



**REPORT**  
**of the**  
**Auditor-General**  
**for the**  
**FINANCIAL YEAR ENDED DECEMBER 31, 2017**  
**ON**  
**STATE ENTERPRISES AND PARASTATALS**

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*Presented to Parliament of Zimbabwe: 2018*

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**Office of the Auditor-General of Zimbabwe**  
5th 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 State Enterprises and Parastatals 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,  
**AUDITOR-GENERAL.**

HARARE  
June 12, 2018.

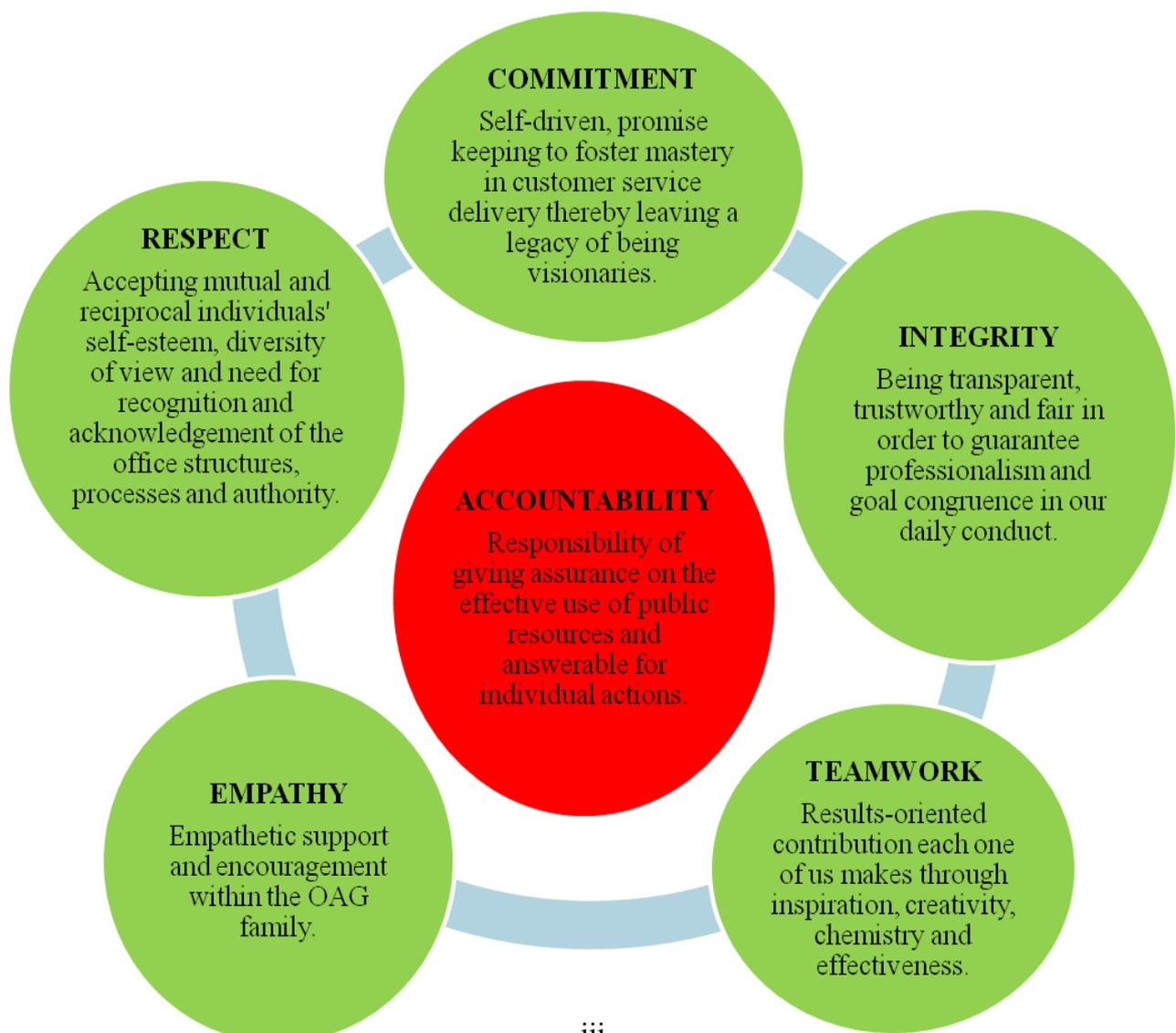


## OAG Vision

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



## **LIST OF ACRONYMS**

1. AMA-Agricultural Marketing Authority
2. BUSE-Bindura University of Science Education
3. CAAZ- Civil Aviation Authority of Zimbabwe
4. CUT-Chinhoyi University of Technology
5. GMB- Grain Marketing Board
6. HIT-Harare Institute of Technology
7. IFRS- International Financial Reporting Standards
8. ISA- International Standards on Auditing
9. ISSAI- International Standards on Supreme Audit Institutions
10. MCAZ-Medicines Control Authority of Zimbabwe
11. MMCZ- Minerals Marketing Corporation of Zimbabwe
12. MSU-Midlands State University
13. NOIC- National Oil Infrastructure Company of Zimbabwe
14. NAC- National AIDS Council
15. NRZ- National Railways of Zimbabwe
16. NSSA- National Social Security Authority
17. NUST-National University of Science Education
18. OAG- Office of the Auditor General
19. PAYE-Pay As You Earn
20. POSB- People's Own Savings Bank
21. POTRAZ- Postal and Telecommunication Regulatory Authority of Zimbabwe
22. RBZ- Reserve Bank of Zimbabwe
23. RIB-Removal in Bond
24. RIT- Removal in Transit

25. SAP- Systems, Applications, Products in Data Processing.
26. SMEDCO-Small and Medium Enterprises Development Corporation
27. SPB- State Procurement Board
28. TIMB- Tobacco Industry and Marketing Board
29. TIP- Temporary Import Permit
30. VAT- Value Added Tax
31. ZBC-Zimbabwe Broadcasting Corporation
32. ZCDC-Zimbabwe Consolidated Diamond Company
33. ZENT-ZESA Enterprises (Private) Limited
34. ZETDC-Zimbabwe Electricity Transmission and Distribution Company
35. ZIA- Zimbabwe Investment Authority
36. ZIMCHE-Zimbabwe Council for Higher Education
37. ZIMPOST- Zimbabwe Posts (Private) Limited
38. ZIMRA- Zimbabwe Revenue Authority
39. ZIMSEC-Zimbabwe Schools Examinations Council
40. ZIMSTATS- Zimbabwe National Statistics Agency
41. ZINARA- Zimbabwe National Roads Administration
42. ZIPAM-Zimbabwe Institute of Public Administration and Management
43. ZPC-Zimbabwe Power Company

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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 institutions and agencies of government, 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 the International Standards on Supreme Audit Institutions (ISSAIs) and the International Standards on Auditing (ISAs). These 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 misstatement. My audit approach was designed to enable me to express an opinion on the State Enterprises and Parastatals' financial statements for the year ended December 31, 2017.

All aspects of the entities' activities and procedures may not have been examined. I consider maintenance of adequate internal controls to be the responsibility of 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 of misstatements.

### **Financial reporting framework**

All the State Enterprises and Parastatals financial statements are prepared in accordance with International Financial Reporting Standards as provided for by the Public Finance Management Act [*Chapter 22:19*]. The entities are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs).

The report outlines material audit findings noted during the audits of the financial statements of the State Enterprises and Parastatals. The audit findings are classified under:

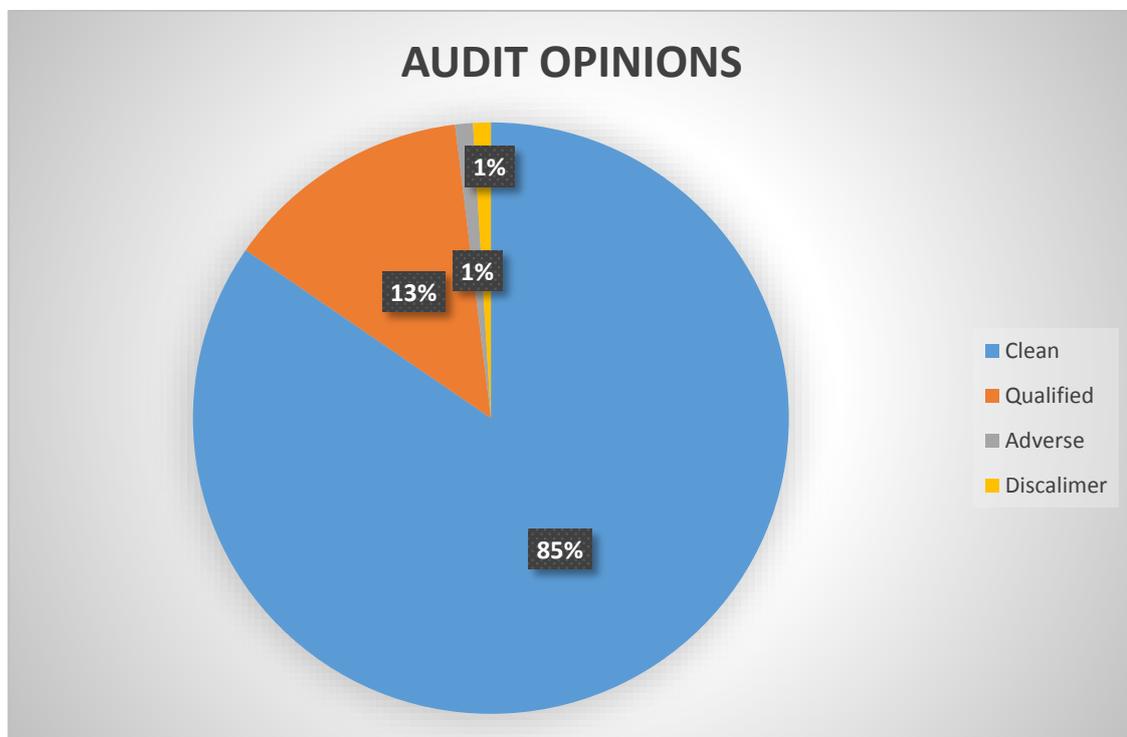
1. Governance Issues,
2. Revenue Collection, Management and Debt Recovery,

3. Procurement of Goods and Services, and
4. 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, audit comments to management responses where necessary. I also made a follow up on my prior year recommendations and reported on the progress made in addressing the prior year findings.

Although some of the issues identified are common within the audited entities, the majority of the findings are not the same due to the nature, uniqueness and varying mandates of the entities.

The opinions issued in my audits covered are shown in the pie chart below;



## 1. GOVERNANCE ISSUES

Whilst there has been a general improvement in the area of corporate governance in the public sector, some extreme cases of weak corporate governance practices were noted.

My audit revealed entities which are facing challenges in providing services sustainably. I reported twenty- three (23) of such cases and these include ZESA Holdings and its subsidiaries, GMB, NRZ, Air Zimbabwe (Private) Limited, ZIMPARKS, ZIPAM, ZIMPOST, Allied Timbers and NUST among others.

MMCZ, the Government's strategic mineral marketer had been operating without a General Manager for the past six (6) years. This was also the case with Petrotrade which

has operated for four (4) years without a substantive Chief Executive Officer. Agricultural Marketing Authority did not have a Chief Executive Officer since May 2017.

Accountability issues have continued to affect the country's airline, Air Zimbabwe (Private) Limited. Its most recent audited financial statements relate to the 2010 financial year. Air Zimbabwe had sixteen (16) issues that led to a disclaimer of opinion. Among the issues noted was the entity's inability to provide supporting documentation for transactions entered into. Of concern were unsubstantiated debit and credit entries amounting to \$213 million and \$168 million respectively. The financial statements also included a suspense account of \$22 million and the entity could not provide supporting documents for expenditure amounting to \$17 million.

My audit revealed entities whose boards increased their allowances without approval from the parent Ministries. Such boards included NOIC, ZBC, MSU and Competition and Tariff Commission.

I also noted weak internal controls over cash and banking. NOIC Feruka depot was using the assistant depot manager's personal bank account for administering cash transactions for the company. The same obtained for ZINARA which was disbursing cash to provinces through employees' personal bank accounts. Bulawayo School of Hospitality and Tourism had cash receipts which were not banked and could not be accounted for. The School also could not account for \$9 100 cash given to officers for procurement of goods and services.

Remittance of statutory and other obligations such as NSSA, medical aid and pensions has continued to be an issue in my reports. The notable cases were Printflow (\$2 309 745), Zimbabwe Institute of Public Administration and Management (\$810 758), Forestry Commission (\$1 408 960), Powertel Communications (Private) Limited (904 564) and Zimbabwe Power Company (\$666 197). CMED (Private) Limited did not remit maintenance garnish orders amounting to \$26 868 to the detriment of the welfare of the concerned children.

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

Lack of due diligence when procuring goods and services has resulted in cases of payments being made without subsequent delivery of goods and services. Notable cases related to ZETDC, which made prepayments to two related suppliers. The first supplier was paid \$350 078 but did not deliver. The company engaged a second supplier and paid \$1 413 960, who again did not deliver. Another case involved Zimbabwe Power Company which paid \$3 632 069 for the Gwanda solar project in respect of pre-commencement works between January and June 2016. The extent of non-performance exposed the Company to a potential loss of \$2 300 000. CAAZ paid \$419 677 in 2015 for the supply of furniture, however, furniture worth \$391 063 had not been delivered.

### **3. IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATIONS**

There has been a significant improvement in the implementation of prior year audit recommendations by some entities. I acknowledge the role of the Treasury unit and the effort that it has placed in also following up on issues I will have raised and the related recommendations. However, some entities were lagging in implementing the recommendations. Notable examples include;

ZINARA, for the past 5 years, has not managed to keep its expenditure to a maximum of 2.5 % of its revenue as required by section 15(d) of the Roads Act [*Chapter 13:18*].

The conclusion and signing process of the ZIMPARKS' concession agreements was still outstanding. This position has been obtaining for the past 2 years.

Petrotrade and MMCZ had not yet appointed a substantive Chief Executive Officer and General Manager respectively.

### **4. CONCLUSION**

The audit findings warrant the attention of management and those charged with governance. The audit revealed that most of the weaknesses emanated from governance and procurement issues. Most governance issues centered on absence of good stewardship over public resources. It is therefore imperative that State Enterprises and Parastatals embrace provisions of the new Public Entities Corporate Governance Act [*Chapter 10:31*] and incorporate these into their existing structures and processes. I envisage a situation where the performance of State Enterprises and Parastatals will greatly improve if my recommendations and provisions of the said act are implemented.

### **5. ACKNOWLEDGEMENTS**

I wish to pay special tribute to the audit firms 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.

**PUBLIC ENTITIES UNDER THE CATEGORY OF  
AUTHORITIES AND AGENCIES**

## **AGRICULTURAL MARKETING AUTHORITY (AMA) 2017**

### **Background information**

Agricultural Marketing Authority (AMA) was established in terms of the AMA Act [Chapter 18:24] with a mandate to regulate the participation in production, buying and processing of agricultural products in Zimbabwe. Its key functions include promoting contract farming, promoting orderly marketing and fair pricing of agricultural products, borrowing and lending to marketing authorities and regulating buying and selling of agricultural products.

I have audited the financial statements of Agricultural Marketing Authority for the year ended December 31, 2017 and I issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1. Key vacant posts**

##### **Finding**

I noted that the Authority did not have a Finance and Administration Director and a Chief Executive Officer. The Director for Marketing and Economic Research has been the Acting Chief Executive Officer from May 2017 to date. The former Finance and Administration Director left the Authority in April 2016 and no replacement has been made.

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

Decision making by those in acting positions may be limited to short term periods.

##### **Recommendation**

The Authority should ensure that key vacant posts are filled.

##### **Management response**

**Work is in progress to recruit the Finance and Administration Director and Chief Executive officer.**

## **CIVIL AVIATION AUTHORITY OF ZIMBABWE (CAAZ) 2017**

### **Background information**

Civil Aviation Authority of Zimbabwe was incorporated in terms of the Civil Aviation Act [*Chapter 13:16*]. The Authority was established to promote the safe, regular and efficient use and development of aviation inside and outside Zimbabwe and to advise the Government on all matters relating to domestic and international civil aviation.

I have audited the financial statements of Civil Aviation Authority of Zimbabwe for the year ended December 31, 2017 and I issued an unmodified / clean opinion with a going concern uncertainty paragraph.

### **Material Uncertainty Related to Going Concern**

I draw your attention to the fact that the Authority did not service overdue long term foreign loans amounting to \$165 464 664 and domestic loans amounting to \$100 804 250 during the year ended December 31, 2017 and, as of that date, the Authority's current liabilities exceeded its current assets by \$207 756 363. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Authority's ability to continue as a going concern.

However, below are material issues noted during the audit.

#### **1. GOVERNANCE ISSUES**

##### **1.1 Board allowances**

###### **Finding**

The Authority purchased cellphones for board members worth \$6 265 without approval from the parent Ministry.

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

Objectivity of board members may be compromised.

The Authority incurred unauthorized expenditure.

###### **Recommendation**

All benefits to non-executive directors should be approved by the parent Ministry.

###### **Management response**

**The audit observation is noted. The cellphones were issued to the Board members to facilitate communication on CAAZ business. Ministerial approval will be sought to ratify the transaction.**

## 1.2 Procurement of furniture JM Nkomo Airport

### Finding

I noted that the Authority entered into a contract with Creative Systems for the supply of furniture to the value of \$419 677 in 2015. Whilst the full contract amount was paid, furniture to the value of \$28 614 had been delivered leaving an outstanding balance of \$391 063. This has been outstanding since 2016.

### Risk / Implication

Financial loss due to non-delivery of goods.

### Recommendation

The Authority should follow up on the outstanding furniture.

### Management response

**Creative Systems, the supplier of furniture for the JM Nkomo International Airport Terminal project, has been engaged and has started supplying the furniture in batches. The latest delivery was made on the 9<sup>th</sup> of April 2018. The Authority will follow up on the outstanding furniture to ensure full supply by 31 July 2018.**

## 2. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

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

### 2.1 Board allowances

#### Recommendation

All benefits and allowances should be processed through the payroll and subjected to PAYE in line with the Income Tax Act [*Chapter 23:06*].

#### Progress made

**The issue has not been resolved as the Board's interpretation of the Income Tax differs with the Auditor's interpretation. The Board has since directed the Authority to engage a tax consultant for professional advice.**

### 2.2 Deemed benefits

#### Recommendation

Management should ensure that all employee benefits and allowances are taxed in accordance with the legislation.

## **Progress made**

**The Authority has continued to charge the employee a rental fee in line with rates approved for members staying in airport villages. The Authority has continued to rent additional accommodation for staff in Victoria Falls and is charging the affected members approved rentals charged on staff provided with houses in the Authority's airport villages. The Authority's policy is that if members are transferred to other centers except for Bulawayo and Harare they are provided with accommodation. This concept is even practised in Government and other parastatals. The Authority is currently mobilizing resources to develop the stand acquired for residential accommodation. This will result in the reduction of the number of rented accommodation.**

## ZIMBABWE INVESTMENT AUTHORITY (ZIA) 2016

### Background information

The Authority was incorporated in terms of the Zimbabwe Investment Authority Act [*Chapter 14:30*] of 2006. ZIA is an institution born out of the merger of the Export Processing Zone and the Zimbabwe Investment Centre. The Authority is the country's investment promotion body set up to promote and facilitate both foreign direct investment and local investment.

I have audited the financial statements of Zimbabwe Investment Authority (ZIA) for the year ended December 31, 2016 and I issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1 Board meetings

##### Finding

The Authority's board of directors held only three board meetings during the period under review. This constitutes a departure from the Zimbabwe Investment Authority Act [*Chapter 14:30*], third schedule, paragraph six (6), which requires the board to meet at least six times per year.

##### Risk / Implication

Inadequate time may be devoted to the governance of the Authority, resulting in suboptimal decisions which may adversely affect the operations of the Authority.

##### Recommendation

At least six board meetings should be held annually in compliance with the Zimbabwe Investment Authority's enabling Act.

##### Management response

**The board's term of office had since expired and on a number of times extended and a number of board members now had other commitments. When meetings were being called up, they could not constitute a quorum.**

#### 1.2 Internal audit function

##### Finding

I established that the Authority did not have an internal audit function. As a result, there was no periodic monitoring of internal controls by an independent party.

**Risk / Implication**

Internal control weaknesses may not be detected and corrected in time, resulting in failure to achieve the Authority's objectives.

**Recommendation**

The Authority should establish the internal audit department or alternatively outsource the services of internal auditors to monitor the effectiveness of the controls in place and identify areas of improvement which may be required.

**Management response**

**Noted and it has been on the cards but cash flow challenges – not allowing the organisation to hire one.**

**1.3 Lease agreements on leased out properties****Finding**

The Zimbabwe Revenue Authority (ZIMRA) which occupied ZIA's Beitbridge warehouse has not paid rentals for more than 2 years. In addition, there was no lease agreement between the two authorities.

**Risk / Implication**

Potential loss of revenue by ZIA.

**Recommendation**

The Authority should have a lease agreement with ZIMRA and enforce collection of rentals.

**Management response**

**The issue is under discussion with the Commissioner General- ZIMRA. We hope they will honour their obligations.**

## ZIMBABWE NATIONAL STATISTICS AGENCY (ZIMSTATS) 2014, 2015, 2016

### Background information

The Zimbabwe National Statistics Agency was established in terms of the Census and Statistics Act, [*Chapter 10:29*], to collect, collate, process, analyse and disseminate statistical information for the government and other stakeholders to make informed decisions. The Agency started operating as a standalone public entity on January 1, 2010. Prior to that, the Agency was a department in the Ministry of Finance.

I have audited the financial statements of the Zimbabwe National Statistics Agency for the years ended December 31, 2014, 2015 and 2016 and I issued a qualified opinion in 2014 and unmodified / clean opinions in 2015 and 2016.

### Qualified Opinion 2014

In my opinion, except for the possible effects of matters described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Zimbabwe National Statistics Agency as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Qualified Opinion 2014

#### Population census payables

I could not satisfy myself of the accuracy and completeness of payables opening balance disclosed in the financial statements for population census amounting to \$1 898 294. Population census payables which consisted of field allowances, food, and accommodation and training expenses were based on the number of population census participants. The Agency did not avail adequate evidence such as attendance registers for the 40 438 individuals who had participated in the census conducted during the year ended December 31, 2012. I was therefore unable to carry out alternative procedures to verify the accuracy and completeness of accounts payable.

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

#### 1. GOVERNANCE ISSUES

##### 1.1 Fuel registers for Central Business Registration

#### Finding

The Agency did not maintain a fuel register for the Central Business Registration programme. There were no schedules to account for receipts and issues of fuel.

Furthermore, programme fuel reconciliations were not being done. The fuel disbursed in the year 2013 and 2014 amounted to \$87 249 and \$38 133 respectively. I was unable to satisfy myself that fuel expenditure disclosed was a proper charge to the Agency.

**Risk / Implication**

Fraud and errors may go undetected.

**Recommendation**

Management should ensure that a fuel register is maintained. Programme fuel reconciliations should be done.

**Management response**

**Noted.**

**In future a proper register will be maintained to avoid the risk mentioned. Reconciliations will also be done as noted. At the present moment, all fuel to provinces and supervision of staff is being managed by administration.**

## ZIMBABWE NATIONAL ROAD ADMINISTRATION (ZINARA) 2016

### Background information

The Zimbabwe National Road Administration was established in 2001 by the Roads Act [*Chapter 13:18*] to administer the fixing, collection, management and disbursement of road funds. The Fund consists of road user charges collected. The funds are disbursed to Local Authorities, Department of Roads and District Development Fund for the purpose of road maintenance, rehabilitation and construction.

I have audited the financial statements of Zimbabwe National Road Administration for the year ended December 31, 2016 and I issued a qualified opinion.

### Qualified Opinion on the Consolidated Financial Statements

In my opinion, except for the possible effects of matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Zimbabwe National Road Administration and its subsidiary, Infralink (Private) Limited as at December 31, 2016, and the consolidated financial performance and the consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for Qualified Opinion

- i) The Road Administration was recognising revenue from vehicle licencing in the period in which the cash was received. As a result, vehicle licencing amounts received in advance were being treated as revenue for the current period despite the fact that they related to a future period. The vehicle licencing system was not configured to split amounts for current period and payments for future periods. Failure to recognise revenue in the appropriate accounting period and to carry out cut off procedures in contravention of International Financial Reporting Standards resulted in vehicle licencing revenue and receivables being materially misstated.
- ii) Infralink (Private) Limited received a garnishee order for understated Income Tax and Value Added Tax (VAT) of \$46 977 476 in the prior year. Management did not accrue for these amounts because they contend that the tax status of the company is still to be established. The effect of non-accrual of these tax obligations is an overstatement of retained earnings by \$46 977 476 and an understatement of \$46 977 476 in trade and other payables.

### Report on Other Legal and Regulatory Requirements

In my opinion, the consolidated financial statements of the Zimbabwe National Road Administration and its subsidiary have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Roads Act [*Chapter 13:18*] and other relevant Statutory Instruments except for Section 15(d) of the Roads Act which states that the Administration shall use the Road Fund in meeting any salaries, allowances and other expenses of the Road Administration provided that expenditure of this purpose shall not

exceed two point five per centum of the revenue of the Road Fund in any financial year. ZINARA utilised 10% which is 7.5% above the percentage specified in the Roads Act.

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

## **1. GOVERNANCE ISSUES**

### **1.1 Compliance with the Roads Act**

#### **Finding**

The expenditure incurred by the Road Administration for salaries, allowances and administration expenses amounted to 10% of revenue for the year ended December 31, 2016. This expenditure exceeded the 2.5% of revenue by 7.5% contrary to the requirement of section 15(d) of the Roads Act [*Chapter 13:18*] which states that the Administration shall use the Road Fund in meeting any salaries, allowances and other expenses of the Road Administration provided that expenditure of this purpose shall not exceed two point five per centum (2.5%) of the revenue of the fund in any financial year.

#### **Risk / Implication**

Non-compliance with statutory regulations.

Service delivery of the Road Fund may be compromised.

#### **Recommendation**

The Road Administration should comply with the requirements of the Roads Act [*Chapter 13:18*].

#### **Management response**

##### **Observation Noted.**

**The analysis of expenditure that constitute administration expenses needs to be analysed by its nature as cost of revenue generation is currently being considered as administration costs. Reconstitution of costs such as those relating to vehicle licencing, tolling and blitz enforcements was considered in 2017 so that they are classified correctly to revenue generation category. The examination by the auditor has considered salaries of these operational activities as part of 2.5% administration expense in which ZINARA is of the opinion that reconsideration needs to be done for them to be considered as operational costs.**

#### *Auditor's comments*

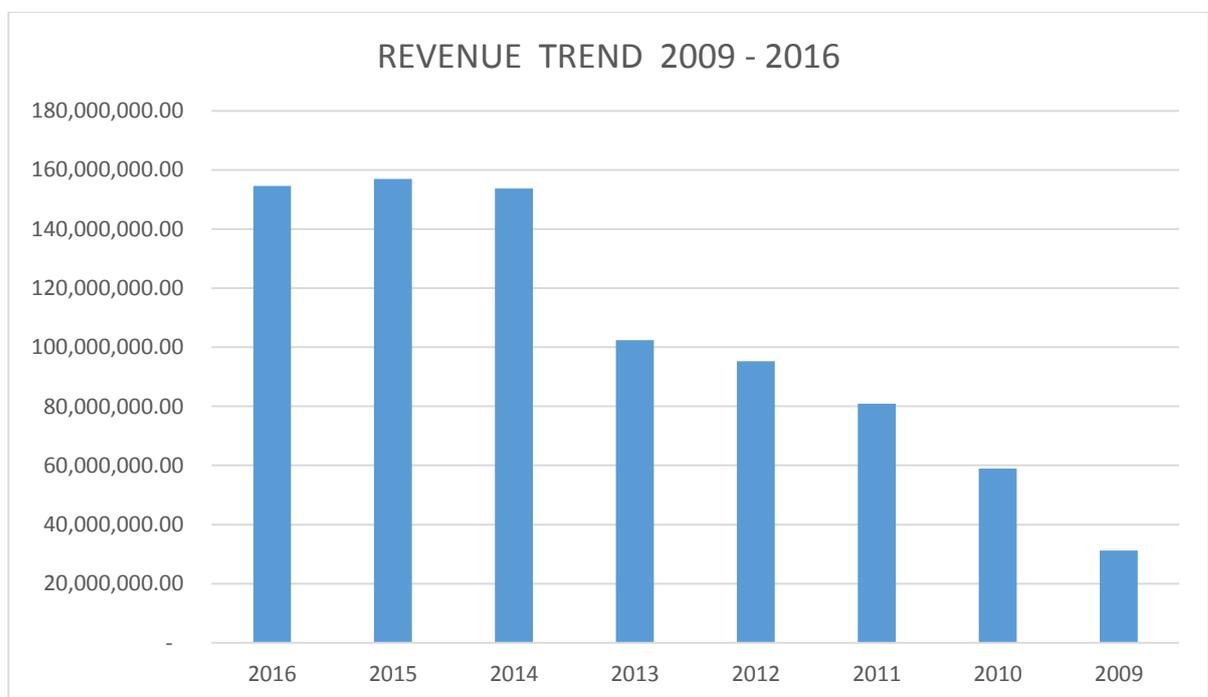
*In the Roads Act [Chapter 13:18] there is no distinction between costs for licencing, tolling and any other expenses.*

## 1.2 Revenue recognition

### Finding

The Road Administration did not have a revenue recognition model for vehicle licencing. As a result, vehicle licencing amounts received in advance were being treated as revenue for the current period despite the fact that they relate to a future period. The vehicle licencing system was not configured to split amounts for current period and payments for future periods. Furthermore, revenue and expenses for the administration were not being matched as revenue was being accounted for on a cash basis and expenses were being accounted for on an accrual basis thereby not matching revenue and expenses as required by the matching concept. As a result, the financial statements do not comply with International Financial Reporting Standards.

