OAG ZIMBABWE
Office of the Auditor-General

REPORT

of the

Auditor-General

for the

FINANCIAL YEAR ENDED DECEMBER 31, 2021

ON

STATE OWNED ENTERPRISES AND PARASTATALS

Presented to Parliament of Zimbabwe: 2022

OAG ZIMBABWE
Office of the Auditor-General

Office of the Auditor-General of Zimbabwe
5th Floor, Burroughs House
48 George Silundika Avenue
Harare, Zimbabwe.

The Hon. Prof. M. Ncube
Minister of Finance and Economic Development
Mgandane Dlodlo Building
Corner S.V. Muzenda /Samora Machel Avenue
Harare

Dear Sir,

I hereby submit my Report on the audit of State Owned Enterprises and Parastatals in terms of Section 309(2) of the Constitution of Zimbabwe as read together with Section 10(1) of the Audit Office Act [*Chapter 22:18*], for the year ended December 31, 2021.

Yours faithfully,

M. CHIRI,
AUDITOR-GENERAL.

HARARE

June 15, 2022.

We assure accountability

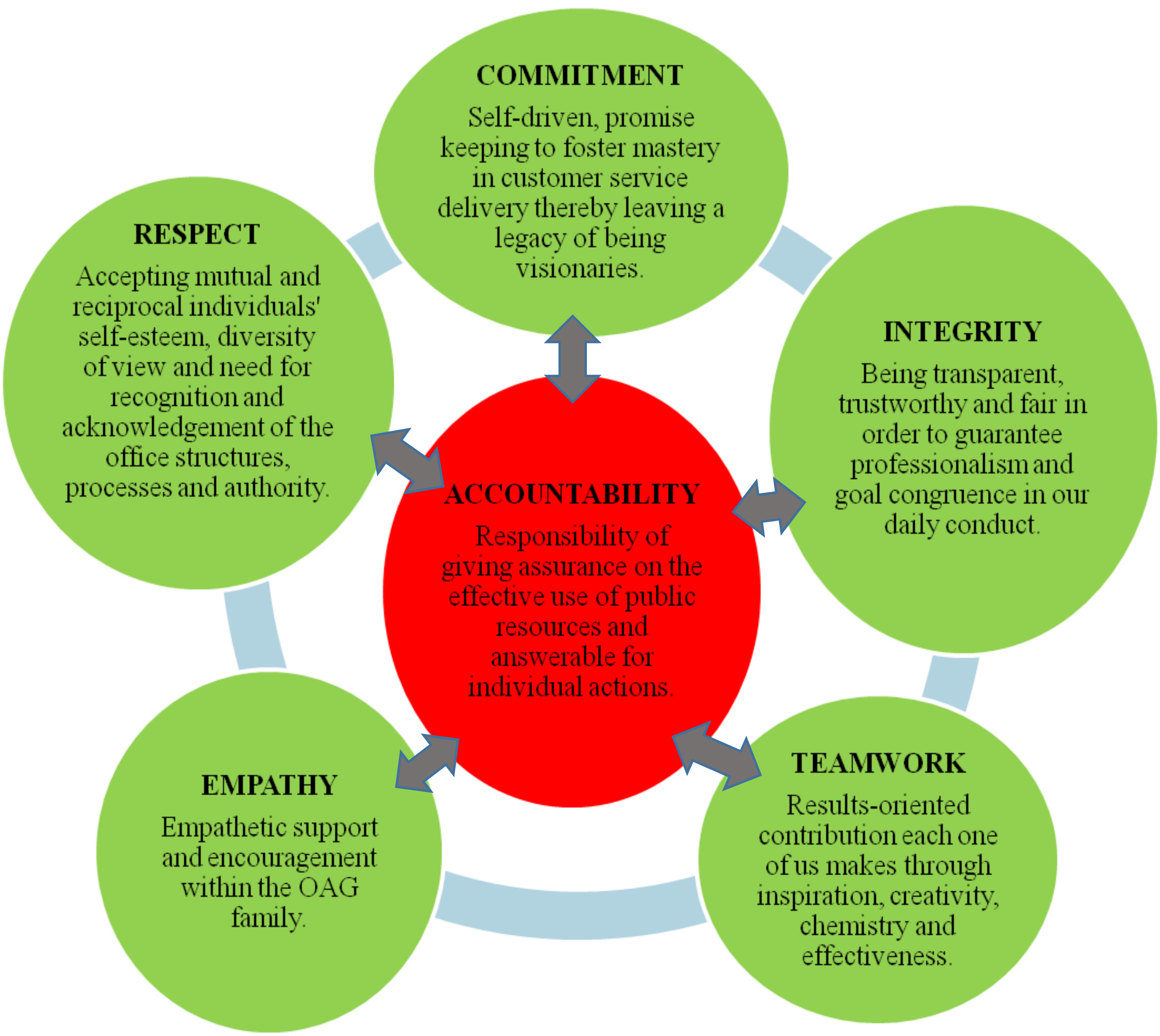
OAG ZIMBABWE
Office of the Auditor-General

OAG Vision

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

OAG Mission

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



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LIST OF ACRONYMS

1. GMB- Grain Marketing Board

2. FY-Financial Year

3. IFRSs- International Financial Reporting Standards

4. ISAs- International Standards on Auditing

5. ISSAIs- International Standards of Supreme Audit Institutions

6. MMCZ- Minerals Marketing Corporation of Zimbabwe

7. NOIC- National Oil Infrastructure Company of Zimbabwe

8. NAC- National AIDS Council

9. NSSA- National Social Security Authority

10. OAG- Office of the Auditor General

11. PRAZ- Procurement Regulatory Authority of Zimbabwe

12. POTRAZ- Postal and Telecommunication Regulatory Authority of Zimbabwe

13. RBZ- Reserve Bank of Zimbabwe

14. RIB-Removal in Bond

15. RIT- Removal in Transit

16. SAP- Systems, Applications, Products in Data Processing.

17. SMEDCO-Small and Medium Enterprises Development Corporation

18. SPB- State Procurement Board

19. TIMB- Tobacco Industry and Marketing Board

20. TIP- Temporary Import Permit

21. VAT- Value Added Tax

22. ZCDC-Zimbabwe Consolidated Diamond Company

23. ZETDC-Zimbabwe Electricity Transmission and Distribution Company

24. ZIMRA- Zimbabwe Revenue Authority

25. ZIMSEC-Zimbabwe School Examinations Council

26. ZINARA- Zimbabwe National Roads Administration

27. ZWL- Zimbabwean Dollar

PREAMBLE

Introduction

Following the end of the 2021 financial year for State Owned Enterprises and Parastatals, I take the opportunity to report my audit findings. The primary purpose of financial statements is to provide relevant and reliable information to users about a reporting entity's financial position. In the public sector, the users of financial statements include various stakeholders, inter alia ministers, parliament, development partners, the public at large. The objectives of a financial statements audit in the public sector are often broader than expressing an opinion on whether the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework but also address service delivery issues.

Mandate

My Office is mandated by the Constitution of Zimbabwe as amplified in the Audit Office Act [*Chapter 22:18*] to report to Parliament my findings on the examination of accounts of all public entities. 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 audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and the International Standards on Auditing (ISAs). These Standards require that I comply with ethical requirements, 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 public entities' financial statements.

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 audits 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

The Public Finance Management Act [*Chapter 22:19*] section 37 requires all public entities' financial statements to be prepared in accordance with generally accepted accounting practice. This is interpreted as comprising International Financial Reporting Standards (IFRSs) and International Public Sector Accounting Standards (IPSASs). IFRSs and IPSASs comprise interpretations adopted by the International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board (IPSASB), which set common rules so that financial statements can be consistent, transparent and comparable around the world.

In recent years, public entities have generally been in compliance with the requirements of the IFRSs, however for the 2018, 2019, 2020 and 2021 financial period, full compliance could not be achieved due to issues emanating from non-compliance with International Accounting Standard 21 (IAS 21) “The effects of changes in foreign exchange rates”. This was due to the fact that in February 2019, the Government of Zimbabwe issued Statutory Instrument 33 of 2019 (S.I. 33), which, prescribed parity between the US dollar and local currency. S.I. 33 also prescribed the manner in which certain balances in the financial statements were to be treated as a consequence of the recognition of the RTGS$ as currency in Zimbabwe. The requirements of S.I. 33 of 2019 precluded public entities from complying with IAS 21 “The effects of changes in foreign exchange rates”. Although, the assessment of the impact of complying with S.I. 33 was done on a case by case basis, adherence to the statutory instrument resulted in a significant number of State Owned Enterprises and Parastatals being unable to comply with IFRSs. This therefore formed the basis for adverse and qualified opinions for some entities.

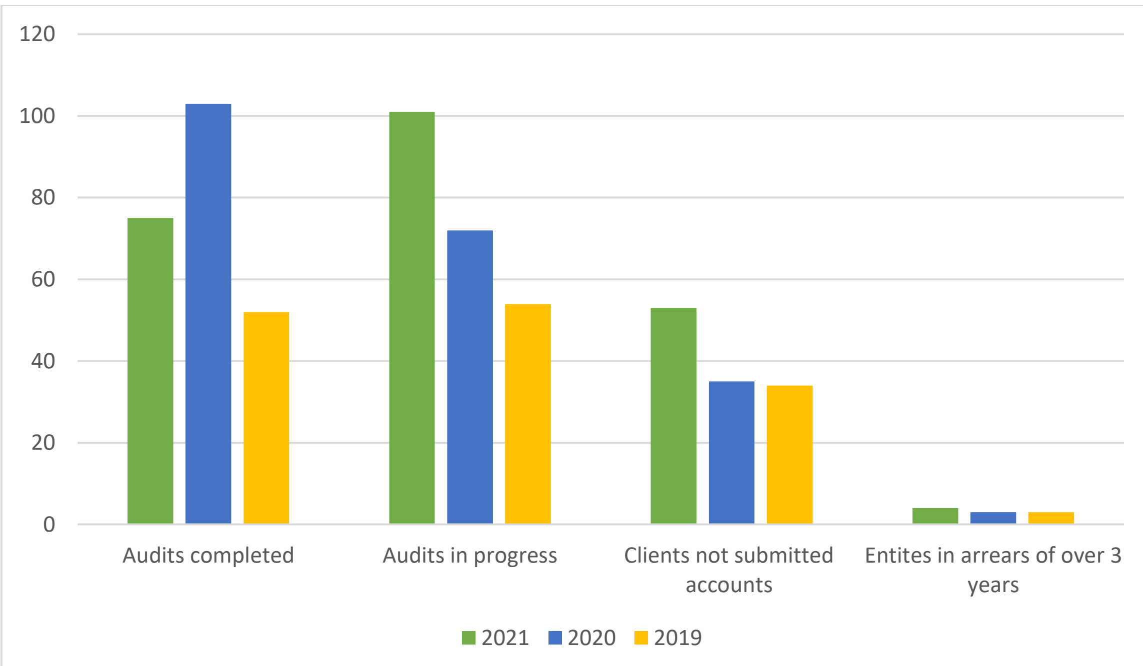
Report Structure

The report outlines material audit findings noted during the audit of the financial statements of the State Owned Enterprises and Parastatals. Also included under each audited client 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 towards addressing prior year audit findings and implementation of recommendations. 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.

EXECUTIVE SUMMARY

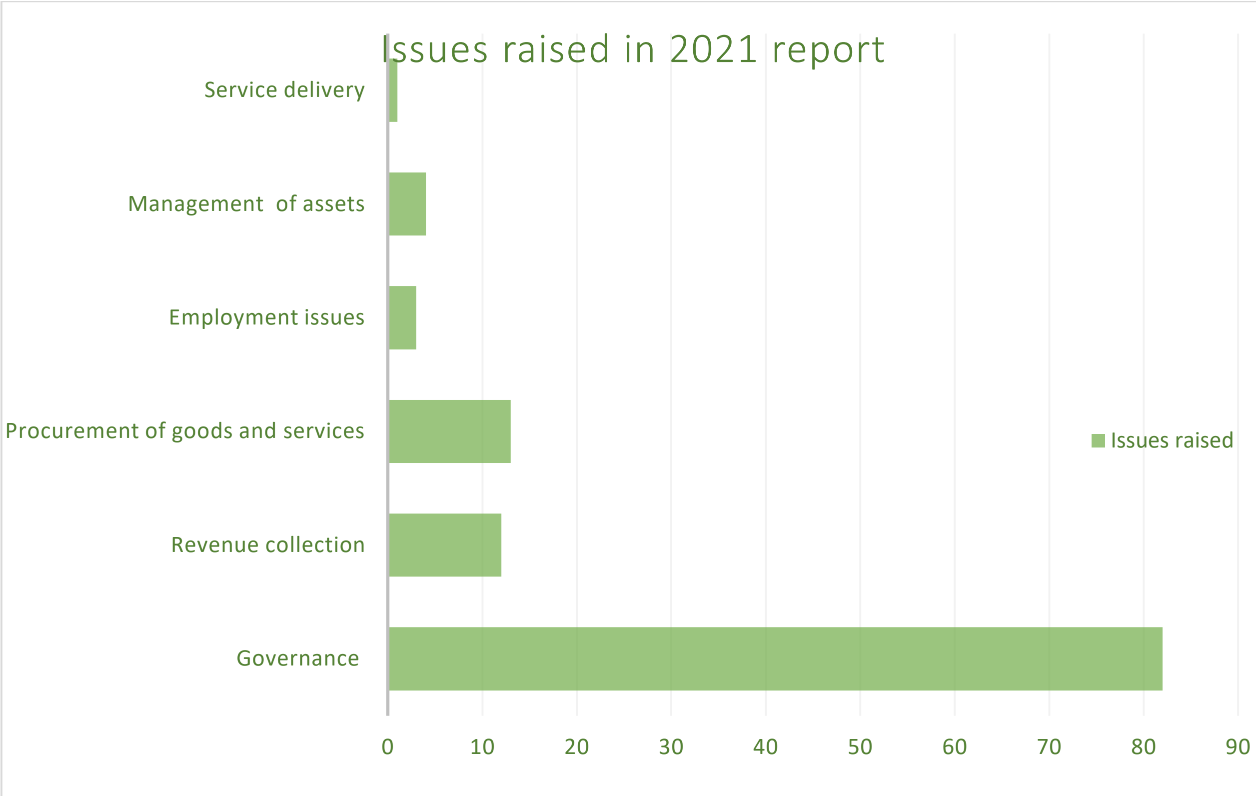
The 2021 audit period was affected by effects of COVID-19 pandemic. This presented practical challenges to both preparers and auditors to clear audit arrears and ability to meet the June 30 reporting deadline because of restrictions on travel and requirement to stay at home.

The effects made a big dent in the spectra of accountability and transparency as COVID-19 effects regress the progress that had been made over the years in bringing most public entities up to date in their financial reporting. At the time of producing this report, in relation to the 2019, 2020 and 2021 financial years, seventy- seven (77) audits had been completed and one hundred (100) audits were in progress. There were fifty-three (53) entities that had not yet submitted financial statements for audit. Amongst those in arrears were four (4) entities whose accounts were in arrears of more than 3 years.



Highlights of findings

Whilst I appreciate the efforts made by Government in the form of statutory/structural reforms, inter alia, enactment of the Public Entities Corporate Governance Act [*Chapter 10:31*], establishment of the Corporate Governance Unit (CGU) in the Office of the President and Cabinet, Central Internal Audit Unit in the Ministry of Finance and Economic Development etcetera, most entities are yet to align their practices and policies with the provisions of the Act. As a result, governance issues were the most outstanding issues in this report. Out of one hundred and fourteen (114) issues I am reporting; eighty –one (81) relate to governance issues, while thirty-three (33) relate to management of assets, revenue collection, employment costs and procurement.



I followed up on progress made towards addressing prior year audit findings and implementation of recommendations. I noted an improvement in addressing issues that I raised in my prior year audit reports. There were, twenty-three (23) findings that were outstanding from my 2019 report. At the time of producing this report, ten (10) out of twenty-three (23) findings were fully addressed, two (2) recommendations were partially implemented, two (2) issues were not addressed and nine (9) findings were being followed up. As for the issues I raised in my 2020 report, out of 146 issues I raised, twenty-five (25) findings were fully addressed, twenty-two (22) recommendations were partially implemented, nineteen (19) issues were not addressed while eighty (80) were being followed up.

Governance issues reported in the current year are in respect of weak internal controls, unsupported expenditure, non-alignment of accounting processes with accounting standards, non-compliance with income tax provisions and other issues in respect of Board structures.

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 issues. It is therefore imperative that State Owned Enterprises and Parastatals embrace provisions of the 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 Owned Enterprises and Parastatals will greatly improve if my recommendations and provisions of the said Act are implemented.

Acknowledgements

My special tribute goes 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. 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 AND RURAL DEVELOPMENT AUTHORITY (ARDA) 2019

Background Information

Agricultural Rural Development Authority (ARDA) is a state owned enterprise under the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement that is responsible for spearheading the advancement of agricultural production and rural development in Zimbabwe. Its mandate is derived from the Agricultural and Rural Development Authority Act *[Chapter 18:01]* that seeks to promote development through implementation of vibrant schemes in the agricultural sector with a view to reducing poverty especially in rural areas.

I have audited the financial statements of Agricultural and Rural Development Authority for the year ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the consolidated financial statements do not present fairly the financial position of Agricultural Rural Development Authority as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

i. Non-compliance with International Accounting Standard (IAS) 21 – "The Effect of Changes in Foreign Exchange Rates."

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which directed banks to separate bank accounts into Real Time Gross Settlement Foreign Currency Accounts (RTGS FCAs) and Nostro FCAs. The economic environment during the year ended 31 December 2019 was characterised by 'multi-tiered' pricing, and the Authority transacted predominantly in RTGS FCA (electronic payments), including mobile money, bond notes and coins.

On 20 February 2019, a Monetary Policy Statement was issued, denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the existing monetary balances and foreign currency. The RTGS dollars became part of the multi-currency system in Zimbabwe through the issuance of statutory instrument (S.I.) 33/2019, with an effective date of 22 February 2019. The statutory instrument provided that for accounting and other purposes, all assets and liabilities that were immediately before the effective date, valued and expressed in United States dollars shall on and after the effective date be deemed to be values in RTGS dollars at a rate of 1:1 to the United States dollar. This was not consistent with IAS 21 – The Effects of Changes in Foreign Exchange Rates which requires that an assessment be made of the change in functional currency and that financial statements be presented at a rate that approximates the market rate. The Authority had to be guided by S.I. 41/2019 which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency.

In compliance with SI 33/2019, the Authority maintained its functional currency as the USD from 1 January 2019 to 22 February 2019 using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA and changed to Zimbabwe Dollar as presented in the financial statements. This constitutes a departure from the requirements of IAS 21 – The Effects of Changes in Foreign Exchange Rates.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Authority's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 21 are considered material and pervasive to the financial statements, taken as a whole.

ii. Non-compliance with International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

On 11 October 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29 – Financial Reporting in Hyperinflationary Economies. The PAAB advised that there is broad market consensus within the accounting and auditing professions that the factors and characteristics to apply the Financial Reporting in Hyperinflationary Economies Standard (IAS 29), in Zimbabwe had been met. The Directors have applied the IAS 29 – Financial Reporting in Hyperinflationary Economies with effect from 1 January 2019. However, as a result of the need to comply with the requirements of S.I. 33 of 2019, the changes in the general pricing power of the functional currency were applied on amounts that were not restated to resolve the matters which resulted in an adverse report in the prior year. This approach resulted in a consequential departure from the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies.

Had the Authority applied the requirements of IAS 21 and IAS 29, many of the elements of the financial statements would have been materially impacted and therefore the departure from the requirements of these standards is considered to be pervasive.

iii. Fair value determination for assets, transactions and liabilities

The determination of fair values for assets, transactions and liabilities presented in the financial statements is affected by the prevailing economic environment and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of the fair values.

Report on going concern

Emphasis of Matter

Without modifying my opinion, I draw attention to uncertainties related to the possible effects of the COVID-19 outbreak on the Authority and its inability to quantify the possible impact.

Below are other material issues noted during the audit;

1 REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

1.1 Supporting documentation

Finding

The Authority seconded one of its officers to a Partnership arrangement at Katiyo Estate. The responsibilities of the officer were to witness the harvesting and weighing of produce and subsequently submit such information for invoicing. I however, noted that this arrangement was not being adhered to as from my review of sundry income and revenue earned from Katiyo, I noted that there were transactions recorded with no invoices attached to support the revenue. Reliance on completeness of revenue was being placed on the client or customer as the Authority accounted its revenue from direct payments made to the Authority's bank accounts.

Risk / Implication

Fraud and error may go undetected.

Recommendation

Management should encourage officers to comply with internal procedures.

Management may need to strengthen supervisory controls.

Management response

Anomaly noted and regularized accordingly. The amounts received related to payments made by Eastern Highlands Plantations Limited for green leaf harvested. ARDA employee, seconded to the Partnership at Katiyo Estate has been instructed to religiously ensure that he witnesses the harvesting and weighing of green leaf since payments to ARDA are based on weight of green leaf harvested and submits a return of the harvest for invoicing. The Authority is working on digital transformation which will automate invoicing system and processes by first quarter of 2022.

2 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS.

The Authority made progress in addressing audit findings raised in 2020 report. I raised four (4) audit findings, two (2) of which have been addressed, two (2) has been partially addressed as indicated below;

2.1 Green Tea harvest

Recommendation has been implemented. ARDA employee was seconded to the Partnership at Katiyo Estate and has been instructed to religiously ensure that he witnesses the harvesting and weighing of green leaf as recommended.

2.2 Remittance of pension funds.

Recommendation has been implemented. Payment Plans have been arranged with the Payroll Creditor and this is being adhered to. The Authority is now paying the monthly obligations plus agreed instalments for arrear clearance.

2.3 Chisumbanje Joint Venture agreement

Recommendation has been partially implemented. The Joint Venture Arrangement was not yet in place but the Partner has been engaged in order for the Joint Venture Agreement to be in place.

2.4 Authority's houses

Recommendation has been partially implemented. The Authority has now been established in and an internal Properties and Letting Department is to manage the Property Fund Portfolio. In addition, the Authority has recruited a Debtors Clerk to enhance debt recovery processes and subsequently improve on collections.

NATIONAL BIOTECHNOLOGY AUTHORITY (NBA) 2019 AND 2020

Background information

The National Biotechnology Authority is a statutory body established in terms of the National Biotechnology Authority Act *[Chapter 14.31]*. Its mandate is to manage all activities aimed at research into and the development, importation, exportation and use of biotechnological processes release or placing on the market of any product of biotechnology that is likely to have adverse effect on human health, animals, plants, the environment, the economy and national security.

I have audited the financial statements of National Biotechnology Authority for the years ended December 31, 2019 and 2020. I issued an adverse opinion for December 31, 2019 and a qualified opinion for December 31, 2020.

Adverse Opinion 2019

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of National Biotechnology Authority as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard 21 (IAS 21), "The Effects of Changes in Foreign Exchange Rates"

The Authority translated its comparative financial statements including transactions and balances for the period up to February 22, 2019 denominated in USD at a rate of 1:1 to the Zimbabwean Dollar. The transactions and balances were not converted to RTGS or ZWL using an appropriate (fair) exchange rate that reflects the economic substance of its value as provided by International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates".

Subsequent to February 22, 2019 the Authority applied interbank exchange rates which came into existence, through Exchange Control Directive RU 28 of 2019 issued by the RBZ and was initially pegged at a rate of 1:2.5. This was after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. No assessment was carried out to show appropriateness of the interbank rate to the existing economic environment. The interbank rate and the exchange rate of 1:1 applied on comparative amounts does not represent the price that can be received for foreign currency as many were unable to access foreign currency through the interbank market. Therefore, use of the interbank exchange rate alone fails to meet the criteria for appropriate (fair) exchange rate and to achieve fair presentation of the financial statements.

Qualified Opinion 2020

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Biotechnology Authority of Zimbabwe as at December 31, 2020 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

Impact of Non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates" on opening balances

For the financial year ended December 31, 2020, the Authority did not comply with IAS 21 "The Effects of Changes in Foreign Exchange Rates." Prior to February 20, 2019, the transacting and functional currency of the Zimbabwean economy was the United States dollar ("USD"). In February 2019, Statutory Instrument (SI) 33 (SI33/19) was pronounced and it introduced a new functional currency to the economy of Zimbabwe called the RTGS Dollar. With such a change in the functional currency and the need to present the financial statements in the new RTGS Dollar currency, IAS 21 would require the Authority to carry out an independent assessment of an appropriate exchange rate to be used to translate the USD denominated balances from the prior periods to the new currency. However, the Authority was precluded from doing that as SI 33/19 fixed the exchange rate between the RTGS Dollar and the United States Dollar ("USD") at a rate of 1:1 for the period up to this effective date. The rate of 1:1 was based on the RBZ rate pronounced on October 01, 2018 when it issued the bond notes and coins into the basket of multi currencies. The Authority then used October 01, 2018 as the date of change in functional currency and translated its foreign denominated balances using that rate without carrying out an independent assessment of an appropriate rate to use as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19") only from 22 February 2019. This constituted a departure from the requirements of IAS 21, and therefore the 2019 financial statements were not prepared in conformity with IFRS.

Had the Authority applied the requirements of IAS 21, the December 31, 2019 comparative inflation adjusted financial statements would have been materially impacted. The financial effects of this departure on the opening balances of the financial statements have not been determined. My opinion on the current year's financial position is modified because of the possible effects of the matter on the comparability of the current year's financial statements with that of the prior year.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Policy documents

Finding

The Authority was operating without key policy documents to regulate its operations. Policies covering Human Resources, Risk Management, ICT, Code of Conduct, Accounting and Administration and Motor Vehicles were not in place. As a result, there was no proper guidance on how certain activities were to be conducted, for instance, the appointments of the Human Resources Manager and the Head of Procurement were at the discretion of the Chief Executive Officer in consultation with the NBA Board.

Risk / Implication

Financial loss due to risks that may not be detected on time.

Inconsistencies in accounting for transactions that compromise service delivery.

Self-review of decisions that are not linked to a policy.

Recommendation

The Authority should ensure that all relevant policies are in place.

Management response

The NBA is in the process of finalizing the policies. A consultant has already been identified to do the drafts, starting with Human resources policies.

1.2 Alignment of governance processes

Finding

The Authority was operating without key instruments needed to facilitate effective oversight such as a board charter. This was contrary to the provisions of the Public Entities Corporate Governance Act *[Chapter 10:31]*.

Risk / Implication

Oversight role may be compromised.

Recommendation

The Authority should seek approval of the Board Charter.

The Authority should also consider aligning all its governance processes (gap analysis) with the Public Entities Corporate Governance Act *[Chapter 10:31]*.

Management response

The draft Board Charter is awaiting the Board's approval before it goes to the parent Ministry.

1.3 Review of payroll

Finding

The Authority`s internal control processes for payroll costs were not effective (water tight). As a result, an employee who resigned on October 30, 2020 was paid excess cash-in-lieu of leave amount. In addition, a payment for Covid-19 allowance for November and December 2020 was paid after resigning from employment in October. This was not detected by the internal control systems.

Risk / implication

Fraud and material irregularity may go undetected.

Recommendation

The Authority should recover the amount overpaid.

Internal control systems over payroll costs should be strengthened.

Management response

Observation is well noted. The Authority will recover any outstanding balances from

other terminal benefits.

2. PROCUREMENT OF GOODS AND SERVICES

2.1 Procurement procedures

Finding

The Public Procurement and Disposal of Public Assets Act *[Chapter 22:23]* came into effect in 2019, however the Authority had not yet aligned its procurement procedures with the Act. For instance, it did not have a Procurement Management Unit (PMU). The Authority was also not complying with the requirements to seek at least three competitive quotes when procuring goods and services that met such thresholds. This was contrary to Section 34(1) of the Public Procurement and Disposal of Public Assets Act *[Chapter 22:23].* Below is a table with purchases that were done without following the requirements of this Act.

Date	Expense	Amount ZWL
08/11/2019	Vehicle repairs and maintenance	39 689
12/5/2020	Repairs and maintenance	77 616
23/10/2020	Marketing costs	56 000

Risk / Implication

Non-compliance with the Public Procurement and Disposal of Public Assets Act *[Chapter 22:23].*

Financial loss due to procurements that are made at inflated amounts.

Recommendation

The Authority should consider aligning its procurement processes with the Public Procurement and Disposal of Public Assets Act *[Chapter 22:23].*

A compliance plan /strategy should be put in place.

Management response

The observation is noted. Some of the purchases made were done using the direct procurement method due to the urgency of the matter. The Authority Procurement Management Unit shall always strive to adhere to the procurement regulations.

3. EMPLOYMENT ISSUES

3.1 Security and safety of staff

Finding

The Authority`s Chirundu station is situated in a game park area with dangerous wild animals, hence a high risk area. The afternoon shift runs from 2pm to 10pm, however, there were no transport arrangements to ferry staff to and from home. Upon enquiry management indicated that efforts were being made to procure vehicles to ferry staff.

Risk / Implication

Safety of staff may be compromised.

Recommendation

The Authority should consider providing transport for its staff.

Management response

The observation is well noted. Efforts are underway to secure resources for the purchase of four vehicles for ports and one will be allocated to the Chirundu office.

ZIMBABWE NATIONAL ROAD ADMINISTRATION (ZINARA) 2019 AND 2020

Background Information

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

I have audited the consolidated financial statements of Zimbabwe National Road Administration for the year ended December 31, 2019 and 2020 and I issued an adverse opinion for both 2019 and 2020 with a material uncertainty related to going concern.

Adverse Opinion on the Consolidated Financial Statements 2019

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the consolidated financial statements do not present fairly the consolidated financial position of the Group as at December 31, 2019 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion on the Consolidated Financial Statements

i. Non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates"

The Group translated its comparative financial statements including transactions and balances for the period up to February 22, 2019 denominated in USD at a rate of 1:1 to the Zimbabwean Dollar (RTGS or ZWL). The transactions during this period were not converted to RTGS or ZWL using an appropriate exchange rate that reflects the economic substance of its value as provided for by International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates". The Group applied the legal exchange rate of 1:1 as pronounced through Statutory Instrument 33 of 2019.

Subsequent to February 22, 2019 the Group applied interbank exchange rates which came into existence, through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe (RBZ) and was initially pegged at a rate of 2.5. This was after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. No assessment was carried out to show appropriateness of the interbank rate to the existing economic environment. The interbank rate and the exchange rate of 1:1 applied on comparative amounts does not represent the price that can be received for foreign currency as many were unable to access foreign currency through the interbank market and immediate delivery of foreign currency could not be guaranteed. Therefore, use of the interbank exchange rate alone fails to meet the criteria for appropriate exchange rate and to achieve fair presentation of the financial statements. As a result, the impact of the Group's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements are considered material and pervasive to the financial statements as a whole.

ii. Unrecorded tax liabilities

Infralink (Private) Limited received a garnishee order for understated Income Tax and Value Added Tax (VAT) of US$46 977 476 in 2015. The amount was provided for, however management is not in agreement with the determination by the tax authorities and contends that the tax status of the company is still to be established. As a result, no tax assessments and provision for tax liabilities were made for 2016, 2017, 2018 and the current financial year.

Therefore there is potential additional exposure of 4 years. The effect of non-accrual of these tax obligations are considered material to the financial statements.

iii. Accounts payable in dispute

A provision of ZWL496 796 098 (2018: ZWL48 316 460) was made in respect of a disputed amount due to a related party arising from reconciliations done in 2016. The matter is yet to be resolved. I was unable to determine the adjustments that might have been necessary in respect of comparative information to the financial statements, and to the current year financial statements to achieve fair presentation.

Report on Going Concern

Material Uncertainty Related to Going Concern

I draw attention to the fact that the Group incurred a net loss of ZWL 3 202 566 861. (2018: ZWL 71 256 977) for the year ended December 31, 2019 and as of that date, the Group's current liabilities exceeded its current assets by ZWL 2 172 901 256 (2018:62 095 978). These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Adverse Opinion on the Consolidated Financial Statements 2020

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the consolidated financial statements do not present fairly the consolidated financial position of the Group as at December 31, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion on the Consolidated Financial Statements

i. Non-compliance with International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates"

The Group complied with Statutory Instrument 33 of 2019 ("SI 33") issued by the Government of Zimbabwe ("the Government") and consequently did not comply with IAS 21 in the preparation and presentation of the prior period financial statements. Through SI 33, the Government prescribed an exchange rate of 1:1 between the United States dollars and the newly introduced RTGS dollars effective from 22 February 2019 for accounting and other purposes. Had the Group performed the assessment required by IAS 21 in the prior period, the adjustments that were recognized in the comparative period's financial statements would have been materially different. Therefore, the departure from the requirements of IAS 21 were pervasive in the prior period. The misstatements in the historical comparative information consequently impacted the determination of the inflation adjusted amounts as is required in the application of IAS 29 in prior years. The financial effects on the inflation adjusted financial statements of this departure are material to the financial statements. In addition, the effects of the matter on the restatement of prior period as well as current period equity balances cannot be readily determined.

ii. Unrecorded tax liabilities

Infralink (Private) Limited received a garnishee order for understated Income Tax and Value Added Tax (VAT) of US$46 977 476 in 2015. The amount was provided for, however management is not in agreement with the determination by the tax authorities and contends that the tax status of the company is still to be established. As a result, no tax assessments and provision for tax liabilities were made for 2016, 2017, 2018, 2019 and the current financial year. Therefore there is potential additional exposure of 5 years. The effect of non-accrual of these tax obligations are considered material to the financial statements.

iii. Accounts payable in dispute

A provision of ZWL2 286 071 481 (2019: ZWL496 796 099) was made in respect of a disputed amount due to a related party arising from reconciliations done in 2016. The matter is yet to be resolved. I was unable to determine the adjustments that might have been necessary in respect of comparative information to the financial statements, and to the current year financial statements to achieve fair presentation.

Report on Other Legal and Regulatory Requirements 2019 and 2020

Qualified opinion

In my opinion, the financial statements 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 Road 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 percentum (2.5%) of the revenue of the road fund in any financial year. The Road Administration utilized 13% which is 10.5% above the percentage specified in the Roads Act.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Tax status of Infralink

Finding

Infralink (Private) Limited was garnished by Zimbabwe Revenue Authority (ZIMRA) for the recovery of income tax and VAT liabilities in 2015. However, the Company did not accrue taxes due in respect of the 2016, 2017, 2018 and 2019 financial years. This was because management were of the opinion that the Company was exempt from paying taxes contrary to Zimbabwe Revenue Authority (ZIMRA) ’s position that the Company was a taxable entity. This matter has remained unresolved to date.

Risk / Implication

Financial statements may be materially misstated.

Recommendation

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

Management response

Contingent liability for years without a tax audit by ZIMRA will be professionally assessed, acknowledged and contingent liability disclosure, while guidance on the tax status of the company is awaited, which in turn will determine the decisive action to permanently correct the problem.

1.2 Tollgate Infrastructure

Finding

The Road Administration did not have adequate infrastructure to protect motorists and staff at Mupfurudzi, Lothian and Collen Bawn tollgates. Such infrastructure-included signage, barriers or boom gates, lighting and other essential structures. At one of the tollgates, a tent was being used as an administration office. As a result, on November 26, 2020, a heavy rainfall led to loss of revenue for about an hour as the revenue collection officer had to desert their work station hiding from the rains. There was also an incident where a staff member was injured at one of the tollgates.

Risk / Implication

Staff safety is compromised.

Revenue leakages as some motorists may evade toll fees.

Recommendation

The Road Administration should install adequate infrastructure at all toll gates.

Management response

Agreed.

ZINARA has since budgeted for its upgrade, which will be done by the Department of Roads in the Ministry of Transport and Infrastructure Development.

