



**REPORT**

**of the**

**Auditor-General**

**for the**

**FINANCIAL YEAR ENDED DECEMBER 31, 2017**

**ON**

**LOCAL AUTHORITIES**

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*Presented to Parliament of Zimbabwe: 2018*

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**Office of the Auditor-General of Zimbabwe**  
5<sup>th</sup> Floor, Burroughs House  
48 George Silundika Avenue  
Harare, Zimbabwe

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

Dear Sir,

I hereby submit my report on the audit of Local Authorities 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, 2017.

Yours faithfully,

**M. CHIRI (MRS),  
AUDITOR-GENERAL**

**HARARE**  
June 07, 2018



## OAG Vision

To be the Center of Excellence in the provision of Auditing Services.

## OAG Mission

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

## OAG VALUES



## **LIST OF ACRONYMS**

1. CEO- Chief Executive Officer
2. EMA- Environmental Management Agency
3. ERP-Enterprise Resource Planning
4. IPSAS- International Public Sector Accounting Standards
5. LAPF- Local Authorities Pension Fund<sup>7</sup>
6. NEC- National Employment Council
7. NSSA- National Social Security Authority
8. OAG- Office of the Auditor-General
9. PAYE- Pay As You Earn
10. PSIP- Public Sector Investment Programme
11. PSMAS- Premier Services Medical Aid Society
12. SDL- Standards Development Levy
13. SLB- Service Level Benchmarking
14. SPB- State Procurement Board
15. UCPF- Urban Councils Pension Fund
16. UNICEF- United Nations Children Education Fund
17. VAT- Value Added Tax
18. WDC- Ward Development Committee
19. ZIMDEF- Zimbabwe Manpower Development Fund
20. ZIMRA- Zimbabwe Revenue Authority
21. ZINARA- Zimbabwe National Roads Agency
22. ZINWA- Zimbabwe National Water Authority
23. ZRDCWU- Zimbabwe Rural District Council Workers' Union

## **DEFINITION OF TERMS USED**

“Local Authority” means a municipal council, town council and local board established in terms of the Urban Councils Act [Chapter 29:15] or Rural District Council established in terms of the Rural District Councils Act [Chapter 29:13]. Local Authorities are established with the overall mandate of governing respective Council areas.

Local authorities are categorised into two groups which are:

- A) The Rural District Councils and
- B) Urban Councils, in which a Local Authority can either be classified as a:
  - i) City Council,
  - ii) Municipality,
  - iii) Town Council and
  - iv) Local board.

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## **EXECUTIVE SUMMARY**

### **Audit mandate**

My duties as set out in the Constitution of Zimbabwe and amplified in the Audit Office Act [*Chapter 22:18*] are, in addition to examining, auditing and reporting on accounts of all persons entrusted with public monies or state property, to audit all provincial and metropolitan councils and all local authorities, and at the request of Government carry out special audits of the accounts of any statutory body or government controlled entity. In fulfilling this mandate, I do contract from time to time, some of the audits to registered public auditors in terms of the Public Accountants and Auditors Act [*Chapter 27:12*] as stated in Section 9 of the Audit Office Act [*Chapter 22:18*]. Accordingly, I have included audit findings from such auditors in this report.

### **Audit approach**

I conducted my audit in accordance with International Standards on Auditing (ISAs). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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

### **Financial reporting framework**

Local Authorities are responsible for the preparation and fair presentation of financial statements in accordance with Generally Accepted Accounting Practice (GAAP). Local Authorities are applying either International Public Sector Accounting Standards (IPSAS) or International Financial Reporting Standards (IFRS) as the financial reporting framework. These frameworks are considered useful both for accountability and decision making purposes and to ensure consistency and comparability of financial statements. In addition, the Local Authorities are required to use Council Fund Accounting as required

by the Urban Councils Act [*Chapter 29:15*] and Rural District Councils Act [*Chapter 29:13*].

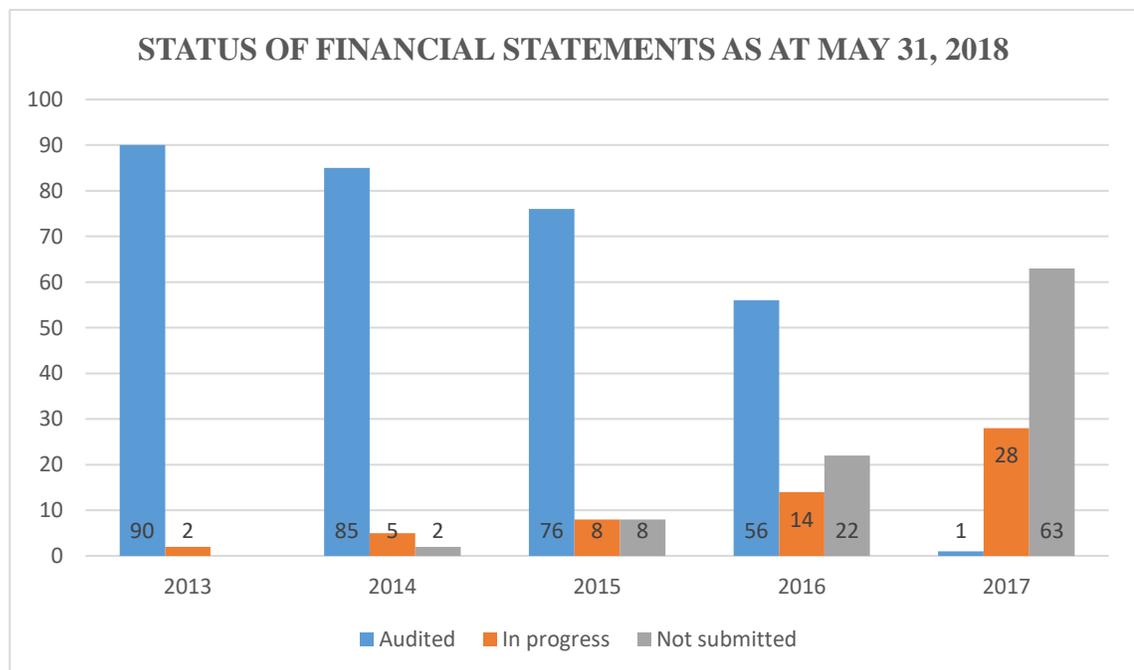
The report outlines material audit findings noted during the audit of Local authorities. The audit findings are classified under governance issues, revenue collection, management and debt recovery, procurement of goods and services and employment costs. Also included under each audited account are possible risks/implications associated with the audit findings, audit recommendations, management responses in respect of the findings and audit comments to management responses where necessary. Generally, some of the issues identified cut across the majority of the Local Authorities.

### **GOVERNANCE AND SERVICE DELIVERY ISSUES**

There has been some progress made over the years by Local Authorities in a bid to bring financial statement audits up to date. An analysis of the status of audits at the time of reporting has revealed the following;

- i. Two (2) local authorities still had the 2013 financial statements audits outstanding whilst seven (7) were outstanding for 2014.
- ii. There were local authorities that had not submitted financial statements for particular reporting periods as at May 31, 2018. The number of non-submissions for the financial years 2014, 2015, 2016 and 2017 were 2, 8, 22 and 63 respectively.

The status of audits as at May 31, 2018 are shown in the bar graphs below;



The related Councils are detailed on Annexures “A” and “B” of this report.

I have not included the audit opinions for the 2016 financial year going backwards since most local authorities were in a transitional phase in as far as the adoption and implementation of International Public Sector Accounting Standards (IPSASs) were concerned. The presentation of audit opinions in my reports will be done for audits relating to the financial year ended December 31, 2017 prospectively.

Chinhoyi and Chegutu Municipalities have seen a general increase in population size over the years. The current daily demand for water has exceeded the local authorities’ capacity to supply this need. This incapacity is mostly infrastructure related. Chinhoyi Municipality has a daily water supply of fifteen (15) mega litres against a demand of thirty (30) mega litres. Chegutu Municipality water reservoirs have a carrying capacity of twelve and half (12, 5) mega litres in contrast to an expected twenty two and half (22, 5) mega litres. The reservoir situation in Kariba is so dire to the extent that water has to be pumped 24 hours a day directly from the treatment plant to consumers. Power outages worsen the situation as this implies an immediate water cut off.

Instances of local authorities with non-functional water meters continue to be an issue in my reports. Kwekwe City Council had 8 917 non-functional water meters against total connections of 19 030. Almost half of the City’s residential areas had non-functional meters. Of Sanyati’s 557 water connections, 199 meters were non-functional.

Some Councils had outdated valuation rolls which were no longer compatible with the current economic status thereby resulting in inappropriate rates being charged to residents. Notable cases were Kadoma City Council, whose roll was last updated in 2003 and Karoi Town Council’s in 2001.

Remittance of statutory and other obligations such as NSSA, PAYE, VAT, medical aid and pensions has continued to be an issue in my reports. The notable cases were Chitungwiza Municipality (\$19 475 623), Marondera Municipality (\$9 771 162), Kariba Municipality (\$4 883 290), Kadoma City Council (\$4 640 171) and Karoi Town Council (\$1 508 922).

Goromonzi RDC and Marondera Municipality had instances where they incurred non council related expenditure. Goromonzi RDC incurred expenditure related to the repairs of the District Administrator’s vehicle whilst Marondera Municipality paid fees for the survey of a Councillor’s 38 private stands.

## **CONCLUSION**

The audit findings warrant the attention of management and those charged with governance. The audit revealed that most of the weaknesses related to service delivery, infrastructure and governance issues. The need for good stewardship over public resources is a key factor required to turn around the financial performance and service delivery capabilities of local authorities. As analysed above, there is need for a paradigm shift in the business and service culture that will ensure that local authorities prioritise the transparency and accountability aspects. Accountability in this context will not just be a consideration of the financial matters but a broader account to the public over the local authorities' delivery on mandate and stewardship over resources entrusted upon them.

## **ACKNOWLEDGEMENTS**

I wish to pay special tribute to the audit firms, URDCORP and our valued clients who made it possible for me to submit my report for the year under review. I extend my appreciation to our development partners for their unwavering financial support and to our printers for printing the report on time. Finally, I extend my sincere appreciation to my management and staff for their continued commitment and dedication to duty.

# **CITY COUNCILS**

## **HARARE CITY COUNCIL 2016**

I have audited the financial statements of Harare City Council for the year ended December 31, 2016. The following are material issues that were noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1 Mbare bus terminus.**

##### **Finding**

There were no controls in place to ensure that all vehicles entering the Mbare bus terminus had paid access fees and their registration numbers had been captured by the cashier.

##### **Risk / Implication**

Loss of revenue as fraud and errors may go undetected.

##### **Recommendation**

The Council should consider introducing a surveillance system and a computerised system to record the vehicle registration number of buses as they enter the terminus.

##### **Management response**

**Currently, the Traffic Enforcement is maintaining its presence in full force at Mbare Bus Terminus to ensure that only those who have paid access the terminus.**

#### **1.2 Mbare bus Terminus barriers**

##### **Finding**

I observed that some candlesticks (barriers) that hinder unauthorised entrance into the Mbare bus terminus had been removed.

Enquiries with management revealed that the candlesticks (barriers) had been removed by commuter omnibus operators entering and exiting the terminus illegally without paying fees to the Council.

Further enquiries also revealed that some commuter omnibuses were forcibly entering and exiting the bus terminus when authorised buses would be gaining passage.

