



**REPORT**  
**of the**  
**Auditor-General**  
**for the**  
**FINANCIAL YEAR ENDED DECEMBER 31, 2020**  
**ON**  
**LOCAL AUTHORITIES**

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*Presented to Parliament of Zimbabwe: 2022*

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

The Hon. Professor M. Ncube  
Minister of Finance and Economic Development  
Mgandane Dlodlo Building  
Samora Machel Avenue  
Harare.

Dear Sir,

I hereby submit my report on the audit of Local Authorities in terms of Section 309(2) of the Constitution of Zimbabwe as read together with Section 10(1) of the Audit Office Act [*Chapter 22:18*], for the year ended December 31, 2020.

Yours faithfully,

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

**HARARE**  
December 23, 2021.



## 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. BIQ – Business Intelligence Quotient
2. CEO- Chief Executive Officer
3. EIA – Environmental Impact Assessment
4. EMA- Environmental Management Agency
5. IPSAS- International Public Sector Accounting Standards
6. LAPF- Local Authorities Pension Fund
7. ML – Mega litres
8. NEC- National Employment Council
9. NSSA- National Social Security Authority
10. OAG- Office of the Auditor-General
11. PAYE- Pay As You Earn
12. PFMA – Public Finance Management Act
13. PSIP- Public Sector Investment Programme
14. SDL- Standards Development Levy
15. SLB- Service Level Benchmarking
16. SPB- State Procurement Board
17. UCPF- Urban Councils Pension Fund
18. UNICEF- United Nations Children Education Fund
19. VAT- Value Added Tax
20. ZIMDEF- Zimbabwe Manpower Development Fund
21. ZIMRA- Zimbabwe Revenue Authority
22. ZINARA- Zimbabwe National Roads Agency
23. ZINWA- Zimbabwe National Water Authority
24. ZRDCWU- Zimbabwe Rural District Council Workers’ Union
25. ZUCWU – Zimbabwe Urban Councils Workers Union
26. UDCORP- Urban Development Corporation

## **DEFINITION OF TERMS**

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

Local Authorities are categorised into two groups which are:

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

## **PREAMBLE**

### **Introduction**

The primary purpose of financial statements is to provide relevant and reliable information to users about a reporting entity's financial position and financial performance. In the public sector, the users of financial statements include ministers, parliament, development partners and the public at large. The objectives of a financial statements audit in the public sector are often broader than expressing an opinion whether the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework but also include 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 public auditors registered 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 on Supreme Audit Institutions (ISSAIs) and the International Standards on Auditing (ISAs). These Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. My audit approach was designed to enable me to express an opinion on the 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 Accountants and Auditors Board (PAAB), the regulator of the Accountancy Profession in Zimbabwe prescribed the International Public Sector Accounting Standards (IPSASs) for use in Zimbabwe on the 1st of March 2019 through Statutory Instrument 41 of 2019. IPSASs have been adopted by the Government of Zimbabwe as the financial reporting framework for Local Authorities and all are expected to have fully implemented the standards by the end of the transitional period on December 31, 2025. I appreciate the efforts being made by the Local Authorities in the adoption and implementation of these standards.

## **Report Structure**

The report outlines material audit findings noted during the audits of the financial statements of Local Authorities. Also included under each audited client are possible risks/ implications associated with the audit findings, audit recommendations, management responses in respect of the findings, auditor's comments to management responses where necessary.

## EXECUTIVE SUMMARY

This report contains the findings from the annual audits of Local Authorities. There has been some improvement in the number of Councils submitting financial statements for audit. However, the effects of the unprecedented COVID-19 pandemic continued to affect both the auditees and the auditors for the audit of 2020 financial statements. Restrictions on travel and other requirements posed practical challenges to the audit engagements and the ability to meet the June 30 reporting deadline.

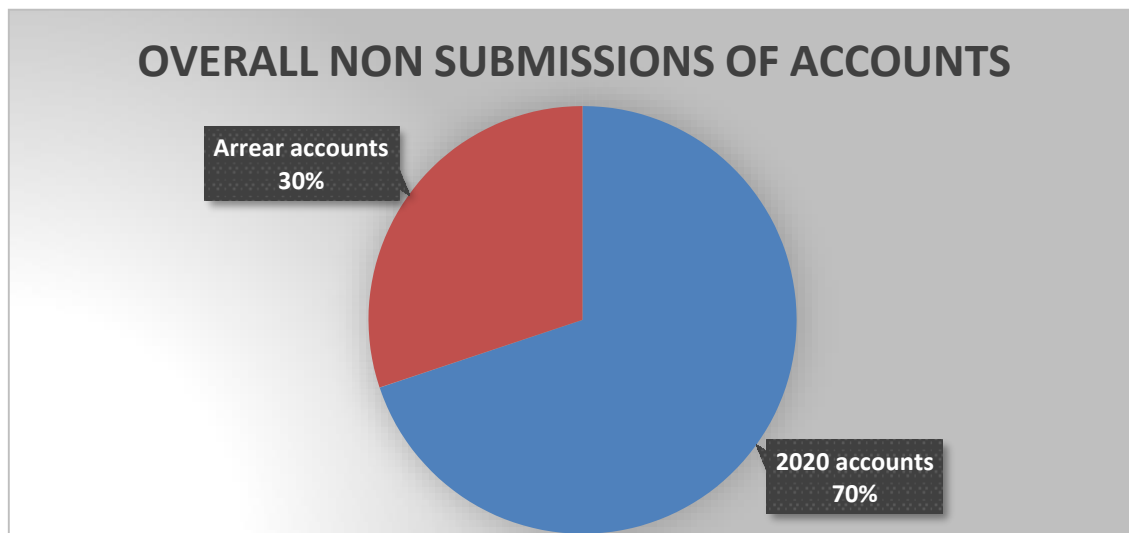
Despite the peculiar challenges witnessed, I take this opportunity to report my audit findings on the Local Authorities for the 2020 financial year.

### Progress of the audits

I wish to acknowledge the Ministry of Local Government and Public Works and the Public Accounts Committee (PAC) which have made concerted efforts in advocating for transparency and accountability among Local Authorities. I have noted some improvement in the submission of financial statements for audit though more determination is still required for the Councils that are trailing behind, **Appendix B** of this report is relevant. I continuously urge Local Authorities to bring their financial statements up to date to enhance transparency and accountability.

Out of the ninety-two (92) Local Authorities, forty-one (41) had current (2020) financial statements submitted for audit, whilst fifty-one (51) had not submitted their accounts as at November 30, 2021. However, as previously highlighted, the audit engagements were hampered by the Covid-19 pandemic challenges and as such a total of fifty-eight (58) Local Authorities audits which includes arrear accounts were in progress at the time of my report, **Appendix A** of this report is relevant.

The overall status of non -submissions is shown in the pie chart inserted;

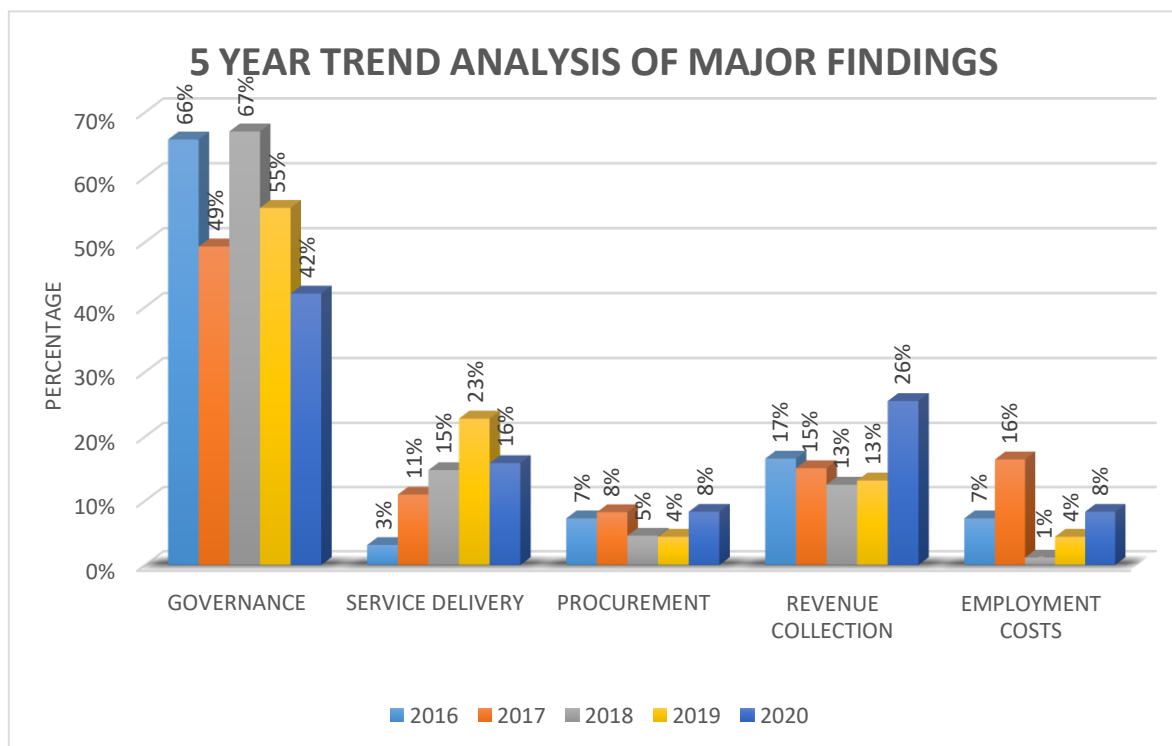


## Analysis of findings

Although there was an improvement from 2016 to 2020 (reduction from 66% to 42%), in the governance issues reported, the same have remained high in all my reports over the last five years. Most notably was the surge in the revenue issues from 13% in 2018 to 26% in 2020 giving a 100% increase thus showing signs of weakening revenue collection and management systems.

The number of reported service delivery issues has been rising over the years, however, a 7% decrease was witnessed from 2019 to 2020. The decrease may be attributed to service delivery projects embarked on by Local Authorities financed from devolution funds disbursed by central government. Procurement and employment costs issues also made part of the matters I have reported on as they both showed increases of 4% from 2019 to 2020.

My analysis of reportable issues by category is illustrated as follows:



## Report highlights

The 2020 annual report had 42% governance issues which are perennially related to the absence of key policies, non-compliance with laws and other regulatory provisions and mismanagement of assets. Bulawayo City Council, Gweru City Council and Chiredzi Town Council, among others, were operating without key policies and procedures manuals.

Chegutu Municipality was unable to provide the disaggregated values of its investment properties worth ZWL\$41 347 871 and the Council could not reconcile its salaries bank account by ZWL\$1 622 816 in 2020.

There was lack of accountability by Local Authorities that did not consolidate financial results from the operations of their subsidiaries. Harare City Council was not accounting for its wholly owned subsidiaries in its financial statements. Despite owning 100% shares of Pungwe breweries, Mutare City has not been preparing consolidated financial statements.

In addition, Harare City Council had unverifiable trade and other payables amounting to USD\$105 542 322 for the year ended December 31, 2018.

Gweru City Council was utilising estate funds for recurrent expenditure instead of capital expenditure as required by the Urban Councils Act [Chapter 29:15]. Moreover, the City Council was involved in unprocedural allocation of stands to two minors. In 2018, Gokwe Town Council allocated a commercial stand measuring 8 750m<sup>2</sup> to the Council chairperson without following due processes. In 2018, Nyanga Rural District Council recorded US\$526 500 as stand deposits but could not provide any supporting documents for such funds.

Masvingo City Council purchased five hundred and forty-five (545) drums of bitumen valued at USD137 713 in 2016 but had not been delivered. Gokwe Town Council failed to avail vouchers amounting to US\$ 106 525 for audit in its 2017 accounts. Tsholotsho Rural District Council did not provide the 2018 road funds acquittals amounting to US\$172 378. Redcliff Municipality in 2019 purchased two (2) preowned vehicles without approval and whose ownership had not been transferred to the Council a year later.

In 2018, Chitungwiza Municipality applied new management salary scales without the approval of the Minister. On the other hand, fifty-one percent (51%) of the Council's water meters were dysfunctional.

Strikingly, all the Local Authorities were not accurately accounting for beer levies deposited in their accounts by brewers as there were no supporting sales schedules as required by the provisions of the Traditional Beer Act [*Chapter 14:24*].

## **Conclusion**

The audit findings warrant the attention of management and those charged with governance. The audit revealed that most weaknesses related to governance, procurement, revenue collection and debt management. There is room for improvement in accountability and transparency in all the Local Authorities. This can be achieved if among other things, audit recommendations are implemented.

## **Acknowledgements**

My special tribute goes to the various audit firms, UDCORP and our valued clients who made it possible for me to submit my report for the year under review. I also extend my indebtedness

to our development partners for their unwavering financial and technical support and to our printers for their invaluable cooperation. Finally, I extend my sincere gratitude to my management and staff for their continued commitment and dedication to duty. Without all this support, the production of this report could not have been possible.

**CITY COUNCILS**

## **BULAWAYO CITY COUNCIL 2016 - 2018**

I have audited the financial statements of Bulawayo City Council for the financial years ended December 31, 2016 to 2018.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Policies and procedures manual**

##### **Finding**

The Council had no documented policies and procedures to detail out its business processes. The policies and procedures that were being followed were verbally communicated to employees and there was no document for point of reference. For instance, minor assets write offs were not supported by any policy.

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

Misappropriation of assets, fraud and error may go undetected.

##### **Recommendation**

The Council should ensure that its policies and procedures are documented to detail out all Council operations.

##### **Management response**

**The Council has some policies that are yet to be approved. Council has been battling with updating its audit, there was no time to produce the manuals as the audit was being done one after another. Once we are up to date with the audit, a procedure manual will be produced for all Council business processes.**

#### **1.2 Asset register**

##### **Finding**

The Council was not maintaining a comprehensive asset register to ensure proper management and control of assets. The asset listing that was availed for my inspection lacked other information such as; location, date of purchase and cost. In addition, assets disposed during the year that includes motor vehicles were still in the register.

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

Misappropriation of assets, fraud and material errors may go undetected.

## **Recommendation**

The Council should maintain a comprehensive asset register.

Management should also consider asset verification exercise to facilitate the updating of its asset register.

## **Management response**

**Council is working on completing asset descriptions such as locations, date of acquisition, opening and closing balances. An Asset policy encompassing depreciation has been drafted however, it is yet to be submitted to the Audit Committee and Council for adoption.**

**Asset codes will be allocated by the system when the system register is effected. However, some assets acquired prior to 2009 may not show acquisition dates and opening values.**

**A program has been started to clean up the system data including the decommissioning of assets already disposed.**

### **1.3 Sewerage and decomposed gravel tariffs**

#### **Finding**

The Urban Councils Act [*Chapter 29:15*], section 219 (2) requires the Council to post any tariffs for charges or deposits that came into operation at its office for a period not less than thirty days from the date of first of advertisement in the newspaper. I however noted that the tariff schedule did not include trade effluent and decomposed gravel tariffs.

#### **Risk / Implication**

Unapproved fees/tariffs might be charged.

#### **Recommendation**

Management should advertise all tariffs and levies charged by Council in compliance with the Urban Councils Act [*Chapter 29:15*].

#### **Management response**

**Noted, although council had not listed the charge in the tariff schedule, it was always charged consistently and the recommendation is noted. Management will circulate the tariff schedule to ensure that all tariffs that are being charged are indeed in the approved tariff schedule.**



## 1.4 Donations

### Finding

According to the Council records, donations made to clinics amounting to US\$1 766 865 were received but these were not recorded in the system nor reported in the financial statements. Upon enquiry, management indicated that this was because the donations were delivered straight to the clinics by benefactors.

### Risk / Implication

Misappropriation of donated items may go undetected.

Misstatement of revenue and inventories.

### Recommendation

The Council should consider to put in place a proper system to account for donated items.

### Management response

**A system of accounting will be put in place where all invoices and delivery notes for donations would be recorded at Stores for accountability.**

## 1.5 Bank reconciliations

### Finding

There was no evidence to support that all bank reconciliations were being prepared on monthly basis. For instance, Barclays bank account had no bank reconciliations from August to December 2016, CBZ bank account had no bank reconciliations from January to November. It was not clear why these bank reconciliations were not being done. This was in contravention with the Council's policy and procedure manual.

### Risk / Implication

Fraud and material errors may go undetected.

### Recommendation

Management should ensure that monthly bank reconciliations are prepared on time for all banks in line with the policy and procedures manual.

## Management response

**Delays in reconciliations are noted, efforts are underway to bring accounts up to date. An interface with financial institutions is being worked out, this should eliminate a number of exceptions.**

### 1.6 Billing

#### Finding

The billing system was not configured to produce invoice numbers sequentially as a result, I noted that there were invoicing gaps such as follows:

<b>Invoice number from</b>	<b>Invoice number to</b>	<b>Number of invoices missing</b>
1607062861	1607062863	3
1607062865	1607062867	3
1607062869	1607062871	3
1607081816	1607081818	3
1607102075	1607102080	6

#### Risk / Implication

Fraud and material errors may go undetected.

#### Recommendation

Management should ensure that there are no gaps in invoicing.