The trend in revenue being collected by the administration from 2009 – 2016 is depicted by the graph below.



*Source: Financial Statements*

### Risk / Implication

Non-compliance with International Financial Reporting Standards (IFRSs).

Financial statements may be materially misstated.

### Recommendation

Revenue should be recognised on an accrual basis and cut off procedures be applied to comply with IFRSs.

## Management response

**Observation noted.** Management is aware of the standard requirement that requires revenue to be recognised on accrual basis. However, as previously narrated the accrual basis entails ZINARA recognising revenue for all unlicensed vehicle by creating a debtor to be offset when the client later on came for renewal. Most vehicles in ZINARA database have either been involved in accident (write offs) or are duplicate transactions, hence using the recommended way will result in revenue being materially overstated.

Despite the above challenges, efforts are being made to ensure that the development of the system will incorporate an income statement that spread vehicle licensing in the actual month paid as illustrated below. A request has already been made to the system developer.

Vehicle registration	Amount	Jan	Feb	March	April	May	June
AAX1112	20	5	5	5	5		
AAV1113	30	5	5	5	5	5	5

Twenty dollars received on termly basis will be spread for the four months. Each month will apportion \$5 to revenue.

### 1.3 Tollgate construction

#### Finding

I noted that 10 tollgates under construction had taken long to be completed and the tollgates were not yet operational despite substantial investment amounting to \$1 700 000 having been made towards their construction. Work on the tollgates was last carried out in April 2016 and the tollgates were supposed to be operational by December 2016.

#### Risk / Implication

Loss of revenue due to failure to operationalize the tollgates.

#### Recommendation

Management should ensure that the tollgates are completed and operationalized.

#### Management response

**Observation noted.** The Tollgates construction was being done by Department of Roads and being funded by ZINARA. The delay in operationalization of the ten tollgates was due to the long procurement process by the implementing agent Department of Roads and ZINARA awaits Ministry's guidance on which Tolling System to adopt. Of the ten tollgates, five of them were suspended for the following reasons;

**Karoi, Honey Sprut and Rutenga are in Beitbridge to Chirundu route**

**Kazungula and Dewure are sited on non- viable routes and need some relocation after assessment.**

#### **1.4 Tax on vehicle disposals**

##### **Finding**

The Road Administration disposed of three (3) motor vehicles to its managers during the year under review. The benefit arising from disposal of vehicles to the managers was not subjected to income tax. This was contrary to the Income Tax Act [*Chapter 23:06*] which states that where a motor vehicle is sold to an employee by the employer a taxable benefit arises.

The details of the disposals are indicated in the table below.

<b>Registration Number</b>	<b>Make and model</b>	<b>Date of purchase</b>	<b>Disposal date</b>	<b>Original Purchase price (\$)</b>	<b>Disposal price (\$)</b>
ACO 4737	Ford Ranger T6	22.06.2012	04.10.2016	45 726	5 465
ACB 0656	Ford Ranger T6	31.01.2012	04.10.2016	45 726	5 740
ABT 8791	Ford Ranger	14.10.2010	04.10.2016	36 800	3 075

In addition, the vehicles disposed were still in the name of the Administration. According to the Vehicle Licensing and Registration Act [*Chapter 13:14*], when there is a change of ownership of vehicles, the new owner shall change ownership within 14 days from the date of purchase.

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

Financial loss due to penalties that may be charged.

##### **Recommendation**

Employee benefits should be subjected to income tax.

Management should ensure that the necessary steps are taken to change the ownership of the disposed vehicles.

##### **Management response**

**Observation noted. According to the contract of employment of managers, they are entitled to purchase their condition of service vehicles after four years at 10% of the purchase price. The 10% amount is either deducted through payroll or is paid as a lump sum amount by the employee. In particular reference to the employees mentioned above, the money was paid fully through payroll.**

**The calculations for taxation purposes will be considered and the beneficiaries will pay the tax as required by the Income Tax Act.**

Documentation for change of ownership was later on processed in 2017 and the respective managers have already changed ownership as required by law.

## 1.5 Petty cash disbursements

### Finding

Petty cash to provinces was being disbursed through employee personal bank accounts. In addition, there was no laid down policy or procedure to cover this arrangement. Below is a list of petty cash which was disbursed through employee personal bank accounts in 2016.

Location	April \$	May \$	June \$	July \$	Aug \$	Sept \$	Nov \$	Dec \$	Provincial Totals \$
Masvingo	500	372	-	383	-	432	400	391	<b>2 479</b>
Marondera	-	-	500	344	364	364	-	-	<b>1 572</b>
Gweru	500	126	-	362	513	-	498	500	<b>2 499</b>
Gwanda	-	-	-	-	-	500	-	500	<b>1 000</b>
Chinhoyi	500	299	-	451	-	499	409	-	<b>2 159</b>
Mutare	500	265	-	500	-	499	499	-	<b>2 263</b>
<b>Monthly Totals</b>	<b>2 000</b>	<b>1 062</b>	<b>500</b>	<b>2 040</b>	<b>877</b>	<b>2 294</b>	<b>1 806</b>	<b>1 391</b>	<b>11 970</b>

I also noted that there was no evidence of approval by the head of station on the petty cash voucher. The petty cash voucher was only signed by the accounts clerk.

### Risk / Implication

Financial loss through misappropriation of funds.

### Recommendation

The Road Administration should use official bank accounts for each station.

### Management response

**Observation noted.** The use of personal bank accounts to disburse petty cash was undertaken as a temporary measure to allow the smooth flow of operations at the provincial offices. The organisation is in liaison with its bankers so that ATM cards are adopted for petty cash on corporate accounts to eliminate the observed risk. However, the risk of losing funds is minimal as the Administration can deduct any outstanding acquittals on payroll.

Management will ensure that petty cash vouchers are signed by Head of Station as recommended.

## 1.6 Tollgate infrastructure

### Finding

I noted that there were no proper overload lanes for ZINARA toll gates. Examples of such tollgates include Chivi, Lutumba and Naude Quarry. In addition, I noted that there were temporary cubicles at ZINARA tollgates that were not sufficiently protected.

### Risk / Implication

Service delivery may be compromised

### Recommendation

Management should consider construction of proper detours/overload lanes and offices that are protected at all tollgates.

### Management response

**Observation noted. We agree that some tollgates have no proper detours for abnormal load truck to use. ZINARA will consider the expenditure for the tarred detours in 2018 budget.**

**There are plans to provide overload lanes on the following tollgates, 22 Miles, Chivi and Esgodini. Lutumba tollgate is going to fall under the Geiger International concession and will be catered under the PPP arrangement. For Naude Quarry, the completion of dual road section will provide adequate overload lanes.**

**Zinara had plans to develop and modernize the tollgate infrastructure as well as improving the road.**

## 2 PROCUREMENT OF GOODS AND SERVICES

### 2.1 Special projects

#### Finding

During the year the Administration engaged some service providers to carry out special and emergency projects on behalf of local Authorities. For some of the projects done, there was no evidence to suggest that the projects had been subjected to tender processes.

The table below shows examples of such payments.

Date	Voucher no	Amount (\$)
30.11.16	21424	97 602
16.12.16	21472	323 072
23.06.16	014880	114 942

06.12.16	21473	323 072
10.11.16	21191	320 849
26.05.16	014802	100 000
27.04.16	014602	100 000

**Risk / Implication**

Financial loss due to procuring goods and services without following tender procedures.

**Recommendation**

The Administration should come up with a policy which caters for special projects.

**Management response**

**Observation Noted. The Administration’s position is that going forward all special projects will be done under specific road authorities. Road Authorities will be responsible for tendering process within their jurisdiction and payments will be paid upon certification by the council. In special cases, ZINARA may undertake projects directly with the approval from parent Ministry.**

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

I reviewed the progress made towards the implementation of prior year recommendations and found that the Administration made some progress. However, there was room for improvement in the following areas;

**3.1 Funds held in banks under liquidation**

**Recommendation**

Management should attend creditor’s meetings in order to assess the recoverability of funds held in the banks under liquidation and make necessary adjustments in the financial statements

**Progress made**

**Waiting for further communication from the liquidator Tudor House Consultants, our claim was successfully lodged.**

**3.2 Infralink Tax obligations**

**Recommendation**

Management should take all the necessary steps to resolve the tax issue with ZIMRA to avoid further garnishee orders and ensure that taxation is appropriately accounted for.

### **Progress made**

**Observation noted.** The Ministry of Transport and Infrastructural Development, ZINARA board, and Infralink executives are currently in negotiation with ZIMRA and its Parent Ministry regarding this garnish. The negotiations in progress are aimed at suspending the whole tax liability and seeking tax exemption status for Infralink Pvt Limited. A positive development has so far been registered as ZINARA is now exempted from paying taxes on its income.

### **3.3 Vehicle weight at tollgates**

#### **Recommendation**

Management should ensure that there is synchronization of the Toll-Roads Act [*Chapter 13.13*] with the Vehicle Licensing Act [*Chapter 13.14*].

#### **Progress made**

**Observation noted.** Engagements are being done with our Parent Ministry to align Toll Roads Act and vehicle Licensing Act in terms of vehicle classification.

### **3.4 Contracts with service providers**

#### **Recommendation**

Management should ensure that contracts are entered into with the third parties to govern business arrangements.

#### **Progress made**

#### **Still as observed**

### **3.5 Payment vouchers not availed for audit.**

#### **Recommendation**

Management should ensure that the documents are located and availed for audit.

The document filing and retrieval system for the safe keeping of the administration's documents should be adequately designed and operated.

#### **Progress made**

**Payment vouchers worth \$32 000 were still not yet availed for audit.**

### **3.6 Corporate wear**

#### **Recommendation**

The Administration should pay benefits and allowances as per contracts and in compliance with approved policies and procedures.

#### **Progress made**

**Policy documents are being finalised by the Board.**

## ZIMBABWE PARKS AND WILDLIFE MANAGEMENT AUTHORITY 2016

### Background information

Zimbabwe Parks and Wildlife Management Authority is incorporated in terms of the Parks and Wildlife Act [*Chapter 20:14*]. The functions of the Authority are to control, manage and maintain national parks, botanical reserves and botanical gardens, sanctuaries, safari areas and recreational parks.

I have audited the financial statements of Zimbabwe Parks and Wildlife Management Authority for the year ended December 31, 2016 and I issued an unmodified / clean opinion with an emphasis of matter.

### Emphasis of matter

I draw your attention to the fact that the Authority incurred a loss after tax of \$6 324 755 and as at December 31, 2016 the Authority had a net current liability position of \$3 072 806 (2015: \$6 252 778). These conditions indicate the existence of material uncertainty that may cast significant doubt about the Authority's ability to continue operating as a going concern.

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

#### 1. GOVERNANCE ISSUES

##### 1.1 Board composition

###### Finding

The Board composition did not comprise of experts in legal, finance and business management areas despite these being provided for in the Parks and Wildlife Act [*Chapter 20:14*] Section 5:3.

###### Risk / Implication

Board's oversight role on these areas may be compromised.

###### Recommendation

The appointing authority should comply with the provisions of the enabling Act when appointing Board members.

###### Management response

**Noted. The Authority advised the parent Ministry over this matter.**

##### 1.2 Board fees and allowances

###### Finding

I noted that there were instances where Board members were paid sitting allowances using the rates for Board fees. Board members were paid sitting fees at the rate of \$202 instead of \$152 per board member, \$320 instead of \$160 for the vice chairperson and \$350 instead of \$175 for the board chairperson.

The Authority also purchased laptops and cellphones for Board members and there was no evidence to support that the parent Ministry authorized the allocation of these assets. A summary of these payments made towards cellphones and laptops to nine (9) board members in 2016 was as follows;

<b>Benefit</b>	<b>Amount \$</b>
Laptops	11 290
Cellphones	5760
Total amount	17050
Exceeded limit on cellphones	1 710

### **Risk / Implication**

Financial loss due to unauthorized expenditure and possible tax penalties.

### **Recommendation**

Board fees, allowances and benefits should be paid based on approvals from the parent Ministry and excessive payments should be recovered.

Taxes should be levied on benefits and remitted to ZIMRA.

### **Management response**

**Observation Noted – This issue is being investigated to determine what transpired and corrective action will be taken.**

**The laptops and cellphones were not obtained solely for personal use as is being pointed out but for official use by the Board Members. There were no restrictions placed on how these gadgets shall be used. These laptops are recorded in the Authority’s Asset Register and are not personal as they remain the Authority’s property.**

## **1.3 Retention of drone data**

### **Finding**

The Authority had a Memorandum of Understanding (MOU) with UAV and Drone solutions (Private) Limited for the provision of drone services to the Authority as a pilot project. Section, 17.3 of the Memorandum of Understanding signed on August 11, 2016, stated that all data from operation of this project shall remain the property of the Authority and UAV and Drone Solutions (Private) Limited shall not give the data to any third party. On termination of this MOU, UAV and Drone Solutions (Private) Limited shall return all

data and destroy any copies. I noted that the MOU expired in September 2017 and no evidence was available to audit to confirm that the data from the project was returned to the Authority or a register/ report by a third party confirming destruction of copies.

**Risk / Implication**

Confidentiality of data might be compromised or accessed by third parties.

**Recommendation**

Management should ensure that the Authority complies with the MOU.

**Management response**

**Management has noted the observation. The Authority has written to UAV and Drone Solutions (Pvt) Ltd requesting for drone data which was collected during the period in question. In future the Authority will fully comply with the provisions of MOUs.**

**1.4 Travel and subsistence**

**Finding**

According to Policy number 026 on travel and subsistence allowance, “Monies advanced for the above, accommodation and fuel etc., and an expense claim must be submitted within a day of return from the trip. Supporting vouchers must be submitted with all claims of expenses and any unaccounted monies should be refunded failing which, the money will be deducted from the Employee’s salary”. However, I observed that some employees at Head Office, Bulawayo regional office and Victoria Falls station were not acquitting their advances as prescribed and the Authority was not garnishing those who would not have acquitted.

The following employees at Bulawayo and Victoria falls offices had long outstanding travel and subsistence allowances not acquitted as at December 31, 2016;

<b>EC Number</b>	<b>Amount owing At 31/12/16 \$</b>	<b>Number of Days the amount has been outstanding as at 31 December 2016</b>	<b>Outstanding advance for 2016 as at 25 October 2017.</b>
5903608 J	1420	Over 120	1420 NB This employee has never made an acquittal
3972526M	990	Over 120	
3009548X	490	Over 120	
3005940 A	150	Over 120	
3008369 Q	740	Over 120	

The table below for head office shows employees with outstanding travelling and subsistence;

<b>EC Number</b>	<b>Outstanding advance not cleared \$</b>	<b>Comments</b>
0897902E	140	The employee resigned on April 1, 2016 without clearing the advance.
3013163B	1 250	The employee resigned on August 31, 2016 without clearing the advance.
5904280G	170	The employee resigned on August 31, 2016 without clearing the advance.
3974222F	380	The travel and subsistence allowance employee account's account has not been cleared since 2015 to time of audit.

### **Risk / Implication**

Financial loss due to non-recoverability of outstanding amounts.

### **Recommendation**

All employees should acquit advances in accordance with the Travel and Subsistence Policy.

All outstanding advances should be recovered in time.

### **Management response**

**The observation is noted. Management is in the process of advising staff to clear their advances, failure of which deductions will be made to salaries. The notifications have been done to allow staff ample time to prepare.**

## **1.5 Conservation activities**

### **Finding**

My review of the vehicle status report of the Western region revealed that most of the vehicles were non-runners. Upon enquiry, I was advised that most of the vehicles were not suitable for the terrain the Authority operates in. As a result, only one vehicle (GNP 883) was being used for all the operations at Hwange main camp.

The Western region had vehicles that were incurring maintenance costs above the carrying amount. The vehicles were not suitable for the terrain. The table below shows examples of such vehicles;

Vehicle no	Make/type	Maintenance cost \$	Carrying amount \$
GNP 726	Toyota quantum	4 325	0
GNP 662	Mazda B1800	1 773	250
GNP 680	Nissan Hard body	3 137	375
GNP 677	Mazda B1800	4 203	175

Northern region had a motor vehicle fleet of sixty- four (64), most of which had outlived their useful lives. These comprised of twenty six (26) runners, twenty five (25) non-runners and thirteen (13) limited runners. The Authority also had not conducted a cost benefit analysis with regard to vehicle maintenance expenses and the related fleet. As a result, the Northern region incurred motor vehicle repairs and maintenance costs amounting to \$91 644 during the year under review.

In addition, the Authority had no functional boat at Kyle station and Mushandike College. As a result, staff could not carry out patrols around the water bodies hence poaching activities went on undetected.

### **Risk / Implication**

Conservation activities may be compromised.

The Authority may incur high maintenance costs which might affect the cash flows of the Authority.

### **Recommendation**

Procurement of appropriate vehicles and equipment should be considered.

A cost benefit analysis should be done for repairing the non-runner vehicles and limited runners against buying new vehicles.

### **Management response**

**Observation noted. The Authority is mobilising resources to procure operational vehicles.**

**The Kyle station budgeted for boats in 2018 and it was agreed in the budget meeting that a boat will be procured for Kyle in 2018.**

**A professional assessment for vehicles at Hwange National Park was done and the vehicles deployed for the station are Defenders and Land Cruisers and they suit the terrain and environment.**

**A cost benefit analysis was done and vehicles which were expensive to repair were disposed of. In the first quarter of 2018, another board of survey for the vehicles will be done.**

However, it must be noted that the Authority was operating under difficult financial conditions hence it took long for vehicles to be disposed. That is the reason why old vehicles continue to be serviced so that operations are not compromised. The station has budget for operational in the 2018 Budget.

The major reason why management has continued to service the old vehicles was mainly due to the fact that the Authority has got financial challenges. Most of the work done on these vehicles were suspension and service. This was meant to ensure continuity of operations.

Management will do a cost benefit analysis of the fleet. This will be done in the first quarter of 2018.

## 2. EMPLOYMENT COSTS

### 2.1 Tax on holiday allowances

#### Finding

The Authority's Directors were paid holiday allowances which were not subjected to tax as provided for by the Income Tax Act [*Chapter 23:06*]. The table below shows the amount of holiday allowances they received during the year under review:

Date Paid	EC number	Amount(\$)
13/12/2016	5904190M	5,907
23/12/2016	5904430G	6,990
30/12/2016	5904197N	6,719
15/12/2016	1613846E	5,803
25/7/2017	3972828Q	7,596

#### Risk / Implication

Financial loss due to potential penalties and fines that may be levied by the tax Authority.

#### Recommendation.

Holiday allowances should be taxed in accordance with the income tax regulations.

#### Management response

We take note of the observation. We will implement the corrective action.

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

I reviewed the progress made towards the implementation of prior year recommendations and found that the Authority made some progress. However, there was room for improvement in respect of the following;

#### **3.1 Ownership of assets**

##### **Recommendation**

The Authority should ensure that they have title to the property and that the motor vehicles are registered in its name.

##### **Progress made**

**The Authority liaised with the Ministry for passing of vehicle ownership. However the major drawback is that the two year waiting period required by the tax Authorities before passing on ownership of donated equipment has not yet lapsed.**

#### **3.2 Concessionaires agreements**

##### **Recommendation**

Agreements should be renewed annually.

##### **Progress made**

**The lease conclusion and signing process is taking longer to be completed. Negotiations are still in progress between the concerned parties.**

#### **3.3 Encroachment and leasing of park estates**

##### **Recommendation**

The Authority to come up with a resolution as the issue is long outstanding.

##### **Progress made**

**The matter is still under negotiations with Chipinge Rural District Council on possible swap of land.**

#### **3.4 Medical aid contributions**

##### **Recommendation**

The Authority should remit withheld funds to medical aid providers.

### **Progress made**

**We have arranged a payment plan with medical said service providers where we terminated some services with.**

### **3.5 Super User (All Profile)**

#### **Recommendation**

ALL access rights should be granted to Authority's users based on business need in line with job descriptions. Furthermore, management should review access rights of automated processes in order to determine access to all modules within all the systems.

#### **Progress made**

**Data access groups is currently being redefined and it is currently work in progress.**

## ZIMBABWE REVENUE AUTHORITY (ZIMRA) 2017

### Background information

The Zimbabwe Revenue Authority (ZIMRA) is constituted in terms of the Zimbabwe Revenue Authority Act [*Chapter 23:11*] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

I have audited the financial statements of the Zimbabwe Revenue Authority for the year ended December 31, 2017 as well as the revenue returns and I issued unmodified opinions on the Tax Reserve Certificates Return, Receipts and Disbursements and the financial statements. I issued a modified opinion on the Outstanding Revenue Return with an emphasis of matter paragraph.

### Opinion on Outstanding Revenue Return

In my opinion, except for the possible effects of matters described in the Basis for Qualified Opinion paragraph, the Outstanding Revenue Return presents fairly, in all material respects, the Outstanding Revenue as at December 31, 2017.

### Basis for qualified opinion on the Outstanding Revenue Return

- i) Removal in Transit (regional consignments) entries amounting to \$40 200 187 which originated at ports of entry had not been acquitted as at December 31, 2017. Some of the entries date back to the year 2013. As a result, the extent of outstanding duty payable to be included in the outstanding revenue return could not be ascertained as some of the goods might have been consumed locally.
- ii) The SAP system allowed creation of duplicate contract accounts for the same revenue head under one business partner number. Evidently, assessments by the Authority and payments from clients were posted to the different contract accounts for the same business partner thereby distorting outstanding revenue for the individual business partners.
- iii) Vehicles that enter the country temporarily are given Temporary Import Permits. As at December 31, 2017 there were 20 394 electronic Temporary Importers Permits that had not been acquitted despite the fact that they had expired. Some of the entries date back to the year 2013. Some of the vehicles may have been localised as they are long outstanding.
- iv) The SAP E-services platform was not charging civil penalties for some outstanding returns. As a result, some business partners with outstanding returns were not charged civil penalties on all outstanding returns. I could not establish the extent of the understatement.
- v) Tobacco levy returns were not submitted by the clients as required by the Income Tax Act [*Chapter 23:06*]. The client's balances were in credit which

misrepresented the clients' tax status. Had the returns been captured, the credit balances would have been cleared. In addition, there were returns that were not yet captured by the Authority as there was a backlog on the capturing of returns in the system leaving some clients with a credit balance. 9 660 returns that relate to various tax heads were not captured as at December 31, 2017. I could not establish the extent of the understatement.

- vi) Some report orders that were given to clients for clearing goods at an inland port had not yet been acquitted and some date back to 2013. I could not establish the potential duty at stake. The total value of goods imported under report orders that were not yet acquitted as at December 31, 2017 were \$62 904 106.

### **Emphasis of Matter**

I draw your attention to the following:

#### **Transfers to banks that are under liquidation or judicial management**

Included in the Outstanding Revenue Return is \$3 587 606 which relates to taxes transferred by clients into the Authority's bank accounts but not transferred to the Commissioner General's Account for onward transfer to Exchequer Account prior to liquidation or judicial management in 2013. The recoverability of the full amount is doubtful.

#### **Companies under judicial management**

Clients owing the Authority \$92 707 482 (2016:\$50 756 261) were under judicial management. The recoverability of the full amount is doubtful.

#### **Assessment of commercial bills of entry**

During the year under review the ASYCUDA system crashed and some commercial bills of entry were being cleared manually with reference to the previous prepayment account details. The Authority was still in the process of confirming the manual bills of entry to what the clearing agents had uploaded in the system. The process so far has not identified any anomalies but the completion of the process may result in additional debt being raised against the clearing agents.

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

## **1. GOVERNANCE ISSUES**

### **1.1 Projects status**

#### **Finding**

The project status report revealed that the Authority had projects that were still outstanding. The main reasons cited by management for the outstanding projects included inadequate funds and disagreements between the Authority and contractors.

The Victoria Falls/Kazungula contract that was awarded in 2013 for the construction of offices and accommodation had no provision for the contractor to provide a bank guarantee which should have been a key component to the contract performance. The payment made to the contractor amounted to \$322 743 which was 75% of the contract price. However, the contractor left the site 2 years ago stating financial challenges and the project was at a standstill. The incomplete structures and some materials left on the site were deteriorating as indicated in the images below.



*Photo date April 13, 2018*

The water reservoir project at Nyamapanda border post was incomplete. Water tanks were acquired 3 years ago but were yet to be permanently installed. The water system was supposed to be based on gravity feed i.e. the tanks were to be mounted on tank stands. However, these were temporarily connected from the ground and hence could not service all areas that required water.

### **Risk / Implication**

Financial loss as the contractor may fail to complete the project.

Financial loss due to costs associated with reworks.

Health hazards as a result of lack of water supply.

### **Recommendation**

The Authority should engage the relevant authorities so that arrangements are made to complete the projects. In future, due diligence and effective contract management should be exercised for all projects.

### **Management response**

**Recommendation noted and accepted. Engagement of contractors was improved to incorporate performance bond requirement. Procedures are being pursued to recover the loss at Victoria Falls from the contractor. On the Nyamapanda water project, designs for implementation of the project are now ready, with funding availability it will be finalised this year.**

## 2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

### 2.1 DOMESTIC TAXES

#### 2.1.1 Contract accounts and Business partner numbers

##### **Finding**

The SAP system and its related e-services platform still allowed the creation of duplicate contract accounts for the same revenue head under one business partner number. Evidently, assessments and payments from clients were posted to the different contract accounts for the same business partner during the year under review thereby distorting outstanding revenue for the individual business partners.

The table below shows the duplicate contract accounts and business partners for the Authority.

<b>Region</b>	<b>Number of duplicate business partner numbers</b>	<b>Number of duplicate Contract accounts</b>
Greater Harare	770	361
Environs	726	4 502
Region 2	598	3 313
Region 3	311	604
<b>Total</b>	<b>2 405</b>	<b>8 780</b>

I noted that efforts were made to block the contract accounts and business partners but the system still allowed transactions to be posted to both contract accounts and business partners. Some instances that were noted included business partners with 5 contract accounts under one tax head.

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

Misstatements of outstanding revenue return.

##### **Recommendation**

The cause of the duplicate contract accounts should be investigated and resolved.

##### **Management response**

**Observation noted.**

**The problem was due to ineffective validation rules to ensure unique identification of a tax payer nationally, enforceable by the system.**

ZIMRA has already worked with the SAP consultant, in April 2018 as part of the Data Clean Up project and SAP system was rectified from April 2018 and no longer creates duplicates.

On the E –Services platform this issue is yet to be resolved due to contractual issues. However, an interim solution has been put in place to allow ZIMRA staff to check for duplicate BPs at the time of registration by clients.

In respect of specific observations, the duplicate contract account number 130000032 under Business Partner 200042536 was blocked on 23 October 2017 and no transactions are in that contract account since then.

The contract accounts listed under Business Partner 200000073 were blocked on 18 October 2017 and no transactions have gone through since then.

The contract accounts 800233949 and 170000523 under Business Partner 200001013 were not blocked. However, blocking was done on 20 April 2018.

The Authority conducted out a project to block all outstanding duplicated contract accounts and Business Partners in February 2018 and the project is expected to be finalised by end of May 2018 and 97% have been blocked.

## 2.1.2 E-services platform on SAP ERP 6

### Finding

The SAP E-services platform was not charging civil penalties for some outstanding returns. As a result, some business partners with outstanding returns were not charged civil penalties on all outstanding returns. I could not establish the extent of the understatement.

The E-services platform used for online submission of returns had a record of 49 464 unsuccessful tax return submissions. My inspection of records revealed that the SAP system had insufficient processing capacity which affected its ability to handle both operational transactions and the E-services platform. The Authority had to resort to manual submission of returns resulting in a backlog with regards to capturing of returns. 9,660 were still to be captured as at April 19, 2018.

The table below is a list of failed submissions;

<b>Tax head</b>	<b>Number of failed Tax returns submission</b>
Pay as you earn (PAYE)	33 843
Value Added Tax (VAT)	15 104
Income Tax Companies	469
Income Tax Individuals	48
<b>Total</b>	<b>49 464</b>

**Risk / Implication**

Service delivery is compromised resulting in reputational risk.

Misstatement of outstanding revenue.

**Recommendation**

The Authority should consider increasing the processing capacity of the SAP system to enable clients to submit returns online.

**Management response**

**Observation noted.**

**ZIMRA is engaging the consultants to rectify the challenges related to the functionality of E-services platform. As part of that, the board has already passed a support contract procurement request.**

**ZIMRA has also embarked on an exercise to increase its data processing capacity. Procurement for additional servers is at an advanced stage to alleviate capacity challenges. The AfDB sponsored procurement of the server equipment is anticipated to be complete by end of June, 2018 availing a high-end super cluster server to be used for SAP.**

**2.1.3 Tobacco and other tax returns****Finding**

I noted that some designated auctioneers were not submitting tobacco levy returns to enable assessment as required by the Income Tax Act [*Chapter 23:06*], hence their accounts were in credit as at December 31, 2017 and this misrepresented clients' tax status. Had the returns been captured, the credit balances would have been cleared. In addition, there were 9 660 returns relating to various tax heads that were not captured by the Authority as at December 31, 2017. This was caused by a backlog in capturing of returns in the system leaving some clients with credit balances.

**Risk / Implication**

Misstatement of outstanding revenue.

**Recommendation**

The Authority should enforce submission of returns.