##### **Risk / Implication**

Loss of revenue.

## **Recommendation**

The Council should consider setting up a more secure barrier such as high walls to hinder unauthorised entry.

## **Management response**

**Pulled down candle sticks are being attended to promptly.**

**As a long term plan, the Council is engaging a private partner to develop Mbare Musika and install electronic boom gates.**

## **1.3 Burial space**

### **Finding**

City of Harare uses an estimate of three hectares of land for burial purposes per annum.

At the time of the audit, management represented that an estimate of 18 hectares (10 hectares at Granville cemetery and 8 hectares at Mabvuku cemetery) were remaining.

According to the above estimates, the remaining burial space will cover approximately six (6) years.

There was no evidence to suggest that a plan was in place to secure more burial space in the future.

### **Risk / Implication**

Service delivery may be compromised as residents may fail to secure burial space in the near future.

### **Recommendation**

The Council should consider acquiring more land for provision of burial space.

### **Management response**

**Provisions have been made in the 2017 capital budget and currently the Council is in the process of identifying land for future burial space.**

## **1.4 Cleveland dam water purification plant**

### **Finding**

I noted that the water purification plant at Cleveland dam owned by the Council is currently being used by Zimbabwe Phosphate Industries (ZIMPHOS). However, upon request I was not availed

with contract documents between City of Harare and ZIMPHOS, hence I was not able to determine whether the arrangement was beneficial to the Council or not.

### **Risk / Implication**

The Council may have no legal recourse in the event of disputes.

The Council may be committed to an arrangement that is not beneficial to them.

### **Recommendation**

Council should ensure that there is a documented contract between City of Harare and ZIMPHOS.

### **Management response**

**Management is in the process of re-engaging Zimphos on the conclusion of the agreement.**

## **1.5 Cash book**

### **Finding**

A review of the cash book and bank reconciliation statement as at 31 December 2016 revealed that the cash book was not being updated timeously.

The table below shows some transactions on the bank statement which had not been posted in the cash book as at 31 December 2016:

<b>Date</b>	<b>Description</b>	<b>Bank</b>	<b>Amount (\$)</b>
02/24/2014	Management Trust Acc	Standard Chartered	125 000
10/12/2015	Harare Slum Upgrading	Standard Chartered	100 000
03/02/2015	Sorghum Levy	Standard Chartered	300 000
01/13/2014	Vehicle Costs	Standard Chartered	130 000
06/03/2014	Cabs Capex Loans	Standard Chartered	130 000
09/17/2015	Inter Account Transfer	CABS	100 000
04/24/2015	Sorghum Levy	Standard Chartered	80 000
05/30/2014	Management Trust Acc	Standard Chartered	127 000
07/31/2014	Management Trust Acc	Standard Chartered	215 000

## **Risk / Implication**

Fraud and errors may go undetected.

## **Recommendation**

Management should ensure that the cashbook is updated timeously.

## **Management response**

**Progress on RTGS is now up to date except for situations where clients have not availed RTGS copies to the Council to effect appropriate postings. The situation is now computerised to cater for quicker processing.**

## **2. SERVICE DELIVERY ISSUES**

### **2.1 Traffic management system**

#### **Finding**

A review of the operations department's traffic management system revealed that the traffic central controller which monitors and controls traffic flow was not working.

According to management representation, the central controller was last used in 2006 when it stopped functioning. In addition, management further represented that out of a total of 195 traffic intersections, 18 had traffic controllers which needed replacement and 127 did not have traffic controllers.

#### **Risk / Implication**

Service delivery may be compromised as poor traffic flow may result in increased congestion and road accidents.

#### **Recommendation**

Management should consider replacing the central controller, outdated traffic controllers and non-functioning traffic lights and installing traffic controllers at intersections where these had not been installed.

#### **Management response**

**The City has not had the use of a traffic control system since 1998 when the last one malfunctioned and collapsed. Traffic signals work independently because they have their own internal control mechanisms that enable the smooth flow of traffic.**

Out of a total of 195 traffic intersections, 177 are fully functional and 18 need traffic controllers. However, the Council repairs these traffic signals as and when they malfunction. This is an on-going exercise which caters for the installation of traffic controllers.

## 2.2 Residential stands

### Finding

A review of the 2016 Corporate Services and Housing Annual report revealed that there was a huge gap between demand and supply for residential stands.

The table below shows the number of applicants and stands allocated in the most recent years;

Year	Total applicants	*Allocated stands	Applicants not allocated stands
	<b>a</b>	<b>b</b>	<b>c=(a-b)</b>
2014	177 703	2 365	175 338
2015	36 215	5 103	31 112
2016	59 563	9 528	50 035

*\*Allocated stands is the total of stands allocated by the Council and those allocated by housing co-operatives and private developers.*

### Risk / Implication

Increase in illegal settlements due to increased pressure for housing space.

### Recommendation

The Council should consider acquiring more land to provide residential stands.

The Council should consider building residential flats or other efficient models of housing to address housing needs.

### Management response

**The Council is making efforts to acquire more land for residential stands as evidenced by the acquisition of Eyestone Farm which should create additional +/- 7 000 stands and Mabvuku extension with +/- 4 100 stands. A total of 13 165 residential stands have been allocated.**

**Building residential flats needs a big capital investment. Management is in the process of engaging partners to enter into Private Public Partnerships (PPP) to rehabilitate and upgrade Mbare Hostels first before building new flats.**

## 2.3 Refuse Dumping

### Finding

The Pomona dumpsite was not demarcated into specific dumping zones to enable rotation and orderly disposal of waste, hence waste was being dumped anywhere within the dumpsite.

I further noted that the roads within the dumpsite leading to tipping points were blocked due to waste being dumped along the roads and at the entrance. The dumping of waste at the gate and along the roads hindered entry and made tipping points inaccessible.



*The picture above shows the blocked road to one of the tipping points - Date March 8, 2017*

### Risk / Implication

Potential environmental pollution that may attract penalties from Environmental Management Agency (EMA).

The dumpsite's lifespan may be shortened.

### Recommendation

Management should implement proper dumping techniques at the Pomona dumpsite.

## **Management response**

**Funds have been provided in the 2017 budget to rehabilitate the dumpsite to enable accessibility to all tipping points.**

### **3. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR ISSUES**

I reviewed the progress made towards the implementation of prior year recommendations and found that Harare City Council has made some progress. However, there was room for improvement in respect of the following recommendations:

#### **3.1 Council recreational and public facilities**

##### **Recommendation**

Swimming pools should be repaired and the water treated.

Recreational parks should be maintained and non-functional public toilets and sporting facilities repaired.

##### **Progress made**

**Cash flow constraints have made it difficult for the Council to maintain these facilities to acceptable standards. However, efforts are underway to address the situation. This will be prioritised under the decentralization programme.**

#### **3.2 Mbare Council owned flats**

##### **Recommendation**

Council should collect refuse, repair sewer pipes and ensure adequate supply of clean water.

##### **Progress made**

**Waste Management department formalised waste pickers to proper recycling clubs / associations to avoid scavenging. Residents of Mbare Council owned flats do not have adequate supply of clean water.**

#### **3.3 Water and Sewer service delivery**

##### **Recommendation**

Management should ensure that burst pipes are repaired or replaced and the Council should attend to areas where sewer chokes are prevalent and improve the sewer infrastructure.

### **Progress made**

**There has been significant improvement in the service delivery as a result of the rehabilitation works being done at Morton Jaffrey water works under the China Exim bank loan facility and hence less frequent breakdowns.**

### **3.4 Firle and Crowborough sewer treatment plants**

#### **Recommendation**

Management should prioritise the repair / replacement of non-functional sewerage pumps.

#### **Progress made**

**The Council contracted Sidal engineering to rehabilitate the pumps at both Firle and Crowborough treatment plants.**

### **3.5 Management of Pomona dump site.**

#### **Recommendation**

Management should prepare a fireguard around the dump site, cover and compact refuse with gravel to avoid odours, flies and pollution and screen waste at the gate to avoid inappropriate dumping of harmful waste requiring special means of disposal.

Management should ensure scavenging is in some way controlled.

#### **Progress made**

**Finance department is currently prioritising repairs and maintenance of waste management equipment.**

### **3.6 Council farm land**

#### **Recommendation**

Management should ensure that farmland reserved for sewer reticulation is preserved.

#### **Progress made**

**The Council is currently taking legal steps to evict the land occupiers.**

### **3.7 Lease Agreements**

#### **Recommendation**

Management should ensure timely renewal of lease agreements.

#### **Progress made**

**The lease agreements register is being updated as and when leases expire. This is an on-going exercise.**

### **3.8 Mbare Bus terminus property and equipment**

#### **Recommendation**

The Council should repair and maintain all items of property and equipment including public toilets.

The Council should put measures to arrest the touting problem.

#### **Progress made**

**Some structures were demolished whilst others are currently being regularised after assessment by the Council's Development control unit.**

### **3.9 Cleveland Dam opportunities**

#### **Recommendation**

Management should consider utilising the various revenue generating opportunities.

#### **Progress made**

**Cleveland Dam was previously under the management Harare Sunshine Holdings (Pvt) Ltd. Management of the dam has since reverted to the Council and provision has been made for rehabilitation of the dam in the 2017 budget.**

### **3.10 Billing of market customers.**

#### **Recommendation**

Management should ensure efficient collection of markets revenue.

Management should ensure that all accounts opened in BIQ are valid and consider undertaking an account verification exercise for the markets.

### **Progress made**

**A clean up exercise of the billed market customer's data base is now underway and expected to be complete by 31 December 2017**

### **3.11 Mbare Community Halls**

#### **Recommendation**

The Council should ensure that the affected residents are provided with alternative accommodation ideal for residential purposes.

#### **Progress made**

**Some residents were allocated houses and the Council is still looking for an alternative place to house / accommodate the remaining residents.**

### **3.12 Vending activities in the Central Business District (CBD)**

#### **Recommendation**

The Council should find ways to enforce its by-laws to curb vending from undesignated places in the CBD.

#### **Progress made**

**The Zimbabwe Republic Police, which is the arresting authority in terms of the Constitution, is no longer participating in the enforcement activities. The Harare Municipal Police does not have arresting powers. However, engagement with political leadership and Government continues with a view of finding a solution.**

### **3.13 Old and burst water pipes**

#### **Recommendation**

Management should ensure that aged pipes are replaced.

#### **Progress made**

**Pipe replacement is an on-going exercise and efforts are being made to replace the pipes. The current cash flow constraints have however hampered the exercise and provisions have been made in the 2017 capital budget to procure the pipes subject to the availability of loan funding.**

### **3.14 Unregistered taxis**

#### **Recommendation**

Council should put in place measures to curb the emergence of unregistered taxis.

#### **Progress made**

**Council is in the process of clearing Mushika-shika and has set up committees under 100 days Rapid Results Initiative (RRI) to deal with the Trafficable Roads Thematic Committee. Furthermore, the By-laws which outlaws the illegal taxis are now in place and the ZRP and Municipal police have been engaged to enforce these bylaws.**

### **3.15 Coventry road holding bay**

#### **Recommendation**

Management should ensure commuter omnibuses make use of the holding bay to reduce traffic congestion in the central business district.

#### **Progress made**

**The holding bay is being utilised, although to a lesser extent than the previous years.**

### **3.16 Potholes**

#### **Recommendation**

The Council should prioritise the repair and maintenance of roads.

