlines, such as limiting the time spent on private calls to reduce the cost of the monthly bill. As a result of weak controls the Ministry of Transport had an outstanding telephone bill of $1 919 774 dating back to 2012.

**Risk/Implication**

Members of staff may abuse the telephone facility leading to huge bills that are paid for from public resources.

**Recommendation**

The Ministry of Transport should introduce controls over the usage of telephones so that costs are minimized.

**Management Response**

**Measures are being undertaken to control the use of landlines. A PABX system with a monitoring device has been installed. The outstanding balance of $1 919 774 is dating back to a time when balances were converted from the Zimbabwe dollar to the United States dollar.**

***Auditor's Comment***

*Audit established that the PABX was not installed as stated in the response.*

### 3.5 Master Asset Register

**Finding**

The Ministry's Master Asset Register was not up to date at the time I conducted a physical verification of movable assets at Head Office. I could not therefore establish whether assets that were disposed of had been removed from the register. Furthermore, the Annual Departmental Asset Certificate, was not prepared in terms of Treasury Instruction 2004, as the certificates submitted from Provinces revealed that, Mashonaland East, West and Central, Manicaland, Roads Training Centre and Masvingo Province did not submit reports of any surpluses and/or deficiencies discovered and of any items found to be damaged, unserviceable or redundant. There were no certificates to the effect that all surpluses were taken on charge and that all deficiencies and damaged items and unserviceable items had been dealt with in accordance with Treasury Instructions. There were no assessment reports of the adequacy and suitability of the Departmental requirements in respect of both quantity and quality and of the general condition of the assets.

**Risks/Implications**

If the master asset register is not updated, the Ministry may fail to account fully for all the assets.

Failure to carry out an annual asset assessment may result in maintaining or keeping redundant and unserviceable assets on record. It may also result in procuring unsuitable or excess assets.

**Recommendation**

The Ministry should update the Master Asset Register capturing all relevant details such as serial/asset number and type/model of assets.

**Management Response**

**The observation is noted. The Master Asset Register is up dated regularly or when there are new acquisitions, donations or disposals. The Ministry believes that the register is up to date, since there are few assets which have been purchased from 2009.**

**It was an oversight on the part of the Provinces who had submitted certificates without explanations. They have since rectified the certificates which now include explanations where there are surpluses or deficiencies as well as values.**

***Auditor's Comment***

*The Master Asset Register was not up to date as alleged. At the time of concluding the audit, Ministry officials were still updating the register.*

*As at April 28, 2015 the rectified certificates and explanations on measures taken to deal with surpluses and deficiencies had not been submitted for my review.*

## 3.6 Department of Roads Unpaid Invoices

**Finding**

The Ministry had unpaid invoices amounting to $7 562 005 (2012: $8 331 008) for services rendered. Also the Ministry did not have a budget for clearing outstanding creditors, and there was no clear documentation of the criteria used when paying creditors. As reported in previous years, no system was in place to monitor timely payments of creditors leading to potential litigation against the Ministry, as some creditors were getting preferential treatment over others.

**Risk/Implication**

Without setting aside a budget, the Ministry may fail to clear the outstanding bills.

**Recommendation**

The Ministry should come up with a transparent system for clearing creditors and also expenditure should not be incurred when there are no funds.

**Management Response**

**The budget for outstanding creditors for the years 2012 to 2014 is included in the 2015 budget for ZINARA. However, due to cash flow constraints, ZINARA is slowly clearing the outstanding payments**.

***Auditor's Comment***

*The involvement of ZINARA in clearing the outstanding payments for the Ministry is not clear.*

## 4 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 4.1 Unsupported Expenditure

The Ministry paid cell phone bills on behalf of former staff members who left government employment in 2013.

***Auditor`s Comments***

*The Ministry did not provide evidence that the overpayments were recovered.*

## VOTE 12.- FOREIGN AFFAIRS

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Foreign Affairs for the year ended December 31, 2014.

### Basis of Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Mission Expenditure

**Finding**

The expenditure at Diplomatic Missions was still being processed manually as the Ministry of Finance has not yet rolled out the computerized system to missions. No documented guidelines have been put in place to safeguard the integrity of the financial information produced through the manual system. The expenditure for Missions uploaded onto the Public Finance Management System (PFMS) amounted to $37 930 638 whilst the Ministry's Appropriation Account reflected expenditure amounting to $36 673 473. Therefore expenditure as per system was more by $1 257 165 and this variance was not reconciled.

**Risk/Implication**

The Appropriation Account may be materially misstated if expenditure reported is not reconciled.

**Recommendations**

The Ministry should reconcile the balances on the PFMS and expenditure disclosed in the Appropriation Account in order to rectify the correctness of the amounts reported.

The Ministry should adhere to Section 78 of the Public Finance Management Act and ensure that all excess expenditure is appropriately authorized.

There is need for the Ministry to seriously engage Ministry of Finance so that Mission expenditure is also processed on SAP.

**Management Response**

**The observation is correct. PFMS expenditure exceeds Appropriation Account expenditure by $1 257 165, because 2013 expenditure was uploaded in 2014. These challenges will continue to occur every year for as long as the system is not being accessed by our missions.**

**Liquidity constraints, prevented Treasury's from sending reimbursements to our embassies timeously.**

## 1.2 Lease Agreements for Rented Properties

**Finding**

Treasury Instructions 1216 (a) (b), states that before forwarding a cash voucher for payment or a journal voucher for adjustment an officer initiating the transaction shall satisfy himself that the claim is a proper charge against public funds, and is according to regulation, tariff or agreement or is alternatively fair and reasonable.

Rentals for 42 properties amounting to US$117 116; Swiss Franc 90 148; Rand 554 552 and Ruble 5 675 440 were paid without valid lease agreements. This was due to failure by mission staff to renew lease agreements.

**Risk/Implication**

The rentals paid may constitute an improper charge against public funds and rentals may be inflated if no agreements are entered into.

**Recommendations**

The Ministry should ensure that all foreign missions negotiate and agree on lease rentals before payments are made. Lease agreements should be drawn and signed by both lessee and lessor.

**Management Response**

**It was an oversight on the part of our embassy staff if expired leases were attached to payment vouchers. Instructions are going to be sent to our embassies to remind our accountants to always attach a valid lease agreement on payment vouchers.**

***Auditor's Comment***

*At the time of concluding the audit, no formal instructions sent to accountants at embassies were provided.*

# 2 REVENUE COLLECTION AND DEBT RECOVERY

## 2.1 Usage of Revenue Generated at Missions

**Finding**

Treasury Instruction 0454 states that except when authorized in any written instructions receivers of revenues and other receivers of public money shall deposit daily all monies in the local bank for the credit of the Exchequer Account or other separate account applicable. However, revenue collected with a value of $2 199 657 (excluding collections on behalf of other government departments) through foreign missions, was not transferred to the credit of the Exchequer Account in line with the regulations.

**Risk/Implication**

Use of revenue without proper accountability compromises controls and can lead to misappropriation of funds.

**Recommendation**

The Ministry should avail a copy of Treasury authorisation and/or directive granting the Ministry the right to retain revenue collected at missions.

**Management Response**

**The observation is correct. Treasury Instruction 0454 in respect of banking public moneys is being adhered to by Head Office and Diplomatic Missions. It is true that revenue amounting to $2 199 657 was not transferred to Head Office for the credit of the Exchequer Account, because foreign exchange regulations of governments where Zimbabwe has embassies do not allow repatriation of revenue back to Zimbabwe, as embassies are not allowed to engage in income generating activities.**

***Auditor's Comment.***

*The procedures require that journals be done in the books of accounts so that the movement and utilization of funds is properly accounted for.*

### 2.2 Johannesburg Consulate-Bank Reconciliation Statement

**Finding**

During 2012 I observed that the Johannesburg Consulate bank reconciliations reflected receipts not deposited amounting to R4 734 514 and direct deposits not receipted worth R671 072. These amounts still appeared on the bank reconciliation statements for 2014 casting doubt on the existence of the cash receipted and/or alleged to have been deposited.

**Risk/Implication**

Failure to clear receipts not deposited and direct deposits not receipted for two years may imply that the cash cannot be accounted for.

**Recommendation**

The receipts not deposited and direct deposits should be investigated to establish what happened to the cash.

**Management Response**

**A memo containing recommendations following a visit by an Accounting team in 2012 has been forwarded to the Accounting Officer for his consideration and approval. Once approved the recommendations will be used to clear the amounts. The unreconciled balances of R4 734 514 and R671 072 are the main issues dealt with in the recommendations.**

***Auditor's Comment***

*The response is inconclusive and worrisome as the amounts have been appearing for almost three years.*

**Opinion**

In my opinion, except for the effects of the matters described in the Basis of Qualified Opinion paragraphs above, the sums expended have been applied for the purposes authorized by Parliament and the account present fairly, the expenditure and receipts of the Vote for the year ended December 31, 2014.

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

## 3 GOVERNANCE

### 3.1 Departmental Assets

**Finding**

The expenditure for acquisition of assets at diplomatic missions amounting to $661 840 was not uploaded onto the Public Finance Management System (PFMS) as at the end of the financial year.

**Implication**

The expenditure for acquisition of assets was understated. Assets purchased may also not be accounted for.

**Recommendation**

All expenditure incurred outside the system should be uploaded onto the system before the closure of the financial year to enhance accountability.

**Management Response**

**The observation has been noted. The expenditure for assets was not uploaded onto the PFMS because the programme has not yet been configured to accept assets purchased outside the system. However, the assets have been included in the Assets Register designed for that purpose.**

**3.2 Failure to Maintain an Advances Register**

**. Finding**

Treasury Instruction 1504 states that the Accounting Officer should ensure that efficient controls and accounting records are maintained in respect of all advances made. Despite my previous recommendations, the Ministry did not maintain an advances register. This resulted in twenty individuals who received a total of $210 047 being omitted from the return for outstanding salary advances.

Treasury Instruction 1506 paragraphs (c) and (g) stipulate that the advances return should show the date on which an advance was made and the arrangements for its recovery. I noted that advances amounting to $99 154 issued to fifteen individuals did not have requisite details like date when advance was issued, and recovery arrangements in place. I could not therefore determine the age of the outstanding advances.

**Risk/Implication**

Without up to date records the advances may be difficult to recover.

**Recommendations**

The Ministry should indicate dates and necessary details of advances and entries in the register should be checked and reviewed regularly. Appropriate follow up measures should be taken where necessary.

**Management Response**

**Comprehensive advances registers are maintained at our missions where recipients sign when advances are issued, while the Master advances register is maintained for Head Office. Salary advances of $210 047 were left out because, accounts for November and December 2014 had not been received at the time the return was compiled. A revised return has been prepared for resubmission.**

# 4 EMPLOYMENT COSTS

## 4.1 Outstanding Salary Advances and Salary Arrears

**Finding**

Treasury Instruction 1504 states that the Accounting Officer is responsible for the recovery of all advances made, by ensuring that the terms and conditions of advances are complied with.

I observed that $1 049 087 constituted advances outstanding from officers who were advanced salaries on posting to foreign missions more than two years ago. This was contrary to the requirement that individuals should pay back advances after being added to the Mission pay sheet where they would have been posted. No clear explanation was provided for failing to comply with the regulations.

There were outstanding salary advances amounting to $131 430 from individuals who had returned from tour of duty. Some of the advances dated as far back as 2002.

**Risks/Implications**

The Ministry might fail to recover outstanding salary advances due to lapse of time.

Failure to recover advances also deprives funding of other Ministry operations.

**Recommendations**

The Ministry should adhere to Treasury Instruction 1504 and ensure that control measures are put in place to recover outstanding advances. The Ministry should maintain records for salary arrears.

**Management Response**

**The Ministry has made efforts to try and recover advances from officers by writing letters reminding them to clear off their salary advances. Officers have failed to adhere to the terms and conditions of the advances because they claim that they are owed more money in salary arrears by the Ministry.**

**Officers who are back at Head Office but still have outstanding salary advances at missions have been instructed to clear the advances. Some have requested for payments plans and others have started paying towards clearing their advance.**

***Auditor's Comment***

*Only one officer has started paying towards clearing his advance, the rest have not paid.*

## 4.2 Understatement of Employment cost

### Finding

Section 36(1) (b) of the Public Finance Management Act *[Chapter 22:19]* as read with Treasury Instruction 709(a) states that the financial statements should show accurately, the expenditure for each vote.

I observed that the total wage bill for the Ministry amounted to $1 626 281 for the year yet the disclosed employment costs amounted to $971 762. This resulted in an understatement of the actual expenditure incurred on employment costs by $654 518. The omission may have been caused by direct payments that were processed on behalf of the Ministry by Ministry of Finance.

The Ministry made a transfer amounting to $172 584 on December 10, 2014 for the legal settlement of a case with its former employee. This amount was not included under employment costs for Sub-Vote I, thus understating the payment figure under the sub-head.

### Risks/Implications

Employment costs were understated and did not reflect the expenditure actually incurred during the period under review.

Misposting of expenditure may distort financial statements resulting in wrong decisions by users of financial information.

### Recommendations

The Ministry should reconcile the total wage bill of $1 626 281 with the disclosed employment costs of $971 762.

All expenditure should be correctly classified.

### Management Response

**The variance of $654 519 arose from the direct payments made to the Salary Service Bureau without passing through our Paymaster General Account. By the end of 2014 financial year, some of the budget support had not been provided, resulting in the variance.**

**Observation has been noted. The expenditure of $172 584 should have been included under Employment Costs of Sub-Vote I.**

# 5 PROCUREMENT

## 5.1 Obtaining of Quotations for Purchases

**Finding**

The Accounting Procedures Manual states that when procuring products which are not subject to a running contract three competitive quotations should be obtained to ensure the acquisitions offer the best value for money. I observed that vouchers from the New York mission for acquisitions of goods and services were not supported by quotations and a comparative schedule. This implied that the purchases were made without comparing costs in order to ensure that goods and services were acquired in the most efficient and economic manner.

**Risk/Implication**

Failure to obtain quotations from different suppliers may result in the mission not getting value for its money.

**Recommendation**

The New York mission should do competitive sourcing before procuring goods and services.

**Management Response**

**The observation has been noted. Over time, a position was established on the suppliers who provide the best value for money, and it was at that point that decisions were made as to where to purchase.**

***Auditor's Comment***

*The Ministry should always comply with Government regulations.*

## 5.2 Service Level Agreements.

**Finding**

The Ministry paid a total of $128 842 for maintenance of computers and motor vehicles and airline reservations on a regular basis to three companies without service level agreement or binding contracts. I was not provided with justification for engaging the three companies.

**Risk/Implication**

There is a risk that the Ministry will not be able to enforce delivery when there is no agreed service standards.

**Recommendation**

The Ministry should have service agreements in place and there should be transparency in engaging service providers.

**Management Response**

**The observation is correct. However, due to liquidity challenges that the Treasury is facing, this might force us to renegade on the terms and conditions agreed with service providers. The breach of contract may result in some penalties being levied against the Ministry. Given the situation, the Ministry feels that at least for now it continues to do business without entering into service level agreements.**

***Auditor's Comment***

*The service level agreements should be on the need basis so that the Ministry will not renegade on the terms and conditions, otherwise competitive sourcing has to be done. The Ministry need to uphold Government policies, procedures and processes.*

## 6 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 6.1 Unfair Dismissal of Staff

The dismissal was triggered by an ex-member of staff who violated the host country's regulations. The Ministry had no option but to recall the officer, however, it resulted in the Ministry being fined $344 313 as damages infavour of the ex-member of staff. It managed to pay $171 729 leaving a balance of $172 584. At another mission, 3 locally recruited staff were retrenched without following host country labour laws resulting in them being awarded undisclosed damages.

**The Ministry paid $172 584 in settlement of the case. No new cases were noted.**

## VOTE 13.- LOCAL GOVERNMENT, PUBLIC WORKS AND NATIONAL HOUSING

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Local Government, Public Works and National Housing for the year ended December 31, 2014.

**Basis for Qualified Opinion**

### 1 PROCUREMENT

### 1.1 Lack of Supporting Documents on Direct Payments

**Finding**

Contrary to the requirements of Section 81 (b) (iii) of the Public Finance Management Act *[Chapter 22:19]*, I was not availed with documents supporting payments amounting to $11 545 961 which were made by Treasury on behalf of the Ministry. Therefore, l could not satisfy myself that the payments were a proper charge to the vote. This was caused by misapplication of Government accounting procedures.

**Risk/Implication**

The Ministry may have paid for fictitious goods and services

**Recommendation**

The Ministry should ensure that all payments of public money are adequately supported by vouchers or proof of payment in accordance with Section 81 (b) (iii) of the Public Finance Management Act *[Chapter 22:19]*.

**Management Responses**

**The supporting documents are with Treasury and will be availed for audit once the Ministry collects the supporting documents.**

### 2 INVESTMENTS

**ADMINISTRATION AND GENERAL**

### 2.1 Long Outstanding Loans Advanced to Municipalities

**Finding**

Despite raising concern over the issue in my 2013 report, the Ministry again issued out additional loans amounting to $2 160 600 to Local Authorities that had not yet cleared their previous outstanding loan balances in contravention of the requirements of Section 7 of the loan and performance agreements entered by the parties. This was caused by the Ministry's lack of monitoring and control over loan disbursements. Table below refers:

| Local Authority | Opening Cumulative Loan Amounts Owing as at December 31, 2013<br>$ | Additional Loan Amount Issued in 2014<br>$ | Closing Cumulative Loan Amount Owing as at December 31, 2014<br>$ |
|---|---|---|---|
| Chegutu Municipality | 2 259 215 | 190 000 | 2 449 215 |
| Chinhoyi Municipality | 2 098 834 | 765 000 | 2 863 834 |
| Chipinge TC | 610 690 | 99 000 | 709 690 |
| Chiredzi TC | 673 450 | 458 600 | 1 132 050 |
| Gwanda Municipality | 1 505 388 | 225 000 | 1 730 388 |
| Hwange local Board | 1 052 913 | 385 000 | 1 437 913 |
| Victoria Falls | 3 558 883 | 38 000 | 3 596 883 |
| **Total** | **$11 759 373** | **$2 160 600** | **$13 919 973** |

In addition, I observed that these loans issued out to various Local Authorities during the year 2014 were not supported with certified invoices and certificates of payments in contravention of the requirements of Section 5.2 of the loan and performance agreements. This was caused by inadequate record keeping.

**Risks/Implications**

Outstanding loans may become irrecoverable through passage of time.

Loans may have been granted without following proper procedures.

**Recommendations**

The Ministry should desist from the practice of granting additional loans to Local Authorities before full settlement of their initial debt obligations in accordance with Section 7 of the loan and performance agreement.

The Ministry should adhere to the provisions of Section 5.2 of the loan and performance agreement entered into between the Government of Zimbabwe and various Municipalities.

**Management Responses**

**It is acknowledged that no repayments have been made to date by Local Authorities in terms of Section 7 of the loan and performance agreement. The payments are in parts due to the economic situation which has also affected viability of these entities seriously. However, the cited loans were paid in fulfilment of the total cost payment arrangements which were done between Treasury and the Local Authorities. Project cost was funded with periodic releases. The total value of loans as given in the observation was released to pay for outstanding certificate of works on the running projects. The Ministry has noted that the period given to start repayments is too short given the nature of the projects being done by Local Authorities. Repayments are expected when some projects have not even started due to procurement procedures that have to be followed. As a result the project itself will not have started to generate revenue. To address this position, the Ministry wrote to Treasury requesting a grace period on the loans issued to Local Authorities and also an increase on the loan tenure.**

**The quoted Section 5.2 stipulates that if the loans are paid direct to contractors there will be need for such attachments. This does not apply here because the loans are disbursed to beneficiary Local Authorities who in turn do their own procurement.**

***Auditor's Comment***

*The observation still stands due to the non-repayment of loans by Local Authorities, despite the obligation stated in the loan and performance agreement. For each loan disbursed new loan and performance agreements are signed by the respective Local Authorities. Thus for every new disbursement a new obligation to pay arises, which should be settled before a new loan and performance agreement is made.*

*The observation still stands due to the non-availability of supporting documents needed for each loan agreement signed. Section 5.2 further states that all invoices and certificates shall be submitted to the Ministry of Local Government, Public Works and National Housing.*

**NATIONAL HOUSING**

## 3 REVENUE COLLECTION AND DEBT RECOVERY

### 3.1 Ineffective Revenue Collection System

**Finding**

Contrary to the requirements of Treasury Instruction 0501, the Ministry did not during the year put in place mechanisms to collect rental arrears amounting to $131 320 from fifty five (55) tenants residing at Inkomo Public Works Houses, Belvedere and Francis flats.

**Risk/Implication**

Outstanding rentals may become irrecoverable through passage of time.

**Recommendation**

The Ministry should put in place an effective debt recovery system in compliance with the requirements of Treasury Instruction 0501.

**Management Responses**

**The audit observation has been noted. The Ministry is taking steps to recover the rent arrears from the former tenants through the legal department. Rentals for the forty (40) tenants at Inkomo Public Works houses are being deducted by Salary Services Bureau (SSB) through the stop order facility and this includes rent arrears.**

**Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs 1 to 3 above, the Appropriation Account present fairly, in all material respects the financial position and performance of the Ministry of Local Government, Public Works and National Housing as at December 31, 2014.

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

## 4 GOVERNANCE ISSUES

### 4.1 Excessive Administration Costs

**Finding**

I observed with concern that during the year, the Ministry incurred excessive administration costs of $1 649 456 in an effort to facilitate the payment of Chiefs and Headmen allowances amounting to $7 950 824. This was in contravention of Section 3 of the Public Finance

Management Act *[Chapter 22:19]* which requires Accounting Officers to exercise sound management of revenues and expenditures of votes under their management. This was caused by inadequate monitoring and control of administration costs by responsible personnel. Table below refers:

| **Month** | **Year** | **Chiefs & Headman Administration Costs $** | **Chiefs & Headman Allowances $** |
|---|---|---|---|
| January | 2014 | 66 000 | 734 000 |
| February | 2014 | 135 948 | 664 052 |
| March | 2014 | 144 174 | 655 826 |
| April | 2014 | 134 964 | 665 036 |
| May | 2014 | 134 964 | 665 036 |
| June | 2014 | 146 360 | 653 640 |
| July | 2014 | 147 839 | 652 441 |
| August | 2014 | 145 271 | 654 729 |
| September | 2014 | 148 742 | 651 258 |
| October | 2014 | 147 659 | 652 341 |
| November | 2014 | 145 075 | 654 925 |
| December | 2014 | 152 460 | 647 540 |
| **Total** | | **$1 649 456** | **$7 950 824** |

**Risk/Implication**

Ineffective control of administration costs may result in the Ministry not being able to achieve its other Key Result Areas (KRAs).

**Recommendation**

The Ministry should come up with sound mechanisms to reduce excessive administration expenditure in compliance with Section 3 of the Public Finance Management Act *[Chapter 22:19]*.

**Management Responses**

**The observation is noted. However, the manual payment system which involves travelling to respective areas of Traditional Leaders in order to pay their allowances is the main driver of high administration costs. Currently the Ministry is in the process of engaging mobile money transfer agents to take over the payment of village heads to cut down on the administration costs. There is also a proposal to put all Chiefs on the Salary Services Bureau as a payment mode for their allowances. The proposal was submitted to Treasury, and if approved, this will result in a reduction of the administration costs especially on fuel costs, travelling and subsistence and vehicle maintenance costs.**

## 5 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

## REVENUE COLLECTION AND DEBT RECOVERY

## ADMINISTRATION AND GENERAL

### 5.1 Domestic Travelling and Subsistence Expenses

Recommendation is being implemented since the recovery of outstanding travelling and subsistence allowances from officers by SSB stop order deductions has improved.

## PUBLIC WORKS

### 5.2 Outstanding Revenue

The recommendation has not yet been implemented. Ministry Officials stated that some of the debtors were Parastatals who were failing to pay up. The Ministry has brought the matter to the attention of Treasury and is still waiting for guidance.

## CIVIL SERVICE HOUSING LOAN FUND 2011

### Objective of the Fund

The purpose of the fund is to provide for all eligible civil servants towards land purchase, construction/completion of house, house extensions, house purchase and mortgage relief of first house.

I have audited the financial statements of the Civil Service Housing Loan for the year ended December 31, 2011.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUE

### 1.1 Maintenance of Accounting Records

**Finding**

Section 5 of the Civil Service Housing Loan Fund Accounting Officer's Instructions provides that accounting records be maintained. The fund acquired a Promun Accounting package to record its financial information but did not fully utilise the accounting package as it was using the system to record loan debtors only. The financial statements were prepared from the cash book and payment vouchers save for the loan debtors. Without a robust accounting system, I could not confirm the completeness of the financial information disclosed in the financial statements as some financial information might have been omitted, and/or misstated.

**Risk/Implication**

Without fully utilising the Promun Accounting system, financial transactions may not be fully recorded and disclosed. This may result in inaccurate information being disclosed in the financial statements.

**Recommendation**

The Fund should fully utilise the accounting system to record and process all financial transactions. This will facilitate production of accurate and reliable financial statements.

**Management Response**

**The observation is noted. However, corrective action is being done to address this issue.**

### 1.1 Short Term Investment

**Finding**

Short term investments amounting to $2 100 307 disclosed in the financial statements could not be substantiated as they included an amount of $2 000 000 which was not supported by a deal note or investment certificate to confirm its existence. I therefore could not confirm the accuracy and completeness of the investment figure disclosed in the financial statements. In addition, interest from the investments could not be accurately determined.

**Risk/Implication**

In the absence of proper documents such as deal notes and investments certificates, investment and interests there from will not be correctly accounted for. This will expose State Funds to abuse and misappropriation.

**Recommendation**

The deal note and investment certificate for the investment of $2 000 000 should be made available for audit inspection to confirm completeness and existence of the investment.

**Management Response**

**The observation is concurred with. The Call Account is the short term investment yet in commercial nature it is an ordinary bank account classified as investment by previous auditors. Due to attraction of high interest receivable our banker Met Bank classifies it as an investment account but in essence it is a deposit account of funds that are not yet disbursed to beneficiaries. Ministry of Finance has turned down our application to invest these funds as doing so contradicts with the intended purpose of the Fund's Section 3(d). Funds were recalled for disbursement when need arose as the normal operation of a call account.**

**Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient, appropriate audit evidence to provide a basis of an opinion. Accordingly, I do not express an opinion on the financial statements for the year ended December 31, 2011.

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

## 1.2 Administration of the Fund

### Finding

Section 4 (c) of the Civil Service Housing Loan Fund Guidelines provides that heads of Ministries/Government Agencies are required to submit a quarterly return to the Ministry of Local Government, Public Works and National Housing as one of their project monitoring roles. However, the Fund did not provide audit with quarterly reports from Ministries/Government Agencies. I was therefore not able to assess the efficient and effective use of the resources administered by the Fund.

### Risk/Implication

In the absence of quarterly returns from the implementing Ministries and Department, the Fund will not effectively monitor the use of the resources under its control.

### Recommendation

The Fund should submit quarterly reports to enable the Ministry to evaluate the effectiveness of the loan scheme and utilisation of funds.

### Management Response

**Observation and recommendation are noted. Due to the magnitude of beneficiaries the monitoring and evaluation by Ministries has not been undertaken as the resources required to undertake the exercise prove to be expensive. The Ministry wrote to inter-ministerial committees to effect the requirements of Section 4 of the Constitution of the Fund.**

## 1.3 Objectives of the Fund

### Finding

The Fund was established to provide funding for all eligible civil servants towards land purchase, construction/completion of house, house extensions, house purchase and mortgage relief of first house. Funds are provided for by the Treasury through a Government Grant. In my 2010 audit report, I observed that the Fund invested \$2 984 474 meant for civil service housing loans, in violation of Section 2 of the Constitution. The problem persisted in 2011 financial year with the Fund not doing much to address the issue. On October 3, 2011, the Fund received \$2 000 000 for the civil service housing loans. According to the bank statements, the funds were withdrawn on the same day and a redeposit of the same amount was done on October 27, 2011 without any loans having been issued. The money was later transferred to the investment account on November 4, 2011. No authority for the investment was made available for audit inspection. Instead a minute from the bank indicated that the investment was made on the instruction of the Chief Accountant through an email. Of the amount, \$800 000 was recalled on January 31, 2012 for issue as loans to civil servants, while

$1 000 000 remained in the investment account until June 2012. There was no reference to the balance of $200 000. No satisfactory explanation was given for the movements and delays in disbursing funds to beneficiaries.

**Risk/Implication**

The objectives of the Fund are not achieved if funds meant for loans to civil servants are kept in an investment account without being distributed to the intended beneficiaries.

**Recommendation**

The Fund should distribute funds received for housing loans timeously to intended beneficiaries in order to achieve the objectives of the programme.

**Management Response**

**The observation has been noted. The Fund disburses funds to civil servants when their ministries or departments submit the required documentation of the approved beneficiaries. It was realised that it was prudent to have a bank account such as Call Account to avoid exorbitant bank charges. At the year end, some ministries had not yet submitted their approved beneficiaries resulting in balance not being disbursed.**

**Evaluation of Management Response**

*The explanation provided did not address the delays in disbursing funds to civil servants.*

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Internal Control Environment

The Fund continued to operate without an Accounting Officer's Instruction.

In 2011 the Fund operated without budgets, strategic and operational plans as reported in my 2010 report.

### 2.2 Loans to Civil Servants

All supporting documents are now on files.

## CIVIL SERVICE HOUSING LOAN FUND 2012

### Objective of the Fund

The Civil Service Housing Loan Fund is a fund set up within the Ministry of Local Government, Public Works and National Housing and its establishment was undertaken as a measure to provide funding for all eligible civil servants towards land purchase, construction /completion of house, house extensions, house purchase and mortgage relief of first house.

I have audited the financial statements of the Civil Service Housing Loan Fund for the year ended December 31, 2012.

### Basis for Qualified Opinion

## 1 GOVERNANCE ISSUES

### 1.1 Inappropriate Maintenance of Accounting Records

**Finding**

For the third year running, the Fund continued to prepare financial statements from the cash book and payment vouchers save for the loan debtors in contravention of Generally Accepted Accounting Practices (GAAP). This was caused by lack of support staff to execute duties of the Fund from the time it was initiated in 2010.

**Risk/Implication**

Financial transactions may not be fully recorded and disclosed thereby affecting the accuracy of financial statements.

**Recommendation**

The Fund should liaise with the Ministry of Finance to get assistance so as to facilitate the production of accurate and reliable financial statements.

**Management Response**

**The observation is noted. However, corrective action is being done to address this issue.**

## 2 REVENUE COLLECTION AND RECOVERY

### 2.1 Discrepancies on the Calculation of Interest on Loans

**Finding**

I could not confirm the completeness of the figure disclosed in the financial statements for interest on loans due to the fact that the auditee was using two (2) parallel systems to calculate interest amounts in contravention of Treasury Instruction 0104. The first system uses promun software which calculated monthly interest based on average days in a year and the second system uses microsoft excel spread sheet which calculated daily interest. This was caused by the inability of Ministry officials to fully integrate interest computations from the two (2) parallel systems.

**Risk/Implication**

The use of two (2) parallel systems may compromise the relevance and reliability of the financial statements.

**Recommendation**

The Fund should fully implement a single accounting system with sound internal checks and control in compliance with Treasury Instruction 0104.

**Management Response**

**The observation is noted. A review of the internal control checks will be carried out in order to avoid errors in the calculation of interests. The use of spreadsheet was necessitated by the fact that the promun accounting package was not yet fully implemented due to delays caused by shortage of manpower. The spreadsheet produces the same values as that of promun.**

***Auditor's comment***

*The two (2) parallel systems produce different results when given similar input data.*

## 3 EMPLOYMENT COSTS

### 3.1 Unsupported Expenditure

**Finding**

I could not satisfy myself that expenditure incurred on wages amounting to $28 172 was a fair and proper charge on the Fund since payment vouchers for wages of contract workers were not supported with time sheets in contravention of Treasury Instruction 1205. This was caused by inadequate monitoring and supervision of junior staff by senior personnel.

**Risk/Implication**

Payments could be made for services not rendered.

**Recommendation**

The Fund should ensure that all payroll payments are supported with signed time sheets compiled by the human resources department in compliance with Treasury Instruction 1205.

**Management Response**

**The observation is noted, however, a schedule of wages is now being prepared and attached to the payment vouchers.**

**Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the financial statements present fairly, in all material respects, the financial position and performance of the Civil Service Housing Loan Fund for the year ended December 31, 2012.

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

## 4 GOVERNANCE ISSUES

### 4.1 Non-availability of the Civil Service Housing Loan Fund Constitution and Accounting Officer's Manual

**Finding**

For the third year running, the Fund continued to operate without an approved Constitution and Accounting Officer's manual in contravention of Treasury Instruction 0706 as read in conjunction with section 18 (2) of the Public Finance Management Act *[Chapter 22:19]*.

**Risk/Implication**

Operating a Fund without an approved Constitution and Accounting Officer's manual may result in in the funds not being used for the purpose intended and inconsistencies in the management of resources.

**Recommendation**

The Fund should expedite engagement with Treasury to obtain approval of the Fund's draft Constitution and Accounting Officer's manual in compliance with the requirements of Treasury Instruction 0706 as read in conjunction with Section 18 (2) of the Public Finance Management Act *[Chapter 22:19]*.

**Management Response**

**The observation is concurred with. The consolidation of the Ministry resulted in delays of the conclusion of the Accounting Officer's manual. Meanwhile the Constitution was submitted to the Honourable Minister for his signature.**

## 4.2 Late Submission of Accounts

**Finding**

For the third consecutive year, I have to report that the Fund submitted its financial statements on February 18, 2014, that is, eleven (11) months after the statutory deadline of March 31, 2013. This was caused by lack of support staff to execute duties of the Fund from the time it was initiated in 2010.

**Risk/Implication**

Delays in the submission of financial statements may negatively affect decision making by policy makers.

**Recommendation**

The Fund should liaise with Treasury for additional staff so that financial statements can be prepared and submitted within the statutory deadline.

**Management Response**

**The observation was noted. The late submission of financial statements has been caused by lack of supporting staff to execute the duties of the Fund from the time it was established in 2010. This then has caused the ripple effect in the submission of accounts.**

## HOUSING AND GUARANTEE FUND 2012

### 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 this Act.

I have audited the financial statements of the Housing and Guarantee Fund for the year ended December 31, 2012.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Debt Management System

**Finding**

I observed that no effort had been made by the Fund management to recover amounts due to the Fund amounting to $409 278 (2011: $336 940). This was in contravention of Section 10 (1) of the Public Finance Management Act *[Chapter 22:19]* which requires Accounting Officers to control and be accountable for all revenues and other public money received, held or disposed of, by or on account of any Ministry. This was caused by an ineffective debt management system.

**Risk/Implication**

Outstanding amounts may become irrecoverable due to passage of time.

**Recommendation**

Management should collect all revenue due to the Fund in accordance with the requirements of Section 10 (1) of the Public Finance Management Act *[Chapter 22:19]*.

**Management Responses**

**The observation has been noted. Dunning letters are being sent to all Housing Guarantee Fund housing tenants who fall into rent arrears. All civil servants are now required to pay rentals through Salary Service Bureau (SSB) deductions. In addition all tenants who fail to honour their payment plans or even fail to clear rent arrears in terms of the signed lease agreements would soon be handed over to our legal section and the debts handed over to the Civil Division for collection.**

## 1.2 Non-Maintenance of Property Files

### Finding

I observed that a computer generated property register in Kadoma district reflected twenty three (23) houses under the Housing and Guarantee Fund, but the Ministry officials could not avail all the files for audit inspection in contravention of Section 8 of the Audit Office Act *[Chapter 22:18]* which empowers the Auditor-General to call upon any Officer and receive without undue delay any explanations and information she may require in order for her to discharge her duties. Hence, I could not verify which houses had been sold to beneficiaries and ascertain the number of houses on which the Fund was supposed to be generating revenue. This was caused by poor record keeping.

### Risk/Implication

There is risk that some houses could have been converted or used for personal gain, thereby prejudicing the Housing and Guarantee Fund of its income.

### Recommendation

The Provincial offices should ensure that house files for all houses whether sold or not should be kept at district offices.

### Management response

**Public Works department being the custodians of Government Buildings, always had an asset register for all Government properties. The audit team liaised with the Housing Officer who did not consult with the District Public Works Officer; hence, the hard copy was not produced. Currently there is an exercise underway to establish the condition and status of all houses, office buildings and social amenities, in the province. The exercise started in Kariba.**

**Further to the response provided it may be pertinent to mention here that our records at hand indicate that all twenty three (23) Housing and Guarantee Fund houses reflected in the Kadoma District register were all sold out and in addition to the register being held with the Public Works the said respective properties files are all kept at the Provincial office in Chinhoyi.**

### *Auditor's Comment*

*The observation still stands because at the time of audit the Ministry officials could not establish the location of the twenty three (23) property files and no evidence was produced to prove that the said properties had indeed been sold out.*

# 2 REVENUE COLLECTION AND DEBT RECOVERY

## 2.1 Cash at Bank Discrepancy

**Finding**

The Fund's financial statements disclosed a cash at bank balance of $67 230 as at December 31, 2012 which did not agree with the Commercial Bank of Zimbabwe (CBZ) certificate of bank balance of $63 844 resulting in an unexplained discrepancy of $3 386. This was in contravention of Section 37 of the Public Finance Management Act *[Chapter 22:19]* which requires financial statements to be prepared in accordance with Generally Accepted Accounting Practice (GAAP). This was caused by an oversight on the part of responsible personnel.

In addition, I could not ascertain the validity of a People's Own Savings Bank (POSB) deposit amounting to $11 215 as the auditee did not avail for audit inspection the relevant supporting documents.

**Risk/Implication**

The cash at bank in financial statements may be misstated.

**Recommendation**

The Fund should prepare financial statements in terms of Generally Accepted Accounting Practice (GAAP) in compliance with the requirements of Section 37 of the Public Finance Management Act *[Chapter 22:19]*.

**Management Response**

**The observation is noted. As at December 31, 2013 cash at bank was $67 230 and that disclosed in the financial statements $63 844 giving a discrepancy of $3 386. The discrepancy has been as a result of deposits in transit reflected in our cash books but not yet on the bank statement. However, necessary reconciliations are now being done.**

**On the validity of the POSB deposits which had accumulated to $17 125 by December 31, 2013 from an opening balance of deposits of $11 215 was as follows:-**

| | **$** |
|---|---|
| **Opening Balance 01/01/2012** | **5 520** |
| Bulawayo HGF deposits | 935 |
| Midlands HGF deposits | 1 060 |
| Mutare HGF deposits | 3 700 |
| **Closing balance 31/12/12** | **$11 215** |

***Auditor's Comment***

*The Fund has not been able to resolve the discrepancy of $3 386 emanating from the difference between the accounting records and certificate of bank balance. In addition, relevant documents to support POSB held deposits of $11 215 were not availed for audit inspection during the course of the audit*

**Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the financial statements present fairly, in all material respects the financial position and performance of the Housing and Guarantee Fund as at December 31, 2012.

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

**Improved areas:**

### 3.1 Management of housing properties

The Fund is still in the process of valuing properties, registers are being compiled and the rental charges schedules issued in 2009 were availed for audit.

### 3.2 Property disposal

The Fund has fully regularized the issue and all receipts paid by the tenant have been updated.

### 3.3 Constitution of the Fund

The Constitution of the Fund was availed for audit inspection.

### 3.4 Suspense account-district housing office

The Fund effected the necessary journal vouchers to clear amounts improperly allocated.

**Areas still to be improved:**

### 3.5 Cash at bank and on hand

The Fund is still to improve on updating the cashbook.

### 3.6 Lease agreements

The Fund still has tenants occupying houses without valid leases.

## 3.7 Arrear rentals

The Fund sent out dunning letters to all defaulting tenants, but still the arrear rentals keep on increasing on a yearly basis.