In the interim, to improve safety of staff and security of documents, construction of centre booth and back office plinth has been completed. Road signs have been procured and are being installed.

In addition, at Lothian tollgate, construction of centre booth and back office plinth has been completed, with Road signs also having been procured and are now being installed.

1.3 Weighbridges at Vehicle Inspection Department

Finding

The Road Administration funded the construction of a weighbridge at Axle weighing centre / point in Mashonaland Central Province. The construction was funded by providing building materials (sand, quarry stones, and bricks). However, the weighbridge had not been constructed nor works started since the time of funding. There was no evidence to support that ZINARA was timeously following up with VID to expedite the construction of this weighbridge given the fact that due to overloads by trucks road damages was inevitable.

Risk / Implication

Loss of potential revenue from overloaded trucks.

Yearly increase in road repairs and maintenance costs that burdens other road users (light vehicles).

Recommendation

ZINARA should continuously engage road authorities (VID) and ensure that weighbridges at all provinces are constructed and functional.

Management response

Agreed. Weighbridge have been prioritised in the 2022 capex budget. ZINARA is working closely with the VID for this budget to be utilised, per their infrastructure development plan for 2022. To this end, VID is already in procurement stages of engaging a contractor for Weighbridge installation in Bindura. In addition, Chirundu border weighbridge display machine and bell have since been repaired.

1.4 Approval of payments

Finding

There was no evidence to support that controls over cash payments were watertight. For instance, the Bulawayo Regional Office was processing payments before they were approved. Upon inquiry, management attributed the weakness in internal controls to absence of an officer with accounting skills. Below are examples:

Date	Voucher number	Amount (ZWL)	Comments
02/12/2020	3142	8 000	No evidence of approval on voucher
03/12/2020	3143	24 829	No evidence of approval on voucher
05/12/2020	3144	9800	Voucher not approved and receipt from the supplier had $4800 hence 5000 not accounted for
05/12/2020	3145	4 510	No evidence of approval on voucher
29/11/2020	3140	7459	No evidence of approval on voucher
29/11/2020	3141	5000	No evidence of approval on voucher
06/12/2020	3147	811	No evidence of approval on voucher

Risk / Implication

Financial loss due to fraud.

Recommendation

All payments should be approved.

Management Response

Noted. Management is in the process of assigning an Accounts Officer in Bulawayo, who is conversant with Accounting controls, as the Bulawayo office did not have an Accounts representative.

Recruitment of provincial Accounts officers in progress. Human resources has indicated that by August 2022 the post will be filled.

1.5 Service Level Agreements (SLAs) for applications

Finding

The Administration did not have Service Level Agreements for some of its ICT applications such as prepaid system, payroll, accounting system and Beitbridge toll system.

Risk / Implication

Service delivery may be compromised due to lack of system support.

Recommendation

The Administration should consider regularising the provision of support of all its systems.

Management response

Agreed. Payroll system draft contract has been received and is currently being reviewed. ZINARA is awaiting conclusion of the toll contract with the supplier. A report on the recommendations has been sent to the parent Ministry to regularize the Bridge Toll contract.

2 REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Agency contract

Finding

The Vehicle Inspection Department (VID) was collecting transit and overload fees on behalf of ZINARA at a commission of 20%. However, there was no Memorandum of Understanding / contract between Vehicle Inspection Department and ZINARA to govern the principal-agent relationship.

Risk / Implication

Inconsistencies in the remittance of revenue.

Recommendation

The Road Administration should consider regularising the relationship.

Management Response

Agreed.

The draft contract has been done. Engagements with the Ministry of Transport and the VID on same is now in progress and is expected to be concluded by the end of second quarter 2022.

2.2 Accounts receivables

Finding

The Road Administration issued some loans to its staff some years back. There was no evidence to support that amounts owed by former employees were being effectively followed up. In addition, controls over issuance of loans to staff were weak in that nine (9) years after termination of employment, the amounts were still owing. According to the records, the following former employees were owing the Administration, as shown in the table below:

Position	Amount owing (ZWL)	Period amount relates to
Former Director Administration	11 999	2010-2019
Former CEO	169 708	2010-2014
Former Technical Director	21 000	2010-2018

Risk / Implication

Financial loss as the recoverability of the outstanding amounts after termination of employment may be doubtful.

Recommendation

The Administration should consider strengthening its debt recovery controls.

Upon termination of employment, employees' debt should be deducted from terminal benefits.

Management response

Noted. Synchronization of the Human Resources termination processes and Accounts department's accounting records, which synchronisation was not there before, was instituted, to avoid such future mismatches of information and actions. In meantime, efforts to recover the outstanding amounts are being followed through.

3 PROCUREMENT OF GOODS AND SERVICES

3.1 Alignment of procurement processes

Finding

The Public Procurement and Disposal of Public Assets Act *[Chapter 22:23]* came into effect in 2019, however the Administration did not align its procurement procedures with the Act. As a result, the Administration was not complying with the requirements of the Act in that contracts were being signed after delivery of goods and services. This was contrary to Section 34(1) of the Public Procurement and Disposal of Public Assets Act *[Chapter 22:23].* Notable examples were:

- A payment of $4 337 656 (USD 52 890) for three 4x4 Toyota Double cabs on March17, 2020 without a contract. The contract was then signed in retrospect on October 22, 2020 with a new contract price of US$101 542.
- Awarding of a tender to a certain company for the delivery of five hundred and seventy (570) toner cartridges at a price of $882 000 which were delivered without a contract. The contract was then signed in retrospect on September 11, 2020 with a new contract price of $4 300 000.

Risk / Implication

Non-compliance with the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*].

Procurement fraud may go undetected.

Recommendation

Contract management processes should be tightened.

The Administration should consider developing compliance plans and strategies that align with the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*].

Management response

Agreed.

This, however, is a legacy issue which happened prior to the establishment of the Procurement Management Unit (PMU). The newly established PMU, fully constituted on the 1st of June 2020, is the one that dealt with all legacy procurement issues it inherited from prior periods, and proceeded to follow all due processes to finalise them in a professional manner that tries to protect the company as well as being fair to the supplier, as obligations had already been created through delivery and consumption of the goods during those prior periods. This process resulted in the two contracts, which are in line with the new Procurement Act and regulations.

3.2 Prepayments

Finding

There was no evidence to support that controls over procurement processes of the Administration were watertight. As a result, the Administration was yet to receive goods that were paid for as far back as 2017. These were, purchase of motor vehicles for USD74 512 paid on December 29, 2017 and purchase of transformer for ZWL 83,720 on November 07, 2019.

Risk / Implication

Financial loss as the goods may not be delivered.

The Administration may not be able to recover the amount paid.

Recommendation

Controls over procurement should be tightened up.

Follow up on outstanding deliveries should be made.

Management response

Noted

Considering shortcomings and risks on prepayments, effective from 1 June 2020 the Administration banned prepayments that are not backed up by bank guarantees from reputable financial institutions. So this challenge will not happen again in the future.

A legal recourse is being sought on all the issues.

4 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Administration made progress in addressing audit findings and recommendations raised in my 2019 audit report. I raised five (5) audit findings, three (3) were addressed and two (2) were partially addressed as indicated below;

4.1 Board composition

The recommendation has been partly implemented. The Board now has 11 members only falling short of one to bring them to twelve (12) as required by the Roads Act [*Chapter 13:18*].

4.2 Whistle blower facility

The recommendation has been implemented. The whistle blower facility has been operational since 2020.

4.3 Tollgate by-pass

The finding has been partly addressed with graders mobilised to close off by-passes and continuous monitoring is being done. However, the tollgate by-pass remains a challenge as it has not been fully eradicated.

4.4 Automated vehicle counter system (Beitbridge post)

The recommendation has been implemented. A new Automatic Vehicle Counter system has been installed and is currently on trial.

4.5 Licensing of vehicles on temporary plates

The recommendation has been implemented. Although the current legislation does not provide for licensing of vehicles on temporary registration as they are deemed to be registered and licensed in terms section 21 of Vehicle Licensing and Registration Act, the Administration did set up offices at CVR and ZIMRA to ensure that vehicles upon registration they are also licensed.

ZIMBABWE NATIONAL STATISTICS AGENCY (ZIMSTATS) 2019

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 Zimbabwe National Statistical Agency for the year ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Zimbabwe National Statistics Agency as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 “The Effects of Changes in Foreign Exchange Rates”

The Agency translated its comparative financial statements and transactions for the period up to February 22, 2019 using an exchange rate of 1:1 for United States Dollar to Real Time Gross Settlement (RTGS) Dollar as prescribed to entities through Statutory Instrument 33 of 2019 (SI 33/2019). In order to comply with SI33/2019, issued on February 22, 2019, the entity changed its functional currency with effect from this date. Although the rate was legally pegged at 1:1 multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and US$ amounts. The exchange rate applied met the legal requirements, but however did not meet the criteria for appropriate exchange rates in terms of International Financial Reporting Standards (IFRSs) as defined in International Accounting Standard (IAS) 21.

The official interbank exchange rate came into existence, through Exchange Control Directive RU 28 of 2019 issued by the RBZ in February 2019 and was initially pegged at a starting rate of 2.5. Transactions and balances from February 22, 2019 were now translated using the interbank rates. This was after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. No assessment was carried out to show the appropriateness of the interbank rate to the existing economic environment. The interbank rate did not represent the price that could be received for foreign currency as many were unable to access foreign currency through the interbank market and immediate delivery of foreign currency could not be guaranteed. The financial statements of the Agency include balances and transactions denominated in USD that were not converted to ZWL at an exchange rate that reflects the economic substance of its values.

Had the Agency complied with the requirements of IAS 21, many elements in the financial statements would have been materially affected. The financial effects on the inflation adjusted financial statements of this departure has not been determined.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Board skills balance

Finding

The Board did not have members with accounting and legal background. This was in contravention with the requirements of the Public Entities Corporate Governance Act [*Chapter 10:31*] section 79 which stipulate that the responsible Minister should appoint at least a board **member with an accounting and legal expertise.**

Risk / Implication

Lack of adequate oversight by the board in the related areas.

Recommendation

The Management should consider to continuously engage the appointing Authority to address the skills gap.

Management response

Noted. Recommendations submitted to the parent Ministry.

ZIMBABWE NATIONAL WATER AUTHORITY (ZINWA) 2021

Background Information

Zimbabwe National Water Authority (ZINWA) was established as a body corporate in 2000 in terms of the Zimbabwe National Water Authority Act *[Chapter 20:25]*, following a merger of the Regional Water Authority and the Department of Water. The Authority is responsible for the planning, development, operation and management of water resources within Zimbabwe.

I have audited the financial statements for Zimbabwe National Water Authority for the year ended December 31, 2021 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Zimbabwe National Water Authority as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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

1. GOVERNANCE ISSUES

1.1. Provision of services

Finding

The Authority did not have adequate alternative sources of power to facilitate continuous provision of water. For instance, some places would go for a month without water, due to power cuts and pumping breakdowns.

Risk / Implication

Service delivery may be compromised.

Recommendation

The Authority should consider investing in alternative sources of power to counter the negative effects of power cuts.

Management response

The policy states that where services are not provided for more than 3 months, customers are not billed. During the period under review, tenders have been floated for infrastructure maintenance materials to help with materials replacements on breakdowns.

Management is in talks with ZESA for dedicated power lines for the authority water supply stations.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1. Receipts in foreign currency

Finding

The Authority's BIQ system was not configured to process multicurrency payments. A review of the Authority's posted transactions for prepaid water sales showed that receipts in foreign currencies (mainly US$) were being posted into the system at a rate of 1:1 during the period under review (year ended December 31, 2021).

Risk / Implication

Financial loss due to possible fraud through manipulation of exchange rates.

Possible misstatement of revenue.

Recommendation

The Authority should ensure the BIQ system is configured to accept multi-currencies.

Management responses

All foreign currency receipts that had not been translated into the local currency (ZWL$) were identified and adjustments were made. The system will be configured to accept multicurrency.

3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Authority made progress in addressing audit findings and recommendations raised in my 2020 report. I raised two (2) audit findings and all were partly addressed as indicated below.

3.1. Customer billings

The recommendation was partially implemented. The Authority has carried out a data clean up exercise to rationalise the tariff codes for all consumers. In addition management indicated that, an inactive data base shall be created, and these accounts will be transferred to that account.

3.2. Configuration of the billing system

The recommendation has been partially implemented. The Authority initiated a data clean up process to address the billing anomalies.

ZIMBABWE REVENUE AUTHORITY (ZIMRA) 2021

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 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, 2021 as well as the revenue returns. I issued an unmodified opinion on the Authority's financial statements, a qualified opinion on the Outstanding Revenue Return and Revenue Return, unmodified opinions on the Revenue Written Off, Tax Reserve Certificates Return and the Receipts and Disbursements return.

Opinion on the Authority's financial statements

In my opinion, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Revenue Authority as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Qualified Opinion on Outstanding Revenue Return

In my Opinion, except for the effects of matters described in the basis of Qualified Opinion section of my report, the Outstanding Revenue Return presents fairly, in all material respects, the Outstanding Revenue during the year ended December 31, 2021.

Basis of Qualified Opinion

i. Unclassified Deposits

Included in the revenue is $1.6Billion (0.7billion 2020) deposited by clients but not receipted and allocated to any tax head by end of December 2021. The Authority attribute the anomaly to insufficient payee details for online banking payments. The outstanding revenue return was not adjusted for these payments. Some clients continued to accumulate penalties and interest for outstanding amounts.

ii. E-Service Platform

The E-service platform was not performing as expected since 2016. It was experiencing congestion challenges during peak periods of returns submission. For instance, between 1 January 01 to March 15, 2021 the system could not handle and process all the 364 011 returns. Although the Authority had put alternative means of submitting returns through emails and then capture them manually into the system, the clients' accounts were in credit of over 500% due to returns that were not yet captured as at December 31, 2021. 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 misstatement.

iii. Temporary Import Permits

Temporary Import Permits that were issued to vehicles that were entering the country temporarily and that were expected to be acquitted before they expire were 45 700 as at December 31, 2021, (2020: 34 008). These electronic and manual Temporary Importers Permits 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 compromising potential duty payable.

iv. VAT Refunds

During the year ended December 2020, there were VAT Refunds which were fraudulently processed. The process to quantify the extent of fraud was not yet finalised, hence the outstanding return was not adjusted.

Qualified Opinion on Revenue Return

In my opinion, except for the effects of matters described in the Basis for Qualified Opinion section of my report, the Revenue Return presents fairly, in all material respects, the revenue collected as at December 31, 2021.

Basis for Qualified Opinion

Unclassified deposits

Included in the return is ZWL$1.6 billion that had not been appropriately classified due to insufficient deposit details.

Below are other material issues noted during the audit;

1 MANAGEMENT OF ASSETS

1.1 Sanitising Booths

Finding

The sanitising booths that were purchased had specifications that included, temperature checking, spraying and dispensing sanitising liquid. I however noted that, some of the sanitising booths were not performing some of these functions. The Kurima House Booth was only checking temperature, while the Mutare one was only checking temperature and dispensing sanitizer. The Forbes and Chirundu sanitizing booths were not spraying and dispensing sanitizers. Upon inquiry management indicated that, personnel responsible for maintaining the booths were not properly trained, hence the booths were being underutilized.

Risk / Implication

Wasteful expenditure as the assets may not be performing to their full capability.

Recommendation

The Authority should consider servicing the booths and train its personnel.

Management response

Observation is noted.

The installation and commissioning of sanitizing booths by the supplier was done with the ZIMRA Engineering Team participating as part of skills transfer. The Engineering Team is tasked with maintaining the booths and have access to the supplier for guidance and assistance.

The warranty period has expired and the supplier had quoted and insisted on being paid

in foreign currency for any engagements the Authority may require with respect to the booths. Efforts to have the booths repaired and fully restored are under way.

2 REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 DOMESTIC TAXES

2.1.1 E-Service Platform

Finding

The E-service platform was not performing as expected since 2016. The E-service's system experienced congestion challenges during peak periods of returns submission. For instance, between January 01 to March 15 2021, the system could not handle and process all the 364 011 returns. Although the Authority had put alternative means of submitting returns through emails and then capture them manually into the system, the clients' accounts were in credit of over 500% due to returns that were not yet captured.

In addition, the E-service downtime was far above tolerable down time rate of 0.02%. During the year under review, the downtime rate was between 0.45% and 0.95 % as follows:

- Quarter 1: the downtime was 0.7%
- Quarter 2: the downtime was 0.95%
- Quarter 3: the downtime was 0.45%
- Quarter 4: the downtime was 0.45%

Risk / Implication

Misstatement of outstanding revenue.

Recommendation

The Authority should establish the cause of the challenges and ensure the proposed new system will address them.

Management response

The E-Services system had congestion challenges during peak periods of returns submission. The challenge has been worked on together with the supplier and an improvement has been noted for the same period last year. In the interim efforts are continuing to reduce congestion on the platform by providing alternatives i.e. providing another platform for tax clearance processing and submission of returns starting with the Large Client Office (LCO) clients. The solution for processing tax clearance certificates has been implemented and tax clearances are now being issued automatically by the system through clients' email addresses daily for compliant clients. The solution for processing Tax Returns is expected to be in production by 30 September 2022. However, the ultimate solution to this challenge is the new system (Tax Revenue Management System-TaRMS) which is under procurement.

While the solution for submitting returns is being developed, the Authority has put in place modalities to receive the returns through emails and capture them manually for cases that would have failed to submit online.

2.1.2 Unclassified Deposits

Finding

The Authority has been experiencing unclassified deposits arising from clients remitting tax since the introduction of online banking. There was no evidence to support that the Authority was addressing the recurrence of unclassified deposits. As a result, an amount of ZWL$ 1.6 billion included on the revenue return was not receipted and the amounts were not allocated to any tax head by end of December 2021. The Authority attributed the anomaly to insufficient details of the payee and tax heads for online banking payments. The outstanding revenue return was not adjusted for these payments. Some clients then continued to accumulate penalties and interest for outstanding amounts.

Risk / Implication

These amounts distort the revenue return, and outstanding revenue return.

Recommendation

The Authority should consider further engagements with clients and banks to ensure these unclassified receipts are subsequently classified and reported appropriately.

Management response

Observation is noted. The issue of unclassified deposits is under management attention as currently there are efforts to adjust the validation parameters such that transactions with incomplete details will be rejected at source. Paying clients will be alerted of the failure of their payments at source. This will eliminate the need for the Authority to deal with unclassified deposits. An improved ZIMRA payments solution should be launched in the third quarter of this year.

2.2 CUSTOMS AND EXCISE

2.2.1 Follow up on outstanding Temporary Import Permits

Finding

There were long outstanding Temporary Import Permits (TIPs) that were not being acquitted. A total of 45 700 TIPs were outstanding as at December 31, 2021. Some of the follow up procedures as documented in the CEP0164 that were being applied by stations were no longer effective. As a result, some stations were applying innovative means of following up, but results of these efforts are yet to materialize as the outstanding TIPs were still high.

Risk / Implication

Loss of revenue through un-procedural conversion of TIPs into local registration.

Recommendation

The Authority may need to consider reviewing its internal procedures on TIPs follow ups.

Management should also make efforts to engage other stakeholder entities to help trace all outstanding TIPs before write offs.

Management response

Observation is noted.

The Authority will consider reviewing of its internal procedures on TIPs follow ups.

Engagements with other Customs Administrations have begun to advise of vehicles that were licensed within their territories after expiry of the TIPs and managed to acquit some.

The Procedure CEP0164 was last applied in 2020 and yielded minimum results as other stations did not respond as required.

3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Authority made progress in addressing audit findings and recommendations raised in my 2019 and 2020 report. In 2020 I raised eight (8) audit findings and followed up two (2) 2019 outstanding findings. Two (2) findings had been implemented, seven (7) had been partially implemented and one (1) finding has not been addressed as indicated below;

3.1 Duplicate contract accounts

The recommendation has been partially implemented. All the identified duplicates were blocked. The system vendor implemented controls that reduced the occurrence of duplicates within the SAP system. As a mitigatory measure, monitoring of duplicates is in progress and flagged through a daily report that is circulated for blocking. The ultimate solution is the deployment of the Tax Revenue Management System (TaRMS) which has a functionality to proactively detect duplicates through input validation controls.

3.2 SAP E-service platform

The recommendation has been partially implemented. The system was not stable. The Authority engaged Microsoft supplier and highlighted the E-services challenges. Interface challenges between E-Services and the SAP backend due to missing parameters was being addressed by the ICT division.

3.3 Online deposits

The recommendation has been partially implemented. Banks have created receipting platforms that validate transactions before posting online. The interface used by the banks was improved to include the BP number and Tax type for validation purposes. However, there are still unclassified deposits.

3.4 Tax amnesty

Finding has been addressed. The system solution to reverse approved tax amnesty was rolled out and all cases identified for reversal were reversed and finalised.

3.5 VAT Refunds

The recommendation has been partially implemented. Processing of 2020 and prior year outstanding VAT refunds was ongoing and is expected to be completed by June 30, 2022.

3.6 Customs debt from imported vehicles

The recommendation has been partially implemented. Outstanding customs debt on 606 motor vehicles is still to be recovered.

3.7 Temporary Imports Permits of tourists' vehicles (TIPs)

The recommendation has not been implemented. The process of acquitting re-entries has been greatly affected by COVID-19 restrictions as borders still remain closed to travelers hence no new data to facilitate data matching to identify re-entries. Low uptake of the mobile application by travelers which force officers to capture TIP details. The Authority checked for vehicles with outstanding TIPs in the CVR Platform.

3.8 Management of Removal in Transit (RIT)

The recommendation partially implemented**.** ASYCUDA inbuilt management reports were regularly generated for expired RIT entries and were used to follow up agents and transporters to acquit the entries. Tremendous progress has been made.

3.9 Tobacco levy returns

The recommendation was implemented**.** The two (2) outstanding returns were all captured. In addition, the law requiring tobacco merchants to submit returns every 48 hours of trading has now been amended to address the administrative challenges which were encountered in requesting taxpayers to submit tobacco levy returns every 48 hours of their trading.

3.10 Report orders

The recommendation was partially implemented**.** Management engaged Government Departments to expedite the acquittal of outstanding report orders. This improved acquittals of recent Report Orders.

ZIMBABWE TOURISM AUTHOURITY 2020

Background information

The Authority is incorporated and domiciled in Zimbabwe and is registered in terms of the Zimbabwe Tourism Act [*Chapter 14:20*], with the objective of ensuring development and efficient service delivery and utilisation of resources within the tourism industry in Zimbabwe.

I have audited the financial statements of the Zimbabwe Tourism Authority, for the year ended December 31, 2020 and I issued an adverse opinion.

Adverse opinion

In my opinion, because of the significance of the matter discussed in the Basis for the Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Zimbabwe Tourism Authority, as at December 31, 2020 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Public Finance Management Act [*Chapter 22:19*]and Tourism Act [*Chapter 14:20*].

Basis for adverse opinion

Effects of IAS 21 - "The effects of changes in foreign exchange rates''

i. Comparative information and opening balances

The prior year financial statements for the year ended December 31, 2019 included an adverse opinion on non-compliance with international accounting standard (IAS) 21 - ''The effects of changes in foreign exchange rates". For some part of the financial year ended 2019, the Authority operated in an environment where suppliers were applying multi- tier –pricing where a single product had different prices depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes. Due to the economic environment the Authority operated in, the Authority ended up experiencing premiums on the official foreign exchange rate of 1:1 prescribed by statutory instrument of 133 of 2016 between the RTGS, FCA, Bond notes and the NOSTRO FCA during period January 1, 2019 to February 22, 2019.This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which international accounting standard(IAS) 21" The Effects of Changes in Foreign Exchange Rates" would apply.

In view of these matters described in the above paragraph on the financial statements for the financial year ended December 31, 2020, no corrections have been made to the underlying historical amounts that now forms the basis of the corresponding figures for the year ended December 31, 2019.These misstated comparatives also affect the calculation of the comparative inflation adjusted amounts in terms of the requirements of IAS 29, Financial Reporting in Hyperinflation economies (" IAS 29") which affected financial statements for financial period beginning on or after July 1, 2019.

Furthermore, I was unable to determine whether the opening balances of the Authority as at January 1, 2020 were fairly presented. Since the opening balances as at January 1, 2020 entered into the determination of the financial performance, changes in equity and cash flows for the financial year ended December 31, 2020, I was unable to determine whether adjustments might have been found necessary in respect of the financial statements of the Authority for the financial year ended December 31, 2020.

The comparability and misstatements' effects have not been quantified. However, they have been determined to be inherently both material and pervasive given their nature and the impact when the underlying historical amounts are restated for hyperinflation.

ii. Inappropriate exchange rates used in the current year

To comply with the legislation as described in note 3.10 to the financial statements, some of the transactions presented in the period January 1, 2020 to December 31, 2020, were converted to the local reporting currency (ZWL) using the official exchange rate which was derived from Reserve Bank of Zimbabwe auction rate. The Authority could not access foreign currency from these markets during the year despite it using the exchange rates from these markets. International Accounting Standard (IAS) 21 requires firms to use market exchange rates from official sites which reflect currencies' long term exchangeability. It appears that for the Authority, Zimbabwean dollar is subject to longer term lack of exchangeability on the interbank forex exchange market and foreign currency auction system market since the Authority could not access foreign currency from these two markets during the year. The rates used by the Authority do not take into account Authority specific risks and inflation hence are not in line with the requirements of IAS 21. This resulted in a material and pervasive departure from the requirements of IAS 21.

Below are other material issues noted during the audit;

1. EMPLOYMENT ISSUES

1.1 Internal Audit staff complement

Finding

Internal controls over preparation of financial statements, revenue collection, expenditure payments and cashbooks were not subject to review by Internal Audit. An inspection of the resources for this department revealed that there were only two personnel in the Internal Audit Department which were not adequate considering the size of the organization.

Risk / Implication

Material irregularities and fraud may go undetected.

Recommendation

The Authority should consider providing the internal audit function with the necessary resources to carry out their mandate.

Management response

Management is assessing the work for both audit and risk management departments and come up with proper human resources needs in the two areas and make recommendations to the Board

PUBLIC ENTITIES UNDER THE CATEGORY OF COMMISSIONS

NATIONAL COMPETITIVENESS COMMISSION (NCC) 2020

Background Information

The National Competitiveness Commission is constituted in terms of the National Competitiveness Commission Act *[Chapter 14:36]* of 2017. Its core function is to enable a competitive environment for Zimbabwean businesses through the development, coordination, and implementation of key policy improvements.

I have audited the financial statements for National Competeviness Commission for the year ended December 31, 2020 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Competitiveness Commission as at December 31, 2020 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

Impact of Non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates" on opening balances

For the financial year December 31, 2020, the Commission did not comply with IAS 21 "The Effects of Changes in Foreign Exchange Rates." Prior to February 20,2019, the transacting and functional currency of the Zimbabwean economy was the United States dollar ("USD"). In February 2019, Statutory Instrument (SI) 33 (SI33/19) was pronounced and it introduced a new functional currency to the economy of Zimbabwe called the RTGS Dollar. With such a change in the functional currency and the need to present the financial statements in the new RTGS Dollar currency, IAS 21 would require the Commission to carry out an independent assessment of an appropriate exchange rate to be used to translate the USD denominated balances from the prior periods to the new currency.

However, the Commission was precluded from doing that as SI 33/19 fixed the exchange rate between the RTGS Dollar and the United States Dollar ("USD") at a rate of 1:1 for the period up to this effective date. The rate of 1:1 was based on the RBZ rate pronounced on October 01, 2018 when it issued the bond notes and coins into the basket of multi currencies. The Commission then used October 01, 2018 as the date of change in functional currency and translated its foreign denominated balances using that rate without carrying out an independent assessment of an appropriate rate to use as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19") only from February 22, 2019. This constituted a departure from the requirements of IAS 21, and therefore the 2019 financial statements were not prepared in conformity with IFRSs. Had the Commission applied the requirements of IAS 21, the December 31, 2019 comparative inflation adjusted financial statements would have been materially impacted. The financial effects of this departure on the opening balances of the inflation adjusted financial statements have not been determined.

My opinion on the current year's inflation adjusted financial position is modified because of the possible effects of the matter on the comparability of the current year's inflation adjusted financial statements with that of the prior year.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Policy documents

Finding

The Commission was operating without key policy documents to regulate its operations. Policy documents covering strategic plan, accounting and procedure manual, Human Resources Policy, Risk Management Policy and Procurement policy were still in draft form. In addition, the Commission did not have an approved structure. Upon inquiry, management indicated that this was due to the absence of executive management.

Risk / Implication

Service delivery may be compromised.
Financial loss due to inconsistencies in processing of transactions.

Recommendation

The Commission should consider putting in place all relevant policy documents.

Management response

There was no HR policy in 2020. HR policy was developed in 2021, and currently it is going through review by the Commissioners. The Commission now has a draft strategic plan for approval. The Commission now has draft key policies and organizational structure for approval.

1.2 Alignment of accounting processes to new developments

Finding

The Commission's accounting processes were not aligned to the new developments of the accounting framework. For instance, the Commission was not correctly accounting for the leasing of some of its properties. The new standard covering the accounting for leases was not included in the draft manual.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Commission should consider incorporating new accounting developments in its policies as it finalises the accounting manuals.

In addition, a tracking system that facilitates adjustment of records in line with the new standards should be considered.

Management response

The draft Accounting and Procedure manual covers the accounting of Property, plant and equipment (PPE) owned by the NCC. However, it does not cover assets controlled under lease, such as the five [5] SDF offices which were being leased by NCC.

SECURITIES AND EXCHANGE COMMISSION OF ZIMBABWE 2021

Background information

The Securities and Exchange Commission of Zimbabwe was established in terms of the Securities Act *[Chapter 24:25].* The Commission is a regulatory body for the securities and capital markets in Zimbabwe. The Commission's sources of income are a levy of the value traded on the Zimbabwe Stock Exchange (ZSE), Victoria Falls Stock Exchange (VFEX) and Financial Securities Exchange (FINSEC) stock markets, other levies, annual license fees and annual registration fees from licenses as set by statutory instrument 100 of 2010, statutory instrument 108 of 2014, statutory instrument 62 of 2017 and statutory instrument 106 of 2017.

I have audited the financial statements of Securities and Exchange Commission of Zimbabwe for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the inflation adjusted financial statements present fairly, in all material respects, the inflation adjusted financial position of the Securities and Exchange Commission of Zimbabwe as at 31 December 2021, its inflation adjusted financial performance and its inflation adjusted cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Non-compliance with International Accounting Standard 21 – "The Effects of Changes in Foreign Exchange Rates."

During the prior financial years, the foreign currency denominated transactions and balances of the Commission were translated into ZWL using the interbank exchange rates/foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended 31 December 2021. The opinion on the current year is modified because of the possible effects of non-compliance with IAS 21 on the accumulated funds of the Commission as at 31 December 2021, and on the comparability of the current year's figures to those of the comparative period.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. As a result, the impact of the Commission's inability to comply with IAS 21 has been determined as significant.

Non-compliance with International Accounting Standard (IAS) 29 – Financial Reporting in Hyperinflationary Economies

Although IAS 29 has been applied correctly, its application was based on prior period financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements (including monetary gain/loss) would have been materially different. The impact of the departure from the requirements of these standards is considered material to the financial statements for the year ended December 31,2021.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Alignment of Board structures

Finding

From my review of the Commission`s corporate governance structures, I noted that the chairperson of the Commission's Board was also the chairperson of the Audit and Risk Committee. This was contrary to the Securities Act *[Chapter 24:25]* section 11 (as amended) and Public Entities Corporate Governance Act *[Chapter 10:31]*. Upon enquiry management indicated that the Board was not fully constituted, there were four (4) members out of eight (8).

In addition, the Audit and Risk Committee was not separate from the Finance Committee. This was also contrary to Public Entities Corporate Governance Act *[Chapter 10:31]*.

Risk / Implication

Oversight maybe compromised.

Recommendation

Management should align its board structures with the Securities Act *[Chapter 24:25]* (as amended) and the Public Entities Corporate Governance Act *[Chapter 10:31].*

Management response

In 2021, two Commissioners retired, one did not wish to serve a second term and another passed on. Among them was the Board Chairperson. Since January 2022 the Commission has functioned with four commissioners, out of the eight at the beginning of 2021.

The current Chairperson was the Audit and Risk Committee Chairperson from May 2021, being the only qualified person with that skill on board. If she is to relinquish the Chairmanship of the Audit Committee, the Commission would be in breach of something else because that Committee would not effectively function without her. It was either that or no Audit Committee.
All this is a result of the Minister not appointing new Commissioners timely. For the sake of continuity, a decision was made that she continues as the Audit and Risk Chairman.

Effective this month of March 2022, on the 28th, the SECZ will have the first separate sittings of the Audit Committee, Risk Committee and Finance Committee. The current 4 Commissioners have been co-opted into these Committees in addition to continuing with the previously existing ones.

2. PROCUREMENT OF GOODS AND SERVICES

2.1. Sourcing of quotations

Finding

The Public Procurement and Disposal of Public Assets Act *[Chapter 22:23]* came into effect in 2019, however the Commission had not yet aligned its procurement processes with the Act. The Commission was not complying with the requirements to seek at least three competitive quotes when procuring goods and services that met such thresholds. This was contrary to Section 34(1) of the Public Procurement and Disposal of Public Assets Act *[Chapter 22:23].* Below is a table with purchases that were made without following the requirements of this Act.

Asset Code	Asset Category	Asset Description	Purchase date	Amount in ZWL
CE267	Computers	HP 450 CORE i5 Laptop	04/02/2021	151 250
CE268	Computers	HP 450 CORE i5 Laptop	04/02/2021	151 250
CE269	Computers	HP 450 CORE i5 Laptop	04/02/2021	151 250
CE270	Computers	HP 450 CORE i5 Laptop	04/02/2021	151 250
CE271	Computers	HP 450 CORE i5 Laptop	04/02/2021	151 250
Total				**756 250**

Risk / Implication

Non-compliance with the Public Procurement and Disposal of Public Assets Act *[Chapter 22:23].*

Financial loss due to procurements that are made at inflated amounts.

Recommendation

The Commission should consider aligning its procurement processes with the Public Procurement and Disposal of Public Assets Act *[Chapter 22:23].*

A compliance plan /strategy should be put in place.

Management response

The other suppliers who could possibly supply the laptops at the time did not have them in stock. The urgent need of the laptops forced the procurement department to purchase them from the supplier who had them ready.

SPORTS AND RECREATION COMISSION (SRC) 2020

Background Information

The Commission coordinates, controls and develops the activities of sport and recreation, to ensure proper administration of organisations undertaking the promotion of sports and recreation and to authorise national and international sporting and recreation activities.

I have audited the financial statements of Sports and Recreation Commission for the year-ended December 31, 2020 and I issued an adverse opinion with an emphasis of matter on Covid-19 pandemic.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the inflation financial statements do not present fairly, the financial position of Sports and Recreation Commission as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and in the manner required by the Sports and Recreation Act [*Chapter 25:15*]

Basis for Adverse Opinion

i. Impact of prior year Non-Compliance with International Accounting Standard IAS 21 – "The Effects of Changes in Foreign Exchange Rates"

For the financial year ended 31 December 2019 an adverse opinion was issued due to the non-compliance with the requirements of IAS 21 – "The effects of changes in Foreign exchange rates." Non-compliance with IAS 21 arose from the fact that Statutory Instrument 33 of 2019 is inconsistent with IAS 21. Sports and Recreation Commission elected to comply with the requirements of Statutory Instrument 33 of 2019 (SI 33/99) which was issued on 20 February 2019. The entity was guided by Statutory Instrument 41 of 2019 (SI 41/19) which states that in the case of inconsistency between local pronouncement and any international standard, the local pronouncement shall take precedence.