**Management response**

**Observation noted.**

**Follow ups were made for the respective Business Partners to submit the outstanding returns through a letter dated 20 April 2018.**

**ZIMRA also notes the compliance challenges arising from the frequency of submitting returns every 48 hours and will review the legislative provisions for this revenue head.**

### **3. CUSTOMS AND EXCISE**

#### **3.1 Removal in transit (RIT) and Removal in bond (RIB)**

##### **Finding**

Removal in Transit (regional consignments) entries amounting to \$40 200 187 which originated at ports of entry had not been acquitted as at December 31, 2017. Some of the entries date back to the year 2013. As a result, the extent of outstanding duty payable to be included in the outstanding revenue return could not be ascertained as some of the goods might have been consumed locally. For instance, Beitbridge border post had Transit entries that had not yet been acquitted as at 31 December 2017 amounting to \$10 364 971.

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

Outstanding RITs and RIBs may not be cleared and the Authority may have been prejudiced of revenue.

Misstatement of the outstanding revenue return.

##### **Recommendation**

All RITs and RIBs should be acquitted within the prescribed time framework.

Guarantees should be called in case of long outstanding RITs.

##### **Management response**

**Observation is noted.**

**Stations affected are in the process of following up and acquittal of outstanding RITs and RIBs is ongoing. The outstanding RITs are reported separately on the outstanding revenue return.**

**Beitbridge's most outstanding RITs and RIBs are awaiting cancellation.**

#### **3.2 Outstanding Temporary Import Permits of tourists' Vehicles (TIPs)**

##### **Finding**

Vehicles that enter the country temporarily are given Temporary Import Permits. As at December 31, 2017 there were 20 394 electronic Temporary Importers Permits that had not been acquitted despite the fact that they had expired. Some of the entries date back to the year 2013. Some of the vehicles may have been localised without proper clearance.

**Risk / Implication**

Loss of revenue due to irregular use of TIPs.

**Recommendation**

The Authority should liaise with Central Vehicle Registry and ZINARA to clear vehicles that are on TIPs.

The controls surrounding the acquittal process of TIPs should be reviewed and improved.

**Management response**

**A project to sort, mate and account for all outstanding TIP's has commenced.**

**It has been noted that the volume of outstanding TIPs as at 31 December 2016 to 31 December 2017 increased due to ASYCUDA System challenges experienced in 2017.**

**CVR and ZINARA databases are being used to verify if any of the vehicles have been registered in Zimbabwe.**

**The eTIP Mobile App is assisting in the acquittal of the TIPs.**

**3.3 Report Orders****Finding**

The Authority granted report orders to importers for clearance of imported goods within seven (7) days. I however noted that some goods were not acquitted within the stipulated period. Some report orders that were given to clients for clearing goods at an inland port date back to 2013. I could not establish the potential duty at stake. The total value of goods imported under report orders that were not yet acquitted as at December 31, 2017 were \$62 904 106.

Notable examples of outstanding report orders included Harare (Airfreight and port) and Forbes border post with \$33 276 536 and \$8 729 397 respectively.

**Risk / Implication**

Long outstanding report orders may not be cleared due to irregular use of the system.

Financial loss due to irregular use of report orders system.

**Recommendation**

Continuous follow ups should be done on the outstanding report orders to be acquitted.

**Management response**

**Observation noted.**

**Follow ups are in progress on the outstanding Report Orders. Most of the outstanding report orders are for Ministry of Foreign Affairs, Office of the President and Cabinet (OPC) and returning diplomats. Follow ups to get acquittal details have not been successful and will be submitted for engagements at Ministerial level.**

### 3.4 Rummage sale proceeds

#### Finding

The Authority engaged an auctioneer to conduct its rummage sales. The contract with the auctioneer outlined the deadline for remittance of collections from auction sales to be within 7 days from the day the auction is conducted. The Beitbridge auctioneer was however not remitting collections within the agreed dates. In addition, the auctioneer was charged interest for late payments, however, there was no evidence of receipts of these amounts.

The table below refers;

	<b>Collections (\$)</b>	<b>Commission @ 1%</b>	<b>Remittance (\$)</b>	<b>Auction date (2017)</b>	<b>Remittance date (2017)</b>	<b>Variance</b>
1	7 687	76.87	7 610.43	25 Apr	12 May	17 days
2	76 409	764.09	75 644.91	30 May	12 Jun	13 days
3	27 861	278.61	27 582.39	4 Jul	31 Jul	27 days
4	30 838	308.38	30 529.62	25 Jul	23 Aug	29 days
5	45 024	450.24	44 573.76	29 Aug	24 Sept	26 days
6	29 279	292.79	28 986.21	26 Sep	10 Oct	14 days
7	18 170	181.70	17 988.30	24 Oct	6 Nov	13 days
8	24 694	246.94	24 447.06	29 Dec	24 Jan 18	26 days

#### Risk / Implication

Financial loss due to non-recovery of the sale proceeds in time.

Non remittance of collections affects timing of revenue inflows.

#### Recommendation

The Authority should enforce the terms of the contract.

#### Management response

**The observation is noted. The Auctioneer will be engaged to recover the interest not paid. If the interest is not paid measures will be instituted against the Auctioneer for the recovery of the interest.**

#### **4. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**

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

##### **4.1 Border infrastructure**

###### **Recommendation**

Immediate solution for short to medium term while executing long term plans to upgrade the Border.

###### **Progress made**

**The contract was awarded to ZIM borders in February 2018 and Ministry of transport are working with the attorney general office in finalising the contract with ZIM borders. Currently Ministry of transport is on site paving the dust road and parking area at the import rump.**

##### **4.2 Land development**

###### **Recommendation**

The Authority should abide by the Council's by laws on stands development within the stipulated timelines.

The Authority must put plans to develop these stands to prevent repossession.

###### **Progress made**

**The construction of Chirundu cottages is progressing well. The materials for Kazungula cottages are being procured. The procurement of the following are at various stages:**

- a) Forbes cottages – awaiting Board approvals**
- b) Vic Falls cottages – awaiting Board approval**
- c) Stand # 480, Beitbridge – evaluation on bids in progress**

##### **4.3 Fire preventive measures**

###### **Recommendation**

The Authority should consider adding more fire extinguishers, fire detectors and fire hose reels to this warehouse in the short to medium term.

The Authority should ensure that there is adequate rescue and fire - fighting equipment

## **Progress made**

### **Beitbridge**

**Webber Air produced a preliminary report that is undergoing reviews. Once the report is reviewed and approved Webber Air will move to Kurima House**

**Chirundu will be attended to after Kurima house.**

## **4.4 Non adherence to State warehouse procedures**

### **Recommendation**

RIH/Notice of seizures should be stuck on their respective packages in accordance with the procedures.

Management should arrange and shelve the goods detained in the warehouse.

Authority should find quick alternative ways of disposal of goods that have stayed in the warehouse for a long time.

## **Progress made**

### **Harare Port**

**Of the 8 cases: -**

- **2 cases finalised and goods have been disposed of**
- **1 case finalised and goods disposed of by informal Tender and awaiting payment by the winning bidder**
- **2 finalised and goods appropriated to Ministry of Defence and War Veterans in January 2018, goods are yet to be collected.**
- **2 cases awaiting finalisation by the detaining divisions.**

### **Beitbridge**

**The temporary state warehouse is still to be shelved to allow for the proper stacking of goods.**

**State appropriations are still being undertaken to decongest warehouses.**

## **4.5 Asycuda assessment system**

### **Recommendation**

The Asycuda passport field should be activated as a control to flag any resubmission of form 47 for assessment.

**The ASYCUDA World upgrade process is currently in progress. Phase 1 which is the upgrade of the current modules will be finalised by 1 June 2018. Phase 2 which is the implementation of new functionality will be completed by 31 December 2018.**

#### **4.6 Non clearance of private siding**

##### **Recommendation**

All rail advice notes should be cleared within the stipulated time. The Authority may consider putting a fine on the consignments that leave the private siding without clearance.

##### **Progress made**

**Confirmation has been received from Transnet that the consignment on RAN 55033-36 was never imported and the consignment on RAN 55027 was cleared on Bill of Entry Number C1452 of 19/11/2016.**

**Follow up's with NRZ continue for the 2 remaining outstanding transactions.**

**Special Warrant number ZWBW/SW/02/04/18 and ZWBW/SW/03/04/18 of 12/04/2018 issued for late acquittal for RANs 55036 (\$2000.00) and 55038 (\$2000.00) respectively. The amounts still to be collected.**

#### **4.7 Maintenance contracts**

##### **Recommendation**

Management should ensure that a maintenance services contract is put in place.

##### **Progress made**

**The stations are still engaging maintenance contractors through request for quotations. Management is awaiting for Board approval to engage other contractors except Rasams.**

#### **4.8 Employee files**

##### **Recommendation**

All files should be updated correctly on time.

##### **Progress made**

**Developed a filing system with proper demarcations of documents filed. Documents are now on personal files and demarcation in progress. This process also assists in identifying any missing documents that should be in personal files.**

#### **4.9 Baggage scanners**

##### **Recommendation**

The Authority should study the cause of frequent breakdown of these scanners in order to make an efficient and economic decision.

The Authority should ensure that baggage scanners are operating consistently to avoid compromising service potential.

##### **Progress made**

**Most of the non-functioning baggage scanners observed during the audit were decommissioned scanners which were recommended for disposal and are awaiting the disposal.**

**The current crop of 20 baggage scanners in the authority mainly fail due to fluctuating voltages experienced in the country.**

**Currently 3 out of 20 baggage scanners at RG Mugabe airport, Nyamapanda and Plumtree are not working and are awaiting x-ray heads from the supplier.**

#### **4.10 Maintenance costs exceeding carrying amount of assets**

##### **Recommendation**

A cost benefit analysis should be done between repairing the non-runner vehicles and limited runners against buying new vehicles.

##### **Progress made**

**Management got approval to procure 10 land cruisers from Toyota Zimbabwe in May 2017 and to date no foreign currency has been approved.**

**The Authority also requested for approval for additional vehicles through the Ministry of Finance & Economic Development. The Authority is still awaiting approval from the Ministry of Finance & Economic Development.**

#### **4.11 Employees with contracts**

##### **Recommendation**

New contracts should be put on file.

**Progress made**

**HR to seek legal advice on this issue, as we are not sure of the rational of issuing new contracts. Instead, our view is to advise employees of new package in United States dollars.**

**In the interim discussions with Union leadership will commence regarding this issue.**

**PUBLIC ENTITIES UNDER THE CATEGORY OF  
BOARDS**

## **GRAIN MARKETING BOARD (GMB) 2017**

### **Background information**

The Grain Marketing Board was incorporated in terms of the Grain Marketing Board Act [*Chapter 18:14*]. The Board's main activities are buying and storing of grain, manufacture of silo products, managing of the Strategic Grain Reserve and the Input Scheme on behalf of the Government of Zimbabwe.

I have audited the financial statements of the Grain Marketing Board for the year ended March 31, 2017 and I issued an unqualified / clean opinion with an emphasis of matter paragraph.

### **Emphasis of matter**

I draw your attention to the fact that the Board made a loss of \$32 391 307 (2016: \$42 227 009) and had accumulated losses amounting to \$208 968 178 as at March 31, 2017. These circumstances indicate the existence of a material uncertainty that may cast significant doubt about the Board's ability to continue operating as a going concern.

## **1. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**

I reviewed the progress made towards the implementation of prior year recommendation and found that the Board made some progress. However, there was some room for improvement in respect of the following recommendation;

### **1.1 Strategic grain reserve accounts**

#### **Recommendation**

Separate financial statements should be prepared for the Strategic Grain Reserve and the commercial activities of the Board as per Debt Takeover Agreement of 1996.

#### **Progress made**

**The business is being run as one entity, and separation is not possible. Government has not provided the reserve fund as stipulated in the 1996 debt takeover agreement. The board is, however, in the process of separating the two units. Preparation of financial statements will be implemented on the 1<sup>st</sup> of April 2018.**

**PUBLIC ENTITIES UNDER THE CATEGORY OF  
COMMISSIONS**

## COMPETITION AND TARIFF COMMISSION 2017

### Background information

The Competition and Tariff Commission (CTC) is an autonomous statutory body established in 2001 in terms of the Competition Act [*Chapter 14:28*] with the dual mandate of implementing and enforcing Zimbabwe's competition policy and law; and executing the country's trade tariffs policy.

I have audited the financial statements of Competition and Tariff Commission for the year ended December 31, 2017 and I issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1. Finding

##### Remuneration of Commissioners

The remuneration to Commissioners during the year was not in line with fee structures that had been approved by the parent Minister. The Commission paid allowances in excess to those approved as shown in the table below.

Description	Total for the year per Circular (\$)	Total paid (\$)	Excess (\$)
Board fees	39 320	50 827	(11 507)
Airtime allowance	6 060	7 632	(1 572)
<b>Total</b>	<b>45 380</b>	<b>58 459</b>	<b>(13 079)</b>

##### Risk / Implication

Non-compliance with laws and regulations.

Financial loss to the Commission.

##### Recommendation

The Commission should pay allowances based on approved rates.

##### Management response

**It should be noted that the then Chairman of the Board held a meeting with the Minister of Industry and Commerce in August 2014. Following on from this meeting with the responsible Minister, the Chairman issued a directive through a memorandum dated 9th August 2014 directing that staff allowances and Board fees be grossed up. The grossing up was adopted and applied since then to date. As this**

was never an audit issue, when the new board was appointed in November 2016, the Commission continued to compensate Commissioners on the same basis as that had obtained since August 2014.

The new board, through the Chairman of the Commission and the Director, have been in engagement with the Minister and the Permanent Secretary of the parent Ministry requesting for an upward review of Commissioners' fees. It is also important to highlight that the Commission has since received communication from the Office of the President & Cabinet (OPC) advising of the recommended board fees for SOEs effective from September 2017 which fees are significantly higher than the grossed up fees being paid to sitting Commissioners. The Commission is already in engagement with the parent Ministry with the view of adopting the Board of Commissioners' fees based on the OPC recommendation.

It is also pertinent to highlight that all board meetings minutes are submitted to the parent Ministry and the Board Chairman holds frequent meetings with the Minister for the parent Ministry and issues of board fees have been part of the agenda items.

*Auditor's comment*

*Whilst I appreciate the response by management, the basis for which the excess allowances were paid remained unclear as there was no written Ministerial approval for the practice.*

**1.2. Acquisition of property**

**Finding**

The Commission acquired a property in Emerald Hill in October 2015 at a total cost of \$627,070. The property was not available for immediate occupation as it was in a dilapidated state and needed major renovations. Since October 2015, the Commission has not done any renovations on the property.

To date, the Commission was still using rented offices and in 2017 alone, the Commission incurred rental costs amounting to \$ 68 350.

**Risk / Implication**

Financial loss due to continued lease rentals.

Financial loss due to loss of value by the property.

## **Recommendation**

The Commission should consider completing renovations of the Emerald Hill property to enable its immediate occupation.

## **Management response**

**Noted. The renovation project went for tender in the year 2017, but the resulting bids were beyond the budget set aside by the Commission. Currently the Commission is seeking for fresh bids and also intends to hire a consulting engineer who will assist in the execution of the project. The targeted completion date of the project is 30 September 2018.**

## FORESTRY COMMISSION 2016

### Background Information

The Commission was incorporated in Zimbabwe under the Forest Act [*Chapter 19:05*]. The Commission's main activities include the management, protection and utilization of state indigenous forests, forestry research and training, advisory and extension services and national and regional planning.

I have audited the financial statements of the Forestry Commission for the year ended December 31, 2016 and I issued an unmodified / clean opinion with an emphasis of matter paragraph.

### Emphasis of matter

I draw your attention to the fact that the Commission incurred a deficit of \$3 787 214 (2015: \$ 397 500) and had a net current liability position of \$ 3 370 550 (2015: \$ 117 425) for the year ended December 31, 2016. These conditions, indicate the existence of material uncertainty which may cast significant doubt on the Commission's ability to continue as a going concern.

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

#### 1. GOVERNANCE ISSUES

##### 1.1 Statutory and other obligations

#### Finding

The Commission was not paying statutory and other obligations. As a result, the debts amounted to \$4 130 029 as shown below:

Obligation	Amount (\$)
NSSA	131 024
PAYE	66 518
Pension	705 078
Medical Aid	506 340
Liabilities for other services	2 721 069
<b>Total</b>	<b>4 130 029</b>

#### Risk / Implication

Financial loss due to penalties and interests.

Beneficiaries may fail to access services from service providers.

Service delivery may be compromised as the Commission may fail to access goods and services from suppliers.

### **Recommendation**

All obligations should be paid on time and arrangements to clear all outstanding debts made.

### **Management response**

**This situation is a result of withdrawal of Government support without adequate notice. We have approached Government for a bail out while at the same time we embark on increased revenue generation and cost cutting strategies.**

## SPORTS AND RECREATION COMMISSION 2016

### Background information

The Sports and Recreation Commission was established in terms of the Sports and Recreation Act [Chapter 25:15]. Its main objectives are to coordinate, control and develop the activities of sports and recreation, ensure proper administration of organisations undertaking the promotion of sports and recreation and authorise national and international sporting and recreational activities.

I have audited the financial statements of the Sports and Recreation Commission for the year ended December 31, 2016 and I issued an unmodified / clean opinion with an emphasis of matter paragraph.

### Emphasis of matter

I draw your attention to the fact that the Commission had accumulated losses of \$1 151 114 (2015: \$1 088 007) and its total current liabilities exceeded current assets by \$823 705 as at December 31, 2016. These conditions indicate the existence of material uncertainty that may cast significant doubt on the Commission's ability to continue as a going concern.

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

## 1. GOVERNANCE ISSUES

### 1.1 Expenditure authorisation

#### Finding

The Commission was processing payments without following proper authorization and payment procedures. The following were instances where expenditure was processed without evidence of authorisation and supporting documentation.

Date	Reference	Amount (\$)
08/04/16	2449	19 302
18/11/16	1507	8 672
21/11/16	1196	5 000
21/11/16	1210	5 000
25/11/16	1210	10 000
28/11/16	1228	17 135

#### Risk / Implication

Financial loss due to irregular transactions.

**Recommendation**

All payments should be authorized and supporting documents attached.

**Management response**

**Recommendation noted and accepted. However, these were omissions.**

## ZIMBABWE HUMAN RIGHTS COMMISSION 2015

### Background information

The Zimbabwe Human Rights Commission is a Chapter 12 Commission in terms of the Constitution of Zimbabwe. It is operationalized by the Zimbabwe Human Rights Act, [*Chapter 10:3*] of 2012 to promote, protect and enforce human rights in the country. The Commission has further been given the Administrative Justice role to undertake public protection responsibility.

I have audited the financial statements of Zimbabwe Human Rights Commission for the year ended December 31, 2015 and I issued a qualified opinion.

### Qualified Opinion

In my opinion, except for the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Human Rights Commission as at December 31, 2015 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Qualified Opinion

#### Unrecognised financial assistance

The Commission received financial support from Development Partners during the year and did not recognise the financial support in the financial statements. Failure to recognise the financial support in the financial statements resulted in the income and expenditure amount disclosed being materially misstated. Management has not made any adjustments to that effect to the financial statements.

#### Unrecognised employment benefits

The Commission has not been able to fulfill conditions of service for its Commissioners and managers who are still in service and some who have retired or passed on. These outstanding conditions of service have not been quantified and disclosed. Failure to include these in the statement of financial position have resulted in provisions balances being materially misstated. Management has not made any adjustments to that effect to the financial statements.

However, below are other material issues to report.

## 1. GOVERNANCE ISSUES

### 1.1 Declaration of interests

## **Finding**

There were no declarations of Commissioners' interest on file as required by the Zimbabwe Human Rights Commission Act [*Chapter 10:30*]. Furthermore, I noted that declaration of interest register was not being maintained for those involved in procurement.

## **Risk / Implication**

Financial loss arising from impaired objectivity and conflict of interest.

## **Recommendation**

The Commission should maintain a declaration of interest register in which Commissioners' interests are declared.

## **Management response**

**We do concur with your finding as section 13 (1) of the Zimbabwe Human Rights Commission Act (*Chapter 10:30*) explicitly precludes the participation of a Commissioner in a hearing where he/she has vested direct or indirect interest. This section guides the conduct of Commission Meetings on the adjudication of Complaints hearing cases. However, Commissioners are not privy to day to day conduct of business by Management and any such declarations pertaining to procurement may be unforeseen. We do concur with your recommendation that any meeting conducted for transacting business should first of all address issues to do with conflict of interest, as a procedure. A register will be opened for declaration of interest record.**

## **1.2 Client service charter**

### **Finding**

I noted that the Commission did not have a client service charter in place. The charter helps in improving awareness of the availability and quality of the services offered by the Commission. It specifies standards for service delivery which stakeholders have a right to expect, and set out complaint handling and feedback mechanism if things go wrong.

### **Risk / Implication**

In the absence of a charter there is no formal feedback and the reputational risk of the Commission will be very high.

### **Recommendation**

The Commission should put in place a client service charter.

### **Management response**

**We take note of your findings and do agree with your recommendation. The Commission will consider implementation of the recommendation and time-table for**

**drafting and implementation of the recommendation may be drawn before the end-of year 2017.**

### **1.3 Risk management policy**

#### **Finding**

The Commission was operating without a risk management policy since inception. This policy will ensure that appropriate control systems are in place, to identify the material risks facing the Commission, to ascertain potential financial impact and delegation of the responsibility to control the identified risks effectively.

#### **Risk / Implication**

Financial loss emanating from unmitigated risks.

#### **Recommendation**

The Commission should put in place a risk management policy.

#### **Management response**

**The Commission has in place a Fraud and Anti-Corruption Policy which identifies and addresses issues pertaining to risk. The Commission has a Risk Sub-Committee within the Budget, Finance, Audit and Risk Committee in accordance with section 84 of the Public Finance Management Act, (Chapter 22:19) to deal with such issues. Specific risk issues will be placed on meetings' agenda so as to thoroughly deal with risk issues. Furthermore, the Commission is going to develop a Risk Management Policy as per recommendation.**

### **1.4 Unrecognised financial assistance**

#### **Finding**

The Commission received financial support from Development Partners during the year and did not recognize the financial support in the financial statements. Failure to recognize the financial support in the financial statements resulted in the income and expenditure amount disclosed being materially misstated. Management has not made any adjustments to that effect to the financial statements.

#### **Risk / Implication**

Financial statements may be misstated.

#### **Recommendation**

Funding / donations from the development partners should be disclosed in the financial statements.

## Management response

We take note of your findings and do agree with you on the implications of non-inclusion of financial support from donors and cooperating partners. The Commission received financial support mainly in kind from United Nations Development Programme (UNDP), the Danish and Norwegian Embassies through Danish Institute for Human Rights (DIHR) as well as the German Development Cooperation (GIZ). More than 90% of this support was not through direct bank transfers but was support in kind which includes secondment of staff/experts/consultants, training and other capacity development initiatives which included development of internal policies and support for acquisition of some tools of trade. The assets purchased remained under the control of the partners and were only formerly transferred after the end of period under review. It was therefore difficult for management to quantify the value and the level of support as well as ensuring the completeness of any such information for inclusion in the Financial Statement for period under review. However, future financial statements shall include all support recognised through transfer of financial and other resources to the entity.

## 2. EMPLOYMENT COSTS

### 2.1 Conditions of service

#### Finding

The Commission has not been able to fulfill conditions of service for its Commissioners and managers who were still in service and for some of those who had retired or passed on. These outstanding conditions of service have not been quantified and disclosed. Failure to include these in the statement of financial position resulted in provisions balances being materially misstated. Management has not made any adjustments to that effect to the financial statements.

#### Risk / Implication

Financial loss due to lawsuits. Low morale may cause poor execution of duties.

#### Recommendation

The Commission should engage the relevant authorities for a lasting solution.

#### Management response

Your observation is correct and Management and Commission are seized with the issue by engaging Treasury Authorities to address the anomaly. The situation equally applies to members of the Management who have not received their contractual entitlements.

**PUBLIC ENTITIES UNDER THE CATEGORY OF  
COUNCILS**

## NATIONAL AIDS COUNCIL 2016

### Background Information

The main business of the National Aids Council (NAC) which was set out by the National Aids Council of Zimbabwe Act [*Chapter 15:14*] of 1999 is that of coordinating, stimulating, monitoring and mitigating an expanded epidemic, taking into account the comparative advantages of the different actors.

I have audited the financial statements of National Aids Council for the year ended December 31, 2016 and I issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1 State Procurement Board Regulation

##### Finding

The Council procured services for capacity building from a certain supplier amounting to \$12,400 applying a competitive bidding for a threshold that requires informal tender procedures. This was in contravention of the State Procurement Board Act [*Chapter 22:14*], Sub Section 25:8.

##### Risk / Implication

Financial loss due to uneconomic procurement of resources.

##### Recommendation

The Council should comply with Procurement Regulations when procuring goods and services.

##### Management response

**Point noted. It was an oversight on our part. SPB Regulations for procurement of goods and services will be complied with and the error will not be repeated again.**

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

#### 2.1 Receivables

##### Finding

The Council was owed an amount of \$451 226 by the Ministry of Health and Child Care. This amount was for International Conference on AIDS and STIs in Africa (ICASA) share of proceeds. This amount was still outstanding since the conference in 2015.

**Risk / Implication**

Service delivery may be compromised due to funds that are tied up in receivables

**Recommendation**

The Council should engage the parent Ministry for the release of the ICASA share proceeds.

**Management response**

**Noted. National AIDS Council has written to the parent ministry concerning the above issue and still waiting for the response from the Ministry of Health and Child Care.**

## ZIMBABWE COUNCIL FOR HIGHER EDUCATION (ZIMCHE) 2017

### Background information

The Zimbabwe Council for Higher Education was established in terms of the Zimbabwe Council for Higher Education Act [*Chapter 25:27*] to promote and co-ordinate education provided by institutions of higher education and to act as a regulator in the determination and maintenance of standards of teaching, examinations, academic qualifications and research in institutions of higher education.

I have audited the financial statements of Zimbabwe Council for Higher Education for the year ended December 31, 2017 and I issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1 Composition of Council

##### Finding

Section 7 (e) of the ZIMCHE Act stipulates that at least three vice chancellors are appointed in the Council. I however, noted that the Council had members who were current Vice Chancellors of universities. In addition, these Vice Chancellors sat in the Higher Education Quality Assurance Committee (HEQAC). This committee is responsible for quality assessment of programs and registration of universities. This arrangement created a possible self-review threat and conflict of interest.

##### Risk / Implication

Conflict of interest that may compromise objectivity on the part of sitting Vice Chancellors.

##### Recommendation

The Council should consider to align the ZIMCHE Act with principles of good corporate governance.

##### Management response

**The observation is noted. The issue will be presented to the next Council meeting scheduled for June 2018.**

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

#### 2.1 Academic and Institutional audit

##### Finding

ZIMCHE Act [Chapter 25:27] section 6 requires the Council to carry out some academic and institutional audits. I however noted that only 3 out of 16 planned audit visits were carried out in 2017. On enquiry, management cited lack of funding.

#### **Risk / Implication**

Failure to fully achieve its mandate.

#### **Recommendation**

The Council should implement all its planned audits.

#### **Management response**

**There were financial and manpower challenges that contributed to the non-achievement of the planned audit visits. The Council will review the plans in line with the resources available. Council has also started resource mobilization activities to raise additional resources for its operations.**

## **2.2 Standard operating procedures**

#### **Finding**

The Council is responsible for registration and accreditation of new institutions as specified in section 6 of the ZIMCHE Act [Chapter 25:27]. I was not availed with any approved document or framework with standard operating procedures used for this purpose, detailing what should be considered when registering institutions. The Council issued provisional registration to two new Universities. However, I was not availed with a framework of minimum requirements needed for provisional registration.

#### **Risk / Implication**

Registration and accreditation of institutes of higher learning may be done unprocedurally.

Failure to achieve its mandate effectively.

#### **Recommendation**

The Council should consider developing standard operating procedures and framework with minimum expectations to be used for provisional and full registration of institutions.

#### **Management response**

**Noted. The draft standard operating procedures for Registration of new institutions documents are in place. The procedures will be presented to Council for approval by November 2018.**

**The two Universities were issued with Provisional Registration Certificates after a verification process for their suitability to operate a university was carried out. The Provisional Registration Certificate is issued to enable the institutions to address the**

concerns of Council in terms of resources and facilities to run a University. The Provisional Registration Certificate is valid for one (1) year. Thereafter an institution can apply for an extension until concerns raised by ZIMCHE are addressed in order to qualify for full registration by 2018.

### 3. EMPLOYMENT COSTS

#### 3.1 Motoring benefits.

##### Finding

Senior management who were issued with conditions of service vehicles were not being charged the correct motoring benefit tax in terms of the Income Tax Act [Chapter 23: 06]. My enquiry revealed that the Belina payroll system was not aligned to the new tax rates.

The table below shows calculated motoring benefits and their variances:

Title	Make	Engine capacity	Applied rate/month	ZIMRA rate/month	Variance
Former CEO	Mercedes Benz E300 class	3000cc	\$300	\$600	\$300
D/CEO	Jeep Cherokee	3000cc	\$300	\$600	\$300
Principal Director- Academic and Institutional Audit	Toyota Fortuner	3000cc	\$300	\$600	\$300
Principal Director – Registration and Accreditation	Toyota Hilux double cab	3000cc	\$300	\$600	\$300
Director - Registration and Accreditation	Foton Tunland Double cab	3000cc	\$300	\$600	\$300
Director - Academic and Institutional Audit	Toyota Hilux double cab	3000cc	\$300	\$600	\$300

##### Risk / Implication

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

##### Recommendation

The payroll system should be aligned to current provisions of the Income Tax Act [Chapter 23:06].

**Management response**

**The observation is noted. Management will immediately apply the accurate rates as required.**

## ZIMBABWE SCHOOLS EXAMINATIONS COUNCIL (ZIMSEC) 2015 AND 2016

### Background information

The Council was established in terms of the Zimbabwe School Examinations Council Act [*Chapter 25:18*] and its core business is to organize and conduct examinations for primary and secondary education and award certificates review rules and regulations relating to examinations.