#### Management response

**We have contacted a system developer on this.**

### 1.7 Tax on benefits

#### Finding

The Council was not complying with Section 17(3) of the Value Added Tax [Chapter 23:12] in that, a number of its senior Council management who were allocated personal use motor vehicles were not charged value added tax (VAT). The Council was not also declaring deemed benefits on handsets and airtime paid to managers. According to the provisions of this Act, employers who provide employees with taxable benefits should account for value added tax on them.

In addition, the Council was not deducting tax as provided by Section 8(1) (f) of the Income Tax Act [Chapter 23:06] as the benefits were not being processed through payroll (airtime and handsets).

### **Risk / Implication**

Failure to account for tax on taxable benefits may attract penalties and interest.

### **Recommendation**

Management should ensure that VAT is levied, collected and remitted to ZIMRA.

### **Management response**

**Noted. The VAT will be calculated and remitted to ZIMRA.**

## **2. SERVICE DELIVERY**

### **2.1 Repairs of water pipes**

#### **Finding**

In 2016, the Council was receiving frequent leak reports and experiencing a backlog of water leaks repairs. Upon enquiry, Council indicated that the continued leaks were due to the ageing of the City's water reticulation pipes. The table below shows backlogs:

<b>Month</b>	<b>Leaks reported</b>	<b>Leaks attended to</b>	<b>Variance/Backlog</b>
January	815	601	214
February	929	601	328
March	958	542	416
April	948	670	278
June	1041	789	252
July	1170	662	508
August	920	530	390
September	1304	885	419
October	1304	764	540
November	1527	765	762
December	981	889	92

### **Risk / Implication**

Financial losses through loss of chemicals used to treat water and man hours used.

### **Recommendation**

Management should ensure that reasonable useful lives should be determined for the water pipelines.

Management should also ensure that water pipes are replaced at the end of their useful lives.

## Management response

**The number of plumbers in the City have reduced in number vs the growing water network length, connections etc. Limited financial resources being faced by the City and the country at large is also a major driver. Teams continue to do reactive maintenance at the expense of Planned maintenance due to limited budgets.**

**However, development partners such as AFDB, Dutch Govt have been supportive in procuring service tools, vehicles and materials required to tackle some of these challenges. A contract was recently awarded under BWSSIP on Water meters and pipeline replacement.**

## 2.2 Water losses

### Finding

The Council experienced water losses of 26% and 36 % percent per year during the period January to December 2016 and 2017 respectively. The water statistics report availed highlighted that the losses were as a result of the variance between the pumped water and the billed water. For instance, in 2016, the pumped water was 44 million m<sup>3</sup>, but the Council billed 33 million m<sup>3</sup>, in 2017, pumped water was 48 million m<sup>3</sup> while billed water was 29 million m<sup>3</sup>. The difference was not recovered and this was not economic as the Council was not recovering the cost of the pumped water.

### Risk / Implication

Loss of potential revenue.

### Recommendation

Management should ensure taking corrective action in minimizing losses.

## Management response

**The variance is the Non-Revenue Water, which has been determined by Council through a number of field measurements. Action plans have been put in place as corrective action, to deal with the Non-Revenue water and reduce it to acceptable economic levels. This is work in progress with contracts having been awarded under AFDB grant to replace Reservoir water meters, Household meters, household surveys, pipelines replacement and upgrades.**

## 2.3 Sewage system

### Finding

The Councils Thorngrove sewer treatment plant was not fully functional, as only two (2) out of six (6) primary settlement tanks were functioning. As for the primary bio filters, only one (1) was functioning well, three (3) were partially functioning and four (4) were not

functioning and needed an overhaul. Upon enquiry management indicated that, the biological digesters had not been functioning for approximately seven (7) years. As a result, the sewer treatment plant was directly depositing effluent onto the drying beds.

**Risk / Implication**

Environmental pollution.

Possible health hazard.

Financial loss due to penalties that may be charged.

**Recommendation**

Management should ensure that the sewer treatment plant is refurbished.

**Management response**

**Capital constraints – City of Bulawayo borrowed from BancABC. The loan was not adequate to rehabilitate all the key Water and Sanitation Programmes. However, need and condition assessments have been carried out including tender documents to rehabilitate the sewerage plant.**

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

**3.1 Prepaid tuition fees**

**Finding**

The Council was receiving tuition fees in advance. However, I noted that it was treating prepaid tuition fees as current revenue. Upon enquiry, management indicated that the City of Bulawayo schools were not separating tuition fees received in advance from current year tuition fees. In addition, these schools did not have proper accounting systems in place to record such transactions as receipts and payments were maintained in manual books of accounts.

**Risk / Implication**

Misstatement of revenue from tuition fees in the financial statements.

**Recommendation**

Management should ensure that prepaid tuition revenue is accounted for properly between current and future accounting periods.

**Management response**

**Noted, we will engage and seek alternatives. Currently the Council does not differentiate the current receipts and prepayments.**

## **GWERU CITY COUNCIL 2016 - 2017**

I have audited the financial statements of Gweru City Council, for the years ended December 31, 2016 and 2017.

Below are material issues noted during the audit;

### **1 GOVERNANCE ISSUES**

#### **1.1 Motor Vehicle registration**

##### **Finding**

The Council did not avail evidence of ownership of five (5) vehicles as no registration books were provided. In addition, a Mazda T3500 vehicle was registered in the name of Mr Tee Thirty-Five (Private) Limited and not in the name of the Council.

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

The Council assets may be misappropriated.

##### **Recommendation**

The Council should improve controls on management of records and change of ownership should be effected immediately.

##### **Management response**

**Council will immediately work on change of ownership of the T3500 Mazda and ensure that all registration books are in place.**

#### **1.2 Policy and procedure manual documents**

##### **Finding**

Council was operating without approved policies for the past years. The operational functions of the Council were executed without approved guidelines or set standards, and as such, there was great reliance on Council resolutions. The table below shows details of the outstanding policies:

<b>POLICY</b>	<b>STATUS</b>
Gender Policy	At draft stage
Safety and Health policy	Not in place
Credit Control Debt Collection Policy	At draft stage
Housing Policy	At draft stage
Risk Assessment Policy	Not in place
Transport Policy	Not in place
Procedure manual for central stores	Not in place
Accounting policy and procedure manual	Not in place

### **Risk / Implication**

Inconsistencies in the treatment of similar operational issues.

Service delivery may be compromised.

### **Recommendation**

Council should finalize the draft policies.

### **Management response**

<b>Policy</b>	<b>Status</b>	<b>Comments</b>
<b>Gender Policy</b>	<b>At draft stage</b>	<b>Policy will be adopted</b>
<b>Safety and health policy</b>	<b>Not in place</b>	<b>The Human resources manager is working on it and should be in place by 31 December 2020.</b>
<b>Credit control / Debt collection policy</b>	<b>At draft stage</b>	<b>The policy will be adopted by 31 December 2020.</b>
<b>Housing policy</b>	<b>At draft stage</b>	<b>The Director of Housing is working on the policy and this should be in place by 31st December 2021.</b>
<b>Risk assessment policy</b>	<b>Not in place</b>	<b>We lack internal expertise in crafting this policy, however Council has since engaged external assistance and the policy should be in place in March 2021.</b>
<b>Transport policy</b>	<b>Not in place</b>	<b>There is a policy in place but it needs a revisit and an updated policy should in</b>



		place by 31st December 2020.
<b>Procedure manual for central stores</b>	<b>Not in place</b>	<b>The manuals of procedure are in place, but with the advent of the Public Procurement and Disposal of Public Assets regulations, the policy needs to be updated to cater for the creation of the Procurement Management Unit. The update will be in place by February 2021.</b>
<b>Accounting policy and procedure manual</b>	<b>Not in place</b>	<b>The Accounting policy and procedure manuals are in place though they might be updated with recent developments especially IPSASs and various electronic modes of payments. The update will be in place by March 2021.</b>

### 1.3 Estate funds usage

#### **Finding**

The City Council was utilizing estate funds for recurrent expenditure contrary to section 300 of the Urban Councils Act [*Chapter 29:15*] which requires estate funds to be utilized for capital related expenditure (purchase and servicing of land). An analysis of the Estates account revealed funds amounting to US\$6 870 815 which could not be justified as to how it was utilized. The same amount represents stands which were sold.

#### **Risk / Implication**

Housing delivery may be compromised.

Non-compliance with the Urban Councils Act.

#### **Recommendation**

Estate funds should be used for their intended purposes as required by section 300 of the Urban Councils Act [*Chapter 29:15*].

## **Management Response**

**Going forward, Management undertakes to abide by the Act as far as Estates funds are concerned.**

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

### **2.1 Water reticulation**

#### **Finding**

The Council processed 14 003 784 m<sup>3</sup> and 16 482 391 m<sup>3</sup> during the years ended December 2016 and 2017 respectively and recovered 6 256 997 m<sup>3</sup> and 7 187 777m<sup>3</sup> as revenue, thereby incurring water losses of 55% and 56%. Water losses were due to unauthorized consumption, meter inaccuracy, leakages on transmissions and distributions mains, and overflows at storage tanks, leakages on service connection up to point of customer meter.

In addition, the Council had non-functional water meters which were 23% of the total meters resulting in the use of estimates to charge residents for water.

#### **Risk/ Implication**

Financial loss due to high percentage water leakages.

Service delivery may be compromised.

#### **Recommendation**

Council should improve the water reticulation system.

#### **Management response**

**Council will in the 2021 budget come up with a funded performance improvement plan (PIP) which will endeavor to reduce the non-revenue water through curbing illegal abstraction, efficient metering and network upgrade and pipe replacement.**

**The exercise of water replacement is on-going though our major challenge is water leakages along the distribution network. The GIS technology should also assist in identifying these leakages as our pipeline has got old pipes which occasionally burst. The introduction of District Metered Areas was one such strategy to quantify non-revenue water.**

## 2.2 Beer levy 2017

### **Finding**

The Council was not getting the statements from the breweries operating in Gweru. As a result, the Council was using remittances by breweries to recognise revenue in its books. This was contrary to the Traditional Beer Act [*Chapter 14:24*] that requires 3% levy to be levied on breweries on the basis of sales figure. As such, I could not ascertain the accuracy and completeness of revenue from beer levy.

### **Risk / Implication**

Misstatement of revenue from Beer Levy.

### **Recommendation**

Beer levy income should be accrued on the basis of beer sales. The Council should insist that brewers submit sales schedules in order for the Council to account for beer levy accurately.

### **Management response**

**We will engage National breweries, Ingwebu and Simba to supply us with the quantities of beer sold within our jurisdiction, though it will be difficult to verify the figures since the beer is sold in private premises.**

## 2.3 Allocation of stands to minors

### **Finding**

Council allocated two stands to two (2) minors aged sixteen (16) years from the same family on the same date their father was also allocated a stand under the Mkoba 21 Housing Scheme. The minors had no contractual capacity according to the General Law Amendment Act [*Chapter 8:07*], hence this was in contravention to this Act.

### **Risk / Implication**

High risk of fraud and corruption depriving residents who may have been on the waiting list for a long time.

### **Recommendation**

The Council should desist from practices that creates opportunities for fraud and corruption.

## **Management response**

**The Director of Housing and Community services has acceded to the fact that the two stands were sold to twins. However, the agreements of sale were signed for by the parents on their behalf who are seniors and have contractual capacity according to the provisions of the Guardianship of Minors Act [Chapter 5.08] section 3.**

**Management has however instructed its junior staff to desist from entering into contractual agreements with minors and familiarize themselves with the provisions of the Legal Age of Majority Act [Chapter 8.07] on signing of contracts or agreements.**

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

### **3.1 Service level agreements**

#### **Finding**

There was no service level agreement with the system vendor for the Promun system. Without a service level agreement there is no benchmark for monitoring and measuring the quality of service being provided by the system vendor. Upon enquiry, management indicated that the Council had engaged the service provider directly and through System Administrators forum to come up with the agreement.

#### **Risk / Implication**

Compromised service delivery from the system vendor.

#### **Recommendation**

A service level agreement should be put in place between the Council and the system vendor.

#### **Management response**

**This is a matter that we cannot control in terms of time although the Council will keep pursuing.**

## **4 SERVICE DELIVERY**

### **4.1 Sewer reticulation system**

#### **Finding**

The Council was fined by the Environmental Management Agency for polluting the Gweru river from its sewer treatment plant. Upon enquiry, management indicated that the Council had plans for the rehabilitation and upgrading of sewer treatment plants, however, this had been hampered by funding constraints.

In addition, the Council was experiencing blockages and spillages on the sewer reticulation system due to inadequate maintenance, uncovered manholes and unavailability of water for flushing.

**Risk / Implication**

Health and safety hazard to the residents and the surrounding environment.

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

**Recommendation**

Council should come up with strategies to increase revenue to enable rehabilitation of the sewer reticulation system.

**Management response**

**The Council is facing cash flow constraints in as much as the debtors and billing is high resulting in huge profits which are not matched with cash flows. The balances of cash and cash equivalents that the Council has are outmatched by the liabilities that fall due in the immediate future.**

## **HARARE CITY COUNCIL 2018**

I have audited the financial statements of Harare City Council for the year ended December 31, 2018.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Reconciliation of cash and cash equivalents**

##### **Finding**

The Council's cashbooks were not furnished for audit. Cash receipts and payments journals linked to the bank accounts were also not availed. Reconciliations of bank accounts, ecocash accounts were not updated and proper checking and authorisation of the same was not being done. Some of the bank accounts were not in the accounting system.

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

Fraudulent transactions might not be detected and acted upon on time.

Financial loss.

##### **Recommendation**

The Council should ensure adequate and proper maintenance of records.

Monthly bank reconciliations should be done and reviewed.

##### **Management response**

**The BIQ platform could only accommodate 64 cashbooks, some of which were furnished. The system was abruptly terminated before all the cashbooks could be extracted.**

**Council is strengthening its internal controls through implementation of Standard Operating Procedures (SOPs).**

**Bank reconciliations could not be completed since there was no Enterprise Resource Planning (ERP).**

#### **1.2 Maintenance of proper books of accounts**

##### **Finding**

In terms of section 286 of the Urban Councils Act [Chapter 29:15], and section 49 of the Public Finance Management Act, [Chapter 22:19], the Council is required to keep proper

books of accounts as may be necessary to record matters relating to financial matters of the Council. In terms of the International Public Sector Accounting Standard 1: Presentation of Financial Statements, the Council should fairly present financial information and must faithfully represent its affairs.

According to the Council, trade and other payables to the tune of USD105 542 322 were unverifiable.

In addition, trade and other payables totalling USD83 712 713 had debit balances and should have been reclassified. This suggests that the Council might have prepaid or overpaid suppliers and has to recover the same.

Furthermore, in terms of IPSAS 12 – Inventories, developed land for resale and treated water should be treated as inventory respectively. The inventory records for the land and water were none existent. There was neither presentation nor disclosure to this effect. No land bank records are kept by the Council which forms the basis for internal control in regard to land sales.

### **Risk and implications**

Financial loss as a result of misappropriation of public resources and litigation.

Service delivery may be compromised.

Misstatement of financial statements.

### **Recommendation**

Management should consider investing in robust IT systems to foster proper accounting and financial reporting.

### **Management response**

**The presentation of the Financial Statements is as per IPSAS 1 requirements, but the validation of the information may be questionable.**

**Noted, the relevant responsible Department is in the process of creating an up-to-date land bank register. This process is expected to be completed by 31 December 2021.**

**The urgency for a well-maintained trade and other payables record cannot be underestimated, and the new ERP is targeting to eliminate this teething problem.**

### 1.3 BIQ System

#### **Finding**

The Council's Enterprise Resource Planning (BIQ) system was withdrawn by the service provider, and management alleged that the inadequate information furnished in respect of 2018 financial year was recovered from a back-up facility. The information could not be validated with the defunct BIQ system, and neither could completeness be ascertained. In addition, large volumes of Council information were lifted from a supposed back up facility and made resident on unprotected excel formats. This was contrary to section 45 of the Public Finance and Management Act [Chapter 22:19] which requires among other things that employees of public entities ensure that the system of financial management and internal controls is established and implemented.

#### **Risk/ Implication**

Integrity of financial information is compromised.

Data loss.

#### **Recommendation**

The Council should comply with section 45 of the Public Finance Management Act, [Chapter 22:19].

Management should manage risks pertaining to stakeholder relationships.

#### **Management response**

**Compliance to section 45 of the Public Finance Management Act, [Chapter 22:19] is mandatory.**

**Management will endeavor to uphold stakeholder relationships and manage risk by doing post mortem reports for risk management for the mutual benefit of parties.**

### 1.4 Accounting for subsidiaries

#### **Finding**

International Public Sector Accounting Standard (IPSAS) 6- Consolidated and separate financial statements requires the consolidation of all controlled entities. I noted that City of Harare's wholly owned subsidiaries namely, Rufaro Marketing (Pvt) Ltd, City Parking (Pvt) Ltd and Sunshine Holdings were not consolidated or accounted for. Access to the identified entities was not granted and the investments, in aggregate, may be significant and material. It was also unclear whether all the interests in Sunshine Holdings were known.



**Risk/ Implication**

Financial loss of public resources due to lack of accountability.