The opening balances for the 31 December 2020 financial year had a co-mingling of currencies and were affected by the following prior period events:

During the period 1 January 2019 to 21 February 2019 the financial statements of the entity included balances and transactions denominated in US$ that were converted to local currency (ZWL) using an exchange of 1:1 in compliance with Statutory Instrument 33 of 2019 (SI 33/19). We believe that the economic substance of transactions in the market indicated a different rate between the two currencies throughout this period despite the legal 1:1 ZWL: USD exchange rate. The use of the 1:1 exchange rate thereby constitutes a departure from the requirements of IAS 21 – "The effect of changes in Foreign exchange rates."

On 22 February 2019, the entity changed its functional currency from USD to local currency, all balances that were previously denominated in USD were translated into local currency using an exchange of 1:1 in compliance with SI 33/19. This constitutes a material departure from the requirements of IAS 21 which requires the use of market exchange rates when translating figures from one currency to another.

Figures that were previously reported as USD prior to 1 January 2019 were converted to the local reporting currency (ZWL) from the previous reporting currency (USD) at a rate of 1:1. The exchange rate used do not represent the true market exchange rate that existed in comparative year in terms of IAS 21. The effects of misstatements due to non-compliance with IAS 21 on prior year financial statements and opening balances have not been quantified.

ii. Completeness of Contingent liabilities, assets, provisions and liabilities

I could not obtain a legal confirmation from the Commission`s legal practitioners to confirm any pending, un-asserted or threatened litigation claims and any contractually assumed obligations of the organisation such as guarantees of indebtedness of others. There were no alternative procedures that I could have performed to obtain reasonable assurance on this.

1. PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS.

The Commission made progress in addressing audit findings raised in 2020 report. I raised eight (8) audit findings. Four (4) of the findings were addressed, two (2) finding has been partially addressed and two (2) findings raised have not been addressed as indicated below;

1.1. Declaration of interests and assets

Recommendation has been implemented. Management has already instituted the process which enables the signing and capturing of declaration of assets and interests at the start of each Board or committee meeting.

1.2. Bank reconciliations

Recommendation has been implemented. Bank rreconciliations were prepared for the whole period under review

1.3. Committee Terms of Reference

Recommendation has been partially implemented. Draft Terms of Reference have been put in place before the Board for evaluation and its approval.

1.4. Fuel Allocation to Senior Staff

Recommendation has not been implemented. Management to draft policy for Board approval regularizing conditions of service for fuel allocations to senior employees.

1.5. Budget Approval

Recommendation has been implemented. This anomaly was addressed.

1.6. Service level agreements

Recommendation has been implemented. The Commission now has service level agreements.

1.7. Interim Cricket Board

Recommendation has been not implemented. There was no board in place during the year under review.

1.8. Composition of the Procurement Management Unit

Recommendation has been partially implemented. Management has submitted a request to recruit additional staff for the Procurement Management Unit to Treasury.

ZIMBABWE ANTI-CORRUPTION COMMISSION (ZACC) 2018

Background Information

The Zimbabwe Anti-Corruption Commission is a corporate body established by an Act of Parliament known as the Anti-Corruption Commission Act [*Chapter 9:22*] and became operational in 2006. The mandate of the Commission is to combat corruption, economic crimes, abuse of power and improprieties in Zimbabwe through public education, prevention and prosecution after thorough investigation.

I have audited the financial statements of Zimbabwe Anti-Corruption Commission for the year ended December 31, 2018 and I issued an adverse opinion.

Adverse opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the accompanying financial statements do not present fairly, the financial position of Zimbabwe Anti-Corruption Commission as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

i. Non-compliance with IAS 21-"The effects of changes in foreign exchange rate."

The Commission did not fully comply with the provisions of International Accounting Standards (IAS 21), "The Effects of Changes in Foreign Exchange Rates" as Statutory Instrument 33 of 2019 precluded the Commission from applying an independent assessment of functional currency as required by the accounting standard and in terms of the guidance provided by the Public Accountants and Auditors Board (PAAB). The need to account for these effects emanated from the 'multi-tiered' pricing environment that was prevailing during the year under review, where settlement of transactions was dependent on the mode of payment, whether USD cash, RTGS, bond notes and mobile money. Shortage of foreign currency also resulted in foreign exchange rate disparities between RTGS and US$. This in turn affected the pricing structures to incorporate foreign exchange rate movements on the RTGS and bond notes, hence the need to comply with IAS 21 to reflect effects of these changes in the preparation of financial statements.

This 'multi-tiered pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21 would apply. Had the Commission complied with the requirements of IAS 21, many elements in the financial statements would have been materially affected. The effects on the financial statements of the failure to comply with the requirements of IAS 21 have not been determined.

ii. Property, plant and equipment (PPE)

The Commission derecognised houses with a carrying amount of USD2 417 374 in the year 2012. The houses were donated by the Reserve Bank of Zimbabwe and recognised in the Commission`s financial statements in 2010. In terms of the conceptual framework for financial reporting and IAS 16- "Property, plant and equipment", the houses met the definition of assets as economic benefits were flowing to the Commission and it had the ability to direct how the houses could be used. However, contrary to IAS 16, the Commission derecognised the houses in 2012 due to delays in transfer of title. This therefore constituted an accounting error as all the requirements of IAS 16 for recognition had been met and the Commission had not corrected this accounting error in the financial statements for the year ended December 31, 2018 as required by IAS 8 - "*Accounting Policies, Changes in Accounting Estimates and Errors."* Had the error been corrected and the houses included in PPE, the financial statements could have been materially affected.

iii. Expenditure and Payables

There were no supporting documents availed in the form of invoices or supplier statements to validate expenditure and payables amounting to US$762 654 and US$254 476 respectively presented in the financial statements. In addition, the Commission was unable to avail creditor's reconciliations for the 2018 financial period. I was therefore unable to perform alternative procedures to obtain assurance as to the accuracy and completeness of these balances.

1. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS.

The Commission made progress in addressing audit findings raised in my 2017 report. I raised two (2) audit findings and one (1) has been addressed and the other one was partly addressed as indicated below;

1.1 Houses

Recommendation has been partially implemented. The parent Ministry was informed of the donation from RBZ and proper ways of the regularization is partially implemented.

1.2 Reconciliations and cash payments

Recommendation has been implemented. Bank reconciliations are now being done timeously.

ZIMBABWE ELECTORAL COMMISSION (ZEC) 2019 AND 2020

Background Information

Zimbabwe Electoral Commission was established in terms of section 238(1) of the Constitution of Zimbabwe Amendment (No.20) of 2013. The objects of the Commission are to prepare, conduct and supervise elections to the office of the President and to Parliament; and elections to the governing bodies of local authorities; and referendums; and to ensure that those elections and referendums are conducted efficiently, freely, fairly, transparently and in accordance with the law.

I have audited the financial statements of the Zimbabwe Electoral Commission, for the years ended December 31, 2019 and 2020 and I issued an adverse opinion for the year 2019 and a qualified opinion for the year 2020.

Adverse Opinion 2019

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Zimbabwe Electoral Commission as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS 21) "The effects of changes in foreign exchange rates."

The Commission translated its comparative financial statements and transactions for the period up to February 22, 2019 using an exchange rate of 1:1 for United States Dollar to Real Time Gross Settlement (RTGS) Dollar as prescribed to entities through Statutory Instrument 33 of 2019 (SI 33/2019). In order to comply with SI33/2019, issued on February 22, 2019, the entity changed its functional currency with effect from this date. Although the rate was legally pegged at 1:1 multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and US$ amounts. The exchange rates applied met the legal requirements, but however did not meet the criteria for appropriate exchange rates in terms of International Financial Reporting Standards (IFRS) as defined in International Accounting Standard (IAS) 21.

The official interbank exchange rate came into existence, through Exchange Control Directive RU 28 of 2019 issued by the RBZ in February 2019 and was initially pegged at a starting rate of 2.5. Transactions and balances from February 22, 2019 were now translated using the interbank rates. This was after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. No assessment was carried out to show the appropriateness of the interbank rate to the existing economic environment. The interbank rate did not represent the price that could be received for foreign currency as many were unable to access foreign currency through the interbank market and immediate delivery of foreign currency could not be guaranteed. The financial statements of the Commission include balances and transactions denominated in USD that were not converted to ZWL at an exchange rate that reflects the economic substance of its values.

Had the Commission complied with the requirements of IAS 21, many elements in the accompanying financial statements would have been materially affected. As a result, the impact of the Commission's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements are considered material and pervasive to the financial statements as a whole. In addition, had the Commission applied the requirements of IAS 21, many of the accompanying inflation adjusted financial statements would have been materially impacted and therefore the departure from the requirements of IAS 21 is considered to be pervasive. The financial effects on the inflation adjusted financial statements of this departure has not been determined.

Qualified Opinion 2020

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Electoral Commission as at December 31, 2020 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

Non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates" on opening balances.

The prior year financial statements did not comply with IAS 21 "The Effects of Changes in Foreign Exchange Rates," as the Commission had been unable to use an appropriate exchange rate on change of functional currency. The Commission translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Commission used January 1, 2019 as the date of change in functional currency and rebased its foreign currency denominated balances to ZWL at a rate of 1:1. Statutory Instrument 33 of 2019 prescribed that all assets and liabilities that were denominated in US$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate starting at 1:2.5. The Commission's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with Statutory Instrument 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard, the Commission's 2020 opening balances misstatements have an impact on the current year financial statements.

Had the Commission applied the requirements of IAS 21, many elements of the financial statements would have been materially impacted. As a result, the impact of the Commission's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements, of the non-compliance with IAS 21 are considered material to the financial statements.

Below are other material issues noted during the audit.

1. MANAGEMENT OF ASSETS

1.1. Property, Plant and Equipment

Finding

The Commission could not provide evidence of ownership for three (3) properties in Mashonaland West Province. In addition, the properties had no asset values recorded in the asset register. Management indicated that this could have been as a result of improper records management.

Risk / Implication

Misstatement of Property, Plant and Equipment in the financial statements.

Recommendation

The Commission should consider its documentation retention procedures to ensure documents can readily be accessed in the event of need.

Management response

The management of files and relevant documents pertaining to Commission properties will be enhanced to authenticate ownership. Budget provisions were made for the revaluation of assets in the 2022 financial year.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Commission made progress in addressing audit findings and recommendations raised in my previous audit report. I raised two (2) audit findings and one (1) was addressed while the other one (1) remained unaddressed as indicated below;

2.1. Contract management

The finding has not yet been addressed. The amounts has not been recovered.

2.2. Tender for surge protectors

The finding was addressed; a procurement management unit is now in place.

ZIMBABWE MEDIA COMMISSION (ZMC) 2019 AND 2020

Background Information

Zimbabwe Media Commission was established in terms of the Zimbabwe Media Commission Act *[Chapter 10: 34].* Its core function is the development and promotion of media ethics, the registration and regulation of mass media services, the accreditation of journalists, the improvement of media training and assessment, the improvement of citizen's access to information, the adjudication of media complaints and disputes.

I have audited the financial statements for Zimbabwe Media Commission for the years ended December 31, 2019 and 2020 and I issued an adverse opinion for 2019 and a qualified opinion for 2020.

Adverse Opinion 2019

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Zimbabwe Media Commission as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non- compliance with International Accounting Standard (IAS) 21- "The effects of changes in foreign exchange rates"

The Commission translated its comparative financial statements including transactions and balances for the period up to February 22, 2019 denominated in USD at a rate of 1: 1 to the Zimbabwean dollars (ZWL) as prescribed to entities through SI 33/2019. In order to comply with Statutory Instrument 33 of 2019, issued on February 22, 2019, the Commission changed its functional currency with effect from this date. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between ZW$ and US$ amounts. The exchange rates applied complied with the legal requirements, but did not meet the criteria for appropriate exchange rates in terms of IFRSs, as defined in IAS 21. The financial statements of the Commission include balances and transactions denominated in US$ that were not converted to ZW$ at an exchange rate that reflects the economic substance of its values required by International Accounting Standard (IAS) 21, which requires entities to use an appropriate exchange rate.

The official interbank exchange rate came into existence, through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe (RBZ) in February 2019 and was initially pegged at a rate of 2:5. Transactions and balances from February 22, 2019 were now translated using the interbank rates.

No assessment was carried out to show appropriateness of the interbank rate to the existing economic environment. The interbank rate does not represent the price that can be received for foreign currency as many were unable to access foreign currency through the interbank market. As a result, the impact of the Commission's inability to comply with IAS 21 on the financial statements had been considered material to the financial statements as a whole. Had the Commission applied the requirements of IAS 21, many elements of the financial statements would have been materially affected. The financial effects on the inflation adjusted financial statements of this departure have not been determined.

Qualified Opinion 2020

In my opinion, except for the effects of the matter described in the Basis for Qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Media Commission as at December 31, 2020, 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

Non- compliance with International Accounting Standard (IAS 21), "The effects of changes in foreign currency rates".

The prior year financial statements did not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Currency Exchange Rates", as the Commission was unable to use an appropriate exchange rate on change of functional currency to translate the opening USD denominated balances. The Commission translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Commission used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 as per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Commission's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. The financial effects of this departure on the 2019 inflation adjusted financial statements have a material impact on the current financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Alignment of asset management processes to standards

Finding

There was no evidence to support that the Commission aligned its asset management processes to the Accounting standards. As a result, some of the assets were fully depreciated but were still in use and their useful life and residual values had not been reviewed in accordance with International Accounting Standard (IAS)16- "Property, Plant and Equipment" (PPE).

Risk / Implication

Misstatement of assets.

Recommendation

The Commission should consider aligning its asset management processes with standards.

Management response

The Commission in its management meetings resolved to review all its policies in 2021

and resolved to engage a professional body. ZIPAM was chosen, however inadequate funding hampered the implementation. Management will prioritise the implementation in 2022.

PUBLIC ENTITIES UNDER THE CATEGORY OF COMPANIES AND CORPORATIONS

ALLIED TIMBERS ZIMBABWE (PRIVATE) LIMITED 2020

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.

I have audited the financial statements of the Allied Timbers Zimbabwe ("Allied Timbers") for the year ended December 31, 2020 and I issued an adverse opinion with an emphasis of matter paragraph on COVID 19 pandemic.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the inflation adjusted financial statements do not present fairly, the financial position of Allied Timbers as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act and other Business Entities [*Chapter 24:31*].

Basis for Adverse Opinion

i. Impact of prior year Non-Compliance with International Accounting Standard IAS 21 – "The Effects of Changes in Foreign Exchange Rates"

For the financial year ended December 31, 2019 an adverse opinion was issued due to the non-compliance with the requirements of IAS 21 – The effects of changes in Foreign exchange rates. Non-compliance with IAS 21 arose from the fact that Statutory Instrument 33 of 2019 was inconsistent with IAS 21. Allied Timbers Zimbabwe elected to comply with the requirements of Statutory Instrument 33 of 2019 (SI 33/99) which was issued on February 20, 2019. The entity was guided by Statutory Instrument 41 of 2019 (SI 41/19) which states that in the case of inconsistency between local pronouncement and any international standard, the local pronouncement shall take precedence.

The opening balances for the December 31, 2020 financial year had a mixture of currencies and were affected by the following prior period events:

- During the period January 1, 2019 to February 21, 2019 the financial statements of the entity included balances and transactions denominated in US$ that were converted to local currency (ZWL) using an exchange of 1:1 in compliance with Statutory Instrument 33 of 2019 (SI 33/19). I believe that the economic substance of transactions in the market indicated a different rate between the two currencies throughout this period despite the legal 1:1 ZWL: USD exchange rate. The use of the 1:1 exchange rate thereby constitutes a departure from the requirements of IAS 21 – The effect of changes in Foreign exchange rates.
- On February 22, 2019, the entity changed its functional currency from USD to RTGS, all balances that were previously denominated in USD were translated into RTGS using an exchange of 1:1 in compliance with SI 33/19. This constitutes a material departure from the requirements of IAS 21 which requires the use of market exchange rates when translating figures from one currency to another.
- Figures that were previously reported as USD prior to January 1, 2019 were converted to the local reporting currency (ZWL) from the previous reporting currency (USD) at a rate of 1:1. The exchange rate used did not represent the true market exchange rate that existed in comparative year in terms of IAS 21.

The effects of misstatements due to non-compliance with IAS 21 on prior year financial statements and opening balances have not been quantified.

ii. Occurrence and Accuracy of Cost of Sales

I could not obtain supporting documentation for cost of sales adjustment amounting to ZWL $2,349,932.47 relating to a journal passed in 2019. I was not able to determine the accuracy and occurrence of the recorded cost of sales adjustment relating to this amount and the effect on retained earnings in the current year.

iii. Altim Timbers Financial Statements

The financial statements of the Group's foreign subsidiary, Altim Timbers (Proprietary) Limited have not been audited since 2014. Altim Timbers (Proprietary) Limited has been classified as a discontinued operation after a resolution to liquidate it was made by the directors. I was unable to obtain sufficient and appropriate audit evidence on the carrying amount of the held for sale subsidiary as at 31 December 2020 and consequently, I was unable to determine whether any adjustments to these amounts were necessary on the inflation adjusted consolidated financial statements.

Below are other material issues noted during the audit.

1. PROCUREMENT OF GOODS AND SERVICES

1.1. Engagement of suppliers

Finding

The Company procured goods and services, during the year, from forty-seven (47) suppliers which were not on Procurement Regulatory Authority of Zimbabwe (PRAZ) approved supplier`s list. This was in contravention of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*]. Management could not provide an explanation as to why the Company opted to procure goods and services from unregistered suppliers.

Risk / Implication

Fraud and underhand dealings.

Recommendation

Management to strengthen its controls around purchasing and comply with the relevant laws and regulations.

Management response

Recommendation has been noted and management will monitor and ensure compliance.

1.2. Purchase orders

Finding

I noted that there were purchase orders that were raised after delivery of goods. Below is a list obtained from my review:

Description	Amount ZWL	Date of delivery	Date purchase order raised
Firewall	1,567,955	September 15, 2020	December 8, 2020
Solar systems	398,230	February 18, 2020	February 20, 2020
Furniture	207,860	May 10, 2020	October 7, 2020

Risk / Implication

Fraud and procurement irregularities may go undetected.

Recommendation

Management should consider strengthening internal controls over purchases.

Management response

Observation is noted and enforce adherence to procedure.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Group made progress in addressing audit findings and recommendations raised in my 2020 audit report. I raised two (2) audit findings and all were addressed as indicated below;

2.1. Withholding tax

The recommendation was implemented. Management are now withholding tax and remitting it.

2.2. Contract management

Recommendation has been implemented. The service level agreement for its Information Communication Technology arrangement with the service provider is now in place.

CHEMPLEX CORPORATION LIMITED AND ITS SUBSIDIARIES 2021

Background Information

Chemplex Corporation Limited is a fertilizer manufacturing Company. The Company mines and beneficiates phosphate rock which is used in the manufacture of fertilizers. The Company also manufactures sulphuric acid which is then converted to other industrial chemicals. The Corporation has six (6) companies namely ZimPhos, Dorowa, Chemplex Marketing, Chemplex Animal and Public Health, GD Haulage and G and W Industrial Minerals.

I have audited the financial statements of Chemplex Corporation Limited and its subsidiaries for the year ended December 31, 2021 and I issued an adverse opinion with an Emphasis of Matter paragraph.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Chemplex Corporation Limited as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

i. Non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates."

During the prior and current financial years, the foreign currency denominated transactions and balances of the Group were translated into ZWL using the interbank exchange rates/foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year consolidated financial statements was modified in respect of this matter and the misstatements have not been corrected in the consolidated financial statements for the year ended 31 December 2021.

Had the consolidated financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. The effects of the non-compliance with the requirements of IAS 21 have been considered to be material.

ii. Non-compliance with International Accounting Standard (IAS) 29 – "Financial Reporting in Hyperinflationary Economies."

The Directors have applied IAS 29 – Financial Reporting in Hyperinflationary Economies with effect from 1 January 2019 to 31 December 2021. However, its application was based on prior and current year's financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the consolidated financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the consolidated financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Production machinery

Finding

The Group's Dorowa Minerals subsidiary was operating using old and outdated plant and machinery. As a result, it was incurring high production costs due to increased repairs and maintenance costs. Upon enquiry, management indicated that an application was done with the shareholder and the Company was still waiting for a response.

Risk / Implication

The subsidiary may fail to sustain its operations in the future.

Recommendation

The subsidiary should come up with asset replacement strategies.

Management response

The mine is working on a plant refurbishment project with project documents having been submitted to shareholder for funding. The funds are expected anytime.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Group did not address my audit findings and recommendations raised in my 2020 report. I raised two (2) audit findings and they were all not addressed as indicated below;

2.1. Receivables

Recommendation has not been implemented. Management is still working on adhering to the standard credit policy that states that any invoice raised should be paid within 30 days and if it exceeds the invoice should accrue interest.

2.2. Insurance Pension Commission (IPEC) regulations

Recommendation has not been implemented. The Chemplex subsidiary, Allied Insurance's threshold level has remained at 1% below the 10% threshold set by Insurance Pension Commission (IPEC).

DEVEN ENGINEERING (PRIVATE) LIMITED 2021

Background Information

Deven Engineering (Private) Limited was incorporated in June 1986. It is wholly owned by the Industrial Development Corporation of Zimbabwe (IDCZ). IDCZ is wholly owned by the Government of Zimbabwe through the Ministry of Industry and Commerce. The principal activities of the company are to manufacture bus and truck bodies and trailers, and distribution of commercial vehicles.

I have audited the financial statements of Deven Engineering (Private) Limited for the year ended December 31, 2021 and I issued an unmodified opinion with a Material Uncertainty Related to Going Concern paragraph.

Opinion

In my opinion, the financial statements presented fairly, in all material respects, the financial position of Deven Engineering (Private) Limited as at December 31, 2021, 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 and Other Business Entities Act *[Chapter 24:31]* and Statutory Instruments (SI 33/96 and SI 62/96).

Material Uncertainty Related to Going Concern

The Company incurred a historical after-tax loss of ZWL$20,596,234 as of December 31, 2021, its current liabilities exceeded current assets by ZWL$13,856,434. These conditions along with other matters set out in the financial statements indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

1 GOVERNANCE ISSUES

1.1 Taxation of employee benefits

Finding

Managing Director was not charged motoring benefit in contravention with Section 8 (1) f of Income Tax Act *[Chapter 23.06].*

Risk / Implication

Financial loss due to penalties that may be levied.

Recommendation

The Company should consider putting in place tax compliance plans.

Management response

Noted.

HOTSPECK ENTERPRISES (PRIVATE) LIMITED 2020

Background Information

Hotspeck Enterprises (Private) Limited is 100% owned by the Rural Electrification Fund. It is incorporated in Zimbabwe and started its operations in September 2012. Its main objective is to procure raw poles, treat and sell them at a profit.

I have audited the financial statements of Hotspeck Enterprises (Private) Limited for the year ended December 31, 2020 and I issued an adverse opinion.

Adverse opinion

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Hotspeck Enterprises (Private) Limited as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Other Business Entities Act [*Chapter 24.31*].

Basis for Adverse Opinion

Non-compliance with IAS 21 – "The Effects of Changes in Foreign Exchange Rates" on the comparatives and transactions for the period.

On 1 October 2018, the Reserve Bank of Zimbabwe (RBZ) issued a Monetary Policy Statement which directed banks to separate bank accounts into Real Time Gross Settlement Foreign Currency Accounts (RTGS FCAs) and Nostro FCAs. During the prior financial year up to 22 February 2019, the Group transacted using a combination of Nostro FCA (USD) and RTGS FCA (electronic payments), including mobile money, bond notes and coins. In terms of IAS 21, these would be considered separate currencies requiring translation to the functional and presentation currency at appropriate exchange rates.

In order to comply with SI 33/2019, the RTGS transactions and balances for the prior year were accounted for on the basis of a rate of 1:1 between USD and RTGS. The Group changed the functional currency on 22 February 2019 in compliance with SI 33/2019. This was not consistent with IAS 21, in which compliance would have resulted in the reassessment of the functional currency at a date earlier than 22 February 2019.

In addition, during the period 22 February 2019 to 22 June 2020, the value of property, plant and equipment, and foreign currency denominated transactions and balances were translated into ZWL using the official interbank exchange rate which is not considered an appropriate spot rate for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in these financial statements.
Had the consolidated financial statements been prepared in accordance with the requirements of IAS 21, many of the elements would have been materially impacted and therefore, the departure from the requirements of this standard is considered to be material and pervasive to the financial statements, taken as a whole.

Non-compliance with International Accounting Standard (IAS) 29 – "Financial Reporting in Hyperinflationary Economies"

The Directors have applied the IAS 29 – "Financial Reporting in Hyperinflationary Economies" with effect from 1 January 2019 to 31 December 2020. However, its application was based on prior and current year's financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the consolidated financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the consolidated financial statements.

1. GOVERNANCE ISSUES

1.1 Accounting for transactions

Finding

The Company was not accounting for transactions properly, as invoices were being duplicated and processed twice in the general ledger. There were also many cancellations in the invoice books, which were not being authorised.

In addition, there were receipts which were missing in the cashbook sequential order. I also noted that there were some receipts which were in the receipt book but not appearing in the cash book. For instance, receipt 5187 had no detail except for a figure of ZWL 700 000 on the manual receipts and it was missing in the cash book.

Risk / Implication

Fraud and material errors may go undetected.

Recommendation

The Company should consider standardising its accounting procedures.

Management response

Inconsistencies are noted and reconciliations were done for all issues raised. Management has advised staff on the importance of accuracy and completeness of information captured. Receipting will be done in the system and all serialised stationary will be authorised before issuing.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS.

The Company made progress in addressing audit findings raised in 2020 report. I raised two (2) audit findings and all were partly addressed as indicated below;

2.1. Prepayments

Recommendation has been partially implemented. The Company was making follow up on the suppliers who failed to deliver, and at the time of audit 19% had been recovered.

2.2. Long outstanding receivables

Recommendation has been partly implemented. Some debtors have settled their debts and management was still looking for the contacts in order to get in touch with those still outstanding.

GENESIS ENERGY (PRIVATE) LIMITED 2020

Background Information

Genesis Energy (Private) Limited is incorporated in Zimbabwe in terms of the Companies and Other Businesses Act [*Chapter 24.31*] and it is 100% owned by National Oil Infrastructure Company of Zimbabwe (NOIC) which is wholly owned by the Government of Zimbabwe. Genesis Energy was formed to enhance security of fuel supply in the Country and to dilute dominance of foreign players in the wholesale market as well as exporting fuel to the Southern African Region. The Company registered in 2017, buys and sells fuel to retail and commercial customers.

I have audited the financial statements of Genesis Energy (Private) Limited for the year ended December 31, 2020 and I issued a qualified Opinion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Genesis Energy (Private) Limited as at December 31, 2020, 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

Non Compliance with IAS21, "Effects of Changes in Foreign Exchange Rates on opening balances

The prior year financial statements did not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates", as the Company had been unable to use an appropriate exchange rate on change of functional currency. The Company translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Company translated its comparative financial statements and transactions for the period up to February 22, 2019 using a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in United States Dollars before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Company's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Company's 2020 opening balances misstatements have an impact on the current year financial statements.

Below are other material issues noted during the audit:

1. GOVERNANCE ISSUES

1.1 Board composition

Finding

The composition of the Company`s Board of Directors had not met the gender equality provided for in the Zimbabwe's Constitution Amendment (no.20) Act of [2013] and Public Entities Corporate Governance Act *[Chapter 10:31]* as the Board had one (1) female and three (3) male members.

Risk / Implication

Non-compliance with laws and regulations.

Gender programs may not be effectively appraised at board level.

Recommendation

The Company should continuously engage the appointing Authority so as to align its board structures with the requirements of the Public Entities Corporate Governance Act *[Chapter 10:31].*

Management response

Immediately the necessary recommendations and advise to the appointing authority will be done.

1.2 Board Committees

Finding

My review of the Company`s board charter revealed that, Section 17 of the Board charter states that the Company shall not have any board committees. This was contrary to section 92 of the Public Entities Corporate Governance Act *[Chapter 10:31*], which states as essential, committees such as Audit Committee, Risk Committee, Dispute Resolution Committee and Remuneration Committee. I was not availed with concurrence by Corporate Governance Unit or approval from Parent Ministry on the exemption of the Company not to have its own separate sub Committees from the Board.

Risk / Implication

Oversight may be compromised.

Recommendation

The Company should align the board charter to the requirements of the Public Entities Corporate Governance Act *[Chapter 10:31].*

Management response

Alignment of the board charter to the requirements of the Public Entities Corporate Governance Act is work in progress. There is a proposal to merge Genesis Energy with Petrotrade from where fully independent committees shall be appointed allowing the board to operate through relevant committees. On completion of the proposed merger, all compliance issues on board committees shall be dealt with.

MINING PROMOTION CORPORATION (PRIVATE) LIMITED 2019-2021

Background Information

Mining Promotion Corporation (Private) Limited is a state owned enterprise established to assist in the development of the mineral resources of the country by undertaking prospecting, exploration and development work. The operations of the entity are funded by government through grants. On completion of its exploration programs, the results/information are given to government and forms part of mineral resource database.

I have audited the financial statements of Mining Promotion Corporation (Private) Limited for the year ended December 31, 2019, 2020 and 2021 and I issued an adverse opinion for the year 2019 and a qualified opinion for the years 2020 and 2021.

Adverse Opinion 2019

In my opinion, because of the significance of the matters described in the basis for adverse opinion section of my report, the financial statements do not present fairly the financial position of the Mining Promotion Corporation (Private) Limited as at December 31, 2019 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 and Other Business Entities Act *[Chapter 24:31]* and relevant Statutory Instruments.

Basis for Adverse Opinion

(i) Non-compliance with International Accounting Standard (IAS) 21 “The effects of changes in foreign exchange rates”

The prior year financial statements for the year ended December 31,2018 included an Adverse Opinion for non-compliance with International Accounting Standard (IAS) 21. The Company did not apply the requirements of IAS21-“The Effects of Changes in Foreign Exchange Rates”, in the year 2019 financial statements because of the unavailability of exchange rates in the period October 2018 to February 22, 2019. Transactions in Zimbabwe during that period had a three-tier pricing structure where a single product had different prices depending on the mode of payment, namely the United States Dollar cash, Bond Notes, electronic money or mobile money. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS21- “The Effects of Changes in Foreign Exchange Rates” would apply.

Statutory Instrument 133 of 2019, Statutory Instrument 33 of 2019 and monetary policy statement of February 20, 2019 all confirmed the parity of 1:1 between the United States dollar cash, Bond Notes, mobile money and electronic money. This presented difficulties in ascertaining the fair values of the Company’s material assets and liabilities as at the reporting date. IAS21, The Effect of Changes in Foreign Exchange Rates, requires the use of spot rate in accounting for transactions. During the period, premiums and discounts were offered on the official exchange rate of 1:1 between the RTGS balances, Bond Notes and United States dollar cash. Under International Financial Reporting Standards (IFRSs), the Company should have converted all transactions at spot rate.

Had the entity applied the requirements of IAS21, all expense items in the statement of profit or loss and other comprehensive income and all current assets, current liabilities and non-current liabilities stated on the statement of financial position along with the consequential impacts to retained earnings of the prior year financial statements, which is presented as comparative information, would have been materially impacted. In the current year, the entity has not restated the opening balances to resolve the matters which resulted in the adverse audit report in the prior period and therefore the matter is continuing.

(ii) Supporting documentation

Further, I was unable to obtain sufficient appropriate audit evidence on expenditure amounting to ZWL27,700 due to unavailability of supporting documentation.

Qualified Opinion 2020

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mining Promotion Corporation (Private) Limited as at December 31,2020 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 and Other Business Entities Act *[Chapter 24:31]* and relevant Statutory Instruments.

Basis for Qualified Opinion

(i) Non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates"

The prior year financial statements for the year ended December 31, 2019 included an Adverse Opinion for non-compliance with International Accounting Standard (IAS) 21. The Company did not apply the requirements of IAS21-"The Effects of Changes in Foreign Exchange Rates", in the year 2019 financial statements because of the unavailability of exchange rates in the period October 2018 to February 22, 2019. Transactions in Zimbabwe during that period had a three-tier pricing structure where a single product had different prices depending on the mode of payment, namely the United States Dollar cash, Bond Notes, electronic money or mobile money. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS21- "The Effects of Changes in Foreign Exchange Rates" would apply.

Statutory Instrument 33 of 2019 and monetary policy statement of February 20, 2019 all confirmed the parity of 1:1 between the United States dollar cash, Bond Notes, mobile money and electronic money. This presented difficulties in ascertaining the fair values of the Company's material assets and liabilities as at the reporting date. IAS21- "The Effect of Changes in Foreign Exchange Rates", requires the use of spot rate in accounting for transactions. During the period, premiums and discounts were offered on the official exchange rate of 1:1 between the RTGS balances, Bond Notes and United States dollar cash. Under International Financial Reporting Standards (IFRSs), the Company should have converted all transactions at spot rate.

Had the entity applied the requirements of IAS21, all expense items in the statement of profit or loss and other comprehensive income and all current assets, current liabilities and non-current liabilities stated on the statement of financial position along with the consequential impacts to retained earnings of the prior year financial statements, which is presented as comparative information, would have been materially impacted. In the current year, the entity has not restated the opening balances to resolve the matters which resulted in the adverse audit report in the prior period and therefore the matter is continuing.

(iii) Supporting documentation

Further, I was unable to obtain sufficient appropriate audit evidence on expenditure amounting to ZWL316,392.11 due to unavailability of supporting documentation.

Qualified Opinion 2021

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Mining Promotion Corporation (Private) Limited as at December 31, 2021 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 and Other Business Entities Act *[Chapter 24:31]* and relevant Statutory Instruments.

Basis for Qualified Opinion

(i) Non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates"

The prior year financial statements for the year ended 31 December 2020 included a modified opinion for non-compliance with International Accounting Standard (IAS) 21. The Company did not apply the requirements of IAS21- "The Effects of Changes in Foreign Exchange Rates", in the year 2019 financial statements because of the unavailability of exchange rates in the period October 2018 to February 22, 2019. Transactions in Zimbabwe during that period had a three-tier pricing structure where a single product had different prices depending on the mode of payment, namely the United States Dollar cash, Bond Notes, electronic money or mobile money. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS21- "The Effects of Changes in Foreign Exchange Rates" would apply.

Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and monetary policy statement of February 20,2019 all confirmed the parity of 1:1 between the United States dollar cash, Bond Notes, mobile money and electronic money. This presented difficulties in ascertaining the fair values of the Company's material assets and liabilities as at the reporting date. IAS21- "The Effect of Changes in Foreign Exchange Rates", requires the use of spot rate in accounting for transactions. During the period, premiums and discounts were offered on the official exchange rate of 1:1 between the RTGS balances, Bond Notes and United States dollar cash. Under International Financial Reporting Standards (IFRSs), the Company should have converted all transactions at spot rate.

Had the entity applied the requirements of IAS21, all expense items in the statement of profit or loss and other comprehensive income and all current assets, current liabilities and non-current liabilities stated on the statement of financial position along with the consequential impacts to retained earnings of the prior year financial statements, which is presented as comparative information, would have been materially impacted. In the current year, the entity has not restated the opening balances to resolve the matters which resulted in the modified audit opinion in the prior period and therefore the matter is continuing.

(ii) Supporting documentation

Further, I was unable to obtain sufficient appropriate audit evidence on expenditure amounting to ZWL2,360,470.55 due to unavailability of supporting documentation.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Company policies

Finding

The Corporation was operating without key policy documents to regulate its operations during the period under review. The policies were in respect of finance, human resources and information technology.

Risk / Implication

Financial loss due to risks that may not be detected on time.

Inconsistencies in accounting for transactions that may compromise service delivery.