I have audited the financial statements of Zimbabwe School Examinations Council for the year ended December 31, 2015 and 2016 and I issued unqualified / clean opinions.

However, below are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1 Declaration of interests register

##### Finding

Declarations of interest register were not being completed by the Directors for the period under review.

##### Risk / Implication

Oversight role is compromised.

##### Recommendation

The Directors should complete a declaration of interests form or register before board meetings or committee meetings.

##### Management response

**Observation noted. Previously declarations were verbally called for and the status recorded in the minutes of every meeting. From the 13<sup>th</sup> of April 2016, we are augmenting the process by having directors sign a register indicating their position on matters tabled before the board or its subcommittees.**

#### 1.2 Development of commercial stands

##### Finding

The Council purchased three commercial stands under lease agreement from Masvingo City Council, Gweru City Council and Chinhoyi City Council. According to the terms and conditions of the lease agreements, the Council was supposed to construct business

building premises within a specified period of time as outlined in the lease agreement and failure to develop the stands would result in the Council repossessing the land/stands. I however noted that the Council had not made any developments on these stands and as a consequence the Masvingo stand was repossessed by the City Council. The lease agreement for the other two stands in Gweru and Chinhoyi had expired without any development being done.

The details of the three commercial stands are highlighted in the table below.

<b>Stand number</b>	<b>Date of lease agreement</b>	<b>Lease period (years)</b>	<b>Location</b>	<b>Square meters</b>	<b>Status</b>	<b>Purchase price (\$)</b>
26890	05/06/2006	1.5	Masvingo	1498	Repossessed	55 000
9060	10/04/2012	4	Gweru	3300	Not repossessed	40 000
15121	24/05/2007	2	Chinhoyi	5000	Not repossessed	55 000

### **Risk / Implication**

Financial loss through repossession of the stands.

### **Recommendation**

The Council should comply with terms and conditions of the lease agreement.

### **Management response**

**Audit recommendations have been noted and acknowledged. The Council communicated with the Masvingo City Council in 2015 and they verbally invited Council (ZIMSEC) to a meeting and chart the way forward with the objective of offering an alternative commercial stand. ZIMSEC, after considering the offer, will need to assess the value of the new stand and make adjustments by way of journal entry to the land and buildings balance. However, the other stands have not been repossessed.**

## **1.3 Risk Management Policy**

### **Finding**

The Council was operating without a Risk Management Policy. The policy will ensure that appropriate control systems are in place to ascertain potential financial impact and delegation of the responsibility to control the identified risks effectively.

**Risk / Implication**

The Council may fail to respond appropriately to existing and emerging risks.

Financial losses may occur if preventive controls do not exist.

**Recommendation**

The Council should ensure that a Risk Management Policy is put in place.

**Management response**

**The Council risks have been identified by Divisions in the Strategic Plan. A composite risk policy framework will be compiled there from, to mitigate any potential losses due to those risks.**

**PUBLIC ENTITIES UNDER THE CATEGORY OF  
COMPANIES AND CORPORATIONS**

## **AIR ZIMBABWE (PRIVATE) LIMITED 2010**

### **Background information**

Air Zimbabwe (Private) Limited is incorporated in terms of the Air Zimbabwe Corporation Act [*Chapter 13:02*] and the Companies Act [*Chapter 24:03*]. The main business of the Company is to provide clients with passenger and cargo air transport, aircraft maintenance and technical commercial training courses.

I have audited the financial statements of Air Zimbabwe (Private) Limited for the year ended December 31, 2010 and I issued a disclaimer of opinion.

### **Disclaimer of Opinion**

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

### **Basis for Disclaimer of Opinion**

#### **(i) Unaudited opening balances**

The 2010 financial statements had a suspense balance of \$22 500 565 included under current liabilities. This amount emanated from the process of clearing take on debit and credit balances of \$130 775 747 and \$111 539 626 respectively. No procedures could be performed to gain assurance on the opening balances. Accordingly, I do not express an opinion on opening balances.

#### **(ii) Fraud due to management override of internal controls**

There were allegations of collusion between the management team and their insurance brokers regarding overpayment of aircraft insurance premiums. I could not quantify the prejudice or potential prejudice to the company due to absence of signed contracts for insurance.

#### **iii) Unsubstantiated transactions in the ledger**

The trial balance which is a summary of ledger balances, provided by management changed numerous times during the audit. The movement between the final ledger amounts and the audited amounts could not be explained. I was not availed with journals or transaction listings to support the changes in the ledger accounts. In 2010, there were unaudited credit and debit movements amounting to \$168 868 450 and \$213 142 928 respectively. Accordingly, I could not perform audit procedures I considered necessary on the balances. Alternative procedures to obtain sufficient assurance could not be performed, thus I was unable to satisfy myself on the existence, accuracy, completeness, valuation of account balances on the financial statements.

**(iv) Existence, completeness and valuation of inventory**

I did not observe the inventory count at year end. As a result, I was unable to determine whether any adjustments might have been necessary in respect of recorded or unrecorded inventories. International Accounting Standard 2 Inventories also requires inventory to be measured at lower of cost or net realizable value. Due to the absence of perpetual inventory records and purchase invoice documentation, the pricing test could not be performed to ensure that inventory was carried at lower of cost or net realizable value. I was unable to satisfy myself as to the existence, completeness and valuation, by alternative means, of the inventory quantities which were stated in the statement of financial position at \$23 829 775.

**(v) Absence of lease agreements and accounting treatment for aircraft**

The company leased three MA60 aircraft from the Government of Zimbabwe and no signed lease agreements were in place. The lease arrangement was also not accounted for in the books of the company. Accordingly, I was unable to determine whether the aircraft were correctly accounted for as required by International Accounting Standard 17, Leases.

**(vi) Valuation of property, aircraft and equipment**

The Company's property, aircraft and equipment was carried at \$41 191 875 in the statement of financial position. Management did not assess the company's property, aircraft and equipment for impairment in accordance with the relevant International Accounting Standard 36, Impairment of Assets. The Company was facing financial challenges characterized by losses and negative working capital position which indicates potential impairment. Since impairment loss affects the determination of financial performance and the Company financial position, I was unable to determine whether adjustments might have been necessary in the financial statements.

Gross carrying amount of property, aircraft and equipment of \$59 191 900 included \$30 940 000 for aircraft which was based on insurance values which were equivalent to the replacement cost of the aircraft. International Accounting Standard (IAS) 16, requires an item of property, aircraft and equipment to be initially measured at a cost which is equivalent to the market value at purchase date. Depreciation was computed based on insurance values. Land and buildings were revalued to \$9 164 000 upon dollarization of the economy and the value determined was not split between land and buildings which resulted in depreciation being calculated on combined value of land and buildings. This is a departure from IAS 16 which requires that only buildings should be subject to depreciation. I was unable to satisfy myself with regards to the valuation of property, aircraft and equipment by alternative means. Accordingly, I cannot express an opinion on the valuation of property, aircraft and equipment.

**(vii) Completeness of trade and other payables**

Included in trade and other payables balance was \$59 138 304 for which I could not obtain confirmations or supplier statements. In addition explanations for a variance of \$1 010 514 between the sundry creditors control account and the total per creditors' listing and variance between the ledger and amounts confirmed by creditors amounting to \$688 352

were not provided. Accordingly I could not express an opinion on the completeness of trade and other payables.

**(viii) Existence of trade and other receivables**

Included in trade and other receivables balance of \$9 938 201 is an amount of \$6 818 039 for which no confirmations or evidence of subsequent receipts could be obtained. I was also not availed with the breakdown of other receivables amounting to \$1 496 765. I was therefore unable to satisfy myself on the existence of trade and other receivables.

**(ix) Issues out of stores system error**

There was a system error configuration of unit costs whereby some quantities for items issued out of stores were issued at a cost of \$1 426 000 by the system instead of \$1 426. I could not establish the extent to which the error affected issues done during the year as the audit was performed on a sample basis. As a result, the financial statement figures for inventory and cost of sales may be misstated. Accordingly, I do not express an opinion on inventory and cost of sales.

**(x) Unsupported expenditure**

The total overheads amount includes \$17 107 333 which had no supporting documents. I could therefore not trace expenditure to supporting documents to satisfy myself on the existence and accuracy of the overheads. Accordingly, I do not express an opinion on overheads.

**(xi) Unsupported transactions on property, aircraft and equipment**

I could not obtain invoices and related payments for additions to ancillary and rotables worth \$386 869 and supporting documents for disposal of ancillaries and rotables worth \$261 420. Documents supporting the transfer of ancillaries and rotables amounting to \$271 140 from stores were also not availed. No other alternative procedures could be performed for me to gain sufficient assurance on these balances.

**(xii) Ownership of land and buildings**

The company has land and buildings in Victoria Falls valued at \$205 146. The title deeds for these properties were not availed for audit purposes. The company was also not in possession of title deeds for land and buildings situated at Harare International Airport with a carrying amount of \$5 447 326. I could not satisfy myself as to the ownership of land and buildings.

**(xiii) Bank and cash**

I was not availed with petty cash certificates or disbursement vouchers to prove existence or use of petty cash amounting to \$297 901 at the various Air Zimbabwe outstations. There was no listing of petty cash per station and documentation to support the Company's petty cash limits. There were also unsupported reconciling items amounting to \$635 036 on some of the bank reconciliations for which breakdowns could not be availed. No alternative procedures could be performed to gain sufficient assurance on existence and completeness

of bank and cash balances. Accordingly, I do not express an opinion on bank and cash balances.

**(xiv) Unexplained figures on Statement of Cash Flows**

Included in the Statement of Cash Flows for 2010 were amounts of \$781 491 and \$22 500 565 under cash flows from operating activities described as other non-cash items and suspense respectively which management could not justify. There were no alternative procedures which I could perform to validate these figures. Accordingly, I do not express an opinion on the Statement of Cash Flows.

**(xv) Subsequent events**

Note 30 sets out events after the reporting date of the company. A significant period of time has elapsed between the date of the financial statements and the date of signing the report and I was unable to determine the completeness of the subsequent events disclosed.

**(xvi) Non-compliance with International Accounting Standards (IASs).**

**IAS 12 Income Taxes**

The standard requires disclosure of major components of tax expense. The requirements of this standard have not been met with regards to the computation of deferred tax liability and the required disclosure of the unrecognised deferred tax asset, analysis of tax expense, analysis of the balance of deferred tax liability and tax rate reconciliation for the comparative year 2009. I was also not provided with assessed losses brought forward from previous year.

**IAS 16 Property, Aircraft and Equipment**

The standard requires each part of property, aircraft and equipment with a cost that is significant in relation to the total cost of the item to be depreciated separately. Depreciation for each component of items of property, aircraft and equipment with a cost that is significant in relation to the total cost of the item, has not been separately calculated nor have the residual values and useful lives of such assets been reassessed at year end.

As per IAS 16, land and buildings are separable assets and should be accounted for separately, even when they are acquired together. The entity did not separate land and buildings which is contrary to the requirement of the standard.

**IAS 37 Provisions, Contingent Liabilities and Contingent Asset**

The standard requires recognition and disclosure of provisions and disclosure of contingent liabilities in the financial statements. A number of court cases in which Air Zimbabwe was involved in have not been quantified and adequately disclosed due to lack of lawyers' confirmations.

**IAS 24 Related party transactions**

The standard requires disclosure of volume of related party transactions. I could not satisfy myself regarding existence, completeness and accuracy of related party transactions that

occurred during the period since the volume of transactions disclosed did not agree to actual movements between prior year and current year balances.

The effect of the non-compliance with International Accounting Standards is considered material and pervasive to these financial statements.

### **Emphasis of Matter**

I draw your attention to the fact that the Company incurred a loss before tax of \$57 799 545 (2009: \$49 303 648) and as of that date its current liabilities exceeded current assets by \$104 454 086 (2009: \$58 185 416). The Company also had a negative equity position of \$64 726 835 (2009: \$17 205 030). These conditions and others indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue operating as a going concern. My opinion is not qualified in that regard.

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

## **1. GOVERNANCE ISSUES**

### **1.1 Opening Balances**

#### **Finding**

I could not obtain sufficient appropriate audit evidence that 2009 financial statements opening balances did not contain misstatements due to a break down in internal controls. In 2010, the initial trial balance had debit and credit data take on balances amounting to \$130 775 747 and \$111 539 626 respectively. I was not provided with the journals, documentation and explanations to validate clearing of these take on balances. In trying to clear the data take on the balances, a suspense balance of \$22 500 565 was created. The suspense balance was included under current liabilities in the financial statements. No procedures could be performed to gain assurance on the opening balances.

I was also not availed with journals, documentation and explanations to validate the clearing of data take on balances that were appearing on the initial trial balance for 2010. The following were the examples:

Data take on materials management	: \$46 723 154 (credit)
Data take on fixed assets	: \$41 969 045 (credit)
Data take on accounts receivable	: \$9 810 145 (credit)
Data take on accounts payable	: \$50 015 888 (debit)
Data take on general ledger	: \$48 963 268 (debit)
Data take on banks	: \$13 037 282 (credit)

In trying to clear data take on balances, a suspense account of \$22 500 565 was created and this affected the cash flow statement. In addition, included in the Statement of Cash Flows for 2010 was an amount of \$781 491 described as other non-cash items which management could not justify. There were no alternative procedures which I could perform to validate these figures. Accordingly, I could not express an opinion on the Statement of Cash Flows.

**Risk / Implication**

Fraud and errors may go undetected.

**Recommendation**

Suspense accounts should be investigated and cleared.

**Management response**

**The suspense accounts were created to facilitate take on of data from a previous company code (ZW01) to a new company code (ZW07). The balances in the accounts above represented one leg of the process, the other leg posted to the respective accounts. For example, on fixed assets, the debit went to the respective assets account while the credit went to the Data Take on (DTO) account. At the end of the exercise, the DTO accounts were supposed to net off to zero. This however did not happen due to various errors at take on, such as items omitted at take on and some duplications. This has been corrected.**

**1.2 Procurement of insurance services****Finding**

There was no evidence of tender approval by the State Procurement Board for the provision of insurance services from Navistar Insurance Brokers of \$ 5 356 480. All purchases above the \$300 000 threshold were supposed to go through the State Procurement Board for approval as required by the procurement laws of Zimbabwe.

**Risk / Implication**

Financial loss due to irregular transactions may go undetected.

**Recommendation**

Tender procedures should be followed.

**Management response**

Noted

**1.3 Ledger transactions****Finding**

The trial balance and related ledger balances provided by management changed numerous times during the audit. I was not availed with journals or transaction listings to support the changes in the ledger accounts. In 2010, there were unaudited credit and debit variances amounting to \$168 868 450 and \$213 142 928 respectively. Alternative procedures to obtain sufficient assurance could not be performed, as a result I was unable to satisfy myself

on the existence, accuracy, completeness and valuation of account balances on the financial statements.

**Risk / Implication**

Fraud and errors may go undetected.

**Recommendation**

All changes to trial balances should be properly documented, supported and authorised. There must be an audit trail for all changes made to accounting figures.

**Management response**

**At the commencement of the audit, the auditors were informed that posting of transactions and reconciliations were not yet complete. However, the recommendations are noted, and management will in future take due measures in ensuring that all transactions for a period are posted before the commencement of the audit and any changes are properly documented and a proper audit trail is maintained.**

**1.4 Valuation of inventory**

**Finding**

I did not observe the inventory count at year end due to audittee preparedness and the timing difference between the stock count date and the period in which this audit was done. As a result, I was unable to determine whether any adjustments might have been necessary in respect of recorded or unrecorded inventories. Due to the absence of perpetual inventory records and purchases invoice documentation, the pricing test could not be performed to ensure that inventory was carried at the lower of cost or net realizable value as required by International Accounting Standard (IAS) 2 Inventories. I was unable to satisfy myself as to the existence, completeness and valuation by alternative means of the inventory quantities which were stated in the statement of financial position at \$23 829 775.

**Risk / Implication**

Inventory balance might be materially misstated.

**Recommendation**

The Company should maintain proper inventory records.

The Company should make arrangements in time to invite external auditors to attend year end stock counts.

**Management response**

**Auditors have been attending subsequent stock takes and will be invited for all future stock takes.**

## **1.5 Aircraft lease agreements**

### **Finding**

The Company leased three MA60 aircrafts from the Government of Zimbabwe. There were no signed lease agreements for these planes. The lease transactions were not accounted for in the books of accounts. The planes were not capitalised and no lease premium expenditure was being recognised throughout the year. The aircraft were being used and operated by the airline. Accordingly, I was unable to determine whether the aircraft were correctly accounted for as required by International Accounting Standard (IAS) 17, Leases.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

A lease agreement should be drafted and signed. The lease transactions should be appropriately accounted for in the financial statements.

### **Management response**

**Liaison with the Ministry of Transport and Infrastructure Development is in progress to facilitate drafting and signing of the lease agreements for the aircraft.**

## **1.6 Valuation of aircraft, property, plant and equipment**

### **Finding**

The Company's aircraft, property, plant and equipment was carried at \$41 191 875 in the statement of financial position. Management did not assess the Company's aircraft, property, plant and equipment for impairment in accordance with the International Accounting Standard (IAS) 36, Impairment of Assets. The Company was facing financial challenges characterized by losses and negative working capital position which indicates potential impairment. Since impairment loss affects the determination of financial performance and the financial position, I was unable to determine whether adjustments might have been necessary in the financial statements.

Gross carrying amount of aircraft, property, plant and equipment of \$59 191 900 included aircraft valued at \$30 940 000 based on insurance values which were equivalent to the replacement cost of the aircraft. International Accounting Standard (IAS) 16, requires an item of aircraft, property, plant and equipment to be initially measured at a cost which is equivalent to the market value at purchase date. Depreciation was computed based on insurance values. Land and buildings were revalued to \$9 164 000 upon dollarization of the economy and the value determined was not split between land and buildings which resulted in depreciation being calculated on combined value of land and buildings. This is a departure from IAS16 which requires that only buildings should be subject to depreciation. I was unable to satisfy myself with regards to the valuation of aircraft, property, plant and equipment by alternative means.

### **Risk / Implication**

Aircraft may be impaired resulting in misstatement of financial statements.

### **Recommendation**

An experienced professional valuer should be engaged for the purposes of valuation of aircraft.

Management should assess aircraft for impairment and review residual values and useful lives on an annual basis.

### **Management response**

**The airline has started the process of engaging a professional valuer to carry out a valuation exercise. The results of this exercise shall be incorporated in the company books.**

## **1.7 Reconciliation of trade and other payables**

### **Finding**

Included in trade and other payables balance was \$59 138 304 for which I could not obtain confirmations or supplier statements. I was not provided with explanations for a variance of \$1 010 514 between the sundry creditors control account and creditors' listing. In addition, the variance between the ledger and amounts confirmed by creditors amounting to \$688 352 were not provided.

Creditors' reconciliations between suppliers' statements and the underlying accounting records for creditors were not availed for audit purposes.

### **Risk / Implication**

Errors may not be identified and resolved promptly.

Financial loss through double payments.

### **Recommendation**

The identified variances should be investigated and cleared. In addition, the Company should perform monthly creditors' reconciliations.

### **Management response**

**Management is emphasizing on timely reconciliations so as to mitigate the risks identified. Work is in progress to bring the reconciliations up to date.**

## **1.8 Trade and other receivables**

### **Finding**

I could not obtain confirmations for trade receivables amounting to \$ 6,818,039. The Company did not provide a breakdown of other receivables balance amounting to \$1 496 765. In addition, supporting documents for down payments account with a balance of \$301,741 were not availed. I was therefore unable to satisfy myself on the existence of trade and other receivables.

### **Risk / Implication**

Financial loss due to fraud and errors.

Debtors may not exist.

### **Recommendation**

Monthly debtors' statements should be prepared, and balances reconciled with the respective debtors.

Management should ensure that all balances have supporting documents.

### **Management response**

**The auditor's recommendations have been noted and adopted. Most debtors did not respond to confirmation letters sent out. The airlines have indicated their willingness to only deal through the IATA Clearing house and they have since closed 2010 accounting periods.**

## **1.9 Stores system**

### **Finding**

There was a system error configuration of unit costs whereby some quantities for items issued from stores were valued at a cost of \$1 426 000 by the system instead of \$1 426. I could not establish the extent to which the error affected issues done during the year as the audit was performed on a sample basis. As a result, the financial statement figures for inventory and cost of sales may be misstated.

### **Risk / Implication**

The financial statement figures for inventory and cost of sales may be misstated.

### **Recommendation**

Management should investigate the causes of the error and make necessary adjustments to correct the financial records.

## **Management response**

**It was an isolated case caused by data capturing error on stock keeping unit of a certain item (CH5-10). Journals will be posted to correct the error in the system.**

### **1.10 Expenditure supporting documents**

#### **Finding**

Supporting documents for aircraft repairs and maintenance transactions amounting to \$8 651 295 and related credit balance of \$3 266 618 were not availed for audit. In addition, the Company could not provide supporting documents for overheads amounting to \$21,425.

#### **Risk / Implication**

Loss through fraud by paying invoices for which no goods or services have been received. Misstatement of financial statements.

#### **Recommendation**

All transactions should be adequately supported.

#### **Management response**

**Recommendation noted. As for supporting invoices of \$21,425, the documents are still with forensic auditors/police. Attempts to access the documents have been futile.**

#### *Auditor's comment*

*Whilst I appreciate the comment provided by management, it however partially responds to the matters I have raised. In fact, the material part of the observation has not been addressed.*

### **1.11 Aircraft, property, plant and equipment transactions**

#### **Finding**

I could not obtain invoices and related documents for additions to ancillary spares and rotables worth \$386 869. In addition, documents relating to disposal and transfer of ancillaries and rotables worth \$532 560 and payment details for insurance invoices amounting to \$1 544 759 were not availed.

#### **Risk / Implication**

Loss of Company assets through fraud as payments may be done to fictitious suppliers.

#### **Recommendation**

Management should ensure that all transactions have supporting documents.

## Management response

The supporting documents for Ancillaries and rotables worth \$271 140 and supporting documents for disposal of ancillaries and rotables worth \$261 420 could not be found. This was mainly due to a clean-up exercise at the main stores and movement of personnel.

Management has emphasized on record keeping and proper filing for subsequent years.

With regards to invoices and related payments for additions to ancillaries and rotables amounting to \$386 869, these were additions to stock through data take on. While they appeared as additions to stock, they were not new purchases.

As for payment details for insurance invoices amounting to \$1 544 759, the documents are still with forensic auditors/police. Attempts to access the documents have been futile.

## 1.12 Land and buildings

### Finding

I was not availed with title deeds to verify ownership of the Company's land and buildings. The table below shows some of these assets.

Description	Location	Carrying amount (\$)
Stand 176 Vic Falls Township	Victoria Falls	52 237
Stand 15 Livingstone way Vic Falls Township	Victoria Falls	15 909
Land and buildings	Victoria falls	205 146
Land and Buildings	Robert Mugabe International Airport	5 447 326

### Risk / Implication

The Company may have no legal recourse in case of disputes.

### Recommendation

Title deeds should be available for all Company properties.

### Management response

The two stands, all in Victoria Falls have not yet been paid up. Therefore, there are no title deeds yet.

## **1.13 Bank and cash reconciliations**

### **Finding**

Bank reconciliations were not being performed on a monthly basis. There were unsupported reconciling items on some of the bank reconciliations which were prepared during the time of my audit amounting to \$635 036. There were variances between bank reconciliations and ledger balances for example; Standard Bank Johannesburg Current Account - \$148 252, Barclays Bank PLC London – \$19 826 and Standard Bank Johannesburg Credit Cards Account - \$15 392. There was no breakdown of the reconciling items, as a result I could not verify the accuracy of the reconciliations.

### **Risk / Implication**

Fraud and errors may not be detected timely.

### **Recommendation**

Bank reconciliations should be prepared and reviewed on a monthly basis.

Reconciling items should be supported.

### **Management response**

**The reconciliations are performed on a monthly basis in SAP as a standard operating procedure, but we did not download the same monthly bank reconciliation to produce hard copies.**

## **ALLIED TIMBERS ZIMBABWE (PRIVATE) LIMITED 2016**

### **Background information**

Allied Timbers Zimbabwe (Private) Limited is involved in plantation development and harvesting, processing, marketing and selling of pine and gum timber. The Group has plantations in the Eastern Highlands area of Zimbabwe and in Mvuma in Midlands Province. The Group is a limited liability company incorporated and domiciled in Zimbabwe.

I have audited the Consolidated Financial Statements of Allied Timbers Zimbabwe (Private) Limited and its subsidiaries for the year ended December 31, 2016 and I issued a qualified opinion with an emphasis of matter paragraph.

### **Qualified Opinion on Consolidated Financial Statements**

In my opinion, except for the possible effects of the matter described in the basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Allied Timbers Zimbabwe (Private) Limited and its Subsidiaries as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act [*Chapter 24:03*].

### **Basis for Qualified opinion**

The financial statements of a foreign subsidiary Altim Timbers (Proprietary) Limited have not been audited since 2014. The subsidiary has been classified as a discontinued operation after a resolution to liquidate it. The financial statements of that subsidiary have a disclaimer of opinion in 2012, 2013 and 2014 due to the limitation of scope. I could not substantiate Altim Timbers (Proprietary) Limited balances due to lack of proper audit trail. In 2013, I was unable to obtain supporting documents for certain balances such as trade receivables and trade payables. The limitation of scope could materially affect the amounts disclosed in the consolidated financial statements. There is no effect on the Company's financial statements.

### **Emphasis of matter**

I draw your attention to the fact that the group's total current liabilities exceeded its total current assets by \$11 813 610 (2015: \$7 231 449). This condition indicates the existence of a material uncertainty which cast significant doubt on the group's ability to continue as a going concern. However, management has turnaround strategies and actions to mitigate the material uncertainty existing on the Company's ability to continue as a going concern.

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

- 1. GOVERNANCE ISSUES**
- 1.1 Quarterly Payment Dates returns**

### **Finding**

The Company was not filing Income Tax Form (ITF) 12B for ZIMRA Quarterly Payment Dates (QPDs) returns as required by the Income Tax Act [*Chapter 23:06*].

**Risk / Implication**

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

**Recommendation**

Management should comply with tax legislation.

**Management response**

**Noted the company will submit QPD every quarter.**

**1.2 VAT returns and remittances**

**Finding**

I noted that the Company had been under-declaring revenue earned when it filed monthly VAT returns. The variances between the revenue declared to ZIMRA for VAT purposes and the revenues reported in the financial statements are detailed below:

<b>Years</b>	<b>Revenue Declared for VAT purposes</b>	<b>Revenue as reported in the financial statements</b>	<b>Variance</b>
2016	\$ 5 167 663	\$ 12 777 703	\$ 7 610 040
2015	\$ 5 365 387	\$ 11 926 742	\$ 6 561 355

Management has attributed this to the use of estimate revenue figures and not the actual figures when filing the returns since the tax invoices were captured into the system after the VAT period had passed.

**Risk / Implication**

The Company may incur significant financial loss due to penalties imposed by ZIMRA. The penalty will be equivalent to 100% of the outstanding VAT. An estimate of the potential liability is as shown in the table below:

<b>Years</b>	<b>Value of underestimated revenue</b>	<b>Potential VAT liability</b>	<b>Potential Penalty</b>	<b>Total</b>
2016	\$ 7 610 040	\$ 1 141 506	\$ 1 141 506	\$ 2 283 012
2015	\$ 6 561 355	\$ 984 203	\$ 984 203	\$ 1 968 406
<b>Total</b>	<b>\$ 14 171 394</b>	<b>\$ 2 125 709</b>	<b>\$ 2 125 709</b>	<b>\$ 4 251 418</b>

## **Recommendation**

The Company should voluntarily file a VAT adjustment to ZIMRA correcting the under declared revenue for the years 2014 to 2016 and apply for amnesty before any fines and penalties are imposed.

## **Management response**

**Currently, we are under audit by ZIMRA, adjustments will be done when the audit is finalised**

### **1.3 Customs Declaration 1 (CD1) forms not acquitted on time.**

#### **Finding**

I noted that the Company was not acquitting CD1 forms within the required three month period. This has resulted in the Company being blacklisted on the Reserve Bank's Computerised Exports Payments Exchange Control System (CEPECS) and paying a premium of \$ 245 for each CD1 form created during the financial year. The exporter is required to acquit or discharge the CD1 forms within three month of receiving foreign currency from the foreign customer. For example, from the current year CEPECS' report for Allied Timbers Zimbabwe' CDIs, were categorised as black. The total administrative cost paid in respect of these at \$ 250 per CD1 form was \$ 54,500. Ordinarily these would have been created at a total cost of \$ 1,090 (\$5 per CD1 form). Therefore, a total premium of \$ 53,450 was paid in respect of these.

#### **Risk / Implication**

Financial loss due to avoidable penalties and premiums.

#### **Recommendation**

The Company should acquit CD1 forms in compliance with exchange control regulations.

#### **Management response**

**All credit sales are now approved by Export Credit Guarantee Corporation.**

### **1.4 Reconciliation of receivables balances**

#### **Finding**

Most receivables balances confirmed by the customers or by the Company's lawyers were different from those shown recorded in the customer ledgers. There was no evidence to support that reconciliations were being done.

The table below refers:

<b>Customer</b>	<b>Confirmed balance</b>	<b>ATZ ledger balance</b>	<b>Variance</b>
1	\$ 132 436	\$ 245 815	\$ 113 379
2	Nil	\$ 64 741	\$ 64 741
3	\$ 82 637	\$ 88 852	\$ 6 215
4	Nil	\$ 14 658	\$ 14 658
5	\$ 27 562	\$ 132 297	\$ 104 735
6	\$ 4 152	\$ 20 059	\$ 15 907
7	Nil	\$ 16 021	\$ 16 021
8	Nil	\$ 36 232	\$ 36 233

**Risk / Implication**

Fraudulent transactions and errors may go undetected.