## HOUSING AND GUARANTEE FUND 2013

### 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 this Act.

I have audited the financial statements of the Housing and Guarantee Fund for the year ended December 31, 2013.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Unavailability of Property Register

**Finding**

In contravention of Treasury Instruction 0705 Midlands Provincial Office did not avail for audit inspection the property register which should show all houses under the Housing and Guarantee Fund. This limited the scope of my audit as l could not verify the completeness of the computer generated return and ascertain the status of the said provincial houses. This was caused by poor record keeping and lack of supervision.

**Risk/Implication**

Houses might have been erroneously or deliberately omitted from the property register.

**Recommendation**

The Midlands Provincial Office should ensure that full and proper accounts are kept in compliance with Treasury Instruction 0705.

**Management Response**

**A property register is now in place although it is still being updated.**

***Auditor's Comment***

*The observation still stands as the property register was not availed for audit inspection at the time of concluding the audit.*

## 1.2 Debt Management System

**Finding**

For the second consecutive year, I observed that no effort had been made by the Fund management to recover debts due to the Fund as at December 31, 2013 totalling $554 599 (2012: $409 278) in contravention of Section 10 (1) of the Public Finance Management Act *[Chapter 22:19]* which requires Accounting Officers to control and be accountable for all revenues and other public money received, held or disposed of, by or on account of any Ministry. This was caused by an ineffective debt management system.

**Risk/Implication**

Outstanding amounts may become irrecoverable due to passage of time.

**Recommendation**

Management should collect all revenue due to the Fund in accordance with the requirements of Section 10 (1) of the Public Finance Management Act *[Chapter 22:19]*.

**Management Response**

**The observation has been noted. Dunning letters are being sent to all Housing Guarantee Fund housing tenants who fall into rent arrears. All civil servants are now required to pay rentals through Salary Service Bureau (SSB) deductions. In addition all tenants who fail to honour their payment plans or even fail to clear rent arrears in terms of the signed lease agreements would soon be handed over to our legal section and the debts handed over to the Civil Division for collection.**

# 2 REVENUE COLLECTION AND RECOVERY

## 2.1 Understatement of Debtors in Financial Statements

**Finding**

I observed that debtors at Chinhoyi District Office for the year ended December 31, 2013 were understated by $7 850. The submitted financial statements reflected a debtors figure of $6 850. However computations done by audit revealed that the debtors balance was $14 700 thereby giving a variance of $7 850 which was in violation of Treasury Instruction 0705 which requires Accounting Officers to keep full and proper accounts. This was caused by improper management and maintenance of property and accounting records.

**Risks/Implications**

The financial statements may be misstated.
The Fund may fail to enforce the terms of the lease agreements.

**Recommendation**

The Fund management should ensure that full and proper accounts are kept of all transactions in compliance with Treasury Instruction 0705.

**Management Response**

**The observation is noted. However information provided in the observation was not enough to effectively reconcile with returns filed from the province. Whilst we have noted that the Province used to submit returns of properties in Kadoma Mashvale low density houses under Housing and Guarantee Fund it should be noted that these houses are National Housing Fund properties and should accordingly be recognized and disclosed.**

## 2.2 Cash at Bank Discrepancy

**Finding**

For the second consecutive year, the Fund's financial statements disclosed a cash at bank balance of $17 125 as at December 31, 2013 which did not agree with the Commercial Bank of Zimbabwe (CBZ) certificate of $12 077 resulting in an unexplained discrepancy of $5 048. This was in contravention of Section 37 of the Public Finance Management Act *[Chapter 22:19]* which requires financial statements to be prepared in accordance with Generally Accepted Accounting Practice (GAAP). This was caused by an oversight on the part of responsible personnel.

For the second consecutive year, I could not ascertain the validity of a People's Own Savings Bank (POSB) deposit worth $7 068 as the Ministry did not availed for audit inspection the relevant supporting documents.

**Risk/Implication**

The cash at bank in financial statements may be misstated.

**Recommendation**

The Fund should prepare financial statements in terms of Generally Accepted Accounting Practice (GAAP) in compliance with the requirements of Section 37 of the Public Finance Management Act *[Chapter 22:19]*.

**Management Response**

**The observation is noted. As at December 31, 2013 cash at bank was $12 077 and that disclosed in the financial statements $17 125 giving a discrepancy of $5 048. The discrepancy has been as a result of deposits in transit reflected in our cash books but not yet on the bank statement. However necessary reconciliations are now being done.**

**On the validity of the POSB deposits, these had accumulated to $17 125 by December 31, 2013 from an opening balance of deposits of $11 215 as follows:-**

| | $ |
|---|---|
| **Opening Balance 01/01/2012** | **11 215** |
| Bulawayo HGF deposits | 600 |
| Midlands HGF deposits | 60 |
| Mutare HGF deposits | 5 250 |
| **Closing balance 31/12/12** | **$17 125** |

***Auditor's Comment***

*The Fund has not been able to avail to audit evidence explaining the discrepancy of $5 048 emanating from the difference between the accounting records and certificate of bank balance. In addition, relevant documents to support POSB held deposits of $7 068 were not availed for audit inspection during the course of the audit.*

**Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the financial statements present fairly, in all material respects the financial position and performance of the Housing and Guarantee Fund as at December 31, 2013.

**NATIONAL HOUSING FUND 2011**

**Objective of the Fund**

The main objective of the Fund is to assist with the development of housing schemes and ancillary services.

I have audited the financial statements of the National Housing Fund for the year ended December 31, 2011.

**Basis for Disclaimer of Opinion**

**1 GOVERNANCE ISSUES**

**1.1 Non-valuation of properties allocated under Pay-For-Your-House and Garikai/Hlalani Kuhle housing schemes**

**Finding**

Contrary to the provisions of Section 37 of the Public Finance Management Act *[Chapter22:19]* which requires Accounting Officers to prepare annual accounts in accordance with Generally Accepted Accounting Practices (GAAP) the Fund did not value land acquired for the Pay-For-Your House scheme and land allocated to beneficiaries under Garikai/Hlalani Kuhle leading to non-disclosure of the same in the financial statements for the financial year ended December 31, 2011**.** This was caused by delays in the revaluation of land acquired during the Zimbabwe dollar era.

**Risk/Implication**

Non-disclosure of properties may distort the Fund's financial position.

**Recommendation**

The Fund should engage the department of public works with a view of initiating the valuation process of all land acquired under the Pay-For-Your House and Garikai/Hlalani Kuhle housing schemes in accordance with Section 37 of the Public Finance Management Act *[Chapter 22:19]*.

**Management response**

**Most of the projects are on council land and private land, awaiting proper acquisition of the same by Government. However, the Ministry has managed to value all core houses constructed during the operation Garikai/Hlalani Kuhle.**

## 1.2 Non-Disclosure of Properties in the Financial Statements

### Finding

In contravention of Section 37 of the Public Finance Management Act *[Chapter 22:19]* which requires Accounting Officers to prepare financial statements in accordance with Generally Accepted Accounting Practices (GAAP) the Fund did not disclose 674 houses and 1838 stands in the financial statements for the year ended December 31, 2011 despite possessing ownership of the said properties. This was caused by inadequate supervision and lack of certification of accounting returns by head of station before submission to the Head office. The Table below refers:

| **District** | **Properties not Disclosed** | |
|---|---|---|
| | **Houses** | **Stands** |
| Marondera | - | 1 300 |
| Mutare | 111 | 260 |
| Murambinda | 32 | - |
| Bindura | 437 | - |
| Guruve | 36 | 60 |
| Mazowe | - | 218 |
| Kwekwe-Torwood | 38 | - |
| Kwekwe-Mbizo | 20 | - |
| **Total** | **674** | **1838** |

### Risk/Implication

The financial statements may reflect a misleading financial position.

### Recommendation

The Fund should disclose in the financial statements the value of all stands and houses under its custody in accordance with Section 37 of Public Finance Management Act *[Chapter 22:19]*.

### Management response

**Most of the properties/stands mentioned are not under National Housing Fund nor are they Garikai structures for example in Marondera and Mutare the ownership of the land is not clear. In Bindura almost all houses were sold out with exception of about five Chipadze houses. However, most of these sold houses where not fully discharged and currently the Ministry is visiting all such properties with a view to establish the level of payments on each housing units.**

***Auditor's Comment***

*The observations still stands due to the fact that from field visits conducted by audit and discussions held with officials and beneficiaries of the housing schemes in Mutare, Marondera and Bindura, the above-stated properties still belong to the Government under the National Housing Fund and Garikai/Hlalani Kuhle. The Ministry could not avail for audit inspection agreements of sale and payment of full purchase prices to prove that ownership had been transferred to beneficiaries.*

## 1.3 Non-disclosure of transactions under the memorandum of agreement with the Infrastructure Development Bank of Zimbabwe (IDBZ)

**Finding**

I observed that the Ministry signed a memorandum of agreement with IDBZ for the construction of residential flats and servicing of residential stands. However, the Fund did not disclose in the financial statements for the year ended December 31, 2011 expenditure incurred amounting to $6 316 867 and also outstanding payments and cash received from tenants. This was in contravention of Section 37 of the Public Finance Management Act *[Chapter22:19]* which requires Accounting Officers to prepare annual accounts in accordance with Generally Accepted Accounting Practices (GAAP). This was caused by lack of coordination between the bank and the Ministry.

**Risk/Implication**

Non-disclosure of properties may distort the Fund's financial position.

**Recommendation**

The Fund should disclose all the transactions pertaining to the Fund in the financial statements in accordance with Section 37 of the Public Finance Management Act *[Chapter 22:19]*.

**Management response**

**The matter is being handled by our housing department and outcome will be communicated.**

## 1.4 Non-Submission of Valuation Certificates

**Finding**

I observed that the Fund disclosed work in progress in the financial statements for Tafara, Mufakose and Prospect in Harare but I could not verify the accuracy and completeness of the figures as Ministry officials could not avail for audit inspection valuation certificates for the work in progress. This limited the scope of my audit as I could not verify the stage of completion of the work in progress. This was caused by the fact that there was no proper handover/takeover between the former Ministry of National Housing and the Ministry of Local Government, Public Works and National Housing.

**Risk/Implication**

The financial statements may be misstated.

**Recommendation**

The Fund should submit for audit the certificates showing the stages of completion of various projects.

**Management response**

**In the financial statements, all projects under construction are not valued but are measured by total costs incurred at the end of each financial year.**

***Auditor's Comment***

*Projects should be valued to permit proper inclusion of work in progress in the annual financial statements and valuation certificates should be submitted for audit verification purposes.*

## 1.5 Unavailability of Property Registers

**Finding**

I observed with concern that the Fund could not avail for audit inspection a property register and original lists of beneficiaries of Garikai/ Hlalani kuhle housing schemes which should show the number of houses constructed under the National Housing Fund since inception of housing projects. Similar anomalies were also observed in Mashonaland Central, Manicaland, Mashonaland East, Mashonaland West and Midlands provinces. The Ministry only availed a computer generated return for houses which did not have sufficient details. Hence, I could not verify whether all the Fund's properties were fully disclosed in the financial statements and bonafide beneficiaries were occupying Garikai/HlalaniKuhle houses. This was caused by inadequate record keeping

**Risk/Implication**

Without registers, the Fund will not have a full record of Housing units and stands and details of beneficiaries of the housing scheme.

**Recommendation**

The Head office and provincial offices should open and avail for audit inspection property registers and original lists of beneficiaries of Garikai/Hlalani Kuhle phase 1 and 2 housing schemes.

**Management response**

**A property register is now in place although it is still being updated.**

***Auditor's Comment***

*The observation stands because the Ministry could not avail the register for audit inspection at the time of concluding the audit.*

## 1.6 Delays in Convening Boards of Enquiry

**Findings**

In contravention of Treasury Instruction 2300-2302 Manicaland province did not convene a board of enquiry regarding an original property register which went missing during the year 2010. Therefore, the scope of my audit was limited as I could not verify whether the Fund's properties disclosed as $814 546 were correct and recorded. This was caused by the fact that no proper handover/takeover procedures of the Fund's properties and records were conducted between the former Ministry of Local Government, Public Works and Urban Development and Ministry of National Housing and Social Amenities

I observed that out of a total of 106 housing units under Garikayi/Hlalani Kuhle phase 1 housing scheme in Marondera district, Ministry officials could not avail for audit inspection 23 property files in contravention of Section 8 of the Audit Office Act *[Chapter 22:18]* which empowers the Auditor-General to call upon any Officer and receive without undue delay any explanations and information she may require in order for her to discharge her duties. This limited the scope of my audit as I could not verify whether occupants of the 23 houses under Garikayi/Hlalani Kuhle Phase 1 were the bonafide beneficiaries. At the time of audit no inquiry into this matter had been instituted by the head of station in contravention of Treasury Instruction 2302. This was caused by lack of proper handover-takeover procedures between the former Ministry of National Housing and Social Amenities and Ministry of Local Government, Public Works and National Housing.

I noted that receipt book 098801-098900 at Makoni district office had six (6) missing receipts ranging from 098895-098900 in contravention of Treasury Instruction 0203 but the head of station did not institute an enquiry regarding the matter as required by Treasury Instruction 2302. This was caused by inadequate supervision of subordinates and weak internal controls.

**Risks/Implications**

It may be difficult to evict illegal occupants if an original record of the Fund's properties is not readily available.

Rental income may be misstated if the number of housing properties on which rent should be collected is not supported with original records.

Beneficiaries may connive with Ministry officials to illegally sell and transfer Government stands.

Cash received on the missing receipts may not have been deposited in the Fund's official bank account.

**Recommendations**

The Head of station should convene a board of inquiry on the missing original property register in accordance with Treasury Instructions 2300-2302.

The District Administrator/provincial office should institute an inquiry into the missing 23 property files in compliance with Treasury Instruction 2302.

The Head of station should institute an inquiry regarding missing receipt numbers 098895-098900 in accordance with Treasury Instruction 2302.

**Management response**

**Noted. Follow-ups will be made with respective provinces.**

## 1.7 Wrong Classification of Properties in the Financial Statements

**Finding**

I observed that the Fund classified all its properties on lease (operating lease) and those under agreement of sale (Finance lease) as Stands, Building and Equipment in the financial statements for the financial year ended December 31, 2011**.** This was in contravention of Generally Accepted Accounting Practices (GAAP) which stipulates that assets with concluded agreements of sale should cease to be recognised as property, plant and equipment in the statement of financial position in compliance with International Accounting Standard (IAS) 17 and those on operating lease should be accounted for as investment property in accordance with IAS 40. This was caused by the absence of clear guidelines on accounting for assets.

**Risk/Implication**

The financial position of the Fund may be materially distorted.

**Recommendation**

The Fund should classify properties with agreements of sale in accordance with IAS 17 and those on operating lease should be treated as investment property in accordance with IAS 40.

**Management response**

**Please note that the National Housing Fund disclosed only leased out properties and no property under a finance lease.**

***Auditor's Comment***

*The Ministry should have disclosed all Government properties in their respective classifications under both operating and finance lease as monthly rentals from those properties are still due and payable to the National Housing Fund.*

**Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs above, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of National Housing Fund as at December 31, 2011.

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

## 2 GOVERNANCE ISSUES

### 2.1 Improper Record Keeping

**Finding**

I observed with concern that Ministry officials did not maintain adequate and up-to-date accounting records to facilitate the proper administration of the Fund in contravention of the requirements of Treasury Instruction 0705 which bestows responsibility on Accounting Officers to keep full and proper accounts for all transactions affecting Funds under their custody. Hence, I could not ascertain the completeness of returns submitted for audit and verify the basis on which the financial statements were prepared. This was caused by inadequate supervision of subordinates. The Table below refers:

| District | Irregularities |
|---|---|
| Mutare | No ledger cards<br>No lease agreements<br>Debtors not disclosed in the financial statements.<br>No property files for Devonshire housing project phase 1 |
| Mutasa | No cash book<br>No property files<br>Late renewal of lease agreements |
| Marondera | No property register for Garikayi/Hlalani Kuhle phase 2<br>No property files for Garikayi/Hlalani Kuhle phase 2 |
| Gweru-Munhumutapa | Property files did not contain identity particulars of beneficiaries and reminders on overdue accounts. |
| Makoni | No security items register and bank deposit slips<br>No approved budget |
| Chegutu-Umvovo | The following records were not availed for audit inspection; receipt books, bank deposit slips, subcollector schedule, returns and ledgers cards |
| Makonde | Non-availability of district returns for the months of January to September and November 2011 |
| Kwekwe | No individual property files |
| Shurugwi | Names of beneficiaries on the revenue return did not agree with lease agreements in tenants' files. |
| Chegutu | Property files only contained transfers of title deeds for houses 2980, 2985 and 2990 but the following documents were missing: Lease agreements, offer to purchase, agreements of sale, valuations and disposal reports. |

**Risk/Implication**

The Fund may not be able to legally claim all outstanding rentals from tenants if adequate records are not maintained.

**Recommendation**

The Fund should open and maintain full and proper accounting records in compliance with the requirements of Treasury Instruction 0705.

**Management response**

**The office of the District Administrator Mutare only came to manage affairs concerning the fund in August 2014. The accountant was only mandated to receipt money for rentals received from Garikai/Hlalani Kuhle phase one, HGF and NHF houses only. The collection of annual rentals for stands under the Garikai/Hlalani Kuhle phase two were temporarily suspended because of maladministration received in the management of the fund.**

***Auditor's Comment***

*The observation remains valid due to the fact that the relevant accounting records were missing at the time of the audit and it is the duty of Accounting Officers to ensure that these records are properly maintained and availed for audit inspection upon request.*

## 2.2 Valuation of Work in Progress

**Finding**

I observed that the Fund revalued all its completed properties but did not revalue its properties in Tafara, Mufakose and Prospect which were under construction. An amount of $1 017 950 incurred in 2011 was the only amount that was included as the value of work in progress. This excluded all the prior year's work in progress. This was in contravention of Section 37 of the Public Finance Management Act *[Chapter22:19]* which requires Accounting Officers to prepare annual accounts in accordance with Generally Accepted Accounting Practices (GAAP). This was caused by lack of management oversight.

**Risk/Implication**

The value of work in progress in the financial statements may be understated.

**Recommendation**

The Fund should disclose all the transactions pertaining to the Fund in the financial statements in accordance with Section 37 of the Public Finance Management Act *[Chapter 22:19]*.

**Management response**

**The observation is noted valuation of partially built projects should also have been undertaken to ascertain the true value of work in progress.**

# 3 REVENUE COLLECTION AND RECOVERY

## 3.1 Illegal Sale and Transfer of Garikai/Hlalani Kuhle Phase 1 Stands

**Finding**

From a sample of Garikai/Hlalani Kuhle Phase 1 property files inspected at Marondera district office, I observed that stands were irregularly transferred from one beneficiary to another, swapped by beneficiaries and records were not updated in contravention of Sections 8 and 18 of the lease agreement. In addition, no inquiry was convened with respect to the issues raised above in contravention of Treasury Instruction 2302. This was caused by inadequate supervision and improper record keeping. The Table below refers:

| Stand Number | Location Area | Remarks |
|---|---|---|
| 1133 | Elmswood | Lessee used affidavit to transfer stand or core house. |
| 1179 | Elmswood | Beneficiary deceased and no reallocation done. |
| 1155 | Elmswood | Affidavit used to transfer stand or core house. |
| 1209 | Elmswood | Lease agreement date stamped April 20, 2009 but quoted in Zimbabwe dollars. |
| 1197 | Elmswood | Lessee used affidavit to transfer stand or core house. |

**Risk/Implication**

Officials may have connived with beneficiaries to perpetrate fraudulent sale of stands.

**Recommendations**

Mashonaland East District Office should desist from facilitating the illegal sale and transfer of Government stands by unscrupulous beneficiaries in compliance with Sections 8 and 18 of the lease agreement.

The District Administrator should institute an enquiry into the illegal sale and transfer of Garikayi/Hlalani Kuhle phase 1 stands and core houses in compliance with Treasury Instruction 2302.

**Management response**

**Noted. Verification will be made.**

### 3.3 Non-Payment of Monthly Rentals

**Finding**

I observed that fifty nine (59) tenants in the Fund's various flats/houses located in Bulawayo, Kadoma, Gweru and Shurugwi had accumulated total outstanding monthly rentals of $34 972 in contravention of Section 3 of the lease agreement which requires lessees to pay rentals on a monthly basis to the lessor in order to gain occupation of the premises. This was caused by lack of follow ups by the Department of Estates and Valuation.

**Risk/Implication**

The Fund may fail to recover the amount due from the tenants through lapse of time.

**Recommendation**

The Accounting Officer should enforce Section 3 of the lease agreement as read in conjunction with Treasury Instruction 0501 in order to recover a total of $34 972 monthly rental arrears.

**Management response**

**The office is going to apply the provisions of the lease and repossess the property where an outstanding amount cannot be recovered.**

### 3.4 Lack of an Effective Revenue Collection System

**Finding**

I observed that no effort had been made by Marondera District Office to recover rental income due to the Fund from beneficiaries worth $7 774 in contravention of Section 10 (1) of the Public Finance Management Act *[Chapter22:19]* which requires Accounting Officers to control and be accountable for all revenues and other public money received, held or disposed of, by or on account of any Ministry. This was caused by lack of robust revenue collection mechanisms.

**Risk/Implication**

Outstanding rental income may become irrecoverable due to passage of time.

**Recommendation**

Marondera District Office should put in place an effective revenue collection system in accordance with the requirements of Section 10 (1) of the Public Finance Management Act *[Chapter 22:19]*.

**Management response**

**All civil servants are now required to pay rental through SSB deductions and for those non-civil servants who are in arrears efforts are being worked out to institute eviction.**

## 4 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 4.1 Non collection of rentals

Outstanding rentals have increased by 47% compared to last year.

## 4.2 Poor management of housing properties

The Ministry is still in the process of attending to the issue.

## 4.3 Poor record keeping of property files

Property files for stand number 309, 434, 481 and 666 are yet to be updated with lease agreements.

## 4.4 Suspense Account

The National Housing Fund has since managed to clear the suspense account of $360 046 carried forward from the 2010 financial year.

## STADIA REVOLVING FUND 2013

### Objective of the Fund

The objective of the Fund as established shall be the financing and maintenance of all Government owned stadia.

I have audited the financial statements of the Stadia Revolving Fund for the year ended December 31, 2013.

### Basis for Qualified Opinion

## 1 GOVERNANCE ISSUES

### 1.1 Excess of Expenditure over Income

#### Finding

The Fund incurred excess expenditure over income amounting to $46 161 for the financial year under review due to lack of fund raising activities. This is a contravention of the requirements of Section 44 (1) (a) of the Public Finance Management Act *[Chapter 22:19]*.

#### Risk/Implications

Weaknesses in internal controls may go undetected leading to possible fraud and improper expenditure being incurred.

The Fund may fail to sustain services and achieve its goals and objectives.

#### Recommendations

The Fund should engage in other fund raising activities as stipulated in the Fund's constitution to ensure sustainability of services rather than waiting for Treasury releases alone.

The Fund should put in place a risk assessment policy which will set the basis for conducting risk assessment within the Fund. Risk assessment process entails identifying and analysing the risk that may impact negatively on the achievement of the Fund's objectives, such as economic, administrative, security and fraud risk and how each risk should be managed.

#### Management Response

**The deficit of $46 161 in the income and expenditure account only shows that the Fund did not realise a profit during the period under review. This however is not an indication of poor management controls, it only shows that our expenditure was more**

**than revenue generated during the period. In practice it shows that the deficit was financed through the accumulated fund.**

**Apart from that, the Fund cannot be overspent since it makes use of a budget which is approved by the Minister every year meant to control expenditure. In short the Fund despite the deficit had spent within the approved budget of $580 000 against the total expenditure for the year totalling $300 126. Please note variances in real income against budgeted income are just issues which need explanation as to why that happened but that has no bearing on the income and expenditure account.**

**Lastly, the Fund finances its expenditure from Hiring fees not Treasury.**

***Auditor's Comment***

*According to Section 44 (1) (b) (i) and (iii) of the Public Finance Management Act [Chapter 22:19] administrators of the Fund should have taken effective and appropriate steps to collect all revenue anticipated in the budget estimates and managed the available working capital efficiently and economically in order to avoid the deficit.*

*It is not a good accounting practice to use the accumulated fund to finance recurrent expenditure as this would result in the depletion of the Fund's capital which would impact negatively on the future sustainability of the Stadia Revolving Fund.*

*The Fund should also have lobbied for funding from Treasury in accordance with Section 5.3 of the Fund's Constitution in order to sustain its operations.*

### 1.2 Non-valuation of assets

**Finding**

An examination of the asset register revealed lack of adherence to the requirements of Sections 14.4 and 20.1 of the Accounting Officer's Instructions. This was evidenced by Khumalo Hockey stadium's inability to value and record all assets under its custody leading to non-disclosure of the same in the financial statements. This was caused by delays encountered in the valuation and consolidation of fixed assets. The Table below refers:

| Asset Name | Serial Number |
|---|---|
| Water Pump Euro Star (PERFOMA) | 107493100/ 0507001 |
| Water Pump Euro Star (PERFOMA) | 103493100/ 0507002 |
| Generator set A | Co47406/02, Engine Number 23232200 |
| Generator set B | Co47406/01, Engine Number 23233115 |
| Turf Mat | Contract 9874 |
| PA System | - |
| Scoreboard F60 | - |
| Tractor | SIN00231 |
| Tractor rake | MPW11100 |

| | |
|---|---|
| Leaf blower | MPW H01 |
| Lawn mower | MPW 2056 |
| Grass trimmer | MPW 2054 |

**Risks/Implications**

The assets of the Fund may not be properly accounted for.

Assets value may be understated in the financial statements.

**Recommendation**

The Fund should value and record all the assets at Khumalo Hockey Stadium in the asset register in accordance with the requirements of Sections 14.4 and 20.1 of the Accounting Officer's instructions.

**Management Response**

**The valuation of the Khumalo hockey stadium is set for end of July 2014. The valuation office is currently inspecting Mhlahlandlela, the Tredgold offices and the Khumalo hockey stadium.**

**Consolidation of fixed and movable assets and valuation of the same is not yet done as the valuation section is yet to come up with values. However, they have assured that this will be done before month end.**

**Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs above, the financial statements present fairly, in all material respects, the financial position and performance of the Stadia Revolving Fund for the year ended December 31, 2013.

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

## 2 GOVERNANCE ISSUES

### 2.1 Under-Utilisation of Gymnastics Equipment

**Finding**

Audit observed with concern that gymnastics equipment transferred from Sports and Recreation Commission on July 18, 2013 had been lying idle at the National Sports Stadium since that date due to the fact that a club had not been organised to facilitate assembling and usage of the equipment. This contravened Section 4.2.2 of the Accounting Officer's

Instructions which requires the Finance and Procurement Committee to ensure smooth functioning of systems.

**Risk/Implication**

The Fund may lose potential revenue which could have been generated from hiring out gymnastics equipment.

**Recommendation**

The Management of the fund should ensure that the Gymnastics equipment is put to use in order to generate revenue from subscriptions paid by club members and also curb further deterioration of equipment due to idleness.

**Management Response**

**The observation has been noted. However, the equipment is now obsolete given the fact that the public would want to use latest equipment. The Procurement Committee will consider leasing out the equipment as the best option since no one within the Ministry has the expertise to operate the equipment.**

## 2.2 Non-Maintenance of Physical Infrastructure

**Finding**

I observed that two (2) swimming pools which contribute to the core business of Chitungwiza Aquatic complex as a recreation institution were not being maintained and serviced as the centre was only concentrating on hiring out of halls and grounds by churches and musical groups. This contravened the requirements of Section 4.2.2 of the Accounting Officer's Instructions which requires among other duties "maintenance of physical infrastructure and smooth running of operational activities". This was caused by an oversight on the part of the Finance and Procurement Committee.

**Risk/Implication**

The revenue generating capacity of the Fund may be negatively affected if physical infrastructure is not maintained as it continues to deteriorate.

**Recommendation**

The Ministry should put in place measures to refurbish the existing infrastructure in order to widen revenue sources of the Stadia Revolving Fund in liaison with management and other stakeholders.

**Management Response**

**The observation is noted. The reason why the swimming pool including filtration plant and boilers are lying idle is that maintenance of the above needs a lot of money. Funds collected through hiring of the stadia are not adequate to fund the rehabilitation exercise required to resuscitate the equipment. If Treasury releases the required amounts, the plant would be maintained.**

## 2.3 Non-Commissioning of Borehole

**Finding**

I observed that a borehole which was drilled and installed at Chitungwiza Aquatic Complex in 2013 financial year had not yet been put to use due to non-commissioning. This contravened Section 4.2.2 of the Accounting Officer's Instructions which places responsibility of ensuring existence of smooth functioning of systems to the Finance and Procurement Committee.

**Risk/Implication**

Perennial water shortages may disrupt operational activities of Chitungwiza Aquatic Complex.

**Recommendation**

The Finance and Procurement Committee in conjunction with management should ensure that boreholes are commissioned to enhance smooth operations at the Chitungwiza Aquatic Complex.

**Management Response**

**The boreholes could not be commissioned because the amount of water that came out after drilling sixty-five meters depth was not adequate to cater for the whole complex. The water levels from where the boreholes were sited was rather too deep, hence the need to pay for another site again if we are to have adequate water for the intended purpose.**

***Auditor's Comment***

*Feasibility studies were not done hence the Fund incurred expenditure amounting to $4 580 which could have been avoided.*

## 2.4 Sustainability of Service

**Finding**

I observed that during the period under review Khumalo Hockey Stadium generated only $11 900 against expenditure amounting to $23 874 resulting in a deficit of $11 974. The Fund did not formulate adequate strategies in line with the objectives of Khumalo Hockey Stadium to generate revenue to ensure sustainability of operations of the stadium.

**Risk/Implication**

Khumalo Hockey Stadium may fail to meet its set objectives and the sustainability of services of the Fund may be threatened.

**Recommendation**

The Fund should craft strategies to enhance its revenue base in order to meet its present and future obligations as they fall due.

**Management Response**

**There was not much activity in 2013 that could bring more revenue in relation to the expenditure incurred. New strategies that can improve the revenue for the Fund are most welcome.**

# 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

## 3.1 Handover/takeover of gymnastics equipment

The audit team inspected the gymnastics equipment at the National Sports Stadium and noted that the equipment had still not been valued and commissioned.

## 3.2 Unreliable accounting system

The Fund was now using Pastel accounting package.

## 3.3 Maintenance and drainage

The audit team visited the National Sports Stadium to assess the extent of drainage maintenance and was satisfied as great improvements were made after the contractor had been called to rectify the situation of drainage facility. Additionally the Fund had purchased two grass trimmers and a blower to enhance maintenance of the facility.

## VALUE FOR MONEY AUDIT REPORT: MANAGEMENT OF CONSTRUCTION PROJECTS BY PUBLIC WORKS DEPARTMENT

## PROGRESS IN IMPLEMENTATION OF VFM REPORT AUDIT RECOMMENDATIONS

### 1 INTRODUCTION

I carried out a follow-up audit on the management of construction projects by the Public Works Department (PWD) under the Ministry of Local Government, Public Works and National Housing. The initial audit report covered the period 2003 to 2008 and was tabled in Parliament in April 2009. The initial audit was motivated by incomplete construction projects around the country. Some of the projects had been lying uncompleted for more than 5 years. According to International Standards of Supreme Audit Institutions, a follow-up audit should be carried out to evaluate whether improvements have been made on the operations of the audited entity in line with the challenges/weaknesses identified in the previous audit. The follow-up audit sought to provide feedback to the government and the public on the corrective actions taken. The follow-up audit covered the period 2010 to December 2014.

### 2 FINDINGS

The major findings of the follow-up audit were that there were delays in completion of construction projects both in-house and contracted projects. There was a shortage of architects and there were delays in payment of certificates as well as poor record keeping.

#### 2.1 Delays in completion of construction projects

The initial audit covered 19 projects and all of them were not completed within the budgeted time. The delays ranged from 3.5 years to 16 years as at December 2014. The delays were mainly due to inadequate supervision of construction projects and shortage of technical staff (architects) as well as delays in effecting payments to contractors for certificates of completion. Out of the 19 projects, only Mutoko District Registry, Mazowe Prison Cell Block and Tafara Flats had been completed as at December 31, 2014. The Ministry attributed the continued delays to complete the projects to non-availability of funds from Treasury. The following is a summary of the findings per project audited;

**Criminal Investigation Department**

The project was started in September 1999 and was expected to be completed by September 2001. The project was suspended for three and half years from December 2007 to July 11, 2011 when it was at 83% completion stage. The revised expected date of completion was September 15, 2012. The project was at 97% completion as at December 31, 2014. For the 44 months when the project was on suspension (i.e. from December 2007-July 2011), it accrued expenses amounting to $1 446 188 comprising of charges for plant idle time and maintenance costs, project administration fees and scaffolding equipment. These costs had not been paid as at December 31, 2014.

**Central Registry and Immigration Head Office**

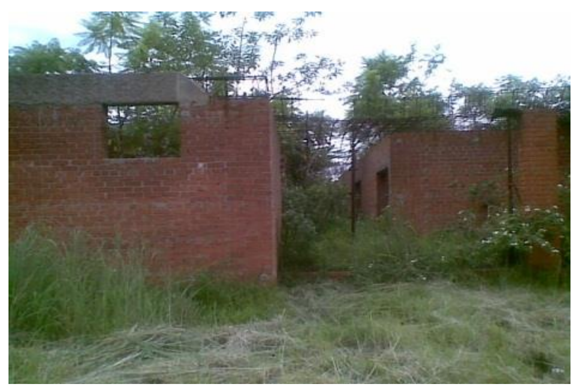
The project was supposed to run from June 1997 to May 2000. It was suspended in 2008 when it was at 95% completion, and then recommenced in July 2010. As at December 31, 2014, the project was at 96% completion stage. According to the contractor, there was need for remedial works to replace lifting parquet flooring, wedge gaskets to aluminium windows, repairing windows, lifts, kitchen equipment, new Chubb locks/old locks servicing, granite on parquet and light fittings to courtyard and staircases replacement and that needed US$315 743. The delay in completion of this project resulted in the Immigration Head Office which is renting office accommodation at Liquenda house paying rentals amounting to $358 800 for the period January 2009 to December 2014. The project had not received funding from Treasury since 2013. The project's expected date of completion was revised nine times with the last expected date of completion being April 2014. However as at December 31, 2014 the project had not been completed.

**Harare Central Hospital Mortuary and Chapel**

The project was started in October 2003 and was expected to be completed in May 2005. A review of the project file revealed that no progress had been made on the project since 2008. As at December 31, 2014, the building was still at the same stage (65%) as reported in 2009. There were trees which had grown inside the building and had destroyed the slab, hence the need for re-construction of the whole slab when works recommence. This will result in additional costs to the project. Refer to pictures A to D showing the trees which had grown in the building.

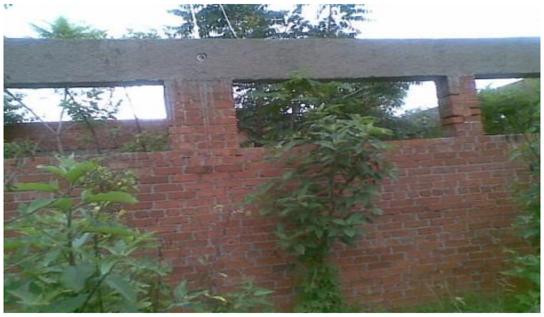
A

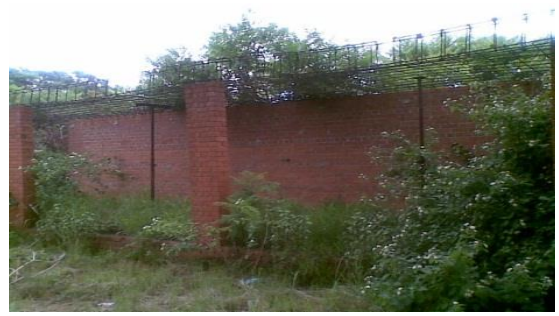
B



C

D





According to documentary review, the Public Works Department procured from Modern Freezing Way in 2003 cold rooms for the mortuary. Physical inspection of the 3 by 3 body mortuary units revealed that they were complete and ready for installation but this could not be done because the Public Works Department had not completed the building. These are kept by the supplier.

**Marondera Hospital Maternity Ward**

The project was expected to run from August 1997 to August 1999. The project was on suspension since 2008 and was at 90% completion stage. Procurement Board Resolution (PBR 0010) which was an approval for additional costs of $742 548 to complete the project was issued on January 26, 2011. According to the priority list from the Public Works Department for 2013 the budgeted costs required were $500 000 for minor works and civil works and no releases were made by Treasury.

**Mpilo Central Hospital Mortuary and Chapel**

The project was started in October 2003 and was expected to be completed in May 2005. The project was suspended in 2008 when it was 65% complete. Procurement Board Resolution (PBR 0716) which was an approval for additional costs of $985 175 to complete the project was issued on September 3, 2010 but as at the date of audit on December 31, 2014, no funds had been released by Treasury towards the project. According to the priority list from the Department for 2013, the budgeted costs had gone up to $1.3 million due to increases in labour and materials costs. The outstanding works were roofing, finishes, electrical, mechanical and civil works.

**Mutoko District Registry**

The project was supposed to run from June 1997 to May 2000. The project was suspended in 2008 and then resuscitated in March 2012 and was expected to be completed by September 2012. The building was handed over to Ministry of Home Affairs by Public Works Department on April 7, 2014, after a delayed completion of 18 months. The project was handed over for use although there were some uncompleted works. The outstanding works included window handles for 17 offices, skirting for all rooms, dark room vents were allowing light, the cash receiving porch had uneven sides and the floor from the cash registry into the main hall was uneven. There were also the following defects, sink in the dark room was not fitted well, some wall tiles to the toilets were not well grouted and four ceiling panels were spoiled by roof leaks.

**Murewa and Hwedza District Registry Offices**

The projects were supposed to run from June 1997 to May 2000. The projects were suspended in 2008 and up to the date of audit, December 31, 2014 no funds had been allocated to complete the district registry offices. According to the priority report for 2013, the projects were still at 70% completion and part of the roof trusses had been erected. The project officer reported that new roof trusses were required as the fitted trusses had been affected by weather. The documents showing the value of the trusses were not in the files.

**Interpol Regional Bureau**

The project was started in May 1998, and was to be completed in May 2001. The project was suspended in 2008 when it was at 99% completion stage and it had not been resuscitated as at December 31, 2014. It was allocated $790 000 in 2014 national budget but the funds had not been released as at December 31, 2014.

**Mazowe Prison Cell Block**

According to the report of Mazowe Prison Cell Block Final Inspection meeting of July 30, 2012, the project was handed over to the Ministry of Justice at 99% completion stage. Some civil works were yet to be done as at July 31, 2012, that is, landscaping the surrounding environment and a soak away was to be created branching from the leaking soak away to avert swampy and muddy pools. The block was handed over on July 30, 2012 and is now in use.

**Tafara Flats**

According to the Provincial Operations Officer Harare Metropolitan province, the flats were supposed to have been occupied immediately after completion in 2002, but could not be occupied due to inadequate water. The Public Works Department had not carried out adequate feasibility study concerning water connections by the Harare City Council and as a result, occupation of the flats depended on when water supply was going to be available. The project was handed over to the beneficiaries on October 26, 2011 after the Department had sunk and installed a borehole.

**Ministry of Primary and Secondary Education School Projects:**
**Construction of Schools**

The projects were started in 1998 and were expected to be complete by 2006. The projects were suspended in 2008 and no funds were availed to complete the outstanding works. In the 2014 budget, only $160 000 and $120 000 was allocated and released to Budiriro High 2 and Glen View High 3 respectively. However, the funds were not enough to complete the projects. The delay in completion of the projects at Budiriro 1, Kuwadzana 2 and Zengeza 3 high schools had resulted in some materials valued at $6 296 and $4 888 being stolen and expiring respectively. Trusses valued at $3 845 were left exposed to rain at Tafara high 2, Budiriro high 1 and Kuwadzana high 2. These trusses were no longer usable.