Recommendation

The Corporation should ensure that all relevant policies are in place and approved.

Management Response

Noted and this will be put in place.

2 PROCUREMENT OF GOODS AND SERVICES ISSUES

2.1 Procurement of the drill rig

Finding

In January 2020, the Corporation paid for a Diamond Drill rig and its accessories. The delivery took more than six (6) months. The rig delivered had no accessories which the Corporation had also paid for. I also noted that the machine had not been put to use by the time of my audit.

Risk / Implication

The machine may become obsolescent without having been put to use.

Service delivery may be compromised.

Financial loss as items procured may not be delivered.

Recommendation

Management should make follow ups with the supplier to ensure missing accessories are delivered.

Management response

This is being handled and the commissioning will be done soon.

2.2 Expenditure without supporting documentation

Finding

The Corporation was assigning accounting duties to staff who were not adequately trained. As a result, during the period 2019 to 2021, expenses amounting to $2,7 million were processed without supporting documentation.

Risk / Implication

Possible fraud and material irregularities may go undetected.

Recommendation

All expenditure payments should be supported.

Staff skills should be enhanced through training.

Management response

The payments were being handled by unskilled accounting staff. However, some of the supporting documents are being put together.

3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Corporation had not made progress in addressing audit findings and recommendations raised in my 2019 report. I raised one (1) audit finding, and it was not addressed as indicated below;

3.1 Key vacant posts

Recommendation was not implemented. The vacant posts are not yet filled. (Chief Executive Officer, Human Resources and Administration Manager, Internal Auditor and Chief Accountant).

PETROTRADE (PRIVATE) LIMITED 2020

Background Information

The Company is 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, 2020 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of matters described in the Basis for Qualified Opinion section of my report, the financial statements of Petrotrade (Private) Limited presents fairly, in all material respects, the financial position as at December 31, 2020 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

Impact on non-compliance with IAS 21- "The effects of changes in foreign exchange rates" on opening balances.

The prior year financial statements did not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates", as the Company was not able to use an appropriate exchange rate on change of functional currency. The Company translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Company used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to Zimbabwe dollar at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in United States dollar before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Company's inability to assess the appropriateness of using the exchange rate prescribed by Statutory Instrument 33 of 2019, the interbank rate and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market resulted in fair presentation not being achieved and balances being materially misstated. The misstatement in the Company's 2020 opening balances have an impact on the current year financial statements.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Company's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 21 are considered significant and not pervasive as they are confined to the opening balances.

1. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Company did not make progress in addressing audit findings and recommendations raised in my previous audit reports. I raised one (1) audit findings in my 2020 report and there was one (1) 2019 outstanding recommendation. One (1) finding was partially addressed while the other one (1) was not addressed at all as indicated below;

1.1 Directors

Recommendation has been partly implemented. The Board was appointed for the Company in 2022 but was then put on suspension.

1.2 Ownership of properties

Recommendation has not been implemented. The Company has not yet regularized the ownership of this property.

PETROZIM LINE PRIVATE LIMITED (PZL) 2020

Background Information

The Company was incorporated in terms of the Companies Act, now Companies and Other Business Entities Act [*Chapter 24:31*]. It owns and operates the 208 kilometre multi-product fuel pipeline between Feruka and Harare. The parent company is the National Oil Infrastructure Company of Zimbabwe (NOIC) Private Limited which owns 100% of the ordinary share capital of the Company.

I have audited the financial statements of Petrozim Line (Private) Limited for the year ended December 31, 2020 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, 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

Non Compliance with IAS21, "Effects of Changes in Foreign Exchange Rates" on Opening Balances

The prior year financial statements did not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates", as the Company had been unable to use an appropriate exchange rate on change of functional currency. The Company translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Company translated its comparative financial statements and transactions for the period up to February 22, 2019 using a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in United States Dollars before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Company's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Company's 2020 opening balances misstatements have an impact on the current year financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Board composition

Finding

The composition of the Company`s Board of Directors had not met the gender equality provided for in the Zimbabwe's Constitution Amendment (no.20) Act of [2013] and Public Entities Corporate Governance Act *[Chapter 10:31]* as the Board had one (1) female and four (4) male members.

Risk / Implication

Non-compliance with laws and regulations.

Gender programs may not be effectively appraised at board level.

Recommendation

The Company should continuously engage the appointing Authority so as to align its board structures with the requirements of the Public Entities Corporate Governance Act *[Chapter 10:31].*

Management response

The observation is noted and acknowledged. As a wholly owned subsidiary of NOIC, the Board members of the Company are appointed by NOIC. On the other hand, the appointing authority for the NOIC Board is the Ministry of Energy and Power Development. The Ministry is aware of this issue and the Honorable Minister advised at the NOIC 2019 AGM that he is seized with this matter and was attending to it. NOIC continues to flag the issue with the Appointing Authority.

1.2 Outstanding loans

Finding

The Company was not adhering to the terms and conditions of its outstanding loan balance as stipulated in the loan agreement. As a result, it was charged penalties which amounted to GBP29,593 at year end. I was not availed with a payment plan that had been agreed with the Creditor.

Risk / Implication

Financial loss due to penalties and interests.

Recommendation

The Company should consider to adhere to the terms and conditions of the loan contracts in order to avoid penalties and interests being levied for breaching loan contracts.

Management response

The Company has an outstanding construction loan of GBP1,121,704 being the principal of GBP1,092,110 and penalties of GBP29,593. Foreign UK Bank provided a total facility of GBP10,099,635. Repayments were due bi-annually from March 1994 in amounts of GBP631,230 with the last repayment payable in September 2002. The Company defaulted on the last instalment of GBP631,230 and a portion of the penultimate instalment of GBP460,880 due to foreign currency shortages in Zimbabwe. The loan is guaranteed by the Government of Zimbabwe and accrues interest at 9.2% per annum.

2. PROCUREMENT OF GOODS AND SERVICES

2.1 Prepayments to suppliers

Finding

There was no evidence to support that the Company's procuring unit and the finance department were timeously reconciling the prepayments account to subsequent delivery made. As a result, items delivered were still treated as non-delivery and the amounts remained in the prepayment account. This was the case of an advance payment for isolation joints in 2014 which was subsequently delivered on May 13,2019 but was still under prepayments. In addition, the procuring unit was contracting suppliers who failed to deliver. Upon enquiry with management it was revealed that goods remained undelivered as some suppliers were failing to deliver items paid for in advance. This was the case for temperature transmitter purchase for which the supplier was paid in 2016 and a laptop payment in August 2019 which the supplier failed to deliver and the case was before the police.

Risk / Implication

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

Recommendation

Management should consider following up on all prepayments made and ensure that all goods are received.

Management response

Engagements with the suppliers were held and commitments for delivery or refund were made. Specifically;

- **Temperature Transmitter purchase, the Company owed US$144,504 for outstanding orders. After a meeting on 11th October 2021 with management, the Company director signed an acknowledgement of debt letter, and committed to deliver the outstanding items by 31st March 2022.**
- **Laptop purchase, the Company owed ZWL$10,632 for an outstanding delivery of a laptop. A report was made to the police.**

3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Company made progress in addressing audit findings and recommendations raised in my 2020 audit report. I raised two (2) audit findings and all were addressed as indicated below;

3.1 Board allowances

The recommendation was implemented. All withholding tax on fuel for board members for 2021 was recovered in February 2022.

3.2 Board fees and allowances

The recommendation was implemented. Tax is now being withheld from board member fees.

SABI GOLD (KIMBERWORTH INVESTMENTS) PRIVATE LIMITED 2017-2021

Background Information

Sabi Gold Mine (Kimberworth Investments) Private Limited is a 100% owned subsidiary Company of Zimbabwe Mining Development Corporation (ZMDC). The Company trades as Sabi Gold Mine. The claims were first pegged in 1890 and the first recorded production was in 1909. It was acquired by ZMDC in 1984.

I have audited the financial statements of the Kimberworth Investments (Private) Limited for the years ended December 31,2017,2018, 2019,2020 and 2021. I issued an unqualified opinion for 2017, an adverse opinion for 2018 with material uncertainty related to going concern, an adverse opinion for 2019 and 2020 and a qualified opinion for 2021 with material uncertainty related to going concern.

Opinion 2017

In my opinion, the financial statements present fairly, in all material respects, the financial position of Kimberworth Investments (Private) Limited t/a Sabi Gold Mine, as at December 31,2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Adverse Opinion 2018

In my opinion, because of the significance of the matter described in the basis for adverse opinion section of my report, the financial statements do not present fairly the financial position of Kimberworth Investments (Private) Limited t/a Sabi Gold Mine, as at December 31,2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Effects of IAS 21- “The Effects of Changes in Foreign Exchange Rates”

The Company operated in an environment in which suppliers applied the multi-tiered pricing structure during the period October 2018 to December 31, 2018 where a single product had different prices depending on the mode of payment, whether US Dollar cash, electronic payment, mobile money or bond notes. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which International Accounting Standard (IAS) 21- “The Effect of Changes in Foreign Exchange Rates” would apply. IAS 21 requires the use of a spot rate in accounting for these transactions. During the 2018 financial year, the Company experienced premiums on the official foreign exchange rate of 1:1 between the RTGS balances; Bond Notes and the USD prescribed by Statutory Instrument 133 of 2016.

The trading circumstances on the ground between 1 October and December 31,2018 in substance, shows that the rate between RTGS$ and US$ was anything other than 1:1 during that period. The Company could not apply the market spot rates and closing rate since the official legal exchange rate was 1:1 and they were no observable market spot rates and closing rate which could be applied during the reporting period. This constitutes a material and pervasive departure from the requirements of International Financial Reporting Standards (IFRSs).

Material Uncertainty Related to Going Concern

Without qualifying my opinion, I draw my attention which indicates that Kimberworth Investments (Private) Limited t/a Sabi Gold Mine had accumulated deficit of US$43,316,344 at December 31, 2018 (2017: US$39,227,497) and, as at December 31, 2018 current liabilities exceeded its current assets by US$30,112,465 (2017: US$27,329,821). These conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the ability to continue as a going concern.

Adverse Opinion 2019

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Kimberworth Investments (Private) Limited as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies and other Business Entities Act *[Chapter 24:31].*

Basis for Adverse Opinion

i. Effects of IAS 21 "The Effects of Changes in Foreign Exchange Rates"

During the period January 1, 2019 to February 22, 2019, the Company operated in an environment where suppliers were applying multi- tier pricing, where a single product had different prices depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes .Due to the economic environment the Company operated in, the Company ended up experiencing premiums on the official foreign exchange rate of 1:1 prescribed by Statutory Instrument 33 of 2019, between the RTGS FCA, Bond Notes and the Nostro FCA. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken indifferent currencies to which International Accounting Standard (IAS) 21 "The Effect of Changes in Foreign Exchange Rates" would apply.

The transactions and balances presented in the period January 1, 2019 to February 22, 2019 were converted from USD to ZWL at the official rate of 1:1 except for Nostro FCA dominated balances which were converted at 1: 2.5 in line with the requirements of Statutory Instrument 33 of 2019. However International Accounting Standard (IAS) 21 requires the use of a single market exchange rate when converting balances and transactions upon change in functional currency. Consequently, using a rate of 1:1 for translating transactions during the January 1, 2019 to February 22, 2019 to ZWL and the use of different exchange rates when converting balances and transactions upon change in functional currency resulted in distortion of the ZWL values presented on the financial statements. This resulted in material departure from the requirements of IAS 21.

ii. Opening balances

In line with the requirements of SI33 of 2019, the comparative figures were converted to the local reporting currency (ZWL) from the previous reporting currency (USD) at a rate of 1:1. The exchange rate used did not represent the true market exchange rate which existed in the comparative year in terms of IAS21. The use of an exchange rate of 1:1 was not in line with the requirements of IAS21 when applying a change in functional and reporting currency retrospectively despite it being in line with the requirements of the local legislations. This resulted in distortion of comparative figures reported in the financial statements.

Adverse Opinion 2020

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section, the financial statements do not present fairly, the financial position of Kimberworth Investments (Private) Limited, as at December 31, 2020, 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 and Other Business

Entities Act *[Chapter 24:31]*.

Basis for Adverse Opinion

Effects of IAS 21 "The Effects of Changes in Foreign Exchange Rates" on opening balances

The prior year financial statements for the year ended December 31, 2019 included an Adverse opinion on non-compliance with International Accounting Standard (IAS) 21 "The Effect of Changes in Foreign Exchange Rates". For some part of the financial year ended 2019, the Company operated in an environment where suppliers were applying multi-tier pricing, where a single product had different prices depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes. Due to the economic environment the Company operated in, the Company ended up experiencing premiums on the official foreign exchange rate of 1:1 prescribed by statutory instrument 33 of 2019, between the RTGS FCA, Bond Notes and the Nostro FCA during the period January 1, 2019 to February 22, 2019. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which International Accounting Standard (IAS) 21 "The Effect of Changes in Foreign Exchange Rates" would apply.

In view of these matters described in the above paragraph on the financial statements for the financial year ended December 31, 2019, no corrections have been made to the underlying historical amounts that now form the basis of the corresponding figures for the year ended December 31, 2020. These misstated comparatives also affect the calculation of the comparative inflation adjusted amounts in terms of requirements of IAS 29 – "Financial Reporting in Hyperinflationary Economies" which affected financial statements for financial periods beginning on or after July 1, 2019.

Furthermore, I was unable to determine whether the opening balances of the Company as at January 1, 2020 were fairly presented. Since the opening balances as at January 1, 2020 entered into the determination of the financial performance, changes in equity and cash flows for the financial year ended December 31, 2020, I was unable to determine whether adjustments might have been found necessary in respect of the financial statements of the Company for the financial year ended December 31, 2020.

The comparability and misstatements' effects have not been quantified. However, they have been determined to be inherently both material and pervasive given their nature and the impact when the underlying historical amounts are restated for hyperinflation.

Qualified Opinion 2021

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kimberworth Investments (Private) Limited as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The prior year financial statements for the year ended 31 December 2020 included a modified opinion on non-compliance with International Accounting Standard (IAS) 21. The Company did not apply the requirements of IAS21- "The Effects of Changes in Foreign Exchange Rates" in the year 2019 financial statements because of the unavailability of exchange rates in the period October 2018 to 22 February 2019. Transactions in Zimbabwe during that period had a three-tier pricing structure where a single product had different prices depending on the mode of payment, namely the United States Dollar cash, Bond Notes, electronic money or mobile money.

This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS21- “The Effects of Changes in Foreign Exchange Rates” would apply.

Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and monetary policy statement of 20 February 2019 all confirmed the parity of 1:1 between the United States dollar cash, Bond Notes, mobile money and electronic money. This presented difficulties in ascertaining the fair values of the Company’s material assets and liabilities as at the reporting date. IAS21- “The Effect of Changes in Foreign Exchange Rates”, requires the use of spot rate in accounting for transactions. During the period, premiums and discounts were offered on the official exchange rate of 1:1 between the RTGS balances, Bond Notes and United States dollar cash.

Under International Financial Reporting Standards(IFRSs), the Company should have converted all transactions at spot rate. Had the entity applied the requirements of IAS21, all expense items in the statement of profit or loss and other comprehensive income and all current assets, current liabilities and non-current liabilities stated on the statement of financial position along with the consequential impacts to retained earnings of the prior year financial statements, which is presented as comparative information, would have been materially impacted. In the current year, management has not restated the opening balances to resolve the matters which resulted in the modified opinion in the prior period and therefore the matter is continuing.

Material Uncertainty Related to Going Concern

Without further qualifying my opinion I draw attention to the fact that the company has a net current liability position of ZWL1,213,389,465. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Taxation of housing benefit

Finding

The Company was not deducting and remitting tax on housing benefit arising from the free accommodation being offered to staff. This was in contravention with section 8(1)(f) of the Income Tax Act [*Chapter 23:06*] which requires fringe benefits to be taxed.

Risk / Implication

Financial loss due to penalties and interest that may be levied by the tax authority.

Recommendation

The Company should comply with the provisions of the Income Tax Act [*Chapter 23:06*].

The Company should consider regularizing the amounts owing with tax authorities.

Management response

It was an oversight on management’s part. However, we have addressed the situation starting January 2021.

SILO FOOD INDUSTRIES (PRIVATE) LIMITED 2020

Background Information

The Silo Food Industries (Private) Limited started operations on April 1, 2019 and is incorporated under the Companies and Other Business Entities Act *[Chapter 24:31].* Its core business is producing and distributing value-added agricultural products to achieve market stabilisation.

I have audited the financial statements of Silo Food Industries (Private) Limited for the year ended March 2020 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Silo Food Industries (Private) Limited as at March 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates"

i. Exchange rates

The Company translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The entity used January 01, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL using the February 22, 2019 interbank rate. The entity has not been able to assess the appropriateness of use of the interbank rate in achieving fair presentation primarily due to the need to comply with SI 33 and also the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. Additionally, the introduction of the interbank rate occurred after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. In substance, the immediate delivery of foreign currency could not be guaranteed which impinged on the underlying concept of closing rates and definition of spot rates. This therefore impacts the basis for measuring transactions between October 2018 and February 2019, valuation of assets and liabilities as well as the accounting for exchange differences. In that regard, the entity has not been able to comply with the requirements of IAS 21.

ii. Date of change in functional currency

Silo Food Industries (Private) Limited adopted January 01, 2019 as date of change in functional currency despite the existence of evidence that the chosen date may not be appropriate. Based on International Accounting Standard 21 (IAS 21) "The Effects of Changes in Foreign Exchange Rates", the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it.

Due to the fundamental nature of the issues raised and interplay of variables within the existing economic environment, I have not been able to determine the extent of misstatements and any adjustments that would have been necessary to correct the historical cost financial statements. The effects on the historical financial statements have an impact on the IAS 29 inflation adjusted financial statements. These effects are considered material and pervasive.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Toll Millers

Finding

The contract between the Company and the millers was not watertight as evidenced by perennial problem millers who continued to receive inputs but failed to deliver. On the other hand, Silo Food Industries relied heavily on toll millers for over 80% of its milling processes. However, the actual output was below the expected output giving variances that were not subsequently honoured by millers. For instance, milling company 1 continued to receive input which was not accounted for. Some variances were indicating non production at all as reflected in the table below

Date	Miller	Product	Input to miller (Metric tonnes)	Expected output (Metric tonnes)	Actual Output from miller (Metric tonnes)	Un accounted input/output Metric tonnes)
08/12/2020	Milling company 1	White maize	148,409	123 179	80 000	(43 179)
15/12/2020		White maize	69,516	57 698	10,000	(47 698)
08/12/2021		White maize	49.216	40 849	-	(49,216)
30/08/2021		White maize	48,020	39 856	-	(48020)
10/12/2021	Milling Company 2	Maize bran	124,644	103 454	-	(124,644)
11/11/2020	Milling company 3	White maize	69,546	57 723	-	(69,546)

Risk / Implication

Financial loss and product unavailability due to fraud through conversion.

Recommendation

The Company should follow up on the commitment made to deliver.

Management response

The entity already has a 300mt/day milling plant awaiting installation at Cleveland.
The variances noted above were during the implementation of the milling contracts and the millers were engaged immediately, there is a written commitment to compensate for the variances and the cases are being followed closely by the Loss Control Department. Recommendation on cancellation of contracts for perennial problem millers has been noted and will be implemented as and when necessary.

1.2 Capacity utilization

Finding

Production at Country Feeds, a division of Silo Food Industries was operating at a capacity utilization of between 24% and 49% monthly. Inspection of the monthly production statistics for the year under review showed that production was low just before harvest. Upon enquiry, management indicated that production was being affected by shortage of grain and low working capital levels.

Risk / Implication

Loss of potential revenue due to low capacity utilisation.

Potential low supply of animal feeds.

Recommendation

Management should consider increasing capacity utilization to enhance adequate supply of animal feeds.

Management response

Low capacity utilization was a direct result of shortage of grain during the period under review, Increased capacity utilisation is being pursued through borrowings, Contract Management Arrangements (CMA), and direct Treasury support for working capital injection.

SUNWAY CITY (PRIVATE) LIMITED 2021

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, 2021 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Sunway City (Private) Limited as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

i. Non-compliance with International Accounting Standard (IAS) 21 – "The Effect of Changes in Foreign Exchange Rates"

During the prior and current financial years, the foreign currency denominated transactions and balances of the Company were translated into ZWL using the interbank exchange rates/foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended December 31, 2021.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially different. The effects of the non-compliance with the requirements of IAS 21 have been considered to be material and pervasive to the financial statements as a whole.

ii. Non-compliance with International Accounting Standard (IAS) 29 – "Financial Reporting in Hyperinflationary Economies"

Although IAS 29 has been applied correctly, its application was based on prior period and current financial information which was not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements (including monetary gain/loss) would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the financial statements for the year ended December 31, 2021.

iii. Valuation of property and equipment

The determination of fair values for property and equipment presented in the financial statements is affected by the prevailing economic environment. These financial statements include property and equipment that were revalued by independent professional valuers as at December 31, 2019. The property and equipment valuations were determined in USD and then translated to ZWL at the interbank foreign exchange rate as at December 31, 2019.

Although the determined USD values reflected the fair value of the aforementioned assets in USD, the converted ZWL fair values were not in compliance with International Financial Reporting Standard (FRS) 13- Fair Value Measurement, as they may not reflect the assumptions that market participants would apply in valuing similar items of the assets in ZWL.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Key vacant posts

Finding

During the period January 1, 2019 to December 31, 2021 the Company did not have a General Manager, Human Resources Manager, and Finance and Admin Manager. These key vacant posts had not been filled since 2018 and some for 2020. As a result, the Accountant was now responsible for incompatible duties such as posting of invoices, making adjustments in the system, authorizing purchase orders and purchase requisition forms. The Accountant was also performing duties of the Human Resources Manager.

Risk / Implication

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

The Company`s operations may be disrupted due to absence of critical skills.

Fraud and error may go undetected.

Recommendation

The Company should ensure that key vacant posts are filled.

Management should ensure that there is a clear separation of incompatible duties.

Management response

The Substantive General Manager left in December 2018, and we had an Acting General Manager since January 1, 2019 to December 31, 2021. A new Chief Executive Officer was recruited effective January 1 2022. The company is in the process of filling all vacant positions including the Human Resources Officer and Finance and Administration Manager.

TELONE (PRIVATE) LIMITED 2021

Background Information

TelOne (Private) Limited was incorporated in Zimbabwe in 2000 in terms of the Postal and Telecommunications Act *[Chapter 12:05].* The Company is a fixed mobile convergence company whose main business is that of provision of telecommunication services and products.

I have audited the financial statements of TelOne (Private) Limited for the year ended December 31, 2021 and I issued an unmodified / clean opinion with a Material Uncertainty Related to Going Concern paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of TelOne (Private) Limited as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Material uncertainty related to going concern

I draw attention to the fact that the Company had a net liability position of ZWL 18 624 335 819 (2020: ZWL 10 143 177 535) as at December 31, 2021. Additionally, the entity incurred losses amounting to ZWL 8 688 699 226 (2020: ZWL 27 657 559 819) in the 2021 financial year. The entity has significant legacy loans and borrowings amounting to ZWL 56 501 100 593 (2020: ZWL 44 066 757 523) principal plus interest accruals. These conditions, along with other matters set out in the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. My opinion is not modified in respect of this matter.

Below are other material issues noted during the audit;

1. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

1.1 Debtors

Finding

A review of the Company's age analysis for debtors provided for audit revealed that a substantial amount was owed by the Government, Local Authorities and State Owned Enterprises (SOEs). This constituted 80% of the debtors' book. In addition, a significant number of the debts were more than 365 days old. This may affect the liquidity of the Company.

Risk / Implication

Service delivery may be compromised by threats to business continuity (going concern).

Recommendation

The Company should consider continuous engagement of heads of State Owned enterprises and Ministries, Departments and Agencies (MDAs) to get the outstanding amounts cleared.

Management response

Observation is noted. Engagements with Government departments are ongoing and are

being done at every level as evidenced by signed monthly debt confirmation schedules delivered to every Ministry and Government Department, demand letters served on Finance Directors, letters to the Secretaries of the respective Ministries. Other interventions include submission of inputs into the Annual Budget formulation exercise as well as working with clients to align their spending to budgets. Through continuous engagements, significant traction has been noted with departments and Ministries slowly coming on board with regards to payments. Currently 60% of government departments and Ministries are regularly paying recurring bills. This is an improvement from 2020 where only the Ministry of Health was actively paying its bills. 76% of total debtors are in 90 days or below ageing period, and improvement from 66% in prior year. The collection period for our debtors improved from 136 days in December 2020 to 59 days in December 2021, which is an improvement of 56% from last year's rate of collection.

1.2 Service provision

Finding

My inspection of performance reports for the Company revealed that costs were being incurred through repairs of vandalized equipment/network infrastructure. As a result, the Company was finding it difficult to continuously provide services in some of these areas. This resulted in an increased number of potential clients who were yet to receive services.

Risk / Implication

Sustainability of services may be compromised.

Recommendation

Management should consider continuous upgrade of its systems and lobby for stiffer penalties on persons that vandalise infrastructure.

Management response

The Customers who apply for services in areas where TelOne cannot provide is because of network vandalism. The applicants were informed of this position and that service will be provided once capacity is availed.

To pursue upgrade of systems, which is ongoing, upgrade requires a lot of capital injection, with most of our network requiring foreign currency and plans are in place to raise the funding.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Company made progress in addressing audit findings and recommendations raised in 2020 audit report. I raised four (4) audit findings, one (1) was addressed, two (2) were partially addressed and one (1) was not addressed as indicated below;

2.1 Investment in joint arrangement

Recommendation was not implemented. The joint arrangement does not have a shareholders' agreements.

2.2 Motor vehicles fleet

Recommendation was partially implemented. The Company has purchased and delivered 40 vehicles in 2022 but still has vehicles in use for over 20 years.

2.3 Foreign creditors

The recommendation was partially implemented. The Company has managed to clear US$11,057,571 in 2021 financial year.

2.4 Motor car loans

The recommendation was implemented. The loans were written off after an approval in February 2022 when the prospects to recover the motor vehicle loans became unsuccessful.

TRANSMEDIA CORPORATION (PRIVATE) LIMITED 2021

Background Information

Transmedia Corporation (Private) Limited was incorporated in 2001 in terms of the Companies Act [*Chapter24:03*], now Companies and Other Business Entities Act [*Chapter 24:31*]. The main objective of the Corporation is to provide broadcasting signal transmission and telecommunication services arising from the convergence of broadcasting and telecommunications due to digital technologies.

I have audited the financial statements of Transmedia Corporation (Private) Limited for the year ended December 31, 2021 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matter described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Transmedia Corporation (Private)Limited as at 31 December 2021, and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Adverse Opinion

i. Non-compliance with International Accounting Standard (IAS)21 – "The Effect of Changes in Foreign Exchange Rates"

As at 31 December 2021, there were residual effects arising from the requirements to comply with SI 33/2019. In order to comply with SI 33/2019, the foreign currency denominated transactions and balances for the period 1October 2018 to 22 February 2019 were translated into ZWL on the basis of a rate of 1:1 between USD and RTGS. This was not consistent with the requirements of IAS 21, in which compliance would have resulted in thereassessment of the functional currency at a date earlier than 22 February 2019.The residual effects of this non-compliance have resulted in the misstatement of the retained earnings in the financial statements for the year ended 31 December 2021.The financial effects of this non-compliance have not been determined.

In addition, during the prior and current financial year, the foreign currency denominated transactions and balances of the corporation were translated into ZWL using the foreign currency auction rates which were not considered appropriate spot rates for translations as required by IAS 21 because foreign currency was not available to the Corporation for immediate delivery at these rates. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financialstatements for the year ended 31 December 2021.

Had the financial statements been prepared in accordance with the requirements of IAS 1, many elements wouldhave been materially affected. As a result, the impact of the Corporation's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 21 are considered material and pervasive to the financial statements taken as a whole.

ii. Non-compliance with International Accounting Standard (IAS)29 - "Financial Reporting inHyperinflationary Economies."

Although IAS 29 has been applied appropriately, its application was based on current and prior period financial information which is not in compliance with IAS 21 as described above. Had the correct base numbers been used, most elements of the financial statements (including monetary gain/loss) would have been materially different.

The impact of the departure from the requirements of these standards is considered material and pervasive to the financial statements for the year ended 31 December 2021.

iii. Non-compliance with International Accounting Standard 28 (IAS 28) – "Investment in Associates and Joint Ventures."

The Corporation has 20% shareholding in Skynet Holdings (Private) Limited carried at a cost of ZWL12 000 as at 31 December 2021. Management have not been able to obtain the financial statements of the associate to properly equity account for the investment in its financial statements. Consequently, I have not been able determine the amounts at which the Corporation financial statements are misstated. My opinion has been modified considering this matter.

Below are other material issues noted during the audit,

1. GOVERNANCE ISSUES

1.1. Accounting for transactions

Finding

The Corporation was not reconciling invoices (manual and system generated) issued to clients to the accounting records. As a result, there were some invoices that were not recorded in the accounting records that I noted while verifying completeness of revenue. My enquiry with management revealed that the gaps in recording were emanating from manual invoices that were being raised as adjustments to original invoices following tariff changes. In some instances, the system would allow invoices to be posted twice in the accounting system (duplications).

Risk / Implication

Fraud and material errors may go undetected.

Recommendation

The Corporation should consider preparation of reconciliations of invoices raised to revenue and debtors.

Management response

Monthly reconciliation of system invoices against invoices issued out will be done. Management will conduct monthly reconciliations of revenue and debtors to check transactions.

PUBLIC ENTITIES UNDER THE CATEGORY OF COUNCILS

MEDICAL REHABILITATION PRACTITIONERS COUNCIL OF ZIMBABWE 2019 AND 2020

Background Information

Medical Rehabilitation Practitioners Council of Zimbabwe was established in terms of part XI, section 57 of the Health Professions Act *[Chapter 27:19]* of 2000. The functions of the Council are to regulate, control and supervise all matters affecting the training of persons in, and the manner of the exercise of the professions and callings specified as Medical Rehabilitation Practitioners.

I have audited the financial statements of Medical Rehabilitation Practitioners Council of Zimbabwe for the years ended December 31, 2019 and 2020 and I issued an adverse opinion for 2019 and a qualified opinion for 2020.

Adverse Opinion 2019

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Medical Rehabilitation Practitioners Council of Zimbabwe as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non- compliance with international accounting standards (IAS 21), "The Effects of Changes in Foreign Currency Rates".

The Council translated its comparative financial statements including transactions and balances for the period up to February 22, 2019 denominated in USD at a rate of 1:1 to the Zimbabwean dollar (RTGS or ZWL) as prescribed to entities through SI 33/2019. In order to comply with Statutory Instrument 33 of 2019, issued on February 22, 2019, the Council changed its functional currency with effect from this date. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between ZW$ and US$ amounts. The exchange rates applied complied with the legal requirements, but did not meet the criteria for appropriate exchange rates in terms of IFRSs, as defined in IAS 21. The financial statements of the Council include balances and transactions denominated in US$ that were not converted to ZWL$ at an exchange rate that reflects the economic substance of its values required by International Accounting Standard (IAS) 21, which requires entities to use an appropriate exchange rate.

The official interbank exchange rate came into existence, through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe (RBZ) in February 2019 and was initially pegged at a rate of 2.5. Transactions and balances from February 22, 2019 were now translated using the interbank rates.

No assessment was carried out to show appropriateness of the interbank rate to the existing economic environment. The interbank rate does not represent the price that can be received for foreign currency as many were unable to access foreign currency through the interbank market. As a result, the impact of the Council's inability to comply with IAS 21 on the financial statements had been considered material and pervasive to the financial statements as a whole. Had the Council applied the requirements of IAS 21, many elements of the inflation adjusted financial statements would have been materially adjusted. The financial effects on the inflation adjusted financial statements of this departure have not been determined.

Qualified Opinion 2020

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of Medical Rehabilitation Practitioners Council of Zimbabwe as at December 31, 2020, 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

Non-compliance with International Accounting Standard (IAS 21), "The Effects of Changes in Foreign Exchange Rates".

The prior year financial statements did not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Currency Exchange Rates", as the Council was unable to use an appropriate exchange rate on change of functional currency to translate the opening USD denominated balances. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Council used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 as per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Council's 2020 opening balances misstatements have an impact on the current year financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Acknowledgement of purchases

Finding

The Council paid for the purchase of fuel between June and December 2020. However, no goods received notes were raised to acknowledge receipt of goods supplied. The total purchase that was not acknowledged constitutes 35% of the total fuel procured by the Council during the year. This practice was contrary to the procedures spelt out in their accounting and procedures manual.

Risk / Implication

Financial loss due to possible fraud.

Recommendation

The Council should raise goods received notes on receipt of goods from various suppliers.

Management response

Noted, Council will adhere to recommendations. All goods bought were supplied.

NATIONAL AIDS COUNCIL (NAC) 2020

Background Information

The National Aids Council was established in terms of the National AIDS Council Act *[Chapter 15:14].* The main business of the Council is 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, 2020 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 section of my report, the financial statements present fairly, in all material respects, the financial position of National AIDS Council as at December 31, 2020 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

Non-compliance with International Accounting Standard (IAS 21) "The effects of changes in foreign exchange rates" on opening balances

The prior year financial statements did not comply with IAS 21 "The Effects of Changes in Foreign Exchange Rates," as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Council used January 1, 2019 as the date of change in functional currency and rebased its foreign currency denominated balances to ZWL at a rate of 1:2.5. Statutory Instrument 33 of 2019 prescribed that all assets and liabilities that were denominated in US$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate starting at 1:2.5. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with Statutory Instrument 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard, the Council's 2020 opening balances misstatements have an impact on the current year financial statements.

Had the Council applied the requirements of IAS 21, many elements of the financial statements would have been materially impacted. As a result, the impact of the Council's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 21 are considered material to the financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Constitution of the Board

Finding

The Council's Board was not fully constituted as required by section 5 of the National Aids Council of Zimbabwe Act [*Chapter 15:14*]. The interests of youths and commerce were not represented in the board. I also noted that the Board did not have a legal expert thereby compromising the Board skills mix. This was also contrary to the Public Entities Corporate Governance Act [*Chapter 10:31*]. Upon inquiry, management indicated that, requests for nominations were sent to the respective bodies and they were awaiting appointments.

Risk / Implication

Lack of adequate oversight due to absence of other key members of the board.

Recommendation

The Council should consider continuous engagement of the appointing authority to appoint a full Board.

Management response

Management has re-engaged the Ministry on the appointment of additional Board Members and the Ministry is actively working on the issue. We further advise that the NAC Board held a meeting with the Appointing Authority who gave assurance on the appointment of the remaining members.

NATIONAL ARTS COUNCIL 2020

Background Information

The National Arts Council of Zimbabwe was established in terms of the National Arts Council of Zimbabwe Act [*Chapter 25:07*]. The functions of the Council are to encourage arts organisations operating in the country to register in terms of this Act. Other functions include assisting, advising and supervising registered arts organisations operating in the country.

I have audited the financial statements of National Arts Council of Zimbabwe for the year ended December 31, 2020 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the matter discussed in the Basis for Qualified opinion section of my report, the inflation adjusted financial statements present fairly, in all material respects, the financial position of National Arts Council of Zimbabwe as at December 31, 2020, 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.

Impact of Non-compliance with International Accounting Standard (IAS) 21 “The effects of changes in foreign exchange rates” on opening balances.

The prior year financial statements did not comply with the requirements of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, as the Council was unable to use an appropriate exchange rate on change of functional currency to translate the opening USD denominated balances and transactions from January 1, to February 22, 2019. The balances and transactions were translated using the interbank rate, which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Council used October 1, 2018 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 which was prescribed by Statutory Instrument 33 of 2019 which required that all assets and liabilities that were denominated in US$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 be translated at the prevailing interbank rate. The Council’s inability to assess the appropriateness of using the prescribed rates in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Council’s 2020 opening balances misstatements have an impact on the current year financial statements.