#### **Progress made**

**Cash-flow constraints on the City's side, lack of funding by ZINARA and the incessant rains have made it difficult for the City to attend and clear potholes. However, significant pothole patching has been done throughout the City. Decentralised teams are also working on pothole patching in the various suburbs.**

### **3.17 Build-Operate-Transfer arrangement.**

#### **Recommendation**

The Council should ensure that the Parkade shops are transferred to City of Harare.

**Progress made**

**The legal department is in the process of regularising the transfer. This should be complete in the 2017 financial year.**

**3.18 Fuel and oil expenses**

**Recommendation**

Management should ensure that all supporting documents are available for audit.

**Progress made**

**Management is in the process of implementing all internal audit recommendations to strengthen the internal control systems.**

## **KADOMA CITY COUNCIL 2014**

I have audited the financial statements of Kadoma City Council for the year ended December 31, 2014. The following are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1. Valuation Roll**

##### **Finding**

The Council did not have an updated valuation roll in compliance with requirements of Urban Councils Act [*Chapter 29:15*] section 253(a)-(f). The one in place was designed in 2003, and was no longer compatible with current economic changes that occurred from 2009.

New properties and improvements that were made between 2003 up-to the current period were not included in the valuation roll or supplementary roll, consequently these were not being billed.

##### **Risk /Implication**

Financial loss due to loss of potential revenue.

##### **Recommendation**

The Council should maintain an updated valuation roll.

##### **Management response**

**Management have now appointed Ministry of Local Government Valuation officers whom we have given our draft. The Government Valuers highlighted missing information which we supplied. The team came to Kadoma in July 2016 to verify and collect some additional information. Public Works department is now working on the Draft Valuation roll which will be tested in October 2016 and Gazetted in November 2016. The actual dates for testing and gazetting will be determined by Ministry of Public Works.**

#### **1.2. Bank and Ecocash reconciliation statements**

##### **Finding**

The General Fund account had long outstanding un-cleared deposits of \$26 943 dating back to 2012. Furthermore, the Eco-Cash balance disclosed in the financial statements amounting to \$5 273 could not be reconciled to the supporting reconciliation statement with a cashbook balance of \$ 1 234 hence a variance of \$ 4 039 was noted. I could not establish how the funds were utilised.

### **Risk / Implication**

Misappropriation of the Council's funds due to inadequate financial controls.

### **Recommendation**

The Council should investigate the variances noted and take corrective action.

I recommend further investigation on long outstanding un-cleared deposits as well as the eco-cash variance and give finality on the issue.

### **Management response**

**UNCLEARED DEPOSITS-** The list of un-cleared deposits is constituted of cheques dating back to 2011-12 that were cashed at the rates halls but were not effected on the bank statements. The cheques had debit and credit effect on the bank statements. Follow-ups with the bank have been made and these have been reduced from the \$50 000 in the last report. Management is still liaising with the bank for their final clearance. The major hindrance has been the bank's filing system.

**ECOCASH-** The comment is noted and the issue is under investigation as it may also affect other bank accounts.

## **1.3. Statutory Deductions**

### **Finding**

The Council had outstanding statutory deductions amounting to \$4 640 171 as at December 31, 2014.

The following is a list of the outstanding statutory obligations;

<b>Statutory authority/creditor</b>	<b>Amount (\$)</b>
LAPF	1 756 317
NSSA	126 894
PAYE	1 179 788
ZIMDEF	13 741
VAT	1 563 431
<b>TOTAL</b>	<b>4 640 171</b>

I also noted that the Council was not preparing returns for submission to the relevant authorities.

### **Risk / Implication**

Financial loss due to fines and penalties that may be levied by the relevant authorities.

Employees may fail to access benefits upon termination of employment.

## Recommendation

Statutory deductions should be remitted timely to avoid penalties.

The Council should arrange for payment plans with the authorities to clear debts.

## Management response

**Agreed. The Council is operating in a very unfavorable environment thereby failing to meet its obligations as they fall due. Due to the current economic situation, the Council is unable to collect enough revenue to cover both recurrent expenditure and prior period creditors. The Council has engaged creditors and has running payment plans, some of which the Council is unable to meet.**

### 1.4. Payment vouchers

#### Finding

There were missing supporting documents such as quotations, receipts and invoices on some payment vouchers. I also noted that some payment vouchers were missing.

#### Missing Payment Vouchers and Invoices

Date	PV Number as per ledger	Amount (\$)	Comment
12/09/14	56	4 407	Chemicals and medicines
28/03/14	563	2 000	Licenses
20/01/14	622	1 000	Licenses
12/10/14	800	2 375	Vehicle repairs
07/11/14	871	1 150	Postages, printing and stationery
24/03/14	3636	2 322	Transport, fuel and oils
24/04/14	45	1 878	Uniforms
15/04/14	3684	500	Uniforms
19/11/14	4218	1 437	Licenses
25/10/14	89	4 407	Chemicals and medicine
30/10/14	801	5 000	Chemicals and medicine
3/12/14	84	5 000	Chemicals and medicine
12/11/14	1470	827	Equipment repairs
6/11/14	865	1 040	Postage, printing and stationary
11/6/14	3737	3 690	Travelling and Subsistence

#### Risk/Implication

Fraud may go undetected.

The payment may not be a proper charge to Council.

**Recommendation**

All relevant supporting documents should be attached to the payment vouchers.

**Management response**

**The missing documents are a result of lack of manpower to follow up on the unsubmitted receipts and invoices. Management has tasked an officer to review all vouchers for the supporting documents and do follow-ups.**

**2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY**

**2.1. Grants and Donations**

**Finding**

There was no evidence to support the grants and donations that were disclosed in the Council's financial statements amounting to \$180 123.

**Risk / Implication**

Misstatement and misappropriation of grants and donations.

**Recommendation**

All grants and donations should be adequately supported.

**Management Response**

**In future we will request for supporting documents for all our disbursements.**

## KWEKWE CITY COUNCIL 2014

I have audited the financial statements of Kwekwe City Council for the year ended December 31, 2014. The following are material issues noted during the audit.

### 1. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

#### 1.1. Water meters

The Council had a total of 8 917 non-functional water meters. The water meters were subject to fixed charges at pre-determined fixed consumption of 20 kiloliters per month. The following table shows a list of functional and non-functional meters:

Category	Number of connections	Functional meters	Non Functional meters	Percentage (%) of non-functional water meters
Domestic (High density)	15 381	7 996	7 385	48%
Domestic (Low density)	2 437	1 396	1 041	43%
Commercial	215	126	89	41%
Industrial	261	143	118	45%
Institutional	736	452	284	39%
<b>TOTAL</b>	<b>19 030</b>	<b>10 113</b>	<b>8 917</b>	<b>47%</b>

#### Risk / Implication

Consumers may be charged amounts that are more or less than their usage resulting in revenue leakages and abuse of water resource.

Council reputation may be negatively affected.

#### Recommendation

The Council should install functional water meters so that it can effectively collect what is due to it.

#### Management response

**We have also started rolling out pre-paid water meters in phases so as to reduce the risk.**

## MASVINGO CITY COUNCIL 2014

I have audited the financial statements of Masvingo City Council for the year ended December 31, 2014. The following are material issues noted during the audit.

### 1. SERVICE DELIVERY ISSUES

#### 1.1. Dump site

##### **Finding**

The Victoria Range dumping site was no longer suitable as the site was now too close to the residential location. In addition, the Council was not carrying out all appropriate waste management procedures such as compacting litter posing a serious health hazard to the nearby residents.

##### **Risks / Implications**

Residents are exposed to health hazard.

Financial loss due to penalties and fines that may be levied by the Environmental Management Agency.

##### **Recommendations**

The Council should have a dumping site that complies with Environment Management Agency regulations.

##### **Management Response**

**Noted. New dumpsite/landfill site identified and mobilisation of resources for its development is underway.**

**Noted. Equipment breakdowns and shortages hampering efforts.**

**Progress was derailed as the identified land was diverted to other uses by the land authorities after an EIA and designs had already been done. The city had to look for other suitable land and is currently in the process of acquiring that land.**

# **MUNICIPAL COUNCILS**

## CHEGUTU MUNICIPALITY 2013

I have audited the financial statements of Chegutu Municipality for the year ended December 31, 2013. The following are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1. Vehicles registration

##### Finding

Most Council vehicles purchased by the Council from 2010 to date were not registered in the Council's name. Below is a table of some vehicles which were not yet in the Council's name.

Vehicles with no registration plates:

<b>Make/Description</b>	<b>Department</b>	<b>Year Of Purchase</b>
Motorised Cat 140 K Grader	Engineering	2013
DE Watering Pump Tractor	Engineering	Not indicated
Nissan Safari Fire	Central Admin	Not indicated
Nissan Hardbody-Ambulance	Central Admin	Not indicated
Honey Sucker	Engineering	Not indicated
JCB Backhoe Loader	Engineering	2010
Tipper Trucks UD's x2	Engineering	2012
Tractor TT75 New Holland No 6	Engineering	2012
John Deere Tractor 7	Engineering	Not indicated
MF Tractor 440 No 3	Engineering	Not indicated
MF Tractor 440 No 2	Engineering	Not indicated
Tafe Tractor MF 440 No 8	Engineering	Not indicated

##### Risk / Implication

Financial loss due to fines and penalties that may be incurred for non-registered vehicle.

Misappropriation of assets may occur.

##### Recommendation

The Council should register all its vehicles in compliance with the statutory requirements in terms of the Vehicle Registration and Licensing Act [*Chapter 13:14*].

## **Management response**

**Noted. Resource challenges affected timeous registration of the vehicles. Registration will now be done in batches. The backlog of unregistered vehicles, plant and equipment is being cleared on a piece-meal basis as resources become available.**

### **1.2. Water supply**

#### **Finding**

The Council's water treatment plant with an estimated carrying capacity of 12.5 mega-litres was constructed sometime back when the population could match with the carrying capacity. However, due to the growing size of the Municipality, the Council is faced with serious water shortages resulting in other locations going for days without water. Some of the areas affected included Hintonvile and Kaguvi phase 3. From a discussion with the town engineer, it was pointed out that there was need to have a supplementary supply of 10 mega-litres of water to match the demand.

#### **Risk / Implication**

Service delivery is compromised.

Failure to provide enough water may lead to water borne diseases.

#### **Recommendation**

The Council should consider constructing a supplementary water treatment plant to cope with the water demands of the Municipality.

#### **Management response**

**Management is in agreement with the observations. The Council is trying to mobilize resources to expand the Water Treatment Plant and repair the network. A budget of \$8 million is required for this task which is difficult to mobilize in this economy.**

### **1.3. Fire department**

#### **Finding**

The Council had one fire tender with a carrying capacity of 400 litres of water and apparently they used a motorized water bowser to supply water when attending to fire incidents. The fire rescue equipment in use was donated in 1991 and was now in a dilapidated state hence could no longer serve its intended purpose effectively.

### **Risk / Implication**

Service delivery may be compromised.

### **Recommendation**

The Council should fully equip the fire section with adequate resources to ensure quality service provision as far as general safety of the public and employees is concerned.

### **Management response**

**Financial challenges have hampered efforts to fully equip the division. However, the current budget has also taken care of this requirement.**

## **2. EMPLOYMENT COSTS**

### **2.1. Salaries and wages**

#### **Finding**

There was a variance of \$170 417 between the payroll balance and the balance in the financial statements which management could not explain. The financial statements had an amount of \$2 598 285 and the payroll had an amount of \$2 768 703.