The delays to complete the projects were mainly due to shortage of technical staff (architects to carry out supervision) and delays in effecting payments to contractors for certificates of completed work.

### 2.1.1 Shortage of architects.

The Ministry's authorised establishment had 28 Architects as at December 31, 2014. According to the director architectural services the ratio of architects to projects must be one architect supervising five projects (1:5). In the previous audit the ratio was 83 projects per architect. There was an improvement in the ratio of architect to projects during the period 2012 to 2014. The number of architects increased from 3 in 2012 to 9 in 2014. As at June 30, 2014 the ratio had improved to 27 projects per architect.

### 2.1.2 Delays in payment of certificates

The contract agreements required that the certificates of work completed be paid within 30 days from date of issue. However, during the period under review from 2010 to December 31, 2014 payments were taking more than 30 days and in some cases the period was up to 121 days. According to interviews with the Public Works Department, delays in paying the certificates were due to erratic releases of funds from Treasury. The delays in effecting payments may result in increased project costs and contractors may withdraw their services.

## 2.2 Record keeping

The issue of record keeping was still a challenge at the Public Works Department as evidenced by the following; the documents pertaining to the damaged 150KVA UPS and the obsolete fire alarm system and Closed Circuit Television system for the Central Registry Immigration Head Office were not in the files. There were no project files at the Public Works Department for 9 projects that is Dzivarasekwa flats, Budiriro 1 and 2, Kuwadzana 2, Glen View 3, Tafara 2, Zengeza 3, Sakubva and Chikanga high school projects.

The contractor for Harare Hospital mortuary and Chapel (Kuchi builders) took some materials for safekeeping when the project was suspended in 2008. The files for Harare Central Hospital Mortuary and Chapel at the Public Works Department did not have records of the movement of the materials valued at US$17 206. If project information is not properly kept and filed, some construction materials may go missing without trace.

## 3. RECOMMENDATIONS

The Public Works Department should liaise with the Ministry of Finance so that available funds are channelled towards projects that are almost complete and not just part financing a number of projects. Procurement of fittings before completing the building should also be reconsidered to avoid obsolescence. The Public Works Department should also consider transferring materials from suspended projects to active projects to avoid obsolescence, expiry and theft of the same.

The Ministry should undertake projects which can be supervised and monitored by the available staff as required by the standards.

The PWD should liaise with the Ministry of Finance and come up with a more efficient payment system in order to expedite payments and ensure the availability of funds for work completed.

The PWD should maintain adequate information of each project from date of commencement to date of handover of a completed project. The client ministries should also maintain similar records showing all information relevant to the projects for ease accessibility and checking the status of the respective projects. This will ensure a comprehensive paper trail in the event of disputes.

**VOTE 14.- HEALTH AND CHILD CARE**

**APPROPRIATION ACCOUNT 2014**

I have audited the Appropriation Account for the Ministry of Health and Child Care for the year ended December 31, 2014.

**Basis for Qualified Opinion**

## 1 GOVERNANCE ISSUES

### 1.1 Unreconciled year end Balances

**Finding**

For the second year running, I was unable to accurately determine the total expenditure incurred by the Ministry because accounting records showed different figures. The Appropriation Account reflected a total expenditure balance of $276 462 589 while the Sub-Paymaster General's Account (PMG) showed a balance of $276 445 095 resulting in a variance of $17 494 that was not explained.

**Risk/Implications**

In the absence of a reconciliation of balances from the two accounting records expenditure may be misstated and errors may go undetected. The accuracy of the total expenditure figure is put in doubt.

**Recommendation**

The Ministry should carry out monthly reconciliations between its Sub-Paymaster General's Account and the Public Finance Management System balances to detect errors of commission and omission.

**Management Response**

**The observation is noted and agreed.**

### 1.2 Budgetary Control

**Finding**

For the second year in succession, the Ministry incurred unauthorised excess expenditure that was not covered by virement action amounting to $542 780 (2013: $1 920 077) on 4 items of the Vote in violation of Treasury Instruction 1218 as detailed below:

| Vote | Details | Amount ($) |
|---|---|---|
| I.A.2 | Transport Allowances | 169 530 |
| 1I.C.4 | Parirenyatwa Group of Hospitals | 330 271 |
| I11.D.1 | Physical Infrastructure | 28 000 |
| IV.A.2 | Housing Allowances | 14 979 |
| | **Total** | **$542 780** |

Further to the above, there were cases of cross viramenting of funds on 8 budgetary line items. Treasury circular No. 31 of 1983 prohibits the transfer of funds from items that would have received funds from other items and vice versa. I am concerned about lack of improvement on budgetary control.

**Risk/Implication**

Failure to follow proper budgetary control procedures may result in lack of fiscal discipline which leads to unauthorised spending.

**Recommendations**

The Ministry should maintain an effective budgetary control system so as to avoid incurring expenditure outside the budget framework. The Ministry should also desist from cross viramenting between budgetary line items.

**Management Response**

**All virements were submitted to the Audit Office for your perusal.**

***Auditor`s Comments***

*The virements authorities that were submitted did not cover unauthorised excess expenditure stated above.*

### 1.3 Unsupported Expenditure

**Finding**

In contravention of Section 81 (b) of the Public Finance Management Act [*Chapter22:19*], read in conjunction with Treasury Instruction 1216, the Ministry did not produce receipts or any proof of payment to support expenditure totalling $4 305 175. The amount is made up of direct payments made by Treasury to service providers on behalf of the Ministry amounting to $4 277 519 and Training & Development expenses amounting to $27 656. Consequently, I was unable to verify whether the expenditure was incurred for a legitimate purpose.

**Risk/Implication**

Errors of misstatements and misappropriation might not be detected if expenditure is incurred without necessary supporting documents.

**Recommendations**

There is need to obtain confirmation of payments made from the service providers in order to substantiate the Ministry's expenditure on communication, information supplies and services.

The Ministry should increase supervisory checks and ensure that all payments that are processed are properly and adequately supported as stated in standing instructions.

**Management Response**

**The service provider has been contacted more than three times. An accountant even went to Tel-one but came back empty-handed. We will continue to contact the service provider.**

**Noted. Human Resources has now sent an internal memorandum calling for the submissions of these receipts as well as notifying beneficiaries that such will always be a requirement for all future payments.**

## 2 SUSPENSE ACCOUNT

### 2.1 Disallowances

**Finding**

For the third year in succession, I have to report that the Ministry was taking too long to recover Disallowances as some of the balances date back to 2010 financial year. Of the original balance totalling $403 294, only an amount of $45 122 (11%) was recovered leaving an outstanding balance of $358 172 (2013: $310 999). The slow recovery action was contrary to Treasury Instruction 1605 which requires prompt clearance of Disallowances. I am concerned about lack of improvement in clearing of disallowances. The ages of the balances are given below:

| Year | Number of Employees | Original Amount $ | Amount Recovered $ | Outstanding Balance $ |
|---|---|---|---|---|
| 2010 | 130 | 32 847 | 1 879 | 30 967 |
| 2011 | 128 | 32 177 | 4 455 | 27 721 |
| 2012 | 227 | 96 422 | 11 848 | 84 574 |
| 2013 | 316 | 133 356 | 11 681 | 121 676 |
| 2014 | 182 | 108 493 | 15 259 | 93 234 |
| **Total** | **983** | **$403 295** | **$45 122** | **$358 172** |

**Risk/Implication**

Failure by the Ministry to take timeous recovery action might result in the Ministry failing to recover the amounts owing as some employees may leave the Ministry before settling their dues.

**Recommendation**

The Ministry should ensure that the outstanding Disallowances are cleared timeously as required by Treasury Instruction 1605.

**Management Response**

**Disallowances are mainly raised due to late submission of termination advices to Salary Service Bureau by stations. Our Human Resources Department has promised to resolve the matter so as to minimise the growth of debtors on this item. The delay in the recovery of the outstanding amount is due to failure by the Ministry to access terminal benefits from the Pension Office due to the legal requirement for individuals who have terminated service to complete statutory documentation before funds can be released. The other challenge faced by the Ministry is failure to positively identify funds recovered that are sitting in the Temporary Deposit Account due to lack of Alpha Deduction documents from Salary Services Bureau.**

### 2.2 Temporary Deposits

**Finding**

The Ministry was failing to clear funds credited to the Temporary Deposit Account as required by Treasury Instructions 1803 and 1804. A total amount of $591 492 (2013:$346 647) remained uncleared in the Temporary Deposit Account with some of the balances dating back to 2010, 2011 and 2012 financial years. I am concerned with the slow pace at which the balances in the Temporary Deposit Account were being cleared.

**Risk/Implication**

Failure by the Ministry to clear amounts outstanding in the Temporary Deposit Account may result in funds being held in the Suspense Account for too long.

**Recommendation**

The Ministry should ensure that the Temporary Deposit Account is cleared timeously as required by Treasury Instructions 1803 and 1804.

**Management Response**

**The other challenge faced by the Ministry is failure to positively identify funds recovered and deposited into the Exchequer Account that are sitting in our Temporary Deposit Account due to lack of Alpha Deduction documents from Salary Services Bureau. We are yet to receive the documents we requested from SSB. We could not transfer the funds into revenue because we know that the recovered funds should go towards clearing some of the outstanding debtors for Disallowances and Departmental Surcharges. We will continue to implore SSB to assist us with the information we need to identify the names of persons from who recoveries have been made.**

## 2.3 Departmental Surcharges

**Finding**

The Ministry did not make significant recoveries on Departmental Surcharges. Of the original balance of $641 456, only an amount of $68 632 (10.6%) was recovered leaving an outstanding balance of $572 824 (2013: $764 821). Failure to recover amounts outstanding in the account was contrary to Treasury Instruction 1605 which requires timeous recovery of outstanding revenue. The age of the balances are analysed below:

| Year | Number of Employees | Original Amount $ | Amount Recovered $ | Outstanding Balance $ |
|---|---:|---:|---:|---:|
| 2009 | 1 | 208 | - | 208 |
| 2010 | 126 | 21 994 | 948 | 21 046 |
| 2011 | 421 | 80 756 | 7 421 | 73 335 |
| 2012 | 519 | 163 619 | 18 884 | 144 735 |
| 2013 | 555 | 289 212 | 17 815 | 271 397 |
| 2014 | 120 | 85 667 | 23 564 | 62 103 |
| **Total** | **1 742** | **$641 456** | **$68 632** | **$572 824** |

**Risk/ Implication**

Failure to take timely recovery action on Departmental Surcharges may result in the Ministry losing revenue as some employees may leave the Ministry before settling their dues.

**Recommendations**

The Ministry should ensure outstanding Departmental Surcharges are recovered timeously as required by Treasury Instruction 1605. Recovery effort should be increased.

**Management Response**

**Departmental surcharges outstanding in our books relate to overpayments due to late submission of termination advices to Salary Services Bureau by stations, processed after the closure of the financial years they occurred. The delay in the recovery of the outstanding amount is due to failure by the Ministry to access terminal benefits from the Pensions Office due to the legal requirement that requires the individuals who have terminated service to complete statutory documentation before funds can be released. The other challenge faced by the Ministry is failure to positively identify funds recovered and deposited into the Exchequer Account that are sitting in the Temporary Deposit Account due to lack of Alpha Deduction documents from Salary Services Bureau. The Ministry has also resolved to carry out a round of training for Provincial and Central Hospitals accounts personnel on the management of Suspense Accounts, once funding becomes available during the course of this year.**

## 2.4 Public Service Penalties

**Finding**

A total amount of $139 666 was outstanding in the Civil Service Penalties account. The recovery process was slow as some of the amounts dated back to 2011 and 2012 financial years. The breakdown of the balances is given below.

| Year | No. Of Debtors | Original Amount $ | Amount Recovered $ | Outstanding Balance $ |
|---|---|---|---|---|
| 2011 | 10 | 5 262 | 1 290 | 3 972 |
| 2012 | 6 | 2 563 | 1 996 | 567 |
| 2013 | 173 | 124 074 | 9 791 | 114 283 |
| 2014 | 29 | 20 844 | - | 20 844 |
| **Total** | **218** | **$152 743** | **$13 077** | **$139 666** |

**Risk/Implication**

If the recovery process is not accelerated the Ministry may end up failing to recover the balances.

**Recommendation**

The Ministry should increase the rate of recovery to avoid losses.

**Management Response**

**The delay in the recovery of the outstanding amounts is due to failure by the Ministry to access terminal benefits from the Pensions Office due to the legal requirement that requires the individuals who have terminated service to complete statutory documentation before funds can be released.**

**Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs 1 to 3 above, the Appropriation Account present fairly, in all material respect, the financial position and performance of the Ministry of Health and Child Care for the year ended December 31, 2014.

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

## 3 GOVERNANCE ISSUES

### 3.1 Public Sector Investment Projects (PSIP)

**Finding**

Due to lack of prioritisation and funding, the Ministry failed to complete some of its projects under the Public Sector Investment Programme (PSIP). I am concerned that all the projects were carry overs from previous years.

The projects are listed below;

| Institution | Project | Commencement Date | Status |
|---|---|---|---|
| Harare Central Hospital; | 1. Body Mortuary and Chapel<br>2. Water augmentation<br>3. Rehabilitation of infrastructure | March, 2002 | Contractor has done concrete floors and columns. Most of materials are on site. |
| Mpilo Central Hospital | 1. Body Mortuary<br>2. Block of Flats.<br>3. Construction of incinerator | June, 2002<br>May, 2007 | Not implemented in 2014 |

| | | | |
|---|---|---|---|
| | and autoclaves<br>4. Upgrading of gas piping<br>5. Upgrading of Radiotherapy Centre | | |
| Chitungwiza Central Hospital | 1. Rehabilitation of laundry<br>2. Rehabilitation of Infrastructure | June, 2010<br><br>Date not provided | Building below window seal level. Most of the material is now on site |
| United Bulawayo Hospital | 1. Gas piping | | 80% complete. Outstanding works include gas tank and external works |
| Lupane Provincial Hospital | 1. Construction of Incinerator | 1999 | Not implemented in 2014 |

Further to the above, an amount of $2 092 980 budgeted for PSIP projects was directed towards recurrent expenditure.

**Risks/Implication**

Failure to complete the projects impact negatively on service delivery, affects the up-take of new projects and also results in cost overruns. The resources budgeted for PSIP may not have been utilised for intended purposes.

**Recommendation**

The Ministry should ensure that all projects to which resources are committed are implemented and completed within the specified time frames. Progress should be monitored and effort should be made to expedite the completion of such projects within the specified time frames and budgeted resources. Resources budgeted for PSIP should not be directed towards recurrent expenditure.

**Management Response**

**The observation is noted and agreed.**

## 4 PROCUREMENT

### 4.1 Payment for Goods not delivered

**Finding**

Goods worth $7 053 were not delivered by the supplier to Gutu Rural Hospital although payment was done in October 2013. However, the goods had not been delivered by the time of concluding the audit on April 29, 2015.

**Risks/ Implication**

The supplier may end up failing to deliver the goods which could result in loss of funds. The weakness could be due to fraudulent activities committed at the Hospital.

**Recommendation**

There was need to investigate and determine whether fraudulent activities were not committed. The Ministry through its Hospital should ensure that the goods purchased are delivered.

**Management Response**

**The province had noted that Gutu District had advanced $11 310 to Centrechem Pvt Ltd before the audit came. By the time audit came the Province was conducting investigations and a hearing was done later. The officers concerned had been charged with acts of misconduct. We have since discouraged Districts to make prepayments to suppliers. Efforts to recover outstanding goods worth $5 078.25 is being done. A police report was made against Centrechem under RRB No 2196547 and CR No 02/01/15 and investigations are still in progress.**

### 4.2 Generators

**Finding**

In 2008, the President of the Republic of Zimbabwe donated six Generators to Harare Central Hospital. The Hospital made payments amounting to $46 000 in 2009 to Geotech (Pvt) Ltd for the installation of the generators. At the time of completing the audit on April 29, 2015 the Generators had not yet been installed or put to use seven (7) years after the generators were received.

**Risk/Implication**

The generators may not be installed due to wear and tear or capacity of supplier due to passage of time.

**Recommendation**

The Ministry should follow up on the issue and ensure that the service provider fulfills the obligation of installing the generators.

**Management Response**

**Donated generators for Harare Hospital. The matter between the hospital and Geotech (Pvt) Ltd is now at the Courts of Law. Meanwhile Harare Hospital has engaged**

**Ministry of Local Government, Public Works and National Housing to do the outstanding / enabling works for installation of the generators.**

## 5 ZIMBABWE AGENDA FOR SUSTAINABLE SOCIO-ECONOMIC TRANSFORMATION (ZIM-ASSET)/RESULT BASED MANAGEMENT PROGRESS REPORT

The Ministry of Health and Child Care falls under the clusters of Food Security, Nutrition, Social and Poverty eradication. The Ministry is responsible for administering the health delivery system to improve the quality, health status of the population, strengthening health systems and improve quality care.

**Achievements during the year**

The Ministry planned to perform thirty four (34) outputs, three (3) outputs were achieved while eleven (11) were partially achieved, fifteen (15) outputs were not achieved and five (5) output targets were not set mainly due to resource constraints.

However, documents which support the Ministry's programmes, plans and achievements for 2014 as per the requirements of Audit Circular No. 1 of 2014 were not submitted for audit as indicated below.

i. Ministry Integrated Performance Agreement
ii. Departmental Integrated Performance Agreement
iii. Work and Performance Monitoring Plan
iv. Quarterly Performance Reports.

## 6 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Out of the nine audit findings reported in the previous year, the Ministry managed to address one of the issues raised but did not fully address the majority of the issues raised. It partially addressed five of them and failed to address three as outlined below:

**Addressed Issues**:

-Pilferage of Medicines

**Partially addressed issues:**

-Sub-Paymaster General's Account

**Not addressed**

Budget control, Disallowances, Departmental Surcharges, Temporary Deposits, Public Sector Investment Projects, Harare Central Hospital Employees' Residential Premises, Donated Medical Equipment and Target Approach

## HEALTH SERVICES FUND 2011

### Objective of the Fund

This fund was established for the purpose of collecting and administering hospital fees to supplement the health budget, both recurrent and capital for the development and maintenance of Health Services, programmes and related activities as may be approved from time to time by the Secretary responsible for Health and Child Care in consultation with Treasury.

I have audited the Health Services Fund of the Ministry of Health and Child Care for the year ended December 31, 2011.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Maintenance of Debtors Records

**Finding**

I could not verify the correctness, valuation and completeness of the debtors figures disclosed in the financial statements submitted for audit totalling $19 128 557 for six health institutions listed below due to lack of accounting records and source documents. The debtors' schedules availed for audit could not be traced to the respective debtors' ledgers and invoices. There was lack of commitment and supervision to ensure proper maintenance of accounting records.

| **Health Institution** | **Amount $** |
|---|---:|
| Chitungwiza Central Hospital | 8 952 685 |
| Government Analyst Laboratory | 12 908 |
| Gwanda Provincial Hospital | 136 148 |
| Masvingo Provincial Hospital | 1 105 176 |
| Mpilo Central Hospital | 8 356 724 |
| Gweru Provincial Hospital | 564 916 |
| **Total** | **$19 128 557** |

**Risk/Implication**

Failure to maintain proper debtor’s records and supporting source documents may result in loss of debtor information and consequently loss of revenue.

**Recommendation**

There is need to maintain and operate a proper debtors ledger system. The ledgers should reflect detailed explanations of activities relating to debtors. Accurate debtors' records should be maintained at all times and staff should be adequately supervised.

**Management Response**

**We take note of the observations highlighted in your report. The Finance Directorate is going to carry out a comprehensive assessment of the accounting system of the Ministry to identify challenges being faced by health institutions regarding maintenance of proper books of accounts and take corrective measures on identifying weaknesses in 2011.**

### 1.2 Recovery of Debtors

**Finding**

The financial statements reflected total debtors figure of $40 622 568 (2010: $25 840 500) translating to 120% of the total revenue stated in the financial statements. The huge balance has continued to increase due to slow recovery of debtors which has adversely affected the liquidity position of the Fund. There was lack of supervision and follow up in the recovery of debts by the administrators of the health institutions.

**Risk/Implication**

Failure to take recovery action on debtors may result in the hospital losing track of debtors due to migration to other locations and may result in bad debts.

**Recommendations**

Efforts should be made by the administrators of health institutions to follow-up and recover outstanding debts. Supervisory efforts should be increased on health institutions to ensure that amounts outstanding in the debtors figure are collected.

**Management Response**

**The Ministry is very concerned about the huge debt stock for hospital fees, however, a number of factors affect the growth of debtors in our public health institutions and these range from, (a) the existing policy which does not allow health institutions to turn away patients who cannot pay upfront when they present themselves at hospitals (b) some give false addresses to make it very difficult for hospitals to trace them for payment of outstanding debts and (c) prolonged stay in hospitals due to disease burden resulting in huge bills for the patients.**

**Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs 1.1 to 1.2 above, the financial statements present fairly, in all material respects, the state of affairs of the Fund for the year ended December 31, 2011.

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

## 2 GOVERNANCE ISSUES

### 2.1 Late Submission of Financial Statements

**Finding**

The Consolidated Financial Statements for the year ended December 31, 2011 were submitted for audit on July 4, 2013 which was two years after the statutory deadline of March 31, 2012. In terms of Section 35 (6) of the Public Finance Management Act *[Chapter 22:19]* and Audit Circular No. 1 of 2011 these accounts should have been submitted for audit by March 31, 2012.

**Risk/Implication**

The implementation of audit recommendations will be delayed if financial statements are not submitted within the specified time frame resulting in lack of proper accountability. The audit process is also delayed.

**Recommendation**

The Ministry should adhere to statutory deadlines as stipulated in the Public Finance Management Act *[Chapter 22:19]* and Audit Circular No. 1 of each financial year.

**Management Response**

**The Health Services Fund operates under a decentralised system where Districts, General, Provincial and Central Hospitals maintain separate books of accounts. The financial statements are consolidated at two levels. The District, General and Provincial Hospitals submit their financial statements to the Provincial Medical Directorate for provincial consolidation who in turn submit to Head Office for national consolidation.**

**The delay in the submission of accounts for audit for the period under review was mainly due to lack of capacity and skills in some Districts on how to produce accurate financial statements.**

**This resulted in the PMDs failing to meet submission deadlines and hence causing the delay in compiling the consolidated financial statements at national level.**

### 2.2 Health Services Fund Budgets

**Finding**

Harare Central Hospital did not produce for audit verification the budgets for the financial year ended December 31, 2011 for Health Services Fund. This was in contravention of Section 4.0 (1)-(13) of the Financial and Accounting Procedures Manual of the Health Services Fund which requires hospitals to "formulate costed annual plan based on the objectives of the National Health Strategy and the three year rolling plan".

**Risk/Implication**

Failure to produce budgets could result in unplanned and wasteful expenditure.

**Recommendation**

The hospital should comply with the requirements of Section 4.0 (1)-(13) of the Financial and Accounting Procedures Manual of the Health Services Fund by producing the budgets on which to base its expenditure.

**Management Response**

**The Ministry has already written to health institutions to prepare budgets for the Health Services Fund on an annual basis and adhere to their approved budgets when utilising their Health Services Fund. The Ministry will make sure there is maximum compliance with the instructions.**

**2.3 Fuel Management**

**Findings**

There were several control weaknesses in the management of fuel and maintenance of fuel records which were noted at several health institutions. These are outlined below.

| Station | Remarks |
|---|---|
| Bindura Provincial Hospital | -There were management overrides of internal controls on procurement of fuel.<br>-The Stores Department did not have a record of fuel drawn by the Departments outside the normal fuel procurement system.<br>-Amount of fuel procured outside the system could not be verified<br>-There was no evidence of checks by a senior official in log books and fuel registers. |
| Chitungwiza Central Hospital | -There were irregularities in the recording of fuel procured and issued out. |

| | |
|---|---|
| Government Analyst Laboratory | -Fuel coupons were not being issued in sequential order. |
| Harare Central Hospital | -Serial numbers of fuel procured were not being recorded in the fuel register. |
| Manicaland Provincial Medical Director | -Office was not maintaining a fuel register.<br>-There was also no evidence of checking in the log books by senior personnel.<br>-Monthly reconciliations of mileage travelled to fuel consumed were not being done. |
| Mashonaland East Provincial Medical Director | -The quantity and serial numbers of fuel coupons received were not being recorded in the fuel register. |
| Mashonaland West Provincial Medical Director | -Office did not link the fuel consignments to the coupons.<br>-Fuel was being issued without names and signatures of the recipients. |
| Mutare Provincial Hospital | -An analysis of monthly reconciliations of mileage to fuel consumed revealed inconsistencies with some vehicles having travelled on as low as 0.15km per litre of fuel.<br>-Fuel coupons worth 175 litres issued from Mutare Provincial Hospital Stores was not accounted for by the drivers to whom they were issued. |
| Mpilo Central Hospital | -Fuel was withdrawn from a service provider without the hospital's authority.<br>-Five hundred and twenty-nine litres of diesel were issued without names and signatures of recipients and vehicle registration numbers for the vehicles receiving the fuel. |
| Government Analyst | -Fuel coupons were not being issued sequentially. |
| Gweru Provincial Hospital | -Running balances were not being shown in the fuel registers. |

The internal control system on fuel was weak and there was lack of willingness by management to improve on it.

**Risks/Implications**

If the fuel register is not properly maintained, there might be misappropriation of fuel and accountability of fuel may be compromised. This will affect service delivery due to inadequate fuel.

**Recommendations**
Officers responsible for maintaining fuel records at health institutions should ensure that all pertinent information is duly recorded in the fuel registers to ensure proper accountability. Furthermore, management should ensure that the registers are checked at regular intervals as fuel coupons are security items.

An investigation should be carried out in order to establish the quantities of fuel procured outside the normal fuel procurement system and whether all the fuel was accounted for.

All fuel should be procured through the Stores Department for accountability purposes. Hospital management should strengthen controls in fuel disbursements especially drawn by privately owned vehicles as the mileage travelled by these vehicles could not be reconciled to fuel consumed through log books. Management should also ensure that there is segregation of duties in fuel management to enhance accountability.

Hospital management should comply with Treasury Instruction 0412 which requires security items to be issued sequentially.

**Management Response**

**The Ministry is still looking into the issue of fuel management.**

## 2.4 Medicines Management

**Finding**

There was lack of adequate internal control system in the management of medicines at several health institutions and a number of weaknesses were observed as summarised below:

| Station | Remarks |
|---|---|
| Bindura Provincial Hospital | -Pharmacy was operating without essential drugs such as cloxallin, clindomycin 150mg, and erythromycin 250mg which had been out of stock for periods ranging from six months to one year. |
| Marondera Provincial Hospital Pharmacy | -Pharmacy was grossly under stocked and was operating without twenty five essential medicines, some of which had been out of stock for periods ranging from six months to a year.<br><br>-Hospital Management appeared to prioritise procurement of fuel instead of critical medicines as evidenced by an amount of $84 741 spent on fuel being the highest expenditure item during the year under review.<br><br>-Movement of medicines from the Provincial Hospital Pharmacy to District Hospitals was not supported by acknowledgement of |

| | |
|---|---|
| | receipt on issue vouchers by the receiving hospitals as evidence that the said drugs had reached their intended destinations.<br><br>-There were inadequate internal controls as evidenced by a number of reported cases of theft of medicines in wards. |
| Chinhoyi Provincial Hospital | -Requisition forms used in wards were not serialised.<br>-Pharmacy could not avail for audit examination some of the order forms for the year under review. A sample of internal order forms examined did not bear the stamps for the originating wards raising questions on the authenticity of the order forms. |

**Risk/Implication**

Weaknesses in internal controls in the management of medicines may give room to abuse and pilferage which may ultimately result in poor service delivery because of shortages.

**Recommendation**

The Ministry should ensure that there are adequate internal controls in the management of medicines at health institutions as abuse of these critical resources would heavily compromise service delivery.

**Management Response**

**The Pharmacy Directorate has been tasked to look into the issues raised in the Audit Report.**

## 3 PROCUREMENT

### 3.1 Security Items

**Finding**

Bindura Provincial Hospital received forty (40) receipt books with duplicated serial numbers from Printflow (Pvt) Ltd. The first ten receipt books were received on March 29, 2011 and the same serial numbers were received again on June 28, 2011.

Another range of receipt book numbers 495001-496000 was received on September 22, 2011. The same serial range was received again on December 4, 2012. Audit could therefore not ascertain whether the duplicated receipt books were accounted for in the system.

Manicaland Provincial Medical Director's Office was not maintaining a security items register in violation of the provisions of Treasury Instruction 2101. Audit could not ascertain whether receipt books received at the station were properly accounted for.

**Risk/Implication**

Fraudulent activities might be perpetrated by officers thereby prejudicing the Fund of the much needed revenue.

**Recommendations**

Hospital management should liaise with Printflow (Pvt) Ltd to avoid being issued with duplicated receipt books in future for accountability purposes.

A record of security items should always be maintained in compliance with the provisions of Treasury Instruction 2101.

**Management Response**

**The Ministry is still investigating the issue of the Security Items.**

## 4 REVENUE COLLECTION AND DEBT RECOVERY

### 4.1 Under Banking of Revenue

**Finding**

Harare Central Hospital was not adhering to the provisions of Section 6.5(1) of the Financial and Accounting Procedures Manual for the Health Services Fund which requires that all monies be banked within 24 hours of receipt and that banking shall be done intact on the next visit to the mobile bank.

Furthermore, in some instances the hospital re-imbursed the petty cash account from receipted money before it was banked. Table below shows the anomaly.

| Date | Receipts | Amounts Mastered $ | Amount Banked $ | Variance $ |
|---|---|---|---|---|
| 14/01/11 | 259210-17 | 8 207 | 4 937 | 3 270 |
| 18/01/11 | 259231-38 | 7 061 | 3 267 | 3 794 |
| 24/01/11 | 259271-76 | 7 288 | 7 268 | 20 |
| 19/03/11 | 333207-13 | 8 943 | 8 438 | 505 |
| **Total** | | **$31 449** | **$23 910** | **$7 589** |

**Risk/Implication**

The hospital revenue could be misappropriated if the mastered receipts were not banked intact.

**Recommendation**

The hospital should adhere to banking requirements as stipulated in Section 6.5(1) of the Financial and Accounting Procedures Manual for the Health Services Fund.

**Management Response**

**Variances were a result of petty cash re-imbursement made from daily cash collections by the hospital before banking. The hospital has since stopped the practice in compliance with audit observations and financial accounting procedures manual.**

## 4.2 Rentals

**Finding**

Rentals amounting to $4 644 were paid on behalf of the Revenue Accountant in 2011 yet the same officer received housing allowances amounting to $876 from Salary Service Bureau during the same period.

The table below shows the breakdown of the rentals paid which were outside the officer's conditions of service.

| **Period** | **Rentals Per Month $** | **Total For Six Months $** |
|---|---:|---:|
| January to June, 2011 | 360 | 2 160 |
| July to December, 2011 | 414 | 2 484 |
| **Total** | | **$4 644** |

**Risk/Implication**

Health services delivery may be compromised as resources are diverted to finance staff benefits unrelated to the Fund's core activities.

**Recommendations**

The hospital management should not set staff conditions of service which are outside those provided for by the Civil Service Commission or the Health Services Board.
Disallowances should be raised against officers who benefited under this facility.

**Management Response**

**It is the normal practice in the Ministry that hospital executive members and other critical staff are provided with institutional accommodation in the event that available accommodation at the hospital is not adequate to cater for such staff. Hospitals can out-source accommodation. The Accountant as part of the executive also qualifies for that**

**privilege. The reason why housing allowances was not removed is that the Accountant pays utility bills for such accommodation.**

## 5 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Out of the audit findings reported in the previous year, the Ministry partially addressed one of them and failed to address eleven as outlined below:

**Partially Addressed:**

### 5.1 Failure to Maintain Books of Accounts

Some stations were not maintaining books of accounts. Ledgers and commitment registers could not be provided at Midlands Provincial Medical Director's Office, Matabeleland South Provincial Medical Director's Office, Gwanda Provincial Hospital and Bindura Provincial Hospital. The cashbook at Gweru Provincial Hospital was not being consistently updated.

Bank reconciliations were not being done timeously as was the case with United Bulawayo Hospitals and Gweru Provincial Hospital. At Government Analyst Laboratory monthly bank reconciliation statements were not being performed regularly as reconciliations for January, May, June and December 2011 were not done.

**Not-Addressed:**

### 5.2 Violation of Fund's Accounting Policy on Capital Assets

The Ministry has not implemented the capitalisation of assets.

### 5.3 Maintenance of Debtors Records

The Ministry failed to maintain debtors' ledgers resulting in failure to avail the ledgers and invoices for audit examination.

### 5.4 Suspense Account

The imbalance was carried forward to the 2011 financial year before its source was established.

### 5.5 Receipt Books not Accounted For

The following five subsidiary receipt books: 272200-300, 272400-500, 272501-600, 273600-700 and 273800-900 for Chitungwiza Central Hospital were still not produced for audit examination.

## 5.6 State and Management of Revenue Records

There was still lack of enforcement of procedures at health institutions with regards to management of collection of revenue and maintenance of records.

## 5.7 Unsupported Expenditure on Salaries

The variance between the Financial Statement balance and the PAYNET report of $144 654, was still not explained.

## 5.8 Debtors Management

There is still a slow recovery of debtors at Health Institutions as evidenced by the debtors figure in the financial statements of $40 622 568 translating to 120% of the total revenue.

## 5.9 Violation of Procurement Procedures

In the previous year's report it was observed that the Ministry was not adhering to procurement regulations. Expenditure amounting to $185 885 at Chitungwiza Central Hospital was not supported by three competitive quotations. The situation remained the same during the year under review.

## 5.10 Late Submission of Financial Statements

The Ministry failed to meet deadlines in the submission of their financial statements. The Consolidated Financial Statements for the year under review were submitted for audit on July 4, 2013. This was two years after the statutory deadline of February 28, 2012 stipulated in Section 35 (6) of the Public Finance Management Act *[Chapter 22:19]*.

## 5.11 Fuel Management and Maintenance of Fuel Records

There were poor controls in management and maintenance of fuel records. The internal control system on fuel was weak.

## 5.12 Medicines Management

There was lack of adequate internal control system in the management of medicines at several health institutions and several weaknesses were observed.

## HEALTH SERVICES FUND 2012

### Objective of the Fund

This fund was established for the purpose of collecting and administering hospital fees to supplement the health budget, both recurrent and capital for the development and maintenance of Health Services, programmes and related activities as may be approved from time to time by the Secretary responsible for Health and Child Care in consultation with Treasury.

I have audited the Health Service Fund for the Ministry of Health and Child Care for the year ended December 31, 2012.

### Basis for Disclaimer of Opinion

### 1 GOVERNANCE ISSUES

**1.1.** Maintenance of Debtors Records

**Finding**

For the third year in succession, I could not verify the correctness, accuracy and completeness of the debtor figures in the financial statements submitted for audit totalling $27 262 333 (2011: $19 128 557) for eight health institutions listed below: The institutions did not maintain debtors records:

| Health Institution | Amount<br>$ |
|---|---|
| Bindura Provincial Hospital | 242 581 |
| Chitungwiza Central Hospital | 10 421 306 |
| Gwanda Provincial Hospital | 194 541 |
| Gweru Provincial Hospital | 770 743 |
| Marondera Provincial Hospital | 183 557 |
| Masvingo Provincial Hospital | 1 623 962 |
| Mpilo Central Hospital | 12 370 896 |
| Mutare Provincial Hospital | 1 454 747 |
| **Total** | **$27 262 333** |

**Risk/ Implication**

Failure to maintain proper debtor’s records may result in loss of debtor information which could ultimately result in loss of revenue.

**Recommendations**

There is need to maintain accurate debtors records and to improve on the supervision of staff. A recovery plan should be introduced by management to follow-up on debtors in order to improve the cash flows of the health institutions.

**Management Response**

**We take note of the observations highlighted in your report. The Finance Directorate is going to carry out a comprehensive assessment of the accounting system of the Ministry to identify challenges being faced by health institutions regarding maintenance of proper books of accounts and take corrective measures on identified weaknesses in 2012.**

## 1.2 Recovery of Debtors

**Finding**

For the third year in succession, it was observed that there was no meaningful recovery of debtors as the financial statements reflected a total debtors figure of $55 402 724 ($2011: $40 622 568). This was due to lack of follow up in the recovery of debts by the administrators of the health institutions.

**Risk/Implication**

Failure to take recovery action on debtors may result in heath institutions losing track of debtors due to changes in residential addresses and migration to other locations resulting in bad debts.

**Recommendation**

Effort should be made by administrators of health institutions to recover and make follow-ups on outstanding debtors.

**Management Response**

**The Ministry is very concerned about the huge debt stock for hospital fees. However, a number of factors affect the growth of debtors in our public health institutions and these range from (a) the existing policy which does not allow health institutions to turn away patients who cannot pay upfront when they present themselves at hospitals. (b) Some give false addresses to make it very difficult for hospitals to trace them for payment of outstanding debts and (c) prolonged stay in hospitals due to disease burden resulting in huge bills for the patient. Hospitals have always been encouraged to hire debt collectors where possible, to assist in tracing bad debtors.**

## 1.3. Receipt Books Not Accounted For

**Finding**

Twenty four receipt books at Marondera Provincial Hospital went missing in 2012 and had not yet been accounted for as at the time of concluding the audit in December 2014. I could not verify the correctness of the revenue figure of $644 470 disclosed in the financial statements and I was also not satisfied whether revenue collected at the institution was properly accounted for.

**Risk/Implication**

If due care is not taken in safeguarding security items through enforcement of internal controls, there is high risk that the Fund could lose a lot of revenue due to fraudulent activities.

**Recommendation**

Due care should be taken in safeguarding security items and regular checks should be done to ensure that the items are properly used and accounted for.

**Management Response**

**Twenty four receipt books which went missing are yet to be recovered and the management has resorted to have all used receipt books kept under lock and key to avoid future losses.**

**Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs 1 to 3 above, I have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

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

## 1.4 Medicines Management

**Finding**

There was lack of adequate internal control system in the management of medicines at two health institutions and several weaknesses were observed as summarised below:

| Institution | Remarks |
|---|---|
| Mutare Provincial Hospital Pharmacy | The Pharmacy was operating without essential drugs which had been out of stock for periods ranging from six months to one year.<br><br>Hospital Management appeared to prioritise procurement of fuel instead of medicines as evidenced by an amount of $92 084 spent on fuel whilst $79 418 was spent on medical supplies in 2012. |
| Bindura Provincial Hospital Pharmacy | The Pharmacy at the provincial hospital was operating without essential drugs for periods ranging from six months to one year.<br><br>Hospital Management appeared to prioritise procurement of fuel instead of medicines as evidenced by $68 246 spent on fuel whilst $31 790 was spent on medical supplies in 2012. |

**Risk/Implication**

The identified weaknesses in internal controls on the management of medicines in wards may lead to loss of medicines through thefts.

**Recommendations**

The Ministry should ensure that adequate internal controls are instituted in the management of medicines at health institutions as abuse of these critical resources would heavily compromise the quality of life of the Zimbabweans. Resources should be channelled towards procurement of drugs.

**Management Response**

**The Ministry is still working on the issue.**

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Out of the thirteen audit findings reported in the previous year, the Ministry, addressed ten of them and failed to address three as outlined below:

**Not-Addressed:**

### 2.1 Recovery of Debtors and Management of Debtors Records

The Financial Statements reflected a total cumulative debtors figure of $55 402 724. The age analysis of the debtors was not provided. The huge balance reflected slow recovery of debtors.

The position of debtors' records did not improve as the health institutions failed to maintain proper debtors' records. The institutions that could not maintain proper debtors records included Mpilo Central Hospital, Mutare Provincial Hospital, Bindura Provincial Hospital, Marondera Provincial Hospital, Gweru Provincial Hospital, Gwanda Provincial Hospital, Masvingo Provincial Hospital and Chitungwiza Central Hospital.