Below are other material issues noted during the audit:

1. GOVERNANCE ISSUES

1.1 Operational vehicles

Finding

The Council had eleven (11) outstations Ten (10) provincial offices and one (1) culture centre). Each station was expected to have at least one (1) vehicle for operations. However, I noted that the Council had only three (3) vehicles which were being used at the head office. Of the three (3) vehicles, one (1) was a non-runner whilst the other was a condition of service vehicle. As a result, its operations were affected leading to some of the provincial managers failing to achieve their performance targets. On enquiry, management indicated that Council was facing cash flow challenges.

Risk / Implication

Service delivery may be compromised.

Recommendation

Management should continuously engage the parent Ministry and Treasury in order to get funding for operational vehicles.

Management response

Observation noted.

Management requested budget support for capital expenditure and had requested for Cabinet Authority to procure vehicles which was granted in 2020 but failed to get Treasury release of the capital Grant. In 2021 Management acquired one vehicle for the Deputy Director and have paid for the Director's vehicle which is yet to be delivered by the seller, Toyota Motor City.

1.2 Human Resources policy

Finding

The Council's Human capital policy covers only conditions of service for staff, code of Conduct and ethics. Other aspects such as, recruitment, training and development and disciplinary issues were not included. On inquiry, management stated that the Council was using the condition of service for staff as a point of reference.

Risk / Implication

Inconsistent application and treatment of human resources issues.

Recommendation

Management should update the Human Capital policy.

Management response

The observation is noted.

Management will prepare a comprehensive Human Capital Policy by consolidating from the existing policies that Council has ; HR policy, Conditions of Service for Staff, code of Conduct and ethics.

1.3 Withholding tax

Finding

The Council deducted 10% instead of 20% withholding tax on directors' fees. This was in contravention with the Income Tax Act *[Chapter 23:06].* On enquiry, management stated that they had missed the new law governing taxation of directors' fees.

Risk / Implication

Financial loss through penalties.

Recommendation

Management should deduct the 20% withholding tax as required.

Management response

The observation is noted.

Management used 10% withholding tax as provided by Belina Time Series licence which is the Council Payroll Administrators. The Council is no longer able to recover the outstanding amounts as the term of office for the Board members expired in June 2020 and none of the members was reappointed into the current Board.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing audit findings and recommendations raised in my previous report. I raised two (2) audit findings and one (1) had not been addressed and the other was partly addressed as indicated below.

2.1 Grant Aid

The recommendation has not yet been implemented. The Council requested for artists' assistance from the Ministry of Youth Sports, Arts and Recreation for desperate situations during the year under review.

2.2 Office accommodation

The recommendation was partially implemented. The tenants partly paid rentals for office accommodation and the Council is still battling with arrears.

PHARMACISTS COUNCIL OF ZIMBABWE 2020

Background Information

The Pharmacists Council of Zimbabwe is a statutory body established in terms of the Health Professions Act *[Chapter 27.19]* to regulate the practice of pharmacists, pharmacy technicians, optometrists, dispensing opticians, hearing aid specialists and orthoptists in Zimbabwe.

I have audited the financial statements of Pharmacists Council of Zimbabwe for the year ended December 31, 2020 and I issued an adverse audit opinion.

Adverse opinion

In my opinion, because of the significance of the matter described in the basis for adverse opinion section of my report, the financial statements do not present fairly the financial position of Pharmacists Council of Zimbabwe as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Adverse Opinion

i. Non Compliance with IAS 21 - "The Effects of Changes in Foreign Exchange Rates"

The financial statements were presented in Zimbabwe Dollars (ZWL). Given that the Councilors have not segregated the foreign currency transactions in the comparatives and any impact on the current year has not been adjusted. This constitute a departure from the requirement of International Accounting Standard (IAS) 21 - The Effects of Changes in Foreign Exchange Rates, which requires use of a spot rate of exchange rate that is of immediate delivery to the currency. The rates used whilst complying with the law, did not conform with IAS 21.

ii. Non Compliance with IAS 29 - "Financial Reporting in Hyperinflationary Economies"

The Zimbabwean economy was declared a hyper-inflationary environment with effect from July 01, 2019 by the Public Accounting and Auditors Board "PAAB". This was evidenced by the rising in the Consumer Price Index (CPI). This has, as a result triggered the applicability of the IAS 29 - Financial Reporting in Hyperinflationary Economies, to the financial statements of the Council. These financial statements have not been prepared in conformity with IAS 29. In monitoring and assessing the performance of the Council, based on the historical cost financial statements and other relevant factors, the Councilors do not consider the effects of the high rate of inflation in Zimbabwe. The Councilors believe that the cost of preparing inflation adjusted financial statements would be out of proportion to the perceived benefits to the Councilors and other users particularly in an environment where the reliability of indices is subjective. Accordingly, the financial effects of non-compliance with IAS 29 have not been determined and therefore the financial statements have not been prepared in conformity with International Financial Reporting Standards.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Accounting for transactions

Finding

The Council was not accounting for transactions properly, as expenses were being duplicated and processed twice in the general ledger. In addition, refundable input tax (VAT) was being expensed contrary to the accrual accounting framework (Conceptual framework). I also noted that bank reconciliations were not being done. Upon enquiry, management did not provide a satisfactory explanation except to note my finding.

Risk / Implication

Fraud and material errors may go undetected.

Recommendation

The Council should prepare monthly bank reconciliations and comply with the accounting conceptual framework.

Management response

Noted

1.2 Submission of VAT returns

Finding

I was not availed with evidence to support that the Council was filing VAT returns. This was contrary to the VAT Act *[Chapter 23:12]*, and the fact that ZIMRA, encouraged clients to utilise electronic filing facilities (e-services). In the event that the client fails to access e-services platform, clients were advised to email the tax return.

Risk / Implication

Financial loss arising from penalties and fines for non-compliance with the VAT Act *[Chapter 23:12].*

Recommendation

The Council should consider developing a plan which will facilitate compliance with tax laws.

Management response

Noted. Part of the returns were filed while others were not since the Zimbabwe Revenue Authority now uses electronic filing.

RESEARCH COUNCIL OF ZIMBABWE 2021

Background Information

The Research Council of Zimbabwe (RCZ) was established in 1986 in terms of the Research Act *[Chapter 10:22]*. The Council carries out promotion, direction, supervision and coordination of research for national development.

I have audited the financial statements of Research Council of Zimbabwe for the year ended December 31, 2021 and I issued an unmodified / clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Research Council of Zimbabwe as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

1. GOVERNANCE ISSUES

1.1 Board performance evaluation

Finding

The Council`s Board did not conduct an annual review of the Board performance during the year under review. This was contrary to the Public Entities Corporate Governance Act *[Chapter 10:31]*.

Risk / Implication

Oversight role may be compromised.

Recommendation

The Council's Board should carry out board evaluation as required.

Management response

The observation is noted and will be rectified.

1.2 Risk Management Policy

Finding

The Council was operating without a risk management policy. As a result, the Council did not have a risk register during the year under review.

Risk / Implication

Business continuity may be compromised.

Recommendation

The Council should put in a place a risk management policy.

Management response

The audit observation has been noted. Currently, the departments have been asked to compile the risks in their departments that will be consolidated into one risk register for the Council. However, it has been identified that training in risks identification and management is required for the Council to compile an all-encompassing risk register.

ZIMBABWE COUNCIL FOR HIGHER EDUCATION (ZIMCHE) 2020

Background Information

Zimbabwe Council for Higher Education was established in terms of the Zimbabwe Council for Higher Education Act [*Chapter 25:27*]. Its functions are 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, 2020 and I issued a qualified audit opinion.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Council for Higher Education as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Other Businesses Entities Act [*Chapter 24:31*].

Basis for Qualified Opinion

Impact of Non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates" on opening balances.

The prior year financial statements did not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates", as the Council was unable to use an appropriate exchange rate on change of functional currency to translate the opening USD denominated balances and transactions from January 1, to February 22, 2019. The balances and transactions were translated using the interbank rate, which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Council used October 1, 2018 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 which was prescribed by Statutory Instrument 33 of 2019 which required that all assets and liabilities that were denominated in US$ before 22 February 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 be translated at the prevailing interbank rate. The Council's inability to assess the appropriateness of using the prescribed rates in achieving fair presentation was primarily due to the need to comply with SI 33 of 2019 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Council's 2020 opening balances misstatements have an impact on the current year financial statements.

Below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Alignment of processes to the Public Entities Corporate Governance Act

Finding

The Council had not aligned all its governance processes to the Public Entities Corporate Governance Act [*Chapter 10:31*]. For instance, the Council did not conduct a risk assessment exercise on its activities during the year under review. On, enquiry, management highlighted that the Council did not conduct any risk management activities since the function was under the Audit unit. This was against the requirements of the Public Entities Corporate Governance Act [*Chapter 10:31*] which requires those charged with governance to manage risks in a way that supports an entity in setting and achieving its strategic objectives.

In addition, there was no evidence to support that the performance assessment of the internal audit carried out by the Chief executive was reviewed by the audit committee.

Risk / Implication

Risks may not be identified timeously which may result in financial losses.

The independent review of records by internal audit may be impaired.

Recommendation

The Council should consider aligning its processes to the Public Entities Corporate Governance Act [*Chapter 10:31*].

Management response

Risk management

The observation is noted. Council has established a Risk Committee of Council in order to deal objectively with issues of risk that are likely to affect the ZIMCHE's operations.

Please note, that the current Management inherited a joint unit made up of Audit and Risk Management. The process to establish a separate Risk Department commenced in 2021 in order to deal comprehensively with all forms of risk that are likely to affect the ZIMCHE's operations. Currently a risk officer has been engaged on a temporary basis whilst due processes and permission from Council and the parent Ministry are being followed to establish a fully flagged and autonomous Risk Management Department. During the year under review, risk was covered by the internal audit department.

Internal Audit performance assessment

The observation is noted. The old Council member's term of office ended on 30th November 2020 and a new Council was appointed with effect from 1st December 2020. The first council meeting for the newly appointed members was held on 30th January 2021. The ZIMCHE Councils' Audit Committee was only constituted in January 2021. By the time that the end of year evaluation was done, the new Council had not yet constituted the different Council Committees. It was not possible for the newly elected Council members to make an appraisal of the internal audit function for the period under review as they were not in office then. The appraisal by the CEO was in respect of the fact that the internal audit function also reports to the CEO administratively. For the year 2021, the Audit Committee will be able to do the appraisals as the Committee members who have been in office for the entire period. However, this will not preclude the CEO from carrying out an evaluation of the internal audit function since, the unit has dual reporting lines.

2. PROCUREMENT ISSUES OF GOODS AND SERVICES

2.1 Engagement for specialist audit services

Finding

My inspection of the accrued expenses revealed that included in these expenses was an amount owed to a supplier for special audit services rendered. However, I was not availed with documentation which supports the engagement. Upon enquiries, management indicated that due to staff shortages within the internal audit department, the Council engaged a professional accountant to carry out this engagement since it was urgent. There was no evidence to support that procurement regulations covering urgent assignments as prescribed in the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*] were adhered to.

Risk / Implication

Material errors or irregularities may go undetected.

Recommendation

The Council should always avail supporting documentation to allow verification of amounts reported.

The Council should consider coming up with plans to comply with laws and regulations.

Management response

The observation is noted. The Women's University in Africa (WUA) assignment was activated by an urgent request from the parent Ministry about the need to urgently and quickly carry out a forensic audit of the institution as there were issues that had been raised by concerned stakeholders. At the time of the Ministry's request, the audit department had only one employee thus the need for the engagement of a Professional Accountant to assist with the assignment. The request from the Ministry's Permanent Secretary is dated 1st August 2019 and was received at ZIMCHE on the 5th August 2019. The forensic audit is still to be finalized. At the time of receipt of the request certain critical Departments were not yet fully established and functional these are the Human Resources Department, and the Procurement Management Unit. was newly established.

The engagement of the qualified accountant was done with the understanding that the payment for his/her services was going to be done by Women's University in Africa therefore the ZIMCHE did not have to do any internal processes concerning the engagement.

Currently all the critical departments mentioned above are fully established and all procurement and official engagements that are likely going to result in out flow of resources from ZIMCHE will be done according to the relevant Acts and internal policies. The engagement of the accountant for the WUA engagement will be regularized after following due processes.

3. PROGRESS MADE ON IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The Council made progress in addressing audit findings and recommendations raised in my 2020 report. I raised two (2) audit findings, one (1) was addressed and one (1) had not been addressed.

3.1. Council files

The issue is still outstanding. However, advice from the police has been that the ZIMCHE should constitute a committee or board, which is supposed to be physically available for the locksmith to break the door to the office. The committee is still being constituted.

3.2. Internal audit

This has been fully attended to.

ZIMBABWE NATIONAL FAMILY PLANNING COUNCIL (ZNFPC) 2020

Background Information

The Zimbabwe National Family Planning Council was established in terms of the Zimbabwe National Family Planning Council Act *[Chapter 15:11]*. The objectives of the Council are; to provide subsidized contraception to the nation, to provide teaching and training aides in family planning to members of the community, to provide family planning awareness to the community, to provide safe and effective family planning services to the community using a wide range of techniques and technologies

I have audited the financial statements of Zimbabwe National Family Planning Council for the year ended December 31, 2020 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 section of my report, the financial statements present fairly, in all material respects, the financial position of Zimbabwe National Family Planning Council as at December 31, 2020 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

Non-compliance with International Accounting Standard (IAS 21) "The effects of changes in foreign exchange rates" on opening balances

The prior year financial statements did not comply with IAS 21 "The Effects of Changes in Foreign Exchange Rates," as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Council used January 1, 2019 as the date of change in functional currency and rebased its foreign currency denominated balances to ZWL at a rate of 1:2.5. Statutory Instrument 33 of 2019 prescribed that all assets and liabilities that were denominated in US$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate starting at 1:2.5. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with Statutory Instrument 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard, the Council's 2020 opening balances misstatements have an impact on the current year financial statements.

Had the Council applied the requirements of IAS 21, many elements of the financial statements would have been materially impacted. As a result, the impact of the Council's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements, of the non-compliance with IAS 21 are considered material to the financial statements.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Accounting procedures manual

Finding

The accounting procedures manual did not specify the frequency with which it should be reviewed and updated. As a result, it had not been updated since 2012 to align it with the changes in the operating environment. There have been changes in the accounting standards and economic developments (such as use of mobile money, online banking), which needed to be factored in the manual to guide officers when recording transactions. This was in contravention with good accounting practices which would require procedures to be updated as and when operating environment changes.

Risk / Implication

There may be inconsistence in treatment of transactions which may not be detected on time.

Recommendation

The Council should update its manual and provide a manual to when it should be reviewed.

Management response

The observation is well noted and the recommendation welcome. The Council is in the process of developing a new Accounting Procedures Manual. We anticipate to have a complete draft document by June 30, 2022.

1.2 Alignment of governance processes

Finding

The Council had not yet aligned its governance processes with the Public Entities Corporate Governance Act *[Chapter 10:31]*. As a result, it was operating without key instruments to facilitate business continuity and effective oversight, such as a board charter and disaster management policy contrary to the provisions of the Act. Upon enquiry, management stated that the Board Charter and the disaster management policy were still in draft.

In addition, I also noted that the Council's Information Communication Technology (ICT) strategic plan was not aligned to the Council's business processes as required by Sections 60 (e) and 262 (g) of the Public Entities Corporate Governance Act *[Chapter 10:31].*

Risk / Implication

Oversight role may be compromised.

Recommendation

The Council should also consider aligning all its governance processes with the Public Entities Corporate Governance Act *[Chapter 10:31]*.

Management response

The final draft of the Board Charter is undergoing review by the relevant Authorities.

The final draft of the Disaster management policy is awaiting testing before approval. We anticipate approval of the tested document by 30 June 2022.

The Council will put in place the Information Technology (IT) strategic plan which is aligned with business requirements by year end 2022.

2. EMPLOYMENT ISSUES

2.1 Vacant posts

Finding

The Council experienced high level of staff turnover during the year with fifty-two (52) employees leaving the organisation. Out of the fifty-two (52) terminations, only sixteen (16) were filled resulting in 36 vacant posts. Of the vacant posts, six (6) were for senior management (Director Administration and Finance, Information Technology manager, Materials Development Programme manager, Marketing and Communication manager, Assistant Director Service Delivery and Training and Assistant Director Evaluation and Research). Upon enquiry, management highlighted that employees were leaving the Council due to uncompetitive remuneration being offered.

Risk / implication

Business continuity and service provision maybe compromised.

Recommendation

Management should consider coming up with sustainable staff retention strategies.

Management response

When employees leave the Council, they generally cite uncompetitive remuneration and this has resulted in increased workload and compromised service provision. Council is currently in a recruitment drive to fill vacant posts. Council has no capacity to increase salaries since it is 100% funded by government through the salaries grant.

ZIMBABWE YOUTH COUNCIL (ZYC) 2018 AND 2019

Background information

The Zimbabwe Youth Council was established in 1983 in terms of the Zimbabwe Youth Council Act *[Chapter 25:19]* to facilitate the empowerment and participation of the youth.

I have audited the financial statements of the Zimbabwe Youth Council for the years ended December 31, 2018 and 2019 and I issued adverse opinion for December 31, 2018 and 2019.

Adverse Opinion 2018

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Zimbabwe Youth Council as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

The Council did not fully comply with the provisions of International Accounting Standard 21 "The effects of Changes in Foreign Exchange rate" as Statutory Instrument 33 of 2019 precluded the Council from applying an independent assessment of functional currency as required by the accounting standard and in terms of the guidance provided by the Public Accountants and Auditors Board (PAAB).

The need to account for these effects emanated from the 'multi-tiered' pricing environment that was prevailing during the year under review, where settlement of transactions was dependent on the mode of payment, whether USD cash, RTGS, bond notes and mobile money. Shortage of foreign currency also resulted in foreign exchange rate disparities between RTGS and US$. This in turn affected the pricing structures to incorporate foreign exchange rate movements on the RTGS and bond notes, hence the need to comply with IAS 21 to reflect effects of these changes in the preparation of financial statements.

This 'multi-tiered pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21 would apply. Had the Council complied with the requirements of IAS 21, many elements in the financial statements would have been materially affected. As a result, the impact of the Council's inability to comply with IAS 21 has been determined as significant hence the effects on the financial statements as a whole are considered material and pervasive.

Adverse Opinion 2019

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Zimbabwe Youth Council as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21, "The effects of changes in foreign exchange rates"

The Council translated its comparative financial statements including transactions and balances for the period up to February 22, 2019 denominated in USD at a rate of 1:1 to the Zimbabwean dollar (RTGS or ZWL). The transactions during this period were not converted to RTGS or ZWL using an appropriate exchange rate that reflects the economic substance of its value as provided for by International Accounting Standard 21, “The Effects of Changes in Foreign Exchange Rates”. The Council applied the legal exchange rate of 1:1 as pronounced through Statutory Instrument 33 of 2019.

Subsequent to February 22, 2019 the Council applied interbank exchange rates which came into existence, through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe (RBZ) and was initially pegged at a rate of 2.5. This was after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. No assessment was carried out to show appropriateness of the interbank rate to the existing economic environment. The interbank rate and the exchange rate of 1:1 applied on comparative amounts does not represent the price that can be received for foreign currency as many were unable to access foreign currency through the interbank market and immediate delivery of foreign currency could not be guaranteed. Therefore, use of the interbank exchange rate alone fails to meet the criteria for appropriate exchange rate and to achieve fair presentation of the financial statements. As a result, the impact of the Council’s inability to comply with IAS 21 has been determined as significant. The effects on the financial statements are considered material and pervasive to the financial statements as a whole.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Oversight role

Finding

There were no members of the Council to provide oversight role since 2015.This was in contravention of Section 3B of Zimbabwe Youth Council Act *[Chapter 25:19]* and the Public Entities Corporate Governance Act *[Chapter 10:31].*

Risk / Implication

Service delivery may be compromised.

Non-compliance with laws and regulations.

Recommendation

The Council should continuously engage the appointing Authority to appoint members of the Council.

Management response

Observation noted, the process is ongoing with the responsible authority as 8 members were appointed in the interim.

PUBLIC ENTITIES UNDER THE CATEGORY OF FINANCIAL INSTITUTIONS

AFC BANK 2021

Background Information.

AFC Bank (formerly AGRIBANK), is incorporated under the Zimbabwe Companies Act [C*hapter 24:03*], now Companies and Other Business Entities Act [*Chapter 24:31*] and is registered as a commercial bank in terms of the Zimbabwe Banking Act [*Chapter 24:20*]. The Bank's main business is provision of Agricultural related loans, retail banking services, discounting bills, treasury services and provision of treasury finance.

I have audited the financial statements of AFC Commercial Bank Limited for the year ended December 31, 2021 and I issued a qualified opinion with an emphasis of matter on the Bank`s capitalisation.

Qualified Opinion

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 aspects, the financial position of the Bank as at December 31, 2021, and the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Other Business entities Act [*Chapter 24:31*], the Banking Act [*Chapter 24:20*] as amended.

Basis for Qualified Opinion

i. Recognition and measurement of the financial asset resulting from the foreign liability funding gap (Legacy debt) in the prior year.

In the prior year, the Bank recognised a financial asset of ZW$ 3.4 billion which arose out of the Bank's expectation to receive funding from the Reserve Bank of Zimbabwe ("RBZ") in respect of the Bank's foreign liability funding gap (Legacy debt). The fair value of the receivable on initial recognition was determined to be the anticipated USD amount receivable translated at the closing exchange rate. Subsequently the financial asset was re-measured by only taking into account the movement in the exchange rates to December 31, 2020. Based on the characteristics of the financial asset and confirmations of the terms of the receivable from the RBZ, the Bank recorded the financial asset as an embedded derivative which is recognised at fair value through profit or loss and any gains or losses recognised in profit or loss. In the prior year, I was unable to obtain sufficient and appropriate evidence of the expected timing of future cash flows to determine whether any additional adjustments would be required with respect to the fair value measurement of the financial asset at the reporting date as the restructuring agreement between the Bank and the Counterparty to the original debt was still in the process of being finalized. In the current year the legacy debt is now being recognised as a statutory asset.

ii. Processing of financial data using information technology system and impact on suspense account.

The Bank's financial data was processed in a highly computerised environment and in the past years the Bank has seen a significant increase in automated transactions. The Bank used T24 system as its core banking and financial reporting system and was experiencing system challenges which resulted in trial balance mismatches. The Bank was in the process of upgrading its T24 system with first phase having been completed in 2019 and the second phase was expected to be completed in the next financial year. This was expected to stabilise the core banking system and address challenges that users and customers faced.

Included in the other liabilities balance was an amount of ZW$ 3.4million which related to a net difference of material unresolved trial balance mismatches. The mismatches were a result of outstanding reconciling items in the Bank's suspense accounts and corresponding customer accounts which management was yet to resolve. The effect on the financial statements of resolving these mismatches had not been determined. My opinion is therefore qualified in this regard.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Suspense account

Finding

The Bank had a suspense account amounting to ZWL$1 169 232 which it was still to reconcile.

Risk / Implication

Fraud and errors may go undetected.

Recommendation

The bank should consider expediting the clearance of the suspense account.

Management response

The issue has been logged with the system vendor to clear the mismatch.

1.2 Ownership of property

Finding

The Bank had no title deeds for its property in Gwanda valued at ZWL$5 million.

Risk / Implication

Proof of ownership may be difficult in the absence of title deeds.

Recommendation

The ownership of the property should be regularised through obtaining the title deeds.

Management response

We are engaging Gwanda Council to request for title deeds

1.3 Alignment with Banking Act Regulations

Finding

The Bank had a board member who sits on five (5) boards. This was contrary to the Banking Act [*Chapter 24:20*] regulatory requirements which does not allow sitting for more than four (4) boards.

Risk / Implication

Oversight role might be compromised.

Recommendation

The Bank should consider compliance with the requirements of the Banking Act [*Chapter* 24:20]

Management response

The member has been informed about the regulatory requirements and is working to reduce the number of boards he sits on.

1.4 Tax remittance

Finding

The Bank did not remit tax on income generated in foreign currency in line with Section 4(A)(1)(c) of the Finance Act [*Chapter* 23.04].

Risk / Implication

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

Recommendation.

The Bank should engage ZIMRA for possible payment plans on its outstanding obligations.

Management response

The current challenge is that the core banking system uses the base currency i.e. ZWL for reporting and tracking revenue generated in foreign currency is a bit cumbersome. Management will engage ICT and seek a system solution to this. This will also enhance accuracy of the foreign exchange income being reported as well as the tax being declared. Management will ensure it complies with the ZIMRA legislation. Current reporting day and the gain or loss is posted through profit and loss (Revaluation line).

INFRASTRUCTURE DEVELOPMENT BANK OF ZIMBABWE (IDBZ) 2021

Background Information

The Infrastructure Development Bank of Zimbabwe (IDBZ) is a development financial institution which is incorporated in terms of the Infrastructure Development Bank of Zimbabwe(IDBZ) Act *[Chapter 24:14]*. IDBZ and its subsidiaries, are primarily involved in mobilizing and providing finance for infrastructure development activities and management of infrastructure development projects.

I have audited the financial statements for Infrastructure Development Bank of Zimbabwe (IDBZ) for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the possible effects of the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Infrastructure Development Bank of Zimbabwe and its subsidiaries as at December 31, 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

i. Valuation of investment property and property and equipment

The Bank engaged an external valuer to value its investment property and property and equipment as at December 31, 2021 using the market approach. The valuations were performed in USD and were subjected to certain caveats. The Bank converted the USD values to ZWL using the Reserve Bank of Zimbabwe auction exchange rate. In my considered view, this may not give a reasonable indication of fair value as defined by International Financial Reporting Standard 13, "Fair Value Measurement", (IFRS 13). IFRS 13 paragraph 2 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In the current environment, it is not likely that the ZWL price derived from translating the USD value at the Reserve Bank of Zimbabwe auction exchange rate would be the price at which a ZWL denominated transaction would occur. Accordingly, I was unable to determine whether adjustments to the carrying amounts of investment property, property and equipment and revaluation surplus were appropriate in these circumstances.

ii. Fair valuation of deferred revenue

The Bank recognised deferred revenue from stand sales in the consolidated financial statements amounting to ZWL306,738,352. Stands were sold in USD and for recording purposes converted to ZWL at the Reserve Bank of Zimbabwe auction exchange rate on the date of the transaction which may not necessarily reflect a fair value in terms of International Financial Reporting Standard 15, "Revenue from contracts with Customers", (IFRS15). In terms of IFRS 15, para 73, the objective when allocating the transaction price is for an entity to allocate the transaction price to a performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. The Reserve Bank of Zimbabwe auction exchange rate applied in recognising deferred revenue may not meet the requirements of IFRS 15, para 73 as the auction exchange rate may not reflect the fair exchange rate for a willing buyer and willing seller in the context of sales to third parties. In addition, it may not fairly represent the amount that would be obtained if the stands were to be sold in ZWL.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Value added tax

Finding

From January 2021 to March 2021 payments for VAT in foreign currency were remitted late to ZIMRA. The Bank accounted for VAT on sale of stands from Joint Venture between IDBZ and Clipsham in total instead of accounting for its proportionate share. The bank did not account for VAT on imported services on payments made to non-resident suppliers of services.

Risk / Implication

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

Recommendation

The non-compliances should be regularised and corrective action taken to avoid future recurrences.

Management response

Noted. The issue is already receiving Management attention following tax health check. The Bank had technical issues with FCA account. This has since been rectified. The Bank operates through unincorporated joint ventures. In essence, Clipsham Views is a Bank project whose tax affairs are accounted for under the Bank.

1.2 Withholding tax

Finding

Based on the sample tested for the months of March, June, September and December 2021, I noted that the Bank did not account for 10% Withholding Tax on some payments to suppliers who did not have valid tax clearance certificates. In addition, Rev 5 returns for the quarters ending June 2021, September 2021, and December 2021 were lodged late to ZIMRA.

Payments of 20% withholding tax on Directors' fees for quarters ending June 2021, September 2021 and December 2021 were remitted late to ZIMRA. The Bank paid Wi-Fi data for some of the Non-Executive Directors on a monthly basis in addition to board fees and sitting allowances. The Wi-Fi data amounts were subjected to 20%, however, the bank did not deduct withholding tax, but instead taxed it as employment income. This was in contravention of the Income Tax Act [*Chapter 23:06*].

Risk / Implication

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

Recommendation

The non-compliances should be addressed and corrective action taken to avoid future recurrences.

Management response

Noted. The issue is already receiving Management attention following tax health check.

Tax on Directors' fees was superseded in 2022 by the amendment to the Act where all fees to the Directors are subjected to 20% withholding tax.

1.3 Non-resident tax on fees

Finding

Payments of non-resident taxes were remitted late to ZIMRA except for the month of December 2021. REV 5 returns were submitted late to ZIMRA for all tax periods except for the month of December 2021.

Risk / Implication

Potential penalties and interest charges for the tax non-compliances.

Recommendation

The non-compliances should be addressed and corrective action taken to avoid future recurrences.

Management response

The Bank appointed a tax consultant in 2021 to undertake tax health check on the Bank after identifying a gap in tax accounting. The Consultant identified a number of issues which Management, with the help of the Tax Consultant are already working towards resolving in a manner which will not attract penalties on the Bank. This will be achieved through voluntary disclosure.

1.4 Remittances of Intermediate Money Transfer Tax (IMMT)

Finding

The Bank was using an incorrect flat rate limit in determining the IMMT for the period January 2021 to April 2021. As a result, the Bank was exposed to potential principal liability of ZWL746,500, penalty of ZWL746,500 and interest of ZWL122,806.

Risk / Implication

Financial loss due to penalties and interest charges.

Recommendation

Correct rates and thresholds should be applied at all times.

Management response

The error was identified by the Bank and corrected in October 2021. However, a few transactions remained unresolved amounting to principal balance of ZWL291,000.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Bank did not make progress in addressing audit findings and recommendations raised in my 2020 report. I raised two (2) audit findings and all has not been addressed as indicated below;

2.1 Board composition

The recommendation has not yet been implemented. The issue is currently being attended to by the Ministry of Finance and Economic Development.

2.2 Employment benefits

The recommendation has not yet been implemented. Fuel benefits are still not being processed through the payroll.

PEOPLE'S OWN SAVINGS BANK (POSB) 2021

Background Information

The People's Own Savings Bank (POSB) is a corporate body established in terms of section 3 of the 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, 2021 and I issued an Unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the People's Own Savings Bank (POSB) as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Alignment of Board Structures

Finding

The People's Own Savings Bank of Zimbabwe Act [*Chapter 24:22*] section 5 requires the Bank's board to have a substantive chairperson and vice chairperson. This is also supported by the Public Entities Corporate Governance Act [*Chapter 10:31*] section 11. However, during the year under review the structure was not yet aligned to these provisions in that there was no substantive chair and vice chair. Upon enquiry, management indicated that the issue was raised in the previous AGM held on August 06, 2021 and the Minister undertook to regularise the appointments.

Risk / Implication

Oversight role of the Board may be compromised.

Non-compliance with laws and regulations.

Recommendation

The Bank should consider continuous follow up with the parent Ministry to ensure the requirements of the governing Acts are met.

Management response

The necessary follow ups have been done and assurance has been given by the Ministry of Finance and Economic Development (MOF&ED) that the appointment process has been initiated.

1.2. Budget Approval

Finding

I noted that the Bank was operating without an approved budget for the year ended December 31, 2021. The Public Finance Management Act [*Chapter 22:19*] section 47 (1) requires public entities to prepare and submit their budgets to the parent Ministry for approval. The Bank submitted their budget for approval to the parent Ministry but there was no evidence of approval or follow-ups with the parent ministry availed for audit inspection.

Risk/Implication

Non-compliance with the Public Finance Management Act.

Recommendation

The Bank should make follow ups to ensure that the budget is approved by the parent Ministry.

Management response

Since inception, the Bank has not been issued with a written budget approval after submitting its annual budget to the parent Ministry.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS.

The Bank did not address my audit findings raised in my 2020 report. I raised two (2) audit findings and all have not been addressed as indicated below;

2.1. Performance Contract

The recommendation has not been implemented. Performance contracts are still under development in consultation with the Parent Ministry.

2.2. Board members' tenure

The recommendation has not been implemented. The shareholder has not made the appointments but assured the Board and Management that the due process for the appointment of replacements is being followed.

PUBLIC ENTITIES UNDER THE CATEGORY OF FUNDS

LAKE KARIBA FISHERIES RESEARCH INSTITUTE 2020

Background Information

The Institute is established in terms of the Public Finance Management Act [*Chapter 22:19*]. Its mandate is to foster the sound development of a fishing industry and ancillary activities in the Lake Kariba area through investigations into the limn logical, technological and economic aspects of the fisheries potential and setting up of demonstrations and training programs in fishing and related activities. The Institute is administered by Parks and Wildlife Authority.

I have audited the financial statements of Lake Kariba Fisheries Research Institute for the year ended December 31, 2020 and I issued a qualified opinion.

Qualified Opinion

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 Lake Kariba Fisheries Research Institute as at December 31, 2020 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

Non-Compliance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" on opening balances.

The prior year financial statements did not comply with the requirements of IAS 21 "The effects of changes in foreign exchange rates" on the opening balances as the Institute had been unable to use an appropriate exchange rate on change of functional currency. The Institute translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Institute adopted January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1USD: 2.5 RTGS. Statutory Instrument 33 of 2019 prescribed that all assets and liabilities that were denominated in US$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate starting at USD: 2.5RTGS. The Institute's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Institute's 2020 opening balances misstatements have an impact on the current year financial statements.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Institute's inability to comply with IAS 21 has been determined as significant.

Below are other material issues noted during the audit:

1. GOVERNANCE ISSUES

1.1. Asset replacement policy

Finding

The Institute was not replacing its capital expenditure items (operational equipment) on time.

The Institute was operating with two (2) vehicles and one (1) boat instead of four (4) motor vehicles and two (2) boats for efficient discharging of service delivery. Requests for capital assets replacement was not being actioned. As a result, various capital items that were no longer functional had not been replaced five years after requests were made. Upon inquiry, management indicated that the Institute was facing cash flow challenges.

Risk / Implication

Financial loss due to regular repairs**.**

Financial loss due to increased cost of repairs.

Recommendation

Management should consider shortening the turnaround time of replacing capital assets so as to avoid high repairing costs.

Management response

Management has taken note of the audit recommendations. The Institute will continue strategizing on how to quicken the turnaround time for other vehicle fleets so as to contain the financial loss emanating from high costs of maintenance from the year 2022 onwards. As for 2021, the institute's priority was to acquire a staff bus.

1.2. Institute's Constitution

Finding

The Institute was not timeously tracking changes in laws and regulations during the year under review so as to make timeous proposals for amendments of its Constitution. As a result, some sections of the Institute's constitution were in contravention to various acts enacted after the establishment of the Institute.

Risk / Implication

Non-compliance with laws and regulations.

Recommendation

The Institute should consider to put strategies in place to align the Institute's Constitution with various Acts affecting the operations of the Institute such as Public Entities Corporate Governance Act [*Chapter 10: 31*], Public Finance Management Act [Chapter 22:19].

Management response

This has been noted and will be one of the Agenda items on the 26th Committee of Management meeting to be held on the 2nd of November 2021. The Institute will also work with ZIMPARKS Legal department in order to realign its Constitution to the governing statutes.