#### **Risk / Implication**

Financial loss due to fraud.

#### **Recommendation**

The Council should investigate the variance and take corrective action.

#### **Management response**

**Council is going to establish the causes for the variance and make corrective action.**

## **CHEGUTU MUNICIPALITY 2014**

I have audited the financial statements of Chegutu Municipality for the year ended December 31, 2014. The following are material issues noted during the audit.

### **1 GOVERNANCE ISSUES**

#### **1.1. Cash book reconciliations**

##### **Finding**

The Municipality could not reconcile the cashbook balance to the ledger balance. The total variance noted between these two records amounted to \$377 662. In addition, there was no evidence that bank reconciliations were being reviewed by a senior officer.

##### **Risk / Implication**

Financial loss due to errors and irregularities that may go undetected.

##### **Recommendation**

The Council should reconcile its cash books to the ledger and bank reconciliations should be reviewed.

##### **Management response**

**The system provider was engaged to enable the Council to correct the anomaly so that the general ledger and the cash book reconcile. We shall also provide a control measure so that there will be an independent person to check the bank reconciliations. The bookkeeper will prepare the bank reconciliations while Revenue Accountant will be responsible for the cash book.**

#### **1.2. Expenditure vouchers**

##### **Finding**

Payment vouchers for expenditure amounting to \$1 423 117 were not availed for my inspection hence, I could not verify the validity and accuracy of the related expenditure.

##### **Risk / Implication**

Financial loss due to fraud.

The Council may pay for goods not received.

## **Recommendation**

The Council should ensure that all payments are adequately supported and authorised.

## **Management response**

**Supporting documents in the form of payment vouchers, invoices and stores requisition for A.I Davis and Lendel Trading are available but goods received notes/ vouchers were not yet in place. Contracts for rentals will be made available. ZESA and TELONE follow ups are in progress.**

**Council uses control registers to acknowledge goods received which are then used for issuing purposes.**

**As for invoices and delivery notes the issue has been discussed at length in the Procurement Committee of April 7, 2017 and modalities have been put in place for implementation to ensure that invoices and delivery notes which also serves as acknowledgement of goods received are made available for all goods and services procured.**

**A goods received voucher (GRV) document is now in place and all receiving/ stores personnel are required to acknowledge receipt of goods delivered.**

## **2 REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY**

### **2.1. Land stock**

#### **Finding**

The Council had unsold pieces of land under various schemes, however, there was no record of the land stock in the system.

#### **Risk / Implication**

Financial loss due to fraud.

Misstatement of land inventory.

#### **Recommendation**

All stands should be recorded in the accounting system.

#### **Management Response**

**Noted.**

**The Council is now updating its housing stock (capturing in to the system) at the point of creation of the stands.**

**The Valuation and Estates Section is mandated to control the land bank, however, since its creation there has not been a hand over of the Land bank from the Engineering Department despite correspondences to do so.**

**The procedure is that all land within the municipality should be recorded in the Data base System whether Institutional, Commercial, Industrial, Housing or Agro-residential and Open Spaces. When local plans, layout plans and general plans are created by the Engineering Department, the same should be handed over to the Valuation and Estates, Housing Department and Financial Services Department to be recorded in the Housing Module.**

**When stands are sold to beneficiaries then same is deducted from the stock and continuous reconciliations are done by the same Departments to have correct records. This system will curb abuse of land by any one section.**

**However this procedure is not happening at the moment. The scenario obtaining is that the Engineering department gives in batches stands to the administrative departments as and when it sees fit. This makes the control of land stock cumbersome where departments have to beg for information.**

## CHINHOYI MUNICIPALITY 2014

I have audited the financial statements of Chinhoyi Municipality for the year ended December 31, 2014. The following are material issues noted during audit.

### 1. GOVERNANCE ISSUES

#### 1.1. Council houses

##### **Finding**

The staff members were being provided with rent free Council accommodation whilst also being paid housing allowances. According to their employment conditions of service, employees can only have either rent free accommodation or housing allowance.

##### **Risk / Implication**

Financial loss due to double payment of benefits to employees.

##### **Recommendation**

The Council should regularise the anomaly.

##### **Management response**

**The issue is going to be discussed at Works Council before implementation. We are introducing stop order system for all staff occupying Council houses**

#### 1.2. Payroll payables

##### **Finding**

The Council owed workers \$5 082 648 in outstanding salaries, bonuses and back pay as at December 31, 2014. Tabulated below is a breakdown of the staff arrears:

##### **Outstanding salaries as at December 31, 2014**

<b>Description</b>	<b>Amount (\$)</b>
2014 Salaries arrears	973 865
Ex- ZINWA employees	139 978
Reinstated workers	34 020
Deceased employees	22 269
Arbitration award	3 827 131
<b>Total</b>	<b>5 082 648</b>

### **Risk / Implication**

Service delivery may be compromised due to low staff morale, high staff turnover, job action and absenteeism.

### **Recommendation**

The Council should intensify revenue collection so as to ensure that employees are paid their salaries on stipulated pay dates.

### **Management response**

**The Council is always intensifying revenue collection but the rate payers are not responsive and the Council ended up handing over defaulters to Mangwana and partners. Due to cash flow challenges being experienced by the Council it is not in a position to clear all salary arrears. The current macro-economic conditions cannot be overlooked as well we need to be realistic in terms of the current operating environment.**

## **1.3. Valuation roll**

### **Finding**

The Council did not have an updated valuation roll in compliance with the requirements of Urban Councils Act [*Chapter 29:15*] section 253(a)-(f). The one in place was designed during Zimbabwean dollar era, and is no longer compatible with current economic changes since 2009. In addition, there were new properties and improvements that were made between the Zimbabwean dollar era to date that were not included in the valuation or supplementary valuation roll.

### **Risk / Implication**

Financial loss due to potential revenue loss as a result of the absence of the valuation roll.

### **Recommendation**

The Council should maintain an up to date valuation roll.

### **Management response**

**The Ministry of Local Government, Public Works and National Housing (Valuations and Estates Division) carried out a General Valuation of all properties in Chinhoyi in 2015. We await certification of the valuation Roll.**

## **2. SERVICE DELIVERY ISSUES**

### **2.1. Water supply**

#### **Finding**

Chinhoyi Council water treatment plant was highly incapacitated in terms of supplying adequate water to the residents. At the time of audit, demand for portable water for a population estimated

at 77 729 people (2012 census) was 30 mega litres per day while the production capacity of the plant was estimated at 15 mega litres per day.

**Risk / Implication**

Service delivery is compromised.

Water borne disease outbreaks.

**Recommendation**

The Council should put concerted effort to improve water supply.

**Management response**

**The Council has drawn a project proposal to address water demand, however there is a challenge of financing the proposed interventions. On the same note the Council has deliberately intensified water loss reduction so as to minimize the little water produced to minimize wastage of the little water produced.**

## **CHINHOYI MUNICIPALITY 2015**

I have audited the financial statements of Chinhoyi Municipality for the year ended December 31, 2015. The following are material issues noted during the audit.

### **1. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY**

#### **1.1. Stands Sales**

##### **Finding**

The financial statements of the Council indicated that \$5 825 220 was realized from stands sales during the year under review. However, this differed by \$2 649 194 from the availed list of stands sold which showed a total of \$3 176 026. In addition, the allocation register did not indicate the dates of sale for the stands, making it difficult to establish stands issued during a particular period.

It was also noted that customer accounts were not created in the Council database for Mapako stands that had been repossessed.

##### **Risk / Implication**

Financial loss due to fraud and errors.

##### **Recommendation**

The Council should investigate the variance and make necessary corrections.

The stands list and database should be updated.

##### **Management response**

**Observation noted. Stand register in place. Council has held interviews for Estates Manager to bridge skills gap and s/he will start duty soon. Council is using Promun housing module to capture all new stands enhancing coordination between Housing and Treasury department.**

## **CHITUNGWIZA MUNICIPALITY 2014**

I have audited the financial statements of Chitungwiza Municipality for the year ended December 31, 2014. The following are material issues noted during the audit.

### **GOVERNANCE ISSUES**

#### **1.1 Council Leases**

##### **Finding**

The Council did not have an updated lease register for all leased Council properties. A total of 464 properties were being leased out during the year under review, however, most of them were not being billed for rent except for 48 which were billed a total of \$296 402 from July to December 2014. In addition, a number of lease agreements had since expired, however, the tenants continued operating and some were even sub-letting the properties.

##### **Risk / Implication**

Financial loss due to revenue leakages.

##### **Recommendation**

The Council should update its lease register and regularise all expired leases.

The Council should put in place monitoring mechanisms to ensure that tenants adhere to the terms of the lease.

##### **Management response**

**We are currently in the process of updating the lease register and the leases are being reviewed.**

**On improving revenue collection, we are in the process of handing over all Council properties to a legal firm.**

#### **1.2 PSIP loan**

##### **Finding**

The Council received a loan of \$650 000 in 2011 from the then Ministry of Local Government, Rural and Urban Development for water and sewer infrastructure rehabilitation. This loan was payable over two years and had an interest of 5% per annum with a late payment charge of 1% per annum. The repayment of the loan was scheduled to be done through a sinking fund to which the Council was supposed to make payments using revenue generated from rates. However, the Council did not create this account and repayments were still outstanding as at December 31, 2014.

### **Risk / Implication**

Failure to honour obligations when they are due compromises the Council's credit worthiness and ability to access loans in the future.

### **Recommendation**

The Council should honour its obligations when they fall due.

### **Management response**

**We take note of the recommendations and corrective action will be taken.**

## **1.3 Statutory deductions arrears**

### **Finding**

The Council had payroll related obligations amounting to \$19 475 623. No meaningful payments had been made to significantly reduce these obligations. Below are the balances owed to statutory creditors as at December 31, 2014.

<b>Statutory creditor</b>	<b>Amount Outstanding as at 31.12.14 (\$)</b>
NSSA	1 131 709
Pension- UCPF	5 831 900
-LAPF	4 759 539
ZIMRA-PAYE	7 752 475
<b>Total</b>	<b>19 475 623</b>

### **Risk / Implication**

Financial loss due to penalties and interest being levied.

Retirees may not access their pensions.

### **Recommendation**

The Council should negotiate payment plans with the respective creditors in order to clear the obligations.

Remittance of obligations should be done in time.

### **Management response**

**The Council has made agreements with the statutory organisations and individuals on feasible payment plans until the revenue situation improves.**

## **2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR ISSUES**

I reviewed the progress made towards the implementation of prior year recommendations and found that Chitungwiza Municipal Council has made some progress. However, there was room for improvement in respect of the following recommendations:

### **2.1 Risk assessment policy**

#### **Recommendation**

The Council should come up with a risk policy for identifying the risks associated with its operations and providing ways to mitigate such risks.

#### **Progress made**

**The policy is being drafted.**

### **2.2 Policy documents status**

#### **Recommendation**

The Council should finalize the drafting of policies and ensure that they have been approved and adopted by full Council.

#### **Progress made**

**Most Council policies and procedure manuals were adopted although some are still waiting adoption except for the following which are not yet in place: waste management policy, environmental management policy, security policy, accounting policy and procedure manual and records management policy.**

### **2.3 Water meters**

#### **Recommendation**

The Council should ensure that all non-functional meters are replaced to accurately account for water consumption and avoid wastage and misuse. Checks for anomalies by senior personnel before billing statements are issued out to consumers should be done to ensure accurate billing.