### 2.2 Fuel Management

There were poor controls in the management and maintenance of fuel records. The internal control system on fuel continued to be weak. The institutions involved comprise Manicaland Medical Director's Office, Mutare Provincial Hospital, Bindura Provincial Hospital, Government Analyst Laboratory, Masvingo Provincial Medical Director's Office, Harare Central Hospital, Chitungwiza Central Hospital, Chinhoyi Provincial Hospital, Lupane District Hospital, Midlands Provincial Medical Director's Office and Mashonaland West Provincial Medical Director's Office.

### 2.3 Medicines Management

There was no adequate internal control system in the management of medicines at several health institutions and several weaknesses were observed. The institutions comprised Mutare Provincial Hospital Pharmacy, Bindura Provincial Hospital Pharmacy and Marondera Provincial Hospital Pharmacy.

## VOTE 15.- PRIMARY AND SECONDARY EDUCATION

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Primary and Secondary Education for the year ended December 31, 2014.

**Basis for Qualified Opinion**

### 1 GOVERNANCE ISSUES

### 1.1 Inaccurate Financial Statements

**Finding**

The figure disclosed in the Appropriation Account for Employment Costs totalling $788 053 534 was not reliable since the SAP (Computerised system) showed different figures at different intervals. Reports extracted on March 10, 2015 and March 11, 2015 showed that Employment Costs for 2014 were $771 268 248 and $787 893 367 respectively. No adjustments are to be effected to the financial statements after the statutory submission deadline of 28th February of each year. It was established that 2014 period was left open after December 31, 2014 for transactions in the SAP hence the changes in figures. However reconciliations were supposed to be done to ensure that the figure disclosed in the Appropriation Account agreed to that reflected in the SAP.

**Risk/Implication**

Use of incorrect figures to prepare financial statements may render the Appropriation Account unreliable.

**Recommendation**

The Ministry should always reconcile its figures so that any variances are traced and cleared before financial statements are submitted for audit.

**Management Response**

**Limited access to view the Ministry's budget by Head Office accounts personnel adversely affected the preparation of the Appropriation accounts. The Director Finance profile was unable to view the Budget in the system and the accountant Budgets profile also produced inaccurate figures. The items in the Budget would appear as if the funds are still available distorting the report on expenditure incurred. Actually Head Office staff had profiles to view Head Office costs only yet they have the responsibility of preparing the Ministry's Appropriation Account.**

***Auditor's Comment***

*The Ministry should have constantly liaised with Ministry of Finance regarding profiles and the cut-off date of expenditure so as to avoid spill overs. The Ministry should also have controlled activities in the provinces to avoid fluctuations of expenditure figures after the statutory deadline of February 28, 2015 for submission of accounts.*

**Qualified Opinion**

In my opinion, except for the possible effects of matters described in the basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Primary and Secondary Education as at December 31, 2014.

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

## 1.2 Borrowing from Independent Colleges Guarantee Fund (ICGF)

**Finding**

The Ministry incurred expenditure amounting to $92 623 (2013: $179 196) using funds from the ICGF. The Fund's constitution has no provision for the payment for Appropriation Account expenditure. The amount was not disclosed in the Appropriation Account thereby understating total expenditure by the same amount.

**Risk/Implication**

The purpose for which the Fund was established which is to ensure acceptable standards of learning are maintained at all independent colleges may not be achieved.

**Management Response**

**The Ministry has exercised restraint from borrowing from the Fund as evidenced by the decrease in the amount borrowed in 2013 which was $179 196 and in 2014 which was $92 623.**

***Auditor's Comment***

*Where there is no express authority in writing, from Ministry of Finance, monies from the statutory Funds should not be used for any purposes other than those stated in the constitution of the Fund.*

## 1.3 Asset Management

### Finding

It was observed that the Ministry issued an Annual Asset Certificate confirming that the records had been maintained properly in accordance with Treasury Instructions 2000 to 2009. However, records submitted for audit showed that assets worth $42 697 purchased in 2014 were not recorded in the Head Office's asset register.

### Risk/Implication

Assets may be converted to personal use if no recording is done at acquisition.

### Recommendation

It is recommended that all assets that belong to the Ministry must be recorded in the asset register to minimise risks of theft, misuse and loss.

### Management Response

**Observation noted. However, the issue is being addressed.**

## 1.4 Management of Fuel

### Finding

Internal Audit Report (J/H/177/1) dated 08/10/2014 revealed that a total of 897 fuel coupons with a total volume of 18 180 litres of diesel valued at about $23 634 were issued to non-existing recipients.

The report outlines that:

Although all coupon issues appeared signed for in the registers at Head Office some of the recorded recipients denied receiving the coupons. A number of those coupons purported to have been issued at Head Office or transferred to Provincial offices were confirmed as not received by the intended recipients and other relevant witnesses at the Head Office and in the Provinces. The confirmations were said to have been obtained from the intended recipients during interviews conducted individually and all the intended beneficiaries disowned signatures used to draw fuel in the coupon registers at Head Office.

Fuel coupons were at times transferred from Head Office to Provincial Offices without using issue vouchers to effect the transfers.

**Risk/Implication**

If proper accounting records are not maintained, public resources might be lost through fraudulent use of fuel coupons. Such weaknesses in fuel management may deprive the Ministry of the much needed resources through fraud or theft.

**Recommendations**

The Ministry should expedite the investigation which is in progress.

It is further recommended that a review of internal controls be done urgently.

As face value instruments, coupons are security items to be strictly controlled just as cash in terms of Treasury Instruction 0302 which states that, "Stocks of stamps and face value instruments shall be kept in safes or strong-rooms under the control of the responsible officer. Supplies held for immediate use shall be treated as cash and controlled accordingly".

**Management Responses**

**The investigation committee has been appointed to look into the matter and make recommendations to the Accounting Officer.**

***Auditor's Comments***

*It is important that internal controls are strengthened.*

### 1.5 Failure to Collect Revenue

**Finding**

In my previous report, I highlighted the Ministry's failure to collect rentals from institutional accommodation and failure by Colleges to pay educational fees. Again for the year under review, these challenges persisted as only $17 765 (5.92%) was collected from rentals out of an estimate of $300 000. For educational fees $183 100 (27%) was collected against $690 000. Lack of enforcement was behind low collection of revenue.

Also, documents availed for my audit examination revealed that the Ministry understated the Educational fees collected by $97 600. Bank statements showed that $183 100 was collected while the return had $85 500.

**Risk/Implication**

Failure to collect revenue may compromise service delivery as the Ministry may face financial challenges.

**Recommendations**

Effective measures should be put in place to monitor revenue collection so that service delivery can be improved.

The Ministry should disclose accurate information in the financial statements.

**Management Response**

**The audit observation is noted. The Ministry has put in place measures as detailed below to improve the collection of rentals from institutional accommodation:**

- **Director Finance Circularised all Provinces**
- **Salary deductions being effected to recover rentals**
- **Termly rental returns from all Government schools to be submitted to Head Office for control purposes,**

**The general ledger for fees is not linked to Sales and Distribution module in the SAP system. All fees are first receipted into the Temporary Deposit General Ledger account 100010 and later journalised to the fees account. It is only after this, that the systems recognised the figure as fees revenue.**

**An amount of $97 600 was receipted but not journalised in time and hence the difference. However, the journal has now been done to normalise the transaction and adjust the imbalance.**

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Unauthorised Expenditure

The ministry incurred expenditure amounting to $179 196 from its Independent College Guarantee Fund account without Treasury authority as this was not provided for in the fund`s constitution. The amount was also not disclosed in the Appropriation Account thereby understating total expenditure by the same amount.

***Auditor's Comment***

*In the current year the Ministry's borrowing stood at $92 623. The borrowing, although less than the prior year's figure still violated the constitution of the Fund which does not have a provision for borrowing.*

### 2.2 Departmental Assets

Twenty six motor vehicles that were auctioned by the Ministry on August 31, 2013 and September 27, 2013 respectively were not removed from the Ministry`s Motor Vehicles register thereby making the register inaccurate.

***Auditor's Comment***
*The assets were subsequently removed from the register.*

## 2.3 Ineffective Debt Recovery System

As noted in prior year`s audit, the Ministry`s debt recovery system remained ineffective. Revenue due from various sources and outstanding staff debts remained uncollected and the cumulative effect of such non collections is a prejudice to the State to the tune of $1 375 967.

This was made up of staff debtors of $656 067 and outstanding annual registration fees from colleges of $719 900. There was no evidence of regular follow-ups on outstanding debts to minimize the figure.

***Auditor's Comment***

*There was an improvement on the recovery of debts as the Ministry managed to collect $888 749 out of $1 375 967 which was outstanding from the previous year. The exercise is ongoing.*

## 2.4 Procurement of 23 Vehicle Canopies

The Ministry purchased 23 canopies worth $44 155 from Car Guard Private Limited using competitive quotations. This amount was above the government Tender Board`s limit of only up to $10 000 for competitive quotations as stated in the State Procurement Board Circular Number 1 of 2012. The Ministry cited late releases of funds by Treasury as the cause for the anomaly for the Ministry to float a tender.

The Ministry sought condonation from State Procurement Board. However, at the time of concluding the audit, no responses from the Board had been received.

***Auditor's Comment***

*There was an improvement by the Ministry in following procurement procedures as most payment vouchers had invoices, receipts and quotations attached. The ministry should follow up the request to SPB so that the issue is finalised.*

## 2.5 Revenue Received

From the estimated potential rental revenue of $400 000, the Ministry only managed to collect $2 898 and about $397 102 of the estimated rental revenue from the financial year was not collected. The return submitted for audit showed that rental income was collected from Mount Pleasant Staff only, which means that no rentals were collected from the Ministry`s other housing properties in provinces and districts across the country. I noted that out of the estimated educational fees revenue of $850 000.00, the Ministry managed to collect

$155 000 which means that $695 000 of the estimated educational fees for the financial year was not collected.

***Auditor's Comment***

*No progress has been noted during the year. The matter was again observed in this report.*

## INDEPENDENT COLLEGES GUARANTEE FUND 2013-2014

### Objective of the Fund

The objective of the Fund is to provide funds to defray any expenses that may be incurred by the Secretary in ensuring that acceptable standards of education are maintained in all the registered Independent Colleges and to refund wholly or partially to students any fees paid in the event of failure by colleges for whatever reasons to meet their obligations.

I have audited the financial statements of the Independent Colleges Guarantee Fund account for the year ended December 31, 2013.

### Opinion

In my opinion, the Account present fairly, in all material respects, the results of operations of the Independent Colleges Guarantee Fund as at December 31, 2013.

However, below are material issues noted during the audit.

## 1 GOVERNANCE ISSUES

### 1.1 Constitution of the Fund

#### Finding

As reported in my previous audit reports for 2012 and 2013, the Fund was operating without a constitution and Accounting Officer's Instructions contrary to provisions of Section 18(2) of the Public Finance Management Act [*Chapter 22:19*] which require that a constitution to guide and regulate the affairs of the Fund be drawn up. The Fund may fail to fulfil its mandate as a result of lack of guidelines.

#### Risk/Implication

In the absence of an approved Constitution and an operating manual, there is no legal basis to assess the Fund's performance and this has an impact on accountability. There is also risk of operating outside the law.

#### Recommendation

The Ministry should finalise the issue of the Fund's Constitution by ensuring that it is put in place immediately.

**Management Response**

**The Ministry is in the process of drafting the Constitution and the Accounting Officer's Instructions. The drafts of these two documents are now ready and a meeting with all stakeholders for finalisation of the draft Constitution will be held.**

## 1.2 Purpose of the Fund

**Finding**

The purpose of the Fund which is to foster good education standards in the country were not being met, as evidenced by expenditure of only $4 500 in the year 2013 and $12 000 in the year (2012) against incomes of $350 000 and $304 000 respectively. The Fund is investing funds without carrying out monitoring activities on Independent Colleges for the purposes of improving quality of education according to the Education Act *[Chapter 25:04]*.

**Risk/Implication**

There is a risk that the standards of education in registered Independent Colleges may not meet standards if they are not continuously checked, which is the objective of the Fund.

**Recommendation**

The Fund management should ensure that funds collected from colleges are used for the core business of the Fund and should there be any excess funds, these can then be invested subject to Treasury approval.

**Management Response**

**The Ministry is investing the monies for ICGF because the Fund does not have a Constitution to guide and regulate its use. When the Constitution is in place the Funds are going to be utilised for the purpose specified in the Constitution.**

***Auditor's Comment***

*Despite the absence of the Constitution the Ministry should have utilised the funds in accordance with the provisions of the Education Act [Chapter 25:04].*

## 1.3 Application of Funds

**Finding**

There was significant borrowing of monies from the Fund by the Ministry in the year 2014 amounting to US$267 273 that had not been reimbursed by the end of the year. In 2013, the Fund collected cash of $140 400 and the Ministry borrowed $177 990, showing that all the money collected by the fund for the year was put to Ministry use, even encroaching into prior year collections to the tune of $37 590.  At the time of concluding the audit, the Ministry had managed to return $48 167 only.

Further scrutiny revealed that the borrowed money was being used to pay for advances to officers working on other assignments other than ICGF related business as well as buying stationery and fuel coupons for the Ministry.

**Risk/Implication**

There is a risk that this Fund may now be used as a source of funding for the Ministry at the expense of the expected service of improving the quality of education.

**Recommendation**

The Fund should prioritise the core business in the application of fees collected from registered Independent Colleges

**Management Response**

**Borrowing of funds from Independent Colleges Fund is authorised by the Accounting Officer based on the urgent need for Ministry to finance pressing expenditures while awaiting releases by Treasury. Reimbursement to the Fund will be made once releases are received from Ministry of Finance.**

## 2 REVENUE COLLECTION AND DEBT RECOVERY

### 2.1 Recoverability of Debtors

**Finding**

Audit noted that income disclosed could be overstated as it included expected revenue from some colleges which may have ceased operating due to various economic challenges affecting the country. These debtors appear not to be recoverable and the Fund has not made any provision for colleges that may fail to honour their obligations to the Fund. Further, there is no evidence of any assessment of colleges whose debts appear to be irrecoverable.

Below is a table showing the total amounts outstanding in the years 2009, 2010 and 2011.

| **Year** | **$** |
|---|---:|
| 2009 | 108 100 |
| 2010 | 118 200 |
| 2011 | 127 800 |
| **Total** | **$354 100** |

**Risk/Implication**

The financial statements may be materially misstated as they may not bear the true reflection of debtors which are potentially recoverable.

**Recommendations**

The Fund's management should regularly assess the recoverability of debtors in order to avoid overstating the income of the Fund. A provision for doubtful debts should be made where necessary.

**Management Response**

**The process which is now in place will clear all unrecoverable debts. Most of the colleges defaulting are no longer operating and are going to be struck off from the register thereby reducing the amount of the debtors' figure.**

## 2.2 Investments

**Finding**

According to Statutory Instrument 371 of 1998 Section 13(2) (b), the fund is allowed to invest excess funds in any tradable securities that the authorities may determine. In view thereof, the Fund invested $200 000 with ZABG in 2013 at a fixed interest rate of 15% per annum. The bank failed to pay the Fund the principal amount invested together with accrued interest as agreed in the investment memorandum citing unsystematic liquidity challenges affecting the nation and the banking sector in particular then. The bank has since closed and the Ministry like any other depositor will have to wait for whatever the liquidator is going to disburse to all depositors affected.

However, contrary to financial management best practices, management did not assess the qualitative risk when it invested an amount of $200 000 with ZABG bank at a return of 15%. This is evidenced by the fact that the Fund has not been able to access their principal amount invested as well as the interest earned.

**Risk/Implication**

The Fund may never be able to recover the full amount invested with ZABG given that its affairs are now being managed by the liquidator.

**Recommendation**

The Ministry is strongly advised to conduct thorough due diligence before making the decision to invest excess funds to avoid huge investment losses.

**Management Response**

**The Ministry has written letters to Ministry of Finance and Economic Development, Bankers Association of Zimbabwe and the Deposit Protection Corporation seeking assistance to recover funds.**

**When the Ministry invested with Allied Bank and the subsequent rolling over of the amount the bank was still stable, however financial market conditions changed when the investment was with the bank. The bank managed to redeem $15 000 on the 8th of July 2014 and promised to continue partly redeeming the investment. An investment Committee has been established by the Ministry.**

**When the Ministry realised that Allied Bank has surrendered its licence it made all possible actions to try and recover the funds through different organisations involved in the banking sector among them Bankers Association of Zimbabwe, Depositors Protection Board and Ministry of Finance.**

**The Ministry is awaiting responses.**

## SCHOOL SERVICES FUND 2012

### Objective of the Fund

The Fund was established to facilitate the provision of quality education by providing resources for the procurement of learning and teaching materials and to finance other school services and related activities in the school system which may be approved by the Secretary in consultation with Treasury.

I have audited the School Services Fund Account for the Ministry of Primary and Secondary Education for the year ended December 31, 2012.

### Basis for Adverse Opinion

## 1 GOVERNANCE ISSUES

### 1.1 Incomplete and Inaccurate Financial Statements

**Findings**

Failure to submit accounts by stations in three provinces for audit rendered the accounts submitted for audit incomplete. Two districts in Harare and another one in Bulawayo did not submit consolidated accounts to their respective provincial offices so that they could be included in the consolidated accounts of the Ministry by the authorities at Head Office. The previous year's take on balances were not captured correctly in the 2012 financial statements submitted for audit resulting in a suspense account figure amounting to $2 146 915 being disclosed under current assets. Because of its size, the figure significantly distorted the correct position of the financial statements.

The figure of $170 820 disclosed in the consolidated Matabeleland South province's financial statements differed from that in the Head Office financial statements of $179 710, resulting in an overstatement amounting to $8 890. The difference of $8 890 was subsequently accounted for as suspense account balance. I could therefore not place reliance on the net assets figure due to imbalances that could not be explained.

**Risk/Implication**

Failure to produce correct financial statements does not promote accountability and transparency and may result in wrong decisions being made.

**Recommendation**

The Ministry should ensure that the balancing figures are investigated and corrective action taken. It is further recommended that financial statements be correctly stated so that reliance can be placed on them.

**Management Response**

**This was a result of take-on balances for Harare Province which were different from the previous year's balance. Head Office had to use the correct take-on balances and hence the suspense figures. This has however been cleared in the 2013 accounts.**

**1.2 Assets**

**Finding**

The Fund's non-current assets figure increased from $2 167 334 to $3 276 965 during the year under review. However, as highlighted in my prior year report, the Ministry again failed to produce a list of assets supporting the figure disclosed. The Ministry did not have a depreciation policy. It is contrary to good accounting practice and Section 2 of the School Services Fund manual to disclose assets in financial statements without providing for depreciation charge.

**Risks/Implication**

There is risk that the correct value of the Fund`s assets may not be known if assets are not depreciated. There is also risk that assets may be overstated hence making it difficult to make correct asset replacement decisions.

**Recommendation**

The Ministry should come up with a Ministry wide depreciation policy that will be used by all schools to depreciate all non-current assets.

**Management Response**

**Noted. The Ministry will come up with a revised policy on the issue of depreciation which should be implemented uniformly.**

**Opinion**

In my opinion, because of the significance of matters described in the Basis for Adverse opinion paragraphs 1 and 2, the consolidated financial statements do not present fairly the financial position of the Fund and its financial performance for the year ended December 31, 2012.

## SCHOOL SERVICES FUND 2013

### Objective of the Fund

The Fund was established to facilitate the provision of quality education by providing resources for the procurement of learning and teaching materials and to finance other school services and related activities in the school system which may be approved by the Secretary in consultation with Treasury.

I have audited the School Services Fund Account for the Ministry of Primary and Secondary Education for the year ended December 31, 2013.

### OPINION

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph below, the financial statements do not present fairly the financial position and performance of the School Services Fund for the year ended December 31, 2013.

### BASIS FOR ADVERSE OPINION

### 1. GOVERNANCE ISSUES

### 1.1 Incomplete Financial Statements

**Findings**

The Ministry did not submit the financial statements for schools within the following districts and provinces;

| PROVINCE | DISTRICT | SCHOOLS THAT DID NOT SUBMIT ACCOUNTS |
|---|---|---|
| Harare | Mbare/Hatfield, Highglen | Morgan High, Queen Elizabeth, Shiriyedenga |
| Matabeleland South | Gwanda | All Schools |
| Bulawayo Metropolitan | Bulawayo District | Milton High School |

**Risk/Implication**

The Ministry will have no information on financial performance and accountability for funds by the affected schools. Without such information monitoring of the school will become difficult.

**Recommendation**

The financial statements of all Schools should be incorporated in the consolidated financial statements for completeness.

**Management Response**

**No response**

## 1.2. Inaccurate Financial Statements

**Finding**

The financial statements submitted for audit were inaccurate. The total income and expenditure figures disclosed in the financial statements were understated by $342 810 and $300 256 respectively. Further, the Balance Sheet did not show the true financial position of the Fund as the Fixed Assets, Current Assets and Current Liabilities were understated by $9 226, $92 901 and $63 560 respectively.

Differences were also noted between the District and the Provincial statements. For example, financial statements figures for Mbare/Hatfield District differed with those for the same districts disclosed in the Harare Provincial financial statements.

Mzingwane High School recorded a miscellaneous income of $43 411 and miscellaneous expenses of $47 468 in the year ended December 31, 2013. There were no notes in the Financial Statements to clarify why the school had such huge miscellaneous figures for the year.

**Risk/Implication**

There is also risk that the figures disclosed could be misleading or inaccurate.

**Recommendations**

The Ministry should investigate circumstances leading to differences in figures disclosed in the financial statements for districts and those for provinces with a view to getting them cleared by the 15$^{th}$ of June 2015.

The Ministry should ensure that schools provide a breakdown of expenses incurred rather than adding them together under the miscellaneous item.

The Ministry should ensure that a complete set of financial statements is prepared and submitted for audit in terms of Section 35 (4) of the Public Finance Management Act *[Chapter 22:19]*.

The Ministry should ensure that all school heads submit full sets of accounts showing both current and previous year's figures for comparative purposes.

**Management Response**

**The Ministry came up with a standard chart of accounts to facilitate the production of uniform accounts. District accountants were helping in verifying the accounts submitted at district offices using the source documents and supporting schedules.**

## 1.3 Mixing School Services Funds with General Purpose Funds

**Finding**

Mabvuku High and Nettleton Junior Schools maintained one bank account in which School Services Funds and General Purpose Funds were being banked. Maintaining one bank account for the two Funds presented challenges to the Bursar in accounting for the funds relating to two different Funds.

**Risk/Implication**

Mixing of funds in one bank account leads to inaccurate financial statements thereby affecting good financial decision making.

**Recommendation**

The Funds for the two should be accounted for separately.

**Management Response**

**The Ministry wrote to Ministry of Finance seeking approval to abolish the General Purpose Fund and once abolished, there will be no school operating the General Purpose Fund.**

## 1.4 Huge Cash Withdrawals to Pay Suppliers of Goods and Services

**Finding**

For the 2013 financial year, most schools visited that included Guinea Fowl High, Victoria High, Mutare Boys High and Hugh Beadle Schools would make huge cash withdrawals in order to pay various suppliers of goods and services contrary to Section 6 of the School Services Fund manual which requires use of the bank cheques or real time bank transfers to pay suppliers.

**Implication/Risk**

Payments not made through the bank could be cumbersome to trace in the absence of records of such transactions at the bank.

**Recommendation**

The school should pay for its goods and services using transfers rather than cash to avoid the risk of losing the cash to robbers. Further to that, the schools should adhere to the Fund's manual which requires schools to make payments using real time funds transfer system.

**Management Response**

**Noted. All schools have been encouraged to use bank cheques or real time funds transfer systems where applicable**

## 1.5 Budgeting

**Finding**

Thirteen (13) schools visited operated without budgets for the period under review in violation of the requirements of the provisions of the School Services Fund Accounting Officers Manual Section 4.3 which require the Finance Committee to prepare a budget at the beginning of each financial year to facilitate expenditure control. The schools included Hatcliffe High, Rusununguko Primary, Warren Park 2 Primary, Oriel Boys, Hugh Beadle Primary, Entumbane High, Ntabeni Primary, Northlea High, Victoria High, Chiredzi High Helen McGhie , Mutare Junior and Sheni Primary.

**Risk/ Implication**

There is risk that the school may incur expenditure which is not in line with the regulation and policies governing the operation of the fund.

**Recommendation**

It is recommended that schools should prepare budgets at the beginning of each financial year and not midway through the end of the year.

**Management Response**

**Noted. The Ministry sent circulars to schools to submit School Services Fund accounts accompanied by the respective budgets.**

***Auditor's Comment***

*If budgets are submitted with accounts at year end, this does not address the expenditure control issue. The Ministry should review budgets at the beginning of the year.*

## 1.6 Finance Committee Meetings

### Findings

It was observed that in the 2013 financial year Hatcliffe High, Nettleton Primary, Guinea Fowl High, Hugh Beadle Primary, Emganwini High and Ntabeni Primary Schools failed to convene monthly Finance Committee Meetings. School Services Fund Accounting Procedures Manual Section 3.5 (i) states that 'Meetings must be held monthly during the school term". The meetings are held to authorize the financial transactions to be carried out during the period and how they will be funded.

Also, no School Development Association members were present in the few meetings held. This was in violation of Section 3.3.2(i) of the School Services Fund (SSF) Accounting Procedures Manual which requires the Chairman and Treasurer of the SDA to attend such meetings.

### Risk/Implication

There is risk that the schools may engage in transactions not deliberated on and authorised by the finance committees.

### Recommendations

It is recommended that finance committee meetings be held monthly during the school term preferably early in the month to review financial obligations as prescribed by Section 3.5 of the School Services Fund Accounting Officers Manual.

It is further recommended that at least one SDA member be present when finance committee meetings are conducted for transparency as required by the School Services Fund Manual.

### Management Response

**Noted. Letters were sent to all schools addressing the issue of failure to hold finance committee meetings.**

## 1.7 Assets

### Finding

All schools visited disclosed assets in the financial statements at cost values and this was against Section 2 of the School Services Fund Accounting Procedures manual which states that fixed assets shall be depreciated based on the expected useful life of each category of assets. As a result, the value of fixed assets was over stated. However the Ministry had not given clear guidelines to schools on how to apply the depreciation policy.

### Risk/Implication

The value of assets may be overstated leading to wrong management decisions being made.

### Recommendations

The Head Office should draft a depreciation policy that clearly spell out rates to be used to depreciate all School Services Fund assets at schools across the country. The use of a uniform depreciation policy will reduce consolidation complications for the Ministry at year end.

### Management Response

**Noted. The Ministry will ensure that all schools depreciate their assets as stated in the School Services Fund Accounting Procedures manual.**

## 1.8 General Security and Care/Hostels

### Findings

School hostels and other facilities at Victoria High School, Northlea High School, Mazungunye High School, Mutare Boys High School, Mutare Junior School and Ndima High School were in a dilapidated state. Doors to most of the hostels were either not there or they were not fixed properly to the doorframes. At Victoria High School there were adult tenants who were staying at the hostels. The use of school accommodation by these officials resulted in students sharing limited spaces that remain thereafter. Also, the officials were not paying rentals.

The internal audit report referenced J/H/115 dated 11/02/2014 raised the issue of putting tenants in pupils' hostels earlier on in 2014. The Ministry's response was that the tenants were going to be removed from the school premises around mid-year. However, the tenants were still occupying the school hostels at the time of my audit inspection in October 2014.

The school grounds were found to be in need of watering and improved care and maintenance. Well maintained grounds are used as a source of revenues by other schools by hiring them out to the community for sport practice sessions and also as wedding venues.

**Risk/Implications**

There is a risk that students may lose their property when doors are not secure or there can be intruders.

There may be no guarantee that students are secure when they are cohabitating with adults who may be strangers to them.

The School Services Fund may be overloaded with repair and maintenance expenses if people from outside the school are allowed to occupy the school premises instead of finding accommodation in the residential areas.

The schools might be losing a lot of potential revenue in hiring fees by not maintaining their grounds.

**Recommendations**

The schools should maintain school grounds so that they can hire them out and collect revenue in the process and at the same time serve the community.

The school authorities should ensure that those individuals using hostels as their homes at the expense of pupils are asked to leave the school hostels and rentals for the period they were using the hostels be calculated using the spaces occupied and the dues be recovered for the period of stay.

**2 Procurement/Expenditure**

**Finding**

I observed that procurement procedures were being violated as goods and services were being acquired without the approval of the school's finance/procurement committee at Lundi Park Primary, Emganwini High, Ntabeni Primary, Victoria High, Mashaba Primary, Helen McGhie, Mutare Girls High and Mutare Junior. This practice was notably high at Senga Primary, Kwekwe High and Guinea Fowl High Schools. This was contrary to the provisions of the School Services Fund's manual Section 3.4(a) which stipulate that the school's expenditure be authorised by the Finance Committee.

Furthermore, the Schools were not sourcing a minimum of three quotations. Purchases were made on the basis of only one quotation and in some cases buying decisions were said to be done on the basis of quotations sought over the phone.

**Risk/ Implication**

There is risk of loss of financial resources through uneconomic buying.

**Recommendation**

The schools should obtain written quotations from three different suppliers before acquiring goods/services.

**Management Response**

**The situation is likely to improve significantly as a result of the training and improved monitoring of these stations.**

## 3 Management of Debtors

**Finding**

Management of debtors proved to be a challenge at all the schools which I audited. Variances were noted between debtors' records and debtors figures disclosed in the financial statements submitted for audit .The school authorities failed to satisfactorily explain why totals in the debtors' ledgers were different from debtors' figures disclosed in the financial statements. Section 9.2(e) of the School Services Fund manual states that "at the end of each term a schedule of all outstanding fees should be prepared for record purposes". This was not done because figures in the financial statements did not reconcile with figures presented for audit.

The dunning system at most schools was quite ineffective as evidenced by the ever increasing debtors' balances. The matter was aggravated by the misinterpretation of a Ministerial policy that prevents sending students home for failure to pay fees timeously by their parents or guardians.

Further, some debtors were for as far back as 2009. There was no evidence that efforts to collect outstanding amounts were being made.

**Risk/Implication**

By failing to maintain up to date records of debtors, schools risk failing to recover the amounts completely.

**Recommendations**

An up to date record of debtors should be maintained so that schools do not loose potential revenue.

The Ministry should ensure that schools reconcile their debtors' records to the figures disclosed in the financial statements.

Schools should exhaust all the means they have to recover some long outstanding debtors but if recovery is completely impossible the Attorney General's Office should be approached for assistance.

**Management Response**

**Noted.**

## 4 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 4.1 Incomplete and inaccurate financial statements

The Ministry made efforts to improve record keeping and preparations of financial statements during the year following workshops that were organised for the school heads and bursars.

### 4.2 Assets Management

My audit inspection confirmed that most schools had made significant strides in managing Fund assets. There was further confirmation by Ministry Officials during interviews that heads of schools and assets administrators at schools were trained on how to update and maintain assets registers. Most schools visited had assets registers which were recently opened indicating the Ministry's intervention on the issue.

### 4.3 Operation without an approved Constitution

The School Services Fund is still operating without an approved Constitution contrary to requirements spelt out by Treasury Instructions.

### 4.4 Suspense Account Balances

Ministry staff promised to look into the clearing of a suspense account figure in the financial statements. All district Accountants have been instructed to clear all suspense accounts before they reach the district level.

## VOTE 16.- HIGHER AND TERTIARY EDUCATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

### APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Higher and Tertiary Education, Science and Technology Development for the year ended December 31, 2014.

**Basis for Qualified Opinion**

### 1 GOVERNANCE ISSUES

#### 1.1 Misallocation of Expenditure

**Finding**

Contrary to the provisions of Treasury Instruction 0950 which states that "all expenditure on voted services shall be classified under the appropriate sub-heads and items as shown in the estimates", audit noted that of the $228 636 balance in the Rental and Hire General Ledger accounts, $31 483 represented misallocations. No corrective action was taken to amend the ledger accounts relating to the transactions which were wrongly classified.

**Risk/Implication**

Expenditure reflected under this item may be distorted. Budgeting for expenditure heads for subsequent financial period may be unrealistic as the expenditure per general ledger would have been distorted by the misallocated amounts.

**Recommendations**

The Ministry should ensure that payments are debited to the correct General Ledger in compliance with Treasury Instruction 0950. Where funds are not adequate virements should be used to move funds from ledgers/ items with savings to areas of need.

**Management Response**

**The observation is noted. The Ministry will adhere to audit recommendation to charge the proper codes.**

**Qualified Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the Appropriation Account present fairly, in all material respects, the financial position of the Ministry as at December 31, 2014.

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 EMPLOYMENT COSTS

#### 2.1.1 Transport Allowances

**Progress**

The issue regarding payment of Transport Allowances to Officers who were provided with official transport was resolved as the officers were no longer receiving the transport allowances.

### 2.2 PROCUREMENT

#### 2.2.1 Unvouched Expenditure

**Progress**

No incidences of unvouched expenditure were observed during the year under review.

#### 2.2.2 Expenditure outside the Public Finance Management System

**Progress**

The amount of $29 943 which had been borrowed from the Vocational and Technical Examinations Fund to finance the Ministry's operations was re-imbursed.

### 2.3 GOVERNANCE ISSUES

#### 2.3.1 Telephone Allowances

**Progress**

Treasury condonation was sought regarding the payment of telephone allowances to various categories of State employees amounting to $5 263 over and above the stipulated limits as provided for in Treasury Circular No. 1 of 2010. The condonation however, was denied by Treasury and no action has been taken to recover the amount.

## INNOVATION AND COMMERCIALISATION FUND 2013

### Objective of the Fund

The Fund was established to support the development and commercialization of innovation in Zimbabwe.

I have audited the above financial statements of the Innovation and Commercialisation Fund for the year ended December 31, 2013.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Loan Disbursements

**Findings**

Out of a total amount of $128 470 loans approved, only $35 000 was disbursed in June 2012 and funding of the other proposed projects was suspended by the Ministry due to various reasons. However, the total amount disbursed of $35 000 was still outstanding as at December 31, 2013 without any repayments having been done. In addition, there was no interest accruing on the outstanding disbursed amount.

One person received a loan of $5 000 in April, while six others received $20 000 each, issued in two tranches in June and September 2012 for various proposed projects. All these projects had six months grace period for repayment, a maximum repayment period of two years, a requirement for the submission of quarterly reports which included progress on the implementation of the project and a financial report on income and expenditure. In respect of the above terms, repayments were due from November 2012 and April 2013 respectively, However, a total of $133 435 including interest was outstanding as at December 31, 2013 and no repayments were done except for one member who only paid a single instalment of $700 in July 2013. Quarterly reports for all the seven funded projects were not availed for audit examination. As a result, I could not satisfy myself whether the seven proposed projects were implemented and the extent to which the objectives of the Fund were met.

**Risks/Implications**

The viability of the proposed projects might not have been properly evaluated which could result in failure by the beneficiaries to repay the loans.

The disbursed loans might have been used for other purposes other than to pursue the proposed projects. Furthermore, there may not be sufficient safeguards of public funds which may result in the Ministry failing to recover the outstanding amounts due to failure to adhere to the terms of the agreements.

**Recommendations**

The Committee responsible for adjudication and selection of proposals for funding should make thorough evaluations of proposals before recommending funding. In addition, the Selection Committee should make regular follow-ups on projects being sponsored by the Ministry and play an active role in ensuring implementation in line with the agreements.

The Ministry should ensure that terms of the agreements with project promoters are adhered to at all times. Furthermore, for the projects that had been fully funded, efforts should be made to recover the outstanding amounts including interest as agreed.

**Management Response**

**The observation is noted. Further disbursements were suspended because the beneficiaries did not satisfy the conditions of the loans issued. The Ministry is in the process of making recoveries of the loans already issued. Follow up teams on projects are currently visiting loan beneficiaries. The process had been delayed due to the reorganization of the Ministry by merging with Higher and Tertiary Education.**

**The observation is noted. As noted above delays in follow up of loans disbursed was caused by the reorganization of the Ministry. Efforts to make monitoring and evaluation visits is under way. The Ministry has taken a position to hand over defaulters to Judiciary Services Commission.**

***Auditor's Comment***

*Although management commented that they were in the process of making recoveries from the projects whose funding had been suspended, the evidence in files only related to notification of suspension of funding issued in December 2012.*

**Qualified Opinion**

**.**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph above, the financial statements presents fairly, in all material respects, financial position of the Innovation and Commercialisation Fund for the year ended December 31, 2013.

## ZIMBABWE MANPOWER DEVELOPMENT FUND 2013

### Objective of the Fund

The Fund was established in terms of the Manpower Planning and Development Act *[Chapter 28:02]* to finance the cost of any scheme of manpower development or such other costs in connection with vocational education or training through levy imposed on certain employers and also to finance the training and employment of apprentices in specified industries. Management Training Bureau is a division of the Fund which was established to train, develop and strengthen management capabilities through short term programmes. No separate financial statements have been prepared.

I have audited the financial statements for ZIMDEF for the year ended December 31, 2013.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Zimbabwe Manpower Development Fund as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

## 1 GOVERNANCE ISSUES

### 1.1 Expenditure Payments

The Ministry of Higher and Tertiary Education, Science and Technology Development made several requisitions to the Fund during the year and received these amounts as summarized below;

| **Details** | **Amount $** |
|---|---:|
| Travelling delegates | 267 744 |
| Graduate Entrepreneurial Promotion Task Force | 83 785 |
| Public relations and advertising | 129 879 |
| Allowances | 18 447 |
| Allowances and training for Ministry staff | 191 480 |
| Payments for other Ministry institutions | 205 366 |
| Capital expenditure for Ministry staff | 45 068 |
| Pledges and Donations | 8 950 |
| **Total** | **$1 019 294** |

I was not satisfied that these payments were a proper charge to the Fund as they were not supported by invoices to confirm that these were expenses chargeable in terms of the Manpower Planning and Development Act *[Chapter 28:02]*. I was also concerned that the Ministry may have incurred expenditure totalling $1 019 294 outside its budget for year ended December 31, 2013 through these expenses paid for by the Zimbabwe Manpower Development Fund.

**Risks/Implication**

There may be non-compliance with the provisions of the Manpower Development Act. There is also concealment of Ministry's expenditure being undertaken through ZIMDEF.

**Recommendations**

Expenditure should be adequately supported.

The Fund should utilize funds for the purpose intended. In addition, the Fund should consider releasing funds direct to the needy institutions to improve accountability.

**Management response**

**The Fund is directly under the Ministry of Higher and Tertiary Education, Science and Technology Development. The Ministry is mandated to develop and train manpower for the nation. The expenditures observed were incurred at the direction of the Ministry, for human capital development. (Section 48 (2) (q) and (r).**

***Auditor's comment***

*It is difficult to determine which expenditure is to be met by the Ministry vote and which is to be met by the Fund where the Ministry incurs expenditure through the Fund while it has the same budget items under its vote.*

## 1.2 Motor vehicles

**Finding**

The Fund had several motor vehicles recorded in the asset register but being used by Parent Ministry, Gwanda University, Human Capital Website, and Standards Development and Research Unit (SDERU). Some of these assets were used until the expiry of their economic life without providing economic benefit to ZIMDEF but to the benefit of Parent Ministry and other institutions. Most of these vehicles were subsequently donated to the departments where they were being used. I was further advised that the remaining two vehicles (Toyota Hilux D/L ACI-9093 and Mazda BT 50 4x4 D/Cab ABM2493) were being used by the Minister as Trustee of the Fund. Below is a list of ZIMDEF assets being used by these entities.

| Entity/station | Assets description | Registration details |
|---|---|---|
| Ministry of Higher and Tertiary Education | Mitsubishi canter | ABP 3092 |
| | Mazda B 1800 | AAD 1206 |
| | Toyota Hilux D/L | ACI 9093 |
| | Mazda BT 50 4x4 D/Cab | ABM 2493 |
| | Mazda BT 50 4x2 D/Cab | ADA 4805 |
| Standards Development Research Unit (SDERU) | Mazda BT 50 S/Cab | ABK 2810 |
| | Peugeot 306 | ABP 9048 |
| | Mitsubishi L200 d/c | ABI 7000 |
| Gwanda University | Mazda BT 50 D/Cab | ACG 4271 |

**Risks/Implications**

The Fund may be operating outside its mandate.
Provision of vehicles to the Ministry departments may deprive the Fund of much needed funds for manpower development.