1.3. Research Activities

Finding

The Institute has not been able to carry out research as well as reducing poaching activities. Upon enquiry management highlighted that the station was not able to meet all its targets due to challenges of boat breakdowns, shortage of manpower and unavailability of resources. As a result, fish poaching activities were rising from year to year. The Institute had not completed key planned research projects such as the Experimental gillnetting research as well as the inshore fisheries catch statistics (48 planned vs actual 24-50%). The above is substantiated by the Annual Fisheries Statistics Report produced by the Institute Database. I also noted that poaching activities were on the rise as detailed in the table below.

Poaching Activities Statistics

	2018	2019	2020
Rigs Impounded	**8**	**7**	**32**
Nets recovered	**4 400metres**	**4 800metres**	**21 500metres**
Fish recovered	**190kg**	**214kg**	**722,35kg**

Risk / Implication

Service delivery may be compromised.

Loss of revenue through poaching.

Recommendation

The Institute should consider engaging the parent Ministry for possible budget support for the acquisition of resources required for anti-poaching activities.

Management response

Efforts have been previously made to the Ministry for fiscal support but have yielded limited success. The Institute will continue lobbying for budgetary support from the Ministry.

1.4. Statutory deductions

Finding

The Institute did not have mechanisms in place to ensure that deductions were remitted when due. National Social Security Authority contributions deducted from casual wages were not remitted. In some instances, the Institute deducted 10 % Withholding tax of directors' fees instead of 20%. Withholding tax from suppliers without valid tax clearance certificates was also not remitted during the year under review.

Risk / Implication

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

Recommendation

The Institute should consider developing compliance plan or strategies.

Management response

NSSA Pensions

The Institute will ensure that all outstanding NSSA deductions are remitted to the relevant authorities by 30 November 2021.

Withholding Tax

The recommendation has been noted and the anomaly will be rectified before the 30th of November 2021. All transactions involving withholding tax deductions will be supported with certificates for tax withheld onwards.

LOTTERIES AND GAMING FUND 2020

Background information

Lotteries and Gaming Fund's core business is administering the fund in terms of the Lotteries and Gaming Act *[Chapter 10:26*]. This includes regulating and controlling the development and operation of all lotteries and gaming activities, granting, renewing, transferring and terminating gaming licenses. The fund also ensures that licensees comply with the conditions of their licenses. The fund is also responsible for defining areas in which casinos may be established and operated and making recommendations to the Ministry of Finance and Economic Development regarding levies and application of money in the fund, as well as approving gaming devices.

I have audited the financial statements of the Lotteries and Gaming Fund for the year ended December 31, 2020 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the fund's financial statements do not present fairly the financial position of the fund as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, (IFRSs).

Basis for Adverse Opinion

i. Impact of incorrect date of application of International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates" on comparative financial information

For the financial year ended December 31, 2020 the fund did not comply with IAS 21 "The Effects of Changes in Foreign Exchange Rates" as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19") only from 22 February 2019.

Prior to 20 February 2019, the transacting and functional currency of the Zimbabwean economy was the United States dollar ("USD"). On 20 February 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of 20 February 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the United States Dollar ("USD") at a rate of 1:1 for the period up to this effective date. The rate of 1:1 was consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by IAS 21 "The Effects of Changes in Foreign Exchange Rates":

The fund transacted using a combination of USD, electronic cash, bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement ("RTGS") system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, and RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe ("RBZ") to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand).

Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. For the period up to 22 February 2019, the fund maintained its functional currency as the USD, with transactions and balances reflected using an exchange rate of 1:1 in compliance with SI 33/19. From 22 February 2019, balances and transactions were retranslated at the legislated inaugural exchange rate of 1:2.5 between the USD and the RTGS$ in compliance with the requirements of SI 33/19.Whilst the timing of this conversion was in line with the dictates of SI 33/19, it constituted a departure from the requirements of IAS 21, and therefore the 2019 financial statements were not prepared in conformity with IFRS. Had the fund applied the requirements of IAS 21, the 31 December 2019 comparative inflation adjusted financial statements would have been materially impacted. The financial effects of this departure on the inflation adjusted financial statements have not been determined.

My opinion on the current year's inflation adjusted statement of financial position is modified because of the possible effects of the matter on the comparability of the current year's inflation adjusted financial statements with that of the prior year.

ii. Property and equipment valuation

The fund did not review the fair values and useful lives of property and equipment at the reporting date in accordance with IAS16 – "Property, Plant and Equipment". As a result, property and equipment with a gross carrying amount of ZWL$306,290 is undervalued given the significant economic developments and price. I believe the difference between carrying amount and fair value is material. Consequently, I was unable to determine whether any adjustments to these amounts should be made.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Board meetings

Finding

Section 5 (1) of Lotteries and Gaming Fund Act *[Chapter 10:26]* requires the Board of the Fund to consist of nine (9) board members. I however noted that the Fund's Board was not fully constituted as there were five (5) board members. In addition, no board meetings were held during the year under review, contrary to the provisions of the Public Entities Corporate Governance Act, *[Chapter 10:31].*

Risk / Implication

Oversight role may be compromised.

Recommendation

The Fund should consider continuous follow up with the Appointing Authority to ensure board is fully constituted.

Management response

The audit comment is noted. The Board composition matter is work in progress being addressed by the appointing authority. Matter being attended to by the appointing

authority during financial year 2022.

1.2 Enterprise Risk Management Framework

Finding

The Fund had not aligned its processes to the Public Entities Corporate Governance Act, [*Chapter 10:31*]. As a result, it was operating without a risk management policy in place. Risk management policy enables management to identify business risks and put in place suitable controls to mitigate the identified risks.

Risk / Implication

Financial loss as risks may not be detected.

Recommendation

The Fund should consider aligning its processes with all the provisions of the Public Entities Corporate Governance Act, *[Chapter 10:31].*

Management response

The audit comment has been noted. Management will attend to the matter for Board resolution considering the new "normal" operating environment paused by the Covid-19 pandemic.

RHODES MATOPOS ESTATE FUND 2020

Background Information

Rhodes Matopos Estate Fund was incorporated in Zimbabwe in terms of the Rhodes Estates Act [*Chapter 20:14*]. The functions of the Fund 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 Rhodes Matopos Estate Fund for the year ended December 31, 2020 and I issued a qualified opinion.

Qualified Opinion

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 Rhodes Matopos Estate Fund as at December 31, 2020 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

Non-compliance with International Accounting Standard (IAS) 21, “The effects of changes in foreign exchange rates’ on opening balances”

The prior year financial statements did not comply with the requirements of IAS 21 “The effects of changes in foreign exchange rates”, as the Fund had been unable to use an appropriate exchange rate on change of functional currency. The Fund translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Fund used January 1, 2019 as the date of change in functional currency and rebased its foreign denominated balances to Zimbabwe Dollars (ZWL) at a rate of 1:2.5. Statutory Instrument 33 of 2019 prescribed that all assets and liabilities that were denominated in United States Dollars (US$) before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate starting at 1:2.5. The Fund’s inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Fund’s 2020 opening balances misstatements have an impact on the current year financial statements.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Fund’s inability to comply with IAS 21 has been determined as significant.

Below are other material issues noted during the audit:

1. GOVERNANCE ISSUES

1.1 Risk Management and oversight

Finding

The Fund’s Management Committee only held one meeting during the year under review. The primary responsibility of the Management Committee was to provide strategic direction and exercise the oversight role over the activities of the Fund as provided by the Public Entities

Corporate Governance Act *[Chapter 10: 31].* As a result, I was unable to ascertain how this role was discharged. In addition, I noted that there were no internal audit reports produced during the year under review. Upon enquiry management indicated that the committee was dissolved following the dissolution of the Parks and Wildlife Management Authority Board.

Risk / Implication

Principal business risks and other emerging risks affecting the Fund may not be effectively addressed.

Recommendation

The Fund should consider liaising with the appointing authority to ensure Management Committee is reconstituted.

Management response

Following the dissolution of the Parks and Wildlife Management Authority Board which culminated into the automatic termination of Rhodes Matopos Estate Fund Management Committee, the oversight role of the Fund was the responsibility of the Permanent Secretary in the Ministry of Environment, Climate, Tourism and Hospitality Industry.

The Management Committee is yet being fully constituted. Two members from the ZIMPARKS Main Board have already been appointed, two members from the Bulawayo Publicity and RDC have already been nominated and the remaining two Ministerial appointments are yet to be availed. Internal Audit as well as Risk Management Officer were unable to visit the station physically owing to the COVID-19 Pandemic. However, the Risk Management Office had initiated the Risk Management process which was not finalized as planned in 2020.

1.2 Statutory deductions

Finding

The Fund did not remit National Social Security Authority contributions deducted from casual workers during the year under review in line with National Social Security Authority Act *[Chapter 17:04]*. I was not availed with payment vouchers in support of the remittances to National Social Security Authority.

Risk / Implication

Financial loss due to fines and penalties for non-payment of statutory obligations.

Recommendation

Statutory obligations should be timeously remitted.

Management response

Management acknowledges an oversight that was made in complying with the requirements of NSSA Act. Going forwards, the Fund will ensure that the remittance of amounts that have been deducted from employees have been appropriately made to NSSA within the stipulated timeframes.

2. MANAGEMENT OF ASSETS

2.1 Fleet management

Finding

The Fund conducts conservation activities which involves extensive travelling. This needs reliable vehicles which can be used in any terrain. Upon review of the vehicles status report that was availed for audit, I noted that the fund had twelve (12) vehicles. Of these vehicles, only (two) 2 were functional whilst one (1) was a limited runner. The aging fleet resulted in the Fund incurring a significant vehicle repair and maintenance costs amounting of ZWL$1,3 million.

Enquiries with management revealed that over the years, the Fund has not been generating adequate cash flows to enable the replacement of its ageing and unserviceable fleet of vehicles. Management stated that in order to keep the Fund running, reliance has been placed on capital and operational grants from the Parks and Wildlife Management Authority of Zimbabwe as the managing entity of the Fund.

Risk / Implication

Service delivery may be compromised.

Financial loss due to high costs of vehicle repairs and maintenance.

Recommendation

The Fund should consider recapitalizing its transport department to support the achievement of its mandate.

Management response

Over the years, the Fund has not been generating adequate cash flows to enable the replacement of its ageing and unserviceable fleet. In order to keep the Fund running, reliance has been placed on capital and operational grants from the Parks and Wildlife Management Authority of Zimbabwe as the managing entity of the Fund. Owing to the COVID-19 Pandemic there was no replacement of fleet as resources were mainly channelled towards enhancement of the Fund's revenue generating capacity.

For unserviceable fleet, the Fund realised that the cost of maintaining it outweighs the benefits that will be derived from the use of them. The Fund will conduct a Board of survey by the end of year with the aim of disposing them.

RHODES NYANGA ESTATE FUND 2020

Background Information

Rhodes Nyanga Estate Fund was incorporated in Zimbabwe in terms of the Rhodes Estates Act *[Chapter 20:14].* The functions of the Fund 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 Rhodes Nyanga Estate Fund for the year ended December 31, 2020 and I issued a qualified opinion.

Qualified Opinion

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 Rhodes Nyanga Estate Fund as at December 31, 2020 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

Non-compliance with International Accounting Standard IAS 21 "The Effect of Changes in Foreign Exchange Rates" on opening balances.

The prior year financial statements did not comply with the requirements of IAS 21 "The effects of changes in foreign exchange rates", as the Fund had been unable to use an appropriate exchange rate on change of functional currency. The Fund translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Fund used January 1, 2019 as the date of change in functional currency and rebased its foreign denominated balances to ZWL at a rate of 1:2.5. Statutory Instrument 33 of 2019 prescribed that all assets and liabilities that were denominated in US$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate starting at 1:2.5. The Fund's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Fund's 2020 opening balances misstatements have an impact on the current year financial statements.

Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Fund's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 21 are considered material and pervasive to the financial statements, taken as a whole.

Below are other material issues noted during the audit:

1. GOVERNANCE ISSUES

1.1. Management Committee oversight role

Finding

The Fund's Management Committee only held one meeting during the year under review. The primary responsibility of the Management Committee was to provide strategic direction and exercise the oversight role over the activities of the Fund as provided by the Public Entities Corporate Governance Act *[Chapter 10: 31].* As a result, I was unable to ascertain how this role was discharged. In addition, I noted that the fund was not subjected to review by the internal audit function as part of its risk management process. Upon inquiry, management indicated that the committee is yet to be fully constituted following the dissolution of the Parks and Wildlife Management Authority Board.

Risk / Implication

Noncompliance with the Public Entities Corporate Governance Act *[Chapter 10: 31].*

Lack of strategic guidance during the year.

Principal business risks and other emerging risks affecting the Fund may not be effectively addressed.

Recommendation

Management committee should be put in place in order to provide strategic direction and exercise the oversight role over the activities of the Fund.

Management response

The Management Committee is yet being fully constituted following the dissolution of the Parks and Wildlife Management Authority Board which culminated into the automatic termination of Rhodes Nyanga Estate Fund Management Committee. Two members from the ZIMPARKS Main Board have already been appointed and the remaining Nyanga Council Representatives as well as two Ministerial appointments are yet to be availed. Currently, the oversight role of the Fund is the responsibility of the Permanent Secretary in the Ministry of Environment, Climate, Tourism and Hospitality Industry who is the Trustee in the absence of a fully constituted Management Committee. Internal Audit was unable to visit the station physically owing to the COVID-19 Pandemic. However, the Risk Management Office performed a Risk Assessment process as planned in 2020.

Management will engage the Parent Ministry to expedite the appointment of Rhodes Nyanga Estate Fund Committee of Management. The Fund will also ensure that all risks and internal control assessment processes are appropriately conducted by the relevant offices within the Parks and Wildlife Management Authority in the 2021 financial period.

1.2. Conservation

Finding

The Fund did not have effective access control measures at the park area. As a result, it has been exposed to timber theft, animal poaching and illegal mining activities. From a sample of incidences examined, one hundred (100) cubic metres with an approximate value ZWL395 000 was lost in the month of February 2020.

Risk / Implication

Financial loss due to theft.

Environmental degradation.

Recommendation

Those charged with governance should expedite the approval and implementation of the necessary access control measures to prevent further losses.

Management response

Rhodes Estate Fund Management has plans to establish a controlled boom gate on Pungwe Scenic Road to enhance resources protection efforts that has already been submitted to those charged with governance for consideration. Management also intensified patrols in the affected areas in order to curb illegal mining activities and other poaching activities.

STATE LOTTERIES 2019

Background Information

The Fund was established in 1935 through an Act of Parliament and operates in terms of the Lotteries and Gaming Act [*Chapter 10:26*]. The Fund's principal activity is the sale of lottery tickets and scratch cards and donating proceeds to charity.

I have audited the financial statements for State Lotteries Fund for the year ended December 31,2019 and I issued an adverse audit opinion.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion of my report, the financial statements do not present fairly the financial position of State Lotteries Fund as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standards (IAS) 21 "The effects of changes in foreign exchange rates"

The Fund translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 OF 2019 issued by the Reserve Bank of Zimbabwe. The Fund used October 01, 2018 as the date of change in functional currency and translated its foreign denominated balances to ZWL using the February 22, 2019 interbank rate. This was contrary to the requirements of IAS 21 where the translation should have been done using the rate prevailing at the date of change of functional currency. The Fund has not been able to assess the appropriateness of use of the interbank rate in achieving fair presentation primarily due to the need to comply with Statutory Instrument number 33 of 2019 and also the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market.

Additionally, the introduction of the interbank rate occurred after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. In substance, the immediate delivery of foreign currency could not be guaranteed which impinged on the underlying concept of closing rates and definition of spot rates. This therefore impacts the basis for measuring transactions between October 2018 and February 2019, valuation of assets and liabilities as well as the accounting for exchange differences. The Fund applied the prevailing interbank rate in revaluing its assets and liabilities as at December 31, 2019. In that regard, the Fund has not been able to comply with the requirements of IAS 21.

Below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Chitungwiza property

Finding

The Fund was not monitoring the use of its Chitungwiza property by its tenants. As a result, one of the tenants was subletting the Fund's property without the Fund's authority. In addition, the Fund did not review lease agreement as the original tenant was paying only ZWL150 which was below the market value.

Risk / Implication

Loss of revenue.

There may be no basis for recourse in the event of damage to the property.

Recommendation

Management should adequately monitor utilization of leased space and review the lease terms.

Management response

The tenant changed address as well as contact details and we could not locate him for some time. We have since resolved the issue, cancelling his lease and getting a new tenant who reports directly to Head Office.

1.2 Statutory and other obligations

Finding

The Fund was not remitting statutory and other obligations to the relevant authorities. Hence the Fund had accumulated a total bill of ZWL 258 714 in statutory and other obligations. On enquiry, management stated that the Fund was experiencing liquidity challenges.

The table below shows the obligations outstanding as at the year end.

Nature of obligations	Amount owed ZWL
Pension contributions	71 2645
Medical Aid contributions	9 238
PAYE	30 949
Subscriptions	14 700
	258 715

Risk / Implication

Services to staff may be denied due to outstanding contributions

Financial loss due to penalties that may be levied.

Recommendation

Management should remit all statutory obligations in time.

Management response

We submitted our bail out proposal to Permanent Secretary's office. We have not heard from Treasury whether this is going to happen sooner or later. We have included all outstanding payments to do with staff welfare, as a priority. Meanwhile, we continue to look for other means to augment our income and pay bills.

ZIMBABWE MANPOWER DEVELOPMENT FUND (ZIMDEF) 2020

Background Information

The Fund was established in terms of the Manpower Planning and Development Act *[Chapter 28:02]* to finance the cost of any scheme of manpower development or such other costs in connection with vocational education or training through levy imposed on certain employers and also to finance the training and employment of apprentices in specified industries.

I have audited the financial statements of the Zimbabwe Manpower Development Fund, for the year ended December 31, 2020 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified opinion section of my report, the financial statements present fairly, in all material respects the financial position of Zimbabwe Manpower Development Fund as at December 31, 2020, 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

Non- compliance with International Accounting Standard (IAS 21), "The effects of changes in foreign currency rates".

The prior year financial statements did not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Currency Exchange Rates", as the Fund was unable to use an appropriate exchange rate on change of functional currency to translate the opening USD denominated balances. The Fund translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Fund used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 as per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Fund's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. The financial effects of this departure on the 2019 financial statements are considered material to the financial statements.

Below are other material issues noted during the audit;

1. PROCUREMENT OF GOODS AND SERVICES

1.1 Delivery of motor vehicles

Finding

The Fund paid ZWL 22.9 million for the procurement of 3xToyota Hilux and 5xNissan NP 200 vehicles on December 10, 2020. However, on March 18, 2021, the supplier delivered only four (4) Nissan NP 200 out of the eight (8) vehicles. On enquiry, management stated that they had been making follow ups on the delivery of the vehicles since April 2021 with the latest being on March 14, 2022. Management also stated that the supplier indicated that the customs clearances were not yet completed. My subsequent review of the prepayment account revealed that the delivery of the remaining four (4) vehicles was still outstanding as at June 04, 2022.

Risk / Implication

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

Recommendation

Management should engage the supplier and ensure that outstanding vehicles are delivered.

Management response

Management engaged and is still engaging the supplier to ensure the delivery of the vehicles. We are hoping to have the vehicles delivered as promised. ZIMDEF management were invited to the supplier's bonded warehouse in Eastlea where we were shown the vehicles although they are yet to be cleared by ZIMRA. The supplier cited that they are yet to secure the forex to clear the vehicles from ZIMRA.

PUBLIC ENTITIES UNDER THE CATEGORY OF HOSPITALS

CHITUNGWIZA CENTRAL HOSPITAL 2019

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, 2019 and I issued an Adverse opinion.

Adverse opinion

In my opinion, because of the significance of the matters described in the basis for adverse opinion section of my report, the financial statements do not present fairly the financial position of Chitungwiza Central Hospital as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Public Finance Management Act [*Chapter 22:19*].

Basis for Adverse Opinion

i. Non- Compliance with International Accounting Standard IAS 21- The effects of changes in foreign exchange rates

During the period 1 January to 21 February 2019 the financial statements of the entity included balances and transactions denominated in US$ that were converted to local currency (ZWL) using an exchange of 1:1 in compliance with Statutory Instrument 33 of 2019 (SI 33/19). I believe that the economic substance of transactions in the market indicated a different rate between the two currencies throughout this period despite the legal 1:1 ZWL: USD exchange rate. The use of the 1:1 exchange rate thereby constituted a departure from the requirements of IAS 21 – The effect of changes in Foreign exchange rates. On 22 February 2019, the entity changed its functional currency from USD to local currency, all balances that were previously denominated in USD were translated into local currency using an exchange of 1:1 in compliance with (SI 33/19). This constitutes a material departure from the requirements of IAS 21 which requires the use of market exchange rates when translating figures from one currency to another.

The comparative figures were converted to the local reporting currency (ZWL) from the previous reporting currency (USD) at a rate of 1:1. The exchange rate used did not represent the true market exchange rate that existed in comparative year in terms of IAS 21. Instances of non-compliance with IAS 21 noted above were primarily due to the requirements of Statutory Instrument 33 of 2019 being inconsistent with IAS 21. To address this inconsistency, the entity was guided by Statutory Instrument 41 of 2019 (SI 41/19) which stated that in the case of inconsistency between a local pronouncement and any international standard, the local pronouncement shall take precedence. The financial effects of this departure on the inflation adjusted financial statements have not been determined and we have not been able to obtain sufficient and appropriate audit evidence to determine the impact of this departure.

ii. Management Valuation of Property and Equipment

Revaluation of property and equipment was completed in February 2020, I noted that the hospital did not adjust the carrying amount of property and equipment as at 31 December 2019 to take into account the revaluation. The carrying amounts of assets were based on a desk top valuation performed by management. I was not satisfied with the procedures taken to value the fixed assets as there is no detailed report showing the assumptions and methodology used. As a result, I could not determine whether any adjustments would have been necessary.

iii. Limitation on Scope

The Hospital could not provide the Trade receivables aged analysis and Trade payable aged analysis to support the carrying amounts of Trade receivables and Trade payables amounting to ZWL 17,107,780 and ZWL 4,474,488 respectively as at 31 December 2019. Management could not provide individual debtors' and creditors' accounts with opening and closing balances. I was unable to obtain any evidence with regards the carrying amount of Trade Receivables and Trade Payables as at 31 December. In addition, management could not provide schedules and calculations to substantiate the allowances for credit losses on trade Receivables amounting to ZWL13,309,35 as at 31 December 2019 and the movement in the allowance amounting to ZWL627,266. I was unable to satisfy myself by alternative means concerning the completeness, existence, valuation and accuracy of Trade receivables and Trade Payables as at 31 December 2019.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Alignment accounting processes to new developments

Finding

The Hospital's accounting processes were not aligned to the new developments of the accounting framework. As a result, there were key accounting processes that were not done in line with the new developments. For instance, the Hospital did not perform a revaluation exercise to establish the fair values of its assets in line with requirements of International Accounting Standards 16- "Property, Plant and Equipment"- revaluation of assets. In addition, the allowance for non -recovery of debts was not calculated in line with the provisions of IFRS 9, but rather on the old standard IAS 39.

Risk / Implication

Misstatement of financial statements.

Recommendation

Accounting staff should keep tracking changes in accounting standards and apply them accordingly.

Management response

We will adopt IFRS 9 in the annual financial statements for the year ended December 31, 2020.

1.2 Creditors and receivables reconciliations

Finding

The Hospital was not reconciling creditors` balances with creditors` statements. Significant creditors of the Hospital were being paid by the government, these payments were not captured in the supplier ledgers. As a result, management could not provide the trade payables age analysis to support the carrying amounts ZWL 4,474,488 recorded in the financial statements.

In addition, the Hospital could not extract the debtors age analysis for the 2019 financial year. As a result, I was unable to confirm or verify the existence and valuation of trade receivable amounting to ZWL 17,107,780 recorded in the financial statements.

Risk / Implication

Misstatement of financial statements.

Financial loss due to dual payments of creditors and non-collection of receivables.

Recommendation

Debtors and creditors reconciliation should be performed regularly.

Management response

We are facing system challenges in SAP since it was implemented.

MPILO CENTRAL HOSPITAL 2020

Background Information

Mpilo Central Hospital is a body corporate established in terms of the Health Service Act [*Chapter15:16*]. It was incorporated in August 1958 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 the 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, 2020 and I issued an adverse opinion with emphasis of matter on COVID 19 pandemic.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Mpilo Central Hospital as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Health Service Act [*Chapter 15:16*].

Basis for Adverse Opinion

i. Impact of prior year Non-Compliance with International Accounting Standard IAS 21 – "The Effect of Changes in Foreign Exchange Rates."

For the financial year ended December 31, 2019, an adverse opinion was issued due to the non-compliance with the requirements of IAS 21 – "The Effect of Changes in Foreign Exchange Rates." Non-compliance with IAS 21 arose from the fact that Statutory Instrument 33 of 2019 is inconsistent with IAS 21. Mpilo Central Hospital elected to comply with the requirements of Statutory Instrument 33 of 2019 (SI 33/99) which was issued on February 20, 2019. The entity was guided by Statutory Instrument 41 of 2019 (SI 41/19) which states that in the case of inconsistency between local pronouncement and any international standard, the local pronouncement shall take precedence.

The opening balances for the December 31, 2020 financial year were affected by the following prior period events:

- During the period January 1, 2019 to February 21, 2019 the financial statements of the entity included balances and transactions denominated in US$ that were converted to local currency (ZWL) using an exchange of 1:1 in compliance with Statutory Instrument 33 of 2019 (SI 33/19). I believe that the economic substance of transactions in the market indicated a different rate between the two currencies throughout this period despite the legal 1:1 ZWL: USD exchange rate. The use of the 1:1 exchange rate thereby constitutes a departure from the requirements of IAS 21 – "The Effect of Changes in Foreign Exchange Rates."
- On February 22, 2019, the entity changed its functional currency from USD to local currency, all balances that were previously denominated in USD were translated into local currency using an exchange of 1:1 in compliance with SI 33/19. This constitutes a material departure from the requirements of IAS 21 which requires the use of market exchange rates when translating figures from one currency to another.
- Figures that were previously reported as USD prior to January 1, 2019 were converted to the local reporting currency (ZWL) from the previous reporting currency (USD) at a rate of 1:1. The exchange rate used do not represent the true market exchange rate that existed in comparative year in terms of IAS 21.

The effects of misstatements due to non-compliance with IAS 21 on prior year financial statements and opening balances have not been quantified.

ii. Completeness and valuation of donations in-kind

During the year ended December 31, 2020, the hospital recognised donations in-kind amounting to ZWL174,392,457. Management could not provide supporting schedules and assumptions to substantiate the valuation of donations in kind. They also could not provide a sequentially numbered donations register where these were recorded. As such, I could not satisfy ourselves on the valuation and completeness of donations and determine if any adjustments were necessary to the statement of profit or loss and other comprehensive income and statement of financial position accordingly.

iii. Valuation and completeness of trade payables

During the year ended December 31, 2020, trade and other payables amounting to ZWL 2,660,854 were recognised in the financial statements. I could not satisfy myself on the completeness and valuation of the balance as amounts confirmed by suppliers differed materially by ZWL2,385,903 from the amounts recognised by the hospital. Moreover, management could not provide sufficient and appropriate documentation to substantiate ZWL 34,761,289 from our sample as the hospital could not provide creditors reconciliation statements as they were not prepared during the year. I could not determine if any adjustments were necessary to the statement of profit or loss and other comprehensive income and statement of financial position accordingly.

iv. Completeness and existence of Property and Equipment

The hospital maintained a fixed asset register which did not have values and a formal identification system of assets (tagging and serial numbers). I could not satisfy myself on the completeness and existence of the property and equipment recognised in the financial statements. As the Hospital has a number of similar assets, I could not ascertain if any adjustments were necessary to statement of financial position.

v. Valuation of Property and Equipment

International Accounting Standard 16 – “Property, Plant and Equipment” requires that an assessment of residual values and useful lives be carried out at the end of each financial year. The Hospital did not carry out any such assessment in the 2020 financial period for the amounts represented in the financial statements. I therefore could not satisfy myself on the valuation of PPE as shown in statement of financial position as at December 31, 2020.

vi. Expected Credit Losses

Mpilo Central Hospital adopted IFRS 9- “Financial Instruments” effective on July 1, 2018. The Hospital elected to apply the simplified approach and used the provision matrix in determining the expected credit loss (ECL) allowances as at year end which amounted to ZWL 43,499,693 as disclosed to note 4 of the financial statements. Mpilo did not make use of probability weighted expected credit loss on the different scenarios and appropriately segment the accounts receivables according to different credit profiles. It was impracticable for us to quantify the misstatement in the financial statements as a result of non-compliance with IFRS 9.

vii. Valuation of inventory

During the year ended December 31, 2020, inventory amounting to ZWL58,221,910 was recognised in the statement of financial position. Significant discrepancies between the stock count sheets and the inventory valuation report amounting to ZWL38,413,452 remained unresolved at year end. I therefore could not determine the extent of the misstatement in the recognised amount.

viii. Occurrence of inventory consumed

During the year ended December 31, 2020, management could not provide a breakdown of items of inventory consumed during the year amounting to ZWL7,765,351. As such, I could not satisfy myself on the occurrence of the amounts expensed in the financial statements and determine if any adjustments were necessary to the statement of profit or loss and other comprehensive income and statement of financial position accordingly.

ix. Existence and valuation of prepayments

Management could not provide sufficient and appropriate documentation to support prepayments recognised in the financial statements amounting to ZWL3,915,304 as at December 31, 2020. As such I could not satisfy myself on the existence and valuation of the recorded amount and determine if any adjustments were necessary to the statement of profit or loss and other comprehensive income and statement of financial position accordingly.

x. Accuracy of inflation adjusted transactions

According to IAS 29, all items in the statement of profit and loss and other comprehensive income are expressed in terms of the measuring unit current at the end of the reporting date. Management could not provide a monthly breakdown of revenue amounting to ZWL38,148,361. Moreover, variances between the main trial balance and the sum of the 12 monthly TBs on cost of sales amounting to ZWL51,301,369 and ZWL5,807,559 from operating expenses remained unresolved. As such, I could not satisfy ourselves on the accuracy of the inflation adjusted transactions on the statement of profit or loss and other comprehensive income and determine the extent of the misstatement.

Emphasis of matter - COVID - 19 Pandemic

I draw your attention to the fact that, in January 2020, the World Health Organization (WHO) declared COVID 19 to constitute a “Public Health Emergency of International Concern.” Since then, more cases have been diagnosed locally and also in other countries. On March 11, 2020 WHO announced that the coronavirus outbreak can be characterized as a pandemic and many governments have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. Also given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. The directors’ evaluation of the conditions and the events and plans to mitigate these matters are described in note 14 to the financial statements. My opinion is not modified with respect to this matter.

Below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Internal audit function

Finding

The Hospital’s internal controls were not subject to frequent review as the Hospital did not have internal audit function. This was contrary to the requirements of the Public Entities Corporate Governance Act [*Chapter 10:31*].

Risk / Implication

Weak internal control environment creates opportunities for material irregularities and fraud.

Recommendation

The Hospital should consider setting up an internal audit function in compliance with corporate governance framework.

Management response

The internal auditor will be recruited once the substantive Chief Executive Officer is in place. The Hospital Board is not yet in place to then address the issue.

1.2. Supporting documents

Finding

I could not obtain sufficient and appropriate audit evidence to support the amount of ZWL3 915 304 recognised as prepayments in the financial statements. In addition, donated assets stated at a value of ZWL183 253 825 were not adequately supported. Management did not provide documentation in support of assumptions/basis used to estimate the market value of the donated assets for accounting purposes.

Risk / Implication

Misstatement of financial statements.

Fraud and errors may go undetected.

Recommendation

All transactions should have adequate supporting documentation.

Management response

Prepayments
Noted. Management will insist on statements from suppliers and reconciliations to be done on a monthly basis.

Donations
Noted, management is working on sourcing and filing all the documents used as basis for coming up with estimated price of all donated items. Formal and documented Standard operating Procedures will be crafted for use by personnel.

1.3. Inventory variances

Finding

There were discrepancies between the physical quantity of inventory (stocks) counted and the records of inventory. Quantities that were confirmed were less than what was in the records leaving a variance of inventory worth ZWL3.4 billion which management had not investigated to determine the reasons for the discrepancies. Of most significance were the items listed below;

Description	Quantity as per stock count sheet	Quantity as per inventory valuation report	Quantity Variance	Unit cost (ZWL)	Variance Value (ZWL)
Amitriptyline 25mg tablets	1 083	1 803	(720)	2 164	(1 557 792)
Captopril 25mg tablets	1 529	4 677	(3 148)	15 183	(47 795 911)
Dexamethasone Sodium Phosphate 4mg/m	36	717	(681)	3 794	(2 583 425)
Diazepam 5mg tablets	168	1 709	(1 541)	5 811	(8 954 135)
Fentanyl 100MG/2ML	250	3 400	(3 150)	174 862	(550 816 371)
Glibenclamide 5mg tablets	2 046	4 945	(2 899)	3 709	(10 751 666)
Griseofulvin 500mg tablets	941	3 080	(2 139)	30 800	(65 881 200)
Indomethacin 25mg capsules	3 492	24 040	(20 548)	28 367	(582 889 226)
Lignocaine Hcl Plain 2 % 20ml	-	1 950	(1 950)	3 900	(7 605 000)
Loperamide 2mg tablets	-	668	(668)	1 503	(1 004 004)
Metformin 500mg tablets	12 974	17 129	(4 155)	47 105	(195 720 236)
Morphine Sulphate inj 10mg/ml	206	7 393	(7 187)	7 393	(53 133 491)
Nifedipine 20mg SR	1 294	22 624	(21 330)	55 026	(1 173 704 580)
Phenobarbitone 30mg tablets	140	11 093	(10 953)	1 627	(17 824 289)
Hydrocortisone Sodium Succinate 100mg	463	944	(481)	9 068	(4 361 784)
Latex Gloves Medium	100	27 917	(27 817)	22 780	(633 678 826)

In addition, the Hospital's stores department did not make use of issue vouchers during the year when consumables were being requested by user departments. As a result, the stores department and accounts departments were not reconciling issues and receipts between these two departments. Hence, I could not verify the completeness of consumables expenses amounting to ZWL7 765 351.

Risk / Implication

Misstatements of financial statements.

Financial losses due to inventory theft or pilferage which may go undetected.

Recommendation

Management should take action to strengthen controls around inventory.

Reconciliations should be done between physical and theoretical stock.

Management response

This is a major concern to management. The inventory variances are being investigated. Decongestion due to Covid 19 resulted in some procedures not being done. Management will implement the recommendations so that discrepancies noted are investigated on time.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Hospital did not make progress in addressing audit findings and recommendations raised in my 2020 report. I raised four (4) audit findings and one (1) was partially addressed whilst the other three (3) were not addressed as indicated below;

2.1. Non-compliance with IAS 16 "Property, plant and equipment"

The recommendation was partly implemented. Management is aware of this issue. Letters have been written to the Ministry of Local Government and CMED to assist the management with the revaluation exercise.

2.2. Board of management

The recommendation has not been implemented. Board of management not yet appointed.

2.3. Shortage of manpower

The recommendation has not been implemented. Staff shortage not yet addressed.

2.4. Non-compliance with IFRS 9- "Financial Instruments"

The recommendation has not yet been implemented. The limitations of the manual accounting system in use could not ensure the segregation, ageing and profiling of debtors**.**

PARIRENYATWA GROUP OF HOSPITALS 2019 AND 2020

Background information

Parirenyatwa Group of Hospitals is a body corporate established in terms section 18 (1) of the Health Service Act, [*Chapter 15:16*] of 2004. The Central Hospital consists of Mbuya Nehanda Maternity Hospital, Sekuru Kaguvi Eye Unit, Annex Hospital for the Mentally Disabled and the Main Hospital.