#### **Progress made**

**The Council has received 4 500 water metres from Zimfund phase II. A testing machine for water metres has also been received which will be used to test and repair the non- functional metres.**

## KARIBA MUNICIPALITY 2016

I have audited the financial statements of Kariba Municipal Council for the year ended December 31, 2016. The following are material issues noted during the audit.

### 1 GOVERNANCE ISSUES

#### 1.1. Statutory and pension deductions

##### **Finding**

The Council had outstanding statutory and pension deductions amounting to \$4 883 290 as at December 31, 2016.

The following is a list of the outstanding statutory obligations;

<b>Name of payroll creditor</b>	<b>Amount owing as at December 31, 2016 (\$)</b>
Local Authorities Pension Fund	2 655 674
National Social Security Authority	25 527
Zimbabwe Revenue Authority (PAYE)	1 944 627
Zimbabwe Manpower Development Levy	37 919
Zimbabwe Revenue Authority (VAT)	219 543
<b>Total</b>	<b>4 883 290</b>

##### **Risk / Implication**

Financial loss due to fines and penalties which may be levied by the relevant authorities.

Employees may fail to access benefits upon termination of employment.

##### **Recommendation**

Statutory deductions should be remitted timely to avoid penalties.

The Council should arrange for payment plans with the authorities in order to clear debts.

##### **Management response**

**The observation is noted and Council has since introduced various strategies to enhance revenue collection. Nonetheless Council has suffered low revenue collection since the introduction of the multicurrency regime in 2009, owing to the decline in cash circulation and general local business activity downturn. Council has also come up with payment plans with statutory creditors like ZIMRA, NSSA, ZIMDEF and Standard Development Fund and this has since normalized the garnish order threats which used to be there.**

## 1.2. Water reservoirs

### **Finding**

The Council's two water reservoirs (Mahombekombe and Gibb Coyne) have not been functioning since 2008 as they need rehabilitation. The non-functioning of these reservoirs entailed continuous pumping of water which resulted in an escalation of electricity bills for the Council. In addition, the supply of water would be affected by power cuts.

### **Risk / Implication**

Constant water supply is affected during power outages due to lack of water storage facilities.

### **Recommendation**

The Council should consider repairing non-functional water reservoirs so as to ensure a continuous supply of water.

### **Management response**

**The observation is noted. The Council has since put in place a Non-Revenue Water steering committee to spearhead all issues pertaining water losses. The water loss reduction team is doing leak surveys to identify the materials required for repairs. Plans are under way to repair the Gibb Coyne water reservoir.**

## **MARONDERA MUNICIPALITY 2015**

I have audited the financial statements of Marondera Municipality for the year ended December 31, 2015. The following are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1. Vacant posts**

##### **Finding**

A review of the Council's organogram showed that a number of key posts within the Council have been vacant. These included Audit Manager, Accountant Revenue, Accountant Expenditure and Senior Revenue Officer.

In addition, following retrenchment exercise by the Council in 2016, the accounts department was left with no substantive staff except the Finance Director.

##### **Risk / Implication**

Decision making may be compromised due to gaps in the Council's manning levels.

##### **Recommendation**

The Council should appoint substantive personnel to key posts.

##### **Management Response**

**The Council is going to advertise and fill these key strategic posts during the course of the year. Further it is imperative to point out that effective service delivery can only be realized and attained if Council is manned by personnel with the requisite skills, aptitudes and competencies considered necessary to perform their duties adequately.**

### **2. PROCUREMENT OF GOODS AND SERVICES**

#### **2.1. Survey Charges**

##### **Finding**

The Council paid \$10 890 as fees for the survey of a Councillor's 38 personal stands. This amount was included in \$148 743 being fees which the Council had incurred on survey of its own stands together with those of the Councillor. I was not availed with evidence supporting either the payment made by the Councillor or an acknowledgement of the debt.

### **Risk / Implication**

Survey fees paid on behalf of the Councillor may not have been a proper charge to the Municipality.

### **Recommendation**

The Council should recover the amount from the Councillor.

### **Management Response**

**Noted the necessary engagements with the developer are currently ongoing and the necessary documentation will be availed by the Engineering Section.**

## **3. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY**

### **3.1. Treated water**

#### **Finding**

An analysis of water treated and billed during the year under review showed that out of 2,6 million m<sup>3</sup> treated water produced, only 1,3 million m<sup>3</sup> was billed to consumers. There was no satisfactory explanation given for the variance of 1,3 million m<sup>3</sup> (50%) unbilled water.

#### **Risk / Implication**

Financial loss due to unbilled water and leakages.

#### **Recommendation**

The Council should investigate the cause of the variance and take corrective action to reduce the loss of treated water.

#### **Management Response**

**Non-revenue water is acknowledged and a Non-Revenue Water Committee will be set to spearhead the investigations and compile an informed report on the variance noted.**

## **4. EMPLOYMENT COSTS**

### **4.1. Remittance of statutory deductions**

#### **Finding**

A review of the Council's payment system revealed that statutory deductions and other third party remittances were not being made on time. As a result, the Council had accumulated debts totaling \$9 771 162 as at December 31, 2015 as shown in the table below;

<b>CREDITOR</b>	<b>AMOUNT OWED (\$)</b>
NSSA	243 525
Pension-LAPF	2 742 620
ZIMDEF	119 478
ZIMRA-PAYE	4 282 385
Standards Development Levy	103 377
ZIMRA-VAT	2 279 777
<b>TOTAL</b>	<b>9 771 162</b>

### **Risk / Implication**

Financial loss due to fines and penalties.

Employees may not access retirement benefits.

### **Recommendation**

The Council should endeavor to pay current obligations in time and at the same time, putting in place measures to reduce the accumulated debts.

### **Management response**

**The Council has concluded the retrenchment exercise that has direct impact on the accruals on all statutory obligations. The retrenchment exercise will save in excess of \$1 million annually with 50% of these being statutory obligations.**

**Failure to pay was caused by a historical financial plan that failed to align the cost with the Government policy of 70/30 making all payment plans unsustainable.**

**Council has payment plans with most statutory bodies, ZIMRA, ZIMDEF, NSSA and efforts are now complete to improve sustainability of the plans. All the statutory obligations are human resources based.**

# **TOWN COUNCILS**

## **GOKWE TOWN COUNCIL 2015**

I have audited the financial statements of Gokwe Town Council for the year ended December 31, 2015. The following are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1. Balance written off**

##### **Finding**

There was an unexplained balance of \$491 871 in the financial statements which the Council wrote off during the year under review.

##### **Risk / Implication**

Financial loss due to fraud.

##### **Recommendation**

The Council should investigate unexplained balances before they are written off.

##### **Management response**

**The write off is based on a ledger balance that has been running from previous years under debtors, which could not be substantiated. There was no other way except to create an expense account which affects the Statement of Financial Performance. The debtors journals made during year 2014 do not have any corresponding debtors listing. This means had we not created the expense account, the figure would continuously affect the Council Statement of Financial Position.**

### **2 SERVICE DELIVERY ISSUES**

#### **2.1 Ambulance and fire department**

##### **Finding**

I noted that the Town Council had no fire department. In addition, the Council had no ambulance to augment and aid its health services department.

##### **Risk / Implication**

Service delivery is compromised.

## **Recommendation**

The Town Council should ensure that critical and essential service departments are part of its structures. In addition, these should be resourced and functional.

## **Management response**

**The noted issue is a fact, however to address the issue, the Gokwe Town Council has budgeted for the ambulance vehicle with an idea of purchasing one by December 2017. Currently the clinic is using the fleet from the Ministry of Health and Childcare.**

## **KAROI TOWN COUNCIL 2015**

I have audited the financial statements of Karoi Town Council for the year ended December 31, 2015. The following are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1. Leases**

##### **Finding**

The Council did not maintain a record of leased properties and there were no lease agreements for sitting tenants. Consequently no ledger accounts were maintained to account for these leases.

##### **Risk / Implication**

Financial loss due to fraud and non-collection of lease rentals.

Council may have no legal recourse in the event of disputes.

##### **Recommendation**

The Council should maintain a lease register for all leased properties and ensure that sitting tenants have lease agreements.

##### **Management response**

**Noted and we will correct.**

### **2. PROCUREMENT OF GOODS AND SERVICES**

#### **2.1. Withholding tax**

##### **Finding**

The Council did not deduct 10% withholding tax for payments made to suppliers without valid tax clearance certificates.

##### **Risk / Implication**

Financial loss due to fines and penalties that may be charged.

##### **Recommendation**

The Council should withhold 10% tax on all payments made to suppliers without tax clearance certificates.

## Management response

Noted and we will correct.

### 3. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

#### 3.1. Valuation roll

##### Finding

The Council's valuation roll was last updated on March 2, 2001. A valuation roll is used as a basis for the rates to be charged in different areas. As a result, the Council did not take into account the size and location of land and improvements done to properties. Fixed rates were being charged for low and medium density suburbs, commercial stands and industrial stands.

##### Risk / Implication

The Council may not realise maximum potential revenue.

##### Recommendation

The Council should have an updated valuation roll to enable it to bill its rateable properties accurately.

##### Management response

This will be corrected and the Council will have a current valuation roll.

### 4. EMPLOYMENT COSTS

#### 4.1. Statutory and other obligations

##### Finding

The Council was not up to date with payments of statutory obligations as evidenced by the arrears as at December 31, 2015. The table below refers;

DESCRIPTION	AMOUNT (US\$)
LAPF	943 461
NSSA	16 044
ZIMDEF	58 179
ZIMRA	448 079
Standard Development levy	43 159
<b>TOTAL</b>	<b>1 508 922</b>

**Risk / Implication**

The Council is exposed to potential garnishes and penalties from statutory bodies.

**Recommendation**

The Council should endeavor to pay current obligations on time.

**Management response**

**Yes. Council will work hard to clear all outstanding statutory obligations and we have payment plans in place.**

## **NORTON TOWN COUNCIL 2016**

I have audited the financial statements of Norton Town Council for the year ended December 31, 2016. The following are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1. Accounting system**

##### **Finding**

The Council, was still using the manual accounting system, despite having acquired a computerised accounting system.

##### **Risk / Implication**

The manual system is susceptible to errors and can be easily manipulated.

##### **Recommendation**

The computerised accounting software should be put to use.

##### **Management response**

**The implementation of the computerized accounting software / package is an on-going exercise and staff will be further trained so that most modules are operational before the end of the year.**

### **2. EMPLOYMENT COSTS**

#### **2.1. Statutory obligations**

##### **Finding**

The Council owed Zimbabwe Revenue Authority \$1 302 122 in Pay as You Earn and National Social Security Authority \$56 270 as at December 31, 2016.

##### **Risk / implication**

Penalties and interests may be levied.

##### **Recommendation**

The Council should ensure that outstanding statutory obligations are settled on time.

## Management response

Besides payment plans, the Council has set-off arrangements which will be vigorously pursued.

## 2.2. Payroll accruals

### Finding

The Council had outstanding payroll obligations amounting to \$2 334 026 as at December 31, 2016, most of which were emanating from prior periods. The following is a list of the outstanding payroll obligations;

Details	Amount owing (\$)
Employees' Pension Fund	1 241 797
Salaries	798 969
ZIMDEF	102 056
Health staff motivation allowance	60 616
Moonlight funeral assurance	53 877
Health promoters allowance	39 873
Burial Society	20 325
First Mutual	10 499
Nyaradzo funeral services	3 621
Zimbabwe Urban and Rural Councils Workers Union	2 391
<b>Total</b>	<b>2 334 026</b>

### Risk / implication

Suspension of services by service providers.