**Recommendation**

The Fund should consider accounting of the above assets as part of grants or they be returned to ZIMDEF.

**Management's response**

**These assets have since been donated to the various institutions and removed from the books of accounts for the Fund. ACI-9093 and ABM2493 were not donated because they are being used by the Fund's Trustee who is managing the strategic operations of the Fund.**

## 1.3 Housing loans

**Finding**

According to the loan policy qualification requirements on item 3.3, 3.4 and 3.6.2, housing loans shall be given to employees who have served ZIMDEF for at least two years. I however, noted that ZIMDEF awarded a housing loan of $16 000 to a non ZIMDEF employee in 2013 in violation of ZIMDEF's Housing Loan Policy provisions. Also, the individual did not submit title deeds in compliance with the housing loan provisions Section 3.5.

**Risks/Implications**

The Fund may suffer financial loss in the event that the borrower defaults in making payments.

Non-compliance with loan policy provisions. The issuance of loan to a non ZIMDEF employee deprives the bona-fide employees from enjoying their conditions of service.

**Recommendation**

ZIMDEF should comply with the policy provisions.

**Management response**

**Your observation is noted with appreciation. This was a special desperate case where the individual approached the Head of Ministry for assistance when he was under pressure of losing his only property. The Head of Ministry then directed that he be assisted. The Fund has already asked him to provide the title deeds or an affidavit giving the Fund the authority to dispose the asset in the event of defaulting by the beneficiary.**

## 2 REVENUE COLLECTION AND DEBT RECOVERY

### 2.1 Investments

**Finding**

According to the Fund's investment policy, all matured investments should be called up first before a decision to reinvest is made. However, I observed that the Fund had money market investments with Metropolitan Bank which had maturity dates of 02 October and 19 September 2013 and values of $3 106 167 and $606 500 respectively. However, the bank failed to repay on maturity citing liquidity challenges. I also noted that the Fund kept on using the bank to receive its levies whilst at the same time it could not access those levies deposited by employers amounting to $1 202 564 from August to December 2013, giving cumulative total funds of $4 915 231 locked up at the bank as at December 31, 2013. As at March 19, 2014, during the time of audit, the balance had risen to $5 067 487. I was not availed with evidence that due diligence was carried out by the Fund management and trustee before investing the funds.

**Risks/Implications**

Loss of funds as the bank may be unable to pay back the money.

Cash tied up in the bank may negatively affect the Fund's cash flows.

Opportunity cost in the form of interest that could have accrued to the fund to date had the funds been invested elsewhere.

**Recommendations**

The Fund should make efforts to recover these monies. The Fund should put in place measures to avoid further deposits to be locked into the same account until ordinary banking terms are put in place by the Bank. Management should do a periodic assessment of risk and due diligence before investing the funds.

**Management response**

**The accumulation of $1.2 million was mainly due to investments maturing and ZIMDEF did not make any further re-investments after realising that the bank was having liquidity challenges in September 2013. Individual employers were advised not to use the Metbank account. ZIMDEF has since notified most of its clients paying levy through Metbank, to use either CBZ or ZB Bank. However, there are other employers whose funds were also locked up in the bank who prefer to make internal transfers. Efforts are underway to recover the amount in question which is adequately secured by properties.**

***Auditor's comment***

*According to ZIMDEF correspondence dated 31 July 2014 and referenced B/5/7/124 the hope to get the full amount owed by Metbank is based on prospects of turning around the bank with some strategies being in the final stage. I was not convinced that this will materialise in the short term period.*

### 2.2 Property title

**Finding**

The following properties were owned by ZIMDEF but have no title deeds: Masvingo flats and hostels, ZIMDEF HQ and Willowvale flats.

**Risk/Implication**

There is no evidence of ZIMDEF owning the properties.

**Recommendation**

ZIMDEF should obtain title to these properties

**Management response**

**Thank you for the observation. Masvingo flats and hostels as well as ZIMDEF Head Office do not have title deeds yet because there are certain developments to be made before the title deeds can be processed in terms of the purchase agreements. The issue**

**of Willowvale flats is being pursued with the seller of the property who is Ministry of National Housing and Social Amenities**

## VOTE 17.- YOUTH, INDIGENISATION AND ECONOMIC EMPOWERMENT

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Youth, Indigenisation and Economic Empowerment for the year ended December 31, 2014.

### Opinion

In my opinion, the Appropriation Account present fairly, in all material respects, the expenditure and receipts of the Ministry of Youth, Indigenisation and Economic Empowerment as at December 31, 2014.

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

## 1 GOVERNANCE ISSUES

### 1.1 Transfers from the Fund Account to the Appropriation Account

**Finding**

At the beginning of the year, the Ministry owed the Youth Development and Employment Creation Fund Account $130 105. During the year, expenditure amounting to $9 863 was met from the Fund's resources and $8 752 was reimbursed, leaving a balance of $131 216. My concern is that this may result in the Fund Account failing to meet its objectives. The practice of borrowing financial resources from the Fund is not in line with current regulations.

I also noted that there was movement of money between the Ministry and the Fund. The Ministry pays grant to the Fund and later on borrows the same money which it subsequently reimburses upon receipt of Treasury releases. This criss-cross of funds does not promote effective budgetary control and financial discipline.

**Risk/Implication**

The practice of borrowing money from the Fund cripples operations of the same and exposes financial resources to misappropriation.

**Recommendation**

The Ministry should desist from borrowing financial resources from the Fund as this may negatively affect its operations.

**Management response**

**The funds were borrowed to cover pressing issues that had arisen within the Ministry with the intention of reimbursing the Fund, once Treasury releases are received.**

**Treasury has not been forthcoming in terms of availing resources as and when they are needed. At times we are left with no option but to resort to the Fund's resources. In terms of the outstanding obligations, we are committed to clear it in the long term.**

### 1.2 Direct Payments by Treasury

**Finding**

Treasury made direct payment/set offs on behalf of the Ministry amounting to $1 540 660 to various service providers in 2014. The Ministry obtained statements and receipts confirming payments made but did not reconcile the figures obtained from Treasury to those captured in the Public Finance Management System (PFMS). Resultantly, there was an unexplained variance of $10 113 between Treasury figure of $1 540 660 and PFMS figure of $1 550 773.

**Risks/Implications**

Absence of reconciliations of Treasury figures and those captured in the PFMS would result in errors and misstatements going undetected. Further, failure to perform reconciliations of accounting records does not promote good accountability as imbalances will remain uncleared.

**Recommendation**

Reconciliation between the PFMS balances and Ministry records should be done to check completeness and accuracy of records.

Additionally, the variance of $10 113 should be investigated and cleared.

**Management response**

**The observation is noted. The Ministry received confirmation of payments from Tel-one, Zimbabwe National Water Authority (ZINWA), Zimbabwe Electricity Supply Authority (ZESA), Central Mechanical Equipment Department (CMED). The Ministry has done its reconciliation for payments made to service providers. The file with confirmations from service providers was availed to auditors for inspection. The releases that were made by Treasury into the system tallied with payments made to service providers. The Ministry has engaged Treasury to reconcile the difference of $10 113 that was observed.**

# 2 REVENUE COLLECTION AND RECOVERY

## 2.1 Revenue Received

### Findings

The Ministry has houses at Vocational Training Centres under its administration. The houses were not classified according to sizes (the number of rooms) for ease management and monitoring of rental receivable. As a result, I was not able to confirm that monthly rental charges were per rates stipulated in the Treasury Minute reference D/22/1/30, dated February 14, 2011.

Section 44 (1) (b) of the Public Finance Management Act [*Chapter 22:19*] provides that the accounting authority for a public entity shall take effective and appropriate steps to collect all revenue due to the public entity concerned. Contrary to the above provision, the Ministry had long outstanding revenue amounting to $93 687 in respect of Departmental Surcharges, dating back to 2010.

Treasury Instruction 1605 states that Accounting Officers are responsible for the recovery of adjustment of disallowances and departmental surcharges and shall ensure that this is done as soon as possible. The Ministry has not been effective in recovering disallowances as the figure has been rising since 2009. At the time of concluding the audit, long outstanding disallowances amounted to $103 825.

### Risks/Implications

Without classifying the houses according to size (the number of rooms), correct amounts of rentals may not be collected from such properties.

Delays in recovering outstanding departmental surcharges and disallowances may result in the outstanding amounts being irrecoverable. This also deprives the Government from using the money for other activities.

### Recommendations

The Ministry should ensure that houses are classified according to sizes (the number of rooms), for effective monitoring of rental receivable from such houses.

Disallowances and departmental surcharges should be regularly monitored to ensure proper maintenance of accounting records. Measures should be put in place to ensure prompt recovery of outstanding disallowances in accordance with Treasury Instruction 1605.

**Management Response**

**The register shall indicate number of rooms occupied by individuals. The Ministry would consider signing leasing agreements with occupants, in consultation with the legal department**

**Follow up letters were written to Youth Officers through the Ministry's Provincial Offices, but they are failing to locate Youth Officers, who did not take up appointment. The Ministry shall seek write offs from Treasury on small amounts outstanding from 2010 that are expensive to make follow up. On big amounts legal action from Civil Division shall be sought. We have started screening to identify those who are employed in other Government Ministries and those who are not. After the screening process, recoveries will be effected from those in service, while application for write offs will be made to Treasury for those no longer with the Ministry.**

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 3.1 MANAGEMENT OF ASSETS

An asset register was introduced. However, it is maintained on Microsoft Excel Spreadsheet.

Investigations surrounding missing components were carried out. The Board of Inquiry resolved that the person responsible be warned and the vehicles were withdrawn from the garages. Mazda B2500 D/Cab registration number GYD 51 (763-319T) was transferred to Magamba Vocational Training Centre. Mitsubishi Pajero Reg. No: 787-037Z is at Head Office.

## YOUTH DEVELOPMENT AND EMPLOYMENT CREATION FUND 2012

### Objective of the Fund

The purpose of the Fund is to mobilise financial resources for on-lending to youth businesses, projects and youths intending to start income generating projects and businesses to empower and create employment for them.

I have audited the financial statements of the Youth Development and Employment Creation Fund for the year ended December 31, 2012.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Maintenance of Accounting Records

**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. It is from these records that account balances disclosed in the financial statements would be extracted. However, the Fund's ledgers were maintained on Microsoft Excel Spreadsheet which did not have adequate security features that would ensure the accuracy and completeness of financial information.

**Risk/Implication**

The use of a Microsoft Excel spreadsheet may result in the financial records being manipulated because Microsoft Excel has weak controls.

**Recommendation**

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**

**The observation is noted, the Ministry has been maintaining the cash book manually, whilst ledgers were posted on the Microsoft Excel spreadsheets which were printed, date stamped and filed, a copy which was submitted for audit. There are plans to install an accounting package for the maintenance of the records. Security of accounting records were not compromised since reliance is placed on printed hardcopies which are filed.**

***Auditor's Comment***

*The ledgers referred to were printed and stamped upon request by the auditors.*

## 1.2 Management of Loans Issued to Youths

**Finding**

The Fund had an opening balance of $217 998 as loans issued to youths. In the year under review a further $316 600 was disbursed bringing the total account balance to $534 598 and recoveries were $47 847, indicating a very low recovery rate. No allowance was created to recognise the potential loss that could arise as a result of irrecoverable loans. The low recovery rate could be due to the Fund failing to effectively evaluate the viability of projects resulting in loans being issued to undeserving recipients. As a result, the figure of $486 751 disclosed in the financial statements as loans, could be misstated.

**Risks/Implications**

Failure to properly evaluate the viability of projects could result in loans being issued for non-viable projects.

The figure of loans disclosed in the financial statements will be misstated if the Fund does not create an allowance to recognise the potential loss that could arise as a result of irrecoverable loans.

**Recommendations**

The Fund should effectively evaluate the viability of projects as this will ensure that loans issued are recoverable.

An allowance should be created to recognise the potential loss that could arise as a result of irrecoverable loans.

**Management Response**

**Management is to avail resources from the returns earned from the investments to ensure that monitoring and evaluation is vigorously undertaken to ensure an improved loan repayment rate.**

**Qualified Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position and performance of the Youth Development and Employment Creation Fund for the year ended December 31, 2012.

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

### 1.3 Assets – Motor Vehicles

**Finding**

The Fund purchased ten (10) Nissan Hardbody 2.5TDi Double Cabs for the monitoring and evaluation exercise of youths projects in the country's ten provinces. However, out of the ten (10) vehicles only one (1) was assigned to the monitoring and evaluation team, with the remaining vehicles allocated to other Ministry officials.

**Risk/Implication**

Failure to allocate vehicles to the monitoring and evaluation team may negatively affect the operations of the team. Inspections of youth projects may not be done resulting in funds being given to undeserving recipients.

**Recommendation**

The Ministry should ensure that the monitoring and evaluation team is allocated vehicles so that they effectively carry out project inspections.

**Management Response**

**The monitoring exercise is not being compromised as the vehicles are being used for Youth Development and Employment Creation Fund's monitoring exercises.**

***Auditor's Comment***

*There was no evidence in the form of monitoring and evaluation reports to suggest that monitoring exercises were being undertaken.*

### 1.4 Investments

**Findings**

Paragraph 2.2 (c) of the Memorandum of Understanding (MOU) between Allied Bank and the Ministry provides that the bank shall mobilise financial resources required for the implementation of the youth projects. The projects were to be covered by the Ministry's Loan Guarantee Investment. The Fund made recommendation to Allied Bank on January 31, 2012 to consider funding sixty two youth projects for a maximum of $1 000 per project to the tune of $50 000. However, funds amounting to $50 000 were withdrawn from the Loan Guarantee Investment on June 28, 2012 and deposited into an unspecified account with the same bank. No authority to transfer the funds was availed for audit inspection.

Furthermore, of the $50 000 withdrawn from the investment only $27 667 was disbursed as loans to beneficiaries between June 18, 2012 and August 3, 2012 leaving a balance of $22 333. This amount was not accounted for during the period June 28, 2012 to December 13, 2012. The prejudice to the Fund could not be ascertained. No explanation was provided for on the issue.

Paragraph 14.1 of the Fund's Accounting Procedure Manual require that the investment of surplus cash must be discussed at a meeting of the Fund management and the minutes must record the resolution that was passed. The resolution must also state the specific amount to be invested and the type of investment to be made. An extract from the minutes of the Fund management meeting as indicated above must be submitted with the application, together with a full explanation of the reason for the investment. There was no evidence that the Fund was monitoring its investments held with the Commercial Bank of Zimbabwe (CBZ), Trust Bank and Allied Bank. As a result, money was re-invested without express authority of the Fund.

**Risks/Implications**

Issuance of loans directly from the Loan Guarantee Investment without authority exposes state funds to misappropriation and abuse.

Failure by the Fund to monitor investments held with financial institutions exposes state funds to misappropriation.

**Recommendations**

The Fund should ensure that investments are made on appropriate authority.

All investments held with financial institutions should be monitored to ensure that appropriate action is taken on maturity of these investments. This will also enable the Fund to detect malpractices by financial institutions timely and have them rectified.

The Fund should liaise with the bank and recover interest earned on the investment.

**Management Response**

**It is true that Allied bank was authorised to withdraw $50 000 from the investment for on-lending to the youth of Johane Masowe, but was not directed to which account the money was supposed to be held. The Ministry had suggested a staggered withdrawal in batches of $10 000 as and when needed. The bank suggested otherwise and withdrew the full amount of USD 50 000 which was held by the bank awaiting applications for funding from the intended beneficiaries. When the bank was requested to halt funding it had disbursed $27 667 leaving the balance in the unknown account. The Ministry noted this anomaly and registered its concern with the bank and ordered the Bank to reinvest the money plus interest accrued for the period in question. Minutes of the meeting where the issue was discussed are attached.**

**Follow up is under way to ensure that the amount in question plus interest is recovered. The Fund only communicates with investment institutions if there is need for redemption of funds on maturity and investments are on short term period usually one month. Therefore communication is only necessary when investments are for a long period.**

## YOUTH DEVELOPMENT AND EMPLOYMENT CREATION FUND 2013

### Objective of the Fund

The purpose of the Fund is to mobilise financial resources for on-lending to youth businesses, projects and youths intending to start income generating projects to empower and create employment for them.

I have audited the financial statements for the Youth Development and Employment Creation Fund for the year ended December 31, 2013.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Maintenance of Accounting Records

**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. It is from these records that account balances disclosed in the financial statements would be extracted. I observed that the Fund's ledgers were maintained on Microsoft Excel Spreadsheet which did not have adequate security features that would ensure the accuracy and completeness of financial information.

**Risk/Implication**

The use of a Microsoft Excel spreadsheet may result in the financial records being manipulated because Microsoft Excel has weak controls that do not show audit trail.

**Recommendation**

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 information.

**Management Response**

**The observation is noted. The Ministry has been maintaining the cash book manually, whilst ledgers were posted on the Microsoft Excel spreadsheets which were printed, date stamped and filed, a copy which was submitted for audit. There are plans to install an accounting package for the maintenance of the records. Security of accounting records was not compromised since reliance is placed on printed hardcopies which are filed.**

## 1.2 Management of Loans Issued to Youths

### Finding

In my 2012 audit report, I raised concern over the low rate at which loans were being recovered due to the Fund failing to effectively evaluate the viability of projects, resulting in loans being issued to undeserving recipients. The problem persisted in 2013 with the Fund management doing very little to effectively evaluate viability of projects. The Fund recovered $25 362 out of a total of $535 164 loans issued, while $312 410 of it being rated irrecoverable by the bank. As in the previous financial year, no allowance was created to recognise the potential loss that would arise as a result of irrecoverable loans.

### Risks/Implications

Failure to properly evaluate the viability of projects could result in loans being issued for non-viable projects resulting in the loans being irrecoverable.

The figure of loans disclosed in the financial statements will be misstated if the Fund does not create an allowance to recognise the potential loss that could arise as a result of irrecoverable loans.

### Recommendation

The Fund should effectively evaluate the viability of projects as this will ensure that loans are issued for viable projects.

### Management Response

**The observation is noted. In 2013 the Ministry requested funding from the fiscus for Monitoring and Evaluation so as to ensure that funded youth projects are monitored and loan repayments tracked. Consequently no disbursements were received from Treasury and this hampered the Ministry efforts to follow up on loan repayments. However, efforts are underway to track the loans and ensure repayment. In future, the Fund will make a provision for irrecoverable loans.**

### Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position and performance of the Youth Development and Employment Creation Fund for the year ended December 31, 2013.

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

## 1.3 Donations

### Finding

Section 78 (1) of the Public Finance Management Act *[Chapter 22:19]* provides that Treasury may prescribe or issue instructions or directions to Ministries, whether individually or collectively, concerning gifts or donations by or to the State. Contrary to the above provision, I observed that the Fund received $18 010 from Roy Ben Yami on November 23, 2010 and deposited the money into its account without seeking instructions or directions from Treasury on how the funds should be treated resulting in the funds lying idle in the Fund's bank account since then. Furthermore, there was no documentation from Roy Ben Yami indicating whether the deposit was a donation or not.

### Risks/Implications

Accepting funds without seeking directions from Treasury may result in unapproved gifts or donations being received by the Fund and also the funds may be utilised for unintended purposes. Also failure to obtain documentation from Roy Ben Yami may result in the wrong treatment of the funds.

### Recommendations

The Fund should seek Treasury concurrence before receiving gifts or donations to ensure that the funds are received without any conditions attached.

Furthermore, the $18 010 should be placed in a Temporary Deposit Account pending the determination of its status.

### Management Response

**The observation is noted. Efforts were made by the Ministry to get clarification and source of the sender of $18 010, in order to seek relevant Treasury authority. The Ministry has also submitted some of the communications made by the Fund to CBZ in trying to get more information about the sender.**

## 1.4 Advances to Parent Ministry

### Finding

In my 2012 audit report, I mentioned that the Fund had issued an advance to its Parent Ministry amounting to $124 954. The problem persisted in 2013 with management issuing a further $5 152 to the parent Ministry bringing the total amount issued to $130 105. This amount was still outstanding at the time of concluding my audit.

**Risk/Implication**

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

**Recommendations**

The Ministry should desist from utilising Fund monies as this affect fulfilment of the Fund`s objectives.

Also ensure that the amount owed by the Ministry is fully repaid.

**Management Response**

**Efforts are being made to ensure that Fund expenditure is as provided by its Constitution. Reimbursements of outstanding amounts shall be done.**

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Investments

The issue of interest on the $22 333 held with Allied Bank, in an undisclosed bank account remained unresolved up to the time of concluding my audit. Furthermore the bank had its operating licence cancelled by the Reserve Bank of Zimbabwe in January 2015 making it difficult to establish and recover the earned interest.

## VOTE 18.- HOME AFFAIRS

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Home Affairs for the year ended December 31, 2014.

**Basis for Qualified Opinion**

## 1 GOVERNANCE ISSUES

### 1.1 Sub-Paymaster General's Account Reconciliation

**Finding**

Total expenditure as per the Appropriation Account amounted to $407 934 432 while the Sub-Paymaster General's Account reflected a total of $630 578 146, resulting in a difference of $222 643 714. However, the Ministry did not reconcile the two different amounts, in contravention of Treasury Instruction 1301 which makes it a requirement for such a reconciliation to be done. The correct expenditure figure could not be determined.

**Risk/Implication**

Errors and fraud might have gone undetected during the year under review.

**Recommendation**

The Ministry should do the reconciliation of the Sub-Paymaster General`s Account so that any differences are rectified within reasonable time.

**Management Response**

**The Ministry is in the process of checking on direct payments done through the Ministry of Finance on salaries and to service providers which may have caused double counting and have also caused the variance. We are currently in the process of reconciling the Sub-Paymaster General's Account.**

## 2 REVENUE COLLECTION AND DEBT RECOVERY

### 2.1 Receipts and Disbursements

**Finding**

I was not able to determine total revenue collected and deposited to the Exchequer Account by the Ministry of Home Affairs. The Statement of Receipts and Disbursements showed a balance of $13 866 756, whilst the Ministry of Finance (Exchequer Account) had a figure of

$13 294 669 giving a difference of $572 087. The Ministry did not provide a reconciliation for the difference.

**Risk/Implication**

If reconciliations are not done errors or fraud might go undetected.

**Recommendation**

The Ministry officials should carry out monthly bank reconciliations between the bank statement and the Public Financial Management system balances to enable the detection of errors or fraud timeously.

**Management Response**

**This observation is noted and the Ministry has already reconciled with the Ministry of Finance and rectified the difference.**

***Auditor's Comment***

*There is still a difference of $572 087 from the figure obtained from Treasury.*

**Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs 1 and 2 above, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Home Affairs as at December 31, 2014.

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The Ministry did not fully implement audit recommendations made for the financial years ended December 31, 2012 and 2013. The following are some issues that remained unresolved in the financial year under review.

| DEPARTMENT | YEAR | OUTSTANDING AUDIT ISSUES |
|---|---|---|
| Zimbabwe Republic Police | 2013 | Management of Public Resources:<br>1) Inadequate number of vehicles to effectively discharge their duties.<br>2) Inadequate office space, accommodation and furniture. |

| | | |
|---|---|---|
| Administration and General | 2012 and 2013 | The Ministry did not maintain a Master Assets Register |
| Immigration Control | 2012 and 2013 | Lack of an IT Policy |

**Risk/Implication**

Failure to implement audit recommendations result in continued violation of stipulated regulations and this may lead to poor service delivery by the Ministry.

**Recommendation**

The Ministry should implement audit recommendations in order to improve its performance and service delivery.

**Management Response**

**Zimbabwe Republic Police**

**Inadequate Vehicles**

**The 2013 audit observation on inadequate vehicles is yet to be fully addressed. Due to inadequacy of financial resources, the ZRP entered into a Finance lease agreement with Bank ABC which resulted in the purchase of 77 trucks and 20 buses meant to ease transport shortages on deployments. It is still within the organization's plans to purchase more operational vehicles should resources permit.**

**Inadequate Office Space and Furniture**

**In the 2014 budget period, Treasury allocated to ZRP $10 945 000 for Construction Works and $500 000 for Furniture and Equipment. These amounts remained on paper up to year end. This area remains a major priority which the organization intends to address if resources are availed through the timeous release of the Budget.**

**Chikurubi Vehicle Maintenance Workshop**

**With the little resources made available in 2014, the organization managed to complete Chikurubi workshop and procure required equipment. The workshop is now awaiting commissioning.**

## STATE LOTTERIES FUND 2009-2011

### Objective of the Fund

The State Lotteries is a fund established by an Act of Parliament, Lotteries and Gaming Act *[Chapter 10:26]*. The mandate of State Lotteries is to raise funds for charity through selling of Lottery tickets. The funds raised are channelled to the charities through the Lotteries and Gaming Fund.

I have audited the financial statements of State Lotteries Fund for the years ended December 31, 2009-2011.

### Opinion 2011

In my opinion, the financial statements present fairly, in all material respects, the financial position of State Lotteries as at December 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### Emphasis of matter

I draw your attention to the period that has elapsed between the balance sheet date and the date of issue of my report. Although the Zimbabwean economy was considered to be stable and the rate of inflation increased gradually over the years, these financial statements may not be relevant to the current decision needs of the users.

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

## 1 GOVERNANCE ISSUES

### 1.1 Policy Documents

**Finding**

I observed that the State Lotteries operated without the following policies in place; Human resources policy, Procurement policy and Accounting procedure manual

**Risks/Implications**

Labour disputes may be difficult to address.

The Fund is exposed to the risk of procurement inefficiencies.

Ineffective internal controls.

**Recommendation**

The Fund should ensure that the above mentioned policies are put in place.

**Management response**

**This has been noted and improvements are underway to ensure policies are put in place.**

## 2 REVENUE COLLECTION AND DEBT RECOVERY

### 2.1 Ticket Stocks

**Finding**

I observed that there were no reconciliations that were sent from branches for unsold tickets during the year 2009; as such the audit could not verify the quantity of unsold tickets from branches. The table below shows the variances which were noted but could not be verified:

| Game Number | Client figure-Number of tickets | Audited figure-Number of tickets | Variance |
|---|---:|---:|---:|
| Game 45 | 976 900 | 964 100 | 12 800 |
| Game 46 | 996 000 | 975 000 | 21 000 |
| Game 47 | 939 800 | 934 700 | 5 100 |
| **Total** | | | **38 900** |

**Risks/Implications**

Misuse of tickets through unrecorded revenue.

Ineffective monitoring of operations at branches.

**Recommendation**

Management should ensure that reconciliations are done and sent to Head Office from branches timeously for control purposes.

**Management response**

**Noted.**

# 3 EMPLOYMENT ISSUES

## 3.1 Performance Appraisal System

**Finding**

There was no evidence to support that performance appraisals were carried out for the years ending December 31, 2009-2011 for all the employees.

**Risk/Implication**

Remuneration, promotion and training needs may not be identified.

**Recommendation**

Management should ensure that performance appraisals are done.

**Management response**

**Noted.**

## VOTE 19.- JUSTICE, LEGAL AND PARLIAMENTARY AFFAIRS

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Justice, Legal and Parliamentary Affairs for the year ended December 31, 2014.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Outstanding Travelling and Subsistence Advances

**Finding**

In violation of Treasury Instruction 1505, the Ministry did not to recover amounts that remained outstanding in the Travelling and Subsistence Advances account as at December 31, 2014 totalling $507 829.

The Ministry only managed to recover a total amount of $31 059 during the year under review. I am concerned that the bulk of the outstanding amount date back to 2010 and 2011 financial years. I made the same observation on page 214 of my report for the year ended December 31, 2013.

The ages of the balances are shown below:

| **Year** | **Amount ($)** |
|---|---:|
| 2010 | 273 410 |
| 2011 | 195 639 |
| 2012 | 49 190 |
| 2013 | 12 079 |
| 2014 | 8 570 |
| **Total** | **538 888** |
| Recoveries | (31 059) |
| **Balance** | **$507 829** |

Further to the above, the Ministry's accounting records were not properly maintained and as a result of this, the Ministry failed to relate recoveries to specific accounting periods to which the advances were paid.

**Risks/Implications**

If the rate of recovery is not improved, the Ministry may end up failing to recover the long outstanding amounts. Employees may retire or be transferred to other Ministries before the amounts owing are fully recovered.

**Recommendations**

The Ministry should increase the rate of recovery particularly for those amounts that have been outstanding for a long time. Recoveries by the Ministry should state the accounting periods to which they relate.

**Management Response**

**The Ministry has made effort to recover outstanding Travel and Subsistence Allowances for the year ended December 31, 2014 as follows:**

| | |
|---|---|
| **Outstanding advances as per Audit report** | **$530 318** |
| **Recoveries made during the year** | **($31 060)** |
| **Balance** | **$499 258** |

**Recovery Scenario**

**The monthly rate of recovery is $50 on cell phone disallowances and $50 for T&S advances and the Ministry cannot go beyond the existing recovery rate owing to low salary scales. The Ministry stands guided on this matter. We have since handed over SSB schedules for easy of reference to the audit team.**

***Auditor's Comment***

*The Ministry should put more effort to clear the outstanding balance which is still considered high. According to Treasury Instruction 1505, "the Accounting Officer shall authorise the deduction from salary of the whole amount of an advance that has remained outstanding after one month of an officer's return to his home station. If the salary is insufficient to meet such advance, the outstanding balance shall be charged to any subsequent month's salary until the whole advance is cleared."*

*The Ministry should also engage the debtors to find an alternative way of clearing the debts.*

## 1.2 Unsupported Expenditure

**Finding**

Payments made by Treasury on behalf of the Ministry to Harare City Council amounting to $167 246 was not confirmed as having been received by the service provider, as at the time of concluding the audit on May 13, 2015. I was unable to determine whether the payment was properly made to constitute a proper charge to the vote.

**Risks/ Implications**

If payments are not supported, fraudulent payments may be processed undetected. The expenditure may not be incurred for the intended purpose.

**Recommendations**

In all cases where Treasury makes payments on behalf of the Ministry, receipts or proof of payment should be obtained and maintained. The transaction should be investigated to establish whether the payment was made to Harare City Council.

**Management Response**

**Observation is noted and agreed.**

## 1.3 Outstanding Cell Phone Debtors

**Finding**

In violation of Treasury Circular Number 1 of 2010 and Cabinet Circular Number 9 of 2010, the Ministry did not recover amounts outstanding in the Cell Phone Debtors account totalling to $128 379. The excesses should have been recovered from employees who exceeded the approved limits. I am concerned that balances have been outstanding for a long period dating as far back as 2011 financial year. It was also observed that due to poor maintenance of accounting records, the Ministry failed to relate recoveries to specific accounting periods.

**Risk / Implication**

The Ministry may end up failing to recover amounts outstanding in the account as some employees may leave the Ministry before settling their debts.

**Recommendation**

The Ministry should expedite the recovery effort by ensuring that the outstanding advances are recovered in full as required by Treasury Circular number 1 of 2010.

**Management Response**

**The audit observation is agreed. SSB deductions will be effected in future to recover the outstanding debts.**

**Qualified Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs 1 to 3 above, the Appropriation Account present fairly, in all material respects, the financial position and performance of the Ministry of Justice, Legal and Parliamentary Affairs for the year ended 31 December, 2014.

However, the following are other matters noted during the audit.

## 2 PROCUREMENT

### 2.1 Failure to Follow Procurement Procedures

**Finding**

In violation of Treasury Instructions 1005 to 1007, the Ministry acquired a heavy duty photocopier machine worth $12 000 without following informal tender procedures. I was unable to determine whether the purchase was done to the most competitive advantage.

**Risk/Implication**

If procurement procedures are not followed, the Ministry's resources could be used uneconomically.

**Recommendation**

The Ministry should always follow procurement procedures when purchasing goods and services so as to achieve economic advantages.

**Management Response**

**The observation is noted.**

**The tender was advertised in the Herald [on tender JLPA 01/14], where eleven companies responded but could not meet the timelines to supply the assets before commencement of the SADC meeting. The Ministry requested for the waiver of tender from the State Procurement Board SPB. However, there were some delays in the process by SPB in its finalization of the waiver. The State Procurement Board replied us late and the letter was received by the Ministry on the date of the commencement of SADC meeting.**

**However, the Ministry has since written a letter seeking condonation to the State Procurement Board.**

## 3. ZIMBABWE AGENDA OF SUSTAINABLE SOCIO-ECONOMIC TRANSFORMATION (ZIMASSET)/RESULT BASED MANAGEMENT (RBM)

The mandate of the Ministry is:

To uphold, develop and provide accessible, efficient and effective justice delivery.
The Ministry is also in the process of aligning legislation with the Constitution.

The Ministry belongs to the Social Services and Poverty Eradication clusters.

My review of the progress in implementing Ministry policy priorities as outlined in the budget estimates for 2014 revealed that the following had been implemented while others were in progress:

- Decentralisation of legal services to the following:
    - Mutare, Gweru and Masvingo-Legal Aid Directorate.
    - Bulawayo-Civil Division.
- Fully operationalised the Zimbabwe Human Rights Commission.
- Placement of 8 140 probationers on community service thereby reducing potential overcrowding in prisons.
- The Ministry facilitated the enactment of the National Prosecuting Authority Act and Electoral Amendment Act. The Criminal Procedure and Evidence Amendment Bill and General Laws Amendment Bill were drafted and submitted to Parliament for debate.
- Law Development Commission maintained 100% of updating of the statute laws passed by the Parliament.
- The department of Deeds & Companies managed to replace the manual receipting system with an automated system.
- Drafted National policy on intellectual property.
- Resuscitation of provisional committee on Community Service in all the ten provinces.

## 4 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

**Findings**

Out of eight issues mentioned in my report for the year ended December 31, 2013, the Ministry managed to address four of the issues through implementing audit recommendations. The following issues remained outstanding:

i) Failure to follow procurement procedures
ii) Failure to clear outstanding Travelling and Subsistence advances,
iii) Incurring Unsupported Expenditure and
iv) Lack of effort to recover outstanding revenue

## ATTORNEY-GENERAL'S OFFICE ADMINISTRATION FUND 2013

### Objective of the Fund

.

The Fund was established for the purpose of providing resources to the Attorney-General's Office for enhancing the effectiveness and efficiency of administration of justice.

I have audited the financial statements of the Attorney-General`s Office Administration Fund for the year ended December 31, 2013.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUE

### 1.1 Unsupported Expenditure

**Finding**

In violation of Treasury Instruction 1216 and for the second year in succession, management of the Fund made payments amounting to $45 788 (2012: $218 216) that were not supported by source documents such as invoices, payment vouchers, and goods received notes. Consequently, I was unable to determine whether the expenditure formed a proper charge against the Fund.

**Risks/Implications**

If payments are processed without supporting source documents, the practice could result in misappropriation of funds. The expenditure may not be incurred for the intended purpose.

**Recommendation**

Management of the Fund should ensure that all payments made are supported by relevant source documents as required by Treasury Instruction 1216.

**Management Response**

**The audit observation is accepted. Although cash payments were made there are some source documents to support the cash payments. Payment vouchers were not there in some cases but proof of receipt of services is there in the form of short receipts and proper receipts.**

***Auditor`s Comments***

*Since some of the payment vouchers were missing, it is not adequate to replace the missing payment vouchers with receipts because receipts cannot substitute them. Other supporting source documents such as invoices and goods received notes should have also been attached to the payment vouchers.*

**Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of the Attorney-General's Office Administration Fund as at December 31, 2013 and the financial performance for the year then ended.

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

## 2 GOVERNANCE ISSUES

### 2.2 Payments using Cash

**Finding**

In violation of the he Fund's Constitution Section 3(d) which prohibits making of payments using cash, the administrators of the Fund made cash payments totalling $60 108 instead of using cheques or bank transfers. In my final management letter for the financial year ended December 31, 2012, I highlighted the same weakness. I am concerned with the recurrence of the same issue.

**Risk/Implication**

Cash payments expose the Fund to misappropriation or loss of cash.

**Recommendation**

The administrators of the Fund should desist from making cash payments as prohibited by the Fund's Constitution and process payments through bank transfers or cheques.

**Management Response**

**The audit observation is noted and accepted. The Fund's administrators have stopped using cash even in cases of payment for foreign travel where the recipients would make refund after receiving their funding from the Appropriation Account.**

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Out of one issue raised in my report concerning unsupported expenditure, the same issue persisted during the year under review. I am concerned by the failure of the administrators of the Fund to address internal control weaknesses.

## CONSTITUENCY DEVELOPMENT FUND 2010

### Objective of the Fund

The Fund was established for the purpose of providing resources to finance developmental projects in the House of Assembly constituencies, to enable Members of the House of Assembly to spearhead implementation of projects that seek to alleviate poverty and improve the standard of living of people in their constituencies.

I have audited the financial statements for the Constituency Development Fund for the year ended December 31, 2010.

### Basis for Disclaimer of Opinion

## 1 GOVERNANCE ISSUES

### 1.1 Suspense Account

**Finding**

The Ministry did not produce bank certificates for fifty-three constituencies raising doubt on the accuracy of the bank balance of $7 964 543 disclosed in the accounts submitted for audit. Bank statements produced for audit examination accounted for $4 921 491 leaving a balance of $3 043 052 that could not be supported, resulting in a suspense being created for the balance. There was no satisfactory explanation for the imbalance.

**Risks/Implications**

Without bank certificates supporting the balances, the authenticity of the figure disclosed in the Account is doubtful. The funds might have been converted to personal use in cases where bank certificates were not produced for audit examination.

**Recommendation**

Management should make effort to ensure that all remaining constituencies have produced their bank statements so that the bank balance in the financial statements can be fully supported.

**Management Response**

**The audit observation is noted and agreed. There was a lot of resistance from the Constituencies especially in allowing their accounts to be examined by internal audit. This was mainly due to the politicisation of the Fund and the Ministry had little control over the Fund as Honourable members who report directly to Parliament were in charge.**

## 1.2 Cash Management

### Finding

Due to failure by the Ministry to enforce provisions of the Constitution of the Fund, the majority of constituencies made payments through cash transactions instead of using cheques or bank transfer systems in violation of the Section 4.5 of the Fund's Constitution, exposing cash to risk of loss or misappropriation.

### Risk/Implication

Funds could be subjected to misappropriation or loss if transactions are made on cash basis instead of using cheques or bank transfer systems.

### Recommendation

Payments for goods and services should be made through cheques or bank transfers to safeguard against misappropriation or loss of funds.

### Management Response

**The audit observation is noted and agreed. The honorable members wanted to promote indigenous business people in the constituencies they represented for political reasons. Since those businesses, especially in the remote communal areas, did not have bank accounts, the only possible means of payment at their disposal was the use of hard cash.**

### Opinion

In my opinion, because of the significance of the matters described in the basis for Disclaimer of Opinion paragraphs 1.1 and 1.2 above, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Constituency Development Fund for the year ended December 31, 2010.

## CONSTITUTION PARLIAMENTARY SELECT COMMITTEE FUND 2012

### Objective of the Fund

The Fund was established to oversee the entire constitution making process by coordinating national capacities for the implementation of transparent, impartial, inclusive and participatory constitution making process and engagement of the media, the public, civil society, the private sector, academia as well as development partners, on contributing to this overall goal.

I have audited the financial statements for the Constitution Parliamentary Select Committee (COPAC) Fund for the year ended December 31, 2012.

### Basis for Qualified Opinion

## 1 GOVERNANCE ISSUES

### 1.1 Outstanding Payments to Suppliers of Goods and Services

#### Finding

In violation of Treasury Instruction 1204, the administrators of the Fund failed to pay promptly suppliers of goods and services. The total outstanding amount due to suppliers of goods and services was $2 390 762 as at December 31, 2012. Management of the Fund failed to appreciate the need to settle financial obligations promptly as stated in Standing Instructions.