**Recommendation**

The Council should consolidate all entities under its control to comply with International Public Sector Accounting Standards.

**Management response**

**Noted, all accounts for subsidiaries will be consolidated in 2019. Council will endeavor to comply to all the requirements of the IPSAS Guideline.**

**1.5 Disaster recovery and business continuity site****Finding**

The Council's Disaster Recovery Site had not been constructed neither was there an offsite alternative in place. The Disaster Recovery and Business Continuity Plan was still work in progress but facing major drawbacks. The tender was awarded to an Indian firm in 2016 but to date nothing has been done to put this into motion.

**Risk/Implication**

Loss of data and disruption of overall business operations.

**Recommendation**

Management should ensure that a Disaster Recovery and Business Continuity Plan is put in place and an offsite disaster recovery site is established.

**Management response**

**Process of establishing hot site disaster recovery site now underway and will be finalized in 2021.**

## **KADOMA CITY COUNCIL 2017**

I have audited the financial statements of Kadoma City for the year ended December 31, 2017.

Below are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1 Valuation roll**

##### **Finding**

The Council did not have an updated valuation roll in compliance with the requirements of the Urban Councils Act, [*Chapter 29:15*] section 253(a)-(f). The valuation roll that was in use at the time of audit was designed in 2003. As a result, new properties and improvements that were made from 2003 to the current period were not included in the valuation roll or in a supplementary roll.

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

Understatement of revenue.

##### **Recommendation**

The Council should update the valuation roll in order to enable timely and accurate billing of rateable properties.

##### **Management response**

**The compilation of the remainder of the required information is complete. Management has submitted the information for quotation and payment. Ministry of Public Works is expected to carry out the valuation of the selected properties by 31 March 2021. Implementation should be possible by 1 July 2021.**

#### **1.2 Donated Assets**

##### **Finding**

Council did not maintain a donations register during the 2017 financial period. A review of full Council minutes dated October 31, 2017 revealed that Global Fund donated 10 kVa solar system to Rimuka clinic. However, the same was not recorded in the books of the Council.

### **Risk / Implication**

Misstatement of financial statements.

Financial loss as donated assets may be stolen.

### **Recommendation**

Council should maintain donations register to avoid possible omission of donations from financial records.

### **Management response**

**The donation was not supported by documentation and no documents could be located. Engagements with the donor have been fruitless. A valuation is in progress and the value will be included in the 2020 accounts. A donations register will be opened by 31 March 2021.**

## **1.3 Building inspections**

### **Finding**

The Council was not keeping building inspection forms for properties under construction. The building inspection stage forms were said to be kept by property-holders and no duplicate copies were being retained in Council records. Council relies on the property owners for proof of payment. This was noted as a weakness in the control system of monitoring building inspections income.

### **Risk / Implication**

Financial loss as material errors may not be detected on time.

### **Recommendation**

The Council should consider retaining duplicate copies of building inspections stage forms for all properties under construction.

### **Management response**

**Agreed. Stage inspection copies are now being filed from December 2020. Old inspection forms are being photocopied for records as and when applications for stage inspections are made.**

## 2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

### 2.1 Beer levy

#### Finding

The Council did not avail returns submitted by commercial brewers relating to traditional beer sold within their area of jurisdiction as required by section 11 of the Traditional Beer Act [Chapter 14:24]. There was no basis for the beer levy remitted by the brewers.

My enquiry with management revealed that the returns were not being submitted for verification to support the beer levy remitted by the commercial brewers.

#### Risk/Implication

Financial loss due to understatement of beer sales.

#### Recommendation

Management should ensure that commercial brewers submit returns for beer sales and remit beer levy according to the provisions of the Traditional Beer Act [Chapter 14:24].

#### Management response

**Management will make an effort to get information to accrue the Beer Levy by 31 March 2021.**

### 2.2 Billing of rented properties

#### Finding

The following rented properties were not billed for the year under review:

Property Description	Account Number
Shop at Urban terminus	922990
Ngezi Pre-school	141030
Kwerete 9-11 & 38-40	921150

The Memorandum of Agreement (Lease Agreement) clause 3, requires the lessee to pay rent in advance for the leased property, and Clause 19 of the Lease Agreement gives the lessor the right to sue for and recover such sum due from the lessee. I noted that Council was owed a total of \$1 095 286 from various leased properties as at 31 December 2017.

#### Risk / Implication

Financial loss due to non-billing.

## **Recommendation**

The Council should ensure that all properties are billed consistently and make concerted effort to recover the outstanding rentals due.

## **Management response**

**The three properties above were not being billed as observed by audit because of poor communication between the Housing (leasing department) and the Finance department. Measures will be put in place beginning October 2020 to rectify these omissions as well as to claim and collect all outstanding rental income from the three tenants by December 31, 2021.**

## MASVINGO CITY COUNCIL 2019

I have audited the financial statements for Masvingo City Council for the year ended December 31, 2019.

Below are material issues noted during the audit:

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

#### 1.1 Beer levy revenue

##### **Finding**

In terms of the Traditional Beer Act [*Chapter 14:24*], local authorities are mandated to collect levies from breweries within their territory. However, the Council did not avail evidence of traditional beer sales schedules to support the levy remitted of ZWL\$250 296 by the commercial brewers. My enquiries with management revealed that the Council was relying on the remittances from the traditional beer brewing company.

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

Financial loss as all revenue from beer levy may not be collected.

##### **Recommendation**

Management should ensure that commercial brewers submit returns for beer sales and remit beer levy according to the provisions of the Traditional Beer Act [*Chapter 14:24*]

##### **Management response**

**Noted. We have been relying on the remittances from the traditional beer brewing company. We agree that we have to do independent verification as per the Traditional Beer Act and a designated officer has been appointed for that purpose.**

#### 1.2 Banking of collected parking fees

##### **Finding**

Parking fees collected for the months of September to November 2019 was not banked intact resulting in under-bankings. From the sampled three months, total daily collections were not tallying with subsequent daily bankings and ZWL\$3 694 cash remained unaccounted for. I also noted cases of over-banking for the same period.

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

Financial loss due to potential fraud.

## **Recommendation**

The under/over banking should be investigated and corrective action taken.

## **Management response**

**Noted. An investigation into the matter was made by the internal audit however, their findings would be discussed at relevant committees soon and proper procedures would be followed and the Council will ensure embezzled funds would be recovered.**

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

### **2.1 Delivery of purchased bitumen**

#### **Finding**

The Council purchased five hundred and forty-five (545) drums of bitumen from Podilla Ventures (Private) Limited in 2016 valued at US\$137 713. However, the bitumen had not been delivered and the money paid had not been recovered by the time of my audit in August 2021. My enquiries with management revealed that a High Court judgement was given in favor of the Council but the Master of the High Court was facing challenges to serve the supplier with a warrant of execution.

#### **Risk / Implication**

Financial loss as the Council may fail to get the purchased product or reimbursement of the paid amount.

Service delivery may be compromised.

#### **Recommendation**

The Council should continue to pursue the matter with the Master of High Court.

The Council should carry out due diligence before purchasing goods or services.

#### **Management response**

**The 545 drums of bitumen were not delivered, however litigation for the same was sought through the High Court and the Judgment HC 25/19 came in favor of Masvingo City Council. A warrant of Execution was also raised against the defendant. Further action is being pursued after The Master of High Court faced challenges to serve the defendant. Therefore, a recourse to recover the products is in progress.**

## MUTARE CITY COUNCIL 2019

I have audited the financial statements of Mutare City Council for the year ended December 31, 2019.

Below are material issues noted during the audit:

### 1. GOVERNANCE ISSUES

#### 1.1 Consolidation of financial statements

##### **Finding**

Despite owning 100% of the shares of Pungwe Breweries, Council has not been preparing consolidated financial statements.

A controlling entity shall present consolidated financial statements in which it: measures the investments of the controlled investment entity at fair value through surplus or deficit in accordance with IPSAS 41, and consolidates assets, liabilities, revenue and expenses of the controlled investment entity in accordance with IPSAS 35.

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

Non-compliance with IPSAS 35.

Misstatement of Financial Statements.

##### **Recommendation**

Management should consolidate Pungwe breweries to comply with IPSAS 35.

##### **Management response**

**Pungwe Breweries (Pvt) Ltd has outstanding financial reports and as such consolidation could not be done given that background. The firm has been given up to December 31, 2021 to clear off all outstanding audits to facilitate consolidation. We look forward to start consolidation in year 2022 for year 2021 accounts.**

### 2. SERVICE DELIVERY

#### 2.1 Provision of water

##### **Finding**

The Council had 29 542 water meters of which 9 413 were non-functional. In addition, 4 523 properties were unmetered. Enquiries with management revealed that financial challenges faced by Council were affecting the replacement of non-functional water meters.



**Risk/Implication**

Financial loss due to undercharging of residents with non-functional meters.

**Recommendation**

Management should ensure that all non-functional water meters are repaired or replaced so that residents are charged actual bills.

**Management response**

**Water meters must be replaced every 10 years (at worst). Council did not replace water meters over a long time. Since 2019, Council has replaced water meters for the top 300 customers. In 2021 Council will replace Water meters for top 300 customers (from number 301 to number 600) at a budgeted cost of ZWL1 275 000.00**

## **VICTORIA FALLS CITY COUNCIL 2019**

I have audited Victoria Falls City Council for the year ended December 31, 2019.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Housing policy**

##### **Finding**

The Housing and Estate department was operating without policies for the past years. The operational functions of the Council were executed without set standards, as the department's work especially on land sales was directed by Council resolutions. Enquiries with management revealed that the policies were pending approval and adoption.

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

Inconsistencies which might impact negatively on Council business.

##### **Recommendation**

The Council should expedite the approval process of draft policies.

##### **Management response**

**It is still work in progress. Management has come up with a draft which is undergoing internal approval processes.**

#### **1.2 Valuation Roll**

##### **Finding**

I noted that the Council does not have an updated valuation roll contrary to the requirements of section 253(a)-(f) of the Urban Councils Act [Chapter 29:15]. The one in place was done in 2000, and is no longer compatible with current economic changes that occurred from 2009. New properties and improvements that were made between 2000 up to the current period are not included in the valuation roll or in a supplementary roll. Management cited that the exercise was commenced in 2015 but could not be completed due to failure to get the President of the Valuation Board.

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

Council is not realizing all its potential revenue because of the absence of the valuation roll.

Council might be overcharging some rate payers.

Property improvements after the last valuation are not being billed.

### **Recommendation**

Council should update the valuation roll to enable it to bill its rateable properties accurately or come up with a supplementary valuation roll to cater for new properties and improvements made after 2000.

### **Management response**

**The exercise was commenced in 2015 but could not be completed due to failure to get the President of the Valuation Board.**

## **2. EMPLOYMENT COSTS**

### **2.1 Locomotion expense**

#### **Finding**

The Council disposed a Toyota Hilux D4D to the Town Engineer at 25% of the vehicle's current market value per Council policy. Payments towards the purchase of the vehicle were made on 7 and 13 March 2020. However, I noted that the engineer claimed and was paid locomotion allowance at AA rates based on 2000km/ month amounting to \$86 840 with regard to the vehicle from 7 May 2019 to 23 March 2020, which during this period the vehicle was still a Council asset being maintained in terms of repairs & maintenance, fuel and insurance.

#### **Risk/ Implication**

Financial loss.

#### **Recommendation**

Locomotion should only be paid to compensate for wear and tear for using personal vehicles for Council business.

#### **Management response**

**The engineer has since been requested to pay back the locomotion.**

### **3. SERVICE DELIVERY**

#### **3.1 Housing Provision**

##### **Finding**

The Council had 15 776 people on the waiting list for residential stands. During the year under review, the Council allocated 10 un-serviced stands. Inquiries with management revealed that the Council no longer had land to meet the growing demand of stands.

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

Allocation of land without servicing puts pressure on the environment through such acts as illegal dumping and improvised sewer which affect water bodies.

##### **Recommendation**

Council should ensure adequate servicing of land is performed for new residential areas.

Council should engage relevant authorities to secure land for expansion.

##### **Management response**

**Engagement with central government is at an advanced stage for Council to acquire land.**

**MUNICIPAL COUNCILS**

## **CHEGUTU MUNICIPALITY 2019-2020**

I have audited Chegutu Municipality for the years ended December 31, 2019 and 2020.

Below are material issues noted during the audit.

### **1. GOVERNANCE ISSUES**

#### **1.1 Councillors' allowances**

##### **Finding**

The Municipality increased the councillors' allowances by 77% in the month of September 2019. I was not availed with correspondence from the Ministry of Local Government and Public Works approving the increase.

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

Financial loss due to payment of unauthorized allowances.

##### **Recommendation**

The Municipality should ensure that approval is obtained from the relevant authority before adjusting allowances for councillors.

##### **Management response**

**Management response was not provided.**

#### **1.2 Policy documents**

##### **Finding**

The Council was operating without key policies and some were still at the draft stage. As a result, the operational functions of the Council were being executed without approved guidelines or set standards.

The table below has details of the outstanding policies:

<b>Policy</b>	<b>Status</b>
Risk Management Policy	Not in place
Employee Housing Policy	Draft stage
Accounting Policy and Procedure Manual	Draft stage
Receivables or debt management policy	Not in place
Investment Policy	Not in place
Inventory Management Policy	Not in place

## **Risk/ Implication**

Inconsistencies in the treatment of similar operational issues.

## **Recommendation**

The Council should put in place all outstanding policies.

## **Management response**

**A draft Asset Management Manual has also since been prepared to complement these policies and work towards finalization of this policy is in progress pending adoption by Council. Tender advertisement for consultancy work on the Risk Management Policy was made during the month of September 2021 and it is anticipated that the policy will be finalized by the 1<sup>st</sup> quarter of 2022.**

**The inventory management policy and investment policy to be completed by the 2<sup>nd</sup> quarter of 2022. Employee housing policy was considered by the Corporate Services and Human Capital Development Committee meeting on 29 September 2021. The committee made recommendations to Council for adoption.**

### **1.3 Valuation of investment property**

#### **Finding**

The Municipality disclosed investment property with a total cost of ZWL\$41 347 871 and carrying amount of ZWL\$33 186 465. However, I could not validate the disclosed carrying amount as it was not disaggregated. The fair value was also not disclosed contrary to the requirements of IPSAS 16 paragraph 90(e). Upon enquiry, I was provided with a list of investment properties which had no values. I was therefore not able to determine the accuracy, completeness and appropriate disclosure of the investment property.

Table below shows the information on investment properties;

<b>Description</b>	<b>Number of units</b>
Shops	28
Talk of town beerhall	1
Pfupajena beerhall	1
Chegututu beerhall	1
Chegututu Arms	1
Council workshop	1

#### **Risk / Implication**

Misstatement of financial statements.

## **Recommendation**

Management should disaggregate the cost of investment properties and consider annual assessment of fair values in line with IPSAS 16.

## **Management response**

**The recommendation to have an investment policy for the leased properties will be taken on board in the 2022 financial period.**

**Revaluation of the investment properties to be undertaken in the 2022 financial period in-order to comply with IPSAS 16 requirements.**

## **1.4 Revaluation of assets**

### **Finding**

The Municipality disclosed its property, plant and equipment at ZWL\$26 633 288 as at December 31, 2020. The Municipality did not perform a revaluation of its property, plant and equipment since 2010 in order to reflect the current value of the assets in its financial records. In addition, the Municipality did not carry out an assessment of the economic useful life of its property, plant and equipment as required by paragraph 67 of IPSAS 17 and the Municipality accounting policies. Had the property, plant and equipment been revalued the amount disclosed in the financial statements would be materially different from the figure disclosed.

### **Risk / Implication**

Financial statements may be materially misstated.

### **Recommendation**

The Municipality should comply with the requirements of IPSAS 17.

### **Management response**

**The revaluation of assets has been budgeted for in the 2022 Council budget hence the process will be done in the 2022 financial period and incorporated in the 2022 Financial Statements in compliance with IPSAS 17 requirements.**

## **1.5 Bank reconciliations**

### **Finding**

The Municipality was not performing bank reconciliations on time. As a result, the cash and cash equivalent of ZWL\$10 812 710 disclosed was not based on any reconciliation. I noted



that the bank statement showed a balance of ZWL\$9 189 894 against the disclosed amount of ZWL\$10 812 710 resulting in an unreconciled balance of ZWL\$1 622 816.

**Risk / Implication**

Misstatement of financial statements.

Fraud and error might not be detected on time.

**Recommendation**

Management should ensure that bank reconciliations are performed regularly.

**Management response**

**The delays in the bank reconciliations were caused by delays in the capturing of payroll figures from the Belina Payroll System to the Promun ERP system. This caused delays and variances in the cash and cash equivalent and the bank statement balance.**

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

**2.1 Wheel clamping fees**

**Finding**

In 2019, the Municipality was not issuing out tickets stating the offence committed and the amounts due, contrary to the provisions of the Chegutu Municipality Road Traffic and other Offences bye law, 2009 section 4(1)(a) which stipulates that "if an authorized person reasonably believes that an offence has been committed, he or she may clamp such motor vehicle provided that he or she will issue a traffic ticket".