**Recommendation**

Account balances should be reconciled and variances on customer balances should be investigated.

**Management response**

**Noted, Management will enforce monthly reconciliation and production of statements.**

## CMED (PRIVATE) LIMITED 2016

### Background Information

CMED (Private) Limited is a commercialized enterprise as provided for by the Central Mechanical Equipment Department (Commercialisation) Act, 2000. It is wholly owned by the State and its mandate is to provide transport and equipment hire services to the market. It also provides ancillary services in the form of vehicle procurement, fuel, training and testing drivers and the administration of the Government Transport Purchase Fund (GTPF).

I have audited the Financial Statements of CMED (Private) Limited for the year ended December 31, 2016 and I issued an unqualified / clean opinion.

However, below are material issues noted during the audit.

### 1 GOVERNANCE ISSUES

#### 1.1 Statutory deductions

##### Finding

The Company did not remit statutory and other payroll deductions amounting to \$5 829 463 to the respective Authorities for the year under review. The following is a list of amounts that were owing:

Details	Amount \$
Pension	2 774 628
Aids levy	40 268
Manpower development levy	205 317
Standard levy	179 324
NSSA	524 948
Medical Aid	1 851 803
NEC	176 349
WICF	49 956
Maintenance garnishee order	26 868
<b>Total</b>	<b>\$ 5 829 463</b>

##### Risk / Implication

Financial loss due to fines and penalties that may be charged for non- compliance with statutory requirements.

Employees may fail to access benefits when required.

##### Recommendation

Statutory obligations should be remitted to respective authorities on time.

## **Management response**

**It is management's wish to have all statutory fees paid on time but cannot due to cash challenges. We have reverted to paying through set-offs and payment plans, though at a slow pace, but hope all debts will be cleared.**

**One million seven hundred thousand dollars (USD \$1,700,000) was paid in April 2017. AIDS levy is also being paid through set-offs and NSSA through payment plans.**

**Medical Aid is being paid whenever there is a request for medical assistance while the PSMAS balance remains outstanding until the issue is heard by the Court.**

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

### **2.1 Trade and other receivables**

#### **Finding**

A review of receivables revealed that a total amount of \$10 935 797.37 was owed by the Government and public entities (local authorities and parastatals).

#### **Risk / Implication**

Service delivery may be compromised as resources are tied up in receivables.

#### **Recommendation**

The Company should continue engaging government and the related public entities to recover the outstanding amounts.

#### **Management response**

**We have written to Ministry of Finance with regard to Liquidation of the following debts: -**

- 1. Ministry of Finance (\$1 700 000) and they have agreed to set-off against dividends owing to them.**
- 2. Sports and culture – Ministry of Finance has agreed to pay and acknowledged \$314,000, and had taken legal way to recover as well.**
- 3. Higher Education \$100 000 – including science & technology debt which is now confirmed.**
- 4. Zimstats \$797 000, final reconciliations are being finalized.**
- 5. Defunct ministries which they have agreed to pay for debt ceded to them through affidavits.**

**It is management's hope that all Ministry debts will eventually be paid as we are engaging them through the respective Finance Directors, though it may take time for the whole debt to be settled. Set offs are also being done to reduce the debt.**

## **MINERALS MARKETING CORPORATION OF ZIMBABWE (MMCZ) 2016**

### **Background information**

The Minerals Marketing Corporation of Zimbabwe (MMCZ) was established in terms of the MMCZ Act [Chapter 21:04]. Its business is to be the sole marketing and selling agent for all minerals, except gold and silver and to provide for the control and regulation of stock piling of minerals. The Minerals Marketing Corporation of Zimbabwe owns 100% of Mellofieldde Chemical (Private) Limited which was incorporated on April 17, 2012. The main objectives of the Company are to pursue mining and mining related investment opportunities and projects and to provide specialist management services to the Corporation.

I have audited the consolidated financial statements of Minerals Marketing Corporation of Zimbabwe for the year ended December 31, 2016 and I issued an unmodified / clean opinion with an emphasis of matter paragraph.

### **Emphasis of matter**

I draw your attention to the fact that the Corporation's subsidiary, Mellofieldde Chemicals (Private) Limited, has not been trading for the past four (4) years. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the subsidiary's ability to continue operating as a going concern.

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

## **1. GOVERNANCE ISSUES**

### **1.1 Annual plan**

#### **Finding**

The Monitoring and Inspectorate Division has the role of minimising leakages and mineral resource accounting through production audits and mineral inspection visits. I noted that the division was operating without an approved annual plan and as a result, I was not able to assess the performance of the division against set targets.

#### **Risk / Implication**

Service delivery may be compromised if the department does not have set targets.

#### **Recommendation**

The division should put in place an approved annual plan.

#### **Management response**

**A draft Monitoring and Inspectorate annual plan was in place during the period under review. The plan was not approved as there was no fully constituted Board.**

## 1.2 Assay laboratory

### Finding

The Corporation did not have its own laboratory to carry out independent analysis of the minerals samples taken from mining companies. Accuracy of sample splitting is of utmost importance for the determination of the quality of the concentrate being exported. The Corporation could not independently verify the quality of the concentrate dispatched. This issue was further compounded by the fact that the sample analysis was done by the producers. The MMCZ's input was to assign a monitor who observed the process and relied on the provided information.

### Risk / Implication

Financial loss as a result of limitation of the analytical assay of mineral quality and content.

### Recommendation

The Corporation should consider having its own assay laboratory to carry out independent analysis.

### Management response

**The Corporation does not necessarily require its own laboratory for independent assay verifications. The Corporation relies on results from independent laboratories such as Peacock & Simpsons, SGS, Metlab and IMR. In case of a dispute, samples of concentrates are sent to an umpire. The Corporation has however budgeted to capacitate Government Metallurgy Department to assist with independent analysis.**

## 1.3 Documented procedures

### Finding

The Monitoring and Inspectorate department did not have a systematic approach of planning, performing, supervising, reviewing and documenting its activities. This was evidenced by the lack of approved documented procedures or guidance covering areas such as work programs, documentation and reporting of findings discovered at mines.

### Risk / Implication

Service delivery may be compromised due to inconsistencies in implementation of procedures.

### Recommendation

The department should have a checklist or procedures manual in place for use during inspections.

### Management response

**The Corporation has a draft policy and procedures document in place awaiting approval by the Board of Directors.**

## **1.4 General Manager post**

### **Finding**

The Corporation was operating without a substantive General Manager for the past six years and at the time of concluding the audit in 2017 the post was still vacant.

### **Risk / Implication**

The Corporation's operations may be compromised as the acting staff may not have the capacity to make critical strategic decisions.

### **Recommendation**

The Corporation should fill this strategic position.

### **Management response**

**Observation noted. The post for General Manager was advertised in the press.**

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

### **2.1 Claims**

#### **Finding**

The Corporation had claims in Guruve, Mvuma, Nyanga and Chimanimani. However, I was not availed with evidence of claim registration certificates that show ownership and renewal of the claim. The last payment done in August 2013 for renewal of claims availed was for Guruve.

#### **Risk / Implication**

Financial loss as the Corporation may fail to prove ownership in case of disputes.

Claims may be forfeited due to non-renewal.

#### **Recommendation**

The Corporation should ensure that they have title to the property.

Renewal of claims should be done by the Corporation.

#### **Management response**

**Observation noted. The Corporation is in the process of regularising ownership of the claims with the Ministry of Mines and Mining Development.**

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

### **3.1. Security service contract**

#### **Finding**

The Corporation entered into a contract with a security company for provision of services at the Head Office and Corporation's house. However, I was not availed with the agreement for additional security services provided by the security company for management residence and Dhonjani project during the year under review.

**Risk / Implication**

Financial loss in the event of dispute.

**Recommendation**

Contracts with the security service provider should be reviewed in line with the current services being provided.

**Management response**

**Observation noted. The Corporation will ensure that contracts with suppliers will be reviewed in line with services being provided.**

**4. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**

I reviewed the progress made towards the implementation of prior year recommendations and found that the Company made some progress. However, there was room for improvement in respect of the following recommendations;

**4.1 Contracts of employment**

**Recommendation**

The Corporation should review the contract of employment with regard to terminations before the lapse of six years.

**Progress made**

**Efforts are underway to regularise the contracts of employment.**

**4.2 Performance bonus**

**Recommendation**

Payment of performance bonus should be linked to the achievement of performance targets.

**Progress made**

**The Corporation is in the process of implementing Result Based Management (RBM) system.**

### 4.3 Fuel allowances

#### **Recommendation**

All staff benefits should be supported by appropriate approvals and be subjected to tax as per Income Tax Act.

#### **Progress made**

**Motor vehicle benefit is being taxed according to ZIMRA motoring benefit scale. The Corporation is engaging ZIMRA on the taxability of fuel.**

## **MOTEC HOLDINGS (PRIVATE) LIMITED 2017**

### **Background Information**

Motec Holdings (Private) Limited is a Company incorporated in terms of the Companies Act [*Chapter 23:03*]. The principal activities of the group are the assembly and distribution of motor vehicles and earth moving equipment together with allied operations.

I have audited the financial statements of Motec Holdings (Private) Limited for the year ended December 31, 2017 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis of Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Motec Holdings (Private) Limited, as at December 31, 2017, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs), and the requirements of the Companies Act [*Chapter 24:03*] and Statutory Instruments (SI 33/99 and SI 62/96).

### **Basis for Qualified Opinion**

The Industrial Development Corporation of Zimbabwe Limited at its board meeting of September 28, 2017, made a resolution to transfer Motec Holdings (Private) Limited's shareholding in Willowvale Motor Industries (Private) Limited and Deven Engineering (Private) Limited of 83% and 100% respectively, to Industrial Development Corporation of Zimbabwe Limited. The Board also tasked the Acting Chief Executive Officer to put in motion a process that would result in Motec Holdings (Private) Limited and Motec Management Services (Private) Limited being made dormant or liquidated. This decision therefore implies that Motec Holdings (Private) Limited is no longer a going concern entity. However, the accounts have been prepared on a going concern basis.

However, below are other material issues noted during the audit

## **1. GOVERNANCE ISSUES**

### **1.1 Going concern**

#### **Finding**

The group's major shareholder, Industrial Development Corporation of Zimbabwe (IDCZ), passed a resolution on September 28, 2017 to put in motion a process that would result in Motec Holdings being made dormant. This implied that Motec Holdings was no longer a going concern as at December 31, 2017. However, management prepared the financial statements on a going concern basis.

## **Risk / Implication**

Financial statements may be materially misstated.

## **Recommendation**

The Company should use an appropriate basis when preparing financial statements where the going concern assumption is not appropriate.

## **Management response**

**The Group incurred a loss of \$3 946 251 for the year ended 31 December 2017 (2016: \$2 024 972). The key financial ratios remained adverse, with a net current liability position of \$10 237 815 as at 31 December 2017 (2016: \$12 671 217).**

**The Group continued to face working capital constraints since dollarization as the value of all the cash balances it held in its subsidiaries became nil, on the abandonment of the Zimbabwe dollar currency as legal tender in 2009. Since then the Group's companies have failed to secure new long term funding and only managed to roll over facilities that were in existence as at the end of 2013. The Group's subsidiary involved in the supply of vehicles, Willowvale Motor Industries (Private) Limited, closed its motor vehicle assembly plant in September 2012 after its strategic partner, stopped the supply of motor vehicle kits due to long outstanding debts. These conditions gave rise to a material uncertainty which may cast doubt on the Group's ability to continue operating as a going concern and to realise its assets and discharge its obligations in the normal course of doing business.**

**In response to the above, management and directors have undertaken the following actions at group and significant subsidiary level:**

### **Strategic mitigations:**

**With effect from 1 January 2018, Motec transferred its entire shareholding in Willowvale and Deven to IDCZ. In addition to the more apparent reasons of rationalising corporate oversight, management and administration costs, the Group reconstruction is being driven by the strategic thrust for IDCZ to resume its original purpose of a Development Finance Institution (DFI), which is akin to a capital venture institution. Taking over of the shares in WMI and Deven is consistent with this purpose as it helps to contain costs, reduce duplications of roles and eliminate intercompany accounts, loans and other administration services as much as possible.**

# NATIONAL OIL INFRASTRUCTURE COMPANY OF ZIMBABWE (NOIC) 2016

## Background information

The National Oil Infrastructure Company of Zimbabwe (NOIC) (Private) Limited was incorporated in Zimbabwe in terms of the Companies Act [*Chapter 24:03*] and it is wholly owned by the Government of Zimbabwe. The Company is responsible for the transportation, storage and handling of petroleum products for oil companies. It operates fuel depots in Harare, Mutare, Beitbridge and Bulawayo.

I have audited the financial statements of National Oil Infrastructure Company of Zimbabwe, and I issued an unmodified / clean opinion.

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

## 1. GOVERNANCE ISSUES

### 1.1 Fuel and cell phone allowances

#### Finding

The Company's board members received monthly fuel allowances during the year under review which were processed outside the payroll system and were not subjected to Pay as You Earn (PAYE) in violation of the Income Tax Act [*Chapter 23:06*]. In addition, the board members were receiving monthly cell phone allowances which were subjected to withholding tax instead of Pay as You Earn (PAYE).

The Board also increased its own fuel and cellphone allowance from July 2016 without approval from the parent Ministry.

#### Risk / Implication

Financial loss due to penalties and fines for non-compliance with tax regulations.

#### Recommendation

All monthly board allowances should be processed through the payroll and subjected to PAYE in line with the Income Tax Act [*Chapter 23:06*].

Board allowances increase should be approved by parent ministry.

#### Management response

**Noted the Company shall seek for the necessary approvals on all 2016 allowances paid through the Annual General Meeting and be taxed through payroll by October 2017**

## 2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

### 2.1 Depot bank account

### **Finding**

Feruka depot was using the Assistant Depot Manager's personal bank account for administering the petty cash transactions for the depot. At the time of stock count on January 01, 2017 the bank account had a balance of \$2 148.

### **Risk / Implication**

Funds may be exposed to abuse or misappropriation.

### **Recommendation**

The Company should open and maintain a depot bank account and avoid using a personal account.

### **Management response**

**The Company will open a depot bank account for petty cash.**

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

I reviewed the progress made towards the implementation of prior year recommendations and found that the Company made some progress. However, there was room for improvement in respect of the following recommendations;

### **3.1 Taxation of board allowances**

#### **Finding**

Monthly fuel allowances for board members should be taxed in terms of Income Tax Act [*Chapter 23:06*].

#### **Progress made**

**Observation noted. The Company shall process fuel allocations to Board members through the payroll system.**

## NATIONAL RAILWAYS OF ZIMBABWE (NRZ) 2017

### Background information

The National Railways of Zimbabwe (Railways) is a designated corporate body operating in terms of the Railways Act [*Chapter 13:09*]. The Railways is the prime mover of local, import / export and transit traffic carrying freight and passengers by rail.

I have audited the financial statements of National Railways of Zimbabwe for the year ended December 31, 2017 and I issued an unmodified / clean opinion with a going concern uncertainty paragraph.

### Material Uncertainty Related to Going Concern

I draw your attention to the fact that National Railways of Zimbabwe is in a net current liability position of \$256 535 751 (2016: \$219 573 666). The Railways also incurred a net loss of \$51 992 503 (2016: \$59 768 613) contributing to an accumulated loss of \$388 193 404. This accumulated loss and net current liability position, along with other matters, indicate the existence of a material uncertainty that may cast significant doubt over the Railways' ability to continue as a going concern.

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

#### 1. GOVERNANCE ISSUES

##### 1.1. Illegal tenants on real estate land

#### Finding

According to the records, there were tenants who had constructed buildings on land belonging to NRZ. My review of the investment property register indicated that the land was vacant. The table below shows examples of the illegal tenants:

LOCATION	ILLEGAL TENANT	YEAR OCCUPIED
Woolandale Farm at Khami Siding	Various residential homes constructed.	2000
Banket-Stand NO 21	Residential home built on Stand no 21.	Unknown
Muzwezwe near Kadoma	Mr Fichaine claimed to have bought a plot in Rly Reserve at (Umsweswe) but no documentary proof.	2009
Odzi Siding'Along Mutare Rail Line -Stand No 23	An illegal tenant encroached into stand no. 23 belonging to NRZ.	Unknown
Norton Station 1337	Stand no. 600 occupied by Apostolic Church.	Unknown

**Risk / Implication**

Loss of property.

**Recommendation**

Management should regularise this issue.

**Management response****Noted**

**The stands are being attended to by management case by case and corrective action is being taken.**

## **PETROTRADE (PRIVATE) LIMITED 2016**

### **Background information**

The Company was incorporated in Zimbabwe and engages in the importation, distribution and retail of petroleum products in Zimbabwe.

I have audited the financial statements of Petrotrade (Private) Limited for the year ended December 31, 2016 and I issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1 Board of Directors**

##### **Finding**

The Company was operating without a Board of Directors (“the Board”) since August 2015. In addition, the Company had no substantive Chief Executive Officer (“CEO”) since 2013.

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

Strategic direction and leadership may be compromised.

##### **Recommendation**

Board members should be appointed whenever vacancies occur on the Board.

The Board, once appointed, should appoint a substantive CEO without further delay as the company has gone for more than four years without CEO.

##### **Management response**

**Board appointment is to be done by the shareholder. There have been some indications that the shareholder wanted to realign Petrotrade and NOIC before the appointment of a Board for Petrotrade. Management is still waiting for that process. The appointment of substantive top management will be done after the appointment of the Board.**

### **2. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**

I reviewed the progress made towards the implementation of prior year recommendations and found that the Company made some progress. However, there was room for improvement in respect of the following recommendation;

#### **2.1 Staff vacancies**

##### **Recommendation**

All vacant management positions should be filled.

**Progress made**

**Work in progress. A substantive Chief Executive Officer and a substantive Finance Manager are yet to be appointed.**

## **POWERTEL COMMUNICATIONS (PRIVATE) LIMITED 2016 AND 2017**

### **Background information**

Powertel Communications (Private) Limited is a wholly owned subsidiary of ZESA Holdings. The core business of the Company is to provide world class Information Communication Technology (ICT) connectivity services in Zimbabwe and globally.

I have audited the financial statements of Powertel Communications (Private) Limited for the years ended December 31, 2016 and 2017 and I issued unmodified / clean opinions with a going concern uncertainty paragraph on the 2017 financial statements.

### **Material Uncertainty Related to Going Concern**

The Company incurred a loss before tax of \$3,097,231 (2016:\$2,687,788) for the year ended December 31, 2017 and as of that date its current liabilities exceeded its current assets by \$6,404,180 (2016:\$2,997,827). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue operating as a going concern.

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

## **1. GOVERNANCE ISSUES**

### **1.1 Going Concern**

#### **Finding**

The Company was facing going concern challenges as its operations continued to be hampered by shortage of working capital. The following were indicators of going concern problems at the Company:

Loss after tax of \$3 097 231 (2016:\$2 687 788); Negative working capital of \$6 404 179 (2016: \$2 997 827). Failure to fully pay for the POTRAZ license fees and as at year end, the Company owed POTRAZ \$4 220 000.

The Company was failing to connect new customers. As at December 31, 2017 the Company had installation fees liability amounting to \$846 715. The Company's total revenue decreased from prior year's total revenue of \$25 759 021 to \$25 106 839.

#### **Risk / Implication**

The Going concern assumption used in the preparation of financial statements may not be appropriate.

## Recommendation

Directors should devise strategies to make the Company profitable and improve the working capital position of the Company.

## Management response

**The Company has come up with a three-year strategic business plan which is expected to return the Company to profitability this year.**

## 1.2 Long outstanding projects

### Finding

The Company had a number of assets which had been under construction for a long time, some of which date back to six (6) years. As at December 31, 2017 these assets amounted to \$1 281 047. This has resulted in resources being tied up in projects and not generating revenue for the Company. Listed below are examples of such projects;

Reference	Project Commencement Date	Acquisition value (\$)
140879	30.10.15	288 502
130935	31.12.11	76 122
130964	30.04.13	49 298
140107	20.06.13	46 904
130649	31.12.11	35 926
131085	31.07.12	27 913
131173	26.10.12	11 360

### Risk/ Implication

Financial loss due to commitment of resources to projects not generating revenue.

Assets under construction may be impaired.

### Recommendation

The Company should mobilise resources to speed up the completion of assets under construction.

## **Management response**

**Work in progress was not being completed due to delays in supply of terminal equipment from customers, mainly ZETDC. Shortage of fiber also contributed to this.**

### **1.3 Pension and N SSA contributions**

#### **Finding**

The Company was not remitting N SSA and Zimbabwe Energy Industry Pension Fund (ZEIPF) contributions on time and as a result interest amounting to \$141 029 was charged by Zimbabwe Energy Industry Pension Fund administrators for late payments. As at December 31, 2017 the cumulative outstanding balances owed by the Company to ZEIPF and N SSA amounted to \$888 168 and \$16 396 respectively.

#### **Risk / Implication**

Litigation claims by employees due to failure by the Company to remit pension contributions.

Financial loss due to interest being levied on outstanding balances.

#### **Recommendation**

ZEIPF and N SSA contributions should be remitted timeously.

#### **Management response**

**The organisation has faced cash flow challenges emanating from liquidity challenges being experienced in the economy. Efforts to improve collections from customers including engaging legal firms for recovery of long outstanding debts have been adopted. The liquidation of statutory obligations carries priority.**

## PRINTFLOW (PRIVATE) LIMITED 2016

### Background Information

Printflow (Private) Limited is a successor organization to the former Department of Printing and Stationery in the Ministry of Finance. It has all the capacity as permitted by section 9 of the Companies Act [*Chapter 24.03*], and without derogating from the scope of these powers, the principal objectives for which the company was established is to carry on the printing, publishing, buying and selling of all forms of office supplies and any other business in printing and stationery supplies and perform any other activities and functions as set out in the memorandum of association at the same time giving priority to serving the needs of the Government in the discharge of its business.

I have audited the financial statements of Printflow (Private) Limited for the year ended December 31, 2016 and I issued an unqualified / clean opinion.

However, below are material issues noted during the audit.

## 1 GOVERNANCE ISSUES

### 1.1 Statutory obligations

#### Finding

The Company was not remitting statutory and other deductions to the relevant authorities during the year under review. A total of \$2 309 745 was outstanding as at December 31, 2016. The table below refers to some of the obligations;

<b>Statutory and other obligations</b>	<b>Outstanding amount \$</b>
Pay As You Earn	51 633
Aids Levy	2 628
National Social Security Authority	158 233
Pension	1 609 966
Manpower Development Levy	63 458
Public Service Medical Aid Society	16 083
Collarhedge Loan	54 715
ZIMNAT Insurance	8 384
Funeral Policy	16 184
CBZ Funeral Policy	1 798
CIMAS Medical Aid Society	2 348
First Mutual Medical Aid Society	2 815
Zimbabwe Graphical and Allied Workers Union	49 357
National Employment Council	230 906

#### Risk / Implication

Financial loss due to penalties, fines and interests which may be levied.

Employees may fail to access essential services.

### **Recommendation**

Management should ensure that statutory and other obligations are remitted in time.

### **Management response**

**Due to cash flow challenges arising from low business activities, the Company has not been able to keep up with payments of statutory obligations. To avoid penalties, fines and other eventualities, the management is in constant engagement with relevant authorities in management of the debts.**

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

I reviewed the progress made towards the implementation of prior year recommendations and found that the Company made some progress. However, there was room for improvement in the following areas;

### **2.1 Board of Directors**

#### **Recommendation**

Management should liaise with the parent Ministry for an early appointment of the Board.

#### **Progress made**

**Management has been liaising with the Ministry of Finance and was advised that it was still working on the issue of the Board's appointment.**

## **SUNWAY CITY (PRIVATE) LIMITED 2017**

### **Background information**

Sunway City (Private) Limited is a subsidiary of the Industrial Development Corporation of Zimbabwe Limited (IDC) mandated to develop world class integrated residential, commercial, industrial, institutional and recreational parks so as to provide relevant infrastructural development to facilitate industrialization and economic growth of Zimbabwe as well as Regional Integration and Trade.

I have audited the financial statements of Sunway City (Private) Limited for the year ended December 31, 2017 and I issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1 Residential Stands**

##### **Finding**

A review of minutes of meetings revealed that the Company had stands next to ZESA power lines. In terms of ZESA laws, the stands were within the restricted area. Stands are required to be a minimum of 40 meters from power lines and the relevant infrastructure. I however noted that these stands were sold to the customers notwithstanding the objections of ZESA.

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

Financial loss emanating from legal disputes.

##### **Recommendation**

The Company should regularise the issue.

##### **Management response**

**Our position is that the liability lies with ZESA and City Council who approved the survey of the stands and not with Sunway City and therefore there would be no basis for a contingent liability.**

## ZIMBABWE BROADCASTING CORPORATION (ZBC) 2013, 2014 AND 2015

### Background information

The Zimbabwe Broadcasting Corporation (Private) Limited was established in terms of the Broadcasting Services Act [*Chapter 12:06*] and Zimbabwe Broadcasting Corporation [*Commercialization Act 2001*]. Its core function is to carry on broadcasting services for the information, education and entertainment of listeners in and outside Zimbabwe.

I have audited the financial statements of the Zimbabwe Broadcasting Corporation for the years ended December 31, 2013, 2014 and 2015 and I issued unqualified opinions with an emphasis of matter paragraph on the 2015 financial statements.

### 2015 Emphasis of matter

I draw your attention to the fact that the Corporation had a net liability position of \$40 293 044 (2014: \$42 125 032) as at December 31, 2015. Fixed term borrowings amounting to \$10 288 379 approached maturity without prospects of renewal or repayment.

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

#### 1. GOVERNANCE ISSUE

##### 1.1 Board fees and allowances

#### Finding

The Corporation's Board received board fees and allowances based on a resolution that the Board had passed. The fees and allowances were outside those approved by the Minister of Media, Information and Broadcasting Services in Circular 3 of 2011 dated 29 March 2011.

#### Risk / Implication

Financial loss through payment of unauthorized benefits to board members.

#### Recommendation

Benefits paid to board members should be regularised.

#### Management response

**The board fees and allowances paid above the level stipulated in circular number 3 of 2011 by the Ministry of Media, Information and Broadcasting services were based on Board resolution. This was necessitated by the objective to attract and retain directors of the caliber and experience needed for the turn-around of the corporation. ZBC, being a private limited company owned by Government has to compete with other private companies in the market for attraction and retention of the best caliber of directors.**

## ZIMBABWE CONSOLIDATED DIAMOND COMPANY 2016

### **Background information**

Zimbabwe Consolidated Diamond Company (Private) Limited (ZCDC) was incorporated on July 2, 2015 and commenced operations in 2016, in line with the Government of Zimbabwe's policy to have one state owned company in the country that mine diamonds. The Company is involved in the mining of diamonds and alluvial gold. The Company is wholly owned by the Government through the Ministry of Mines and Mining Development.

I have audited the financial statements of Zimbabwe Consolidated Diamond Company for the year ended December 31, 2016 and I issued a qualified opinion with an emphasis of matter paragraph.

### **Qualified Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion, the financial statements are properly drawn up in conformity with International Financial Reporting Standards ("IFRSs") and, in all material respects, give a true and fair view of the financial position of the Company as at 31 December 2016, and results of its financial performance and its cash flows, for the year then ended.

### **Basis for Qualified Opinion**

I was not able to verify the valuation and completeness of the mine rehabilitation provision with a carrying amount of \$11 068 975 included in non-current provisions on the Company's statement of financial position. Management did not provide me with a report by an expert detailing the assumptions and computations made in arriving at the provision and adequacy thereof.

I could not verify the valuation (recoverability) of amounts owed by related parties with a balance of \$20 307 027 on the Company's statement of financial position. The amounts are owed by Companies that have since closed down. Management have failed to provide me with persuasive audit evidence on how and when these amounts would be recovered.

Consequently, I was unable to determine whether any adjustments to the above stated amounts were necessary.

### **Emphasis of Matter**

I draw your attention to the fact that the Company incurred a total comprehensive loss of \$7 445 606 during the period ended December 31, 2016, and as at that date there was a net current liabilities position of \$7 981 756 and negative equity of \$7 445 576. These matters cast doubt on the Company's ability to continue operating as a going concern for the foreseeable future.

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

## **1. GOVERNANCE ISSUES**

### **1.1 Mine closure provision**

#### **Finding**

The Company had not engaged an independent expert to perform a valuation of the expected future mine rehabilitation costs for the period ended December 31, 2016.

#### **Risk / Implication**

Possible misstatement of the Company's provisions for mine closure costs.

Decisions may be made on incomplete and inaccurate financial information.

#### **Recommendation**

Management should consider engaging an expert to perform an assessment and a valuation of the Company's expected future mine rehabilitation costs. In addition, management should come up with a documented policy on the valuation of future mine rehabilitation costs which covers how often the valuation should be performed by an expert, amongst other things. The policy should be approved by the Board before implementation.

#### **Management response**

**Agreed. ZCDC inherited mined out areas from former miners who had not provisioned for mine closure costs. Plans are afoot to engage consultant to quantify and compute mine closure costs with a view to mobilise funding from the shareholder. When consultant ascertains mine closure costs these will be provisioned.**

### **1.2 Board Committees**

#### **Finding**

The Chief Executive Officer and Audit executive are members of the Company's Audit and Risk Committee, which is not in line with best practice of good corporate governance. In addition, the Chief Executive Officer and Chief Human Resources Officer are members of the Company's human resources and remuneration committee which is not in line with best practice of good corporate governance.

#### **Risk / Implication**

Independence of the audit executive may be impaired.

The objectivity of the Committee may be compromised

Negative reputation arising from poor corporate governance practices.