#### Risk/Implication

There is risk of the State being involved in litigations with its suppliers of goods and services.

#### Recommendation

The management of the Fund should appreciate the need to pay suppliers of goods and services promptly as stated in Standing Instructions so that financial obligations are settled without delay. Further, the Fund administrators should not commit the government by sourcing goods and services when funds are not available.

#### Management Response

**The observation that COPAC did not pay promptly suppliers of goods and services, which stood at $2 390 762 in violation of Treasury Instruction 1204 has been noted. The delay was caused by non-availability of resource from Treasury at the time when the constitution making process project needed to be urgently completed in order for the subsequent Harmonised elections to be held. In 2013 financial year, Treasury subsequently availed resources for the amortization of the debt.**

## Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements present fairly, in all material respects, the operations of the Constitution Parliamentary Select Committee Fund (COPAC) for the year ended December 31, 2012.

## CONSTITUTION PARLIAMENTARY SELECT COMMITTEE FUND 2013

### Objective of the Fund

The Fund was established to oversee the entire constitution making process by coordinating national capacities for the implementation of transparent, impartial, inclusive and participatory constitution making process and engagement of media, the public, civil society, the private sector, academia as well as development partners, on contributing to this overall goal.

I have audited the financial statements for the Constitutional Parliamentary Select Committee Fund for the year ended December 31, 2013.

### Basis for Qualified Opinion

### GOVERNANCE ISSUES

### 1 Outstanding Payments to Suppliers of Goods and Services

### 1.1 Finding

For the second year in succession, the administrators of the Fund failed to pay promptly suppliers of goods and services in violation of Treasury Instruction 1204. Outstanding amounts in respect of various suppliers of goods and services as at September 30, 2013 totalled $1 649 332 (2012: $2 390 762).

.

**Risk/Implication**

The Ministry may be involved in litigations with its service providers if payments are delayed.

**Recommendation**

The administrators of the Fund should ensure that the outstanding payments to suppliers of goods and services are settled promptly as required by Treasury Instruction 1204 to avoid being involved in litigations with the suppliers.

**Management Response**

**The observation is noted. The delay was caused by non-availability of funds from Treasury at the time when the Constitution making process project needed to be urgently completed in order for the subsequent Harmonised Elections to be held. Treasury subsequently availed the resources for the amortization of the debt.**

**Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of the Constitution Parliamentary Select Committee Fund as at September 30, 2013 and its performance for the period then ended.

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

## 2 GOVERNANCE ISSUES

### 2.1 Motor Vehicles Issued to COPAC Officials

**Finding**

Eight motor vehicles with a total cost of $260 752 issued to three ex-COPAC officials and two ex-secretariat staff which were purchased by Treasury and UNDP were retained by the recipients. Although the Ministry made a request to the Ministry of Finance for the motor vehicles to be issued to the respective former users, Treasury authority for the users to retain the motor vehicles permanently had not yet been granted.

**Risk/Implication**

The motor vehicles could be converted to personal ownership without authority if the matter relating to ownership of the motor vehicles is not clarified and regularised.

**Recommendation**

The Ministry should take possession of the motor vehicles or alternatively obtain the necessary approval to regularise the ownership of the motor vehicles,

**Management Response**

**The motor vehicles were allocated to the co-chairs and two staff members by the Management Committee. The issue was now with Treasury awaiting authority for the members to purchase the vehicles in terms of the regulations relating to those assets.**

### 2.2 Assets not accounted for

**Finding**

Assets with a total value of $24 381 went missing at various stages of the Constitution making process. Police reports were made to facilitate investigations as a way of establishing the circumstances surrounding the loss of assets. However, at the time of concluding audit, the police had not yet concluded their investigations.

**Risk/Implication**

The missing assets may not be recovered if immediate recovery action is not taken.

**Recommendation**

The Ministry should make follow ups on reports made to the Police and ensure that persons responsible for losses of Government assets are held accountable. Boards of Inquiry should be convened for all stolen and damaged Government assets.

**Management Response**

**The observation is noted. Some key assets used by COPAC needed to be moved to the Zimbabwe Electoral Commission, whose preparation for the elections were urgent and critical. As for the issue of some assets that went missing or lost whilst in the hands of official delegates, the cases were referred to the Police and follow-up process was underway to ensure that recoveries were made.**

## DEEDS AND COMPANIES OFFICE FUND 2013

### Objective of the Fund

The Fund was established for the purpose of providing money to the Registrar of Deeds and Companies Office for its effective and efficient administration.

I have audited the financial statements for the Deeds and Companies Office Fund for the year ended 31 December 2013.

### Basis for Qualified Opinion

### 1 GOVERNANCE ISSUES

### 1.1 Loss of Revenue Due to Fraudulent Activities

**Finding**

As a result of weak internal control systems in revenue collection, the Fund lost a total amount of $204 441 due to under-valuation of properties by employees of the Fund at Bulawayo regional offices. Further to the above, some employees processed fake Deed of Transfers and Mortgage Bonds resulting in potential loss of revenue amounting to $166 518.

I am concerned about the continued existence of fraudulent activities perpetrated by employees of the Fund.

**Risk/Implication**

The State may have been prejudiced of thousands of dollars in stamp duty revenue through fraudulent activities by officers of the Deeds Office. Policies and procedures were violated thereby weakening the internal control system on revenue collection.

**Recommendation**

Disciplinary measures should be taken against the perpetrators in accordance with Civil Service regulations. In addition, members of public who are holding and relied on the documents should be advised of the irregularities to enable those affected to regularize their transactions through their respective lawyers.

**Management Response**

**The Ministry would like to appreciate the findings and concurred to the observation. The said documents were fraudulently processed in the sense that they were not lodged with the Deeds Office procedurally. The documents were not registered because there were no payments.**

**Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of the Deeds and Companies Office Fund as at December 31, 2013 and its performance for the year then ended.

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Out of three issues that appeared in my previous report namely; weak internal controls that led to cases of fraud, excess expenditure over income and inadequately supported expenditure, the administrators of the Fund were able to address the last two issues. Excess expenditure over income was resolved by putting in place a budgetary system. Expenditure processed during the year under review was fully supported by relevant documents. The issue of weaknesses in internal controls in revenue collection is not yet fully addressed.

**Documents normally are lodged procedurally (transfers) after all registration process typed formally on schedules are sent to local authority and Estate Agents. The local authority of City of Bulawayo is enabled to change property ownership on their records for utility bills e.g. water rates. That way upon acquisition of property the owners question council if name changes were not effected. Some clients will go back to their lawyers or consult Deeds Office if such name changes are not effected. Reminders will be sent to affected law firms to regularize such transaction. The local authority should refers all the affected people to either lawyers or Deeds Office. That way, clients in possession of fake deeds were aware of the authenticity of their Title Deeds by checking if a change in ownership is not effected. Clients are encouraged to bank their payments in the Deeds Accounts. Electronic / computerized receipts are now issued to clients all in a bid to curb fraud and safe guard State funds.**

## VOTE 20.- INFORMATION, MEDIA AND BROADCASTING SERVICES

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Information, Media and Broadcasting Services for the year ended December 31, 2014.

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Information, Media and Broadcasting Services for the year ended December 31, 2014.

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

### 1 GOVERNANCE ISSUES

### 1.1 Unreconciled Figures

**Findings**

The Ministry of Finance and Economic Development made payments to service providers (Direct Payments) on behalf of the Ministry of Information, Media and Broadcasting services. I noted a discrepancy of $31 261 between the direct payments figure disclosed on the Ministry's Sub-PMG reconciliation of $479 063 and that on the schedule of direct payments submitted by the Ministry of Finance and Economic Development of $510 324. The discrepancy of $31 261 remained unreconciled. There were no reconciliations made between the expenditure processed in the PFMS with the expenditure paid as per the Sub-PMG Account.

**Risks/Implications**

Failure to have reconciliations may result in non-identification of errors timeously hence no corrective action will be taken. Without reconciling the two records the quality, accuracy and completeness of financial records cannot be guaranteed.

There is also a risk of overpayment to service providers if there is no proper coordination between the Ministry of Information, Media and Broadcasting Services and the Ministry of Finance and Economic Development taking into account the direct payment system that has been adopted by the Ministry of Finance.

**Recommendations**

The Ministry should reconcile the expenditure paid through the Sub-PMG Account with the expenditure processed in the PFMS on a monthly basis so that discrepancies are noted and investigated in time.

The variance of $31 261 relating to direct payments should also be investigated and cleared.

**Management Response**

**This is a result of challenges being faced by Treasury in getting funds to enable the Ministries to complete the process in time.**

***Auditor's Comment***

*Further investigations should be made to clear the discrepancies.*

## 1.2 Information and Media Panel of Inquiry (IMPI) Funding

**Finding**

In accordance with Section 49 of the Public Finance Management Act *[Chapter 22:19]* all public funds should be properly accounted for by means of an appropriation account or a fund account and must be audited in the ensuing year.

In 2013, the Ministry requested funds from Treasury amounting to $6.8 million for ZBC salaries which were in arrears. The Ministry transferred $4.4 million to Zimbabwe Broadcasting Corporation during the year 2013 remaining with a balance of $2.4 million in their account. The Ministry then sought to utilise the remaining funds in 2014 for the Information and Media Panel of Inquiry (IMPI) programme and requested for authority from Treasury. The IMPI was set up by the Ministry to gather views from the public on how to reduce media polarisation in the country. Treasury responded by requesting for a budget which the Ministry submitted. However, no evidence was availed for audit examination showing that Treasury approved the budget or the request to use the funds before the funds were utilised.

My further analysis of how the funds were utilised revealed that the expenditure was not accounted for in the Appropriation Account nor through the creation of a Fund Account.

**Risk/Implication**

Proper administration of funds can be compromised when Treasury concurrence is not obtained for use of funds and where financial reports are not prepared for accountability purposes.

**Recommendation**

The Ministry should engage Treasury on how to regularize the issues raised above. The funds should be properly accounted for and reported on in line with the requirements of Section 49 of the Public Finance Management Act *[Chapter 22:19]*.

**Management Response**

**We noted the auditor's concern regarding regularization of the budget and the reporting thereof.**

**For the funds utilized through IMPI, Treasury concurred to the request to utilize the funds. However on the reporting of IMPI expenditures we fully acknowledge auditor's advice to approach Treasury for guidance on how to report it since it was neither a fund account nor revealed in the Appropriation Account.**

***Auditor's Comment***

*The Ministry should furnish the Auditor-General with final Treasury Authority to utilize the funds for IMPI activities because the document availed does not indicate approval by Treasury.*

## 1.3 Expenditure - Wasteful Expenditure

**Finding**

Audit noted that the Ministry hired a Toyota Vigo from Sam International for the Finance Director for the period December 2013 to October 31, 2014 for $32 768 at a rate of $3 720 per month. This is despite the fact that the Ministry had pool vehicles which could have been used by the Finance Director. Audit also noted that contrary to Treasury Instruction 1005 and 1205 which state that for all payment vouchers there must be a comparative schedule, there were no comparative schedules to determine the most economic service provider for the hired vehicle. Furthermore, there was no evidence produced that the Accounting Officer authorized the hire of the vehicle.

**Risks/Implications**

There is risk that an inappropriate supplier may be selected resulting in uneconomic use of public funds if proper procurement procedures are not followed.

Failure to obtain necessary authorities compromises proper accountability for public funds.

**Recommendations**

The Ministry should put in place adequate controls to ensure that laid down procedures are followed at all times. There is also need to get three quotations from registered companies in line with procurement guidelines

**Management Response**

**We noted the auditor's concern regarding the Director of Finance's hired vehicle from Sam International whilst the Ministry had pool vehicles which could have been used by the Director. The Ministry considered them unfit to allocate these old unroadworthy vehicles to one with a status of Director. Instead it is long overdue for the Civil Service Commission (CSC) to issue a condition of service vehicle to the Director Finance which meets his status.**

**We bring to your attention that the vehicle was hired for the Director by the Ministry of Constitutional and Parliamentary Affairs in January 2013 before the Director joined the Ministry in November 2013. The Ministry of Constitutional and Parliamentary Affairs transferred the bill to the Ministry of Information in December 2013 and there was a contract to hire the vehicle which was authorised by the Accounting Officer of the former Ministry. We only continued the obligation until we found a better car for the Director. The hire contract was then terminated. Whilst it is an observation by the audit we strongly feel that it is not the Ministry's problem but the CSC which is having problems in providing condition of service vehicle commensurate to the post. Above all the officer is being heavily prejudiced due to the passage of time lapsing before he gets his vehicle.**

***Auditor's comment***

*The Ministry should not accept transferred liabilities without considering the financial implications. At the time of concluding the audit no Accounting Officer's Authority had been availed for my inspection.*

### 1.4 Mobile and Fixed Phone Allowances

The Ministry did not adhere to previous year`s audit recommendation to stick to set limits as provided for in Treasury Circular Number 1 of 2010 or to regularise the anomaly with Treasury. The Ministry continued to provide mobile and fixed telephone allowances in excess of the respective limits despite the assurances provided during the previous audit that the matter will be internally regularized and Treasury authority would be obtained. During the period under review, the Ministry incurred a total of $400 000 in mobile and fixed telephone allowances. Although there was a reduction in total expenditure of $146 872 from previous year (2013) figure of $546 872, I am concerned with the principle that was being violated.

Furthermore, no action had been taken to recover all the excess airtime paid without due regard to the provisions of Treasury Circular number 1 of 2010 which states that where beneficiaries incur telephone or airtime costs which exceed the respective limits, the excess shall be met from own resources.

**Risk/Implication**

Failure to follow laid down procedures may result in the Ministry not being able to control its expenditure on airtime allowances.

**Recommendations**

The Ministry should put in place adequate controls to ensure that laid down procedures are followed at all times. Should there be a need for the Ministry to adjust these amounts due to the nature of the operations, Treasury authority should be sought first before such allowances are paid.

**Management Response**

**The Ministry is in the process of regularising the anomaly.**

***Auditor`s Comments***

*The Ministry is urged to expedite the process to avoid an accumulation of bills that may become difficult to recover.*

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Results Based Management (RBM)

For the third year running, the issue remain unresolved. The Ministry did not submit Departmental Integrated Performance Agreements, Quarterly reports and Monitoring Plans as required by Audit Circular No. 1 of 2014. I therefore could not verify the extent to which the Ministry had achieved its objectives.

### 2.2 Domestic Travelling and Subsistence

There is no improvement on recovery of outstanding advances. As at December 31, 2014 the outstanding balance for travelling and subsistence amounted to $45 236 of which $26 045 had been outstanding for a long period with some dating as far back as 2009. The situation remained the same as no meaningful recoveries were made from individuals in 2014.

### 2.3 Audit Committee Function

The issue remains outstanding as no audit committee was established in 2014.

## 2.4 Management of Assets

The issue remain unresolved. However, a Board of Inquiry for damaged vehicles ABA 1791, ABD 1635, ABA 9185, and ABA 8312 was convened in January 2015 but it had not been finalized at the time of concluding the audit on April 24, 2015.

## VOTE 21.- SMALL AND MEDIUM ENTERPRISES AND COOPERATIVE DEVELOPMENT

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Small and Medium Enterprises and Co-operative Development for the year ended December 31, 2014.

### Opinion

In my opinion, the Appropriation Account present fairly, in all material respects the results of the operations of the Ministry of Small and Medium Enterprises and Co-operative Development for the year ended December 31, 2014.

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

## 1 GOVERNANCE ISSUES

### 1.1 Expenditure Reconciliations

#### Findings

Treasury made direct payments totaling $602 833 to service providers on behalf of the Ministry for the year under review. However there was no evidence of reconciliations of the amounts paid by Treasury to show the actual invoices paid and the actual amount owed to each service provider.

Furthermore there was no evidence of reconciliation between the Sub-Paymaster General's Account (PMG) figure and the expenditure figure in the Funds Management Report contrary to Treasury Instruction 1301 which requires that reconciliations be done for the Paymaster General's Account. The Sub-PMG had a total expenditure of $1 637 935 whilst the Funds Management report a total expenditure of $3 762 434 giving a variance of $2 124 499.

#### Risk/Implication

Failure to conduct reconciliations may result in errors, omissions and inaccurate information remaining undetected for a long time.

#### Recommendations

Expenditure reconciliations should always be done and a senior official should review the reconciliations for accuracy purposes. This will enable the Ministry to determine whether all payments done are proper charges against public funds.

**Management Response**

**The audit finding is correct, however, the Ministry has been able to reconcile payments to CMED and currently the Ministry is in the process of reconciling payments to Tel-One, Printflow and Zimpapers. The Ministry has always raised the issue of late December direct payments to service providers and or late releases of outstanding moneys by Ministry of Finance. The Ministry is also concerned when Treasury pays Service Providers on its behalf without first getting the relevant figures from the Ministry concerned and also when such direct payments are effected mainly in December leaving no room for reconciliation before year end. Efforts are currently underway to have the reconciliation done for both direct payments and between Sub-PMG figure and Funds Management figure.**

## 2 EVALUATION OF IMPLEMENTATION OF PROGRAMMES

### 2.1 Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET)

**Finding**

According to the ZIMASSET Programme one of the Ministry's output is the production of 500 000 litres of honey per annum. The Ministry could not avail the database of the small and medium entrepreneurs who had produced 351 903 litres of honey as stated in its reports.

**Risk/ Implication**

The information provided in the reports may not be authentic if it is not supported by detailed information of the entrepreneurs concerned.

**Recommendation**

The Ministry should have supporting documents or databases for its outputs.

**Management Response**

**The audit finding is noted. The total of 351 903 litres of honey produced is identifiable to specific provinces. However, the detail of the Entrepreneurs is maintained at the provinces and currently head office is in the process of creating a database of SMEs in the country.**

# 3 REVENUE COLLECTION AND DEBT RECOVERY

## 3.1 Public Financial Assets

### Finding

For the fifth year in succession loans repayments by SEDCO were not made in line with the stipulated time frames set in the Memorandum of Understanding (MOU) signed between the SEDCO and the Ministry. The MOU states that repayments should be made by March 31 and September 30 of each year. No repayments were made in the year under-review. Out of a total of $4 245 000 loans disbursed to SEDCO from 2009 to 2013 and interest thereon of $1 203 368, only $1 520 000 had been repaid. There is no evidence that the Ministry engaged SEDCO to ensure that repayments are made as was indicated in the management response to my Audit Report for the financial year ended December 31, 2013.

**Below is a table showing the movement of loans disbursed:**

| Year | Amount Disbursed $ | Interest $ | Total Amount $ | Repayments $ | Outstanding Amount $ |
|---|---|---|---|---|---|
| 2009 | 150 000 | 4 375 | 154 375 | _ | 154 375 |
| 2010 | 2 000 000 | 71 841 | 2 071 841 | _ | 2 071 841 |
| 2011 | 1 500 000 | 238 544 | 1 738 544 | 1 029 000 | 709 544 |
| 2012 | 200 000 | 268 789 | 468 789 | 91 000 | 377 789 |
| 2013 | 395 000 | 307 178 | 702 178 | 400 000 | 302 178 |
| 2014 | _ | 312 641 | _ | _ | 312 641 |
| **Total** | **$4 245 000** | **$1 203 368** | **$5 135 727** | **$1 520 000** | **$3 928 368** |

### Risk/ Implication

The Ministry may fail to recover both the capital and the interest if follow ups are not done timeously.

### Recommendations

The Ministry should ensure it implements the debt recovery strategies formulated.

Continuous engagement with SEDCO should be done to ensure the loans are repaid.

**Management Response**

**The audit finding is noted. Although management engaged the Honourable Minister in 2014 to engage SEDCO Board of Directors on loan recovery, the Ministry is aware of resource challenges being faced by SEDCO due to non-capitalization by the shareholder. The Ministry has since engaged Ministry of Finance to consider converting the amount advanced to SEDCO to equity.**

***Auditor Comment***

*The Ministry did not avail proof of the engagement of the Board of Directors of SEDCO in relation to the loan repayments before the Ministry of Finance was approached. Furthermore the Ministry seems to be advocating for the non-repayment of the Loans by SEDCO which is contrary to its monitoring and supervisory role whereby the Ministry should be ensuring that timely repayments are made.*

## 4 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 4.1 Work Performance Monitoring Plans

For the second year in succession the Ministry did not review its Work Performance Monitoring Plans in line with the availed resources.

### 4.2 Asset Management: Assets Disposal

The Ministry now has the evidence that the proceeds from the auction of the accident damaged motor vehicles were deposited into the Ministry of Finance's bank account.

### 4.3 Direct payments

The issue of non-reconciliation of direct payments to service providers by Ministry of Finance continued during the year under-review.

### 4.4 Fuel Procurement

The Ministry followed proper procurement procedures in procurement of fuel during the year under review.

## CENTRAL CO-OPERATIVES FUND 2013

### Objectives of the Fund

This Fund was established to finance the education and training of members and prospective members of registered societies, research activities carried on or likely to be carried on by registered societies, auditing of accounts and books of registered societies and for the general development of the co-operative movement.

### Opinion

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In my opinion, the financial statements present fairly, in all material respects, the financial position of Central Co-operatives Fund and the results of the Fund's operations as at December 31, 2013.

## 1 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 1.1 Inter-Ministerial Reconciliations for the Central Co-operative Fund

Reconciliations to ascertain the actual total revenue which was supposed to be transferred to the Fund's bank account by the Ministry of Youth Development, Indigenisation and Empowerment for the financial years 2009, 2010, 2011 and 2012 respectively were still to be done. An amount of $5 560 that was transferred to the Fund for deposits receipted between July 13, 2009 to June 31, 2012 was also still to be verified by the Ministry.

**INDO-ZIMBABWE FUND 2013**

**Objectives of the Fund**

This Fund was established to mobilise financial resources to finance Small and Medium Enterprises as well as to provide training to Small and Medium Enterprises (SMEs), youth and students.

I have audited the financial statements of the Indo Zimbabwe Fund for the year ended December 31, 2013.

**Basis of Qualified Opinion**

**1 REVENUE COLLECTION AND DEBT RECOVERY**

**1.1 Outstanding Rental Payments**

**Finding**

At the time of completion of my audit in July 2013, the Ministry was still to recover $210 000 in rental payments for use of the Common Facility Centre from Small Enterprises Development Cooperation (SEDCO) at $70 000 per annum for the years 2011, 2012 and 2013 respectively. This was in contravention of Treasury Instruction 0501 which requires that officers responsible for collecting debts should take adequate steps to collect any sums due to government on the due date. This issue had been in my audit reports for 2011 and 2012 financial years.

**Risk/Implication**

The Ministry may not recover the outstanding rental payments if they are not collected when due.

**Recommendations**

The Ministry should consistently follow up on the outstanding rental payments.

Furthermore the Ministry should play a pivotal role in monitoring the viability of the activities which are being undertaken at the SEDCO Chitungwiza Common Facility Centre.

**Management Response**

**SEDCO was renting Indo-Zimbabwe machinery for $70 000 per annum since 2011. However, SEDCO did not have the technical skills to run the machinery as a result they engaged Harare Polytechnic to run the machinery under a management agreement. The management agreement did not yield the desired result as no meaningful revenue was generated by the machinery which is housed at SEDCO Chitungwiza premises.**

**SEDCO has therefore failed to pay the rental to the Ministry as no meaningful revenue has been generated at the site. SEDCO has since terminated the management agreement and they are currently in the process of recruiting technically qualified personnel to run the project.**

**The Ministry is aware of the challenge and exploring ways of managing the situation.**

***Auditor`s Comments***

*The outstanding rentals will continue to increase as long as the Ministry fails to make consistent follow ups and also if it prolongs to take a firm position on its preferred option.*

**Opinion**

In my opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements presents fairly, in all material respects the results of the operations of the Indo-Zimbabwe Fund for the year ended December 31, 2013.

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

## 2 GOVERNANCE ISSUES

### 2.1 Assets Management

**Finding**

There was no evidence of periodic asset count at Harare Institute of Technology (HIT) and at SEDCO Chitungwiza Common Facility Centre where some of the Fund's assets are housed. This was in contradiction to Treasury Instruction 2004 which requires that physical assets be compared with records at least once a year.

Furthermore, there were several assets ranging from central processing units, monitors, drilling machines, Rockwell scales, engraving machine, heaters, hardening furnace and milling machines located in the machine workshop and lab at HIT. These assets were not recorded in the Master Assets Register.

**Risk/Implication**

If assets are not recorded and periodically checked thefts may go undetected.

**Recommendation**

Periodic asset count should be conducted in compliance with the Treasury Instruction and all assets should be recorded in the Master Assets Register.

**Management Response**

**Observation is noted. However, at SEDCO Chitungwiza the assets were now being leased to SEDCO. At Harare Institute of Technology an administration assistant had been seconded to make sure all administration functions are carried out. Currently there seem to be no clarity on the reporting structure in the Ministry as all staff under Technical Services seem to be under the responsibility of the Technical Division (including administration and accounting assistants). Hence the challenge being experienced.**

***Auditor`s Comments***

*The Ministry seem not to be taking adequate steps to ensure that periodic asset count is done to safeguard the Fund's Assets.*

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 3.1 Memorandum of Understanding

The Ministry is still to finalise its Memorandum of Understanding (MOU) with Harare Institute of Technology following disputes in the management and custody of assets among other issues. This was raised in the 2011 audit report in which it was recommended that the final MOU should clarify among other issues use of assets by both parties, monitoring mechanisms on the usage of machinery and responsibility of the security of the assets and the keys at the site. Accountability of usage of machinery still poses a challenge as both parties have keys to the centre.

## INDO-ZIMBABWE FUND 2014

### Objectives of the Fund

This Fund was established to mobilise financial resources to finance Small and Medium Enterprises as well as to provide training to Small and Medium Enterprises (SMEs), youth and students.

I have audited the financial statements of Indo-Zimbabwe Fund for the year ended December 31, 2014.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the results of the operations of the Indo-Zimbabwe Fund for the year ended December 31, 2014.
However, the following are material issues noted during the audit.

## 1 REVENUE COLLECTION AND DEBT RECOVERY

### 1.1 Outstanding Machinery Rental Payments

#### Findings

The Ministry was still to recover $210 000 in rental payments for use of the Common Facility Centre from Small and Medium Enterprise Development Cooperation (SMEDCO) at $70 000 per annum for the years 2011, 2012 and 2013 respectively. This was in contravention of Treasury Instruction 0501 which requires that officers responsible for collecting debts should take adequate steps to collect any sums due to government on the due date. This issue was raised again in my report for 2011 and 2012 financial years.

Furthermore at the time of completion of the audit in May 2015 no official position had been taken to recover the outstanding rentals.

#### Risk/Implication

The Ministry may fail to recover the outstanding rental payments if they are not collected on the due dates.

#### Recommendations

The Ministry should play a pivotal role in monitoring the viability of the activities which are being undertaken at the SMEDCO Chitungwiza Common Facility Centre as this will assist in the decision making process in terms of recovering outstanding rentals.

The Accounting Officer should engage SMEDCO to arrange for the recovery of outstanding rentals.

**Management Response**

**The finding on outstanding machinery rental payments is noted. We made follow ups with SMEDCO during 2014 for them to make the payments for the machinery rentals but they are indicating that they are unable to pay. Recommendations will be made to the Accounting Officer for the Ministry to recover the machinery and run it from SMEDCO premises. The outstanding machinery rentals can then be offset with rentals for using SMEDCO Chitungwiza premises where the equipment is housed.**

## 1.2 Training Registers

**Findings**

No registers or database for students trained at Indo-Zimbabwe Centres were availed for audit. As a result I could not verify the revenue received against the number of students trained.
I also noted that registration forms for 33 students trained at HIT were not completed by relevant Fund officials such that the application numbers and receipt numbers were not captured. In addition there was no evidence of independent verification and approvals on the registration forms.

**Risks/Implications**

In the absence of training registers, revenue charged and received may be intentionally understated.

Incomplete processing of registration forms may result in individuals being trained for free resulting in loss of government revenue.

**Recommendations**

Training registers should be maintained for all the trainings undertaken.

A delegated official should ensure that all necessary information is captured on the registration forms and the registration forms should be certified and dated.

**Management Response**

**The training registers for most students trained at the Indo-Zimbabwe Technology Centre are available but were not requested during the audit. However training registers from Provincial Common Facility Centres were not forwarded to Head office. In addition we will ensure that all students that are trained fill in daily attendance registers to ensure proper accountability of the people trained.**

**Not all of the 33 registration forms were not completed as indicated. However those which were not fully completed were as a result of the students who were not yet issued**

**with their certificates, whose certificate number will then have to be indicated on the forms against the receipt number before final approval.**

***Auditor's Comment***

*At the time of conclusion of the audit the training registers for students trained at Harare Institute of Technology Indo-Zimbabwe Centre had not been availed for audit.*

*Evidence on hand reveals that the 33 registration forms were not completed by the Fund officials as required at the time of audit in May 2015.*

### 1.3 Recording of Issued out Receipt Books

**Finding**

I observed that issue vouchers were not raised by the Ministry's head office for the receipt books transferred to the Harare Institute of Technology Indo-Zimbabwe Centre. As a result there was no record for the following receipt books 056201-056300, 056401-056500, 725101-725200 and invoice book number 139501-139550 that were in use at the centre for the year under review. This was contrary to the provisions of Treasury Instruction Appendix 1 on methods of control under stores which states that issues from the stores should be recorded on issue vouchers or invoices and that the controlling officer either at provincial or Head Office level should support the entries in his records with such issue vouchers.

**Risk/Implication**

Unofficial receipt books may be used to record revenue if records of issued out receipt books are not maintained resulting in misappropriation of funds.

**Recommendation**

Issue vouchers should be issued on transfers of receipt books and invoice books to Indo-Zimbabwe Centres in order to ensure that there is a correct record of the official receipt and invoice books in use.

**Management Response**

**The record of officers who collected the receipt and invoice books in question is in the stores register. However transferring these books to the Indo-Zimbabwe Centre required proper procedures, this will be rectified. The matter of issue vouchers will be investigated and corrective action will be taken.**

***Auditor's Comments***

*The individuals who collected receipt books 056201-056300 and 056401-056500 from the stores are based at the Ministry Head Office and are not the ones responsible for receipting at Harare Institute of Technology Indo-Zimbabwe Centre. There is no record of how these receipt books were transferred to Harare Institute of Technology.*

*Furthermore receipt book number 725101-725200 was not recorded on the stores register neither is there record of who is currently using it.*

## 1.4 Submission of Revenue Supporting Documents

### Findings

There was no evidence of comparisons by a delegated official of entries in the cash book with duplicate receipts and bank deposit slips. This was contrary to Treasury Instruction 0432 which requires that such comparisons be done by a delegated official not less frequently than once a month and at month end.

In addition, contrary to Treasury Instruction 0422 which requires updating of the cash book using receipts, the provincial offices were not consistently forwarding duplicate copies of receipts and bank deposit slips to the head office for incorporation into the cashbook and as proof for deposits.

### Risk/Implication

Errors and understatements of revenue may not be timely discovered and corrected if review of entries in the relevant records and submission of receipts is not done.

### Recommendations

A delegated official should conduct the comparisons at least once a month and at month end and should evidence his examination by signing and dating relevant documents.

Follow ups should be made to ensure that duplicate copies of receipts and bank deposit slips are forwarded to the head office by provincial Indo-Zimbabwe centres.

### Management Response

**The finding is noted. Duplicate receipts and bank deposits from Common Facility Centres in the provinces were not forwarded to Head Office. Therefore the accountant could only use the bank statements to update the cashbook and do comparisons. A system will be put in place to ensure that all duplicates receipts and bank deposits are periodically forwarded to the Head Office.**

# 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

## 2.1 Periodic Asset Counts

At the time of audit the 33 assets located at the Harare Institute Technology Indo-Zimbabwe Centre were still to be recorded in the Master Assets Register. This was contrary to the Ministry’s response to my management letter reference I/69/1574/13 in which the Ministry indicated that an Administration Assistant had been seconded to undertake administrative functions at the Harare Institute Technology Indo-Zimbabwe Centre.

## 2.2 Memorandum of Understanding

The Ministry is still to finalise its Memorandum of Understanding (MOU) with Harare Institute of Technology following disputes in the management and custody of assets among other issues despite the issue being raised in my 2011, 2012 and 2013 audit report. Accountability of usage of machinery still poses a challenge as both parties still have keys to the centre.

## SMALL AND MEDIUM SCALE ENTERPRISES REVOLVING FUND 2013-2014

### Objective of the Fund

The purpose of the Fund shall be to provide interest bearing loans to Macro, Small and Medium Enterprises in order for these enterprises to make a meaningful contribution to economic growth and development.

I have audited the Small and Medium Scale Enterprises (SME) Revolving Fund for the years ended December 31, 2013 and 2014.

### Basis for Qualified Opinion

### 1 REVENUE COLLECTION AND DEBT RECOVERY

### 1.1 Lending and Equity

### Findings

Out of a total of $4 245 000 disbursed by the Ministry to SMEDCO between the financial years 2009 to 2014, a total of $3 928 368 was still to be recovered at the time of completion of my audit in May 2015. This issue was raised again in my 2011, 2012 and 2013 audit reports. The table below refers:

**Table showing movement of the disbursed loans:**

| Year | Loan Disbursed | Interest | Total Amount | Repayment | Adjust ments | Outstanding Amounts |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| 2009 | 150 000 | 4 375 | 154 375 | | | 154 375 |
| 2010 | 2 000 000 | 71 841 | 2 071 841 | | | 2 071 841 |
| 2011 | 1 500 000 | 238 544 | 1 738 544 | 1 029 000 | | 709 544 |
| 2012 | 200 000 | 268 789 | 468 789 | 91 000 | | 377 789 |
| 2013 | 395 000 | 307 180 | 702 180 | 400 000 | | 302 180 |
| 2014 | | 316 075 | 316 075 | | | 316 075 |
| *Less:* Interest Adjustment | | | | | 3 435 | |
| Total | $4 245 000 | $1 206 804 | $5 451 804 | $1 520 000 | $3 435 | $3 928 369 |

### Risks/Implications

The financial statements may be misstated if timely reconciliations and reviews are not done. Follow ups on outstanding revenue may be based on incorrect amounts if records are not properly maintained.

**Recommendation**

Written follow ups for timely repayments should be made with the Board of Directors of SMEDCO. Furthermore the Ministry should consistently monitor the disbursement of the loans in compliance with Article 11 of the Memorandum of Understanding in order to ensure that loans are disbursed to bona fide entrepreneurs who have the ability to repay the loans.

**Management Response**

**The Accounting Officer wrote to the Honourable Minister on January 16, 2014 to engage the SMEDCO board on the outstanding loan. However management is not aware whether such engagement was made.**

**The Ministry also made a follow up to SMEDCO on November 12, 2014 and no payments were made.**

**Qualified Opinion**

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements present fairly the operations of the SME Revolving Fund as at December 31, 2013.

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

## 1.2 Loan Disbursement to SEDCO

**Finding**

The Ministry effected a transfer of $195 000 to SEDCO on May 28, 2013 without adequate supporting documents such as Treasury authority for loan transfer request. This is in violation of the Memorandum of Understanding which requires that disbursement of funds to SEDCO be done after authority has been granted by Ministry of Finance.

**Risk/Implication**

Disbursement of funds without obtaining the relevant Treasury authority amounts to granting of unauthorised loans.

**Recommendation**

The Ministry should first seek authority from the Treasury before disbursing funds to SEDCO.

**Management Response**

**SEDCO, in terms of the Memorandum of Understanding with the Ministry, makes repayments to the Ministry as a way of monitoring SEDCO's loan collections. The Ministry in turn re-advances the amount to SEDCO for on lending to SMEs. In the said case SEDCO had repaid $200 000 to the Ministry and the Ministry re-advanced $195 000 to SEDCO retaining $5 000 in the account so that the account does not accrue bank charges for operating an account with a nil balance.**

***Auditor`s Comments***

*The Ministry's response does not indicate whether or not the transfer of $195 000 was authorised by the Ministry of Finance.*

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Lending and equity

No loan recoveries were made for the year under review.

## VOTE 22.- ENERGY AND POWER DEVELOPMENT

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Energy and Power Development for the year ended December 31, 2014.

### Opinion

In my opinion, the Appropriation Account and supporting returns present fairly, in all material respects, the financial position and performance of the Ministry of Energy and Power Development as at December 31, 2014.

However the following are material issues noted during the audit.

### 1 GOVERNANCE ISSUES

### 1.1 Donations

**Finding**

I noted that during the year the Ministry requested and received donations amounting to $371 612 from Parastatals under its control. The donations were requested and received without Treasury Authority and this practice compromises the Ministry's role of monitoring performance of Parastatals.

The table show donations sought from Parastatals.

| Name of Parastatals | Purpose | Value of Donations ($) |
|---|---|---|
| National Oil and Infrastructure Company | Fuel | 101 220 |
| Petrotrade | Fuel | 121 106 |
| Rural Electrification Agency | Travelling and Subsistence Expenses | 13 856 |
| Zimbabwe Electricity Supply Authority Holdings | Stationery, Newspapers and Computer Consumables | 51 650 |
| Zimbabwe Energy Regulatory Authority | Provisions and Vehicle Maintenance | 83 780 |
| **TOTAL** | | **$371 612** |

**Risks/Implications**

The funding requested from Parastatals and not disclosed as such distorts Government expenditure and at the same time may affect service delivery by the Parastatals which are struggling to repay loans as well as offer expected services to the public.

**Recommendation**

The Ministry should lobby the Ministry of Finance for adequate funding instead of requesting donations from Parastatals.

**Management response**

**For 2014 the Ministry was only given $24 599 for fuel and as such the Ministry was assisted by Parastatals to enable it to function in order to meet its obligations/ mandate. Therefore, the National Oil and Infrastructure Company (NOIC) and Petrotrade had to assist with fuel coupons. The other Parastatals like Zimbabwe Energy Regulatory Authority, Zimbabwe Electricity Supply Authority and Rural Electrification Authority assisted with purchasing of computer consumables, stationery, food, refreshments and accommodation for our Principals and Officers who attended official opening of the Parastatal's projects. In 2014, the situation was dire as few funds were trickling in from Treasury, therefore the Ministry had to think outside the box to have things moving instead of grounding to a halt.**

## 2 FINANCE STATEMENTS

### 2.1 Long Matured Guarantees

**Finding**

Long matured loan guarantees amounting to $544 606 475 still appeared on the return as contingent liabilities despite my previous audit recommendations that the Ministry should ensure processes are initiated to have them ratified by Parliament on behalf of Government and be considered as Public Debt. The matured loans date as far back as 2001.

It was also noted that the contingent liabilities register submitted for audit was only reflecting the original foreign amount loaned. It had no provision for the cash movements and net contingent liability for the opening and closing periods.
Furthermore, there was no evidence that a senior officer was checking the contingent liabilities register contrary to good accounting practices.

**Risks/Implications**

Failure to properly disclose the contingent liabilities figures has an effect of understating the Government liabilities thereby giving a wrong impression of the country's indebtedness.

The failure to check the register by a senior officer can result in errors passing through the system undetected.

**Recommendations**

The Accounting Officer should ensure that adjustments for matured loans are done to ensure proper disclosure of the state of affairs.

A senior officer should check the contingent liabilities register on a regular basis.

**Management responses**

**The issue of retiring matured loans as public debt is noted but however it is a national issue that cannot be dealt with by the Ministry unilaterally.**

## 3 REVENUE COLLECTION AND DEBT RECOVERY

### 3.1 Failure to Disclose Revenue Outstanding

**Finding**

The Outstanding Revenue return did not include an amount of $2 863 312 being cumulative revenue collected from Compania Do Pipeline Mozambique-Zimbabwe (CPMZ) rentals for the previous years which was deposited in the Noczim Debt Redemption Fund Account. The failure to include such a material amount was a result of the Ministry not properly budgeting for revenue from the rentals, coupled with lack of coordination with the Fund Agent (Petrotrade) who is currently responsible for maintaining the Fund's accounting records. Such a practice is contrary to the dictates of Treasury Instructions 0101 and 0103 which require that revenue be collected and disposed off punctually as well as maintaining full and proper accounts for transactions which the Ministry is responsible of.