Service delivery may be compromised as a result of low staff morale.

### Recommendation

Payment plans should be negotiated with service providers so that services are not suspended.

### Management response

Where payment plans are not already in place, the same will be negotiated. Where the Council fails to meet the agreed payment plans, service providers will be advised of the challenges being faced so that services will be provided even though there will be arrears.

### **3. SERVICE DELIVERY ISSUES**

#### **3.1. Health staff**

##### **Finding**

The Council had two (2) doctors and forty eight (48) nurses at its hospital. The Council had a population of over 71 810 people (according to the 2016 public health estimates) who need health service. The staff compliment was inadequate to service the population.

##### **Risk / Implication**

Service delivery is compromised as health practitioners may be overwhelmed by the workload.

##### **Recommendation**

The Council should approach Ministry of Health and Child Care for additional staff (doctors and nurses).

##### **Management response**

**Proposals for increasing staff were made in 2014. To date, we have been given 6 nurses and 1 doctor and expect 1 doctor and at least 4 more nurses in 2018. Realistic tariffs should be effected in 2018.**

## SHURUGWI TOWN COUNCIL 2013

I have audited the financial statements of Shurugwi Town Council for the year ended December 31, 2013. The following are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1. Billable Properties

##### Finding

An analysis of the Engineering department site plans and Finance department records revealed variances between the Finance and Engineering department records of billable properties. The table below shows some of these variances:

Location	Engineering Department	Finance department	Variance
<b>1.Sebanga: residential</b>	872	783	89
<b>2.Mambowa: residential</b>	213	219	(6)
<b>3.Z.B.S</b>			
Housing Units	333	330	3
Commercial Units	10	9	1
<b>4.C.B.D</b>			
Commercial	124	95	29
Churches	22	1	21
<b>5. Makusha</b>			
Commercial	25	22	3
<b>TOTAL</b>	<b>1,599</b>	<b>1,459</b>	<b>140</b>

##### Risk / Implication

Financial loss from properties that are not being billed.

##### Recommendation

The Council should investigate and reconcile the variance.

##### Management Response

Noted and currently the department concerned is correcting the anomaly.

## 1.2. Cash and bank balances

### Finding

An inspection of the cashbooks revealed that the opening cashbook balances were not rolled forward, instead the Council used the opening bank balances as the opening cashbook balances.

Further analysis of the bank reconciliations availed for audit revealed that the cash book balances on the bank reconciliations did not agree to the cash and bank balances disclosed in the financial statements.

In addition, I noted that most of the Council's bank reconciliation statements had unexplained reconciling items and long outstanding un-cleared deposits. Subsequent tests revealed that these deposits were never cleared. The table below shows some of these reconciling items:

Account	Long Outstanding Reconciling Items	Date	Amount (\$)
Housing	Uncleared deposit	February 2013	811.30
Housing	Uncleared deposit	March 2013	3 490.28
Housing	Uncleared deposit	April 2013	4 952.44
Housing	Uncleared deposit	May 2013	1 822.15
Housing	Uncleared deposit	July 2013	3 777.68
Housing	Uncleared deposit	September 2013	45.89
Housing	Uncleared deposit	October 2013	1 204.44
Housing	Uncleared deposit	November 2013	4 205.93
Housing	Uncleared deposit	December 2013	2 869.67
Beerhall	Uncleared deposit	June 2013	280.02
Beerhall	Uncleared deposit	July 2013	1 073.60
Beerhall	Uncleared deposit	August 2013	486.60
Beerhall	Uncleared deposit	October 2013	5 378.80
Beerhall	Uncleared deposit	December 2013	1 206.00
Engineering	Uncleared Deposit	August 2013	25.12
Engineering	Uncleared Deposit	September 2013	58.46
Estate	Uncleared deposit	June 2013	1 095.00
Health	Uncleared deposit	July 2013	22 203.90
Health	Uncleared deposit	August 2013	18.00
Health	Uncleared deposit	September 2013	409.22
Health	Uncleared deposit	October 2013	516.70
Health	Uncleared deposit	November 2013	805.50
Health	Uncleared deposit	December 2013	392.59
Water	Uncleared deposit	May 2013	5 527.62
Water	Uncleared deposit	June 2013	7 433.91
Water	Uncleared deposit	July 2013	5 365.25
Water	Uncleared deposit	August 2013	1 136.59
Water	Uncleared deposit	September 2013	557.70

<b>Account</b>	<b>Long Outstanding Reconciling Items</b>	<b>Date</b>	<b>Amount (\$)</b>
Water	Uncleared deposit	October 2013	6 442.41
Water	Uncleared deposit	November 2013	3 222.89
Water	Uncleared deposit	December 2013	1 440.91
Water	Unpresented cheque	June 2013	4 606.88
Water	Unpresented cheque	April 2013	111.00
Treasury	Non- reconciling-cash	Treasury	160.00
Treasury	Uncleared deposit	-	3 564.26
<b>TOTAL</b>			<b>96 698.71</b>

### **Risk / implication**

Fraud and errors may go undetected.

### **Recommendation**

The Council should investigate the invalid and un-cleared deposits.

### **Management response**

**Work has already commenced to investigate the variances. We promise a solution before the commencement of the next audit.**

## **2. EMPLOYMENT COSTS**

### **2.1. Salaries and allowances**

#### **Finding**

The Council salaries were not being paid as specified on the salary scale. Salaries for the month of January for all employees did not agree with the salary scale rates and no basis was provided as to how salaries for the month had been computed.

The salary scale used from February was provided, however, variances were noted on allowances as shown in the table below:

<b>Employment Number</b>	<b>Allowance</b>	<b>Amount Paid (\$)</b>	<b>Amount On Salary Scale (\$)</b>	<b>Variance (\$)</b>
1001	Entertainment	173,42	167,85	5,57
	Cell phone	123,42	118,48	4,94
1004	Entertainment	138,77	121,95	16,82
2015	Entertainment	138.77	121,95	16,82
3007	Cell phone	50,00	Not entitled to cell phone allowance according to grade	

<b>Employment Number</b>	<b>Allowance</b>	<b>Amount Paid (\$)</b>	<b>Amount On Salary Scale (\$)</b>	<b>Variance (\$)</b>
3009	Entertainment	110,50	Not entitled to this allowance according to grade	
	Mileage	50,00	Not entitled to this allowance according to grade	
3011	Entertainment	110,50	Not entitled to this allowance according to grade	
	Mileage	50,00	Not entitled to this allowance according to grade	

### **Risk / Implication**

Financial loss.

### **Recommendations**

The Council should investigate and regularise the anomaly.

### **Management response**

**The Council has noted the above and of late the same has been submitted to the Internal Audit for rectifications.**

## **2.2. Bank transfer schedules**

### **Finding**

The Council was not maintaining monthly net pay reconciliations to ensure accuracy of transfers. The Council also failed to avail bank transfer schedules for junior employees for the year under review. In addition, the executive payroll for some months were not availed.

### **Risk / Implication**

Financial loss due to fraud and errors.

### **Recommendation**

Monthly net pay reconciliations and bank transfer schedules should be maintained and filed accordingly.

**Management response**

**We are currently looking into the matter and all information will be made available to the auditors once the reconciliation has been done.**

# **RURAL DISTRICT COUNCILS**

## BIKITA RURAL DISTRICT COUNCIL 2016

I have audited the financial statements of Bikita Rural District Council for the year ended December 31, 2016. The following are material issues that were noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1. Bank reconciliations

##### **Finding**

There were several outstanding items that had not been cleared for several months. The following are examples of bank accounts with long outstanding reconciling items:

Account Name	Bank Balance (\$)	Cash book balance (\$)	Reconciling items (\$)
Conservation	97	312	215
Estates	3 930	11 825	7 895

##### **Risk / Implication**

Fraud and errors may not be detected in time.

##### **Recommendation**

Long outstanding reconciling items should be investigated and cleared.

##### **Management response**

**The introduction of plastic money and the use of swiping machines have resulted in more outstanding items as cash is usually swiped into another account and will have to wait for its transfer to be acknowledged in the other account.**

#### 1.2. Journals

##### **Finding**

The Council passed several journals during the year under review. I was not availed with these journals and supporting documentation for my audit. In addition, the Council did not maintain a journal register.

##### **Risk / Implication**

Unauthorized and fraudulent journals may be posted into the system.

Errors may go undetected.

**Recommendation**

All journals entries must be documented and approved before being posted into the system.

**Management response**

**A journal register is going to be in place and entries will be approved first before they are posted by the senior person as per audit observation effective June 2017.**

## **BINGA RURAL DISTRICT COUNCIL 2016**

I have audited the financial statements of Binga Rural District Council for the year ended December 31, 2016. The following material issue was noted during audit.

### **1. EMPLOYMENT COSTS**

#### **1.1. Employment cost ratios**

##### **Finding**

The payroll costs totalled \$792 404, consuming 79% of the Council's income of \$1 006 729 for the year. Payroll costs also constituted 68% of total expenditure of \$1 163 790. The Council was not adhering to the government policy of 30:70 costs to service delivery ratio.

##### **Risk / Implication**

Service delivery is compromised as most of the resources are channelled towards employment costs.

##### **Recommendation**

The Council should put in place measures to ensure that it achieves the required ratio.

##### **Management response**

**The Council will put in place measures to ensure that revenue collection is realized in full. By laws to enforce revenue collection has been crafted and are awaiting approval by the Minister. The Council is considering reducing the number of employees to cut employment costs and measures on this has since started.**

## **CHIKOMBA RURAL DISTRICT COUNCIL 2016**

I have audited the financial statements of Chikomba Rural District Council for the year ended December 31, 2016. The following material issue was noted during audit.

### **1. EMPLOYMENT COSTS**

#### **1.1. Taxable benefits**

##### **Finding**

I noted that school fees benefit for the Council's employees in grade eight (8) and above, as well as overtime allowances for all employees were not being taxed as per the requirements of the Income Tax Act [*Chapter 23:06*].

##### **Risk / Implication**

The Council may be penalised by the revenue authorities.

##### **Recommendation**

Management should ensure that all taxable benefits are subjected to income tax per requirements of the Income Tax Act [*Chapter 23:06*].

##### **Management response**

**Noted. PAYE will be deducted from the respective employees' allowances.**

## **GOKWE NORTH RURAL DISTRICT COUNCIL 2016**

I have audited the financial statements of Gokwe North Rural District Council for the year ended December 31, 2016. The following are material issues noted during the audit.

### **1. CORPORATE GOVERNANCE**

#### **1.1 Vacant posts**

##### **Finding**

The following key posts were vacant during the year under review:

- Engineer,
- Executive Officer Agriculture,
- Executive Officer Administration (this has been handled by the EO Social Services) and
- Internal Audit.

##### **Risk / implication**

Service delivery may be compromised.

##### **Recommendation**

The Council should ensure that these key positions are filled.