Furthermore, I noted that a note book used to record offences committed, amounts due and the receipt numbers for the year under review had missing pages therefore I could not satisfy myself on the accuracy and completeness of clamping fees.

**Risks/ Implication**

Financial loss

**Recommendation**

The Municipality should comply with its bye laws and ensure that all records are maintained and stored in a secure place

**Management response**

**Noted. The issuance of notices to arrested traffic offenders or transgressors had been kept in abeyance due to the fact that, these accused persons had become sophisticated as they were evading paying their fees and as such, we have been making them pay on the spot fines like**

**what is prevailing at other sister towns and cities and this is the same scenario within the national police service.**

## **2.2 Investment in joint venture**

### **Finding**

The Municipality entered into a joint venture with Lifetime Farming (Private) Limited where a separate company was established for the purposes of commercial agricultural production. The Municipality has a 5 % stake in the joint venture but, did not account for this investment in line with the requirements of International Public Sector Accounting Standards (IPSASs) 36 and 37. The effect of non-disclosure of the investment in joint venture has not been established due to absence of audited financial statements of the joint venture.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Management should ensure that the joint venture financial statements are audited and the investment is appropriately accounted for in the council books.

### **Management response**

**The financial statements for the Joint Venture were lagging behind for the periods 2018, 2019 and 2020 which made it difficult to consolidate in accordance with IPSAS 36. Moreso the Audited Financial Statements for Lifetime Farming (Pvt) Limited were submitted after the external audit of the Municipality's 2020 financial statements.**

**However, in the 2021 Financial Statements External Audit, Chegutu Municipality will comply with the accounting standard.**

## **2.3 Beer levy**

### **Finding**

The Traditional Beer Act [*Chapter 14:24*], section 11(2)(a) empowers local authorities to collect beer levy on all traditional beer sales made by brewers within their jurisdictions. The Municipality recognised beer levy revenue amounting to ZWL\$1 327 868 for the year under review. However, I was not availed with evidence in the form of sales schedules maintained or reconciliations performed between the Council's records and that of the brewer. I therefore could not ascertain the completeness and accuracy of the disclosed beer levy. This was contrary to the provisions of the Traditional Beer Act [*Chapter 14:24*] section 15 which requires that local authorities demand production of records/accounts of controlled liquor monies to verify the accuracy of the amount to be remitted.

### **Risk / Implication**

Non-compliance with the Traditional Beer Act [*Chapter 14:24*].

Potential loss of revenue.

### **Recommendation**

The Council should ensure compliance with the Traditional Beer Act [*Chapter 14:24*].

### **Management response**

**During the year under review, we were not able to carry out reconciliations with the brewer because of COVID-19. However, reconciliations for the 2020 financial period will be done by November 30, 2021.**

## **2.4 Meter status**

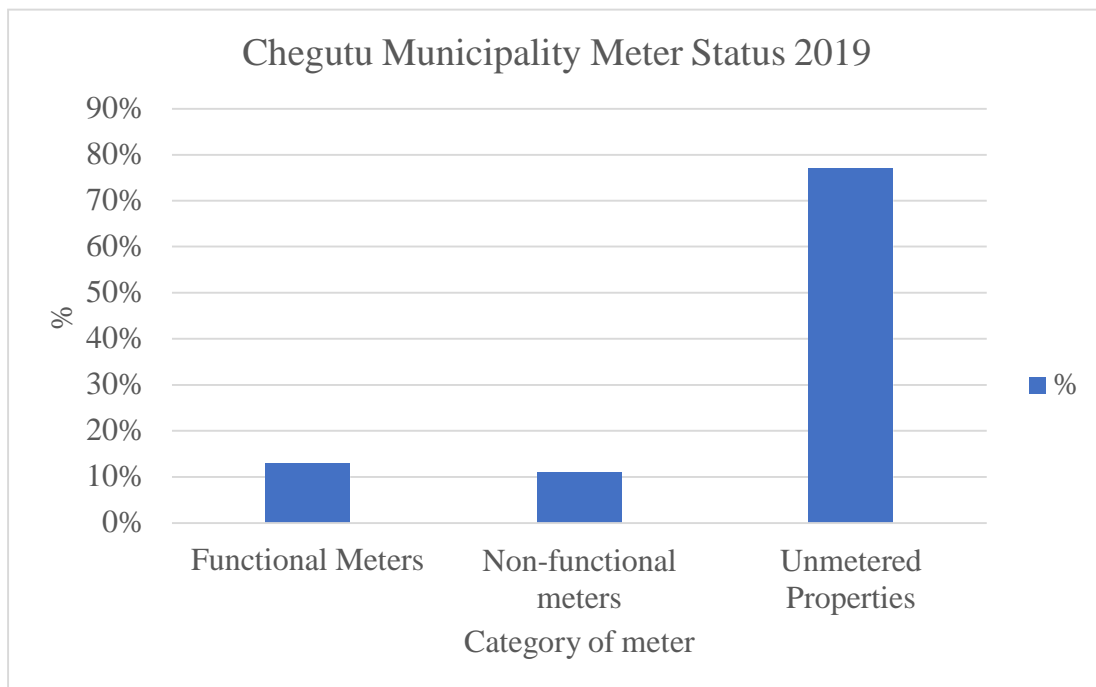
### **Finding**

I noted that 77% of the properties which were being supplied water by the Municipality were unmetered and 11% had non-functional meters. The Municipality charged a fixed charge to all properties that had no functional meters therefore, usage of water by the same may be unlimited as they are charged a flat rate.

The table and chart below refer:

### **Chegutu Municipality meter status 2019**

<b>Area</b>	<b>Functional meters</b>	<b>Non-functional meters</b>	<b>Unmetered properties</b>
Domestic (High density)	1 013	914	6 337
Domestic (Low density)	158	96	1 044
Commercial	81	54	130
Industrial	28	42	204
Institutional	3	4	78
<b>Total</b>	<b>1 283</b>	<b>1 110</b>	<b>7 793</b>
<b>%</b>	<b>12%</b>	<b>11%</b>	<b>77%</b>



**Risk/ Implication**

Loss of revenue due to under billing

Overbilling of clients may result in increase in debtors

**Recommendation**

The Municipality should ensure that all properties that are being supplied water have functional water meters to ensure that clients are charged for water they have actually consumed.

**Management response**

**Management response was not provided.**

**3. SERVICE DELIVERY**

**3.1 Street lighting**

**Finding**

The Municipality had one hundred and sixty-eight (168) street lights installed in the low-density area, however, none of them were functional. In addition, out of the twenty-seven (27) tower lights in the middle and high-density areas, thirteen (13) tower lights representing 48% were not functional.

**Risk / Implication**

Service delivery may be compromised.

## **Recommendation**

The Municipality should ensure that street lights are functional.

## **Management response**

**Council is moving towards the installation of solar street lights and Tower Lights. There is rampant theft of overhead copper cables for street lights in the low-density suburb. The copper cables are being replaced by aluminum cables and this has since been done in the CBD, i.e. Queen Street.**

## **CHITUNGWIZA MUNICIPALITY 2017-2018**

I have audited the financial statements of Chitungwiza Municipality for the years ended December 31, 2017 and 2018.

Below are material issues noted during the audit:

### **1. GOVERNANCE ISSUES**

#### **1.1 Cash and bank**

##### **Finding**

The Council did not provide evidence in the form of cash count certificates to support existence of a petty cash balance amounting to US\$9 188 reported in the financial statements for 2017.

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

Misappropriation of cash.

##### **Recommendation**

Management should ensure that petty cash balances are supported by year-end cash count certificates.

##### **Management response**

**The petty cash count certificates will be put in place.**

#### **1.2 Investment properties**

##### **Finding**

Most lessees were not paying their dues and the recoverability of the outstanding amounts was doubtful. Twenty-four (24) tenants for shops, butcheries, crèches, beerhalls and other businesses did not pay rent for the year 2017 and the total amount billed was US\$85 813.

In addition, 41 of the properties being leased had no lease agreements in place. Some lease agreements had no lease amount, lease period and the name of the lessee, a sample of six (6) was noted.

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

Financial loss due to weak controls around management of leases.

## **Recommendation**

Lease agreements should be put in place and management should follow up on outstanding lease rentals.

## **Management response**

**On February 7, 2019, Council put in place a resolution to terminate all leases on Council properties. The intention is to ensure Council collects what is due to it. In the case where there are no lease amounts, period and name of lessee the anomaly will be corrected as we issue new leases to tenants after termination of leases to all Council properties. This will also apply to all Council leases that have expired and will ensure in future the lease agreements are reviewed. In the case where there are no lease agreements Council will ensure they are in place.**

### **1.3 Salary adjustments**

#### **Finding**

Management salary scales that were applied from August 2018 were not approved by the Minister of Local Government and Public Works.

#### **Risk / Implication**

Financial loss due to unauthorised salary increments.

Service delivery maybe compromised as funds meant for service delivery are diverted to salaries and wages.

#### **Recommendation**

Salary increments should be approved by the relevant Minister.

#### **Management response**

**Council has acted as recommended, a special committee was set up to deal with management salaries for 2020 and will be brought to council for a resolution. Correspondence shall be served to the Minister of Local Government and Public Works wherein the Municipality shall seek approval of the increment from the ministry for 2020 management salaries.**

### **1.4 Building inspections**

#### **Finding**

The Council was not keeping building inspection forms for properties under construction. The building inspection stage forms were said to be kept by property-holders and no

duplicate copies were being retained in Council records. Council relies on the property owners for proof of payment. This was noted as a weakness in the control system of monitoring building inspections income.

**Risk / Implication**

Financial loss as material errors may not be detected on time.

**Recommendation**

The Council should consider retaining duplicate copies of building inspections stage forms for all properties under construction.

**Management response**

**We have already started filing of duplicate inspection forms at relevant district offices. Building inspection records can be traced through our record books. Where payments records and construction stages are kept.**

**1.5 Voluntary deductions facility**

**Finding**

The Council was allowing employees to intercept payments from clients for plan approval. As a result, employees were collecting and utilising the funds for personal use. Upon enquiry, the Council highlighted that the practise emanated from the memo issued by the Town Clerk where employees were being allowed to use stop orders and voluntary deductions to be effected from employees' salaries to cover properties directly belonging to the employee or employee's parents or in-laws. The internal controls over this practise were compromised by the absence of standard operating procedures. This opened opportunity for employees to illegally extend this practise to third parties.

Although the Town Clerk issued a memo on August 16, 2018, employees continued with the practice.

**Risk / Implication**

Financial loss due to corruption and fraud that may go undetected.

**Recommendation**

Controls over Council revenue collection should be strengthened.

**Management response**

**The observation has been noted and operational procedures are now in place.**



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

### **2.1 Staff receivables**

#### **Finding**

The Council's receivables amount included US\$367 064 misappropriated by former Council staff during 2011. There was no evidence to support that recovery of these funds was being made although it is now ten (10) years after the misappropriation.

#### **Risk / Implication**

Financial loss due to irrecoverable receivables.

#### **Recommendation**

Council should recover the misappropriated amounts.

#### **Management response**

**The issue will be taken to Council for consideration and a decision will be made.**

### **2.2 Water sales**

#### **Finding**

The Council purchased 10,7 mega litres of water during the year under review and only 3,6 mega litres were sold to customers leaving a variance of 7,1 mega litres. An analysis of the Council records reveals that, on average, the recovery rate was 34%, hence 66% of the purchased water was not being recovered. In addition, this situation was worsened by the fact that 51% of water meters were non-functional. Revenue for non-functional meters was based on estimates, a practice that is only effective for consumers with functional meters because this can be rectified when a meter reading is subsequently taken.

#### **Risk / Implication**

Financial loss due to revenue leakages.

#### **Recommendation**

Council should consider the replacement or repair of non-functional water meters.

## Management Response

The observation has been noted and council is in the process of replacing the malfunctioning metres. To date we have replaced 3 500 malfunctioning water meters with new metres courtesy of ZIMFUND donated material. We have also installed 11 district water meters and the process is ongoing.

### 3. EMPLOYMENT COSTS

#### 3.1 Employee terminations

##### Finding

There was no evidence to support that the Council's payroll controls were water tight as a result, some employees remained on the payroll months after their contracts of employment had been terminated. The table below has details of this anomaly;

Employee code	Termination date	Last date on payroll	Period after termination
29555	01/01/2018	May-18	5 months
20599	20/01/2017	Aug-18	19 months
22160	01/01/2018	Oct-18	10 months

##### Risk/Implication

Financial loss due to material payroll irregularities that may not be detected on time.

##### Recommendation

Terminated employees should be removed from the payroll timely.

##### Management response

From July 2020, HR will start doing monthly reconciliations showing number of employees at the beginning of the month and at the end of the month. HR will also start checking on employee resignations in all sections on a monthly basis so that information pertaining to these flaws into payroll section timely.

## **4 SERVICE DELIVERY**

### **4.1 Water provision**

#### **Finding**

The Council was purchasing treated water from City of Harare and this was costly to the residents as Council put a mark-up on the water purchased. Council was failing to service the water debt to City of Harare, which amounted to US\$11 036 156 as at December 31, 2017.

Furthermore, the daily average supply of treated water for the town was 35 000 cubic meters whereas the daily average demand of water for the town was 62 000 cubic meters.

According to the Engineer's report 4 103 856 cubic meters translating to 45% was non-revenue water and this was mainly caused by water leakages due to aged infrastructure and vandalism. Council had 23 010 non-functional water meters and 17 017 working metres.

#### **Risk / Implication**

Service delivery may be compromised.

Financial loss due to high non-revenue water.

#### **Recommendation**

Council should have in its long term plan a strategy of constructing its water source and its water treatment plant and this will ease council water problems.

Council should devise strategies to reduce non-revenue water.

#### **Management response**

**Chitungwiza Water and Sanitation Project, including Muda Dam water source and rehabilitation of existing infrastructure is now at Feasibility stage pending submission to Cabinet by the Ministry of Finance.**

### **4.2 Sewerage treatment plant**

#### **Finding**

There were consistent blockages and sewer spillages in various locations which includes the following areas: Unit O, P, L, M, N, H, A, B, C, D, E, F, G, J, all Seke units, all Zengeza units and St Mary's. The major causes of sewer blockages were attributed to lack of continuous water supply, siltation, corrosion and collapse of sewer pipes due to aging sewer system, vandalism of sewer manholes and illegal connections.

### **Risk/ Implication**

Pollution to the environment and health hazard to humans.

### **Recommendation**

Management should come up with a plan to rehabilitate the sewer system.

### **Management response**

**Chitungwiza Water and Sanitation Project, including Wastewater treatment works, sewer trunks and rehabilitation of existing infrastructure is now at Feasibility stage pending submission to Cabinet by the Ministry of Finance.**

## **4.3 Fire protection services**

### **Finding**

The Council's fire service department was inadequately capacitated to deal with emergencies caused by fire and accidents. The Council had only one functional fire tender instead of three and the department was understaffed with 29 employees in post instead of 80.

In addition, there is no toll-free number for the fire brigade, and the section is accessible via a landline number.

### **Risk / Implication**

Service delivery may be compromised.

### **Recommendation**

The Council should capacitate the fire service department to effectively discharge its mandate.

### **Management response**

#### **1. Fire Station**

**In the 2019 -2023 Strategic Plan, the construction and commissioning of the fire station has been prioritized and in the 2019 Budget \$5 million was budgeted towards the architectural designs and the first phase of construction, all things being equal.**

#### **2. Manpower**

**Council have been given authority by the Ministry to fill the critical position in the fire section such as the Chief Fire Officer.**

### **3. Trucks and Equipment**

**In the 2019 budget \$400 000 have been budgeted to procure a brand new fire tender which will be also fully equipped with Road Traffic Accident equipment.**

#### **4.4 Health provision**

##### **Finding**

The Municipality operates four (4) polyclinics with only one medical doctor and has no ambulance. During the year under review, there was inadequate supply of drugs and the clinics infrastructure had cracks on the floors, walls and ceilings.

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

Health service delivery may be compromised.

##### **Recommendation**

Council should ensure that adequate health services are provided to residents.

##### **Management response**

**The budget for drugs and dressing for the year stood at \$200 000.00 and \$14 942 was spent during the year. The major reason why Council is under funding drugs and dressings is that the budget is performing poorly and Health expenses rely on subsidies from other votes.**

**Drug supplies have remained a challenge due to escalation costs against a fixed budget. Cost recovery measures are difficult due to the Ministry of Health policy on under five years and over 65 years who get free medical care from council clinics.**

**Repairs to clinics are being done on a phased approach and for now Seke south clinic has been repaired. The repairs of all clinics is targeted to be complete by year 2023.**

**The ambulance has been repaired and is now operational. Council is in the process of procuring 2 ambulances from devolution funds and the procurement process will have been completed by December 2020.**

## **KARIBA MUNICIPALITY 2017- 2019**

I have audited the financial statements of Kariba Municipality for the years ended December 31, 2017, 2018 and 2019.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Property, plant and equipment**

##### **Finding**

According to the provisions of IPSAS 17 paragraph 21, Council infrastructure assets meet the definition of property, plant, and equipment and should be accounted for in accordance with this standard. Examples of infrastructure assets include road networks, bridges amongst others. However, audit noted that road networks were not incorporated in the asset register and as such were not accounted for in the financial statements.