**Risk/Implication**

The return could mislead management in decision making if incorrect information is disclosed by understating revenue due.

**Recommendation**

The amount of $2 863 312 should be claimed from the Noczim Debt Redemption Fund as the Ministry is appearing as a creditor in the books of the fund as at December 31, 2014.

**Management response**

**The issue is being acknowledged. However the Ministry is making frantic efforts to get the source documents from Noczim. Once the documentation has been obtained, a transfer to the Exchequer will be done.**

***Auditor's Comment***

*The amount has been accumulating in the Fund since 2012 and a note appears in the financial statements indicating it as cash in transit to Ministry of Energy and Power Development. Therefore, I can only conclude that the Ministry is not analyzing the financial statements of fund account under its control.*

**PIPELINE AND RAIL FUND 2014**

**Objective of the Fund**

The objective of the Fund shall be to discourage the importation of fuel by road and to raise revenue for the payment of the Compania Do Pipeline Mozambique-Zimbabwe (CPMZ) and Beitbridge-Bulawayo Railway (BBR) obligations through optimising the use of the pipeline and rail for fuel imports.

I have audited the financial statements of the Pipeline and Rail Fund for the year ended December 31, 2014.

**Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position and performance of the Pipeline and Rail Fund for the year ended December 31, 2014.

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

## 1 GOVERNANCE ISSUE

### 1.1 Prior Year's Adjustment

**Finding**

I noted that the Ministry made an adjustment of $10 718 as being income overstated in 2013 on the pretext that ZIMRA had transferred into the Fund's bank account more than what was due to it in 2013. However, no reconciliation or any other form of evidence was availed to me indicating how the overpayment purportedly arose. This was caused by failure to take action as may be necessary to ensure that revenue collections are properly brought to account as required by the provisions of Treasury Instruction 0101.

**Risk/Implication**

The failure to explain or support adjustments made to financial statements may indicate lack of proper accountability for the public funds resulting in the production of misleading financial statements.

**Recommendations**

Management should take action as may be necessary to ensure that revenue collections are properly brought to account. Further, the adjustment of $10 718 to the financial statements should be investigated and explanations provided.

**Management Response**

**The adjustment was as a result of variances which arose due to the differences between the initial collections and the revised collections.**

***Auditor's Comment***

*The management did not provide evidence to support the variances. Given the high risk of misstatements related to revenue completeness, the management should have requested for a detailed explanation from ZIMRA.*

## STRATEGIC FUEL RESERVE FUND 2012-2013

### Objective of the Fund

The objectives of the Fund shall be to mitigate the impact of fuel shortage in the country through maintaining adequate stocks of fuel for the strategic reserve.

I have audited the financial statements of the Strategic Fuel Reserve Fund for the years ended December 31, 2012 and 2013.

### Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position and performance of the Strategic Fuel Reserve Fund for the year ended December 31, 2013.

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

## 1 GOVERNANCE ISSUES

### 1.1 Undelivered Fuel

**Finding**

In January 2011, the Ministry entered into an agreement with a South African supplier whereby five (5) million litres of diesel were supposed to be delivered within seven days of the payment. The Ministry made the payment of $4 400 000 on January 24, 2011. However 1 096 890 litres of diesel valued at $965 263 had still not been delivered at the time of concluding my audit. I followed up on the issue during my audit of the financial statements for the year ended December 31, 2013 and the matter remained unresolved.

**Risks/Implications**

The fund may be prejudiced of scarce financial resources required for use in the acquisition of strategic fuel stocks. The funds paid to the supplier may not be recovered.

**Recommendation**

The Ministry should expedite the conclusion of the matter and ensure that the Fund is reimbursed the amount paid or alternatively the product so purchased is delivered.

**Management Response**

**In respect to the fuel still to be delivered, litigation is already underway, with Petrotrade acting as Government's agent. The outstanding fuel was procured on the basis of a directive.**

## 1.2 Fund Administration

### Finding

I noted that Petrotrade staff members who were assigned to handle the Fund's operations were not directly accountable to the Accounting Officer contrary to the provisions of Section 3 of the Fund's Constitution which stipulates that the Secretary shall appoint a Management Committee that shall be responsible for the day to day running of the Fund. At the time of concluding my audit for the year ended December 31, 2013 in April 2015, the matter was still uncleared.

### Risk/Implication

The non-functionality of a management committee compromises the efficient management of the Fund and it causes unnecessary delays in decision making.

### Recommendation

The Management Committee should be responsible for the day today running of the Fund.

### Management Response

**The Fund is administered by Petrotrade and National Oil Infrastructure Company (NOIC) staff since the two entities act as the Ministry's agents in the procurement and storage of strategic fuel. Though Petrotrade and NOIC staff are not directly accountable to the Accounting Officer, they are bound by the rules and regulations of the two entities which bind them not to disclose information about the Fund's operations to third parties as embodied in their contracts of employment.**

***Auditor's Comment***

*The current arrangement should be synchronized with the provisions of the Fund's Constitution which is the legal document that outlines the operations of the Fund.*

## 1.3 Accounting Officer's Instructions

### Finding

For the second year running, the Fund had no clearly documented accounting and administrative framework nor set standards or criteria outlining the logical flow of transactions related to strategic fuel acquisition and inventory management. No clear guidelines were set out regarding the pricing model to be implemented when stocks are withdrawn for resale on the market. There were no set criteria guiding re-order levels as well as clearly laid down conditions under which stocks were to be withdrawn from the reserves.

**Risk/Implication**

Without properly laid down procedures and policies documenting the systematic flow of transactions, the strategic levels required may not be maintained at all times.

**Recommendations**

The Ministry should draw up a logical transaction accounting flow which clearly outlines the procedures and policies to be followed in managing the operations of the fund in line with the Fund's constitution. This will provide clear and written guidelines to fund administrators thereby promoting transparency and accountability.

**Management Response**

**Zimbabwe Revenue Authority collects funds at ports of entry and forwards them to Petrotrade who in turn procures the fuel and puts it in strategic fuel reserves. NOIC is in charge of these strategic fuel reserves. When a draw down is to be done this will be done by the Minister of Energy and Power Development.**

## 1.4 Tenders

**Finding**

Section 27 (1) of the Procurement Regulations of 2002 states that "When security has to be provided by successful tenderers, it shall be in the form of a guarantee by a bank or approved negotiable securities or otherwise in the form of a cash deposit with the procuring entity". The Ministry was not properly monitoring the activities of Petrotrade as a procuring agent, and as a result some suppliers were not providing the required security. The risk of losses to the fund arising from suppliers' failure to fulfil contractual obligations was further compounded by the fact that suppliers were being paid prior to product delivery, hence there was need for suppliers to provide some form of guarantee against defaulting in delivery.

**Risk/Implication**

There is risk of financial prejudice arising from suppliers' failure to fulfil contractual obligations.

**Recommendation**

The Accounting Officer should ensure suppliers of fuel provide the required security before payment is done.

**Management Response**

**Section 27 (1) states that when security has to be provided by successful tenderers, it shall be in the form of a guarantee by a bank or approved negotiable securities or otherwise in the form of a cash deposit with the procuring entity. The Act does not say that security shall always be provided. It also does not give the circumstances in which security should be provided. Petrotrade however, deals only with registered suppliers on the understanding that these will have been properly vetted by SPB.**

***Auditor's Comment***

*In view of the huge sums involved it is rather prudent to have some form of security in the event of failure to supply.*

## 1.5 Fuel Stocks

**Finding**

A stock take of the fuel on hand was carried out in 2012 and subsequently reconciliations were done revealing a surplus of 1 360 990 litres for diesel and a deficiency of 504 025 litres for petrol. Therefore I could not place any reliance on the final stock balance disclosed, as both the variance of 1 360 909 litres of diesel and 504 025 litres of petrol could not be explained. The variances remained uncleared in 2013.

The anomalies are attributable to the absence of supervisory controls and failure to carry out monthly reconciliations of fuel by NOIC. Also returns which are supposed to be submitted on a monthly basis to the parent Ministry for control purposes were not being submitted.

**Risks/ Implications**

Strategic decisions based on inaccurate information might result in unproductive strategies being adopted. In addition fraudulent activities may occur when there are inadequate controls.

**Recommendations**

An investigation should be carried out by the Ministry to establish the causes of the surpluses and deficiencies of fuel. Furthermore, monthly fuel reconciliations should be prepared and submitted to the parent Ministry.

**Management Response**

**The stock balance as per record need to be adjusted by 853 658 litres which was released on February 1, 2011.**

***Auditor's Comment***

*The response is not addressing the issue. The Management did not give an explanation on why that figure of 853 658 litres was omitted from the records in the first instance.*

## VOTE 23.- WOMEN AFFAIRS, GENDER AND COMMUNITY DEVELOPMENT

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Women Affairs, Gender and Community Development for the year ended December 31, 2014.

### Opinion

In my opinion, the Appropriation Account present fairly, in all material respects, the financial position and performance of the Ministry of Women Affairs, Gender and Community Development as at December 31, 2014.

However, below are material issues noted during the audit.

## 1 GOVERNANCE ISSUES

### 1.1 Deficiency in Internal Controls to Regulate Rent and Hire Expenses

#### Finding

In contravention of Treasury Instruction 1218, the Ministry did not establish and maintain an effective system of commitment control to guard against accumulation of arrear payments. Accumulation of rental arrears amounting to $40 500 resulted in Ministry officials in Chegutu and Mazoe being embarrassingly evicted from their offices to work from outside. As at the time of audit other eviction warnings had been served in Karoi and Lupane districts.

#### Risks/Implications

The Ministry may lose money on avoidable penalty charges through failure to settle bills on time.

The Ministry's departmental assets may be damaged by adverse weather conditions upon being evicted from buildings.

#### Recommendations

The Ministry should comply with Treasury Instruction 1218 and ensure that a robust commitment control system is in place including among other things having a rental register and an age analysis of outstanding rentals.

Claims against government should be dealt with promptly as per Treasury Instruction 1204.

The Ministry should make an effort to engage Treasury with a view of expediting the settlement of an outstanding rental bill amounting to $40 500.

**Management Response**

**The arrears in rental are due to unavailability of funds from Treasury despite follow-up efforts made by the Ministry. However, your comments have been noted and the Ministry will open the rental register and do an age analysis for outstanding rentals.**

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Procurement

The anomaly where the Administration Officer solely requested, received and recorded coupons had since been rectified and all the stages are performed by different individuals on a rotational basis. Further the staff in the department has been rotated in terms of their duties.

### 2.2 Procurement

There was an improvement since supporting documents were now attached to payment vouchers and marked supporting voucher only (SVO).

### 2.3 Overstatement of Exchequer Account

The issue of overstatement of Exchequer Account by $1 000 was resolved.

VOTE 24.- TOURISM AND HOSPITALITY INDUSTRY

**APPROPRIATION ACCOUNT 2014**

I have audited the Appropriation Account for the Ministry of Tourism and Hospitality Industry for the year ended December 31, 2014.

**Opinion**

In my opinion, the Appropriation Account present fairly, in all material respects, the financial position and performance of the Ministry of Tourism and Hospitality Industry as at December 31, 2014.

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

## 1 GOVERNANCE ISSUES

### 1.1 Assets Maintenance

**Findings**

The Ministry incurred maintenance costs amounting to $4 926 on vehicles whose ownership could not be proven, as the vehicles had no registration books. The registration numbers of the vehicles were ABD 3758; AAM 8340 and ABG 4153; these vehicles were donated without vehicle registration books from the Reserve Bank of Zimbabwe and the matter is still outstanding.

The vehicle with registration number ABA 6843 was said to have been received from the former Ministry of Environment and Natural Resources but it did not have a vehicle registration book. I reviewed the file of the vehicle and there was an Issue/Receipt voucher from the Ministry of Environment and Natural Resources to the Ministry of Tourism and Hospitality Industry for the vehicle transfer.

The Ministry had in its custody and in use, two motor vehicles with registration numbers ABE 4122 and ACJ 4591 in the name of Ministry of Mines and Mining Development and Mundori Dzingai respectively.

In paragraph 3.1 page 118 of my report for the financial year ended December 31, 2010, l made mention of the irregular manner in which the Ministry, in its desire to maximise on all funds availed to it, irregularly acquired two second hand vehicles at a cost of $24 000. In following up the issue I established that the said vehicles had not been registered with the Ministry and that ownership still resided in the previous owners contrary to Treasury Instruction 2002.

**Risks/Implications**

Without adequate documentation, the Ministry can lose possession of the asset it has purchased. Also there is a risk that the Ministry may be keeping and using stolen vehicles and this will tarnish the image of the Government.

**Recommendations**

All Ministry motor vehicles should have registration books for accountability purposes.

Please follow up with the RBZ the issue of registration books.

**Management Response**

**The observation has been noted. The Ministry communicated with the Reserve Bank of Zimbabwe (RBZ) in February 2015 on the issue of the three vehicles but RBZ have not come back to us on the issue of change of ownership. Meanwhile, RBZ is still holding to the registration books. Verbal communication was made to the Ministry of Environment regarding the registration book for vehicle ABE 6843 but we have not received any communication from them. The agent for vehicle ACJ 4591 is failing to locate the owner of the vehicle, to provide a copy of his national identity card which is a requirement from ZIMRA certifying that he sold the vehicle through the agent. However, follow up efforts are being made to regularise the above issues. On vehicle ABE 4122 the observation has been noted. We sincerely apologise for the serious oversight on our part. However, this is now a personal issue vehicle whose owner is currently the Director of Finance.**

***Auditor's Comment***

*The Ministry should engage the Reserve Bank of Zimbabwe and Ministry of Environment and Natural Resources to resolve the issue of registration books.*

*The Ministry should consider placing an advert in the papers to locate the seller or approach the Civil Division of the Attorney General's Office for legal advice on the vehicle ACJ 4591.*

## 1.2 Idle Assets

**Finding**

The internal audit report referenced TH/E/12 of January 05, 2015 highlighted that two of the four 80 inch flat screen televisions received as donations from the Chinese Government in the year 2012 have never been used. The report also stated that one of the stoves bought by the Ministry in 2009 was malfunctioning but was not returned to the supplier. The Ministry purchased three heavy duty photocopiers for an amount of $49 971 for use during UNWTO in 2013. Only one photocopier was being used while the other two that were delivered have never been used.

Eleven 80 inch flat screen television sets valued at a total cost of $95 940 were being kept in the basement. The television sets were supposed to be used during UNWTO but the sets were delivered late for the event by the supplier. Four new 55 inch flat television sets valued at $9 596 were also not being used and three of them were left behind at Elephant Hills hotel. Three standard photocopiers valued at $19 542 bought for use during UNWTO were lying idle.

**Risks/Implications**

The Ministry did not use public resources judiciously since excess assets were acquired for UNWTO.

The television sets and other office equipment may become obsolete before they are used.

Payment may have been made for a malfunctioning stove and hence there was no value for money.

The purchase of two extra heavy duty photocopiers resulted in wasteful and nugatory expenditure.

**Recommendations**

The Ministry should donate the television sets to Ministries that can best use them.

The malfunctioning stove should be returned with a request for replacement.

The Ministry should carryout cost benefit analysis before committing public resources.

**Management Response**

**The Ministry of Tourism and Hospitality Industry received 274 hectares of land for the development of the Victoria Falls Convention Centre. It was proposed that a Special Purpose Vehicle be created to spearhead the Project and as a result a Company called Mosi Oa Tunya Development Company (Pvt) Limited was incorporated in terms of the Companies Act *[Chapter 23:04]* as a wholly Government owned company under the Ministry of Tourism and Hospitality Industry.**
**The assets will soon be transferred to this company, upon receiving Treasury authority. However, the television screens are not currently lying idle but are being used for Ministry events, such as Sanganai, as well as state functions.**
**The Ministry paid a total amount of $49 971 which is equivalent to the three photocopiers which were delivered. The stove is functioning, however it only needs attention to front cover which fell during relocating from Tourism House.**

***Auditor's Comment***

*The issue of idle assets will be reviewed during the next audit.*

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## 1.3 Payment in respect of United Nations World Tourism Organisation (UNWTO)

**Finding**

The Ministry hosted UNWTO General Assembly during 2013, and it owed creditors an amount of more than $400 347 for goods supplied and services rendered since 2013. An amount of $49 450 was paid to African Bureau of Conventions for consultancy services provided during the UNWTO General Assembly. The debt had been long outstanding and was only settled after a letter of demand from the creditors' lawyers. Treasury Instruction 0905(b) prohibits an Accounting Officer or any officer from entering into contracts or arrangements involving expenditure from a vote in excess of the sum provided.

**Risk/Implication**

Failure to pay creditors on time may lead to litigation and other legal charges. It also tarnishes the image of the Government.

**Recommendation**

The Ministry should effect payments on time to avoid litigation and payment of extra legal fees.

**Management Response**

**The observation has been noted. Treasury failed to avail funding for the payment of balances to the UNWTO creditors as per its promise due to financial constraints. However, some of the creditors have since been paid through setoff with ZIMRA obligations. We will continue with our follow up efforts with Treasury to provide the requisite funding.**

***Auditor's Comment***

*The system of setoff is contrary to the provisions of the Constitution which require all revenue to be accounted for through the Consolidated Revenue Fund. Adequate documentation need to be provided to support the debts that were setoff.*

## 1.4 Services Provided Without a Contract

**Finding**

The Ministry of Tourism and Hospitality Industry entered into a verbal contractual agreement with Broadlands Network to provide internet services from 2011 to mid-2014. The Ministry failed to comply with Treasury Instruction 0915 which states that Accounting Officers shall ensure that all contracts with which their Ministries may be associated, or that are likely to involve the expenditure or commitment of substantial sums of money, shall be in writing and expressed in appropriate terms. As at December 31, 2014 the Ministry had accumulated a debt amounting to $34 000 on the internet services provided.

**Risks/Implications**

Verbal agreements are difficult to enforce due to lack of documentation. The Ministry may face litigation for failing to settle the outstanding debt.

**Recommendation**

The Ministry should comply with Government regulations and ensure that agreements are reduced to writing and debts are settled timeously.

**Management Response**

**We take note of the observation. We were wary of mortgaging the Ministry to a great extent following presentation of a contract by Broadlands, which contract was heavily laden with onerous legal obligations upon failure to meet their stipulated terms and conditions. This development came to light on realising the liquidity crunch that has gripped our economy. In the absence of the contract, we made sure we trade with caution in all our dealings with Broadlands. On a happy note we would like to advise that we have since terminated trade relationship with Broadlands.**

***Auditor's Comment***

*The fact that the Ministry did not want to sign the agreement is an indication that there was no fair deal. The Civil Division of the Attorney General's Office has the responsibility to review Government contracts before they are signed and the Ministry should have approached that Office. Competitive sourcing should have been done.*

## 1.5 Domestic and Foreign Travel

**Unsupported Expenditure**

**Finding**

Out of a sample of 41 payment vouchers and travel and subsistence claim forms examined, I observed that expenditure amounting to $8 052 was incurred in connection with domestic and foreign travel without supporting receipts and approval to undertake the trips. This was due to weak internal controls. Treasury Instruction 1220 states that a senior accountant, before passing a voucher for payment must be satisfied that it has been subjected to scrutiny by an examining officer to ensure that it is in order, however the Ministry did not comply with this provision.

**Risk/Implication**

The trips undertaken and paid for may have been unauthorised.

**Recommendation**

Trips should be authorised before they are undertaken and upon return officers should submit invoices to support expenditure incurred.

**Management Response**

**We acknowledge the observation with appreciation. The control measures available for domestic trips is that when an officer is going to undertake a trip the head of department authorises the trip by signing the advance form. On acquittal the head certifies on the appropriate section on the travelling and subsistence form that the trip was undertaken. The control measures for foreign trips is that the Secretary authorised the trip by making an application for Cabinet Authority to the Office of President and Cabinet and Treasury who also endorse the application. However, in future we will ensure that the necessary authorities have been obtained before processing payment.**

***Auditor's Comment***

*The Ministry should produce all supporting receipts and documentary evidence authorising trips that were undertaken.*

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Procurement of Equipment

The Ministry entered into formal procurement contracts with two companies for the supply of twenty 90 inch LED colour televisions and 130 desktop computers for a total value of $270 400. The two suppliers had no capacity to deliver resulting in the supplier for desktop computers failing to deliver 6 desktop computers valued at $4 434 that had been paid for.

The supplier for twenty 90 inch LED colour televisions was paid an advance of $95 940 for twelve colour television sets. However, the supplier delivered eleven 80 inch televisions at $8 672 each, giving a total amount of $95 400.

**The Ministry is still pursuing the matter of equipment which had not been delivered by the supplier.**

## 2.2 Fuel Allocation

Fuel allocations to members of staff ranged between 180 and 2 120 litres on a monthly basis. Monthly fuel allocations per individual of more than 1 000 litres per month appear to be excessive in the absence of any valid justification.

**The Secretary for Tourism highlighted that there was no review done on fuel allocation.**

## 2.3 Fuel Coupons

There was no segregation of duties in the management of fuel, as one member of staff received, recorded and issued out fuel coupons. I observed that 860 litres of fuel could not be accounted for in the Ministry's fuel Contingency Register.

**There is segregation of duties in the receiving, recording and issuing of fuel coupons though a Board of Inquiry to investigate the missing coupons was not held.**

## 2.4 Public Viewing Area Television Screens

During 2010 the Ministry bought forty Public Viewing Area (PVA) television screens for $2 000 000 from China. PVA screens were meant to provide viewing for the public during the World Cup that was hosted by South Africa in 2010. The PVA screens were received well after the world cup games. The Ministry failed to record the PVA equipment in its Master Asset register.

It would appear as if the Ministry had no other plans for the screens after the World Cup games because it has since donated some of the screens to churches for what was termed "religious tourism" and other organizations.

**The PVA television screens have not yet been recorded in the Master Asset Register. The Ministry did not avail Treasury condonation and it did not produce plans on how the PVA screens would be used after the World Cup hosted by South Africa in 2010. The screens are still in sealed boxes and have never been used.**

## 2.5 Direct payments made by Treasury on behalf of the Ministry.

Treasury made direct payments to four service providers on behalf of the Ministry of Tourism and Hospitality Industry amounting to $359 947 during the 2013 financial year. From four direct payments made by Treasury, the Ministry reconciled $266 596 for two service providers living a balance of $93 351 unaccounted for.

**No action was taken by the Ministry to reconcile the balances.**

## VOTE 25.- INFORMATION COMMUNICATION TECHNOLOGY, POSTAL AND COURIER SERVICES

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Information Communication Technology, Postal and Courier Services for the year ended December 31, 2014.

### Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Information Communication Technology, Postal and Courier Services as at December 31, 2014.

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

## 1 GOVERNANCE ISSUES

### 1.1 Sub-Paymaster General Account (PMG)

**Finding**

The Sub-Paymaster General's Account is the bank account used for paying all government expenditure for Ministries. On the other hand the Public Finance Management System is a computerised system used by government for processing payments. Ideally the total payments in the Sub-Paymaster General's Account should agree with the PFMS total expenditure figure.

However there was a difference of $3 546 215 between the system expenditure figure of $5 234 762 and the PMG account figure of $1 688 547 and no reconciliation was provided for the variance.

**Risk/Implication**

The absence of a reconciliation between the Sub-Paymaster General's Account and the PFMS expenditure figure may result in the reported expenditure in the Ministry's Appropriation Account for the year under review being misstated.

**Recommendation**

The Ministry should carry out Monthly Reconciliations between its Sub-Paymaster General's Account and the Public Finance Management System balances in an effort to detect errors or misstatements and take corrective action on time.

**Management Response**

**It is noted that the PMG was not reconciling with the PFMS expenditure figure. The main cause of the imbalance was set offs that were done by Treasury to reduce taxes owed to the Zimbabwe Revenue Authority (ZIMRA). Reconciliations will continue to be done until final settlement.**

## 1.2 Contingent Liabilities

**Finding**

There was no evidence of proper hand over take and over between the Ministry and Ministry of Transport and Infrastructural Development for an amount of $401 356 787 for contingent liabilities disclosed on the return submitted for audit. This was evidenced by the failure of the Ministries to avail for audit the following documents:-

- A copy of the contract agreement between the borrower and lender.
- A copy of the agreement between the lender and the Ministry of Finance.
- Contingent liabilities ledger.
- Correspondences.
- Quarterly returns – showing servicing of the loan by the borrower (amount paid, amount outstanding and arrears if any).

**Risk/Implication**

If handover/takeover is not properly done the Ministry may fail to account for the progress made so far in the repayment of the loans guaranteed.

**Recommendation**

The Ministry should ensure that all Contingent Liabilities documents are obtained from the former Ministry to ensure proper accountability and management of the Contingent Liabilities transactions.

**Management Response**

**It is noted that there was no proper handover/takeover between the Ministry of Transport and Infrastructural Development and the Ministry of Information Communication Technology, Postal and Courier Services. The mandate for communication had remained with the former Ministry until April 1, 2015 hence the information requested by auditors could not be provided.**

## 2 PROCUREMENT

### 2.1 Misallocation of Expenditure

**Finding**

The Ministry charged expenditure amounting to $14 912 related to the Acquisition of Fixed Assets to the Utilities and other services charges without proper virement procedures.

**Risk/Implication**

State funds may be misapplied if expenditure is incurred without following proper budgetary procedures.

**Recommendations**

The Ministry should follow proper budgetary procedures. In cases where the Ministry anticipates excess expenditure or saving on certain items of the Vote, proper Virement procedures should be followed to obtain authority before spending.

**Management Response**

**The observation that misallocation of expenditure may result in users failing to interpret the main and detailed statements correctly is noted. The Ministry will in future ensure that appropriate adjustments are made to the respective general ledgers where misallocation will have taken place.**

## 3 REVENUE COLLECTION AND DEBT RECOVERY

### 3.1. Public Financial Assets

**Findings**

Section 35 (6)(a) and (b)(i) of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with Treasury Instruction 0710 (b) requires that the Accounting Officer of the Ministry keeps or cause to be kept proper records of account and submit financial statements within sixty days of the end of each financial year.

Contrary to the above provision the Ministry did not maintain a register for Public Financial Assets. In addition no return was submitted for audit despite the fact that a return with a balance of $20 716 619 was submitted during the 2013 financial year audit.

Furthermore as was reported on page 293 of my report for 2013 the agreement is still to be signed by both parties for a loan of $20 716 619 given to Net-One in December 2013.

**Risks/Implications**

In the absence of a contract and accounting records it becomes difficult to ascertain whether the terms and conditions of repayment of the loan and interest are adhered to.

The completeness and accuracy of the figures disclosed on the return submitted for audit may be difficult to ascertain.

**Recommendations**

There is need for a contract to be signed between Net-One and the Ministry of Information Communication Technology, Postal and Courier Services. A register for Public Financial Assets should be maintained and a return submitted in terms of Section 35 (6)(a) and (b)(i) of the Public Finance Management Act [*Chapter 22:19*] read together with Treasury Instruction 0710.

**Management Response**

**The issue regarding the debt between the Ministry and Net One is in dispute with the latter maintaining that they are owed by government.**

**This position was communicated to Treasury who are yet to make a decision. A contract will be drawn once Treasury has made a decision regarding this debt.**

**The return has since been submitted for audit.**

## 4 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 4.1 Budgetary Control

There was no evidence that the  Ministry applied for a special warrant as indicated in their response to the audit recommendation on the need to incur there There was no evidence that the Ministry applied for a special warrant as indicated in their response to the audit recommendation on the need to incur expenditure within the provision of the Appropriation Act.

### 4.2 Public Financial Assets

The issue of non-availability of a contract agreement between Net-One and the Ministry on an amount of $20 716 619 is still outstanding as the Ministry either opened the register or have a signed contract for the loan.

### 4.3 Management of Assets

The recommendation on maintenance of an updated Master Assets Register is still outstanding as the register for Central Computing Services is not yet up to date.

## VOTE 26.- LANDS AND RURAL RESETTLEMENT

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account for the Ministry of Lands and Rural Resettlement for the year ended December 31, 2014.

### Basis for Qualified Opinion

### 1 REVENUE COLLECTION, MANAGEMENT AND USAGE

### 1.1 Outstanding Revenue

**Finding**

In my reports for the financial years ended December 31, 2012 and 2013, I made mention of the absence of the database for various debtors for which the Ministry is responsible. The situation had not improved during the financial year under review. The Ministry failed to produce the database for the beneficiaries of the land reform programme and due to the absence of the database and a billing system, reliance could therefore not be placed on the outstanding revenue figure of $3 075 465 disclosed on the return submitted for audit. Furthermore, the Ministry failed to disclose survey fees to be recovered from the beneficiaries of the land reform programme. I am concerned with the failure by the Ministry to follow up and recover the outstanding balance which stood at $6 470 773 as at December 31, 2014.

**Risk/Implication**

The Ministry may fail to collect revenue due to the State.

**Recommendations**

The Ministry must ensure that a comprehensive database and billing system is put in place. Management must ensure that measures are put in place to ensure that all outstanding revenue is recovered.

**Management response**

**Observation is noted. However, currently the Ministry is manually billing the debtors although the method is not very effective. A manual debtors' database is in place waiting to be uploaded into the electronic system (E-Governance Platform) currently being developed. Specifically, the system is now ready to receive and bill the debtors. Beginning of May 2015, the system will be functional as computerised bills issued for debtors will be uploaded in the system in retrospect. The billing system runs on the PFMS platform.**

**Follow ups are currently being done but are being hampered by inadequate resources and the prevailing economic hardships.**

## 1.2 99 Year Leases Denominated in Zimbabwean Dollar

### Finding

According to an internal audit report referenced MLRR/1A/01 dated January 16, 2015 for Masvingo Province it was noted that there were eight cases whereby some lease rentals were still denominated in Zimbabwean Dollars yet the country adopted the multicurrency system in 2009. The table below refers:

**Schedule of 99 year leases still denominated in Zimbabwe Dollar Currency**

| Farm Name | Annual Rental in Zimbabwe Dollar (ZW$) |
|---|---:|
| 25 Sikato District | 171 999 |
| 24Sikato District | 221 742 |
| S/D 11 of Sikato | - |
| Sikato No.7 | 157 141 |
| S/D 16 Sikato | 93 497 |
| S/D 17 Sikato | 96 180 |
| S/D 23 Sikato | 237 683 |
| S/D 28 Sikato | 89 319 |

### Risk/Implication

There may be revenue losses to the government as lease holders await communication on the United States Dollar rentals they should pay.

### Recommendation

The Ministry should ensure that all 99 year leases are valued in the US$ so that the Ministry can collect rentals from those lease holders.

### Management response

**Observation noted. However, the Ministry has since requested Treasury to avail an exchange rate to use for the conversion to the multi- currency system for outstanding amounts denominated in Zimbabwean Dollar Currency.**

## 2 GOVERNANCE ISSUES

### 2.1 Missing Components on 11 Ministry Vehicles

**Finding**

Eleven vehicles from various stations of the Ministry were sent to a private garage for repairs between 2010 and 2011 under a maintenance contract. The vehicles had not been returned at the time of concluding the audit in April 2015. I am concerned that the vehicles have taken such a long time without being repaired thereby negatively affecting service delivery. According to a valuation report by CMED (Private) Limited dated March 10, 2015 the vehicles had been stripped and various vehicle parts worth $18 001 were missing.

**Risk/Implication**

Vehicles may not have been properly safeguarded and their state may have deteriorated from the original condition before they went for repairs.

**Recommendation**

The Ministry should ensure that service providers are paid on time and that thorough investigation must be carried out to establish the person to be held responsible for the missing spare parts.

**Management response**

**The issue of unsatisfactory performance by Pathridge Motors was brought to the attention of the State Procurement Board on 15th of June 2012. The State Procurement Board issued a resolution PBR 1276 on 2nd August 2012 dated 7th August 2012 directing that the dispute be resolved in terms of contractual provisions. Civil course of action was then adopted in June 2013 in consultation with the Ministry's Legal Department. However, during the process of the civil action the matter was then taken to the senior management meeting and it was resolved that it be reported to the police.**

**The matter was then reported to the police who have since advised the Ministry that the matter was of a civil nature.**

**The matter was further deliberated on in the senior management meeting and a resolution was then made that it can be referred to the Ministry's Legal Department for a legal opinion. The legal department then requested specific information regarding the matter. A response was then submitted to the legal department for the requested specific information. The Ministry is now waiting for the legal opinion from the Legal Advisor with regard to the way forward in relation to the matter.**

## 3 EMPLOYMENT COSTS

### 3.1 Absence of Monthly Reconciliations

**Finding**

The Ministry incurred $3 412 272 on employment costs, however there were no monthly paysheet reconciliations prepared during the year under review. As a result, I could not satisfy myself if employment costs were paid to bona fide employees of the Ministry and whether the whole amount incurred during the year under review was a proper charge to the Vote.

**Risk/Implication**

Ghost workers may not be detected if reconciliations are not done.

**Recommendation**

The Ministry should ensure that monthly paysheet reconciliations are done to authenticate the employment costs.

**Management response**

**The observation that no paysheet reconciliations prepared for the said period is correct. The Human Resources was not aware of the requirement as over the years no internal or external audit had ever raised it. It is therefore also true to say Human Resources personnel do not know how to prepare the reconciliation. However, consultations with relevant people over the preparation of the reconciliation have now started and reconciliation will be done hence forth.**

### 3.2 Dissolution of the Agricultural Land Settlement Board

**Finding**

The Agricultural Land Settlement Board had five employees (secretariat) on the government payroll before its dissolution in June 2013 following the coming into effect of the Constitution of Zimbabwe Amendment (No 20) Act 2013. However, a review of the payroll and other related documents revealed that, during the year under review, all the five former employees were on the government payroll and were receiving fuel and airtime allowances based on their grades and duties in the defunct Board irrespective of the fact that they did not belong to any department on the approved establishment of the Ministry and their continued retention had not been regularised by the Civil Service Commission. As a result I could not satisfy myself if the employment costs amounting to $55 461 incurred on the five former employees of the defunct Board during the year under review was a proper charge to the Vote.

**Risk/Implication**

The State may continue to pay staff for services that were not rendered.

**Recommendation**

The Ministry must ensure that the employment status of staff formerly belonging to the Agricultural Land Settlement Board is regularised with the Civil Service Commission.

**Management response**

**Our understanding was that the Agricultural Land Resettlement Board was an independent entity or semi-independent body. The members of the now defunct Board are not Civil Servants but Public Servants and Civil Service Commission may not have jurisdiction over their appointment, re-assignment or conditions of service.**

**Our view is that in the absence of the Board, the Ministry to which this Board reported to on all matters, should regularize the members' appointments. The Ministry may authorize their reassignment elsewhere in departments whose duties compliment the anticipated duties of the commission, so that members are not paid for doing nothing.**

**However, as per your recommendation we will urgently seek Commission's guidance on the matter. We will also seek legal opinion on the matter.**

**Opinion**

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs 1 to 3, the Appropriation Account present fairly, in all material respects the results of operations of Ministry of Lands and Rural Resettlements as at December 31, 2014.

## 4 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 4.1 Revenue

**Finding**

An examination of survey records at the Surveyor-General's Office in Bulawayo revealed that officers were undercharging examination fees due to misinterpretation of the schedule of tariffs as spelt out in Statutory Instrument 150 of 2009. Instead of applying the rates on sliding scale the officers applied a flat rate on farm units, as a result the State was prejudiced of $13 119.

**Progress**

The officer has since been discharged from service with effect from January 19, 2015 however detailed investigations as promised by management had not yet commenced.

## 4.2 Outstanding Boards of Inquiry

**Finding**

In my report for the financial year ended December 31, 2012, I made mention inter alia, of my concerns about long outstanding boards of inquiry for loss/damage to motor vehicles and other State property. Section 12 (b) of the Public Finance Management Act *[Chapter 22:19]* read in conjunction with Treasury Instruction 2302 require Ministries to conduct investigations in cases where State property is damaged or lost. Thirty two boards of inquiry dating back to 2007 were outstanding as at the completion of this audit in April 2014.

**Progress**

All outstanding boards of inquiry for loss/damage to motor vehicles and other State property were held and cleared.

## 4.3 Finding

As stated above Boards of Inquiries were taking too long to be convened and I was concerned by the way the department was managing Government assets. It came to my attention that the Acting Head of Office for Bulawayo Office had been hijacked while driving Government vehicle Number DSG03 on August 28, 2008. At the time he had neither a driver's licence nor Government Authority (GA) to drive State vehicles. Expenses amounting to $3 563 were incurred in repair costs. A Board of Inquiry appointed in March 2013 recommended that the officer should contribute 20% ($713) of the above amount. As at the conclusion of this audit in April 2014, no Treasury order had been raised and repayments had not commenced.

**Progress**

The officer has since been discharged from service with effect from January 19, 2015 however I was not availed with evidence indicating that a Treasury Order had been raised against the then Acting Head of Office for Bulawayo Office.

## 4.4 Equipment Hire

**Finding**

I was not provided with evidence of the values of the equipment from which hire charges amounting to $20 650 were raised against the Ministry. In terms of Survey Regulations Board Circular Number 1 of 2009 (IV) the daily rate to be charged for specialised survey equipment shall be 0.65% of the rated value of equipment. I was therefore not satisfied that the above amount had been properly assessed in terms of the prevailing regulations and therefore may not be a fair charge to public funds.

**Progress**

Investigations into the exact prejudice to the State had not yet commenced.

**4.5 Subletting of Office Space**

**Finding**

I observed that the Department of the Surveyor-General was subletting the canteen space on the ground floor to a local catering firm at no cost to the caterer. There was no proof of approval from either Treasury or the Ministry of Local Government, Public Works and National Housing.

**Progress**

The contract has since been terminated.

**4.6 Inventory**

**Findings**

A check on the physical existence of assets at Surveyor General's Department revealed numerous discrepancies.

There were no records to support the quantity and value of the maps inventory in the maps storeroom.

**Progress**

There has not been any improvement since no records had been put in place to support the quantity and value of the maps inventory in the maps storeroom. No investigation had been instituted to look at the discrepancies noted by audit during the audit for the financial year ended December 31, 2013.

**4.7 Possible Conflict of Interest**

**Finding**

According to the internal audit report dated March 15 2013, an officer based at Surveyor-General Bulawayo Office, was involved in a " conflict of interest" whereby he was involved in a private survey, record number 152/2012 which he subsequently examined and approved for payment in his capacity as Acting Head of Office at the Surveyor-General`s Office.

**Progress**

The officer has since been discharged from service with effect from January 19, 2015.

## VOTE 27.- JUDICIAL SERVICES COMMISSION

## COURTS ADMINISTRATION FUND 2012-2013

### 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.

I have audited the financial statements of Courts Administration Fund account for the years ended December 2012 and 2013.

In my opinion, the financial statements present fairly, in all material respects, the financial position and performance of the Courts Administration Fund account for the years ended December 2012 and 2013.

However, below are material issues noted during the audit.

## 1 GOVERNANCE ISSUES

### 1.1 Witness Expenses

#### Findings

I noted that at Hwange, Victoria Falls, Bulawayo, Western Commonage, Gwanda, Beitbridge and Gweru Magistrate Courts all witness transport claims examined had no bus fare tickets or signed affidavit in contravention to the Accounting Officer's Instruction for Witness Expenses paragraph 4.5 which requires that all transport claims should be supported by a fare ticket or an affidavit making a declaration of the applicable fare.

The following Magistrate Courts; Masvingo, Gwanda, Beit Bridge, Gutu, Harare and Rusape did not have approved lists of transport rates to use when reimbursing transport costs. Gwanda, Gutu and Beit Bridge Magistrate Courts did not even peg standard rates for their area of jurisdiction to be used when paying in the absence of bus tickets for approval by the Secretary. The stations relied on the claim forms completed by witnesses.

Gutu Magistrates Court Accounts Department was being manned by one officer. As a result, there was no segregation of duties in the accounts office. The Accounting assistant was responsible for receiving cash, receipting, banking as well as doing reconciliations.