## **Recommendation**

Board of Directors (“Board”) should consider reconstituting the Audit and Risk Committee and the Human Resources and Remuneration Committee to consist of independent non-executive directors only. The CEO and Audit executive may however attend the Audit and Risk Committee meetings by invitation.

## **Management response**

**Agreed.**

## **2. EMPLOYMENT COSTS**

### **2.1 Payment of DMC staff costs**

#### **Finding**

I noted that in April 2016, ZCDC paid \$225 761 to former DMC employees for outstanding 2015 staff costs. However, no agreement was entered into between ZCDC and DMC pertaining to payment of the staff costs and as a result I could not satisfy myself with the basis on which ZCDC had paid DMC.

#### **Risk / Implication**

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

#### **Recommendation**

Management should always ensure that signed agreements are in place before engaging in non-routine transactions. The agreements should first be reviewed by the Company’s Legal department to ensure there is proper understanding of the terms and conditions.

#### **Management response**

**Agreed.**

## **ZESA ENTERPRISES (PRIVATE) LIMITED (ZENT) 2016 AND 2017**

### **Background information**

ZESA Enterprises (Private) Limited, is incorporated under the Companies Act [*Chapter 24:02*] and the Electricity Act [*Chapter 13:19*] and is wholly owned by ZESA Holdings. It is mainly involved in the manufacture and repair of power and distribution transformers and line materials, design, construction and commissioning of high voltage substations, power lines, civil and mechanical works; provision of transport logistics, supply and distribution of high quality hardware, domestic and industrial electrical equipment; provision of information technology and support services.

I have audited the financial statement of ZESA Enterprises (Private) Limited for the years ended December 31, 2016 and 2017 and I issued an unmodified / clean opinion with going concern uncertainty paragraphs.

### **2016 Material Uncertainty Related to Going Concern**

I draw your attention to the fact that the Company had a loss before tax of \$12 451 369 (2015: \$9 046 855) for the year ended December 31, 2016 and, as of that date, the Company's current liabilities exceeded its current assets by \$26 461 480 (2015: \$11 736 440). This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

### **2017 Material Uncertainty Related to Going Concern**

I draw your attention to the fact that the Company incurred a loss before tax of \$8 375 921 (2016:\$12 451 369) for the year ended December 31, 2017 and, as of that date, the Company's current liabilities exceeded its current assets by \$26 952 578 (2016: \$26 461 480). These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

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

## **1. GOVERNANCE ISSUES**

### **1.1 Going concern.**

#### **Finding**

The Company had a loss before tax of \$8 375 921 (2016:\$12 451 369) for the year ended December 31, 2017 and, as of that date, the Company's current liabilities exceeded its current assets by \$26 952 578 (2016: \$26 461 480) and this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Revenues continue to decline, whilst losses are increasing resulting in the erosion of the Company's equity which stood at \$4 588 918. Continuation of this trend will result in the Company having negative equity. The working capital also continues to decline with statutory obligations amounting to \$8 750 931 as at the balance sheet date.

**Risk / Implication**

The Company may be declared insolvent.

**Recommendation**

The Company should come up with turnaround strategies in order to avert insolvency.

**Management response**

**ZENT is addressing the going concern of the business through various turnaround measures and initiatives with their incremental effects. These are given as follows:**

**Sustainable business**

**Revenue growth**

**Funding initiative**

## **ZESA HOLDINGS (PRIVATE) LIMITED 2016**

### **Background information**

ZESA Holdings (Private) Limited is incorporated under the Companies Act [*Chapter 24:03*]. The Company manages its 100% owned subsidiaries that is Zimbabwe Power Company (Private) Limited, Zimbabwe Electricity Transmission and Distribution Company (Private) Limited, Powertel Communications (Private) Limited and ZESA Enterprises (Private) Limited. The Company is governed by the Electricity Act [*Chapter 13:19*].

I have audited the financial statements of ZESA Holdings (Private) Limited for the year ended December 31, 2016 and I issued an unmodified / clean opinion with an emphasis of matter.

### **Emphasis of matter**

I draw your attention to the fact that the Company's current liabilities exceeded its current assets by \$67 998 471 (2015: \$66 178 819). The Company is failing to service its foreign loans amounting to \$29 878 401 which were overdue. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue operating as a going concern.

However, below are material issues noted during the audit.

## **1. GOVERNANCE ISSUES**

### **1.1 Subsidiaries**

#### **Finding**

The performance of the Company's subsidiaries, Zesa Enterprises (ZENT) and Powertel have been historically poor with operating losses and a greater portion of their revenue coming from Group companies. Powertel generated 55% (2015: 43%) of its revenue from intercompany sales during 2016 while ZENT generated 78% (2015: 80%) of its revenue from sales to companies within the Group, mainly ZETDC. For the year ended 31 December 2016, Powertel incurred an operating loss of \$2 695 250 (2015:\$54 417) whilst ZENT incurred an operating loss of \$12 297 097 (2015: \$8 694 375).

#### **Risk / Implication**

Financial loss through sustaining the operations and overhead structures of non-performing subsidiaries in the absence of turnaround strategies for the companies.

#### **Recommendation**

The Holding Company needs to evaluate if the anticipated synergies are really beneficial to the group and the efficiency of the arrangement.

**Management response**

**Strategies have been formulated to diversify the operations of the two subsidiaries to increase their revenue bases and ensure profitability.**

# ZIMBABWE ELECTRICITY TRANSMISSION AND DISTRIBUTION COMPANY (ZETDC) 2016 AND 2017

## Background information

The Zimbabwe Electricity Transmission and Distribution Company is incorporated under the Company's Act [*Chapter 24:03*]. It is a subsidiary of ZESA Holdings. Its business is the distribution and retail of electricity to final users. The business operations cover the following aspects, distribution asset management, which includes network planning, development, operation and maintenance.

I have audited the financial statements of the Zimbabwe Electricity Transmission and Distribution Company (Private) Limited for the years ended December 31, 2016 and 2017 and I issued unmodified / clean opinions with an emphasis of matter paragraph on the 2016 financial statements and going concern uncertainty paragraph on the 2017 financial statements.

## 2016 Emphasis of Matter

I draw your attention to the fact that the Company's current liabilities exceeded its current assets by \$648 557 731 as at December 31, 2016 (2015: \$771 383 372). This condition indicates the existence of material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

## 2017 Material Uncertainty Related to Going Concern

I draw your attention to the fact that the Company's current liabilities exceeded its current assets by \$687 327 440 (2016: \$648 557 731). This indicates that a material uncertainty exists that may cast significant on the Company's ability to continue as a going concern.

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

## 1. GOVERNANCE ISSUES

### 1.1 Going concern

#### Finding

The Company incurred an operating loss before tax of \$74 472 490 for the year ended December 31, 2017 (2016: \$ 69 275 164).

The Company also had an accumulated loss of \$524 898 859 as at December 31, 2017 (2016: \$ 444 330 258). For the year ended December 31, 2017, the Company had a negative working capital position of \$687 327 440 (2016:\$648 557 731). The Company defaulted on repayment of its foreign loans.

## **Risk / Implication**

The Company may be unable to meet its liabilities as they fall due leading to both commercial and technical insolvency.

## **Recommendation**

Management should implement strategies to turnaround the Company's liquidity positions and improve profitability.

## **Management response**

**We are implementing the following measures in order to ensure that the Company is a going concern:**

- i. The Government of Zimbabwe has through the parent company (ZESA Holdings (Private) Limited) undertaken to provide financial support to the company through Government guarantees and loans when called to do so due to the strategic importance of the company's business to the economy of Zimbabwe.**
- ii. The Zimbabwe Energy Regulatory Authority has issued licenses to seventeen agencies to supply prepaid meters to clients still on post-post-meters as well as new clients. This new arrangement will help to reduce the company's debtors' book and boost cash flows.**
- iii. Treasury Bills amounting to \$520 million have been issued in settlement of amounts owed by these entities. As at 31 December 2017, \$210 million of the treasury bills had been drawn down resulting in a decrease in the company's debtors' book.**
- iv. The Company aligned its structures to strategy. The realignment resulted in a streamlined organisational structure which is aimed at reducing costs going forward.**
- v. The Company is also taking legal action against defaulting clients in order to recover long outstanding debts.**

## **1.2 Payments to suppliers without tax clearance certificates (ITF263).**

### **Finding**

The Company paid suppliers who did not have valid tax clearance certificates without deducting withholding tax as required in terms of Section 80 of the Income Tax Act [*Chapter 23:06*].

The estimated tax liability, penalty and interest arising from failure to withhold 10% from suppliers who had not furnished valid tax clearance certificates amounted to \$775 302.

### **Risk / Implication**

Financial loss due to penalties and interest.

### **Recommendation**

The Company should withhold and remit tax.

### **Management response**

**Management will improve on Tax Compliance and payment terms of payables.**

## **1.3 Payments to non performing suppliers**

### **Finding**

The Company paid one supplier a total of \$350 078 in 2012 and 2014 for transformers and other goods. The supplier failed to deliver the goods. The Company engaged another supplier and made a payment of \$1 413 960 in September 2015. This supplier also did not deliver.

It was noted that the two suppliers were related companies as they were run by one Managing Director. It was not clear why the Company continued to give orders to these two companies despite their failure to perform in previous contracts.

### **Risk / Implication**

Financial loss emanating from non-delivery.

### **Recommendation**

The Company should not award tenders to suppliers who fail to supply under previous contracts.

### **Management response**

**The audit observation is noted. However, on the issue of the relationship between the two suppliers, the State Procurement Board advised that it is not in ZETDC's jurisdiction to pierce the corporate veil as each company is a legal persona.**

### *Auditor's comment*

*Whilst I appreciate the response from management, the amounts have been outstanding for a significant period. At the same time, it still remains unclear as to what management has done to recover the amounts in question or have the goods delivered.*

## ZIMBABWE POSTS (PRIVATE) LIMITED (ZIMPOST) 2015

### Background information

Zimbabwe Posts (Private) Limited (ZIMPOST) is the designated postal operator in Zimbabwe with the mandate of providing universal postal, courier, agency, retail, real estate and financial services within Zimbabwe. ZIMPOST is a state owned enterprise established under the Companies Act [*Chapter 24: 03*] and was incorporated in 2000 after the unbundling of the former Posts and Telecommunications Corporation (PTC). The company is headquartered at Harare Main Post Office and has four operational regions. ZIMPOST wholly owns Courier Connect (Private) Limited and Zimbabwe Post Properties (Private) Limited.

I have audited the financial statements of the Zimbabwe Posts (Private) Limited for the year ended December 31, 2015 and I issued an unmodified / clean opinion with an emphasis of matter.

### Emphasis of matter

I draw your attention to the following;

### Prior period errors

Prior period errors resulted in a decrease in profit of \$855 719 (Company: \$831 141). Errors relating to prior periods were identified in the current year and corrected through restatement of the prior period balances. The comparative amounts were correctly amended and disclosures are adequate as per the requirements of International Accounting Standard 8 – Accounting policies, Changes in Accounting Estimates and Errors.

### Going concern

The Group incurred a net loss of \$7 399 936 (2014: \$7 683 898) during the year ended 31 December 2015 and, as of that date, the Group's current liabilities exceeded its current assets by \$28 456 898 (2014:\$25 322 732). The accumulated losses increased to \$21 848 404 from \$ 21 467 388.

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

## 1. GOVERNANCE ISSUES

### 1.1 Rights to leasehold land

#### Finding

The Company had no agreements for leasehold land that is currently occupied and classified as leasehold land. This asset amounted to \$356 330 as at 31 December 2015.

### **Risk / Implication**

In terms of the Conceptual Framework, the land does not meet the definition of an asset as the company does not have control of the land. Although there is a right of use, the company is not able to transfer, or dispose of the land.

### **Recommendation**

Management should ensure all assets recorded reflect actual assets they have rights to by signing agreements or having other relevant supporting documents.

### **Management response**

**Noted. Agreements are being worked on by Post Properties (Pvt) Ltd to ensure the properties are recorded under the company and leased back to Zimpost.**

## **2. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**

I reviewed the progress made towards the implementation of prior year recommendations and found that the Company made some progress. However, there was room for improvement in respect of the following recommendations;

### **2.1 Fiscalisation**

#### **Recommendation**

The Company should fiscalise all its outlets in compliance to Statutory Instrument 153 of 2011.

#### **Management response**

**Noted. Management communicated to ZIMRA, in February 2009, its challenges on fiscalisation as follows:**

- **Point of sale system that we intend to use is still under development.**
- **Huge number of offices and associated off counters and the complexities of transactions with some requiring specialized handling.**

**These issues cannot be handled via the standard equipment and this has been communicated to ZIMRA and we await their response on the way forward.**

### **2.2 Lease agreements**

#### **Recommendation**

The Company should have lease agreements with all tenants.

#### **Progress made**

**Noted. The process of getting the lease agreements signed is underway.**

## ZIMBABWE POWER COMPANY (PRIVATE) LIMITED 2016, 2017

### Background Information

Zimbabwe Power Company (ZPC) is incorporated in terms of the Companies Act [*Chapter 24:03*] and the Electricity Act [*Chapter 13:19*]. ZPC is a subsidiary of ZESA Holdings (Pvt) Limited. Its main business is the generation of electricity.

I have audited the financial statements of Zimbabwe Power Company (ZPC) and its Subsidiary for the years ended December 31, 2016 and 2017 and I issued an unqualified opinion with an emphasis of matter paragraph on the 2016 financial statements.

### Emphasis of Matter

I draw your attention to the fact that Zimbabwe Power Company was failing to service its long-term loans. As a result, the majority of long term loan balances were due and payable. Furthermore, the major customer, Zimbabwe Electricity Transmission and Distribution Company (ZETDC), was failing to recover amounts owed to it by its customers which was affecting its ability to pay amounts it owed to the Group companies. The Group companies were as a result failing to meet their obligations when they were due. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue operating as a going concern.

However, below are material issues noted during the audit.

#### 1. GOVERNANCE

##### 1.1 Tax obligations and other payables

#### Finding

My review of Head Office tax accounts revealed that taxes due were not being remitted to ZIMRA as expected. As a result, interest was being charged on these outstanding balances resulting in costs for the Company. The table below refers;

Description	Charged (\$)
Income Tax	9 024 376
Vat	182 540
PAYE	210 049

In addition, the Company had other long outstanding payables on which interest was being charged. An interest amount of \$3 844 254 was accrued on overdue suppliers' accounts at Hwange Power Station. I also noted that ZPC was not remitting pension fund contributions as expected hence penalties amounting to \$273 608 were charged. Long outstanding creditors at Bulawayo power station amounted to \$1 972 919.

### **Risk / Implication**

Financial loss due to penalties and interest levied to the Company.

Non-compliance with regulatory requirements.

Possible reputation risk as a result of late payments.

The Company may face legal action.

### **Recommendation**

Payments for tax, pension fund contributions, suppliers and other payables should be made on time.

### **Management response**

**Management is engaging its suppliers for favourable payment terms and not charge interest in view of the current cash flow challenges the company is facing.**

**The bulk of interest charges amounting to \$3.8 million was raised by the station main coal supplier, Makomo Resources for overdue debt. Makomo charged interest in 2017 backdating to 2015 as per the coal supply agreement.**

**Failure to pay on time is directly linked to working capital challenges attributable to poor revenue collections. There are ongoing engagements to access treasury bills to retire the legacy debt that has accumulated over many years due to cash flow challenges. By 31 December 2018, a significant amount is expected to have been remitted to ZIMRA for overdue taxes.**

**Bulawayo City Council-The amount emanates from higher charges for over consumption of generation water beyond allocation. However, the station has an agreed payment plan with council.**

**Noted. Timely pension payments have been affected by working capital pressures. Treasury bills are being arranged to pay off overdue balance whilst every effort is being made to timely pay the current bill. The old bill has been ring fenced and is expected to be cleared by 31 December 2018.**

## **1.2 Prepayments**

### **Finding**

The Company's Head Office paid \$835 320 to Willowvale Mazda Motor Industries being a 60% deposit for acquisition of vehicles in 2017. The terms of the contract specified that upon payment of the 60% deposit, the vehicles would be delivered within fourteen (14) weeks. Accordingly, the vehicles should have been delivered by 15 January 2017. At the time of concluding my audit in May 2018, the vehicles had not been delivered.

In addition, ZPC Bulawayo station made prepayments to suppliers and the goods and services had not been delivered.

Below is an extract of the list of Bulawayo power station prepayments:

<b>Account code</b>	<b>Description</b>	<b>Amount</b>
		<b>\$</b>
100011360	Coal	319 547
100005151	T-Bars	153 367
100014912	Transport for coal	27 295
100005950	Bomb Calorimeter	20 032

### **Risk / Implication**

Financial loss due to working capital being tied up.

Financial loss due to non-delivery of goods and services.

### **Recommendation**

Suppliers should be engaged to make sure goods paid for are delivered.

### **Management response**

**Bulawayo –**

**Makomo – to be offset against future deliveries.**

**Mild Engineering, Maminza, North Safety & RMC Technology –**

**Legal action has been taken against some suppliers.**

## **1.3 Annual maintenance of assets**

### **Finding**

In terms of the Company's maintenance policy, an annual maintenance programme is performed on electricity generation assets for all the units. A review of the monthly maintenance reports for Kariba Power Station revealed that the annual maintenance programs have not been performed in accordance with the policy. The table below refers:

<b>Unit</b>	<b>Last Maintenance Date</b>	<b>Due Date of Next Maintenance</b>	<b>Days Overdue as at 31/12/2017</b>
1	17-Apr-16	17-Apr-17	228
2	17-May-16	17-May-17	198
4	1-Dec-16	1-Dec-17	365
5	24-Dec-15	24-Dec-16	373
6	24-Dec-15	24-Dec-16	373

### **Risk / Implication**

Excess expenditure due to increased repairs and maintenance costs.

### **Recommendation**

Management should ensure that major maintenance programs are performed as scheduled.

### **Management response**

**Noted. Lack of timely maintenance of generation assets has been a direct result of cash flow challenges that have bedevilled the Company for the past three years. The forex situation in the country further affects timely availability of forex to import spare parts required in most maintenance jobs.**

**Also, some maintenance programmes are not done as scheduled due to the critical shortage of Power at the time. Situation to improve after the commissioning of unit 7 and 8 at Kariba**

## **1.4 Availability of coal**

### **Finding**

There were coal shortages during the year under review. The table below shows the variance for Hwange Power Station:

<b>Description</b>	<b>Required</b>	<b>Available Coal</b>	<b>Variance</b>
Coal (tonnes)	495 000	158 947	336 053
Coverage (days)	45	14	31

### **Risk / Implication**

Reduced electricity generation which affects service delivery.

### **Recommendation**

Management should ensure that sufficient coal stocks for production are available as coal is a critical raw material for the generation of electricity.

### **Management response**

**Noted. Non availability of coal has been a result of capacity constraints by major suppliers who were directly affected by poor payment pattern by ZPC and non-**

**availability of forex to coal suppliers for procurement of spares for maintenance. With an improved payment plan supported by treasury bills the situation on the ground is expected to improve.**

## **1.5 Gwanda solar project**

### **Finding**

The Company paid \$3 632 069 to a contractor for the Gwanda solar project between January and July 2016. The amount paid was for pre-commencement works of the project. However, a review of correspondences and other various documents on the project showed that the contractor did not perform as per the contract.

### **Risk / Implication**

Financial loss as a result of failure to perform by the contractor.

### **Recommendation**

Management should continue to engage and closely monitor the work being performed by the contractor in order to eliminate or minimise the risk of loss to the Company.

### **Management response**

**Some work has been carried out and is still being carried out thereby reducing the exposure. And as at 31 December 2017 the exposure was \$2 300 000 after considering work partly done.**

## **1.6 Effluent treatment plant**

### **Finding**

The effluent treatment plant at Harare power station was not operational and as a result raw effluent was being discharged into the environment contrary to the Environmental Management Act [*Chapter 20:27*] section 72 (Hazardous waste).

The effluent treatment plant was designed to purify industrial waste water for its reuse and its aim is to release safe water to environment from the harmful effect caused by the effluent.

### **Risk / Implication**

Financial loss due to fines and penalties from the Environment Management Agency (EMA).

Discharge of untreated water into the environment may result in environmental damage.

## **Recommendation**

Management should ensure that the effluent treatment plant is operational to reduce water pollution.

## **Management response**

**ETP refurbishment contract ran into a dispute which is being resolved.**

## **1.7 Input tax**

### **Finding**

ZPC claimed input tax against invoices more than once which resulted in duplicate claims being made. In terms of Section 15 (3) (a) of the Value Added Tax Act, every registered operator is entitled to claim input tax based on the invoices issued or bill of entry in case of imports. The total exposure was \$555 119 made up of Head Office, Hwange and Munyati.

### **Risk / Implication**

Financial loss due to penalties that may be charged.

### **Recommendation**

Management should comply with legislation.

### **Management response**

**Noted. Will ensure that a system is put in place to avoid duplications. Returns also to be checked and reviewed.**

**PUBLIC ENTITIES UNDER THE CATEGORY OF  
FINANCIAL INSTITUTIONS**

## PEOPLE'S OWN SAVINGS BANK (POSB) 2017

### Background information

The People's Own Savings Bank is a corporate body established in terms of People's Own Savings Bank of Zimbabwe Act, [Chapter 24:22] of 1999, to provide savings, banking and financial services in Zimbabwe. The Bank accepts deposits that will accumulate interest for the benefit of the depositors and all deposits are government guaranteed.

I have audited the financial statements of People's Own Savings Bank for the year ended December 31, 2017 and I issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### 1. GOVERNANCE

#### 1.1 Insurance of disposed vehicles

##### Finding

The Bank disposed some vehicles to its employees during the year under review and did not update its records. As a result, it continued to pay insurance premiums for vehicles that were no longer assets of the Bank. On enquiry, management highlighted that the anomaly emanated from lack of communication and coordination between the administration and risk departments. Financial prejudice suffered amounted to \$1 050.

##### Risk / Implication

Financial loss emanating from costs that are not a proper charge to the Bank.

##### Recommendation

The Bank should consider recovering the premiums erroneously paid on behalf of employees.

There should be timely communication between the administration and risk departments to avoid improper charges to the bank.

##### Management response

**Observation is noted. Management will ensure that there is timely communication between the administration and risk department to avoid improper charges to the bank. Management will also ensure that the Bank recovers premiums erroneously paid through the payroll for vehicles which were sold to existing staff members.**

## 1.2 Acknowledgement of debt letters

### Finding

During the year under review, the Bank disbursed mortgage loans with a total value of \$163 875. I noted that there were no signed acknowledgement of debt letters on file for customers who had received the loans. These letters serve as legal evidence to the courts or other authorities in cases where the customers become insolvent. Below is a sample of customers whose letters were not signed:

Account number	Contract date	Loan amount (\$)
4000000000021	12/04/2017	17 200
4000000000022	12/04/2017	24 680
4000000000025	12/04/2017	18 245
4000000000016	20/03/2017	25 000
4000000000018	07/04/2017	78 750
<b>TOTAL</b>		<b>163 875</b>

### Risk / Implication

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

### Recommendation

The Bank should have acknowledgement of debt letters signed by customers before loans are disbursed.

### Management response

**Observation is noted. On inception of Mortgage lending, offer letters were being sent to the Lawyers for the client to sign together with the mortgage bond. Upon observation by the Bank, that offer letters were not being correctly signed, clients are now required to sign offer letters at the Bank. Clients who did not sign their offer letters have since been contacted and some have already come in to rectify. Efforts are being made to ensure all offer letters are signed.**

## 2. PROCUREMENT OF GOODS AND SERVICES

### 2.1 Foreign training prepayments

#### Finding

A review of the prepayment schedules revealed that the Bank paid a total of \$7 955 to foreign service providers for training services which were never rendered. Below is a sample of such services.

Date paid	Voucher number	Amount (\$)	Purpose	Due date for service	Management follow up comment
28/04/17	OTT 004 303	3 029	Lead audit training	2017	Audit manager to follow up for refund.
11/04/17	OTT 0345	1 696	Cobat 5 foundation training	May 2017	Terms and conditions do not provide for a refund. Consider expensing.
05/04/16	OTT 1335	1 195	Workshop training	Aug 2016	Credit controller advised that it's more expensive to institute legal proceedings as the provider is foreign based.
20/05/16	OTT 1489	2 035	Workshop training	2016	Provider has suggested to offer training for secretaries in lieu of the refund.
	<b>Total</b>	<b>7 955</b>			

#### Risk / Implication

Financial loss as amounts paid may not be recoverable from the service providers.

## **Recommendation**

Management should consider obtaining performance guarantees from suppliers of training services before making payments.

## **Management response**

**Observation noted. In order to address this, management will ensure that proper due diligence is carried out before payment is made to any service provider. Furthermore, defaulters will be blacklisted to avoid further financial loss to the Bank.**

**While your recommendation on performance guarantees is noted, we advise that obtaining performance guarantees may not be practical in the absence of a contract between the Bank and the service provider. For local training, the Bank will issue an irrevocable letter of undertaking that the bank will settle the training costs.**

## *Auditor's comment*

*Whilst I appreciate the response from management on the aspect that it may not be practical to obtain performance guarantees for some services provided, the Bank should consider sourcing from reputable service providers.*

## **SMALL AND MEDIUM ENTERPRISES DEVELOPMENT CORPORATION (SMEDCO) 2016**

### **Background information**

The Small and Medium Enterprises Development Corporation is incorporated in Zimbabwe in terms of the Small and Medium Enterprises Development Corporation Act [*Chapter 24:12*] as amended. The Corporation provides loan finance to upcoming and existing small to medium scale enterprises and that of property letting and investment activities. Its subsidiary, Litefold Engineering (Private) Limited, is incorporated in Zimbabwe in terms of the Companies Act [*Chapter 23:04*]. The nature of business of the Company is that of providing metal engineering and carpentry services.

I have audited the consolidated financial statements for Small and Medium Enterprises Development Corporation (SMEDCO) for the year ended December 31, 2016 and I issued a qualified opinion with an emphasis of matter paragraph.

### **Qualified Opinion on the consolidated financial statements**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis of Qualified opinion on consolidated financial statements**

Litefold Engineering (Private) Limited had no internal control system over receipting of revenue from equipment hire. There were no job cards, timesheets, registers of services provided and invoices raised for engineering services and equipment hire. I was therefore not able to gather evidence on the completeness and accuracy of revenue.

### **Emphasis of matter**

I draw your attention to the fact that the Group incurred a loss of \$1 106 164 (2015: \$1 450 497) for the year ended December 31, 2016, resulting in a cumulative loss of \$8 222 838 (2015: \$7 117 644) and its current liabilities exceeded its current assets by \$1 559 635 (2015: \$1 149 388). These circumstances indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue operating.

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

## **1 GOVERNANCE ISSUES**

### **1.1 Controls over revenue**

#### **Finding**

Litefold Engineering (Private) Limited had no internal control systems over the receipting and recording of revenue from equipment hire. There were no job cards, timesheets, registers of services provided and invoices raised for engineering and equipment hire. I was therefore not able to gather evidence on the completeness and accuracy of revenue.

### **Risk / Implication**

Revenue may be understated.

### **Recommendation**

All revenue recorded in the financial statements should have supporting documentation.

### **Management response**

**Observation noted. Receipting is being done and revenue was based on the receipts and bankings that were done. However, Management has reintroduced job cards to ensure the required completeness.**

## **1.2 Financial performance and sustainability of services**

### **Finding**

The Group's current liabilities of \$ 2 540 649 exceeded current assets of \$ 981 014 by \$ 1 559 635 as at December 31, 2016. The Group incurred operating losses of \$1 106 164 (2015: \$ 1 450 497). In addition, the Corporation incurred accumulated loss of \$1 052 271 (2015: \$1 403 299).

### **Risk / Implication**

Going concern threat due to failure to offer services.

### **Recommendation**

The Corporation should come up with a turnaround strategy that will enable it to effectively achieve its mandate.

### **Management response**

**Observation noted. The Corporation has been operating in a loss position since the change of the functional currency mainly due to lack of adequate funding. There has been little activity in terms of lending therefore crippling the income generation capacity and the Corporation continued to incur operating costs which were higher than income being generated.**

**The Corporation received a total of \$4 595 000 against \$24,8 million allocated from the PSIP budget for lending during the period 2009 to 2016 as shown in the table below.**

<b>Year</b>	<b>Budget for Lending \$</b>	<b>Budget for Capital expenditure \$</b>	<b>Total Budget</b>	<b>Received for lending \$</b>	<b>Received for Capital expenditure \$</b>	<b>Total \$</b>
2009	650 000	235 000	885 000	150 000	-	150 000
2010	5 000 000	-	5 000 000	2 000 000	-	2 000 000
2011	2 500 000	850 000	3 350 000	1 500 000	300 000	1 800 000
2012	3 000 000	40 000	3 040 000	200 000	-	200 000
2013	5 000 000	800 000	5 800 000	395 000	-	395 000
2014	4 350 000	30 000	4 380 000	-	-	-
2015	1 900 000	-	1 900 000	150 000	-	150 000
2016	2 400 000	-	2 400 000	200 000	-	200 000
<b>Total</b>	<b>24 800 000</b>	<b>1 955 000</b>	<b>26 755 000</b>	<b>4 595 000</b>	<b>300 000</b>	<b>4 895 000</b>

The Corporation also incurred total losses of \$ 4 005 585 arising from legacy issues of fraud \$ 942 571, Royal Bank \$1 151 006 and NPLs \$1 912 008. A request for debt restructuring has been submitted to the Ministry of Small and medium Enterprises and Cooperatives development, once approved our balance sheet position will improve.

The Shareholder has recapitalized the Corporation through insurance of \$10 million Treasury Bills in November 2016. The negative position is expected to change as lending has been resumed in April 2017 and income generation from both loans and activities non-loans activities are anticipated to increase.