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

Property, plant and equipment may be understated in the financial statements.

##### **Recommendation**

Council should ascertain the value of infrastructure assets and include them in financial statements.

##### **Management response**

**Council has put in place a roadmap which is in line with government position of implementing the IPSAS which covers a period of six years up to 2025 from 2019. According to our plan, we anticipate to implement the standard by 2024.**

#### **1.2 Statutory deductions**

##### **Finding**

There was no evidence to support that the Council's strategy to clear outstanding statutory obligations was effective. As a result, the Council was struggling to honor payment plans they entered into by various statutory creditors. Hence the Council was not up to date in remitting statutory deductions.

The table shows the balances that were owed as at December 31, 2017;

<b>Creditor</b>	<b>Balance (US\$)</b>
LAPF	3 100 473
ZIMDEF	44 463
ZIMRA-PAYE	1 924 646
ZIMRA-VAT	215 478
NSSA	24 148
<b>Total</b>	<b>5 309 208</b>

**Risk / Implication**

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

Employees might not be able to access their funds from the pension funds upon reaching the retirement age.

**Recommendation**

Council should maximize revenue collection and ensure that statutory deductions are remitted timeously on a monthly basis and also pensioners are able to access the funds.

**Management response**

**Council entered into payment plans with most of its statutory creditors whereby Council came up with a strategy to pay on a daily basis. However, due to cash flow challenges, Council struggled in honoring some of the payment plans as they fall due and the situation will continue until the economic situation improves.**

**1.3 Inventory management**

**Finding**

There was no segregation of duties in the receipt, custody and disbursement of donated drugs and other health materials. The sisters in charge at the Nyamhunga and Mahombekombe Clinics were solely responsible for the receipt, custody and disbursement of the drugs.

**Risk / Implication**

Misappropriation of inventory may go unnoticed.

**Recommendation**

The Municipality should ensure segregation of duties in the receipt, custody and disbursement of donated drugs.

## **Management response**

**Council will ensure segregation of duties is maintained in the management of stocks at the clinics. This will entail that received drugs will need to be verified and received by stores personnel before they can be used or dispensed at the clinics.**

### **1.4 Beer levy**

#### **Finding**

According to the Traditional Beer Act [*Chapter 14:24*], local authorities are mandated to collect levies from breweries within their territory. The Council did not avail evidence of traditional beer sales schedules to support the levy remitted by the commercial brewers. My enquiries with management revealed that the sales schedules were not being submitted by the commercial brewers for verification to support the beer levy remitted.

#### **Risk / Implication**

Financial loss as all revenue from beer levy may not be collected.

#### **Recommendation**

Management should ensure that commercial brewers submit returns for beer sales and remit beer levy according to the provisions of the Traditional Beer Act [*Chapter 14:24*]

#### **Management response**

**For the year 2019, Council is going to ensure that the brewers returns are submitted to council and subject the returns to the verification of the levy due from the brewer and raise a debit against the brewer for the expected beer levy.**

**Maintaining the brewer debtor's account will then simplify verification of the amount remitted.**

**The returns submitted by the brewer will be filed for recalculation purposes.**

### **1.5 Service Level Agreements**

#### **Finding**

There was no service level agreement with the Promun system vendor, Axis Solutions. As a result, there was no mechanism to prompt system upgrades. Consequently, the Council was using an outdated Version of Promun (Version 4.2).

#### **Risk / Implication**

Old versions of systems may end up not being supported by the system vendors. The Municipality may not have legal recourse in cases of disputes.



## **Recommendation**

The Council should ensure that a service level agreement is in place.

## **Management response**

**Council will ensure that a service level agreement is formulated with the system vendor (Axis Solutions) where system patches must always be done for system security and always upgrade system versions in order to remain up to date with the system by December 2020.**

## **1.6 Statutory deductions**

### **Finding**

The Council was not up to date in remitting statutory deductions, and was not abiding by payment plans in place. As a result, a total of ZWL\$6 881 252 was outstanding at year end. My enquiries with management revealed that non-remittance was due to lack of finance as Council debtors were not satisfactorily paying their debts.

### **Risk / Implication**

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

Employees might not be able to access their funds from the pension funds upon reaching the retirement age.

### **Recommendation**

Council should maximize revenue collection and ensure that statutory deductions are remitted timeously on a monthly basis and also pensioners are able to access the funds.

### **Management response**

**The low cash flow levels were mainly the reason for failing to honour the payment plans that exist with statutory entities. Otherwise Council remain resolute in ensuring that collection efficiency increases as debtors satisfactorily pay their debts and that the payment plans are honoured. The accountant will ensure that payment plans are honoured starting May 2021 if collection rate improves.**

## 2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

### 2.1 Water meters

#### **Finding**

The number of faulty meters increased from 746 to 993 between January and December of the year under review. As a result, billing for water consumption was based on estimates. My enquiries with management revealed that most of the water meters had long surpassed their economic life span.

#### **Risk / Implication**

Financial loss due to estimates which may be lower than the actual consumption.

#### **Recommendation**

Management should ensure that all faulty meters are repaired or replaced to enable maximum revenue collection.

#### **Management response**

**Council will seriously consider the recommendation within the budget constraints. The extent to which the faulty meters are replaced will be recorded and presented to the auditors in the 2019 financial year. The breaking down of water meters is a continuous challenge that requires Council to also have a continuous replacement budget. Most of the water meters have long surpassed their economic life span.**

### 2.2 Estate funds

#### **Finding**

The Municipality was not separately accounting for estates funds. As a result, 19% of \$709 688 generated from stand sales was used for recurrent expenditure. This was contrary to the Urban Councils Act [*Chapter 29:15*], Section 300 which requires estate funds to be utilised for capital expenditure. My enquiries with management revealed that the funds were used as per need of the Council.

#### **Risk / Implication**

Service delivery may be compromised.

#### **Recommendation**

The Council should ensure that estate funds are separately accounted for and utilised for the intended purpose.

## **Management response**

**Point noted. Management will ensure that going forward, Council complies with the requirements of the Act.**

### **2.3 Water Connection**

#### **Finding**

There was an illegal water connection of a hotel to a private water network line by a Council employee. Ideally the water connection was supposed to be connected to the main Council line.

A disciplinary hearing was conducted for the Council employee and the member was acquitted on the basis that the immediate supervisor confirmed that the individual was working under his instructions.

#### **Risk / Implication**

Management override of controls leading to potential fraud and corruption.

The Council's reputation may be compromised.

#### **Recommendation**

The Council should ensure that internal controls are upheld by management in order to foster confidence and ethics in employees and third parties.

#### **Management response**

**The employee was acquitted as the immediate supervisor confirmed that the individual was working under his instructions. Ideally water connection is supposed to be connected to the main council line but in this case it was connected to a private line from the main Council line**

### **2.4 Business License**

#### **Finding**

The Council charged Business Application Form fees to business owners ranging from \$15 to \$30. I however noted that the fee was not on the approved tariff schedule. In addition, the Council was charging Business License Fees which were different from those approved as per the tariff schedule. Management did not provide a satisfactory explanation for this anomaly. The table below shows examples of fees charged versus those approved;

<b>Date</b>	<b>Category</b>	<b>Approved tariff (ZWL\$)</b>	<b>Amount charged (ZWL\$)</b>	<b>Variance (ZWL\$)</b>
14/01/2019	Clothing	150	118	(32)
25/01/2019	S/Grocery	200	300	100
03/01/2019	Clothing	150	100	(50)
29/03/2019	Take away	300	150	(150)
31/05/2019	S/Grocery	200	160	(40)
27/06/2019	S/Grocery	400	155	(245)
10/07/2019	Funeral Parlour	1 120	300	(820)
29/08/2019	Grocery	400	133	(267)
02/09/2019	Grocery	400	133	(267)
28/10/2019	Grocery	400	100	(300)
31/12/2019	Unclassified	800	600	(200)

### **Risk / Implication**

Financial loss due to fraud or error

### **Recommendation**

Business License fees and application form fees should be charged as per approved tariff schedule.

### **Management response**

**Business License fees will be charged as per approved tariff schedule in the 2020 financial year.**

## **MARONDERA MUNICIPALITY 2018**

I have audited the financial statements of Marondera Municipality for the year ended December 31, 2018.

Below are material issues noted during the audit;

### **1 GOVERNANCE ISSUES**

#### **1.1 Investment in shares**

##### **Finding**

The Municipality disclosed an investment in shares of USD\$16 653 in the financial statements in respect of Marondera Municipality Pension Fund. I was not provided with sufficient appropriate evidence relating to the formation and management of the Pension Fund. Accordingly, I could not satisfy myself on the rights and obligations of the Municipality to the Pension Fund and the valuation of the investment disclosed.

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

Financial statements may be misstated.

##### **Recommendation**

Council should avail all supporting documentation and account for the Pension Fund.

##### **Management response**

**Council has engaged Old Mutual to assist in the reconstruction of the Pension Fund records from its inception in 1995 as requested by audit and have committed to provide feedback to Council before the end of November 2021. The Fund was created in 1995 and was discontinued in 2003 following the demutualization of Old Mutual Zimbabwe. Recommendation by Audit is acknowledged and part of the information is available (on file) for the audit period under review. A formal request has been submitted to Old mutual to provide the original standard agreements at inception to guide Council decision.**

#### **1.2 Investment properties**

##### **Finding**

The Council had investment properties leased to tenants. The Council was not renewing lease agreements entered into with the tenants and some of the lease agreements had expired as far back as 2009. As a result, some lessees would go for up to three (3) years without paying rent leading to accumulation of rental arrears. A sample of ten (10) properties had total arrears of USD\$40 119.

The table below shows details of a sample of leased properties;

<b>Investment Property</b>	<b>Number of years from lease expiry date</b>	<b>Lease expiry date</b>
5 Hwata Flats	9	31/12/2009
4 Mbizi Flats	9	31/12/2009
3 Hwata Flats	8	01/01/2010
8 Bachelor Flats	8	13/12/2010
7 Mbizi Flats	7	13/12/2011
15 Mbira Close	3	31/12/2015
6 Bachelor Flats	3	31/12/2015
Stand number 2838	2	01/04/2016
2836 Mutare Road	1	28/02/2018
11 Mhiti Chitepo	-	31/12/2020

### **Risk/ Implication**

The Council may not have recourse in case of a dispute.

Financial losses due to non-collection of lease rentals.

### **Recommendation**

Council should ensure that lease agreements are in place.

### **Management response**

**We take note of the above and will action accordingly. It should be noted that the bulk of the tenants were taken to court for eviction and the process is ongoing. A few have responded positively and we are renewing their leases.**

## **2 EMPLOYMENT COSTS**

### **2.1 Statutory deductions**

#### **Finding**

Council reported payroll payables amounting to US\$11 413 453 for the year ended December 31, 2018. The major payroll creditors were ZIMRA PAYE US\$7 164 681 and the Local Authorities Pension Fund (LAPF) US\$2 561 970. Council was not settling PAYE obligations on time. As a result, interest and penalties amounting to US\$424 570 were levied by the Authority.

**Risk/ Implication**

Financial loss due to penalties and interest charged by tax authorities.

**Recommendation**

Council should remit statutory payments on time.

**Management response**

**Noted.**

## **REDCLIFF MUNICIPALITY 2018 - 2019**

I have audited the financial statements of Redcliff Municipality for the years ended December 31, 2018 and 2019.

Below are material issues noted during audit;

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

#### **1.1 Water meters**

Council received 2000 water meters under the Zimfund in 2017 which had not been installed at the time of audit. Enquiries with management indicated that the meters could not be installed due to absence of connectors. However, I noted that the Council had 1 148 non-functional meters which could have been replaced by the donated meters in stock. Council had resorted to the use of estimates when billing for water use for households with non-functional water meters.

#### **Risk / Implication**

Loss of revenue due to non-functional meters.

#### **Recommendation**

Council should replace the malfunctioning water meters.

#### **Management response**

**We are currently addressing this issue as the donated water meters did not have connectors, which council subsequently purchased in 2020. Council has started the process of installing these water meters and should complete this exercise by December 2020.**

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

#### **2.1 Tenders**

#### **Finding**

The Council made several payments exceeding US\$10 000 for goods and services and US\$20 000 for construction projects using the request for quotation method contrary to requirements of section 10 (1)(2) of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*] which requires that for goods and services above US\$10 000 and for construction projects above US\$20 000 competitive bidding method be followed. Table below shows a sample of payments made exceeding these thresholds.



Date	Description	Voucher Number	Amount ZWL\$	Exchange rate	US\$	Total US\$
05/12/2019	Beam light	100941	155 779	16.36	9 520	32 237
19/12/2019	Beam light	101039	300 000	16.62	18 050	
30/08/2019	Beam light	100596	50 000	10.71	4 667	
04/12/2019	Catmix & coldmix	100899	520 950	16.33	31 897	31 897
09/12/2019	Toyota Camry	101029	188 000	16.58	11 335	18 779
06/12/2019	Toyota Allion	100961	122 000	16.38	7 444	
08/02/2019	Afripool		369 770	1	369 770	369 770
18/02/2019	Sheasham constructions		23 500	1	23 500	47 000
12/02/2019	Sheasham constructions		23 500	1	23 500	

### **Risk / Implication**

Failure to abide by procurement thresholds may result in wasteful expenditure and penalties.

### **Recommendation**

Council must comply with requirements of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*].

### **Management response**

**It's noted, however we are carrying out works according to availability of funds. Work was carried out street by street due to lack of funding over a two-year period.**

## **2.2 Procurement of preowned vehicles**

### **Finding**

Council purchased two (2) pre-owned vehicles in December 2019 namely, a Toyota Camry and Toyota Corolla from a local car dealer. Cabinet Circular No 16 of 2011 directed all line ministries and public institutions to procure vehicles from local assemblers and any deviation from this directive would require authority from government. I was not availed with any authority from the Minister approving the purchase of second-hand vehicles.

Furthermore, I was not availed with an agreement of sale and police clearance for a Toyota Camry. Ownership of these vehicles had not been transferred to Council's name by the time of carrying out this audit in March 2020.

### **Risk / Implication**

Non-compliance with government directives.

### **Recommendation**

Council should comply with requirements of Circular No 16 of 2011.

Change of ownership should be done within 14 days from date of purchase as stipulated in the Vehicle Registration and Licensing Act [*Chapter 13:14*].

### **Management response**

**It's noted, we felt that we need service or pool vehicles for day-to-day operations and couldn't afford brand new vehicles, registration of vehicles is on-going and change of ownership has been delayed by Covid19, skeletal staff is operating at Zimra and Council is waiting for the interview process for change of ownership to take place.**

## **3 SERVICE DELIVERY**

### **3.1 Dumpsite**

#### **Finding**

The Council was using an illegal dumpsite. The dumpsite was not approved by Environmental Management Agency (EMA).

#### **Risk / Implication**

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

#### **Recommendation**

Council should comply with Environmental Management Agency (EMA) regulations.

#### **Management response**

**The site for the landfill has been identified; however, challenges of liquidity have hampered our progress. We are in the process of carrying out an environmental impact assessment.**

**TOWN COUNCILS**

## **GOKWE TOWN COUNCIL 2017 - 2018**

I have audited the financial statements of Gokwe Town Council for the years ended December 31, 2017 and 2018.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Policies and procedure manuals**

##### **Finding**

The Council was operating without the following key policies: risk management and fraud policy, housing policy, detailed procedure manual for central stores, asset capitalization, retirement policy and asset management policies. My enquiries with management revealed that the process of developing policies was ongoing though it was being affected by staff turnover.

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

Inconsistencies in the treatment of similar operational issues.

Service delivery may be compromised.

##### **Recommendation**

Council should design and implement procedure manuals and policies.

##### **Management response**

**Policies are being added incrementally.**

#### **1.2 Internal audit**

##### **Finding**

The Council was operating without an internal auditor during the year under review. As a result, there was no evidence of internal audit checks performed during the period under review hence no internal audit reports were availed to the audit committee and for external audit review. On enquiry, management indicated that the Council could not employ an Internal Auditor as the former who had been dismissed had taken the matter to the labor court.

In addition, the Audit Committee did not hold any meetings during the period under review.

### **Risk / Implication**

Financial loss due to weak internal controls and lack of oversight.

### **Recommendation**

The Council should ensure that an independent and effective internal audit function is in place.

The audit committee should exercise its oversight role.

### **Management response**

**Issue is noted, processes will be carried out to increase staff.**

**July 2018 to Sept 2018 was affected by elections. The Council is now adhering to schedules. However, 2019 to date has also been affected by COVID 19 pandemic.**

## **1.3 Allocation of commercial stands**

### **Finding**

The Council allocated a commercial stand in Kambasha low density area measuring 8 750m<sup>2</sup> to the Council chairperson for the construction of a lodge. However, I was not provided with evidence of an offer letter and Council resolution approving the transaction. In addition, there was no evidence that the allocation was put to tender or advertised as required by section 152(2) of the Urban Council's Act [*Chapter 29:15*]. I also noted that at the time of allocation, the commercial stands for the area were not yet available for allocation.

### **Risk / Implication**

Financial loss due to irregular allocation of stands.