#### Risks/Implications

Basis of rates for refunding transport costs at the station cannot be easily determined as there are no guiding figures.

Fraudulent claims may be facilitated by staff as rates are not standardized.

Errors and fraud can go unnoticed if there is no segregation of duties between receipting, banking and reconciliation.

**Recommendations**

There should be improvement on supervision to ensure that adequate supporting documentation is attached on the bills of witness expenses and that all claims are stamped by the Magistrate. Witnesses contact information should also be written on the claim forms.

The Magistrates should prepare transport schedules for the area under their jurisdiction and seek approval from the Secretary.

The Court should ensure segregation of duties in the accounts office or consider redistribution of work among the available staff.

**Management Response**

**The current statutory instrument that is in use for payments of witness expenses is Statutory Instrument 132/09 and PSC Circular 5/09. Communication will be sent out to all stations with regards to the specific rates to be used for witness expenses.**

**This process on transport schedules is currently underway with stations compiling updated lists for approval by the Secretary.**

**Recommendation on segregation of duties noted and may be implemented upon availability of human resources.**

## 1.2 Bails Money

**Findings**

I noted that there were delays in remitting funds to Guardian`s Fund. The court was taking longer than the stipulated 6 months to transfer unclaimed bails to Guardian's Fund. The court was waiting for the bails to accumulate in order to reduce the bank charges that were charged per transaction. Bank charges were not reimbursed by the Commission to cater for these transfer costs. Gwanda Magistrate Court did not send out call-in-letters to bail depositors.

In contravention of Section 44 (1)(a)(i) of the Public Finance Management Act *[Chapter 22:19]* which requires Accounting Authorities to maintain effective, efficient and transparent systems of financial and risk management and internal controls, Bulawayo and Masvingo Magistrate Courts continued to deposit bail funds with Metropolitan Bank (Met bank) despite the fact that the bank has been facing liquidity constraints since July 2013.

At the time of audit on November 27, 2014, a total of $34 907 relating to unclaimed and confiscated bail application moneys transferred to the Guardian`s Fund was still locked up in Bulawayo Metropolitan Bank.

Masvingo court made two transfers from its Met Bank Account to Guardian's Fund of $11 110 and $5 877 on 26 June 2014 and 5 August 2014 respectively. As at 31 October 2014 only $4 000 had been cleared by the bank due to financial challenges at the bank. The court continued to deposit its bail funds in that account despite the financial challenges faced by the bank. The court claimed it had requested head office to open another account though no documentation was availed to support that.

The balances per bank statement for the Temporary Deposit General and Revenue Account for Bulawayo which the magistrate court could not access at Met bank as at October 31, 2014 were $182 589 and R 243 040 respectively. Masvingo Met bank had a balance of $25 984 as at November 3, 2014. This was caused by lack of timeous authority from the Head Office to close the bank accounts and open new bank accounts with viable commercial banks.

**Risks/Implications**

Delays in transferring the bails money could result in misappropriation of the funds.

The court could fail to refund bail money if the Commission does not pay the bank charges.

Funds deposited with Metropolitan bank may not be realised due to the challenges faced by the bank.

**Recommendations**

Transfers to Guardian Fund should be done on time and the bank charges should be reimbursed by the Commission. Once cases have been completed the accused persons should be refunded their bail deposits. Call in letters should be sent to bail depositors reminding them to collect their bail money. In the event that the depositors do not collect their bail money within 6 months the bail money is transferred to Guardian Fund for custodianship.

The Head Office should engage the relevant authorities at Met bank in order to recover the State funds and also open new accounts with other viable banks.

**Management Response**

**Recommendation on transfers has been noted.**

**Call in letters are sent in to depositors with full addresses and follow up calls are also done to the same depositors.**

**Recommendation on recovery of state funds has been noted.**

## 1.3 Service Delivery

**Finding**

An examination of appeals, reviews, and scrutiny records revealed that Gwanda, Beit Bridge, Masvingo, Gutu, Rusape, Harare and Mutare Courts were exceeding the prescribed time of 21 days for appeals and 7 days for review and scrutiny when processing the documents. The delays in review were being caused by time being taken to type the record. On appeals they were being caused by the accused who took time to come and inspect the record before it is sent to the High Court.

I noted that Rusape Magistrates Court was not updating the Registers for Appeals, Review and Scrutiny. The register could not give accurate information and dates as to movement of records as some sections like when the record was sent to High Court was left blank despite the records having been returned back from High Court.

Harare Rotten Row court had a backlog of 284 cases as at October 2014. The backlog was caused by inadequate personnel and postponements of cases.

**Risks/Implications**

Failure to comply with stipulated time limits results in poor service delivery.

The accused may be prejudiced if there is need for review of the sentence given.

**Recommendations**

The Courts should improve on the time taken in the typing of records with constant supervision of targets given.

The Courts should adhere to stipulated time limits when processing records for appeals and awareness should be enhanced to those who have appeal cases.

**Management Response**

**That is being done and the processing of appeals is done in terms of the rules of court.**

## 1.4 Exhibits Management

**Findings**

Bulawayo, Hwange, Victoria Falls, Western Commonage, Gwanda, Masvingo, Mutare, Rusape and Gweru Magistrate Courts were taking long to dispose exhibits when the cases were completed. The causes ranged from mere delays to authorise disposal of exhibits, not contacting Police to collect exhibits for cases under warrant of arrests, not making follow up with the High Court for referred cases and/or not writing call-in-letters to owners for completed cases. This is contrary to the provisions of Section B (5) of the Clerks of Court Training Manual referenced WO41/84.

I observed that Victoria Falls Magistrate Court had seven (7) rounds of ammunition (9mk) and hand-cuffs which were not tagged for identification purposes. The same exhibits were also not recorded in the exhibits register as at November 27, 2014. This is contrary to Section B (5) of the Clerks of Court Training Manual referenced WO41/84. I could not therefore ascertain whether exhibits were being properly recorded and accounted for.

I noted that at Beit Bridge Court the following could not be clarified pertaining to exhibits:
There was no proof that the four (4) rhino horns (two small and two big) on exhibit number 36/12, CRB349 (a-b) were returned to National Parks and Wildlife since no date stamp or any form of acknowledgement could be seen, except a signature without name or date.

A report written to Provincial Magistrate Gwanda by the Resident Magistrate for Beit Bridge showed that exhibit money amounting to R116 500 was stolen by the then Clerk of Court on January 15, 2013. A case of theft was reported to the Police, however it remained unclear how the Court managed to compensate/restitute the prejudiced owner of the money. The stolen money was not recorded in the Exhibits Register suggesting that the Clerk had concealed his act.

There was no proof at Masvingo Magistrate Court that the cash exhibits noted below were returned to the owners.

a) $3 230 on exhibit number 63/14, only a signature was appended instead of the full names and identity particulars of the owner and receiver of the exhibit money.

b) $1 087 on exhibit number 64/14, the exhibit was signed for by a Police officer instead of the owner. It remained unclear if these exhibits reached or were received by their owners.

The following items at Rusape Regional Court for exhibit number 01/2011 (CRB RR107 – 10/11) were still being held by the Court despite the case having been completed on 26/09/12. The Officer responsible for exhibits said they were still researching on the price/ value of the scales to enable the disposal.

- 2 x scales Tamita Model 1479V (for weighing gold)
- 1 x calculator (Fraction) with two batteries
- 1 x pair handcuffs
- Bunch of white papers
- Fake US$ notes with same serial numbers IC38150816A $50 x 10 = $500
  JB02628573A $50 x 12 = $600
  **Total $1 100**

Also the exhibits shown in the table below were still open in the exhibit book suggesting that they might have not yet been destroyed, however they were not seen when physical check of the exhibits was done in the exhibit room. No record or proof of disposal of the exhibits was availed for audit. The table 1 below refers:

**Table 1**

| **Exhibit number** | **CRB / CR number** | **Description of Exhibit** | **Date case completed and disposal instruction** |
|---|---|---|---|
| 01/2011 | N55 – 57/11 | Fake / Counterfeit notes:<br>- 1 x $10 s/n JB20939633A = $10.00<br>- 4 x $20 s/n JB34197094D = $80.00<br>- 1 x $50 s/n IK42709044A = $50.00<br>- 1 x $20 s/nJB84368021D = $20.00<br>Total of $160.00 | 19/05/11, Forfeited to the State. |
| 02/2011 | R156 – 7/11 | Fake / Counterfeit notes:<br>- 1 x $50 s/n IC22929920A = $50.00<br>Total of $50.00 | 19/05/11, Forfeited to the State. |

**Risks/Implications**

Continued piling up in the exhibit room of exhibits whose cases were completed may constrain storage space.

Delays in despatching the exhibits to their owners after completion of the cases may violate owners’ rights to their properties.

Exhibits may be misappropriated and that may lead to the acquittal of the suspect for lack of evidence.
The prejudiced parties might sue the State for loss of their monies if they are not compensated on time.

**Recommendations**

The Magistrate Courts should make follow-ups on cases forwarded to the High Court in order to clear exhibits if those cases have been completed.
Call-In-Letters should be written to owners of exhibits whose cases were completed in order for them to collect their property.

The Magistrate Courts should also contact the Police to collect exhibits whose cases were on warrant of arrest.

The Victoria Falls Magistrates Court should record all exhibits in the register and tag them with identifiable numbers in chronological order in the presence of the Police Officer handing the same over to the Clerk of Court.
Sufficient controls should be put in place when dealing with exhibits of high value and cash.

Consideration should also be made to compensate/restitute those who would have been prejudiced by the action of the Court Officers.

**Management Response**

**Recommendation on exhibits noted. However, exhibits for cases referred to High Court are sent to the relevant authorities at the High Court and not retained at the Magistrate Courts.**

**Recommendation on call letters noted. This is the current practice and this is also augmented by the calls to the owners of exhibits.**

**Cases with warrant of arrests are not completed and as such the exhibit is kept until the completion of the case as the exhibits maybe needed in the court again.**

**Recommendation on recording of exhibits noted. These are not exhibits but property which was forfeited to the state hence it was recorded in register as tagged.**

**Controls are in place.**

**Recommendation to compensate/restitute has been noted.**

## 2 PROCUREMENT

### 2.1 Fuel Procurement

**Finding**

In contravention of Section 5 (1) (ii) of Statutory Instrument 171 of 2002, the Commission did not follow tender procedures in the procurement of fuel. Fuel was bought from one supplier despite the individual fuel order prices exceeding the informal tender limit of $10 000. No SPB approval was sought. Table below refers:

| Date | Document number | Payee | Amount ($) |
|---|---|---|---|
| 08/03/13 | PNA31436 | Redan | 30 308 |
| 24/05/13 | PNA31548 | Redan | 82 243 |
| 24/06/13 | PNA31623 | Redan | 88 985 |
| 16/07/13 | PNA31701 | Redan | 106 098 |
| 26/08/13 | PNA31847 | Redan | 106 554 |
| 04/09/13 | PNA31887 | Redan | 28 650 |
| 26/09/13 | PNA32002 | Redan | 75 666 |
| 21/10/13 | PNA32139 | Redan | 77 220 |
| 27/11/13 | PNA32253 | Redan | 96 680 |
| 17/12/13 | PNA32206 | Redan | 96 080 |

**Risk/Implication**

The procurement of fuel may not be done to the best advantage of the Fund.

**Recommendation**

The Commission should adhere to stipulated tender limits and authority should be sought from State Procurement Board to procure above the limit.

**Management Response**

**Recommendation is noted.**

## 3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 3.1 Approval of organisational structure and allowances

For the third year running, the Commission has not obtained Treasury concurrence for their structure and allowances.

### 3.2 Late submission of financial statements

For the second year running, the Commission delayed in the submission of financial statements. The statements for 2013 were submitted for audit on November 14, 2014.

**Management Response**

**Treasury is still to concur with the structure of the Commission hence the issue still is as was previously reported.**

**The observation has been noted and corrective action will be taken so that there is no recurrence of the same observation.**

**VOTE 28.- CIVIL SERVICE COMMISSION**
**APPROPRIATION ACCOUNT 2014**

I have audited the Appropriation Account for the Civil Service Commission for the year ended December 31, 2014.

**Opinion**

In my opinion, the Appropriation Account presents fairly, in all material respects the financial position and performance of the Civil Service Commission as at December 31, 2014.

However, the following material issue was noted during the audit.

## 1 REVENUE COLLECTION AND DEBT RECOVERY

### 1.1 Interest Due to Exchequer

**Finding**

The Department invests Foreign Pensioners funds through the Pensions Retention Fund and earn interest. Ninety percent of the interest earned was supposed to be transferred to the Sub-Ex-chequer account and the other 10% retained in the Retention account. It was observed that interest from investments amounting to $1 104 161 which was supposed to be transferred to the Sub-Exchequer account from the Pensions Retention Fund was not transferred during the year under review. There was no authority sought from Treasury to use the funds.

**Risk/Implication**

Treasury might be starved of revenue needed to finance the operations of Government.

**Recommendation**

All funds due to Treasury should be remitted timeously.

**Management Response**

**Due to the slow release of funds by Treasury, Public Service Commission (PSC) has been borrowing funds from Retention Fund to finance urgent Commission activities**

**with a view to reimburse as and when releases are received from Treasury. Functions of Public Service Commission as outlined in Section 203 of the Constitution would not have been exercised had we not borrowed funds from Retention. Un-remitted funds to Exchequer are treated as a liability and will be reimbursed. A plan is being put in place to clear these Exchequer arrears from June 2015 onwards. We are aware of the need to remit ninety percent of the revenue collections but the Commission which is responsible for the Administration of Zimbabwe as stated in section 199 of the Constitution had to function.**

***Auditor's Comment***

*While the objective could be genuine, there is always need to seek authority from Treasury.*

## VOTE 29.- SPORT, ARTS AND CULTURE

## APPROPRIATION ACCOUNT 2014

I have audited the Appropriation Account of the Ministry of Sport, Arts and Culture for the year ended December 31, 2014.

### Basis for Qualified Opinion

### 1 PROCUREMENT

### 1.1 Procurement of Assets and Services

**Finding**

The Ministry made payments totalling $12 935 000 through IDBZ to suppliers of movable and fixed capital assets and to providers of other services for the hosting of regional youth games which were held in Bulawayo in 2014. Other payments were made to providers of services during the same period. On one occasion the Ministry transferred a total of $12 935 000 to IDBZ account at FBC Bank for the infrastructure bank to facilitate the construction of youth games sporting facilities. I was not able to authenticate the expenditure incurred and verify whether proper procurement procedures were followed in the acquisition of assets and procurement of services as all original documents like contracts, agreements, quotations and minutes of procurement meetings were not in the custody of the Ministry.

**Risk/Implication**

If procurement is done by the Ministry with third parties' involvement and the Ministry remains with no records there is a risk that the Ministry is not able to tell whether payments were done for the services rendered. The existing arrangement where releases meant for acquisition of fixed capital assets are transferred into the bank account of third parties for them to finally pay creditors sourced by the Ministry is not in line with Treasury Instructions as there is no full accountability and transparency.

**Recommendations**

I recommend that procurement of assets, payment for construction works and related services be done by the procuring Ministry. The Ministry should also ensure that all payment vouchers kept at the Ministry offices are fully supported by source documents namely tender documents, quotations, comparative schedules, agreements/contracts and minutes of committee meetings where tenders were awarded.

**Management Response**

**Transfer of $12 935 000 to IDBZ**

**Treasury has put in place an arrangement where all capital projects are managed, monitored, evaluated and paid for by the Infrastructure Development Bank of Zimbabwe (IDBZ). Treasury directs through their disbursement letters that the Ministry transfer all the capital project funds relating to the AUSC Region V Under 20 Youth Games to IDBZ.**

***Auditor's Comment***

*The Ministry should produce Treasury Authority used to transfer the procurement function to institutions outside the Ministry's control and further to that, validation of correctness of the payments made should be done.*

**Opinion**

In my opinion, except for the possible effects of the matter described in the basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Sport, Arts and Culture as at December 31, 2014.

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

## 1.2 Payment Vouchers

**Finding**

The Ministry made payments to some suppliers without obtaining quotations and compiling comparative schedules contrary to requirements of Section 6 of the State Procurement Regulations of 2002 requiring the sourcing of three competitive quotations before making a purchase.

Below are examples of such cases,

| Description | Date | Payment Voucher number | Amount US$ | Remarks |
|---|---|---|---|---|
| Funeral Expenses | 30.01.14 | 5/14 | 628 | No quotations and comparative schedules |
| Subcontracting of stand designs to Sport and Recreation Commission (SRC) | 30.01.2014 | 627/14 | 1 912 | No quotations and comparative schedules |
| Subcontracting of stand design to SRC | 04.09.14 | 633/14 | 1 542 | No quotations and comparative schedules |
| Hotel accommodation | 15.06.14 | 336/14 | 697 | No quotations and comparative schedules |
| Subcontracting of stand design to SRC | 15.06.14 | 335/14 | 106 | No quotations and comparative schedules |
| Milk | 29.03.14 | 104/14 | 520 | No quotations and comparative schedules |
| **Total** | | | **$5 405** | |

**Risk/Implementation**

Buying of goods and services before sourcing competitive quotations may result in uneconomic buying by the Ministry.

**Recommendation**

The Ministry should adhere to Section 6 of the State Procurement Regulations of 2002 which require that at least three competitive quotations be sought prior to buying of goods and services.

**Management Response**

**The Ministry attached all necessary supporting documents as required except where there were no alternative suppliers of goods or services**.

***Auditor's Comment***

*No indication of absence of competitors was done on documents and the services concerned such as supply of milk and hotel accommodation have competitors.*

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

### 2.1 Records of Ministry Assets

The asset register is now in place and the movable assets have been marked for identification purposes. Audit however noted with concern that none of the Ministry's departmental assets have been uploaded in the SAP system. Also of concern is that there are assets said to be unusable or redundant that are gradually accumulating at the Ministry's Head Office due to delays in convening board of surveys to determine the condition of assets and make recommendations for disposal.

### 2.2 Manpower issues

Upon its creation, the Ministry had an approved staff establishment of four hundred and forty five (445). At the time of audit, vacant posts were two hundred and ninety (290), whilst staff in post were one hundred and fifty five (155), resulting in a vacancy rate of 65%.

The Ministry remained adversely understaffed as a result of delays in the filling of vacant posts. At the time of audit, the Ministry had an establishment strength of only 35% despite having received a minute from the Civil Service Commission which confirmed that all posts in the Ministry are critical and are therefore exempted from the freeze but subject to Treasury concurrence.

# SECTION 4

## Annexures

SUMMARY OF CONTENTS

## ANNEXURE A

## STATIONS VISITED DURING THE 2014 FINANCIAL YEAR

| **Ministry** | **Number of Stations** |
|---|---|
| Local Government, Public Works and National Housing | 27 |
| Primary and Secondary Education | 19 |
| Judicial Services Commission | 14 |
| Higher and Tertiary Education | 18 |
| Home Affairs – ZRP | 190 |
| **TOTAL** | **268** |

## ANNEXURE B

## RESIGNATIONS AND NEW APPOINTMENTS IN THE YEAR UNDER REVIEW COMPARED WITH THE PREVIOUS YEAR

| | AUDIT STAFF | SUPPORT STAFF | TOTAL |
|---|---|---|---|
| In post as at January 1 2013 less movement out | 227<br>15 | 46<br>1 | 273<br>16 |
| Add Appointments | 212<br>0 | 45<br>0 | 257<br>0 |
| | 212 | 45 | 257 |
| In post as at January 2014 Less movement out | 212<br>10 | 45<br>4 | 257<br>14 |
| Add Appointments | 202<br>9 | 41<br>2 | 243<br>11 |
| **In post as at December 31, 2014** | **211** | **43** | **254** |

## AUDIT STAFF: DURATION OF EXPERIENCE IN THE VARIOUS GRADES AS AT DECEMBER 31, 2013

| Grade | Total | Less Than 1yr | 1yr | 2yr | 3yrs | 4yrs | 5yrs | 6yrs | 7yrs | 8yrs | 9yrs |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Principal Auditor | 14 | NIL | NIL | NIL | NIL | 10 | 2 | 1 | 1 | NIL | NIL |
| Senior Auditor | 34 | NIL | NIL | NIL | 15 | 19 | NIL | NIL | NIL | NIL | NIL |
| Auditor | 126 | 39 | 2 | 30 | 41 | NIL | NIL | NIL | NIL | NIL | NIL |
| Audit Assistant | 26 | NIL | NIL | NIL | 20 | NIL | 1 | 1 | | 1 | NIL |

**AUDIT STAFF: DURATION OF EXPERIENCE IN THE VARIOUS GRADES AS AT DECEMBER 31, 2014**

| Grade | Total | Less Than 1yr | 1yr | 2yrs | 3yrs | 4yrs | 5yrs | 6yrs | 7yrs | 8yrs | 9yrs | 10yrs |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Principal Auditor | 10 | NIL | NIL | NIL | NIL | 4 | 2 | 3 | Nil | 1 | NIL | NIL |
| Senior Auditor | 32 | NIL | NIL | NIL | NIL | 14 | 18 | NIL | NIL | NIL | NIL | NIL |
| Auditor | 124 | 13 | 33 | 6 | 30 | 42 | NIL | NIL | NIL | NIL | NIL | NIL |
| Audit Assistant | 12 | NIL | NIL | NIL | NIL | NIL | 6 | 3 | 2 | NIL | NIL | 1 |

**ESTABLISHMENT**

Establishment and Officers in post

| IN POST | AS AT 31.12.13 | | | AS AT 31.12.14 | | |
|---|---|---|---|---|---|---|
| | Authorized | In Post | Vacancies | Authorized | In post | Vacancies |
| | | | | | | |
| Auditor General | 1 | 1 | 0 | 1 | 1 | 0 |
| Manager Parastatals | 1 | 0 | 1 | 1 | 0 | 1 |
| Deputy Auditor General | 3 | 3 | 0 | 3 | 3 | 0 |
| Director Finance, Human Resources and Administration | 1 | 1 | 0 | 1 | 1 | 0 |
| Director of Audit | 11 | 11 | 0 | 11 | 11 | 0 |
| Chief Accountant | 1 | 0 | 1 | 1 | 1 | 0 |
| Deputy Director of Audit | 22 | 14 | 8 | 22 | 19 | 3 |
| Deputy Director Human Resources | 1 | 0 | 1 | 1 | 1 | 0 |
| Systems Manager | 1 | 0 | 1 | 1 | 1 | 0 |
| Audit Assistant /Auditor /Senior Auditor /Principal Auditor | 229 | 187 | 42 | 229 | 178 | 51 |
| Accountant/ Senior Accountant | 4 | 3 | 1 | 4 | 4 | 0 |
| Accounting Assistant | 4 | 2 | 2 | 4 | 2 | 2 |
| Senior Executive Assistant | 15 | 3 | 12 | 15 | 3 | 12 |
| Executive Assistant | 5 | 1 | 4 | 5 | 1 | 4 |
| Principal Executive Assistant | 2 | 2 | 0 | 2 | 2 | 0 |
| Records and Information Supervisor | 1 | 1 | 0 | 1 | 1 | 0 |
| Records and Information Assistant | 5 | 5 | 0 | 5 | 5 | 0 |
| Driver | 2 | 2 | 0 | 2 | 2 | 0 |
| Senior Office Orderly | 2 | 2 | 0 | 2 | 1 | 1 |
| Office Orderly | 11 | 9 | 2 | 11 | 9 | 2 |
| Administration Officer /Senior / Principal | 2 | 0 | 2 | 2 | 1 | 1 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Librarian | 1 | 1 | 0 | 1 | 1 | 0 |
| Human Resources Officer /Senior /Principal | 2 | 2 | 0 | 2 | 1 | 1 |
| Administration Assistant | 2 | 2 | 0 | 2 | 1 | 1 |
| Computer Technician | 3 | 3 | 0 | 3 | 2 | 1 |
| Human Resources Assistant | 2 | 2 | 0 | 2 | 2 | 0 |
| **TOTAL** | **334** | **257** | **77** | **334** | **254** | **80** |

**ANNEXURE C**

**TRAINING PROGRAMMES AND ACTIVITIES FOR 2014**

| **Course/Activity** | **Number of Participants** |
|---|---|
| **Standards And Methodology Workshops** | |
| Regularity Audit Workshop for Auditors | 27 |
| Regularity Audit Workshop for Champions | 32 |
| Audit of Donor Funded projects | 24 |
| Audit of Local Authorities | 20 |
| Audit of Public Debt | 24 |
| Procurement Audit | 76 |
| International Public Sector Accounting Standards (IPSAS) training for Finance and Audit Staff | 27 |
| **Information System Audit Workshops** | |
| Information System Audit Course | 37 |
| Sun Solaris | 9 |
| Oracle data base | 10 |
| SAP Audit on the job Training | 9 |
| Audit of Pastel Accounting System | 56 |
| SAP basic Training for Audit Staff | 76 |
| **Co-operative Services Courses** | |
| IT Support -Linux Administration | 3 |
| Windows server 2012 | 2 |
| IT Support PC Maintenance | 2 |
| SAP basic Training for Finance and Administration | 7 |
| International Financial Reporting Standards | 7 |
| Design and Implementation of Human Resources Policy | 5 |
| Records and Information Management | 7 |
| Customer Care | 15 |
| **Communication Courses** | |
| Report writing in line with AFROSAI-E SAI/PAC Toolkit | 123 |
| Communication workshop for managers | 40 |
| **Management Workshops** | |

| | |
|---|---|
| Management Development Programme | 40 |
| SAP basic training for management | 17 |
| **Feedback Sessions On Regional Workshops** | |
| Communication Skills Workshop | 24 |
| IT for Regulatory Auditors | 24 |
| IT Building Capacity | 24 |
| **E –Learning** | |
| INTOSAI DEVELOPMENT INTIATIVE (IDI) Global Programme on specialized IT Audit | 3 |
| IDI Public Debt | 4 |
| **Regional And International Workshops** | |
| AFROSAI-E Performance Audit Module 1 and 2 | 3 |
| AFROSAI-E Human Resources Management | 2 |
| AFROSAI-E Communication | 2 |
| AFROSAI-E Quality Review | 2 |
| AFROSAI-E Supervision and File Review | 2 |
| AFROSAI-E customisation of the Regularity Audit Manual | 4 |
| INTOSAI Working Group on Environmental Audit | 3 |
| INTOSAI Working Group on IT audit | 2 |
| IDI Global Programme on specialized Audit IT audit | 3 |
| IDI Public debt | 4 |
| **Academic And Professional Programmes – Office Sponsored** | |
| Degree Programmes | 7 |
| Certified Public Accountant-(CPA) | 2 |
| Association of Chartered Certified Accountant ( ACCA) | 19 |
| Institute Of Chartered Accountants of Zimbabwe- (ICAZ) | 4 |

**ANNEXURE D**

**AUDIT OPINION PER ACCOUNT**

| Vote No. | ACCOUNT | Opinion as at December 31, 2014 | Opinion as at December 31, 2013 |
|---|---|---|---|
| **Appropriation and Fund Accounts** | | | |
| **1** | **Office of the President and Cabinet 2014** | **Not Published** | **Unqualified** |
| | District Development Fund 2009 | Qualified | |
| | District Development Fund 2010 | Qualified | Qualified |
| | District Development Fund 2011 | Qualified | Qualified |
| | District Development Fund 2012 | Qualified | Qualified |
| **2** | **Parliament of Zimbabwe 2014** | **Unqualified** | **Unqualified** |
| **3** | **Public Service, Labour and Social Welfare 2014** | **Qualified** | **Qualified** |
| | Children on the Streets Fund 2013 | Unqualified | |
| | National Drought Fund 2013 | Disclaimer | |
| | National Drought Fund 2014 | Unqualified | |
| | National Heroes` Dependants Assistance Fund 2013 | Unqualified | |
| | National Rehabilitation Centre Welfare Fund 2013 | Unqualified | |
| | National Rehabilitation Centre Welfare Fund 2014 | Unqualified | |
| | Public Service Training Centres Amenities Fund 2012 | Qualified | |
| | Public Service Training Centres Amenities Fund 2013 | Qualified | |
| | Public Service Training Loan Fund 2013 | Qualified | |
| | Yvonne Eustasie Parfitt Homes for the Aged 2014 | Unqualified | |
| **4** | **Defence 2014** | **Qualified** | **Qualified** |
| **5** | **Finance and Economic Development 2014** | **Qualified** | **Qualified** |
| | National Development Fund 2013 | Adverse | |
| | Public Financial Assets | Adverse | |

| | | | |
|---|---|---|---|
| | Receipts and Disbursements<br>Senior Officers' Housing Fund 2013<br>State Enterprises Restructuring Agency Fund 2013 | Qualified<br>Qualified<br>Unqualified | |
| **7** | **Industry and Commerce 2014**<br>Standards Development Fund 2013<br>Trade Measures Fund 2010 - 2013 | **Qualified**<br>Qualified<br>Disclaimer | **Qualified**<br>Unqualified |
| **8** | **Agricultural, Mechanisation and Irrigation Development 2014**<br>Agricultural Revolving Fund 2012 | **Qualified**<br>**Disclaimer** | **Qualified** |
| **9** | **Mines and Mining Development 2014**<br>Special Gold Unit Fund 2013 | **Qualified**<br>Qualified | **Qualified**<br>Disclaimer |
| **10** | **Environment, Water and Climate 2014**<br>Lake Kariba Fisheries Research Institute 2013<br>Lake Kariba Fisheries Research Institute 2014<br>Rhodes Matopos Estate Fund 2013<br>Rhodes Matopos Estate Fund 2014<br>Rhodes Nyanga Estate Fund 2013<br>Rhodes Nyanga Estate Fund 2014 | **Qualified**<br>Unqualified<br>Unqualified<br>Unqualified<br>Unqualified<br>Unqualified<br>Unqualified | **Qualified** |
| **11** | **Transport and Infrastructural Development 2014** | **Qualified** | **Qualified** |
| **12** | **Foreign Affairs 2014** | **Qualified** | **Qualified** |
| **13** | **Local Government, Public Works and National Housing 2014**<br>Civil Service Housing Loan Fund 2011<br>Civil Service Housing Loan Fund 2012<br>Housing and Guarantee Fund 2012<br>Housing and Guarantee Fund 2013<br>National Housing Fund 2011<br>Stadia Revolving Fund 2013 | **Qualified**<br>Disclaimer<br>Qualified<br>Qualified<br>Qualified<br>Disclaimer<br>Qualified | **Qualified**<br><br>Disclaimer<br><br><br>Unqualified |
| **14** | **Health and Child Care 2014**<br>Health Services Fund 2011<br>Health Services Fund 2012 | **Qualified**<br>Qualified<br>Disclaimer | **Qualified**<br>Disclaimer |

| | | | |
|---|---|---|---|
| **15** | **Primary and Secondary Education 2014**<br>Independent Colleges Guarantee Fund 2013<br>Independent Colleges Guarantee Fund 2014<br>School Services Fund 2012<br>School Services Fund 2013 | **Qualified**<br>Unqualified<br>Unqualified<br>Adverse<br>Adverse | **New** |
| **16** | **Higher and Tertiary Education, Science and Technology Development 2014**<br>Innovation and Commercialisation Fund 2013<br>Vocational and Technical Examinations Fund 2013<br>Zimbabwe Manpower Development Fund 2013 | **Qualified**<br><br>Qualified<br>Unqualified<br>Unqualified | **Qualified**<br><br>Qualified<br>Qualified<br>Unqualified |
| **17** | **Youth, Indigenisation and Economic Empowerment 2014**<br>Youth Development and Employment Creation Fund 2012<br>Youth Development and Employment Creation Fund 2013 | **Unqualified**<br>Qualified<br>Qualified | **Qualified** |
| **18** | **Home Affairs 2014**<br>State Lotteries Fund 2009-2011 | **Qualified**<br>Unqualified | **Qualified**<br>Qualified |
| **19** | **Justice, Legal and Parliamentary Affairs 2014**<br>Attorney-General`s Office Administration Fund 2013<br>Constituency Development Fund 2010<br>Constitution Parliamentary Select Committee Fund 2012<br>Constitution Parliamentary Select Committee Fund 2013<br>Deeds and Companies Office Fund 2013<br>Legal Aid Fund 2013 | **Qualified**<br>Qualified<br>Disclaimer<br>Qualified<br>Qualified<br>Qualified<br>Unqualified | **Disclaimer** |
| **20** | **Information, Media and Broadcasting Services 2014** | **Unqualified** | **Unqualified** |
| **21** | **Small and Medium Enterprises and Cooperative Development 2014**<br>Central Co-operative Fund 2013<br>Central Co-operative Fund 2014<br>Indo-Zimbabwe Fund 2013<br>Indo-Zimbabwe Fund 2014<br>Small and Medium Scale Enterprises Revolving Fund 2013<br>Small and Medium Scale Enterprises Revolving Fund 2014 | **Unqualified**<br>Unqualified<br>Unqualified<br>Qualified<br>Unqualified<br>Qualified<br>Qualified | **Qualified** |

| | | | |
|---|---|---|---|
| 22 | **Energy and Power Development 2014**<br>Noczim Debt Redemption Fund 2012<br>Noczim Debt Redemption Fund 2013<br>Pipeline and Rail Fund 2013<br>Pipeline and Rail Fund 2014<br>Strategic Fuel Reserve Fund 2012-2013 | **Unqualified**<br>Unqualified<br>Unqualified<br>Unqualified<br>Unqualified<br>Unqualified | **Qualified**<br>Adverse<br><br>Unqualified<br>Unqualified |
| 23 | **Women's Affairs, Gender and Community Development 2014** | **Unqualified** | **Unqualified** |
| 24 | **Tourism and Hospitality Industry 2014** | **Unqualified** | **Qualified** |
| 25 | **Information Communication Technology, Postal and Courier Services 2014** | **Unqualified** | **Qualified** |
| 26 | **Lands and Rural Resettlement 2014** | **Qualified** | **Qualified** |
| 27 | **Judicial Service Commission 2014**<br><br><br>Courts Administration Fund 2012 and 2013 | **Unqualified**<br>& with no issues.<br>Unqualified | **Qualified** |
| 28 | **Civil Service Commission 2014**<br>Funeral Assistance Fund 2013<br>Skills Retention Fund 2012 – 2013<br>Salary Service Bureau General Purpose Fund 2013<br>Pensions Office Retention Fund 2013 | **Unqualified**<br>Unqualified<br>Unqualified<br>Unqualified<br>Unqualified | **New** |
| 29 | **Sport, Arts and Culture** | **Qualified** | **Unqualified** |

**SUMMARY OF AUDIT OPINIONS**

**Total Appropriation Accounts ………...…………………………………………………….28**
**Total Appropriation Accounts not Published..…………………………………………….....1**
**Total Appropriation Accounts Audited ………………………………………………….27**
Adverse…………………………………………........................................................................0
Qualified…………………..…………………………………………………………………....17
Unqualified, with other material issues.……………………………………………………9
Unqualified, without other material issues……………………………………………….....1

| | |
|---|---|
| **Total Fund Accounts Audited** | **75** |
| Adverse | 3 |
| Disclaimer | 10 |
| Qualified | 25 |
| Unqualified, with other material issues | 25 |
| Unqualified, without other material issues | 12 |
| **Total Consolidated Finance Accounts Audited** | **1** |
| Adverse | 1 |
| **Total Consolidated Revenue Statements** | **1** |
| Qualified | 1 |

**ANNEXURE E**

**ACCOUNTS NOT SUBMITTED FOR AUDIT AS AT MAY 29, 2015**

| MINISTRY | YEAR |
|---|---|
| **Finance and Economic Development** | |
| Consolidated Revenue Fund | 2014 |
| Contingent Liabilities | 2014 |
| Exchequer Account | 2014 |
| National Development Fund | 2014 |
| Outstanding Revenue | 2014 |
| Public Debt | 2014 |
| Public Financial Assets | 2014 |
| Receipts and Disbursements | 2014 |
| Revenue Received | 2014 |
| State Assets Disposal Fund | 2014 |
| Summary of Appropriation | 2014 |
| **Health & Child Care** | |
| Blair Research Trust Fund | 2013-2014 |
| Ingutsheni Occupational Therapy Fund | 2014 |
| Medical Research Council of Zimbabwe | 2014 |
| Ngomahuru Trust Fund | 2013.-2014 |
| **Higher and Tertiary Education, Science and Technology Development** | |
| Amenities Fund | 2014 |
| Tertiary Education and Training Fund | 2014 |
| Vocational and Technical Examinations Fund | 2014 |

**Home Affairs**

| | |
|---|---|
| National Archives Retention Fund | 2014 |

**Local Government, Public Works and National Housing**

| | |
|---|---|
| Civil Protection Fund | 2014 |
| Civil Service Housing Loan Fund | 2013-2014 |
| Housing & Guarantee Fund | 2014 |
| National Housing Fund | 2012-2014 |
| Social Amenities Fund | 2014 |

**ANNEXURE F**

**AUDITS IN PROGRESS OR BEING FINALISED AS AT MAY 29, 2015**

| MINISTRY | YEAR |
|---|---|
| **Agriculture, Mechanisation and Irrigation Development** | |
| Agricultural Revolving Fund | 2013-2014 |
| **Civil Service Commission** | |
| Funeral Assistance Funds | 2014 |
| Pension Retention Fund | 2014 |
| Public Service Transport Management Fund | 2014 |
| Salary Service Bureau General Purpose Fund | 2014 |
| Skills Retention Fund | 2014 |
| **Defence** | |
| Defence Procurement Fund | 2014 |
| War Veterans Fund | 2014 |
| **Energy and Power Development** | |
| Noczim Debt Redemption Fund | 2014 |
| Strategic Fuel Reserves Fund | 2014 |
| **Finance and Economic Development** | |
| Consolidated Revenue Fund | 2013 |
| Contingent Liabilities | 2013 |
| Exchequer Account | 2013 |
| Outstanding Revenue | 2013 |
| Public Debt | 2013 |
| Revenue Received | 2013 |
| Senior Officers Housing Fund | 2014 |
| State Asset Disposal Fund | 2009-2013 |

**Higher and Tertiary Education, Science and Technology Development**

| | |
|---|---|
| Amenities Fund | 2009-2010 |
| Amenities Fund | 2011-2013 |
| Industrial Training and Trade Testing Fund | 2012-2014 |
| Innovation and Commercialisation Fund | 2014 |
| National Education and Training Loan Fund | 2013 |
| National Education and Training Loan Fund | 2014 |
| Tertiary Education and Training Fund | 2009-2010 |
| Tertiary Education and Training Fund | 2011-2013 |

**Home Affairs**

| | |
|---|---|
| Immigration Services Fund | 2014 |
| National Archives Publication and Production Trust Fund | 2014 |
| Registrar General Retention Fund | 2014 |
| Zimbabwe Republic Police Revolving Fund | 2014 |

**Industry and Commerce**

| | |
|---|---|
| Trade Measures Fund | 2014 |
| Standard Development Fund | 2014 |

**Judicial Service Commission**

| | |
|---|---|
| Courts Administration Fund | 2014 |

**Lands and Rural Resettlement**

| | |
|---|---|
| Lands and Resettlement Fund | 2014 |

**Local Government, Public Works and National Housing**

| | |
|---|---|
| Stadia Revolving Fund | 2014 |

**Office of the President and Cabinet**

| | |
|---|---|
| Office of the President and Cabinet Appropriation Account | 2014 |
| District Development Fund | 2013-2014 |

**Primary and Secondary Education**

| | |
|---|---|
| School Services fund | 2014 |
| **Small and Medium Enterprises and Cooperative Development** | |
| Central Co-operative Fund | 2014 |
| **Transport and Infrastructural Development** | |
| Department of Roads Fund | 2013-2014 |
| New Vehicle Registration Revolving Fund | 2013-2014 |
| New Limpopo Bridge Fund | 2014 |
| Traffic and Legislation Fund | 2012-2014 |
| **Women Affairs, Gender and Community Development** | |
| Women Development Fund | 2014 |
| Zimbabwe Community Development Fund | 2014 |