##### **Management response**

**Due to financial constraints, the Council will start with Internal Auditor. To minimize costs the Council has merged the EO Social department with the administration department and the two are to be headed by the EO Social Services. The other vacancies will be considered when cash flows improve.**

### **2. EMPLOYMENT COSTS**

#### **2.1 Payroll costs to service delivery ratio**

##### **Finding**

The total payroll costs of \$514 739 constitute 59.9% of the total expenses of \$858 656, exceeding the 30:70 payroll to service delivery recommended ratio.

##### **Risk / Implication**

Service delivery may be compromised.

## **Recommendation**

The Council should endeavour to achieve the 30:70 ratio as per ministerial directive.

## **Management response**

**The Finance Department cannot influence the conditions of services for the employees. However, we can indirectly recommend that the Council stop replacing employees who may have left employment except for critical posts.**

## **2.2 Remittance of statutory deductions**

### **Finding**

Statutory deductions were not remitted in a timely manner which led to an accumulation of outstanding balances. The situation resulted in ZIMRA garnishing the Council to the tune of \$113 000. For NSSA only two payments were made, in August (\$2 000) and September (\$2 000). The following were the outstanding balances as at December 31, 2016:

<b>Creditor</b>	<b>Amount (\$)</b>
PAYE	27 000
NSSA	29 000

### **Risk / implication**

Financial loss due to penalties and interests that may be levied by the respective authorities.

### **Recommendation**

Statutory deductions should be remitted in a timely manner.

### **Management response**

**We are working towards improving our revenue collection so that we may have enough funds to pay statutory deductions timeously.**

## **GOROMONZI RURAL DISTRICT COUNCIL 2017**

I have audited the financial statements of Goromonzi Rural District Council for the year ended December 31, 2017 and I issued an unmodified / clean opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of Goromonzi Rural District Council for the year ended December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

However, below are material issues noted during the audit.

## **1 REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY**

### **1.1. Revenue from A1, A2 and 0-10 Hectares**

#### **Finding**

The Council had not received revenue collected by the then Ministry of Lands and Rural Resettlement for the years 2016 and 2017 in relation to A1, A2 and 0-10 hectare plots.

#### **Risk / Implication**

Loss of revenue which may compromise service delivery.

#### **Recommendation**

Council should engage the Ministry of Lands with regards to remittance of the outstanding amounts.

#### **Management response**

**Council shall engage the Ministry of Lands with regards to 2017 land levies by May 31, 2018.**

## **2 PROCUREMENT OF GOODS AND SERVICES**

### **2.1. Vehicles repair costs**

#### **Finding**

The Council paid a total of \$2 002 for the repair of the District Administrator's (DA) vehicle. I was not availed with satisfactory explanations or reasons for the DA's office cost to be borne by the Rural District Council.

**Risk / Implication**

The expenditure may not be a proper charge to the Council.

**Recommendation**

The Council should engage the DA's Office to recover the expenses incurred.

**Management response**

**Council shall engage the District Administrator' office and map a way forward before 31 May 2018.**

**3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR ISSUES**

I reviewed the progress made towards the implementation of prior year recommendations and found that Goromonzi Rural district Council has made some progress. However, there was room for improvement in respect of the following recommendations:

**3.1. Refuse dumpsite****Recommendation**

Council should regularise the Juru dump site issue and comply with the requirements of the Environmental Management Agency guidelines.

**Progress made**

**There was still no dumpsite at Juru business centre. However, the Council had paid for the environmental impact assessment to Environmental Management Agency (EMA).**

## **HWEDZA RURAL DISTRICT COUNCIL 2016**

I have audited the financial statements of Hwedza Rural District Council for the year ended December 31, 2016. The following is a material issue noted during the audit.

### **1 SERVICE DELIVERY ISSUE**

#### **1.1. Health staff**

##### **Finding**

Hwedza district had a relatively high patient to doctor ratio, as evidenced by two (2) doctors serving an estimated population of 75 000.

##### **Risk / Implication**

Service delivery is compromised as health practitioners may be overwhelmed by the workload.

##### **Recommendation**

The Council should approach Ministry of Health and Child Care for additional staff (doctors and nurses).

##### **Management response**

**The Council has an arrangement with Ministry of Health to allocate them monthly fuel so that doctors service Council clinics hence improving access to doctors by patients in the district.**

## MATOBO RURAL DISTRICT COUNCIL 2016

I have audited the financial statements of Matobo Rural District Council for the year ended December 31, 2016. The following are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1. Statutory obligations

##### Finding

The Council was not remitting statutory obligations on time. As of December 31, 2016, the Council had outstanding statutory obligations amounting to \$516 769 as detailed below;

<b>AUTHORITY</b>	<b>AMOUNT (\$)</b>
NSSA	13 223
ZIMRA VAT	79 268
ZIMRA PAYE	108 907
ZIMDEF	3 612
NEC	17 220
PENSION	277 248
ZRDCWU	11 621
STANDARD DEVELOPMENT	6 480
<b>TOTAL</b>	<b>516 769</b>

##### Risk / Implication

Financial loss due to penalties and interest levied.

##### Recommendation

The Council should come up with payment plans with respective authorities.

##### Management response

**The revenue section collection strategy document is currently being used to try and make the clients realise the importance of paying Council dues.**

**Other strategies that are being implemented include door to door revenue collections, litigation and payment plans. For instance, payment plans have been entered into by and between Council and creditors such as ZIMRA, NSSA, ZIMDEF, ZRDCWU, ARDC etc.**

**There is also a resolution that requires management to streamline expenditure and concentrate on clearance of statutory obligations.**

## **MAZOWE RURAL DISTRICT COUNCIL 2016**

I have audited the financial statements of Mazowe Rural District Council for the year ended December 31, 2016. The following is a material issue noted during the audit.

### **1. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY**

#### **Engagement of debt collector**

##### **Finding**

The Council engaged a debt collector to assist it in the collection of outstanding amounts from ratepayers without proper due diligence. After more than a year of engagement, the debt collector failed to remit to the Council amounts collected from ratepayers. It was later discovered that the debt collector was of no fixed abode and could not be prosecuted.

##### **Risk / Implication**

Financial loss due to non-recovery of cash received from ratepayers by debt collectors.

##### **Recommendation**

Concerted effort should be made to locate the debt collector in order to recover the amounts collected.

The Council should exercise due diligence when engaging debt collectors.

##### **Management response**

**Noted.**

## MUTARE RURAL DISTRICT COUNCIL 2015

I have audited the financial statements of Mutare Rural District Council for the year ended December 31, 2015. The following are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.2 Councillors allowances

##### Finding

I noted that the Council was paying transport allowances that were above the Ministerial circular approved rates. No approval from the parent Ministry to pay allowances above the stipulated rates was availed. The table below compares the allowances paid and the allowances as per circular:

Councillor	Distance to/from Council (KMs)	Circular approved rate (\$)	Allowance paid (\$)
1	52	30	35
2	80	30	40
3	121	30	40
4	68	30	35
5	103	30	40
6	45	25	30

##### Risk / Implication

Financial loss due to unauthorised expenditure.

##### Recommendation

The Council should seek Ministerial approval to pay allowances above those stipulated.

##### Management Response

**The variances observed by Audit are noted. The adjustments were made to compensate Councillors who come from areas where transport costs are high due to their inaccessibility. We are taking steps to apply for Ministerial approval for these adjustments.**

## 2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

### 2.1 Stand sales

#### Finding

During the year under review some stands were sold to Councillors at a rate of \$1 per square meter which was below the resolved price of \$6 per square meter. This was in violation of Circular No. 1 of 2011(Ref CX/6/1) which stated that stands can only be sold to Councillors at a concessionary rate of 35-40% of the resolved value depending on the number of years a Councillor would have served.

Furthermore, I noted that the Council sold commercial stands at Chitakatira area at below the resolved prices. There was no other supporting documentation as to the basis for this allocation at the said price. The following table shows a sample of such:

Stand Number	Stand Size (m2)	Offer Price (\$)	Resolved Price (\$)	Variance (\$)	Value of prejudice to Council (\$)
288	180	2	6	4	720
289	180	2	6	4	720
325	360	2	6	4	1 440
328	360	2	6	4	1 440

#### Risk / Implication

Financial loss due to low charges on stand sales.

The Council is in violation of directives from the parent Ministry.

#### Recommendation

The Council should follow guidelines provided by the parent ministry in the administration of stands.

#### Management response

**The Councillor was originally allocated a stand and he built his house when the ruling price was a dollar per square meter, however Physical Planning Department realigned lay out plans resulting in the constructed house intruding in the next stand. The Council was left with two options one (1) to demolish the Councillor's house (built with Council approval) and compensate him then request him to rebuild at the right spot in the realigned stand, or (2) offer him the next stand at the price at which he had acquired the original stand, thus the house will therefore be at the centre of the double stand and would not necessitate demolition**

**and compensation. The Councillor was therefore offered the adjacent stand under option (1) above.**

**Regarding commercial stands sold below the \$6-00 price referred to above, this happened at the changeover period from the old price to the new price in respect of people who were holding offer letters at the old price but had not paid anything to the Council. We have engaged these people and informed them that owing to their delay in payment, prices had changed to \$6. We are pleased to report that all the people concerned have accepted to pay for the land at the new price of \$6 per square metre and signed acknowledgement of debts.**

## **2.2 Land Levy**

### **Finding**

The Council continued to bill land levy after the Ministerial Circular No. 3 of 2014 from Ministry of Local Government, Public Works and National Housing. The circular stated that both the unit tax and land rentals would be collected by the Ministry of Lands and Rural Resettlement at no cost to the Council and that two separate invoice books and receipt books were to be maintained for easy accountability of land rental and unit tax by the Ministry of Lands and Rural Resettlement.

For the period January to June 2015, the Council billed and collected land levy, and from July to December 2015 the Council billed but did not collect the levy as the Council left the collection to the Ministry of Lands and Rural Resettlement which was then supposed to remit the unit tax to the Council. However, on checking whether the Ministry remitted to the Council the unit tax collected, I noted that the Council did not receive anything in the period ending December 2015. The Council had accrued debtors which it had no control over.

### **Risk / Implication**

The Council is recognising income that it may not collect hence revenue may be overstated.

### **Recommendation**

The Council should engage the Ministry of Lands and Rural Resettlement to ensure that all unit tax collected on its behalf is remitted to the Council.

### **Management response**

**Audit observation is noted. We have made efforts to engage Ministry of Lands through ARDC and also through Ministry of Rural Development. To date we have received \$2 320 through these efforts.**

## **MUTOKO RURAL DISTRICT COUNCIL 2016**

I have audited the financial statements of Mutoko Rural District Council for the year ended December 31, 2016. The following material issue was noted during the audit.

### **1. EMPLOYMENT COSTS**

#### **1.1. Employment costs ratio**

##### **Finding**

Payroll costs totalled \$687 662, consuming 58% of the Council's income of \$1 187 654, for the year. Payroll costs also constituted 53% of total expenditure of \$1 294 538.

##### **Risk / implication**

Service delivery is compromised.

##### **Recommendation**

The Council should aim to achieve the employment to service delivery 30:70 ratio as directed by the Ministry.

##### **Management's response**

**The figure above includes contract workers who should fall under a separate project.**

## **SANYATI RURAL DISTRICT COUNCIL 2016**

I have audited the financial statements of Sanyati Rural District Council for the year ended December 31, 2016. The following are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1. Vacant Positions**

##### **Finding**

A review of the Council's organogram showed that a number of key posts within the Council were vacant. Amongst the vacant posts were the positions of Civil Engineer, Social and Community Services Officer and Building inspector.