Weak internal systems due to management override of controls.

### **Recommendation**

Management should ensure that due processes are followed in the allocation of commercial stands.

### **Management response**

**Council takes note of the recommendations on land management issues and they will be rectified accordingly.**

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

### **2.1 Beer levy**

#### **Finding**

In terms of the Traditional Beer Act [*Chapter 14:24*], local authorities are mandated to collect levies from breweries within their territory. However, the Council did not avail evidence of traditional beer sales schedules to support the levy remitted of \$40 032 by the commercial brewers. My enquiries with management revealed that reconciliations could not be done due to absence of sales schedules from the commercial brewers.

#### **Risk / Implication**

Financial loss as all revenue from beer levy may not be collected.

#### **Recommendation**

Management should ensure that commercial brewers submit returns for beer sales and remit beer levy according to the provisions of the Traditional Beer Act [*Chapter 14:24*]

#### **Management response**

**Management shall engage Delta to obtain quarterly sales data so as to accrue beer levy income.**

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

### **3.1 Purchases of goods and services**

#### **Finding**

The Council expenditure (capital and revenue) vouchers amounting to US\$106 525 were not availed for audit. Upon enquiry, the Council indicated that they were failing to recruit qualified staff in the expenditure department. Although the Council had been relying on students on attachment and Graduate Trainees in key positions e.g. Expenditure Controller, Stores Controller and Revenue and Expenditure Controller, the expenditure function was not being manned properly.

#### **Risk / Implication**

Material errors and fraud may not be detected on time.

#### **Recommendation**

The Council should put in place an effective filing system in place and ensure that expenditure is adequately supported.

The Council should also ensure such key positions are manned by qualified staff.

#### **Management response**

**Relevant and qualified personnel are being recruited and the Council has already advertised for the Expenditure Control Officer position.**

### **3.2 Payments for assets and operating expenditure**

#### **Finding**

The Council could not avail adequate supporting documentation such as receipts, invoices and payment vouchers for assets acquisitions and payments for operating expenses amounting to US\$118 115 and US\$62 002 respectively. Management revealed that during the period under review the finance department lacked adequate and qualified staff and faced filing challenges.

#### **Risk / Implication**

Financial loss due to fraud or error.

#### **Recommendation**

The Council should ensure that all payments are supported by adequate documentation.

#### **Management response**

**Attachment of all supporting documents will be improved. Council was relying on students and graduate trainees hence the situation.**

### **3.3 Salaries payables**

#### **Finding**

There was no evidence to support that the Council was reconciling creditors listing to the creditors ledger. For instance, the Council paid salaries back pay and posted it to the creditors ledger but the amount was more than what was on the list of salaries creditors listing. However, Council did not reconcile to the amount paid, hence there was a variance of US\$10 442 between the ledger balance (US\$1 452 818) and the listing of creditors (US\$1 463 260).

#### **Risk / Implication**

Material errors and fraud may go undetected.

## **Recommendation**

Council should ensure that reconciliations are done between the ledger and underlying records.

## **Management response**

**Shortage of full-time staff has resulted in use of students and Graduate Trainees who could not do it as per standard. The Council has advertised for the position of Expenditure Control Officer.**

## **4. SERVICE DELIVERY**

### **4.1 Ambulance and fire services**

#### **Finding**

The Council had no fire department or ambulance to service its clients. Although Council had trained employees there was no dedicated fire officer and the trained employees were working in their respective departments. The Council was relying on provision of such services from the nearest cities which are 143km and 206km away. The distance appeared to be too far, given that this town experiences high temperatures and prone to fire, it was important for the town to have fire department and an ambulance.

#### **Risk / Implication**

Service delivery is compromised.

#### **Recommendation**

The Council should ensure employees are trained and a fire and rescue department is set up.

The Council should consider investing in an ambulance for better service provision.

#### **Management response**

**Council resolved to review its organogram. The review is expected to incorporate a fully-fledged fire and ambulance section. Ambulance is budgeted and prioritized for in the 2021 budget.**



## **RUSAPE TOWN COUNCIL 2019**

I have audited the financial statements of Rusape Town Council for the year ended December 31, 2019.

Below are material issues noted during audit;

### **1. EMPLOYMENT COSTS**

#### **1.1 Employment of personnel**

##### **Finding**

The Council employed five (5) police constables and three (3) fire fighters who did not meet the requirements for the vacant posts as advertised. Applicants for police constables were required to have a diploma or certificate in security studies or equivalent whilst the fire fighters were required to be aged between 18 and 22 years. All the police constables did not have a diploma in security studies and the firefighters were above the set age limit. However, the deviation from the set criteria was not documented or approved by the Council.

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

Service delivery may be compromised.

Unapproved deviations create room for manipulation.

##### **Recommendation**

Management should ensure that any deviation from the set criteria is properly documented and approved by the Council.

##### **Management response**

**The responses for the advert of Police Constables attracted a few applicants and Management resolved to consider a Certificate or Diploma in Certificate Studies as an added advantage.**

## **ZVISHAVANE TOWN COUNCIL 2018 - 2019**

I have audited the financial statements of Zvishavane town council for the years ended December 31, 2018 and 2019.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Partial utilization of Promun system and data integrity**

##### **Finding**

The Promun accounting package, when configured fully, has the modules to perform all accounting functions. However, I noted that the Council was not utilising all the modules and as a result, inventory, asset registers, receivables and payables were managed with the aid of excel spreadsheets. Although the Council indicated that moving forward, they were going to activate all modules, it was not clear why other modules were not being used. In addition, these two records (spreadsheets and ledgers) were not being reconciled.

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

Material errors and fraud may go undetected.

##### **Recommendation**

The Council should consider to fully utilise the Promun Enterprise Resource Management system (ERP).

##### **Management responses**

**Noted. Council is working flat out to ensure that all modules are operational by December year 2020 as most of the modules are up and running. Council is going to engage Axis Solutions to assist in the Creditors and Stores modules.**

#### **1.2 Purchase of goods and services**

##### **Finding**

The Council engaged suppliers for purchase of goods and services. However, the supporting documents in the form of invoices and payment vouchers were not availed for audit.

The table below shows the details;

<b>Date</b>	<b>Details</b>	<b>Amount (ZWL\$)</b>	<b>Comments</b>
01/10/2019	DM Plumbers	9 125	No invoice
02/01/2019	Summit Crane Hire	19 160	No invoice
30/09/2019	Motor vehicle maintenance	6 261	Payment voucher not provided
16/07/2019	Toyota	2 525	Payment voucher not provided

### **Risk / Implication**

Material errors and fraud may go undetected

### **Recommendation**

Council should improve on its record management.

### **Management Response**

**The observation is noted and will ensure to improve on record keeping.**

## **1.3 Lease and house rentals**

### **Finding**

The Council was offering tenants a lease of four (4) years with an option to purchase the properties. Audit noted that the Council was accounting for lease rental fees on a cash accounting basis instead of accrual accounting thereby violating IPSAS 9. Cash received for lease rental fees amounting to ZWL\$376 538 was accounted for in the financial statements instead of accruing the rentals over the four- year period.

Lease agreements for tenants were not provided for audit verification due to poor filing system.

The following table refers;

<b>Address</b>	<b>Lease Number</b>	<b>Amount (ZWL\$)</b>
220 Mandava	ZVA/0199/19	12 719
225 Mandava	ZVA/0198/19	13 668

The Council was also leasing some properties for residential and commercial purposes as detailed in their rentals registers. However, I was not provided with lease agreements for sixty-one (61) properties.

**Risk / Implication**

Financial loss.

The Council may have no recourse in the event of disputes due to absence of rental agreements.

**Recommendation**

Lease agreements should be put in place in order to safeguard the interests of the Council.

**Management Response**

**Council notes the observation and will ensure that all properties have lease agreements in place. Updating of lease agreements is in progress.**

**1.4 Service level agreements****Finding**

There was no service level agreement with the system vendor for Promun System and Belina Payroll Software. Without a service level agreement there is no benchmark for monitoring and measuring the quality of service being provided by the system vendor. This was due to an oversight on the part of management.

**Risk / Implication**

Compromised service from the system vendor due to lack of service level agreements.

**Recommendation**

A service level agreement should be put in place between the Council and the system vendor.

**Management Response**

**Council agrees with the observation. Service level agreement for Promun and Belina are work in progress.**

## 2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

### 2.1 Water leakages

#### Finding

Non-revenue water was averaging 46% for the year under review. Enquiries with management revealed that leakages due to an old aged and broken water distribution system was the main reason for the high non-revenue water.

#### Risk / Implication

Financial loss due to non-collection of revenue from treated water.

Service delivery may be compromised

#### Recommendation

Management should put in place a routine maintenance and rehabilitation plan for the water distribution system.

#### Management Response

**The observation is noted. Council will have a routine and maintenance plan to maintain its network as well as a budget for procuring new water meters.**

## 3. EMPLOYMENT COSTS

### 3.1 Employment costs not processed through the payroll

#### Finding

There was no evidence to support that the Council complied with the Income Tax Act [*Chapter 23:06*] when they paid the following allowances to council employees:

Details	Amount (ZWL\$)
Bonus 2019	247 132
School fees	180 728
Representation allowance	68 480
Cash in lieu	150 611
Salary rationalisation back pay	143 681
<b>Total</b>	<b>790 632</b>

In addition, these payments were not processed through the payroll.

### **Risk / Implication**

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

### **Recommendation**

The Council should regularise this non-compliance by remitting PAYE due on these payments and in future all payments to employees should be processed through the payroll to facilitate PAYE deductions and remittance to the tax authority.

### **Management response**

**Council notes the observation and is going to incorporate all salary related payments on the payroll.**

## **3.2 Payroll reconciliations**

### **Finding**

There was no evidence to support that the payroll summaries were being reconciled with the amounts that were being posted to the ledger. For instance, during the year under review, total cost as per payroll summaries were ZWL\$ 3 635 256 but what was posted to the ledger and financial statements was ZWL\$ 3 542 057 giving a variance of ZWL\$ 93 199 which the council could not explain but promised to investigate.

### **Risk / Implication**

Employment costs maybe misstated.

### **Recommendation**

The Council should ensure that financial statements are reconciled to the underlying records.

### **Management response**

**Council notes the observation and is going to investigate the variance and make necessary adjustments.**

## **4. SERVICE DELIVERY**

### **4.1 Fire Protection**

### **Finding**

The Fire department does not have a toll-free line so that the public can easily contact them in cases of emergency.

### **Risk / Implication**

In the event of fire emergencies, the fire protection service is not easily reachable.

### **Recommendation**

Council to set up a toll-free number to enable the efficient communication of fire emergency cases.

### **Management response**

**Noted, however Council has applied to Tel one for a Toll-free line and they are working on it such that we expect to have a line by April 2020.**

## **4.2 Water Supply**

### **Finding**

An analysis of the Councils records revealed that the recovery rate of treated water was 48%, hence 52 % of the treated water was not being recovered. In addition, this situation was worsened by the fact that 65% of the water meters were non-functional. Out of the 6 213 installed water meters, 2 204 were functional and 4 009 were not functional.

### **Risk / Implication**

Financial loss due to revenue leakages.

### **Recommendation**

Council should consider to service non-functional meters.

### **Management response**

**Noted. However, water upgrading and resuscitation is in progress.**

## **4.3 Provision of public sewer**

### **Finding**

The Council was penalised by EMA due to discharge of raw sewerage into the environment. Upon enquiry, the Council indicated that, this was due to consistent sewer spillages and blockages experienced in areas like Makwasha, Kandodo and Izayi Park. These spillages and blockages are attributed to old age of the sewer distribution system and vandalism by residents.

**Risk / Implication**

Health hazards due to the sewer spillages.

Financial loss due to fines and penalties from EMA.

**Recommendation**

There is need for council to mobilize financial resources to rehabilitate the non-functional sewer treatment plant and also to increase the operational capacity of the sewer treatment plants to meet the growing population demand.

**Management response**

**Noted, however Council intends to improve the sewer system through the recently introduced devolution funds by the ministry and we hope to use such allocations to, modify our sewer treatment plants. Council has also some work in progress to upgrade Mabhula Sewerage treatment plant.**



## LOCAL BOARDS

## **RUWA LOCAL BOARD 2019 - 2020**

I have audited the financial statements of Ruwa Local Board for the years ended December 31, 2019 and 2020 and I issued adverse opinions.

Below are material issues noted during the audit

### **1. GOVERNANCE ISSUES**

#### **1.1 Valuation of property, plant and equipment**

##### **Finding**

The Local Board disclosed its property, plant and equipment at historical carrying amount of ZWL\$58 074 798. The Local Board did not perform a revaluation of its property, plant and equipment in order to reflect the current value of the assets in its financial records as required by IPSASs 17 “Property, plant and equipment” para 44. In addition, the Local Board did not carry out an assessment of the economic useful life of its property, plant and equipment as required by IPSAS 17 paragraph 67 and the Local Board’s accounting policies. Had the property, plant and equipment been revalued the amounts disclosed in the financial statements would be materially different from the figure disclosed.

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

Misstatement of financial statements.

##### **Recommendation**

The Council should consider the assessment of assets’ fair value to establish if it is not materially different from the carrying amount in compliance with their accounting policy to fully comply with IPSASs 17.

##### **Management response**

**On the property, plant and equipment with a historical carrying amount of \$58 074 798, there is infrastructure assets with a carrying amount of \$ 21 599 092 which were revalued in 2018 and also additions of plant and equipment of \$23 157 298 in 2020. In order to comply with the IPSAS 17 requirements Council has already tendered for assets revaluation in 2021.**

#### **1.2 Locomotion allowance**

##### **Finding**

Council paid locomotion allowances using fixed mileage per month and Automobile Association of Zimbabwe (AAZ) rates for the use of personal vehicles to perform Council business in violation of Resolution OC/17/02/15 which required locomotion allowances to be based on number of kilometers travelled for business purposes.

In addition, Council was allocating fuel to management claiming locomotion allowances even though the Automobile Association of Zimbabwe (AAZ) rates used factored the cost of running a vehicle based on the cylinder capacity, fuel, license, insurance and depreciation value thereby double dipping on fuel.

The following table refers:

<b>Employment code</b>	<b>Locomotive mileage</b>	<b>Monthly fuel allocation</b>
042/94	4 000 Km	300L
03/91	3500 Km	200L
270/06	3000 Km	240L
408/19	3000 Km	200L
074/97	3500 Km	280L

### **Risk / Implication**

Financial loss due to overpayments and double dipping.

### **Recommendation**

The Council policy should be in line with best practice, and locomotion allowance should be based on traceable business mileage used by an individual.

### **Management response**

**Locomotion was not based on the number of kilometers travelled for business purposes but on the kilometers allocated to an individual per month. If one is allocated a Council vehicle, he/she will be using it for both business and private use and hence Council put a cap on the maximum kilometers which an individual can use for private use per month. Council has noted the misnomer on the allocation of monthly fuel when an individual is claiming locomotion using AAZ rates and will correct the anomaly. The adoption of the locomotion expenses was based on best practice and also not excluding the replacement cost through wear and tear when one will be using their vehicles for private and business use.**

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

### **2.1 Beer levy**

#### **Finding**

The Traditional Beer Act [*Chapter 14:24*], section 11.2a empowers local authorities to collect beer levy on all traditional beer sales made by brewers within their jurisdictions. The Local Board recognised beer levy revenue amounting to \$572 952 for the year. However, I was not availed with evidence in the form of sales schedules from the brewers to support the amount remitted and reported by the Local Board.

**Risk / Implication**

Noncompliance with the Traditional Beer Act [*Chapter 14:24*].

Potential loss of revenue.

**Recommendation**

The Council should ensure compliance with the Traditional Beer Act [*Chapter 14:24*].

**Management response**

**It's true that Council should verify the traditional beer sales by the brewers within council's jurisdictions to ensure the adequacy of the income received. It has been very difficult to obtain the sales records from the breweries however, we will put modalities in place to ensure that some reconciliations are performed in future.**

**3. PROCUREMENT OF GOODS AND SERVICES****3.1 Cellphones****Finding**

The Council purchased two cell phones for the Town Secretary and the Procurement Manager for ZWL\$175 100 from a local supplier and these had not been delivered. Upon enquiry, management indicated that the cellphones had not been delivered due to non-availability. A refund of ZWL\$88 000 was paid by the supplier leaving a balance of ZWL\$87 100 which had not been received at the time of concluding the audit. In addition, the Council had similar challenges with another supplier when it purchased Titans tablets in the prior year which were never delivered.

**Risk / Implication**

Financial losses due to underperforming suppliers.

**Recommendation**

Council should exercise due diligence when making purchases.