### 1.3 Service delivery

#### Finding

The mandate of SMEDCO is to provide finance to small and medium enterprises. The Corporation only managed to disburse \$18 600 to the market during the year under review.

#### Risk /Implication

Service delivery is compromised.

#### Recommendation

The Corporation should work on improving its capital base.

## Management response

**Observation noted. The Corporation did not receive adequate funding in order to meet its mandate. However, the resource mobilization efforts yielded positive results in November 2016 when the Corporation was capitalized through Treasury Bills.**

**The Corporation received a total of \$4 595 000 against \$24,8million allocated from the PSIP budget for lending during the period 2009 to 2016 as shown in the table below.**

<b>Year</b>	<b>Budget for Lending \$</b>	<b>Budget for Capital expenditure \$</b>	<b>Total Budget</b>	<b>Received for lending \$</b>	<b>Received for Capital expenditure \$</b>	<b>Total \$</b>
2009	650 000	235 000	885 000	150 000	-	150 000
2010	5 000 000	-	5 000 000	2 000 000	-	2000000
2011	2 500 000	850 000	3 350 000	1 500 000	300 000	1800000
2012	3 000 000	40 000	3 040 000	200 000	-	200 000
2013	5 000 000	800 000	5 800 000	395 000	-	395000
2014	4 350 000	30 000	4 380 000	-	-	-
2015	1 900 000	-	1 900 000	150 000	-	150 000
2016	2 400 000	-	2 400000	200 000	-	200 000
<b>Total</b>	<b>24 800 000</b>	<b>1 955 000</b>	<b>26 755 000</b>	<b>4 595 000</b>	<b>300 000</b>	<b>4 895 000</b>

## 2 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Commission made some progress. However, there was room for improvement in the following areas;

### 2.1 Incomplete records

#### Recommendation

Proper books of accounts should be maintained by the company and reviewed regularly by a senior personnel.

#### Progress made

**Implementation in progress.**

## **2.2 Information Technology governance**

### **Recommendation**

The Corporation should consider coming up with an IT Steering Committee, Databases and backups should be kept off site. Fire suppression system should be put in place.

### **Progress made**

**Still as observed.**

## **2.3 Key vacant positions**

### **Recommendation**

The Corporation should consider filling the above mentioned positions.

### **Progress made**

**Still as observed.**

## **2.4 Land development**

### **Recommendation**

The Corporation should develop this stand to prevent its repossession.

### **Progress made**

**Still as observed.**

**PUBLIC ENTITIES UNDER THE CATEGORY OF FUNDS**

## STATE LOTTERIES FUND 2017

### Background Information

State Lotteries Fund was established in terms of the Lotteries and Gaming Act [*Chapter 10:26*]. The Fund is operating on commercial basis as required by the Act. Its principal activity is the sale of lottery tickets, scratch cards and donating proceeds to charity.

I have audited the financial statements of the State Lotteries Fund for the year ended December 31, 2017 and I issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1 Sustainability of services

##### Finding

The Fund incurred a loss of \$180 055 during the 2017 financial year (2016: \$ 283 639) and was in a net current liability position of \$361 570 (2016: \$302 725) as at December 31, 2017. In addition, the Fund had liquidity challenges that resulted in its inability to pay its creditors. The Fund was unable to meet its mandate to donate to charity and areas stricken by natural disasters. These matters indicate the existence of material uncertainties which may cast significant doubt on the Fund's ability to continue providing services and products in the foreseeable future.

##### Risk / Implication

Inability to continue as a going concern.

##### Recommendation

The Fund should come up with strategies to address the recurrent losses and negative working capital.

##### Management response

**The unfavourable financial position is our primary focus. We have developed a Turnaround strategic plan, which identifies our limited product offerings as our major impediment to sufficient revenue generation. We have proposed the introduction of new games and devices to increase consumer options, in partnership with potential investors. By end of the third Quarter, we expect to see dramatic changes in income levels.**

## 2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

### 2.1 Daily sales and receipts reconciliations

#### Finding

I noted that the Fund was not maintaining sales and receipts reconciliations for scratch cards and lotto sales. As a result, a cumulative debit amounting to \$5 790 in December 2017 was assigned to the head office because the Fund could not trace the amount to an individual cashier/agent. The debit increased by \$1 355 from December 2016 to December 2017.

#### Risk / Implication

Financial loss due to fraud or errors.

#### Recommendation

Sales and receipts reconciliations for lotto and scratch card sales should be done on a daily basis.

Management should investigate the debit balance and take corrective action.

#### Management response

**The accounting investigation has revealed that the bulk of the shortfall was in 2016, after which period some retailers left without handing over tickets. Undeclared ticket losses and physical loss are some of the issues coming out. We hope to conclude this analysis by end of May 2018. We will try out the separate balancing of scratch cards and Zim lotto sales on a daily basis.**

## 3. EMPLOYMENT COSTS

### 3.1 Statutory and other obligations

#### Finding

The Fund did not pay statutory and other obligations when they fell due. The total amount outstanding for the year under review was \$76,462. The following is a list of amounts outstanding:

Details	Amount (\$)
NSSA contribution	7 791
Pension contribution	37 755
Medical Aid	10 287
ZIMRA(PAYE)	20 629
<b>Total</b>	<b>76 462</b>

**Risk / Implication**

Financial loss due to fines and penalties.

The employees may fail to access services or benefits when required.

**Recommendation**

All obligations should be paid on time.

**Management response**

**The non-payment of statutory obligations has been a result of inadequate cash flows being generated by the fund. The limited product range and lack of capitalization from shareholder have maintained the financial challenges. With the turn-around plan in place, we have started engaging the relevant authorities and we are now paying the current bills while planning for the clearance of arrears over a period. Once the cash flow improves, it will be a priority to pay these obligations.**

**PUBLIC ENTITIES UNDER THE CATEGORY OF  
HOSPITALS**

## **CHITUNGWIZA CENTRAL HOSPITAL 2014**

### **Background Information**

Chitungwiza Central Hospital is a body corporate as defined in section 18 read together with the first schedule of the Health Service Act [*Chapter 15:16*]. It was incorporated in 1984, and is involved in the provision of hospitalization and medical services.

I have audited the financial statements of Chitungwiza Central Hospital for the year ended December 31, 2014 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Chitungwiza Central Hospital as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis of Qualified Opinion**

#### **Valuation of fixed assets**

The Hospital did not engage an independent property valuer to value all its fixed assets in its accounting records. I was not satisfied with the procedures taken to value the fixed assets which was done by internal staff and there was no detailed report showing the assumptions and methodology used. As a result I could not determine whether any adjustments would have been necessary.

However, below is another material issue noted during the audit.

## **1. GOVERNANCE ISSUE**

### **1.1 Asset valuation**

#### **Finding**

The Hospital did not engage an independent property valuer to value all its fixed assets in its accounting records. I was not satisfied with the procedures taken to value the fixed assets which was done by internal staff and there was no detailed report showing the assumptions and methodology used.

The assets were not measured and disclosed as required by International Accounting Standard (IAS) 16, Property, Plant and Equipment. For instance, Land and Buildings were disclosed at \$10, Hospital Equipment at \$1 220 and Motor Vehicles at \$30. In addition, there was no policy to determine the depreciation of non-current assets.

**Risk / Implication**

The financial statements item of property, plant and equipment do not reflect a true and fair view.

**Recommendation**

Management should update the Hospital's asset register and appoint an independent valuer to value all its assets.

**Management response**

**The hospital is migrating from cash accounting to accrual accounting which requires that assets be capitalized on acquisition. The assets in the asset register were all procured on the prior accounting system where the cost was expensed and asset attached a dollar value. Hence these inappropriate values. The hospital is in the process of identifying an independent professional valuer to value the property, plant and equipment and to put in place the depreciation policies so that we report appropriate values for the PPE.**

## **HARARE CENTRAL HOSPITAL 2015**

### **Background information**

Harare Central Hospital is a body corporate established in terms of section 18 (1) read together with the first schedule of the Health Service Act, [*Chapter 15:16*] of 2004. It was established in 1958. It is a principal referral centre which provides health care services to the residents of City of Harare and its surrounding areas. The Hospital consists of the Maternity, Paediatric, General and Radiology departments.

I have audited the financial statements of Harare Central Hospital, for the year ended December 31, 2015 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Bases for Adverse Opinion paragraph, the Financial Statements do not present fairly the financial position of Harare Central Hospital as at December 31, 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

#### **Valuation of property, plant and equipment**

The Hospital did not engage an independent professional valuer to perform a full professional valuation of its assets as at December 31, 2015. The determination of fair values for property, plant and equipment stated in the statement of financial position at \$ 71 454 457 was based on management valuation and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of fair values.

#### **Completeness, occurrence and cut off of accounts receivable**

Owing to inadequacy of the application of proper cut off/period-end procedures over recording of receivables and receipt of payments in respect of accounts receivables, some receipts in respect of receivables were being recorded as revenue in the current period. Accordingly, I was unable to satisfy myself that all receivables transactions and account balances that should have been recorded and included in the Financial Statements were recorded in the proper accounting period.

As a result of some of the transactions not being posted in the correct period, the receivables recorded at \$17 037 802 could be materially misstated.

#### **Completeness of accounts payables**

The Hospital did not maintain accounting records for accounts payables stated in the statement of financial position at \$6 549 415 as transactions were being recorded on a cash and not accrual basis.

As a result of some of the transactions not being posted in the correct period, payables could be materially misstated.

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

## **1. GOVERNANCE ISSUES**

### **1.1 Valuation of property, plant and equipment**

#### **Finding**

Prior to adopting the IFRS reporting framework, the Hospital did not keep a record of property, plant and equipment in its financial statements. Upon adoption of the IFRS reporting framework, the Hospital's management estimated the value of property, plant and equipment stated in the statement of financial position at \$71 454 457 as at December 31, 2015. The Hospital did not engage an independent professional valuer to perform a full professional valuation of its assets as at December 31, 2015. The determination of fair values for property, plant and equipment stated in the statement of financial position was based on management valuation and may therefore be distorted.

#### **Risk / Implication**

Misstatement of the financial statements.

#### **Recommendation**

Management should consider engaging an independent professional valuer to conduct a valuation of the Hospital's property, plant and equipment.

#### **Management response**

**Observation noted. Tenders were carried out for independent valuers and consideration is being pursued.**

### **1.2 Completeness of accounts payables**

#### **Finding**

The Hospital did not maintain accounting records for accounts payables stated in the statement of financial position at \$6 549 415 as transactions were being recorded on a cash and not accrual basis.

As a result of some of the transactions not being posted in the correct period, payables could be materially misstated.

#### **Risk/Implication**

Misstatement of the financial statements.

#### **Recommendation**

Management should consider maintaining all payables records in the pastel accounting system to ensure consistency and improved accuracy of payables records.

All invoices should be updated into the system once services and goods have been provided and reconciliations between supplier statements and the supplier records in the pastel system should be performed timely.

## **Management response**

**All payables are now being recorded in the pastel software and reconciliations to correct the inconsistent records is now underway.**

## **2. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**

I reviewed the progress made towards the implementation of prior year recommendations and found that the Hospital made some progress. However, there was room for improvement in respect of the following recommendations;

### **2.1 Manual billing system**

#### **Recommendation**

Management should consider implementing a computerised health service system, which provides the costs consumed by patients at a point in time.

This would also improve the billing function and reduce errors encountered with the manual charge sheets.

#### **Progress made**

**Work in progress. The system is still in use though focus is now on the implementation of SAP software which is scheduled to commence in 2017.**

### **2.2 Inventory records**

#### **Recommendation**

Management should consider adopting cyclical counts for all major stock categories. A process of cyclical counts aims at ensuring that a number of stock items are selected each day and counted so that all items are counted at least once each year. Any discrepancies are investigated and adjusted as required.

The adoption of cyclical counting will ensure that stock quantities are reviewed for accuracy on a regular basis and will provide management with a mechanism for the timely identification of any stock discrepancies.

#### **Progress made**

**Stock counts were not being consistently performed especially in pharmacy. The inventory management system was manual. Accounting information did not therefore include inventory values, an exercise that was done only at the year-end procedures.**

**Management resolved that stock takes shall be done on a monthly basis and inventory values reported accordingly. Discrepancies henceforth be adjusted monthly.**

### **2.3 Declaration of interest**

#### **Recommendation**

Management should ensure that a register of director's interests is maintained and kept up-to-date.

Management should ensure that a register of interests in contracts is circulated during meetings or general notice should be given to directors prior to the meetings where the decision to engage contractors are made.

Where directors have potential conflicts of interest they should recuse themselves from participating in the discussions, evaluation and execution / implementation related to the transaction in which the directors interest conflict those of the Hospital.

#### **Progress made**

**Work in progress. All Directors were advised to declare their interests so as to include in the register.**

### **2.4 Procurement policy**

#### **Recommendation**

The Hospital should ensure that an internal procurement policies and procedures manual is put in place so as to give guidance to the procurement department. The manual should be in-line with the Procurement Act [*Chapter 22:14*].

#### **Progress made**

**Work in progress. Drafting of the manual was completed and is now awaiting approval stage for implementation to take place.**

### **2.5 Asset register**

#### **Recommendation**

Management should consider making use of the assets module in the pastel accounting system to maintain its assets records.

A regular physical verification of assets should be conducted to ensure the completeness and accuracy of the asset register. Every location should maintain a register of assets that it houses and in the event of asset transfers to other location, a note should be made on the register.

#### **Progress made**

**Work in progress. An inventory count has been proposed so that all asset movement is captured and recorded.**

### **2.6 Information back-ups**

#### **Recommendation**

Management should put in place a disaster recovery plan and consider an off-site backup.

### **Progress made**

**Work in progress. A fibre connection link has been installed linking the server and National reference laboratory server. We are now awaiting a consignment of backup server that needs to be stationed at the laboratory.**

## **MPILO CENTRAL HOSPITAL 2015**

### **Background information**

Mpilo Central Hospital is a body corporate as defined in section 18 read together with the first schedule of the Health Service Act [*Chapter15:16*]. It was incorporated in August 1958 in Zimbabwe, and is involved in the provision of hospitalization and medical services to the Southern region of Zimbabwe. The Hospital is required by law to provide its services to certain categories of patients notably children under five (5) years old and elderly members of society above sixty-five (65) years of age free of charge.

I have audited the financial statements of Mpilo Central Hospital for the year ended December 31, 2015 and I issued a qualified opinion with an emphasis of matter paragraph.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the basis for Qualified Opinion paragraph above, the financial statements were properly drawn up in conformity with the International Financial Reporting Standards and, in all material respects, give a true and fair view of the financial position of the Hospital as at 31 December 2015, and of the results of its operations and cash flows, for the year then ended.

### **Basis for qualified Opinion**

I noted some control weaknesses in the Hospital's computerised billing system and as a result, I could not satisfy myself as to the completeness and accuracy of revenue in the financial statements.

### **Emphasis of matter**

I draw your attention to the fact that the Hospital has been experiencing significant operational and liquidity challenges due to the prevailing macro-economic environment in Zimbabwe and has incurred an operating deficit of \$4 370 036 (2014: \$2 243 351) in the current year. These matters cast doubt on the Hospital's ability to continue operating as a going concern for the foreseeable future.

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

## **1. GOVERNANCE ISSUES**

### **1.1 Revenue and Debtors**

#### **Finding**

I noted that patients were not being billed on time. There were instances where patients were discharged without the Hospital updating the billing system and this resulted in long outstanding debtors. Some patients were not being billed in full although they paid in full for the services rendered by the Hospital. This created non-existing creditors as shown in the table below;

<b>Episode number</b>	<b>Patient type</b>	<b>Amount billed \$</b>	<b>Amount paid \$</b>	<b>Difference (creditors) \$</b>
MCH201374962:3	Outpatient	12	456	414
MCH201376365:2	Outpatient	12	212	200
MCH201386023:4	Outpatient	-	80	80
MCH201375015:1	Outpatient	12	88	76
MCH201366796:2	Outpatient	15	84	69
MCH201374788.2	Outpatient	87	155	68
MCH201374962:3	Outpatient	12	456	444
MCH201376365:2	Outpatient	12	212	200

### **Risk / Implication**

Loss of revenue due to erroneous refunds.

Misstatement of financial statements.

### **Recommendation**

The Hospital should update its billing system on time.

### **Management response**

**The findings and recommendations are noted. A process to clean up the errors commenced in 2017 and is still work in progress, where all patients who were irregularly discharged or billed are having their discharge dates and billing regularised in the Trimed system. The process is however, cumbersome and time consuming.**

**Furthermore, a system is being put in place where information on patient discharge is all captured in the Trimed system and senior staff shall supervise the billing and sign off the billing process. Implementation date January 2018.**

## **1.2 Practicing certificates**

### **Finding**

I noted that three (3) nurses, two (2) Physiotherapists and four (4) medical officers were operating without valid practicing certificates in their personnel files.

### **Risk / Implication**

Non-compliance with laws and regulations may result in monetary penalties and censure of the Hospital by statutory authorities.

### **Recommendation**

Management should ensure that all nurses and medical specialists possess valid practising certificates at any point in time. A designated senior official may monitor this using a compliance register.

## **Management response**

**It is noted and accepted that the said members had no valid practicing certificates at the time of audit and appropriate corrective measures have been instituted to ensure that these are availed and filed in the respective personnel files. Furthermore, members have been fined by their respective professional councils in cases where they had not renewed their licenses in accordance with statutes.**

### **1.3 Hospital infrastructure**

#### **Finding**

The Hospital had no adequate accommodation facilities for its Junior and General Medical Officers. The Hospital's H type residential flats currently remains work-in-progress although work on the project was initiated ten years ago due to funding constraints.

In addition, the main Hospital section was designed to use two elevators but only one was functional at the time of my audit visit. In addition, the functional elevator can only service up to the second floor although the building has a third floor.

#### **Risk / Implication**

Service delivery is compromised due to low staff morale.

#### **Recommendation**

Management should ensure that elevators are routinely serviced and maintained.

Repairs to building should be done on time.

#### **Management response**

**It is noted and agreed that institutional accommodation is not adequate for hospital staff and efforts are underway to improve this situation of which chief among them is the construction of H-Type flats that will house a maximum of twelve families. However, the project has taken longer than anticipated hence the shortage becomes visible. The Hospital is working flat out with the Government of Zimbabwe for the completion of the H-Type housing project as soon as possible.**

**In addition to the above, the Hospital has begun the process of acquiring an additional elevator in order to complement its elevator requirements.**

## **UNITED BULAWAYO HOSPITALS 2016**

### **Background information**

United Bulawayo Hospitals (UBH) is a principal referral centre, which provides high specialist health care for the people in Bulawayo and surrounding areas by promoting health, preventing ill-health, diagnosing and treating disease and injury, and caring for those with long-term illnesses and disabilities. UBH also provides training for nurses, internship for doctors, pharmacists and physiotherapists. The Hospital started operations in 1937. Its operations are sanctioned by the Public Health Act [*Chapter 15:09*]; Health Services Act [*Chapter 15:16*]; Medical Services Act [*Chapter 15:13*]; and the Public Finance Management Act [*Chapter 22:19*].

I have audited the financial statements for United Bulawayo Hospitals for the year ended December 31, 2016 and I issued a qualified opinion with a going concern uncertainty paragraph.

### **Qualified opinion**

In my opinion, except for the effects of matters discussed in the Basis for Qualified opinion paragraph, the accompanying financial statements present fairly in all material respects the financial position of United Bulawayo Hospitals as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Qualified opinion**

The Hospital did not have an adequate system of internal control to ensure that all creditors were complete. The completeness of the creditors could not be ascertained as the Hospital did not perform creditor reconciliations for some of its creditors.

### **Material uncertainty relating to going concern**

I draw your attention to the fact that United Bulawayo Hospital's statement of financial position for 2016 had accumulated losses amounting to \$7 168 228. The Hospital's financial statements have been prepared using the going concern basis of accounting. The Hospital's operations are strategic to the Government of Zimbabwe through the Ministry of Health and Child Care. It is not likely that the Government will allow the Hospital to be wound up hence the use of this basis of accounting is appropriate.

However, below are material issues noted during the audit;

#### **1. GOVERNANCE ISSUES**

##### **1.1 Asset warehouse**

### **Finding**

There were some assets including hospital beds, which were kept in a fenced shade with no floor hence they were exposed to the elements of weather and vermin. A safe warehouse is one that has a wall, floor, shade, a lockable door, for appropriate preservation of the asset and security. Such a warehouse would provide adequate safety and protection of assets from harsh weather conditions.

### **Risk / Implication**

Financial loss due to accelerated wear and tear of assets.

### **Recommendation**

A proper warehouse should be built for safe keeping of assets.

### **Management response**

**We appreciate the concern raised. The availability of funding is limiting the institution's need to erect a conducive asset warehouse.**

## **1.2 Travel and subsistence advances**

### **Finding**

I noted that travel and subsistence advances were not acquitted on time. The table below shows the list of outstanding travel and subsistence advances;

<b>Date</b>	<b>Reference</b>	<b>Amount \$</b>
2016/02/12	f2163/16	255
18/11/16	f2081/16	255
17/11/16	f2054/16	85
14/11/16	f2037/16	320
2016/11/11	f2012/16	170
2016/10/11	f1962/16	143
29/07/16	f1294/16	412
12/08/16	f1385/16	175

### **Risk / Implication**

Fraud and errors may go undetected.

### **Recommendation**

Management should ensure that all cash requisitions and payment vouchers have supporting documentation attached to ensure the validity of the expense.

**Management response**

**Follow ups will be made on outstanding Travelling and Subsistence allowance acquittals.**

**PUBLIC ENTITIES UNDER THE CATEGORY OF  
UNIVERSITIES AND TERTIARY INSTITUTIONS**

## **BINDURA UNIVERSITY OF SCIENCE EDUCATION (BUSE) 2016**

### **Background Information**

The University was established by the Bindura University of Science Education Act [*Chapter 25:22*] in February 2000. The main objectives of the University include contributing to the development of Zimbabwe through the advancement of knowledge and skills in science education.

I have audited the financial statements of Bindura University of Science Education for the year ended December 31, 2016 and I issued an unmodified / clean opinion.

However, below are material issues noted during audit.

## **1 GOVERNANCE ISSUES**

### **1.1 Council meetings**

#### **Finding**

The Bindura University of Science Education Act [*Chapter 25:22*] requires Council to meet at least three times a year. However, the Council met once in 2016.

#### **Risk / Implication**

Oversight of the University's operations is compromised.

#### **Recommendation**

The Council should meet in line with good corporate governance practices and requirements of the Act.

#### **Management response**

**Council met once in February 2016. The various committees of Council such as Audit Committee, campus Development committee and Executive Committee of Council also met. The inadequate meetings were due to the new initiatives by the parent Ministry to put in a new Council under a new selection procedure.**

### **1.2 Title deeds**

#### **Finding**

I observed that the title deeds for at least eleven (11) University properties were missing. I also observed that some of the properties' title deeds were not in the University's name for example Astra Campus was still in the name of the University of Zimbabwe.

**Risk / Implication**

Ownership may be difficult to prove in the event of a dispute.

**Recommendation**

The University should regularise the issue of title deeds.

**Management response**

**The process of regularising the title deeds for the University properties is being handled by the University lawyers.**

## **BULAWAYO SCHOOL OF HOSPITALITY AND TOURISM 2016**

### **Background information**

The School is operating on commercial basis in accordance with the commercialisation letter reference number B/202/135 dated 27 November 1998. The School's principal activity is provision of training in Tourism and Hospitality.

I have audited the financial statements of Bulawayo School of Hospitality and Tourism for the year ended December 31, 2016 and issued an unmodified / clean opinion.

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

### **1. GOVERNANCE ISSUES**

#### **1.1 Strategic Business Units (SBU) reports**

##### **Finding**

The School has the following strategic business units (SBU): Operations Bulawayo School, Training, Hotel St Patricks and Harare School. There was no evidence to show or support that the School had mechanisms in place to monitor the viability of each SBU. As a result the School is unable to assess the performance and appropriateness of the existing business models.

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

Strategic direction and focus may be lost as non performing units may not be identified.

##### **Recommendation**

The School should develop or design a system that allow monitoring individual performance of its SBUs.

##### **Management response**

**Audit observation is noted an assessment of each SBU will be done, the School's accounts will be configured to give the necessary reports and regular business reviews will identify performance of each SBU.**

#### **1.2 Banking of cash**

##### **Finding**

I noted instances where receipted amounts were not being banked and some not banked on time. Below is a table that shows receipts not banked.

<b>Date</b>	<b>Receipt number</b>	<b>Amount \$</b>
1/2/2016	12739	1 481
3/2/2016	12741	417
4/2/2016	12742	308
9/2/2016	12745	1 059

1/2/2016	12665	433
1/2/2016	12666	1 823
3/2/2016	12667	207
3/2/2016	12668	680
4/2/2016	12669	402
4/2/2016	12670	216
5/2/2016	12671	193
23/8/2016	13758	245

### **Risk / Implication**

Financial loss.

### **Recommendation**

All receipts should be banked intact and on time.

### **Management response**

**Stringent measures have been put in place to mitigate any under banking in future.**

## **1.3 Cash payments**

### **Finding**

The School made several cash payments during the year under review. A cash disbursement form was used to record the staff member who would have been given cash for supplies. However, the officers assigned to procure services were not acknowledging receipt of cash neither were they acquitting by way of receipts, invoices nor change. The table below shows these instances;

<b>Date</b>	<b>Cash withdrawn \$</b>
06/01/2016	1 642
06/01/2016	900
19/01/2016	2 800
19/01/2016	868
19/01/2016	100
19/01/2016	1 650
22/06/2016	540
22/06/2016	600

### **Risk / Implication**

Financial loss due to fraud and misappropriation.

### **Recommendation**

All cash advances for supplies should be acquitted.

The School should minimise the use of cash for material supplies.

**Management response**

**The majority of the School payments are now done through the pay net system. A few that require cash to be withdrawn has been planned to be acquitted immediately by accounts officers soon after withdrawal.**

**2. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**

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

**2.1 School's legal framework**

**Recommendation**

The School should engage the relevant authorities so as to obtain legal status.

**Progress made**

**Still outstanding.**

**2.2 School's operational policies**

**Recommendation**

The School should put in place all the above mentioned policies.

**Management response**

**The draft procedures shall be signed by the Director and submitted to the Secretary for Higher and Tertiary education for approval.**

**2.3 Employee performance evaluation**

**Recommendation**

Staff performance appraisals should be carried out regularly in line with the School's appraisal framework.

**Progress made**

**Still outstanding.**

**2.4 Travel and subsistence**

**Recommendation**

School employees should complete advance travel and subsistence forms and acquit after every travel.

**Progress made**

**Still outstanding**

## **2.5 Operational plan**

**Recommendation**

The School should consider putting an operational plan in place that derives its objectives from the strategic plan.

**Progress made**

**Still outstanding.**

## **2.6 Service level agreement- Harare School**

**Recommendation**

A service level agreement should be drawn covering the contractual agreement between Pandhari and the School.

The building should be used for the purposes it was earmarked for.

**Progress made**

**Still outstanding.**

## **2.7 Allowances to civil servants**

**Recommendation**

The School should obtain condonation from the parent ministry or employer to rectify the anomaly.

**Progress made**

**These have been since removed in July 2017.**

## **2.8 Guest registration forms**

**Recommendation**

All guest registration forms should be fully completed.

**Management response**

**Guest forms will be filled according to standard requirement. The School will enhance supervision in this area.**

## **CHINHOYI UNIVERSITY OF TECHNOLOGY (CUT) 2017**

### **Background information**

Chinhoyi University of Technology was established in terms of the Chinhoyi University of Technology Act [Chapter 25:23]. The University's principal activities include the advancement of knowledge, the diffusion and extension of arts, science and learning, the preservation, dissemination and enhancement of knowledge that is relevant for the development of the people of Zimbabwe through teaching and research and, so far as is consistent with those objectives, the nurturing of the intellectual, aesthetic, social and moral growth of the students at the University.

I have audited the financial statements for Chinhoyi University of Technology for the year ended December 31, 2017 and issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### **1. GOVERNANCE**

#### **1.1 Information Communication and Technology (ICT) policies**

##### **Finding**

The University's ICT policy had the following weaknesses;

Policy documents were not approved by the Board since 2011 when they were drafted and therefore may not be considered as formal documents. The policies have been implemented and were in use but may not be enforceable. In addition, the ICT policy document did not address controls on incident management and chain of custody.

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

Accountability may be difficult to enforce.

Failure to fully achieve the wider mandate.

##### **Recommendation**

All ICT policy documents should be reviewed and approved by the Board.

##### **Management response**

**We agree with the recommendation and we will implement it.**

## **HARARE INSTITUTE OF TECHNOLOGY 2016**

### **Background Information**

Harare Institute of Technology (HIT) was established in terms of the Harare Institute of Technology Act [*Chapter 25:26*] in December 2005. The objectives of Harare Institute of Technology are the advancement of knowledge and technology through the preservation, dissemination and enhancement of academic and practical knowledge as well as skills relevant to the development of the people of Zimbabwe.

I have audited the financial statements of Harare Institute of Technology for the year ended December 31, 2016 and I issued an unmodified / clean opinion.

However, below are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1 Settlement of obligations**

##### **Finding**

The Institute has not been discharging its obligations to some statutory authorities and construction service providers timely. Pay as You Earn (PAYE) amounting to \$97 908, relating to the 2015 financial year was outstanding as at December 31, 2016, HIT pension amounting to \$109 519 representing 2015 financial year contribution, was outstanding at year end.

In addition, Construction creditors amounting to \$826 065, relating to work done and certified from 2013 to 2015, were also outstanding at year end.

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

Financial loss due to penalties and interest that may be levied.