##### **Risk / Implications**

Service delivery may be compromised.

##### **Recommendations**

The Council should consider filling in such crucial posts.

##### **Management Response**

**Due to the prevailing economic challenges, employment of additional staff may result in the Council moving away from any realistic chances of meeting the employment to service delivery (30:70) ratio. As a Council however, we are considering carrying out a job evaluation exercise paving way for a restructuring exercise. The job evaluation exercise will assist greatly in determining the key positions that the Council should fill in light of the financial situation.**

#### **1.2. Sale of Stands to Staff**

##### **Finding**

The Council sold stands to staff at 40% of the cost price in line with Council resolution CR/19/2010. For taxation purposes a taxable benefit arises as a result of such a transaction with the benefit being the difference between the market price of the stand and the discounted price. However, during the year under review no taxable benefits were accrued to all staff who were allocated stands in the period.

##### **Risk / Implication**

Non-taxation of such benefits is a violation of the Income Tax Act [*Chapter 23:06*] and the Council will be subject to penalties from tax authorities.

## **Recommendation**

The above-mentioned benefit must be taxed accordingly and the taxes remitted to ZIMRA.

## **Management Response**

**The resolution allowing Councillors to acquire residential stands was done on the basis of a Ministerial circular which at the time granted authority to the Councils to allow sitting Councillors' access to stands at concessionary rates.**

**The Council as the employer, made a resolution to offer favourable conditions to employees where they acquire stands at a concessionary rate. This is a retention strategy by the Council and is in line with industry practice.**

**The aspect of taxation of benefits is noted and will be implemented for new allocations.**

## **2. PROCUREMENT OF GOODS AND SERVICES**

### **2.1. Procurement procedures**

#### **Finding**

The Council purchased several non-locally assembled vehicles without seeking Cabinet approval. This is in violation of Cabinet Circular No. 16 of 2011 which states that “with effect from 1 November 2011 all vehicles purchased by Government and by other public institutions shall be procured from the local vehicle assembly plants” unless a clearance by the Office of the President and Cabinet has been obtained. The table below shows the vehicles bought during the year under review without complying with the regulations;

<b>Vehicle</b>	<b>Supplier</b>	<b>Cost (\$)</b>
Isuzu 4*2 double cab	Paza Buster	55 750
Nissan NP300	AMC Nissan	32 500
Nissan NP300	Croco Motors	34 460

Furthermore, the Council charged tender fees of \$50 for tenders mv1/2016, mv2/2016 and mv3/2016 which is \$40 above the stipulated \$10.

#### **Risk / Implication**

The Council is in violation of laid down guidelines from the Cabinet.

## Recommendation

The Council should follow the guidelines prescribed by the government in relation to procurement of vehicles.

## Management Response

**The Council charged \$50 as tender fees so as to recoup the expenses incurred in the procurement process. For procurement of vehicles that are not locally assembled but suitable for our rough terrain, Cabinet approval will be sought.**

## 2.2. PAYE on terminal benefits

### Finding

I noted that terminal benefits worth \$16 095 were processed outside the payroll. PAYE amounting to \$2 727 was not deducted from terminal benefits. Table 1 below gives the breakdown of the PAYE.

### PAYE on terminal benefits

Beneficiary	Terminal Benefits (\$)	PAYE (\$)
1	2 530	491
2	2 697	387
3	5 312	754
4	3 910	929
5	1 646	166
<b>Total</b>	<b>16 095</b>	<b>2 727</b>

### Risk / Implication

Financial loss due to penalties and fines.

### Recommendation

The Council should comply with income tax laws.

### Management response

**The Council has taken note of the recommendation and will commence taxation of terminal benefits forthwith. Applications for tax directives on terminal benefits will be made to ZIMRA as and when necessary.**

### **2.3. Water meters**

#### **Findings**

Enquiries with the Township Superintendent indicated that 199 properties out of a total of 557 did not have functional water meters at the date of the audit. (November 2017)

#### **Risk / Implication**

Loss of revenue from unmetered water.

#### **Recommendation**

The Council should ensure that all non-functional meters are replaced.

#### **Management response**

**The Council procured 70 domestic water meters in April 2017, to date 38 meters have been installed in Sanyati Growth Point. The program is continuing until all the procured meters are installed. In the medium - long term, the Council is considering prepaid meters.**

## **TSHOLOTSHO RURAL DISTRICT COUNCIL 2016**

I have audited the financial statements of Tsholotsho Rural District Council for the year ended December 31, 2016. The following are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1. Disaster recovery plan**

##### **Finding**

The Council did not have a disaster recovery plan. The Council was not maintaining back up for its accounting and administrative information.

##### **Risk / Implication**

Loss of the Council's information in the event of a disaster.

##### **Recommendation**

Management should develop a disaster recovery plan and communicate it to all employees.

##### **Management response**

**Noted.**

### **2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY**

#### **2.1. Council properties and communal land leases**

##### **Finding**

I noted that most of the Council properties and communal land leases had expired.

##### **Risk / Implication**

The Council may have no recourse in the event of dispute.

##### **Recommendation**

Lease agreements should be up to date.

##### **Management response**

**The process of renewing the leases was started. Leases will be renewed as operators come to renew their licenses.**

**APPENDIX “A”****AUDITS IN PROGRESS OR BEING FINALISED AS AT MAY 31, 2018**

<b>Name of Local Authority</b>	<b>Year</b>
<b>CITY COUNCILS</b>	
1. Bulawayo City Council	2013-2015
2. Gweru City Council	2014
3. Harare City Council	2017
4. Kwekwe City Council	2016
5. Masvingo City Council	2015
6. Mutare City Council	2014
<b>MUNICIPAL COUNCILS</b>	
7. Bindura Municipal Council	2017
8. Chegutu Municipal Council	2015
9. Chinhoyi Municipal Council	2016
10. Chitungwiza Municipal Council	2015
11. Redcliff Municipal Council	2014
12. Victoria Falls Municipal Council	2016
<b>TOWN COUNCILS</b>	
13. Beitbridge Town Council	2017
14. Chipinge Town Council	2016
15. Chiredzi Town Council	2015
16. Gokwe Town Council	2016
17. Karoi Town Council	2016
18. Norton Town Council	2017
19. Rusape Town Council	2017
20. Zvishavane Town Council	2015-2016
<b>LOCAL BOARDS</b>	
21. Chirundu Local Board	2016-2017
22. Epworth Local Board	2017
23. Hwange Local Board	2015
24. Lupane Local Board	2016
25. Ruwa Local Board	2012-2013
<b>RURAL DISTRICT COUNCILS</b>	
26. Beitbridge Rural District Council	2017
27. Bikita Rural District Council	2016
28. Bindura Rural District Council	2017
29. Binga Rural District Council	2017
30. Chegutu Rural District Council	2017
31. Chipinge Rural District Council	2017
32. Chirumanzu Rural District Council	2016
33. Chivi Rural District Council	2017
34. Gokwe North Rural District Council	2017
35. Guruve Rural District Council	2016
36. Gutu Rural District Council	2017
37. Hurungwe Rural District Council	2017

<b>Name of Local Authority</b>	<b>Year</b>
38. Hwedza Rural District Council	2017
39. Makonde Rural District Council	2017
40. Mangwe Rural District Council	2017
41. Manyame Rural District Council	2017
42. Mhondoro-Ngezi Rural District Council	2015
43. Mudzi Rural District Council	2016
44. Murewa Rural District Council	2017
45. Mutare Rural District Council	2016
46. Mutasa Rural District Council	2017
47. Mutoko Rural District Council	2017
48. Nkayi Rural District Council	2017
49. Nyanga Rural District Council	2017
50. Runde Rural District Council	2016
51. Tongogara Rural District Council	2017
52. Tsholotsho Rural District Council	2017
53. UMP Zvataida Rural District Council	2017

**APPENDIX “B”****ACCOUNTS NOT YET SUBMITTED FOR AUDIT AS AT MAY 31, 2018**

<b>Name of Local Authority</b>	<b>Year</b>
<b>CITY COUNCILS</b>	
1. Bulawayo City Council	2016-2017
2. Gweru City Council	2015-2017
3. Kadoma City Council	2015-2017
4. Kwekwe City Council	2017
5. Masvingo City Council	2016-2017
6. Mutare City Council	2015-2017
<b>MUNICIPAL COUNCILS</b>	
7. Chegutu Municipal Council	2016-2017
8. Chinhoyi Municipal Council	2016-2017
9. Chitungwiza Municipal Council	2016-2017
10. Gwanda Municipal Council	2017
11. Kariba Municipal Council	2017
12. Marondera Municipal Council	2016-2017
13. Redcliff Municipal Council	2015-2017
14. Victoria Falls Municipal Council	2017
<b>TOWN COUNCILS</b>	
15. Beitbridge Town Council	2017
16. Chipinge Town Council	2017
17. Chiredzi Town Council	2016-2017
18. Gokwe Town Council	2016-2017
19. Karoi Town Council	2017
20. Mvurwi Town Council	2017
21. Plumtree Town Council	2017
22. Shurugwi Town Council	2015-2017
23. Zvishavane Town Council	2017
<b>LOCAL BOARDS</b>	
24. Chirundu Local Board	2017
25. Epworth Local Board	2017
26. Hwange Local Board	2016-2017
27. Lupane Local Board	2017
28. Ruwa Local Board	2014-2017
<b>RURAL DISTRICT COUNCILS</b>	
29. Beitbridge Rural District Council	2017
30. Bikita Rural District Council	2017
31. Bindura Rural District Council	2017
32. Bubi Rural District Council	2016-2017
33. Buhera Rural District Council	2017
34. Bulilima Rural District Council	2017
35. Chaminuka Rural District Council	2017
36. Chegutu Rural District Council	2017
37. Chikomba Rural District Council	2017

<b>Name of Local Authority</b>	<b>Year</b>
38. Chimanimani Rural District Council	2017
39. Chipinge Rural District Council	2017
40. Chiredzi Rural District Council	2017
41. Chirumanzu Rural District Council	2017
42. Chivi Rural District Council	2017
43. Gokwe South Rural District Council	2017
44. Guruve Rural District Council	2017
45. Gutu Rural District Council	2017
46. Gwanda Rural District Council	2017
47. Hwange Rural District Council	2016-2017
48. Insiza Rural District Council	2017
49. Kusile Rural District Council	2014-2017
50. Makoni Rural District Council	2017
51. Mangwe Rural District Council	2017
52. Marondera Rural District Council	2017
53. Masvingo Rural District Council	2017
54. Matobo Rural District Council	2017
55. Mazowe Rural District Council	2017
56. Mberengwa Rural District Council	2017
57. Mbire Rural District Council	2016-2017
58. Mhondoro-Ngezi Rural District Council	2016-2017
59. Mudzi Rural District Council	2017
60. Mutare Rural District Council	2017
61. Muzarabani Rural District Council	2017
62. Mwenezi Rural District Council	2017
63. Nyaminyami Rural District Council	2015-2017
64. Pfura Rural District Council	2017
65. Runde Rural District Council	2017
66. Rushinga Rural District Council	2017
67. Sanyati Rural District Council	2017
68. Umguza Rural District Council	2017
69. Umzingwane Rural District Council	2017
70. Vungu Rural District Council	2017
71. Zaka Rural District Council	2017
72. Zvimba Rural District Council	2017
73. Zibagwe Rural District Council	2017