I have audited the financial statements for Parirenyatwa Group of Hospitals for the years ended December 31, 2019 and 2020 and I issued an adverse opinion for December 31, 2019 and a qualified opinion for December 31, 2020.

Adverse Opinion 2019

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Parirenyatwa Group of Hospitals as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

Non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates"

The Hospital translated its comparative financial statements including transactions and balances for the period up to February 22, 2019 denominated in USD at a rate of 1:1 to the Zimbabwean Dollar (RTGS or ZWL). The transactions during this period were not converted to RTGS or ZWL using an appropriate exchange rate that reflects the economic substance of its value as provided for by International Accounting Standard 21, "The Effects of Changes in Foreign Exchange Rates". The Hospital applied the legal exchange rate of 1:1 as pronounced through Statutory Instrument 33 of 2019.

Subsequent to February 22, 2019 the Hospital applied interbank exchange rates which came into existence, through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe (RBZ) and was initially pegged at a rate of 1:2.5. This was after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. No assessment was carried out to show appropriateness of the interbank rate to the existing economic environment. The interbank rate and the exchange rate of 1:1 applied on comparative amounts did not represent the price that could be received for foreign currency as many were unable to access foreign currency through the interbank market and immediate delivery of foreign currency could not be guaranteed. Therefore, use of the interbank exchange rate alone fails to meet the criteria for appropriate exchange rate and to achieve fair presentation of the financial statements. As a result, the impact of the Hospital's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements are considered material and pervasive to the financial statements as a whole.

Qualified Opinion 2020

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Parirenyatwa Group of Hospitals as at December 31, 2020 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

Impact of non-compliance with International Accounting Standard (IAS) 21 "The effects of changes in foreign exchange rates" on opening balances

The prior year financial statements did not comply with IAS 21 "The Effects of Changes in Foreign Exchange Rates.", as the Hospital was unable to use appropriate exchange rate on the functional currency to translate the opening USD denominated balances. The Hospital translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve bank of Zimbabwe.

The Hospital used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 as per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Hospital inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange rate market. The financial effects of this departure on the 2019 inflation adjusted financial statements are considered material to the financial statements.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Board of Directors

Finding

The Hospital had no Board of directors in contravention with Section 19 of Health Service Act [*Chapter 15:16*] and the Public Entities Corporate Governance Act [*Chapter 10:31*]. The tenure of office for the Board of directors expired in October 2019 and since then, the Hospital was operating without a Board. On enquiry, management indicated that follow ups were done in both 2019 and 2020 with the parent Ministry and was still awaiting a response.

Risk / Implication

Oversight role may be compromised.

Recommendation

The Hospital should consider continuous engagement of the appointing Authority to appoint a Board.

Management response

The appointment of the Board of Directors is done by the Hospital's principals. The appointment of Board of Directors is still pending after having made some follow ups with the parent Ministry.

2 REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Internal controls over cash resources

Finding

The Hospital's internal controls over cash resources were not watertight. As a result, the Hospital lost ZWL$878 784 due to fraudulent processing of cash for personal use. The fraud scheme involved the employee making unauthorised debit card payments from the bank account to various entities for his own benefit. I noted that the employee was able to perform this act of fraud because of performing incompatible duties such as processing payments and posting in the system (super user).

In addition, the accounting staff responsible for bank reconciliations were also posting reversal journals into the cash book. There was no evidence to support that these journals were being checked and authorised by the supervisors. This was in violation of standard operating procedures relating to reversal of journals.

Risk / Implication

Financial loss due to fraud that may not be detected on time.

Recommendation

Management should consider improving the Hospital's internal controls over cash resources.

Management should investigate the fraud and recover the stolen cash.

Management response

The standard operating procedures have been improved and complied with to avoid recurrence of fraud. The supervisory activities have been strengthened as evidenced through signatures of relevant supervisors. The perpetrators of the fraud resigned immediately after the fraud was unearthed but the Hospital reported the case to Police.
The Accounting Assistant was not supposed to post into Cash Book for Petty Cash transactions. He only posted fraudulent transactions in order to cover his tracks. This activity made it difficult to detect the fraud. He had access to Pastel System since he posted for other suppliers. His duties were not limited to petty cash only. The case was reported to the police. The segregation on the preparation and posting of journals has been strengthened. The officers have been reminded to ensure that all journals are authorised before posting into the system.

3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Hospital made progress in addressing audit findings and recommendations raised in 2019. I raised two (2) audit findings and all were addressed as indicated below;

3.1 Theatre cancellations

Recommendation has been implemented. The Hospital took delivery of various theatre equipment in 2020.

3.2 Capacitation of the Hospital

Recommendation has been implemented. The Hospital took delivery of monitors and are now adequate.

SALLY MUGABE CENTRAL HOSPITAL 2019

Background Information

Sally Mugabe 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, Pediatric, General and Radiology departments.

I have audited the financial statements of Sally Mugabe Central Hospital, for the year ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Sally Mugabe Central Hospital as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Adverse Opinion

i. Non-compliance with International Accounting Standard (IAS) 21 "The Effects of changes in Foreign Exchange Rates"

On October 1, 2018, the Reserve Bank of Zimbabwe issued a Monetary Policy Statement (MPS) which directed banks to separate bank accounts into Real Time Gross Settlement Foreign Accounts (RTGS FCA) and Nostro FCAs. During the year ended December 31, 2018 and the period between January 1, 2019 to February 20, 2019, the Hospital transacted using a combination of Nostro FCAs and RTGS FCA (electronic payments) including mobile money. and bond notes and coins.

On February 20, 2019, a Monetary Policy Statement was issued, denominating the existing RTGS balances, bond notes and coins in circulation as RTGS dollars in order to establish an exchange rate between the existing monetary balances and foreign currency. The RTGS dollar became part of the multicurrency system in Zimbabwe through the issuance of SI 33/2019, with an effective date of February 22, 2019. The SI provided that for accounting and other purposes, all assets and liabilities that were immediately before the effective date, deemed to be values in RTGS dollar at a rate of 1:1to the United States Dollar. This was not consistent with IAS 21 which requires that an assessment be made of the change in functional currency and that financial statements be presented at a rate that approximates the market rate. The Hospital had to be guided by SI 41/2019 which states that in the case of any inconsistency between a local pronouncement issued by the Board through a notice in the Government Gazette and any international standard, the local pronouncement shall take precedence to the extent of the inconsistency.

In compliance with SI 33/2019, the Hospital presented the financial statements in USD using an exchange rate of 1:1 between the RTGS FCA and Nostro FCA for all transactions between January 1, 2018 and February 20, 2019. This constitutes a departure from the requirements of IAS 21 – The Effects of Changes in Foreign Exchange Rates. Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements would have been materially affected. As a result, the impact of the Hospital's inability to comply with IAS 21 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 21 are considered material and pervasive to the financial statements, taken as a whole.

ii. Non-compliance with International Accounting Standard (IAS) 29 – "Financial Reporting in Hyperinflationary Economies"

For the year ended December 31, 2019, management did not comply with the requirements of IAS 29 in that, the financial statements, including comparative information, were not expressed in current units of the functional currency (units as at the end of the reporting period). The preparation of financial statements by the Hospital without restatement to current units of the functional currency constitute departure from the requirements of International Reporting Standards (IFRS).

Had the financial statements been prepared in accordance with the requirements of IAS 29, multiple elements would have been materially adjusted. As a result, the impact of the Hospital's inability to comply with IAS 29 has been determined as significant. The effects on the financial statements of the non-compliance with IAS 29 are considered material and pervasive to the financial statements, taken as a whole.

iii. Material misstatement in recording inventory

During the year, the Hospital recorded inventory amounting to the value of ZWL6 197 232. Exceptions such as variances between the quantity on hand and the quantity counted during the year end stock count and unrecorded pharmaceutical and medical supplies had been identified. I was unable to satisfy myself by alternative means concerning the inventory quantities held as at December 31, 2019.

Emphasis of matter

I draw your attention to the uncertainties related to the possible effects of COVID 19 outbreak on the Hospital and its inability to quantify the possible impact. My opinion is not modified in respect of this matter.

Below are other materials noted during the audit:

1. GOVERNANCE ISSUES

1.1 Monthly inventory counts

Finding

The Hospital stores department was not performing monthly inventory counts. As a result, the Hospital recorded inventory amounting to ZWL6 197 232. Exceptions such as variances between the quantity on hand and the quantity counted during the year end stock count and unrecorded pharmaceutical and medical supplies had been identified. I was unable to satisfy myself by alternative means concerning the inventory quantities held as at December 31, 2019.

Risk / Implication

Loss of inventory through theft.

Material misstatements of inventory in the financial statements.

Recommendation

Management should ensure that monthly inventory counts are done by the stores department.

Management response

Noted this has been addressed in 2021 and monthly inventory counts are now being carried out in all the various stores.

1.2 Internal Audit

Finding

The Hospital did not have an establishment for internal Audit on its structure. The current structure was put in place by Management in order to improve internal controls whilst waiting for Treasury concurrence for the Audit structure.

Risk / Implication

Fraud and errors may go undetected.

Recommendation

Management should continuously engage Treasury for this department to function effectively.

Management response

The Hospital does not have an establishment for internal Audit on its structure. The current structure was put in place by Management in order to improve internal controls whilst waiting for Treasury Concurrence for the Audit structure. Management will continue to lobby for the Concurrence.

2 REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Debt Collection

Finding

The Hospital had no procedures of following up debts. In addition, there were no responsible personnel to make follow ups on payments due to the Hospital. As a result, reliance was being placed on utmost good faith of patients as records were only updated when a patient brings a proof of payment. However, this resulted in long outstanding receivables. Enquiries with management revealed that the accounts receivables were voluminous and it was impossible to do the task on a monthly basis.

Risk / Implication

Misstatement of accounts receivable.

Recommendation

The Hospital should ensure that there is a debt collection section to follow up on all outstanding payments.

Management response

Noted. A recommendation will be made to the Board for the resumption of debt collecting services.

UNITED BULAWAYO HOSPITALS (UBH) 2019

Background Information

United Bulawayo Hospitals (UBH) is a principal referral center, 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 of UBH for the years ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the Hospital's financial statements do not present fairly, in all material respects, the financial position of the Hospital as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Adverse Opinion

i. Calculation of Expected Credit Losses is not in compliance with International Financial Reporting Standard (IFRS) 9 Financial Instruments.

IFRS 9 requires that credit losses should be measured and recognised using the expected credit loss (ECL) approach. The (ECL) approach relies on a relative assessment of credit risk, looking at how current and future economic conditions impact the loss. As at December 31, 2019, the hospital recognised net trade receivables of ZWL4 113 293 after deducting an allowance for expected credit losses (ECL) of ZWL14 053 844. However, the Hospital's measurement of expected credit losses is not in compliance with International Financial Reporting Standard (IFRS 9). Probability of default and loss given default models were not used in the calculation of expected credit losses. The expected credit losses are therefore considered to be materially misstated, despite the impact not being quantifiable. As a result, I was unable to satisfy myself as to the measurement of expected credit losses as at December 31, 2019.

ii. Non-compliance with International Accounting Standard (IAS) 21 "The Effects of Changes in Foreign Exchange Rates".

On February 20, 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 ("SI 33/19") with an effective date of February 22, 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates":

The Hospital transacted using a combination of United States Dollars (USD), bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, RTGS FCA in comparison to the USD. Although RTGS was not legally recognised as currency up until February 22, 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was currency.

In October 2018, banks were instructed by the Reserve Group of Zimbabwe (“RBZ”) to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound, and South African Rand).

Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. Because the hospital transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from October 1, 2018 to February 22, 2019, the decision to change the functional currency only on February 22, 2019 in accordance with SI 33/19 resulted in misstatement to the financial performance and cash flows of the hospital, as transactions denominated in USD were not appropriately translated during that period.

Although the directors acknowledge, that there was a functional currency change and that the rates of exchange rate between the USD and local currency was not 1:1, they have maintained their functional currency as ZWL and have presented the financial statements in ZWL using an exchange rate of 1:1, in compliance with SI 33/19 for periods January and February 2019. This constitutes a departure from the requirements of IAS 21, and therefore the financial statements have not been prepared in conformity with IFRSs.

iii. Revaluation of Property, Plant and Equipment.

The provisions of International Accounting Standards (IAS) 16- “Property, Plant and Equipment” confirms that revaluation of assets should be carried out regularly so that the carrying amount of an asset does not differ materially from its fair value at the date of financial statements. Contrary to the above, the hospital fails to comply with the above requirement of the International Accounting Standards (IAS)16- “Property, Plant and Equipment”. There was no evidence that the hospital performed a revaluation assessment exercise either by engaging an independent valuer expert or management professional judgement to present assets at their values at the prevailing environment. As a result, I could not substantiate the extent of understatement in the financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Alignment of accounting processes to new developments

Finding

The Hospital’s accounting processes were not aligned to the new developments of the accounting framework. As a result, there were key accounting processes that were not done in line with the new developments. For instance, the Hospital did not perform a revaluation exercise to establish the fair values property, plant and equipment in line with its accounting policy. In addition, the allowance for non-recovery of debts was not calculated in line with the provisions of IFRS 9- “Financial Instruments.”
These two key accounting requirements were therefore not adhered to the requirements of

International Accounting Standards 16 Property, Plant and Equipment- revaluation of assets, IFRS 9 Financial Instruments –allowance for credit losses.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Hospital should consider putting in place a new accounting developments tracking system that facilitates adjustment of records in line with the new standards.

Management response

Impairment and valuation of Assets requires hiring a Real Estate Valuer. This comes with a huge cost which the Hospital cannot afford as it is operating on a limited budget. The Hospital management shall come up with an internal system on how assets can be impaired.

The valuation of provision for bad debts was noted and resolved according to IFRS9 (Financial Instruments) in valuing provision of bad debts.

1.2 Doctors accommodation

Finding

The Hospital had no adequate accommodation for Doctors. The Hospital had three (3) blocks which are reserved for Junior Resident Medical Officers (JRMO). There is now an increase in the number of doctors due to the enrolments from Universities. Previously it was just one (1) University which used to train doctors.

Risk / Implication

Service delivery may be compromised as limited accommodation results in prolonged transit times for doctors which might increase the number of fatalities, complications.

Recommendation

The Hospital should continue engaging the Ministry of Health for adequate funding for the construction of Doctors' accommodation.

Management response

Noted. The Hospital will partner with Public works to develop three blocks of flats within the vacant land in the hospital this will alleviate the challenges of Doctors' accommodation.

1.3 Brain drain

Finding

The Hospital experienced high level staff turnover of specialized senior health officials. The attrition rate was; nurses 148, doctors 11, Pharmacists 3, Medical Laboratory scientist 5, Radiographers 2. Inspection of records reveals that staff were leaving due to uncompetitive remuneration and working conditions.

Risk / Implication

Service delivery may be compromised.

Recommendation

The Hospital should continue engaging the Government to improve the conditions of service.

Management response

The Government has since unfrozen all critical posts and has allocated funds towards the staff welfare of nurses and doctors as a way of curtailing the brain drain. Government should re-introduce retention allowance that has been in existence from 2008 to 31 December 2020 and also honour up payment of performance awards based on submitted individual ratings on yearly basis.

2. PROCUREMENT OF GOODS AND SERVICES

2.1 Procurement procedures

Finding

The Hospital's procurement management unit was not advising finance on the tax status of suppliers in order to facilitate the deduction of withholding tax. As a result, payments to suppliers without valid tax clearance certificates were being made in full as withholding tax was not being deducted. This was in contravention of Section 80 of the Income Tax Act *[Chapter 23:06].*

Risk / Implication

Financial loss due to penalties for non-compliance.

Recommendation

The Hospital's PMU should consider updating its procedures to incorporate tax status when submitting documents for payments.

Management response

Observation noted. The Procurement Management Unit has been mandated with ensuring that all the prospective suppliers furnish them with valid Tax clearance certificates before they engage them for any business. The Tax clearance certificates should also be attached to procurement documents submitted for payments.

3. SERVICE DELIVERY ISSUES

3.1 Medical Equipment

Finding

Inspection of the equipment status revealed that the Hospital had a shortage of Special Care Baby Unit (SCBU) incubators, autoclave machines among other medical equipment. The hospital was operating with 55% of its medical equipment requirements. The gap was attributed to unavailability of foreign currency to procure the required equipment.

Risk / Implication

Service delivery may be compromised.

Recommendation

The Hospital should continue the engagement for adequate foreign currency funding.

Management response

The Hospital is being limited by funding but have managed to procure medical equipment such as monitors, 3 ventilators ICU Hospital beds. The hospital has engaged some cooperating partners to assist with equipping the hospital.

PUBLIC ENTITIES UNDER THE CATEGORY OF UNIVERSITIES AND TERTIARY INSTITUTIONS

GWANDA STATE UNIVERSITY 2019

Background Information

Gwanda State University was established in May 2016 through an Act of Parliament, the Gwanda State University Act *[Chapter 25:30].* The University existed before this date as a College of the National University of Science and Technology [NUST].

I have audited the financial statements of Gwanda State University for the year ended December 31, 2019 and I issued a disclaimer of opinion.

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

i. Non-compliance with International Accounting Standard 21 – "The Effects of Changes in Foreign Exchange Rates" on the comparative financial information.

The University did not comply with IAS 21 in the prior financial year as it elected to comply with Statutory Instrument 33 of 2019 only from 22 February 2019. Had the University applied the requirements of IAS 21 from October 2018, many of the elements of the prior year inflation adjusted financial statements, which are presented as comparatives and the opening retained loss for the current year would have materially been impacted. The departure from the IAS 21 requirements was therefore considered to be material and pervasive. The financial effects on the financial statements of this departure have not been determined.

My opinion on the current inflation adjusted financial statements is modified because of the possible effects of this matter on the comparability with the current year's inflation adjusted financial statements with that of the prior year.

ii. Valuation of biological assets

Included in non-current assets on the statement of financial position is an amount of ZW$79 942, relating to biological assets, for which management could not provide me with the valuation reports or market values from an independent valuer as at December 31, 2019. Therefore, I was unable to obtain sufficient appropriate audit evidence over this amount.

i. Existence and accuracy of payables

Included in current liabilities on the statement of financial position is a balance of ZW$602 171 being NUST funding. There is no formal agreement between the University and NUST to verify the existence, nature and terms of this arrangement. I therefore could not obtain sufficient and appropriate evidence over the existence and accuracy of the NUST funding balance.

ii. Completeness and accuracy of revenue

Included in the statement of profit or loss and other comprehensive income is fees income amounting to ZW$ 400 434 and other income amounting to ZW$257 087. I could not obtain sufficient and appropriate evidence over the completeness and accuracy of fees income as management was not able to avail enrolment forms and detailed student registers. I could not verify accuracy of other income as management could not provide a portion of the supporting documents required. As a result, I was unable to determine if there are any adjustments necessary.

iii. Occurrence and accuracy of expenditure

Included in total expenditure in the statement of profit or loss and other comprehensive income, is ZW$1 883 911 relating to academic and administration expenses. Management could not provide me with adequate supporting invoices pertaining to this expenditure. As a result, I was unable to obtain sufficient, appropriate audit evidence to determine whether any adjustment to this amount was necessary.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Supporting documentation

Finding

The University's expenditure and revenue reported in the financial statements was not adequately supported. Supplier's invoices, supplier statements, payment vouchers, student invoices and NUST funding agreement were not availed to support the expenditure of ZWL1.8 million, Liabilities of ZWL602 171 and income of ZWL657 521.

Risk / Implication

Material misstatement in the financial statements.

Fraud and error due to misappropriation of resources.

Recommendation

The University should ensure that all entries entered into the accounting system are supported by documentation.

Management response

Noted, high staff turnover affected institutional memory and continuity. Currently all payment vouchers have adequate supporting documents and are filed accordingly.

HARARE INSTITUTE OF TECHNOLOGY 2020

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, 2020 and I issued an Adverse Opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the statement of financial position of the Harare Institute of Technology as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with international Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

i. Valuation of property and equipment

Harare Institute of Technology maintained its policy of valuing property, plant and equipment using the revaluation model and then restating balances into the current purchasing power at the end of the reporting period. This is in line with IAS 16 –Property, Plant and Equipment and IAS 29 - Financial Reporting in Hyperinflationary Economies. The last director's valuation was done as at December 31, 2019. I was unable to independently verify the valuation methodology and valuation assumptions used by the directors in 2019. In the absence of a professional valuation exercise, I am unable to independently verify if the carrying amounts of property, plant and equipment are fairly stated.

ii. Comparative financial information

Impact of incorrect date of application of International Accounting Standard (IAS 21) – "The Effects of Changes in Foreign Exchange Rates" and IAS 29 "Financial Reporting in Hyperinflationary Economies" on comparative financial information.

Government of Zimbabwe promulgated Statutory instrument ("SI") 33 on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe dollar "ZWL" as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be Zimbabwe dollars at a rate which was at par with the United States Dollar ("USD"). The requirements of SI 33 are contrary to the provisions of IAS 21.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe to separate and create distinct banks accounts for deposits names, RTGS (Real Time Gross Settlement) FCA and Nostro FCA accounts. This resulted in separation of transactions on the local RTGS payment platform from those relating to foreign payments. This separation resulted in an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legal framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by IAS 21.

The decision by directors of the Harare Institute of Technology to change the functional currency only on 22 February 2019 in accordance with SI 33/19 resulted in misstatement of the financial performance and cash flows of the Harare Institute of Technology, as transactions denominated in USD were not properly translated during that period.

Had the Harare Institute of Technology applied the requirements of IAS 21, many of the elements of the inflation adjusted financial statements of the comparative period would have been materially impacted. The financial effects on the inflation adjusted financial statements of this departure were not quantified. An adverse opinion was issued on the inflation adjusted financial statements for the year ended December 31, 2019. Furthermore, my opinion on the current period's inflation adjusted financial results is modified because of the possible effects of the matter on the comparability of the current year's financial results with that of the prior year.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Tax on allowances

Finding

The Institute did not comply with the Income Tax Act on payment of Covid-19 allowances. They processed allowances totalling ZWL11 148 270 outside the payroll system hence PAYE was not calculated.

Risk / Implication

Financial loss due to penalties for understating employees' taxable income and tax obligations.

Recommendation

The Institute should have a tax compliance review that ensure compliance with tax laws and regulations.

Management response

Noted. Management will voluntarily disclose to ZIMRA and remit the PAYE arising from those allowances.

1.2. Internal audit vacant posts

Finding

The Institute had not been filling in Internal Audit vacant posts, as a result, Internal audit reports were not prepared consistently throughout the year due to shortages of staff in the department. The reports were prepared only up to mid-June 2020, thereby limiting the Institute from getting adequate internal control assessment in line with the provisions of Public Finance Management Act [*Chapter 22:19*] and the Public Entities Corporate Governance Act [*Chapter 10:31*].

Risk / Implication

Exposure of the Institute to governance risk and reputational risk.

Fraud and illegal acts may go undetected.

Recommendation

The Institute should consider strengthening the Internal Audit Department through recruitment of more staff.

The Institute should put plans and strategies to comply with the Act.

Management response

Staffing of the Internal Audit Unit has been affected by the recruitment freeze by government as several requests from the University to recruit various staff members have not been approved. Resignations have also compounded the issue. However, Management takes note of the observation and will capacitate the Unit.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Institute made progress in addressing audit findings and recommendations raised in my previous audit report. I raised two (2) audit findings and one (1) was addressed and one (1) was partially addressed as indicated below;

2.1. Related party transactions

The recommendation was implemented. The Memorandum of Understanding (MOU) has been amended to gross revenue of 75% to Matsimba and 25% to HIT rather than profit sharing which was raising complications in the determination of relevant expenses of the parties.

2.2. ZUPCO revenue

The recommendation has been partially implemented. The meeting with ZUPCO is still pending, however reconciliations can be done at the end of year with the ZUPCO audited accounts against what was remitted.

MARONDERA UNIVERSITY OF AGRICULTURAL SCIENCES AND TECHNOLOGY 2019

Background Information

Marondera University of Agricultural Sciences and Technology was established in terms of the Marondera University of Agricultural Sciences and Technology Act *[Chapter 25:29]* with a vision to be the leading global University of excellence in the provision of technology driven sustainable green agricultural solutions.

I have audited the financial statements of Marondera University of Agricultural Sciences and Technology for the year ended December 31, 2019 and I issued an Adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matter described in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of Marondera University of Agricultural Sciences and Technology as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse opinion

Non-compliance with International Accounting Standard (IAS) 21- “Effects of Changes in Foreign Exchange Rates”

On October 1, 2018, the Reserve Bank of Zimbabwe issued a monetary policy statement that directed a separation of Foreign Currency Bank Accounts ("FCAs") into two categories, Nostro FCA and RTGS FCA. The Nostro FCAs were to hold individual foreign currencies permissible in Zimbabwe's multicurrency economy at the time. Mobile money, bond notes and coins would be treated in the same way as RTGS FCA.

During the year ended December 31, 2019, the University transacted using a combination of Nostro FCA and RTGS FCA, mobile money and bond notes and coins. In terms of International Accounting Standard (IAS) 21- “Effects of Changes in Foreign Exchange Rates” these payment methods would have been considered to be separate currencies to be translated for financial reporting purposes to the functional and presentation currency of the University at an appropriate exchange rate. However, in order to comply with the monetary policy statement, the financial statements reflect these transactions and balances at parity during the period October 1, 2018 to February 22, 2019, before an interbank rate between the RTGS dollar and the US Dollar was established by the Reserve Bank of Zimbabwe. Had the financial statements been prepared in accordance with the requirements of IAS 21, many elements in the financial statements would have been materially affected. It was not practicable to quantify the financial effects of this non-compliance with IAS 21 on the University's financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Pastel accounting software utilisation

Finding

The University invested in Pastel accounting software during the financial year ended December 31, 2018. However, the software had not been brought into use.

Risk / Implication

Value for money may not be realised.

Financial loss due to payment for services that are not subsequently utilised.

Recommendation

Management should make efforts to put to use the Pastel accounting system.

Management response

Observation Noted. The Pastel accounting software will be utilised.

1.2. Financial position of the University

Finding

The financial statements of the University showed that, the current liabilities exceeded current assets by an amount of ZWL$5,243,091. This net current liability position may affect the University's ability to continue as a going concern and it may fail to meet its immediate obligations as and when they fall due.

Risk / Implication

The University may fail to meet its obligations when they fall due.

Recommendation

Management should come up with strategies to generate additional income.

Management response

Observation Noted. The current net liability position was mainly due to farm input loans obtained from Seedco, GMB and CBZ. The loans will be repaid using farm produce. The University will comply by spending on available funds.

1.3. Supporting documentation

Finding

The University's internal controls over recording of transactions and record keeping were weak. There were some expenditures and revenue items that had no adequate supporting documents. For instance, fuel purchase, transport costs, council allowances, external examiner expenses, purchase of metal signboard and direction signs. I also noted that some revenue transactions such as sale of farm produce, poultry sales and tuck-shop sales also had no supporting documentation.

Risk / Implication

Errors and irregularities may go undetected.

Recommendation

The University should consider strengthening its internal control systems over revenue and expenditure.

Management response

Observation Noted. However, as we continue to search for the missing vouchers identified, we believe that some of such documents which could not be retrieved during the
audit time might have been misplaced when we were relocating the main Bursary office from Dozmery to CSC. In future the University will ensure that all supporting documents are filed intact and are availed in full at any given time of need.

2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The University had not made progress in addressing audit findings and recommendations raised in my 2020 report. I raised one (1) audit finding, and it was not addressed as indicated below;

2.1 Scholarships

The recommendation has not been implemented. The scholarships had not been approved by the Ministry of Higher and Tertiary Education.

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY (NUST) 2020

Background information

National University of Science and Technology is a higher education institution governed by the National University of Science and Technology Act *[Chapter 25:13].*

I have audited the financial statements of National University of Sciences and Technology for the year ended December 31, 2020 and I issued a Disclaimer of Opinion with a material uncertainty on going concern.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

i. Contingent liabilities arising from claims on construction contracts

The University was still in the process of engaging with the contractors to submit final claims for construction work done up to December 2013 on the University's Library and Service Centre. At the time of concluding the audit, management were yet to receive responses from some of the contractors. In addition, while some contractors responded during the year and subsequent to the reporting date, there are indications that the University may be held liable for breaching the terms and conditions of the construction agreements which subsisted, and as such it is likely that some of the contractors may claim compensation for loss of profit, wear and tear of their machines, the cost of movement from site as well as the value of unsettled certificates of construction work up to the point of decommissioning. The University was not able to quantify this value at the time of concluding the audit but the effects are likely to be material and significant on the financial statements.

ii. Valuation and recognition of construction materials

As part of the decommissioning process on construction projects, the University received materials from one of the contractors during the year. However, these materials were not valued and recognised in the financial statements in accordance with IFRS. As a result, the value of inventory items disclosed in the financial statements may be materially understated. I was not able to quantify the value of this understatement on the financial statements through alternative audit procedures.

iii. Valuation and existence of inventories for the Innovation and Business Development

The year-end inventory count for the Innovation and Business Development ("IBD") was attended by the University's Internal Auditor and I placed reliance on same as part of my audit work in accordance with *ISA 610: Using the Work of Internal Auditors*. However, necessary arrangements were not made for the Internal Auditor to attend the inventory count for items which were at the IBD as well as the Library locations. Accordingly, I was not able to verify the existence of the inventories amounting to $5 150 028 through alternative audit procedures. I was also not able to verify the unit values of inventories under the IBD amounting to $5 383 007 as at the reporting date.

iv. Revenue and accounts receivables for the Innovation Business Development (IBD)

I was not able to verify the completeness, occurrence and accuracy of the revenue amounting to

$208 842 877 (historical: $133 271 172) as disclosed in the current year financial statements due to significant control weaknesses.

There were significant control weaknesses in the management of accounts receivable during the year under audit. I was unable to confirm the balance due from customers as at year end through circularisations. Accordingly, I could not verify the valuation and existence of the accounts receivables balance amounting to $41 459 554 as at the reporting date. In addition, I could not satisfy myself on the valuation and existence of these accounts receivables through alternative audit procedures.

v. Revenue recognition for short courses and consultancy work

In terms of IFRS 15 revenue for short courses and consultancy work should be recognised on a five step model as and when the services are provided in order to match the transaction price to the performance obligations. However, this was not the case as the revenue was being recognised on a cash basis despite the fact that the University adopted IFRS as its financial reporting framework several years ago. Accordingly, I could not satisfy myself on the occurrence, completeness and accuracy of short courses revenue and consultancy fee income amounting to $4 560 592 owing to the use of a manual accounting systems.

vi. Accrual of student fee income

The University commenced its first semester for the 2020/2021 ("First Semester") academic year in November 2020 and students eventually concluded their exams for the said semester around June 2021. Further, due to Covid-19 related compassionate grounds the registration portal remained open and as such students continued to register for this semester well beyond June 2021. In addition, in February 2021 the University had an upward review of the student fees for the First Semester and as such all students were requested to make top up payments.

However, the University only accrued fees in respect of students who subsequently registered between January 1, 2021 and March 2021 while registrations beyond March 2021 were never taken into consideration. Furthermore, in arriving at the amounts that were accrued the University did not consider top up fees as part of the transaction price as required under IFR 15- "Revenue from contracts with customers." Moreover, the fees accrued were not apportioned on a time basis from November 2020 to June 2021 but only took into account the full fee applicable on or before December 31, 2020. This manner in which the student fee revenue was accrued and recognised in the current year financial statements is not in accordance with IFRS 15 which requires that revenue be recognised on a semester basis (time basis) taking into account the transaction price and the related performance obligations.

Accordingly, I was unable to verify the completeness, accuracy and occurrence of accrued fees amounting to $17 681 200 as reported under revenue and accounts receivables for the year ended December 31, 2020.

vii. Valuation of properties

The University revalued its properties at the reporting date using United States Dollar ("US$") denominated inputs and converted the US$ values to the Zimbabwe Dollars ("$") at the closing auction rate. I believe that applying an auction conversion exchange rate to a US$ valuation to calculate property values in Zimbabwe Dollars may not be an accurate reflection of market dynamics, as risks associated with currency trading do not always reflect the risks associated with property trading. Consequently, property values amounting to $4 180 302 761 may be materially misstated, and I was unable to determine what adjustments may be necessary to correctly account for the property values as at year end.

viii. Valuation of books

During the year, the University received 1 196 books from various donors. Management performed their own internal valuation exercise and determined that the value of these donated books was $53 550 251. I was not provided with the detailed computation schedule for me to verify the assumptions, basis, methods and inputs which were applied in arriving at this valuation.

In addition to the above, at least three years ago the University adopted a policy of valuing its books and collections on an annual basis at each reporting date in order to ascertain both the existence and valuation of these books. However, management only valued books that were donated in the current year and the rest of the books and collections were not revalued. This constitute a material change in accounting policy which should have resulted in the restatement of the opening balances for the earliest prior period presented as required by IAS 8. However, the financial statements were not restated and the effect of the error is that property, plant and equipment as well as equity may be overstated. I was unable to quantify the impact of the misstatement through alternative audit procedures. Furthermore, in the absence of a valuation exercise in the current year I was unable to satisfy myself on the valuation and existence of the books. Accordingly, the carrying value of books amounting to $173 206 608 may be materiality misstated.

ix. Expected credit loss allowance ("ECL")

The University applied the simplified approach and used a provision matrix in determining the expected credit loss ("ECL") allowances at year end in line with *IFRS 9: Financial Instruments (IFRS 9)*. However, the University did not use relevant, reasonable and supportable forward looking information in establishing loss rates in accordance with IFRS 9. In addition, the University did not appropriately age its accounts receivables and as a result, I could not rely on the different loss rates used for accounts receivables in different cycles or buckets of default based on historical payments profiles.

Management did not make use of probability weighted expected credit losses on the different scenarios and it also did not appropriately segment the accounts receivables according to the differing credit risk profiles. Furthermore, the University did not define defaults consistently with the definition used for internal credit risk management purposes, and it also did not appropriately define curing rules for the staging of the accounts receivables.

Accordingly, the value of expected credit losses amounting to $18 469 076 may be materially misstated. However, it was impracticable for me to quantify the financial effects of this non-compliance with IFRS 9 on the financial statements.

Report on going concern

Material uncertainty related to going concern

I draw your attention to the fact that the University's current liabilities exceeded its current assets by $80 430 440 (2019: $230 189 690) as at December 31, 2020. These factors indicate that a material uncertainty exists that may cast doubt on the University's ability to continue operating as a going concern.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Innovation Business Development (IDB) unit

Finding

There was no formal structure for managing the IBD unit. The unit was manned by lecturers and students on a rotational basis leading to a leadership gap as no particular individual had full responsibility of the operational and financial affairs of IBD. In addition, contracts of employment were renewable on a monthly basis and did not provide comprehensive details about employees' specific job descriptions. As a result, there were no adequate hand over and take over procedures, and credit limits for customers, hence long outstanding debtors' balances amounting to ZW$ 59 809 031.

The filing of information system at the University was also not water tight. This resulted in the University failing to provide supporting documents for some of its inventory items.

Risk / Implication

Lack of Project continuity and accountability which may result in errors and/or irregularities not being detected and corrected timeously.

Service delivery may be compromised.

Recommendation

Management should set up a formal structure to manage the IBD project.

Comprehensive employee contracts should be drafted.

Management response

Recommendation noted and will be implemented. In particular management note that no proper Finance structure was set up to manage IBD operations, so a lot of things went undone. A structure of permanent personnel under the supervision of the Bursar is being implemented to ensure proper controls are in place; and Comprehensive and permanent contracts will be drafted for employees of the IBD.

Filing of documents of the IBD business during year 2020 was not done properly. No proper administration systems were set up at IBD as the operation was on an urgent basis during lockdown. Transaction processing itself was done manually with no entries being made into Navision. This made it difficult to perform proper costing for stocks that were based on source documents.