**Management response**

**Due diligence was done in sourcing cellphones since the supplier was chosen basing on the price and availability. Procurement management unit trusted the supplier since he was exhibiting good marketing skills, but ended up being shortchanged, since he eventually failed to supply as per order. Procurement management unit wish to keep on improving in future.**

**Gestam Electronic failed to supply the procurement manager’s A51 in June 2020. However, full refund of ZWL\$43 000 for the phone was made.**

**The Town Secretary’s cellphone for ZW\$131 300 was paid and the supplier failed to supply, matter being handled by the Zimbabwe Republic Police and the procurement manager will meet the cost of this loss if the culprit fails to honor his obligation. ZWL\$45 000 was paid back so far.**

#### **4. EMPLOYMENT COSTS**

##### **4.1 Transactions outside payroll**

###### **Finding**

The Council processed staff benefits outside payroll and as a result, they were not subjected to tax in terms of the Income Tax Act [*Chapter 23:06*] The table below shows benefits that were paid outside payroll;

<b>Allowance</b>	<b>Amount (ZWL\$)</b>
Electricity allowance	8 114
Holiday allowances	24 659
Internet allowances	5 936
Gratuity	180 761
<b>Total</b>	<b>219 470</b>

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

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

###### **Recommendation**

All taxable benefits should be paid through the payroll and subjected to tax.

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

**Cell phone allowances will be used for Council business and hence cannot be taxed but in future all other allowances will be included on the pay slip and taxed accordingly.**

#### **5. SERVICE DELIVERY**

##### **5.1 Functional meters and water consumed**

###### **Finding**

The Council produced 220 520 mega litres of water during the year under review and only 121 133 mega litres were sold to customers leaving a variance of 99 387 mega litres as non-revenue water. In addition, Ruwa had 10 233 non-functional meters out of a total of 13 026

households. The Council received a donation of 3 500 metres from a development partner in 2017 and only 1318 meters were installed while the remaining 2 182 were still in inventory.

#### **Risk / Implication**

Loss of revenue due to non-functional meters and untraceable consumed water.

#### **Recommendation**

The Council should replace non-functional water meters.

#### **Management response**

**Council has budgeted in 2021 for the replacement of non-functional meters. This will improve revenue as billings will be done on actual water consumption.**

### **5.2 Fire department**

#### **Finding**

The Council was operating without a fire department and it relied on Harare City Council for that service. As a result, property was damaged when fire incidents occurred at a Service station and a factory in 2019 and 2020 respectively. Upon enquiry, management indicated that the Council had financial constraints to procure fire tenders and establish a fire department.

#### **Risk / Implication**

Service delivery may be compromised.

#### **Recommendation**

Council should consider to establish a fire department to prevent loss of property and life.

#### **Management response**

**The fire tender has been budgeted for in the year 2021 and would be purchased in the same year if funds permit. The council could also purchase the fire tender using devolution funds if the government approves the use of funds to finance the equipment to serve Ruwa. The fire tender required for Ruwa has a capacity of 5 000 litres. Council would establish the Fire services station not a department, in the Engineering and works department to enhance efficiency in response to emergency and fire services. However, it's a requirement that each service station has its own fire hydrant.**

**RURAL DISTRICT COUNCILS**

## **CHEGUTU RURAL DISTRICT COUNCIL 2019**

I have audited the financial statements of Chegutu Rural District Council, for the year ended December 31, 2019.

Below are details of material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Policies and procedure manuals**

##### **Finding**

The Council was operating without important policies such as Housing policy, Risk Management policy, IT policy, Health and safety policy and Transport policy. To this effect, the operational functions of the Council were executed without proper guidelines or set standards to mitigate threats.

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

Inconsistencies in the handling of operational issues due to absence of policy guidelines.

##### **Recommendation**

Council should draft and implement approved policies.

##### **Management response**

**Noted: Management will ensure that the above-mentioned policies are in place.**

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

#### **2.1 Beer levy**

##### **Finding**

The Council's system could not allow calculation of beer levy accurately. In addition, the Council was not obtaining the statements from the brewer and other distributors within Chegutu District. As a result, the Council was using remittances by breweries to recognise revenue in its books. This was in contravention with the Traditional Beer Act [*Chapter 14:24*] that requires 3% levy to be levied on breweries on the basis of their sales figure. As such, I could not ascertain the accuracy and completeness of revenue from beer levy.

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

Misstatement of revenue from Beer Levy.



Non-compliance with the Traditional Beer Act.

**Recommendation**

Beer levy income should be accrued on the basis of beer sales. The Council should insist that brewers submit sales schedules in order for the Council to account for beer levy accurately.

**Management response**

**We have engaged a consultant to assist in developing systems that will ensure Council receives statistics each and every month.**

**2.2 Lease register**

**Finding**

The Council did not have an updated lease register for all leased Council properties, to the extent that, some sitting tenants had no lease agreements whilst others had expired leases. I was therefore unable to verify income generated from beerhall, business properties and house rentals.

**Risk / Implication**

Financial loss due to revenue leakages.

**Recommendation**

The Council should consider to review its leasing procedures in order to identify expired leases and tenants without leases.

**Management response**

**Noted.**

## **CHIREDZI RURAL DISTRICT COUNCIL 2018 -2019**

I have audited the financial statements of Chiredzi Rural District Council, for the years ended December 31, 2018 and 2019.

Below are other material issues noted during the audit;

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

#### **1.1 Beer levy**

##### **Finding**

According to the Traditional Beer Act [*Chapter 14:24*], local authorities are mandated to collect levies from breweries within their territory. The Council did not avail evidence of traditional beer sales schedules to support the levy remitted by the commercial brewers. My enquiries with management revealed that the sales schedules were not being submitted for verification to support the beer levy remitted regardless of follow-ups.

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

Financial loss.

Non-compliance with the Traditional Beer Act.

##### **Recommendation**

Management should ensure that commercial brewers submit returns for beer sales and remit beer levy according to the provisions of the Traditional Beer Act [*Chapter 14:24*]

##### **Management response**

**Several communications and visits were done to Delta to verify the authenticity of the 3% Opaque Beer payments to council and promised to avail the sales schedules and we are still to receive them. Follow up engagements will be done with Delta Management.**

## **GOKWE NORTH RURAL DISTRICT COUNCIL 2019**

I have audited the financial statements of Gokwe North Rural District Council, for the year ended December 31, 2019.

Below are material issues noted during audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Policies**

##### **Finding**

Council was operating without some key policies such as the Risk management policy and Human resources manual.

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

Inconsistencies in the handling of operational issues.

Failure to properly manage risks.

##### **Recommendation**

Council should draft and implement manuals and policies.

##### **Management response**

**Council to implement the recommendation in 2021.**

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

#### **2.1 Comparative quotations**

##### **Finding**

The Council hired construction equipment for road maintenance on two occasions at a cost of ZWL\$128 623 and ZWL\$100 000 respectively without following procurement regulations. There was no evidence of comparative quotations sourced before engaging the contractor.

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

Financial loss due to payment for more expensive services.

**Recommendation**

Council should source for at least three (3) quotations before choosing a service provider in accordance with its procurement policy.

**Management response**

**Noted.**

## **GOROMONZI RURAL DISTRICT COUNCIL 2020**

I have audited the financial statements of Goromonzi Rural District Council for the year ended December 31, 2020.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Board of inquiry**

##### **Finding**

A motor vehicle belonging to the Council, AAE 9015 was involved in an accident in 2019. However, at the time of the audit, a board of inquiry had not been conducted to determine the circumstances surrounding the accident and recommend the course of action to be taken on the damaged vehicle. This was in contravention with the Council's standard operating procedures which require boards of inquiry to be made when Council vehicles are involved in accidents.

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

Compromise in service delivery due to inadequate operational vehicles.

Financial loss due to lapse of time.

Non-compliance with the Council's standard operating procedures.

##### **Recommendation**

Council should conduct a board of inquiry on the damaged vehicle within a reasonable timeframe.

##### **Management response**

**Noted. Council shall conduct the board of inquiry as recommended by 30 June 2021.**

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

#### **2.1 Revenue from unit taxes**

##### **Finding**

The Council was not billing mines for unit taxes as required by the Rural District Councils Act [*Chapter 29:13*] which empowers it to levy such taxes from mines operating under its jurisdiction. Sixty-six (66) mines were operating in the district. Upon enquiry, management

indicated that the Council will start making visits to the mines with a view to start collecting the revenue.

### **Risk/Implication**

Financial losses due to non-collection of unit taxes.

Service delivery may be compromised due to inadequate financial resources.

### **Recommendation**

Council should consider levying unit taxes from mines operating within its jurisdiction.

### **Management response**

**Council together with the Environmental Management Agency will make visits as from 01 June 2021 with a view to collect its dues. Chrissie Tantalite Mine registration number 41083BM was billed for a total of ZWL\$225 000 on 11 May 2021.**

## **HWANGE RURAL DISTRICT COUNCIL 2016**

I have audited the financial statements of Hwange Rural District Council for the year ended December 31, 2016.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Policy and procedure manuals**

##### **Finding**

The Council was operating without some key policies such as the Risk management policy, Housing policy and Transport policy.

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

Inconsistencies in the handling of operational issues.

Absence of guidelines for managing Council operations.

##### **Recommendation**

Council should put in place procedure manuals and policies.

##### **Management response**

**In 2018 Council finally hired its full complement in top management (heads of department). With the full complement of senior staff we have been developing the policy documents, we expect them to be completed and submitted to Council for adoption in the first half of the year.**

#### **1.2 Cash**

##### **Finding**

The cash collected at Dete Sub Office was not banked during the period May 2016 to July 2016. I noted that US\$1 271 could not be accounted for. Enquiries with management revealed that there was a lapse in controls in respect of segregation of duties, timeous banking and supervision of personnel in sub offices.

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

Financial loss due to embezzlement.

## **Recommendation**

Management should investigate the unaccounted cash and take corrective action.

Internal controls should be improved to safeguard the assets of the Council

## **Management response**

**Noted. Controls have been put in place to protect Council's assets from possible loss through fraud. Such controls include segregation of duties, timeous banking and lastly supervision of personnel in sub offices in 2019.**

## **2. SERVICE DELIVERY**

### **2.1 Health provision**

#### **Finding**

Council clinics required rehabilitation as most of them were in a bad state for example, the Dinde Clinic. I also observed that there were no benches at the outpatient area, no temperature regulators in the drug room, beds and mattresses in the maternity ward were worn out. At some staff houses the trusses and some doors had been eaten by termites and could collapse any time.

#### **Risk / Implication**

Staff and patients may be exposed to injury or loss of life.

#### **Recommendation**

Council should rehabilitate all the health infrastructure.

#### **Management response**

**A rehabilitation programme is in place funds permitting and through engagement with the business community in the affected centre this will be done in 2020.**



## **HWEDZA RURAL DISTRICT COUNCIL 2019**

I have audited the financial statements of Hwedza Rural District Council for the year ended December 31, 2019.

Below are material issues noted during the audit:

### **1. GOVERNANCE ISSUES**

#### **1.1 Accounting manual**

##### **Finding**

The Council was operating without an Accounting Procedures Manual. The operational functions of the Council were therefore executed without proper guidelines or set standards to mitigate risk and fraud.

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

Inconsistency in accounting for the Councils' transactions.

##### **Recommendation**

The Council should ensure that the accounting procedure manual is put in place.

##### **Management response**

**Council will ensure the accounting manual is in place.**

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

#### **2.1 Beer levy**

##### **Finding**

According to the Traditional Beer Act [*Chapter 14:24*], local authorities are mandated to collect levies from breweries within their jurisdictions. The Council recognised beer levy for the year. I was not availed with evidence of any reconciliation or verification of sales made by the brewer and there was no supporting evidence of how the brewer arrived at the amount remitted. This was contrary to the provisions of the Traditional Beer Act [*Chapter 14:24*] section 15 which requires that local authorities demand production of records/accounts of controlled liquor monies to verify the accuracy of the amount to be remitted.

**Risk / Implication**

Non-compliance with the Traditional Beer Act.

Potential loss of revenue.

**Recommendation**

The Council should ensure compliance with section 15 of the Act.

**Management response**

**Council engaged Delta Company and the issue is being followed up.**

## **MAZOWE RURAL DISTRICT COUNCIL 2019**

I have audited the financial statements of Mazowe Rural District Council for the year ended December 31, 2019.

Below are material issues noted during the audit;

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

#### **1.1 Ward levy revenue**

##### **Finding**

The Council failed to provide a record of its household statistics and business operations in the District. Upon enquiry, management indicated that the Council was in the process of identifying its revenue generating sources so as to come up with a comprehensive data base of all revenue producing units. As a result, I could not ascertain the completeness of revenue generated from Ward levy.

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

Financial loss due to understatement of ward levy.

##### **Recommendation**

Council should maintain a record of households and businesses in the district.

Council should also maintain a stands register.

##### **Management response**

**Council is in the process of identifying its revenue generating sources so as to come up with a comprehensive data base of all revenue producing units.**

### **2. EMPLOYMENT COSTS**

#### **2.1 Payroll reconciliations**

##### **Finding**

The Council was not performing the payroll reconciliations during the year. As a result, there was a variance of ZWL\$338 461 between the payroll summary of ZWL\$2 425 168 and trial balance figure of ZWL\$2 763 629.

**Risk / Implication**

Errors and irregularities in the processing of payroll transactions may not be detected.

Misstatement of financial statements.

**Recommendation**

Payroll records should be reconciled to the general ledger on a monthly basis and a senior responsible official should review such reconciliations.

**Management response**

**Council will ensure that payroll records are reconciled to the general ledger on a monthly basis and reviewed by responsible official.**

## **MBERENGWA RURAL DISTRICT COUNCIL 2019**

I have audited the financial statements of Mberengwa Rural District Council for the year ended December 31, 2019.

Below are material issues noted during the audit:

### **1. SERVICE DELIVERY**

#### **1.1 Allocation of stands**

##### **Finding**

The Council allocated stands to people who were not on the housing waiting list, and one of the beneficiaries was allocated three (3) residential stands on the same day (6/12/2019). In addition, there was no evidence of offer letters given to the beneficiaries.

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

High chances of corruption through paying Council staff to get a stand without following procedure.

##### **Recommendation**

Management should follow proper procedures in allocating stands.

##### **Management response**

**Council is in the realignment drive and this has been noted.**

## **MBIRE RURAL DISTRICT COUNCIL 2018**

I have audited the financial statements of Mbire Rural District Council for the year ended December 31, 2018.

Below are material issues that were noted during the audit;

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

#### **1.1 Road account receipt books**

##### **Finding**

The 2018 Roads fund account receipt books covering January to September were not availed for audit. As a result, a total of US\$66 652 for development levy, leases, equipment hire and other levies income was not supported by original receipts. Enquiries with management revealed that the receipts could have been misplaced.

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

Financial loss due to misappropriation of cash.

##### **Recommendation**

The missing receipt book should be investigated and accounted for.

##### **Management response**

**Master receipt book and office mobile can be used to verify Roads income for the time being. The receipt book in question could have been misplaced when capturing was done on a later date.**

#### **1.2 Supporting documentation**

##### **Finding**

The Council's development levies recorded in the system could not be traced to the manual receipt books. The amounts that were captured in the system were aggregated with no reference to the manual receipt books availed hence making the amounts untraceable.

Tabled below are extracts of such transactions that could not be traced;

<b>DATE</b>	<b>DETAILS</b>	<b>REFERENCE</b>	<b>AMOUNT (ZWL\$)</b>
2/1/2018	Development levies	Invoice 7	2 251
2/1/2018	Development levies	Invoice 8	2 529
2/1/2018	Development levies	Invoice 9	1 218
2/1/2018	Development levies	Invoice 10	1 725
2/1/2018	Development levies	Invoice 11	1 778
2/1/2018	Development levies	Invoice 12	3 784
2/1/2018	Development levies	Invoice 13	3 441
2/1/2018	Development levies	Invoice 14	2 301
2/1/2018	Development levies	Invoice 15	3 000
2/1/2018	Development levies	Invoice 4	4 710
2/1/2018	Development levies	Invoice 17	1 715
<b>TOTAL</b>			<b>28 452</b>

### **Risk / Implication**

Fraudulent activities may go undetected.

Over or understatement of revenue.

Lack of audit trail, unbilled customers may not be detected.

### **Recommendation**

The Council should have in place supporting documentation for its financial and non-financial activities.

### **Management response**

**Noted. Subsequent years have more traceable figures.**

## **1.3 Beer levy**

### **Finding**

According to the Traditional Beer Act [*Chapter 14:24*], local authorities are mandated to collect levies from breweries within their territory. The Council did not avail evidence of traditional beer schedules to support the levy remitted by the commercial breweries. My enquiries with management revealed that the sales schedules were not being submitted for verification to support the beer levy remitted regardless of follow ups.

### **Risk / Implication**

Financial loss due to understatement of beer sales.

## **Recommendation**

Management should ensure that commercial brewers submits returns for beer sales and remits beer levy according to the provisions of Traditional Beer Act [*Chapter 14:24*].

## **Management response**

**Efforts to engage Delta will continue with a view to escalating the matter to ARDCZ for a national and integrated approach to the matter so that Delta releases the statistics to the local authorities.**



## **MUDZI RURAL DISTRICT COUNCIL 2018-2019**

I have audited the financial statements of Mudzi Rural District Council for the years ended December 31, 2018 and 2019.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Policy Documents**

##### **Finding**

The Council was operating without the following key policies; accounting policy and procedure manual, health and safety policy, risk management policy, fixed asset policy, housing policy and stores policy. My enquiries with management revealed that some of the policies were yet to be developed and others were in draft form.

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

Financial loss may result from possible inconsistencies in application of processes and procedures.

Service delivery may be compromised.