Legal disputes with construction service providers may occur resulting in financial losses to the Institute.

##### **Recommendation**

Management should endeavour to settle statutory and other obligations according to the agreed payment terms.

##### **Management response**

**The amounts of \$97 908 and \$109 519 represents unremitted August 2015 PAYE and Pension respectively. These arose when Treasury disbursed only 50% of payroll support in August 2015.**

**The Construction Creditors are Public Investment Projects which were being funded by Government through Treasury. Part of these obligations have already been settled by Treasury. However, the last disbursements from Treasury for these projects was received in 2014 due to fiscal constraints. The Institute is in constant engagement with Treasury through the Ministry of Higher Education, Science and Technology Development to liquidate the debts.**

## **MIDLANDS STATE UNIVERSITY 2016**

### **Background Information**

The Midlands State University was established in terms of the Midlands State University Act [Chapter 25: 21]. The University's principal activities include the advancement of knowledge, the diffusion and extension of arts, science and learning, the preservation, dissemination and enhancement of knowledge that is relevant for the development of the people of Zimbabwe through teaching and research and, so far as is consistent with those objectives, the nurturing of the intellectual, aesthetic, social and moral growth of the students at the University.

I have audited the financial statements of Midlands State University for the year ended December 31, 2016 and I issued an unmodified / clean opinion.

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

### **1. GOVERNANCE ISSUES**

#### **1.1 Council's sitting allowances**

##### **Finding**

I was not provided with evidence of Ministerial approval for the increase in Council sitting allowances.

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

Financial loss due to unapproved expenditure

##### **Recommendation**

Council should regularise the increase in sitting allowances with the Parent Ministry.

##### **Management response**

**The University was given verbal green light by the Ministry of Higher & Tertiary Education Science and Technology Development through the Ministry Representative who sits in Council meetings, to make interim arrangements with regards to Council fees and allowances depending on capacity.**

# **NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY (NUST) 2016 AND 2017**

## **Background information**

National University of Science and Technology (NUST) is a higher education institution governed by the National University of Science and Technology Act [*Chapter 25:13*] of 1990.

I have audited the financial statements of National University of Science and Technology for the years ended December 31, 2016 and 2017 and I issued unmodified / clean opinions with going concern uncertainty paragraphs.

## **2016 Material uncertainty related to going concern**

The University reported an operating deficit amounting to \$2 955 014 (2015: \$3 713 468) for the financial year ended December 31, 2016. In addition, the University's current liabilities exceeded its current assets by \$20 816 565 (2015: \$16 963 826) as at December 31, 2016. These factors indicate that a material uncertainty exists that may cast doubt on the University's ability to continue operating as a going concern.

## **2017 Material uncertainty related to going concern**

The University reported an operating deficit amounting to \$2 163 529 (2016:\$2 955 014) for the financial year ended December 31, 2017. In addition, the University's current liabilities exceeded its current assets by \$23 030 699 (2016:\$ 20 816 565) as at December 31, 2017. These factors indicate that a material uncertainty exists that may cast doubt on the University's ability to continue operating as a going concern.

However, below are material issues noted during the audit,

## **1. GOVERNANCE ISSUES**

### **1.1 University operational issues**

#### **Finding**

I noted the following shortcomings in the University's operations:

The University did not have an anti-plagiarism software;

The University was using the Chemical Engineering Block which was not yet commissioned (certified for occupation).

Lecturers had unlimited access to students' exam results in Navision's examination management system;

The University did not have a documented examination policy to guide the preparation, handling and marking of exams.

There was no evidence to confirm that degree programs were being reviewed and updated periodically at predetermined intervals. In addition, the University did not have a quality control function to enforce such reviews.

### **Risk / Implication**

Litigation due to breach of copyright laws.

The safety of staff members and students may be compromised.

Students' results may be tampered with.

Going concern might be threatened due to loss of business to innovative institutions if programs are not reviewed and updated.

### **Recommendation**

An anti-plagiarism software should be acquired.

The use of the Chemical Engineering Block should be regularised.

The University should establish appropriate controls over students' results.

The University should formulate and implement an examination policy.

A quality control function should be established.

### **Management response**

**Management takes note of the need to implement an anti-plagiarism software and efforts to get this up and running in the past were limited by the shortage of foreign currency. Furthermore, management is in the process of applying for foreign currency to fund this worth cause with another local financial institution;**

**A team of engineers has been assigned to evaluate the structural integrity of the relevant parts of the un-commissioned building. In addition, the contractor has also been requested to authorize occupation of parts of the building not formerly handed over;**

**The position of a Quality Control Officer was approved, and appointment is to follow;**

**The formal examination policy will be presented to the Academic Board for consideration and approval;**

**The recommendations regarding the lecturer's limit to access of students' results will be implemented through re-allocation of rights in Navision.**

## **2. EMPLOYMENT COSTS**

### **2.1 Payroll management**

#### **Finding**

An employee who resigned from the University on 30 April 2017 was removed from the payroll seven months later. In that regard, \$15 806 was paid to that employee as salaries.

I also noted that the change in employment status of another employee three years back was not effectively communicated to the salaries section by the Human Resources department. As a result, the University was sued and incurred costs in excess of \$20 000.

In addition, there was no evidence of review of payroll summaries.

### **Risk / Implication**

Financial loss due to fraud and errors.

### **Recommendation**

The University should update its payroll records on time.

Management should follow up and fully recover the amounts paid to the former employee.

Changes in employment status should be communicated to the responsible department on time.

Payroll summaries should be signed off by a senior staff member as evidence of review.

### **Management response**

**Management takes note of the above recommendations and in particular note that: They have recovered \$7 000 of the amount so far paid erroneously to the former employee as at the date of concluding the this report; and**

**With effect from March 2018, management adopted a control mechanism in which draft payrolls are reviewed and signed off by the Senior Assistant Registrar – Human Resources prior to the processing of disbursements. This initiative is expected to go a long way in addressing the recommendations noted above.**

## **2.2 Taxation on employee benefits**

### **Finding**

The University entered into a finance lease arrangement with a local financial institution in which employees acquired motor vehicles and registered them in their personal names, while the loan obligations were being serviced by the University. Management did not assess the tax implications of the arrangement and, as a result, there were potential tax obligations arising from this arrangement during the year ended 31 December 2016.

### **Risk / Implication**

Financial loss due to penalties and interest which may be levied.

### **Recommendation**

Management should assess the potential tax implications of the leasing arrangement and ensure that these are resolved as soon as possible.

### **Management response**

**Noted. The institution maybe liable for under remittance of the PAYE due. The assistance of tax consultants is being enlisted for a comprehensive tax health check to manage the University's exposures.**

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

I reviewed the progress made towards implementation of prior year recommendations and found that the University made some progress. However, there was room for improvement in respect of the following recommendations;

### **3.1 Revenue and debtors' management process**

#### **Recommendation**

Management should ensure that total fees paid and payable by students are reconciled to the expected fees computed by management at least once each semester and any significant variations are followed up and resolved timeously;

The Navision system should be reconfigured to enable an accurate age analysis to be generated from the system as and when required;

Non-refundable registration deposits should be recorded as income timeously and exception reports on revenue and receivables printed and reviewed at least once every month.

#### **Progress made**

**Management will ensure that this is resolved and finalised**

### **3.2 Statutory obligations**

#### **Recommendation**

Management should endeavor to remit statutory dues in line with the stipulated timeframes. Where necessary statutory authorities and the pension fund administrators should be engaged and alternative arrangements made.

#### **Progress made**

**Management will endeavour to have the remittances done timeously subject to the receipt of Government grants.**

### **3.3 Performance and sustainability of the University**

#### **Recommendation**

The University should set up a commercial office with the requisite skills and authority to drive this agenda. The commercial office should consider pursuing PPP's and commercial ventures, amongst other initiatives and enable the University to self-finance in the long run.

#### **Progress made**

**This is still work in progress.**

### **3.4 Information and Communication Technologies (ICT)**

#### **Recommendation**

Management should develop a Disaster Recovery Plan as a matter of urgency.

#### **Progress made**

**Disaster recovery plan awaits formal approval.**

## ZIMBABWE INSTITUTE OF PUBLIC ADMINISTRATION AND MANAGEMENT (ZIPAM) 2015 AND 2016

The Institute was established in terms of the Zimbabwe Institute of Public Administration and Management Act [*Chapter 25:17*]. The Institute is responsible for the dissemination of information relating to, and the promotion, teaching, direction, supervision, study and coordination of matters of administration and management with particular reference to the interest of the Public Service, Local Authorities, Parastatals and also the private sector.

I have audited the financial statements of Zimbabwe Institute of Public Administration and Management for the years ended December 31, 2015 and 2016 and I issued unmodified / clean opinions.

However, below are material issues noted during the audit.

### 1. GOVERNANCE ISSUES

#### 1.1 Accounting procedures manual

##### **Finding**

The accounting procedures manual was last updated prior to the introduction of multicurrency system and accounting limits were still stated in Zimbabwean dollars. Over the years, the business environment and the Institute's business processes have changed and are no longer consistent with some policies and procedures in the manual.

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

Inconsistent application of the procedures manual and other policies by officers from various departments may create a weak control environment for the Institute.

##### **Recommendation**

Accounting procedures manual should be updated regularly to match the current business operating environment.

##### **Management response**

**Noted. We are currently reviewing the manual and reviews shall be done regularly.**

#### 1.2 Review of training programmes

##### **Finding**

The Institute offers various management programmes covering management development, results based management, trainer development programmes, public sector management, internal audit, HIV and AIDS awareness, project planning, among others. However, there was no evidence to support that the Institute had a system in place to review the relevance of each course and program in relation to the needs of stakeholders. The past two years, revenue from training was going down. The table below refers;

<b>Details</b>	<b>Year 2016 Amount (\$)</b>	<b>Year 2015 Amount (\$)</b>	<b>Percentage Change</b>
Training	30 901	59 160	48% Decrease
Consultancy	147 271	42 859	243% Increase
Hotel Facilities	526 953	960 309	45% Decrease
Other	11 521	8 282	39% Increase
<b>Total</b>	<b>716 647</b>	<b>1 070 610</b>	<b>33% Net decrease</b>

The decrease in training revenue may be indicative of a fall in the relevance of the courses provided.

### **Risk / Implication**

Going concern may be threatened by loss of business to innovative institutions.

### **Recommendation**

The Institute should review its programs and courses in line with the stakeholder needs.

### **Management response**

**Noted. Programs are continuously reviewed to capture market current needs.**

### *Auditor's comment*

*Whilst I appreciate the response by management during our discussions, review is limited to evaluations after a training programme.*

## **2. EMPLOYMENT COSTS**

### **2.1 Statutory and other payments**

#### **Finding**

The Institute was deducting statutory and other obligations from its employees which were not being remitted to the relevant authorities during the year under review. A total of \$810 758 was still outstanding as at December 31, 2015;

<b>Statutory deduction</b>	<b>Outstanding amount \$</b>
Pay As You Earn	244 214
National Social Security Authority	90 960
ZB Pension	412 050
Manpower Development levy	20 225
Standards levy	4867
Public Service Medical Aid Society	5 773
Trade Union	29 896
Withholding tax	2 773
<b>TOTAL</b>	<b>810 758</b>

**Risk / Implication**

Financial loss due to penalties and interests that may be levied or charged.

**Recommendation**

Management should ensure that statutory and other obligations are settled on time.

**Management response**

**Current cash flow challenges are inhibiting the remittance of statutory obligations. However payment plans were entered into with NSSA. Arrangements are in place to clear ZIMRA, Trade Union and other creditors.**

ANNEXURE A”

STATE ENTERPRISES AND PARASTATALS AUDIT OPINIONS PER ENTITY

PUBLIC ENTITY	YEAR	OPINION ISSUED	YEAR	OPINION ISSUED	YEAR	OPINION ISSUED
<b>AUTHORITIES AND AGENCIES</b>						
Agricultural Marketing Authority (AMA)	2017	Unqualified	2016	Unqualified	2015	Unqualified
Broadcasting Authority of Zimbabwe	2015	Unqualified	2014	Unqualified	2013	Unqualified
Civil Aviation Authority of Zimbabwe (CAAZ)	2017	Unqualified with an Emphasis of Matter	2016	Unqualified with an Emphasis of Matter	2015 2014	Unqualified with an Emphasis of Matter
Environmental Management Agency	2016	Unqualified	2015	Unqualified	2014	Unqualified
Health Professions Authority	2017	Unqualified	2016	Unqualified	2015	Unqualified
Medicines Control Authority of Zimbabwe	2016	Unqualified	2015	Unqualified	2014	Unqualified
National Biotechnology Authority	2016	Unqualified	2015	Unqualified	2014	Unqualified
Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ)	2016	Unqualified	2015	Qualified	2014	Qualified
Rural Electrification Agency	2014	Qualified	-	-	-	-
Radiation Protection Authority of Zimbabwe	2016-2017	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2014	Unqualified
Zimbabwe Investment Authority	2016-2017	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2014	Unqualified with an Emphasis of matter

<b>PUBLIC ENTITY</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>
Zimbabwe National Road Administration (ZINARA)	2016	Qualified with an Emphasis of matter	2015	Qualified with an Emphasis of matter	2014	Qualified
Zimbabwe National Statistics Agency	2016	Unqualified	2015	Unqualified	2014	Qualified
Zimbabwe National Water Authority (ZINWA)	2016	Unqualified	2015	Unqualified with an Emphasis of matter	2013/4	Unqualified with an Emphasis of matter
Zimbabwe Parks and Wildlife Management Authority	2016	Unqualified	2015	Unqualified	2014	Unqualified
Zimbabwe Revenue Authority (ZIMRA)	2017	Unqualified	2016	Unqualified	2014	Unqualified with an Emphasis of matter
<b>BOARDS</b>						
Grain Marketing Board	2017	Unqualified with emphasis of matter	2016	Qualified with emphasis of matter	2015	Qualified with emphasis of matter
Health Services Board	2017	Unqualified	2016	Unqualified	2015	Unqualified
National Indigenization and Economic Empowerment Board (NIEEB)	2015	Unqualified with an emphasis of matter	2014	Unqualified	2013	Unqualified
Pig Industry Board	2016	Unqualified	2015	Unqualified	2014	Unqualified
Tobacco Research Board	2016	Unqualified	2015	Unqualified	2014	Unqualified
<b>COMMISSIONS</b>						
Competition and Tariffs Commission	2017	Unqualified	2016	Unqualified	2015	Unqualified
Forestry Commission	2016	Unqualified with an	2015	Unqualified	2014	Unqualified

<b>PUBLIC ENTITY</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>
		emphasis of matter				
Insurance and Pensions Commission	2016	Unqualified	2015	Unqualified	2014	Unqualified
National Incomes and Pricing Commission	2016	Unqualified with an emphasis of matter	2015	Unqualified	2014	Unqualified
Securities and Exchange Commission of Zimbabwe	2017	Unqualified	2016	Unqualified	2015	Unqualified
Sports and Recreation Commission	2016	Unqualified with an emphasis of matter	2015	Unqualified with an emphasis of matter	2014	Unqualified with an emphasis of matter
Zimbabwe Electoral Commission	2015	Unqualified	2014	Unqualified	2012-2013	Unqualified
Zimbabwe Human Rights Commission	2015	Qualified	-	-	-	-
Zimbabwe Media Commission	2016	Unqualified	2015	Unqualified	2014	Unqualified
<b>COMPANIES AND CORPORATIONS</b>						
Air Zimbabwe (Private) Limited	2010	Disclaimer	2009	Disclaimer	-	-
Allied Timbers (Private) Limited	2016	Qualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter
CMED (Private) Limited	2016	Unqualified	2015	Unqualified	2014	Unqualified
Deposit Protection Corporation	2017	Unqualified	2016	Unqualified	2015	Unqualified
Kariba Hydro Power Company	2017	Unqualified	2016	Unqualified with an	2015	Unqualified

<b>PUBLIC ENTITY</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>
				Emphasis of matter		
Industrial Development Corporation	2016	Qualified with an Emphasis of matter	-	-	-	-
Infralink (Private) Limited	2016	Qualified	2015	Unqualified	2014	Unqualified
Mellofieldde Chemicals	2016	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2014	Unqualified
Minerals Marketing Corporation of Zimbabwe	2016	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2014	Unqualified
Motec Holdings (Private) Limited	2017	Qualified	2016	Unqualified with an Emphasis of matter	2015	Unqualified
National Pharmaceutical Company	2016	Unqualified	2015	Unqualified with an Emphasis of matter	2014	Unqualified with an Emphasis of matter
National Oil Infrastructure Company	2016	Unqualified	2015	Unqualified	2014	Unqualified
National Railways of Zimbabwe	2017	Unqualified with an Emphasis of matter	2016	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter
Net*One Cellular (Private) Limited	2016	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2014	Unqualified with an Emphasis of matter
Olivine Industries	2017	Unqualified	2016	Unqualified	2015	Unqualified with an Emphasis of matter

<b>PUBLIC ENTITY</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>
Petrotrade (Private) Limited	2016	Unqualified	2015	Unqualified	2014	Unqualified
Powertel Communications (Private) Limited	2016-2017	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2014	Unqualified with an Emphasis of matter
Printflow (Private) Limited	2016	Unqualified	2015	Unqualified		
Sabi Gold Mine (Kimberworth Investments)	2016	Qualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	-	-
Sunway City (Private) Limited	2017	Unqualified	2016	Unqualified	2015	Unqualified
Transmedia Corporation	2015	Unqualified	2014	Unqualified	2013	Unqualified
Urban Development Corporation (UDCORP)	2016	Unqualified with an Emphasis of matter				
Zimbabwe Academic and Research Network (Private) Limited	2015	Unqualified with an Emphasis of matter	2014	Unqualified	2013	Unqualified
Zimbabwe Broadcasting Corporation	2015	Unqualified with an Emphasis of matter	2014	Unqualified with an Emphasis of matter	2013	Unqualified with an Emphasis of matter
Zimbabwe Consolidated Diamond Company (Private) Limited (ZCDC)	2016	Qualified with an Emphasis of matter	-	-	-	-
ZESA Enterprises (Private) Limited (ZENT)	2016-2017	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2014	Unqualified with an Emphasis of matter

<b>PUBLIC ENTITY</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>
ZESA Holdings (Private) Limited	2017	Unqualified with an Emphasis of matter	2016	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter
Zimbabwe Electricity Transmission and Distribution Company (ZETDC)	2016-2017	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2014	Unqualified with an Emphasis of matter
Zimbabwe Posts (Private) Limited (ZIMPOST)	2015	Unqualified with an Emphasis of matter	2014	Qualified	2013	Qualified
Zimbabwe Power Company (ZPC)	2016-2017	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2014	Unqualified with an Emphasis of matter
Zimbabwe United Passengers Company Limited (ZUPCO)	2016	Qualified with an Emphasis of matter	2015	Qualified with an Emphasis of matter	2014	Qualified
ZIMTRADE	2016	Unqualified	2015	Qualified with an Emphasis of matter	2014	Unqualified
<b>COUNCILS</b>						
Agricultural Research Council	2016	Unqualified	2015	Unqualified	2014	Unqualified
Allied Health Practitioners Council	2016	Unqualified	2015	Unqualified	2014	Unqualified
Consumer Council of Zimbabwe	2016	Unqualified	2015	Unqualified with an Emphasis of matter	2014	Unqualified
Environmental Health Practitioners Council	2016	Unqualified	2015	Unqualified	2014	Unqualified

<b>PUBLIC ENTITY</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>
Medical and Dental Practitioners Council	2016	Unqualified	2015	Unqualified	2014	Unqualified
Medical Laboratory and Clinical Scientists Council of Zimbabwe	2016	Unqualified	2015	Unqualified	2014	Unqualified
Medical Rehabilitation Practitioners Council	2016	Unqualified	2015	Unqualified	2014	Unqualified
National AIDS Council of Zimbabwe	2016	Unqualified	2015	Unqualified	2014	Unqualified
National Arts Council of Zimbabwe	2016	Unqualified with Emphasis of Matter	2015	Unqualified	2014	Unqualified
Nurses Council of Zimbabwe	2016	Unqualified	2015	Unqualified	2014	Unqualified
Pharmacists Council of Zimbabwe	2016	Unqualified	2015	Unqualified	2014	Unqualified
Research Council of Zimbabwe	2016-2017	Unqualified	2015	Unqualified	2014	Unqualified
Traffic Safety Council	2017	Unqualified	2016	Unqualified	2015	Unqualified
Zimbabwe Council for Higher Education (ZIMCHE)	2016-2017	Unqualified	2015	Unqualified	2014	Unqualified
Zimbabwe National Family Planning Council	2016	Unqualified	2015	Unqualified	2014	Unqualified
Zimbabwe Schools Examinations Council	2015	Unqualified	2014	Unqualified	2013	Unqualified
<b>FINANCIAL INSTITUTIONS</b>						
Agricultural Bank of Zimbabwe (Agribank)	2017	Unqualified	2015	Unqualified	2014	Unqualified with Emphasis of Matter

<b>PUBLIC ENTITY</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>
Infrastructure Development Bank of Zimbabwe	2017	Unqualified with Emphasis of Matter	2015	Unqualified with Emphasis of Matter	2014	Unqualified with Emphasis of Matter
National Building Society	2017	Unqualified	2016	Unqualified		
People's Own Savings Bank (POSB)	2017	Unqualified	2016	Unqualified	2015	Unqualified
Small Enterprise Development Corporation (SMEDCO)	2016	Qualified with Emphasis of Matter	2015	Qualified with Emphasis of Matter	2014	Qualified with Emphasis of Matter
<b>FUNDS</b>						
Lotteries and Gaming Fund	2016	Unqualified	2015	Unqualified	2014	Unqualified
State Lotteries Fund	2017	Unqualified	2016	Unqualified	2015	Unqualified
Universal Service Fund	2016	Unqualified	2015	Qualified	2014	Qualified
<b>STATE HOSPITALS</b>						
Chitungwiza Central Hospital	2014	Qualified	2013	Qualified	-	-
Harare Central Hospital	2015	Adverse Opinion	2014	Disclaimer of Opinion	2013	Disclaimer of Opinion
Ingutsheni Central Hospital	2017	Unqualified with an Emphasis of matter	2016	Qualified with an Emphasis of matter	2015	Qualified with an Emphasis of matter
Mpilo Central Hospital	2015	Qualified with an Emphasis of matter	2014	Disclaimer of Opinion with an Emphasis of matter	2013	Disclaimer of Opinion with an Emphasis of matter
Parirenyatwa Group of Hospitals	2016	Unqualified	2015	Unqualified	2014	Unqualified

<b>PUBLIC ENTITY</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>
United Bulawayo Hospitals	2016	Qualified	2015	Qualified with an Emphasis of matter	2014	Qualified with an Emphasis of matter
<b>TERTIARY INSTITUTIONS</b>						
Bindura University of Science Education (BUSE)	2017	Unqualified	2016	Unqualified	2015	Unqualified
Bulawayo School of Hospitality and Tourism	2016	Unqualified	2015	Unqualified	2014	Unqualified
Chinhoyi University of Technology (CUT)	2017	Unqualified	2016	Unqualified	2015	Unqualified
Great Zimbabwe University (GZU)	2017	Unqualified	2016	Unqualified	2015	Unqualified
Harare Institute of Technology (HIT)	2016	Unqualified	2015	Unqualified	2014	Unqualified
Lupane State University	2017	Unqualified	2016	Unqualified	2015	Unqualified with an Emphasis of matter
Midlands State University (MSU)	2017	Unqualified	2016	Unqualified	2015	Unqualified
National University of Science and Technology (NUST)	2017	Unqualified	2016	Unqualified	2015	Unqualified with an Emphasis of matter
University of Zimbabwe	2016	Unqualified with an Emphasis of matter	2015	Unqualified with an Emphasis of matter	2014	Unqualified
Zimbabwe Institute of Public Administration and Management (ZIPAM)	2015-2016	Unqualified	2014	Unqualified	2013	Unqualified
Zimbabwe Open University	2016	Unqualified	2015	Unqualified	2014	Unqualified

<b>PUBLIC ENTITY</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>	<b>YEAR</b>	<b>OPINION ISSUED</b>
<b>OTHER</b>						
Scientific and Industrial Research and Development Centre (SIRDC)	2017	Unqualified with Going Concern Uncertainty	2016	Unqualified with Going Concern Uncertainty	2015	Unqualified with an Emphasis of matter

## ANNEXURE “B”

### AUDITS IN PROGRESS AND BEING FINALISED

<b>PUBLIC ENTITY</b>	<b>YEAR</b>
Air Zimbabwe	2012-2013
Agricultural and Rural Development Authority	2014-2016
Allied Timbers (Private) Limited	2017
Broadcasting Authority of Zimbabwe	2016-2017
Chitungwiza Central Hospital	2015-2017
Cold Storage Company (CSC)	2013-2017
Consumer Council of Zimbabwe	2017
Courier Connect	2016
CMED (Private) Limited	2017
Environmental Management Agency	2017
Genesis Energy (Pvt) Ltd	2017
Harare Institute of Technology	2017
Medical Laboratory and Clinical Scientists Council of Zimbabwe	2017
Mellofielde Chemicals (Subsidiary of MMCZ)	2017
Minerals Marketing Corporation of Zimbabwe	2017
National AIDS Council	2017
National Arts Council of Zimbabwe	2017
National Indigenization and Economic Empowerment Board (NIEEB)	2017
National Museums and Monuments of Zimbabwe	2017
National Social Security Authority (NSSA)	2017
National Oil Infrastructure Company (NOIC)	2017
New Ziana	2013-2016
Nurses Council of Zimbabwe	2017
Infralink (Private) Limited	2017
Insurance and Pensions Commission	2017

Petrotrade (Pvt) Ltd	2017
Pig Industry Board	2017
Postal and Telecommunication Regulatory Authority of Zimbabwe (POTRAZ)	2017
Printflow (Private) Limited	2017
Road Motor Services	2015-2017
Sports and Recreation Commission	2017
Telone Private Limited	2017
Tobacco Industry and Marketing Board	2016
United Bulawayo Hospitals	2017
Urban Development Corporation (UDCORP)	2017
Universal Service Fund	2017
Zimbabwe Academic Research Network (Private) Limited	2016-2017
Zimbabwe Broadcasting Corporation	2016
Zimbabwe Consolidated Diamond Company (Private) Limited (ZCDC)	2017
Zimbabwe Electoral Commission	2016-2017
Zimbabwe Energy Regulatory Authority	2017
Zimbabwe Media Commission	2017
Zimbabwe Mining Development Corporation	2015-2017
Zimbabwe Open University	2017
Zimbabwe National Family Planning Council	2017
Zimbabwe National Statistics Agency	2017
Zimbabwe Parks and Wildlife Management Authority	2017
Zimbabwe Posts Properties (Pvt) Ltd	2016-2017
Zimbabwe Posts (Pvt) Ltd	2016
Zimbabwe Schools Examinations Council	2017
Zimbabwe Tourism Authority	2014-2016
Zimbabwe National Road Administration	2017
Zimbabwe United Passengers Company Limited (ZUPCO)	2017



## ANNEXURE “C”

### AUDITS AT SIGNING STAGE

<b>PUBLIC ENTITY</b>	<b>YEAR</b>
Air Zimbabwe	2011
Chemplex Corporation	2017
Courier Connect	2015
Harare Central Hospital	2016
Industrial Development Corporation	2017
Medicines Control Authority of Zimbabwe	2017
Medical and Dental Practitioners Council	2017
Motira (Private) Limited	2017
National Biotechnology Authority	2017
National Indigenization and Economic Empowerment Board (NIEEB)	2016
National Museums and Monuments	2016
National Pharmaceutical Company	2017
Net*One (Private) Limited	2017
Parirenyatwa Group of Hospitals	2017
Road Motor Services	2014
Rural Electrification Agency	2015-2016
Transmedia Corporation	2016
Zimbabwe Energy Regulatory Authority	2016
Zimbabwe National Water Authority (ZINWA)	2017
Zimbabwe Schools Examinations Council	2016
Zimbabwe School of Mines	2017
Zimbabwe Tourism Authority	2013
Zimbabwe Youth Council	2012-2015

**ANNEXURE “D”****ACCOUNTS NOT SUBMITTED FOR AUDIT**

<b>PUBLIC ENTITY</b>	<b>YEAR</b>
Agriculture Research Council	2017
Agricultural and Rural Development Authority	2017
Allied Health Practitioners Council	2017
Air Zimbabwe (Private) Limited	2014-2017
Anti-Corruption Commission	2012-2017
Bulawayo School of Hospitality and Tourism	2017
Courier Connect (Pvt) Ltd.	2017
Environmental Health Practitioners Council	2017
Elvington Mine (Minerals Development) (Private) Limited	2015-2017
Forestry Commission	2017
Harare Central Hospital	2017
Lotteries and Gaming Fund	2017
Medical Rehabilitation Practitioners Council	2017
Mpilo Central Hospital	2016-2017
National Handicrafts Centre	2009-2017
National Incomes and Pricing Commission	2017
National Libraries and Documentation Centre	2009-2017
New Ziana	2017
Pharmacists Council of Zimbabwe	2017
Rural Electrification Agency	2017
Sabi Gold Mine (Kimberworth Investments)	2017
Sandawana Mine	2015-2017
Small and Medium Enterprises Development Corporation (SMEDCO)	2017
State Procurement Board	2016-2017
Tobacco Industry and Marketing Board	2017

Tobacco Research Board	2017
Transmedia Corporation	2017
University of Zimbabwe	2017
Zimbabwe Broadcasting Corporation	2017
Zimbabwe Posts (Private) Limited (ZIMPOST)	2017
Zimbabwe Institute of Public Administration and Management	2017
Zimbabwe Tourism Authority	2017
Zimbabwe Women Microfinance Bank	2017
Zimbabwe Youth Council	2016-2017