However, automation of processing is currently underway and orderly filing of documents is now in place. Management believe that this will go a long way in addressing matters noted above.

1.2. Alignment accounting processes to new developments

Finding

The University's accounting processes were not aligned to the new developments of the accounting framework. As a result, there were key accounting processes that were not done in line with the new developments. For instance, the allowance for credit losses was not calculated in line with the provisions of IFRS 9 (Financial Instruments). Also, the University did not revalue and recognise library books and construction material (work in progress) in the financial statements in accordance with provisions of IAS 16 (Property, Plant and Equipment). In addition, management was unable to provide the basis and assumptions used for valuation of new book donations amounting to ZWL$55 000 000 in line with IAS 20 (Government grants/ donations). Upon inquiry, in respect of compliance with IFRS 9 (Financial Instruments), management highlighted that the accounting system limitations were also contributing to noncompliance.

I also noted that revenue for services rendered were not accounted for in accordance with IFRS 15 (Revenue from contracts with customers) as management did not fully accrue revenue arising from students that registered for the first semester 2020/2021 that ran from November 2020 to August 2021.

Risk / Implication

Misstatement of financial statements.

Recommendation

The University should consider putting in place a tracking system that facilitates adjustment of records in line with new accounting developments.

Management should consider upgrading the Navision accounting module so as to process the required IFRS 9 information.

Management response

i. **Accounts receivables-IFRS 9**

The relevant IFRS requires debtor's information to be presented and formatted in a specific way. However, our Navision accounting package has serious limitations in that regard. A consultant has been engaged to work with our ICTS team in implementing all the relevant modules that will enable us to generate all the required information in the suitable format. A team member has been assigned to follow up on trade receivables. The dedicated IBD debtors control account is being created to facilitate follow up of these debtors

ii. **Revaluation of Property, Plant and Equipment- IAS 16**

Going forward a scripted policy on revaluation will be done stating the basis and methods of revaluation to be adopted and this will be shared with the auditors in a timeous manner.

iii. **Construction materials**

Construction stopped during the year 2006 and the contractor was still responsible for the site and materials since there had been no termination of the contract. Further, it has been difficult to value the materials and attempts to get quotation on most of the materials failed. Some of the materials are just components or parts of either duct systems and difficult to value individually.

The Contractor was being reengaged to complete the works and the usable material will be used.

For the future, where materials are on site, valuation will be done before handover.
Arrangements are being made to create secure spaces for material storage on site. Please note that the prefabricated structures materials were moved from the Ceremonial Hall to Campus Services for security reasons at the instruction of National Security Services.

Efforts will be made to put them in one location, but space challenges are a reality.

iv. Revenue- IFRS 15

When accounts were being done manually debtors' information was always incomplete. As computerization of these records has intensified, reliable debtors' information is now available. This has enhanced our debt collection function. Debt management has been improved, and all new credit customers are now approved in writing.

The challenges that were generally faced country-wide made it difficult to impose the usual procedures that are normally followed with regard to student registrations and that affected the semester dates. The Bursar's department will work with Admissions and the ICTS department to ensure that we collectively agree on registration deadlines and put a penalty for late registration to encourage students to stick to set dates. In addition, revenue will be recognized in accordance with IFRS 15 going forward.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1. Management of revenue

Finding

There were no proper internal controls in place for management of revenue from the Innovation and Business Development ("IBD") Unit. As a result, no reconciliations between the general ledger and the detailed revenue reports were performed during the year. Delivery notes were not being signed when goods were being collected by customers. Cash sales were not clearly recorded and separated from credit sales which resulted in difficulty in reconciling total cash and credit sales to the general ledger.

Furthermore, there was an unresolved audit difference amounting to ZWL$33 million as at year end. All receipts were recognised as revenue in the general ledger including collections from credit customers. Customer control accounts were not being maintained in the general ledger.

Risk / Implication

Fraud and errors may go undetected.

Recommendation

Management should consider putting in place an effective revenue management system.

Management response

At inception of the sanitizer and PPE project in April 2020, priority was on meeting the urgent orders mainly from Natpharm. All transactions were done manually ranging from purchase orders, Goods Received Notes, Dispatch Notes to customers, Invoices and customer's statements. The intention was to then capture this information into the Navision system at a later date when the situation had normalized. Unfortunately, lockdown extended throughout the year 2020, leaving very little time to finalize capturing into Navision. This impacted negatively on the finalization of the 2020 financial statements and hence the audit.

Progress has however been realized in this area and all transactions of IBD are now through the Navision accounting system. Further, sequentially numbered invoices and delivery notes are now in place. However, these are still being generated and processed manually and an automated system is in the pipeline. IBD accounts are being set up in

Navision and capturing of information is ongoing.

3. PROCUREMENT OF GOODS AND SERVICES

3.1. Procurement of goods

Finding

The University procured an Electric Boiler for ZWL31 188 without following adequate procurement procedures. The University did not solicit 3 competitive quotes from reputable suppliers as prescribed by section 34 of the Public Procurement and Disposal of Public Assets Act *[Chapter 22:23].* There was also no evidence to support that management took into consideration all the requirements of the Act in relation to direct sourcing.

Risk / Implication

Procurement fraud may go undetected.

Recommendation

Management should follow procurement regulations as prescribed by the Public Procurement and Disposal of Public Asset Act *[Chapter 22:23].*

Management response

At the time, the Procurement Management Unit could only source one quotation despite requesting for three. A memo requesting payment to be done immediately to help arrest inflationary implications was approved by the Bursar. Going forward, procurement regulations will be implemented and any exceptions will be done after relevant approval.

4. MANAGEMENT OF ASSETS

4.1. Security of cash at bank

Finding

Internal controls over cash at bank were weak in that former employees (bursar, registrar and deputy bursar finance and administration), a possible complete panel remained as signatories for an average of nine (9) months to a year. As a result, the University had payments which had gone through the bank but had not been recorded as they had insufficient bank details. The controls were therefore not adequate to ensure reasonable protection of assets. This was in contravention with provisions of Section 42 (1) (a) of the Public Finance Management Act *[Chapter 22:19*].

Risk / Implication

Financial loss due to fraud.

Recommendation

Management should consider reviewing of the University`s internal controls over cash resources.

Management response

The delay in this process was occasioned by the late appointment of the Bursar and

Deputy Bursar-Finance and Administration. In future this exercise will be done instantly.

5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The University made progress in addressing audit findings and recommendations raised in my 2020 report. I raised four (4) audit findings and one (1) had been addressed, one (1) had been partially addressed and two (2) were not addressed as indicated below;

5.1. Contact leave

The recommendation was partially implemented. The University only paid out contract leave in exceptional cases and approved by council for example former Bursar and former Registrar. While the 2016 resolution was a once off arrangement, this has set a precedence as the former Bursar and Registrar who left the University in 2020 were also paid contact as an employee benefit. Management to closely consider same together with Council.

5.2. Demolition of prefabricated structures

The recommendation has not been implemented. The Director of PPWE was not appointed hence the project has not yet resumed.

5.3. Non-compliance with International Financial Reporting Standard (IFRS) 9 "Financial Instruments"

Recommendation has not been implemented. The relevant IFRS requires debtor's information to be presented and formatted in a specific way and the University's Navision accounting package has serious limitations in that regard. The University had engaged consultant to work with University's ICTS team in implementing all the relevant modules that will enables generation of all the required information in the suitable format.

5.4. Tax obligations

Recommendation has been implemented. The University's PAYE returns for the special and outsourced runs were regularised and there was progress in settling the outstanding balance.

ANNEXURE “A”: STATE OWNED ENTERPRISES AND PARASTATALS AUDIT OPINIONS PER ENTITY

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
AUTHORITIES AND AGENCIES											
1.	Agricultural and Rural Development Authority (ARDA)	2019	Adverse due to non -compliance with IAS 21,	2014 2015 2016 2017 2018	Qualified due to impairment of investments Qualified due to impairment of investments Qualified due to impairment of investments Qualified due to impairment of investments Adverse due to non -compliance with IAS 21,	-	-	-	-	-	-
2.	National Biotechnology Authority	2019 2020	Adverse due to non-compliance with IAS 21 Qualified Due to non - compliance with IAS 21 on	-	-	2018	Adverse due to non-compliance with IAS 21	2017	Unqualified	2016	Unqualified

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		2020 AG report		2019 AG report		2018 AG report		2017 AG report	
			opening balances								
3.	Zimbabwe Energy Regulatory Authority (ZERA)	2021	Qualified Due to non - compliance with IAS 21 on opening balances	2020	Qualified Due to non - compliance with IAS 21 on opening balances	2019	Adverse due to non - compliance with IAS 21	2016 2017 2018	Unqualified Unqualified Adverse due to non - compliance with IAS 21	-	-
4.	Zimbabwe National Road Administration (ZINARA)	2019 2020	Adverse due to non - compliance with IAS 21 on Qualified due to non - compliance with IAS 21 on	-	-	2018	Adverse due to non - compliance with IAS 21 on	2017	Qualified due to inappropriate revenue and receivables recognition	2016	Qualified due to inappropriate revenue and receivables recognition
5.	Zimbabwe National Statistics Agency	2019	Adverse due to non -compliance with IAS 21	-	-	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified	2016	Unqualified
6.	Zimbabwe National Water Authority (ZINWA)	2021	Unqualified	2020	Unqualified	2019	Unqualified with an	2017 2018	Unqualified	2016	Unqualified

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		2020 AG report		2019 AG report		2018 AG report		2017 AG report	
							Emphasis of matter		Adverse due to non - compliance with IAS 21		
7.	Zimbabwe Revenue Authority (ZIMRA)	2021	Unqualified	2020	Adverse due to non -compliance with IAS 21 on opening balances & Non- compliance with IAS 36 Impairment of assets	2019	Adverse due to non - compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified
8.	Zimbabwe Tourism Authority (ZTA)	2020	Adverse due to non -compliance with IAS 21	2019	Adverse due to non -compliance with IAS 21	2017 2018	Unqualified Adverse due to non - compliance with IAS 21	2016	Unqualified with an emphasis of matter paragraph	-	-
Boards											
9.	Pig Industry Board	2020	Qualified due to non – compliance with IAS 21 on opening balances	2019	Adverse due to non-compliance with IAS 21	-	-	2017 2018	Unqualified Adverse due to non-compliance with IAS 21	2016	Unqualified

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
COMMISSIONS											
10.	Insurance and Pensions Commission	2021	Qualified due to non- compliance with IAS 21 on opening balances	2020	Adverse due to non -compliance with IAS 21	2019	Adverse due to non - compliance with IAS 21	2017 2018	Unqualified Adverse due to non - compliance with IAS 21	2016	Unqualified
11.	National Competitiveness Commission	2020	Qualified due to non-compliance with IAS 21 on opening balances	2018 2019	Adverse due to non -compliance with IAS 21 Adverse due to non -compliance with IAS 21	-	-	-	-	-	-
12.	Securities and Exchange Commission of Zimbabwe	2021	Qualified due to non-compliance with IAS 21	2020	Qualified due to non-compliance with IAS 21	2019	Adverse due to non - compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified
13.	Sports and Recreation Commission	2020	Adverse due to non -compliance with IAS 21	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified	2016	Unqualified with an emphasis of matter
14.	Zimbabwe Anti-Corruption Commission	2018	Adverse due • to non - compliance with IAS 21 • inadequate supporting documentation	2012 - 2017	Disclaimer due to various limitation of scope (Incomplete records)	-	-	-	-	-	-

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
			• non – recognition of PPE								
15.	Zimbabwe Electoral Commission (ZEC)	2019 2020	Adverse due to non -compliance with IAS 21 Qualified due to non -compliance with IAS 21 on opening balances	-	-	2016 2017 2018	Unqualified Unqualified Adverse due to non - compliance with IAS 21	-	-	-	-
16.	Zimbabwe Media Commission	2019 2020	Adverse due to non -compliance with IAS 21 Qualified due to non-compliance with IAS 21 on opening balances	-	-	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified	2016	Unqualified

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		2020 AG report		2019 AG report		2018 AG report		2017 AG report	
COMPANIES AND CORPORATIONS											
17.	Allied Timbers (Private) Limited	2020	Adverse due to • non - compliance with IAS 21 • absence of audited results of foreign subsidiary	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Qualified with an Emphasis of matter	2016	Qualified with an Emphasis of matter
18.	Chemplex Corporation Limited	2021	Adverse due to non -compliance with IAS 21 and IAS 29	2020	Adverse due to non -compliance with IAS 21 and IAS 29	2018 & 2019	Adverse due to non - compliance with IAS 21	2017	Unqualified	-	-
19.	Deven Engineering (Private) Limited	2021	Unqualified with a going concern material uncertainty	2019 2020	Adverse due to non -compliance with IAS 21 Adverse due to non -compliance with IAS 21 on opening balances	-	-	2018	Adverse due to non - compliance with IAS 21 with an emphasis of matter	-	-
20.	Genesis Energy (Private) Limited	2020	Qualified due to non-compliance with IAS21 on opening balances	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non – compliance with IAS 21	2017	Unqualified	-	-
21.	Hotspec Enterprises (Private) Limited	2020	Adverse due to non -compliance	2019	Adverse due to non -compliance	2016	Unqualified	-	-	-	-

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
			with IAS 21on opening balances		with IAS 21, 29 and IFRS 16	2017 2018	Unqualified Adverse due to non - compliance with IAS 21				
22.	Mining Promotion Corporation (MPC)	2019 2020 2021	Adverse due to non -compliance with IAS 21 Qualified due to non -compliance with IAS 21 Qualified due to non -compliance with IAS 21	-	-	2016 2017 2018	Unqualified Unqualified Adverse due to non - compliance with IAS 21	-	-		
23.	Mosi- Oa Tunya Development Company	2019	Adverse due to non -compliance with IAS 21	2016 to 2017 2018	Qualified due to completeness of expenditure Adverse due to non –compliance with IAS 21	2012 to 2015	Qualified due to completeness of expenditure	-	-	-	-

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
24.	National Handling Services	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non –compliance with IAS 21	2015 & 2016 & 2017	Unqualified Unqualified Unqualified	2014	Unqualified with an Emphasis of matter	-	-
25.	National Oil Infrastructure Company of Zimbabwe	2020	Qualified due to non -compliance with IAS 21 on opening balances	2019	Adverse due to non –compliance with IAS 21	2018	Adverse due to non – compliance with IAS 21	2017	Unqualified	2016	Unqualified
26.	National Pharmaceutical Company	2021	Qualified due to non-compliance with IAS 21 on opening balancesq	2019 & 2020	Adverse due to non –compliance with IAS 21 Adverse due to non –compliance with IAS 21 on opening balances	2018	Adverse due to non – compliance with IAS 21	2017	Unqualified	2016	Unqualified
27.	Petrotrade (Private) Limited	2020	Qualified due to non-compliance with IAS 21 on opening balances	2019	Adverse due to non –compliance with IAS 21	2018	Adverse due to non – compliance with IAS 21	2017	Unqualified	2016	Unqualified
28.	Petrozim line (Private) Limited	2020	Qualified due to non-compliance with IAS 21 on opening balances	2019	Adverse due to non –compliance with IAS 21	2018	Adverse due to non – compliance with IAS 21	2017	Unqualified	-	-

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
29.	Road Motor Services (RMS)	2018 2019	Adverse due to non-compliance with IAS 21, Material Uncertainty on going concern Adverse due to non-compliance with IAS 21& material Uncertainty on going concern	-	-	-	-	2014 2015 2016 2017	Qualified with emphasis of matter Non - compliance with IAS 36 Qualified with emphasis of matter Non - compliance with IAS 36 Qualified due to long term loans with emphasis of matter Qualified due to long term loans with emphasis of matter	-	-
30.	Sabi Gold (Private) Limited	2017 2018	Unqualified with material uncertainty on going concern	-	-	-	-	-	-	2015 2016	Unqualified with an emphasis of matter on going concern

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		2020 AG report		2019 AG report		2018 AG report		2017 AG report	
		2019 2020 2021	Adverse due to non-compliance with IAS 21 Adverse due to non-compliance with IAS 21 Adverse due to non-compliance with IAS 21 Qualified due to non-compliance with IAS 21								Qualified with emphasis of matter
31.	Silo Foods Industries (Private) Limited	2020	Adverse due to non – compliance with IAS 21	-	-	-	-	-	-	-	-
32.	Sunway City (Private) Limited	2021	Adverse due to non – compliance with IAS 21, IAS 29 and IFRS 13	2020	Adverse due to non –compliance with IAS 21, IAS 29 and with an emphasis of matter	2019	Adverse due to non – compliance with IAS 21	2018	Adverse due to non – compliance with IAS 21	2017	Unqualified
33.	TelOne (Private) Limited	2021	Unqualified with material uncertainty	2020	Qualified due to non-compliance with IAS 21 on opening balances	2019	Adverse with material uncertainty	2017	Unqualified with a material of uncertainty to	-	-

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
			relating to going concern		and with material uncertainty relating to going concern		relating to going concern	2018	going concern paragraph Adverse due to non – compliance with IAS 21		
34.	Transmedia Corporation	2021	Adverse due to non -compliance with IAS 21, IAS 28 and 29	2019 & 2020	Adverse due to non –compliance with IAS 21 and IAS 28 Adverse due to non –compliance with IAS 21, 28 and 29	2018	Adverse due to non – compliance with IAS 21	2016 & 2017	Unqualified Unqualified	2015	Unqualified
COUNCILS											
35.	Agricultural Research Council	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non -compliance with IAS 21	2017	Unqualified	-	-	2016	Unqualified
36.	Medical and Dental Practitioners Council	2020	Adverse due to non -compliance with IAS 21	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21and 29	2017	Unqualified	2016	Unqualified
37.	Medical Rehabilitation Practitioners Council of Zimbabwe (MRPCZ)	2019 2020	Adverse due to non -compliance with IAS 21 Qualified due to non- compliance with IAS 21 on	-	-	2015 2016 2017 2018	Unqualified Unqualified Unqualified Adverse due to non -	-	-	-	-

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
			opening balances				compliance with IAS 21				
38.	National AIDS Council of Zimbabwe	2020	Qualified due to non -compliance with IAS 21	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified	2016	Unqualified
39.	National Arts Council of Zimbabwe	2020	Qualified due to non - compliance with IAS 21 on opening balances	2019	Adverse due to non -compliance with IAS 21	-	-	2017 2018	Unqualified Adverse due to non - compliance with IAS 21	2016	Unqualified
40.	Pharmacists Council of Zimbabwe	2020	Adverse due to non -compliance with IAS 21	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified	2016	Unqualified
41.	Research Council of Zimbabwe	2021	Unqualified	2019 & 2020	Adverse due to non -compliance with IAS 21 Qualified due to non- compliance with IAS 21 on opening balances	2018	Adverse due to non - compliance with IAS 21	-	-	2016 & 2017	Unqualified
42.	Zimbabwe Council for Higher Education (ZIMCHE)	2020	Qualified due to non-compliance with IAS 21 on opening balances	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	-	-	2016 & 2017	Unqualified

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		2020 AG report		2019 AG report		2018 AG report		2017 AG report	
43.	Zimbabwe National Family Planning Council	2020	Qualified opinion due to non-compliance with IAS 21	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non -compliance with IAS 21	2017	Unqualified	2016	Unqualified
44.	Zimbabwe Youth Council	2018 2019	Adverse due to non -compliance with IAS 21 Adverse due to non -compliance with IAS 21	-	-	2016 2017	Unqualified Unqualified	2012 2013 2014 2015	Unqualified Unqualified Unqualified Unqualified	-	-
FINANCIAL INSTITUTIONS											
45.	AFC(Former Agricultural Bank of Zimbabwe (Agribank)	2021	Qualified due to • Impact of suspense account • Legacy debt with emphasis matter on capitalisation	2020	Qualified due to non -compliance with IAS 21 and valuation of investment properties	2019	Adverse due to non - compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified
46.	Empower Bank Limited	2021	Adverse due to non -compliance with IAS 21 and 29,	2020	Adverse due to non -compliance with IAS 21 and 29, Valuation of assets and liabilities	2019	Adverse due to non - compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	-	-

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
47.	Infrastructure Development Bank of Zimbabwe	2021	Qualified due to • Valuation of investment property • Valuation of deferred revenue	2020	Qualified due to non -compliance with IAS 21	2019	Qualified due to non-compliance with IAS 21 and IAS 29	2018	Unqualified with Emphasis of Matter	2017	Unqualified with Emphasis of Matter
48.	People's Own Savings Bank (POSB)	2021	Unqualified	2020	Qualified due to non -compliance with IAS 21 on opening balances	2019	Adverse due to non - compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified
FUNDS											
49.	Lake Kariba Fisheries Research Institute	2020	Qualified due to non-compliance with IAS 21 on opening balances	-	-	2018 2019	Adverse due to non-compliance with IAS 21 Adverse due to non-compliance with IAS 21	-	-	-	-
50.	Lotteries and Gaming Fund	2020	Adverse due to non -compliance with IAS 21 and 16	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified	2016	Unqualified
51.	Rhodes Matopos Estate Fund	2020	Qualified due to non -compliance with IAS 21 on	-	-	2019	Adverse due to non - compliance with IAS 21	-	-	-	-

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
			opening balances								
52.	Rhodes Nyanga Estate Fund	2020	Qualified due to non- compliance with IAS 21 on opening balances	-	-	2019	Adverse due to non - compliance with IAS 21	-	-	-	-
53.	Rural Electrification Fund (Former REA)	2020	Adverse due to non -compliance with IAS 21	2019	Adverse due to non -compliance with IAS 21, 29 and IFRS 16	2017 2018	Qualified Adverse due to non - compliance with IAS 21	2016 2015	Qualified Qualified	2014	Qualified
54.	State Lotteries Fund	2019	Adverse due to non -compliance with IAS 21					2018	Adverse due to non-compliance with IAS 21	2017	Unqualified
55.	Zimbabwe Manpower Development Fund (ZIMDEF)	2020	Qualified opinion due to non-compliance with IAS 21	-	-	-	-	-	-	-	-
HOSPITALS											
56.	Chitungwiza Central Hospital	2019	Adverse due to non-compliance with IAS 21	-	-	2018	Adverse due to non-compliance with IAS 21	2015	Qualified due to non - compliance with IAS 16 and unsupported expenditure	2014	Qualified due to non – compliance with IAS 16

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		2020 AG report		2019 AG report		2018 AG report		2017 AG report	
								2016 2017	Adverse due to non – compliance with IAS 16 Valuation and existence of accounts receivables Adverse due to non – compliance with IAS 16 Valuation and existence of accounts receivables		
57.	Ingutsheni Hospital	2018 2019	Adverse due to non-compliance with IAS 21 Adverse due to non-compliance with IAS 21	-	-	-	-	-	-	2015 2016	Qualified due to with an emphasis of matter on going concern

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
										2017	Qualified due to Unqualified with an emphasis of matter on going concern
58.	Mpilo Central Hospital	2020	Adverse due to • non – compliance with IAS 21 • completeness of donations • Completeness &valuation of trade payables • completeness & valuation of PPE • Non-compliance with IFRS 9, 29 • Valuation& occurrence of inventory	2019	Adverse due to non -compliance with IAS 21 and IAS 16	2017 & 2018	Qualified Adverse due to non - compliance with IAS 21	2016	Qualified	2015	Qualified with an Emphasis of matter

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		2020 AG report		2019 AG report		2018 AG report		2017 AG report	
59.	Parirenyatwa Group of Hospitals	2019 2020	Adverse due to non – compliance with IAS 21 Qualified due to non-compliance with IAS 21	-	-	2018	Adverse due to non – compliance with IAS 21	2017	Unqualified	2016	Unqualified
60.	Sally Mugabe Central Hospital	2019	Adverse due to non – compliance with IAS 21,29 Misstatement of inventory	-	-	2017 2018	Qualified due to • Completeness of accounts payable and receivables • Adverse due to non – compliance with IAS 21	2016	Adverse due to • Completeness accuracy and cut off of revenue and accounts receivables and payables	2015	Adverse due to valuation of PPE Completeness, cut off, occurrence of accounts receivables Completeness of accounts payables
61.	United Bulawayo Hospitals (UBH)	2019	Adverse due to non – compliance with IFRS 9,IAS 21, & 16	-	-	2018	Adverse due to non – compliance with IAS 21	2017	Qualified due to completeness of grants and donations	2016	Qualified due to completeness of trade payables

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		**2020 AG report**		**2019 AG report**		**2018 AG report**		**2017 AG report**	
TERTIARY INSTITUTIONS											
62.	Gwanda State University	2019	Disclaimer due to Non - compliance with IAS 21 Existence and accuracy of receivables Completeness and accuracy of revenue Occurrence and accuracy of expenditure	2018	Adverse due to non -compliance with IAS 21	2017	Qualified due to valuation of land and buildings	-	-	-	-
63.	Harare Institute of Technology	2020	Adverse due to non – compliance with IAS 21 Valuation of PPE	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified	2016	Unqualified
64.	Marondera University of Agricultural Sciences and Technology	2019	Adverse due to non – compliance with IAS 21	2017 & 2018	Unqualified Adverse due to non -compliance with IAS 21	-	-	-	-	-	-
65.	National University of Science and Technology	2020	Disclaimer due to	2019	Disclaimer due to various issues	-	-	2018	Disclaimer due to various	2016 2017	Unqualified Unqualified

	Public Entity	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued	FY	Opinion Issued
		2021 AG report		2020 AG report		2019 AG report		2018 AG report		2017 AG report	
			• Liability from construction • Valuation of construction material • Valuation and existence of invention • Completeness, accuracy and occurrence of revenue • Valuation of properties and books • Non-compliance with IFRS 9								
66.	University of Zimbabwe	2020	Qualified due to non – compliance with IAS 21	2019	Adverse due to non -compliance with IAS 21	2018	Adverse due to non - compliance with IAS 21	2017	Unqualified	2016	Unqualified with an Emphasis of matter

ANNEXURE “B”: AUDITS IN PROGRESS AND BEING FINALISED

	PUBLIC ENTITY	YEAR
1.	AFC Leasing Company	2021
2.	Agricultural Marketing Authority (AMA)	2021
3.	Agricultural Marketing Authority Fund	2021
4.	Agricultural and Rural Development Authority (ARDA)	2020
5.	Air Zimbabwe	2019
6.	Allied Health Practitioners Council	2019 &2020
7.	Allied Timbers (Private) Limited	2021
8.	Bindura University of Science and Technology	2021
9.	Broadcasting Authority of Zimbabwe (BAZ)	2019 & 2020
10.	Chinhoyi University of Technology	2021
11.	CMED (Private) Limited	2020
12.	CMED fuels	2020
13.	Cold Storage Company (CSC)	2013-2017
14.	Competition and Tariff Commission	2021
15.	Consumer Council of Zimbabwe	2021
16.	Courier Connect (Private) Limited	2017-2021
17.	Deposit Protection Corporation	2021
18.	Easy Go and Car Hire (Private) Limited	2020
19.	Environmental Health Practioners Council	2019 & 2020
20.	Forestry Commission	2019 & 2020
21.	Genesis Energy (Private) Limited	2021
22.	Grain Marketing Board	2019/2020 2020/2021
23.	Great Zimbabwe University (GZU)	2021
24.	Gwanda State University	2020
25.	Harare Institute of Technology (HIT)	2021

	PUBLIC ENTITY	YEAR
26.	Health Professions Authority (HPA)	2021
27.	Health Services Board	2021
28.	Hotspec (Private) limited	2021
29.	Hwange Electricity Supply Company	2021
30.	Industrial Development Corporation of Zimbabwe (IDCZ)	2021
31.	Investor Protection Fund	2021
32.	Kariba Hydro Power Company	2021
33.	Lake Kariba Fisheries Research Institute	2021
34.	Lupane State University	2021
35.	Manicaland State University of Applied Sciences	2020
36.	Marondera University of Agricultural Sciences and Technology	2020 & 2021
37.	Medical and Dental Practitioners Council of Zimbabwe	2021
38.	Medicines Control Authority of Zimbabwe (MCAZ)	2021
39.	Medical Laboratory and Clinical Scientists Council of Zimbabwe	2019 & 2020
40.	Midlands State University	2021
41.	Minerals Marketing Corporation of Zimbabwe	2021
42.	Mellofieldde Chemicals (Private) Limited	2021
43.	Mosi Oa Tunya Development Company	2020
44.	National AIDS Council (NAC)	2021
45.	National Biotechnology Authority	2021
46.	National Building Society (NBS)	2021
47.	National Competitiveness Commission	2021
48.	National Social Security Authority	2020
49.	National Oil Infrastructure Company (NOIC)	2021
50.	National University of Science & Technology (NUST)	2021
51.	Net*One Cellular (Private) Limited	2021
52.	New Ziana	2019&2020
53.	Nurses Council of Zimbabwe	2019
54.	Parirenyatwa Group of Hospitals	2021

	PUBLIC ENTITY	YEAR
55.	Petrotrade (Private) Limited	2021
56.	Pharmacists Council of Zimbabwe	2021
57.	Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ)	2021
58.	Powertel Communications (Private) Limited	2021
59.	Printflow (Private) Limited	2021
60.	Procurement Regulatory Authority of Zimbabwe (PRAZ)	2020 & 2021
61.	Radiation Protection Authority of Zimbabwe	2021
62.	Rhodes Matopos Estate Fund	2021
63.	Rhodes Nyanga Estate Fund	2021
64.	RMS (Private) Limited	2020
65.	Rural Electrification Fund (formerly REA)	2021
66.	Sally Mugabe Central Hospital (Harare Central Hospital)	2020
67.	Scientific Industrial Research and Development (SIRDC)	2021
68.	Silo Food Industries (Private) Limited	2021
69.	Small and Medium Enterprises Corporation(SMEDCO)	2020&2021
70.	Tobacco Industry and Marketing Board (TIMB)	2021
71.	Tobacco Research Board	2021
72.	Traffic Safety Council	2021
73.	UDCORP	2020
74.	United Bulawayo Hospitals	2020
75.	Universal Service Fund	2021
76.	University of Zimbabwe	2021
77.	Willowvale Mazda Motor Industries	2021
78.	Zimbabwe Academic Research Network (ZARNet)	2018 & 2019
79.	Zimbabwe Anti-Corruption Commission	2019 & 2020
80.	Zimbabwe Broadcasting Corporation	2018 & 2019
81.	Zimbabwe Consolidated Diamond Company (Private) Limited (ZCDC)	2021
82.	Zimbabwe Council for Higher Education	2021

	PUBLIC ENTITY	YEAR
83.	Zimbabwe National Family Planning Council (ZNFPC)	2021
84.	Zimref Gold (Private) Limited	2021
85.	ZESA Enterprises (Private) Limited (ZENT)	2021
86.	Zimbabwe Electricity Transmission and Distribution Company (ZETDC)	2021
87.	Zimbabwe Investment and Development Agency (ZIDA)	2021
88.	ZESA Holdings (Private) Limited	2021
89.	Zimbabwe Media Commission	2021
90.	Zimbabwe Mining Development Corporation (ZMDC)	2021
91.	Zimbabwe National Statistics Agency (ZIMSTATS)	2020 & 2021
92.	Zimbabwe Open University (ZOU)	2021
93.	Zimbabwe Parks and Wildlife Management Authority	2021
94.	Zimbabwe Posts Properties (Private) Limited	2017-2021
95.	Zimbabwe Posts (Private) Limited	2017-2021
96.	Zimbabwe Power Company (ZPC)	2021
97.	Zimbabwe Schools Examinations Council	2019
98.	Zimbabwe Tourism Authority	2021
99.	Zimbabwe United Passengers Company Limited (ZUPCO)	2020
100.	Zimbabwe Women's Microfinance Bank limited	2021

ANNEXURE “C”: AUDITS AT SIGNING STAGE

	PUBLIC ENTITY	YEAR
1.	Chemplex Corporation	2021
2.	Ingutsheni Central Hospital	2019
3.	Marondera University of Agricultural Sciences and Technology	2019
4.	Mpilo Central Hospital	2020
5.	Mosi Oa Tunya	2019
6.	National Arts Council of Zimbabwe	2020
7.	National Pharmaceutical Company	2021
8.	Parirenyatwa Group of Hospital	2019 and 2020
9.	Petrotrade	2020
10.	Pig Industry Board	2020
11.	Research Council of Zimbabwe	2021
12.	Sunway City (Private) Limited	2021
13.	Transmedia Corporation (Private) Limited	2021
14.	Zimbabwe Anti-Corruption Commission	2018
15.	Zimbabwe National Statistics Agency	2019
16.	Zimbabwe National Water Authority	2021
17.	Zimbabwe Youth Council	2018 and 2019

ANNEXURE "D": ACCOUNTS NOT SUBMITTED FOR AUDIT

	PUBLIC ENTITY	YEAR
1.	Agriculture Research Council	2021
2.	Agricultural Rural Development Authority (ARDA)	2021
3.	Airports Company of Zimbabwe	2021
4.	Air Zimbabwe (Private) Limited	2020 & 2021
5.	Allied Health Practitioners Council	2021
6.	Applebridge (Private) Limited	2015-2021
7.	Broadcasting Authority of Zimbabwe (BAZ)	2021
8.	Chitungwiza Central Hospital	2020 & 2021
9.	Civil Aviation Authority of Zimbabwe (CAAZ)	2020 & 2021
10.	CMED (Private) Limited	2021
11.	CMED fuels	2021
12.	Cold Storage Company (CSC)	2018-2021
13.	Easy Go and Car Hire (Private) Limited	2021
14.	Environmental Health Practitioners Council	2021
15.	Environmental Management Agency (EMA)	2020 & 2021
16.	Forestry Commission	2021
17.	Gwanda State University	2021
18.	Infralink (Private) Limited	2021
19.	Ingutsheni Central Hospital	2020 & 2021
20.	Lotteries and Gaming Fund	2021
21.	Manicaland State University of Applied Sciences	2021
22.	Medical Rehabilitation Practitioners Council of Zimbabwe	2021
23.	Mosi- Oa Tunya Development Company	2021
24.	Mpilo Central Hospital	2021
25.	National Arts Council of Zimbabwe	2021
26.	National Gallery	2020 & 2021
27.	National Handicrafts Centre	2009-2021

	PUBLIC ENTITY	YEAR
28.	National Handling Services (NHS)	2020 & 2021
29.	National Libraries and Documentation Centre	2009-2021
30.	National Museums and Monuments of Zimbabwe (NMMZ)	2019-2021
31.	National Railways of Zimbabwe (NRZ)	2021
32.	National Social Security Authority (NSSA)	2021
33.	New Ziana	2021
34.	Nurses Council of Zimbabwe	2020 & 2021
35.	Petrozim line (Private) Limited	2021
36.	Pig Industry Board	2021
37.	Road Motor Services (RMS)	2021
38.	Sally Mugabe Central Hospital (Harare Central Hospital)	2021
39.	School of Hospitality and Tourism	2020 & 2021
40.	Sports and Recreational Commission	2021
41.	State Lotteries Fund	2020 & 2021
42.	UDCORP	2021
43.	United Bulawayo Hospital (UBH)	2021
44.	ZARNET (Private) Limited	2020 & 2021
45.	Zimbabwe Anti-Corruption Commission (ZACC)	2021
46.	Zimbabwe Broadcasting Corporation (ZBC)	2020 & 2021
47.	Zimbabwe Electoral Commission (ZEC)	2021
48.	Zimbabwe Manpower Development Fund (ZIMDEF)	2021
49.	Zimbabwe National Road Administration (ZINARA)	2021
50.	Zimbabwe Schools Examinations Council (ZIMSEC)	2020 & 2021
51.	Zimbabwe School of Mines	2020 & 2021
52.	Zimbabwe United Passengers Company Limited (ZUPCO)	2021
53.	Zimbabwe Youth Council	2020 & 2021