##### **Recommendation**

Council should develop all key policy documents and have them approved for implementation.

##### **Management response**

**Observation has been noted. Process of crafting policies was underway.**

### **2. SERVICE DELIVERY**

#### **2.1 Sewerage and refuse facilities**

##### **Finding**

There was no perimeter fence at the Council's sewer ponds thereby exposing the general public, especially children, to the dangers of drowning. This was also in violation of EMA regulations. Furthermore, Nyamapanda border dumpsite was located in a residential area posing a health hazard to residents as well as domestic animals. The dump site was not completely fenced.

**Risk / Implication**

Financial loss due to penalties and interest that may be charged by the relevant authorities.

Service delivery may be compromised.

**Recommendation**

The sewer ponds should be fenced off.

Council should have a dumpsite that complies with EMA regulations.

**Management response**

**Sewer ponds were once completely fenced but the fence was vandalised by the community hence the reluctance to fence again. However, council shall re-fence the ponds and put in security to curb any losses**

**Dumpsite was also previously fenced but was vandalised by community. However, a new site has since been identified for the dumpsite, which is away from human habitat.**

## MUTASA RURAL DISTRICT COUNCIL 2019

I have audited the financial statements of Mutasa Rural District Council for the year ended December 31, 2019.

Below are material issues noted during the audit;

### 1. GOVERNANCE ISSUES

#### 1.1 Year-end adjustments

##### Finding

The Council had a number of significant year-end adjustment journals in the detailed ledgers which were being used to balance off accounts. The journals did not have supporting documentation. Enquiries with management revealed the finance department was not adequately resourced by competent personnel. Material journals were made to the following accounts.

<b>Ledger Accounts</b>	<b>Accounts Affected</b>	<b>Amounts (ZWL\$)</b>
Bank and Cash	CABS	307 0467
	Estate	403 547
	General	316 209
	Housing	942 827
	Roads	526 365
	Untied	10 575 728
Payables Control	Estate Account	632 279
	General Account	316 912
	Housing Account	2 373 248
	Salaries Account	211 676
	Untied Account.	44 163
Receivables Control	Housing Account	71 741
	Untied Account	17 731
	General Account	114 948
Income	CABS Account	87 551
PPE	Capital Account	7 956 341
Expenses	Untied Account	643 481
	Housing Account	2 373 248

##### Risk / Implication

Fraud and errors may go undetected.

## **Recommendation**

Transactions should be captured timeously and accurately to minimise year-end adjustments.

Journals should be approved and adequately supported.

## **Management response**

**Observation noted. Reconciliations shall be done monthly. Plans are to restructure the department and ensure that it is adequately resourced by competent personnel fill in critical posts.**

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

### **2.1 Procurement of assets**

#### **Finding**

The Council purchased a chainsaw from MFS Group in September 2019 for vegetation clearing at a cost of ZWL\$8 086 which was not delivered. Another chainsaw was purchased and received in 2020. Enquiries with management revealed that they were following up with the supplier of the undelivered chainsaw.

#### **Risk / Implication**

Financial loss due to non-delivery of the chainsaw.

#### **Recommendation**

Follow ups should be done with the supplier to ensure that the chainsaw is delivered.

#### **Management response**

**Observation noted. A follow up with the supplier MFS is underway.**

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

### **3.1 Beer levy**

#### **Finding**

According to the Traditional Beer Act [*Chapter 14:24*], local authorities are mandated to collect levies from breweries within their territory. The Council did not avail evidence of traditional beer sales schedules to support the levy remitted by the commercial brewers.

My enquiries with management revealed that the sales schedules were not being submitted for verification to support the beer levy remitted regardless of follow-ups.

**Risk / Implication**

Financial loss due to understatement of beer sales.

**Recommendation**

Management should ensure that commercial brewers submit returns for beer sales and remit beer levy according to the provisions of the Traditional Beer Act [*Chapter 14:24*]

**Management response**

**Observation noted. Continuous and more rigorous follow ups to be done.**

**3.2 Contract variation**

**Finding**

The Council awarded a contract to a local company for the Zongororo Manhede road works at a price \$469 947 and there was a price variation of 38% to \$650 000 within weeks after contract agreement. This was contrary to the provisions of the contract which allowed a variation of not more than 20%.

**Risk / Implication**

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

Financial loss due to price variations.

**Recommendation**

The Council should comply with the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*].

**Management response**

**Observation noted. Due care will be taken to avoid exploitation by contractors. PRAZ regulations will be complied with. The accrual concept shall be applied for all transactions as recommended**

## **NYANGA RURAL DISTRICT COUNCIL 2018**

I have audited the financial statements of Nyanga Rural District Council for the year ended December 31, 2018.

Below are material issues noted during the audit;

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

#### **1.1 Fees received in advance**

The Council accounted for US\$526 500 as fees received in advance. Upon enquiry, I was advised that the fees related to receipts from stand deposits which were made. The amount was introduced by way of a bulk journal and had no supporting evidence in relation to the list of customers who had actually made advance payments for the said stand deposits. I could not trace the amount to any other document or record in the Council. No satisfactory explanation was given on this amount. This was contrary to the provisions of the Public Finance and Management Act [*Chapter 22.19*] which calls for proper accountability of all public funds.

#### **Risk / Implication**

Financial loss due to misappropriation of funds.

#### **Recommendation**

Management should provide supporting evidence for the journal entry which was posted.

#### **Management response**

**In future accounting periods, all journal entries in the accounts will be supported adequately.**

#### **1.2 Receipts from debtors and receivables**

#### **Finding**

Reported in the receivables figure of US\$3 191 070 were “other receivables” amounting to US\$193 009 which had no supporting documentation. The receivables amount was entered in the system as a bulk journal entry which had no listing of debtors.

In addition, the Council accounted for US\$154 865 as receipts from debtors. However, the individual entries in the debtors’ ledger did not show the related receipt numbers. In addition, I was not availed with copies of the physical receipts which were issued in relation to the 167 transactions worth US\$154 865. Enquiries with management revealed that no receipts were issued. I was not provided with a satisfactory explanation as to why receipts

were not issued contrary to best accounting practice and the provisions of the Public Finance and Management Act [*Chapter 22.19*].

**Risk / Implication**

Financial loss due to misappropriation of cash.

**Recommendation**

Management should investigate and account for the unsupported journal entries and receipts.

**Management response**

**No receipts were issued. Investigations will be conducted to establish full details.**

**In future accounting periods, all journal entries in the accounts will be supported adequately.**

**1.3 Management of receipt books**

The Council did not avail two receipt books with serial numbers 157601-800 and 156801-157200 for audit verification. The master receipts register showed that the receipt books in question had been used up and new receipt books were issued.

In addition, the Council had two receipt books, which had the same serial numbers being used concurrently. The receipt book had serial numbers ranging from 156401 -156800 which was used on development levy and the same serial number was used on a receipt book which was used for flea market fees. The development levy receipt book was opened on 11/08/15 to 30/05/19 and the other for flea market, bus entry and green market was opened on 12/10/18.

**Risk / Implication**

Potential perpetration of fraud through abuse of receipt books.

**Recommendation**

Management should investigate the missing receipt books and duplicated receipt books and account for them.

**Management response**

**An exercise to visit the Council's twelve clinics to locate the missing receipt books will begin by end of April 2021.**

**In future particular attention will be exercised when placing orders for receipt books to ensure that there are no duplications of receipt numbers.**

## 1.4 Beer levy

### Finding

According to the Traditional Beer Act [*Chapter 14:24*], local authorities are mandated to collect levies from breweries within their territory. The Council recognised beer levy revenue amounting to US\$92 017 for the year. The Council did not avail evidence of traditional beer sales schedules to support the levy remitted by the commercial brewers.

My enquiries with management revealed that the sales schedules were not being submitted for verification to support the beer levy remitted regardless of follow-ups.

### Risk / Implication

Financial loss due to understatement of beer sales.

### Recommendation

Management should ensure that commercial brewers submit returns for beer sales and remit beer levy according to the provisions of the Traditional Beer Act [*Chapter 14:24*]

### Management response

**The recommendation is noted.**

**A request was made to Delta Beverages in 2021 for them to avail the information for the year 2018 but no positive response was received, and Council will not be able to do Beer Levy reconciliations for 2018 but for 2019 going forward.**

## 2. PROCUREMENT OF GOODS AND SERVICES

### 2.1 Grader repairs

#### Finding

The Council awarded a contract for the repair of a grader to a supplier with a higher quoted price disregarding the lowest quotation on the basis of not being a reputable company. However, I was not provided with a satisfactory explanation on why the Council had requested a quotation from a non-reputable company and later disqualified the same on the basis of being a non-reputable company.

#### Risk / Implication

Financial loss due to uneconomic procurement.



**Recommendation**

Management should procure to the best advantage of the Council.

**Management response**

**The recommendation will be implemented. A qualified Procurement Management Unit (PMU) is now in place. This has greatly improved the performance of the procurement section.**

## **SANYATI RURAL DISTRICT COUNCIL 2019**

I have audited the financial statements of Sanyati Rural District Council for the year ended December 31, 2019.

Below are material issues that were noted during the audit.

### **1. GOVERNANCE ISSUE**

#### **1.1 Equipment hire**

##### **Finding**

Council was hiring out equipment to both staff and the general public upon approval of the applications. Manual invoices were raised for services rendered however, corresponding proofs of payment were not availed and debts were not subsequently raised against the customers in the ledger. Table below refers;

<b>Date of application</b>	<b>Equipment hired</b>	<b>Amount charged (ZWL\$)</b>
11/03/2019	Tipper and Backhoe loader	3 202
22/03/2019	Tipper and Backhoe loader	1 201
27/08/2019	Grader	4 600

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

Financial loss due to non-payment for services rendered.

##### **Management response**

**The Audit observation has been acknowledged. Staff members and non-staff applicants who hired Council equipment will be raised as debtors for the invoices that are due and payable. Going forward, the system will be improved so that records of plant and equipment hire are kept as accurate as possible.**

## **TSHOLOTSHO RURAL DISTRICT COUNCIL 2018**

I have audited the financial statements of Tsholotsho Rural District Council for the year ended December 31, 2018.

Below are material issues noted during audit:

### **1. GOVERNANCE ISSUE**

#### **1.1 Acquittal of grant funds**

##### **Finding**

The Council did not avail acquittals for the roads grants amounting to a total of US\$172 378 disbursed for road maintenance for the year ending December 31, 2018. As a result, I could not verify whether the grant was utilised in compliance with the terms or purpose stated in the grant agreement.

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

Misappropriation of funds.

##### **Recommendation**

Management should investigate and account for the grant disbursed.

##### **Management response**

**Working on ratifying the observation but it should be noted that the Engineer resigned over these anomalies.**

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

#### **2.1 Procurement and payment system**

##### **Finding**

The Council purchased goods and services during the year under review without following proper procurement procedures. The payment vouchers availed for audit had missing supporting documents, such as, quotations from suppliers and adjudication minutes. This was in violation of Section 34 of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*]. As a result, I could not establish the basis on which the preferred suppliers were chosen.

Below is a sample of such:

<b>Date</b>	<b>Voucher Number</b>	<b>Description</b>	<b>Amount US\$</b>
21/06/2018	GE06/18	Purchase of printer	1 196
16/08/2018	GE08/09	Building Maintenance	2 103
10/10/2018	GE10/47	Building Maintenance	2 800
12/06/2018	GE06/11	Computer Accessories	2 650
10/04/2018	GE04/11	Cleaning materials	1 541
24/01/2018	RDS1/15	Road Construction	1 793
05/04/2018	RDS4/01	Fuels and Oils	9 651
27/03/2018	RDS3/07	Street Lighting	4 896

Furthermore, the Council could not provide payment vouchers for transactions pertaining to the Roads Account. Enquiries with management revealed that the responsible Roads engineer had resigned from post.

The table below serves as an example:

<b>Date</b>	<b>Voucher number</b>	<b>Details</b>	<b>Amount US\$</b>
19-07-18	RDS7/04	Road Maintenance	33 225
19-07-18	RDS7/05	Road Maintenance	1 567
12-12-18	RDS12/01	Fuels and Oils	600
05-11-18	RDS11/01	Staff T and S	800
03-01-18	RDS1/01	Road Construction	75 805
27-06-18	CMP6/11	Staff T and S	160
07-08-18	CMP8/03	Fuels and oils	580

### **Risk / Implication**

Financial loss due to uneconomic procurement and duplication of payments.

Fraudulent transactions may go undetected.

### **Recommendation**

The Council should ensure that proper procurement procedures are followed and that all payments are adequately supported.

## **Management response**

**All payments will be authorised by CEO and relevant documentation attached.**

### **3. EMPLOYMENT COSTS**

#### **3.1 Payroll Schedules**

##### **Finding**

I noted from my review of payroll and information about retirement that three (3) employees who resigned on the 31<sup>st</sup> of August 2018 were not removed from the payroll after resignation. The employees were included in the payroll schedules from September to December 2018 regardless of the fact that they had left. As a result payroll computations for the noted months were incorrect.

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

Laxity of controls in payroll processing exposes the Council to payment of salaries to ghost employees.

##### **Recommendation**

Monthly payroll schedules should be reviewed by a senior personnel, approved by the Executive Officer of Human resources and administration and authorised by the Chief Executive Officer. This should ensure that errors are detected before posting to the system.

##### **Management response**

**Noted and the Council is working on that one.**

#### **3.2 Salary arrears**

##### **Finding**

Council was not paying salaries in full during the year under review and individual records were not being maintained for each employee to reflect amounts due and payments made. In addition, monthly reconciliations for salaries owing were not being done. As a result management could not avail the detailed listing for salaries owing as at December 31, 2018.

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

Financial loss due to possible duplication of payments.

Fraud may be perpetrated.

**Recommendation**

Monthly reconciliations should be prepared for salaries outstanding to employees and individual records should be kept for salaries due and payments made for each employee.

**Management response**

**Noted and we are working on that one.**

## **ZIBAGWE RURAL DISTRICT COUNCIL 2018 - 2019**

I have audited the financial statements of Zibagwe Rural District Council for the years ended December 31, 2018 and 2019.

Below are the of material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Policies and procedures manual**

##### **Finding**

The Council was operating without some key policies such as Risk Management, and the Human Resources. The operational functions of the Council were therefore executed without proper guidelines or set standards.

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

Inconsistency in accounting for the Council's transactions.

Risks may not be identified and addressed timely.

##### **Recommendation**

Council must ensure that policies and procedures are documented and put in place.

##### **Management response**

**Noted. We will take the recommendations into account.**

#### **1.2 Asset register**

##### **Finding**

The Council was not updating its asset register to ensure proper management and control of assets. Details pertaining to the cost of the assets, date of purchase, useful life and asset serial numbers were not being captured in the register. Furthermore, the assets purchased during the year were not recorded in the register.

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

Misappropriation of assets.

Fraud and material errors may go undetected.

## **Recommendation**

The Council should regularly update its asset register.

## **Management response**

**We are going to upgrade to Pastel evolution and in the process we will include a fixed assets register module. The asset register will be updated, while management valuations will be done.**

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

### **2.1 School development levy**

#### **Finding**

The Council failed to provide the students enrollment statistics reports that were used for billing the school development levy income amounting to US\$63 764. Upon enquiry, management highlighted that they had used old students enrollment statistics reports obtained from the schools although they did not avail these reports for audit. Therefore, I could not ascertain the accuracy of the income from school development levy.

#### **Risk / Implication**

Financial loss due to under billing.

#### **Recommendation**

The Council should ensure it bills schools based on current student enrollment records obtained from the Council schools.

#### **Management response**

**Noted, the situation will be corrected.**

### **2.2 Beer levy**

#### **Finding**

According to the Traditional Beer Act [*Chapter 14:24*], local authorities are mandated to collect levies from breweries within their territory. However, the Council did not avail evidence of traditional beer sales schedules to support the levy remitted by the commercial brewers. Upon enquiry, management highlighted that the beer levy was being recognised on a receipt basis.

#### **Risk / Implication**

Financial loss due to understatement of beer sales.



## **Recommendation**

Management should ensure that commercial brewers submit returns for beer sales and remit beer levy according to the provisions of the Traditional Beer Act [*Chapter 14:24*]

## **Management response**

**We have since engaged Delta Beverages for the invoices.**

## **2.3 Cash on hand**

### **Finding**

In 2018, the Council had a variance of US\$35 244 between the cash on hand balance disclosed in the financial statements of US\$37 181 and the cash certificate balance of US\$1 937 which was availed for audit. Upon enquiry, management highlighted that the variance was a cumulative figure emanating from prior year periods. Furthermore, the cash certificate was not signed and therefore I could not ascertain the authenticity of the certificate.

### **Risk / Implication**

Financial loss due to misappropriation of cash.

### **Recommendation**

Management should investigate the variance and take corrective action.

### **Management response**

**The cash variance is a cumulative figure from previous years and we are proposing that we remove the balance in the accounts and start 2019 on a fresh note.**

## APPENDIX A

### AUDITS IN PROGRESS OR BEING FINALISED AS AT NOVEMBER 30, 2021

NAME OF LOCAL AUTHORITY		YEAR
<b>CITY COUNCILS</b>		
1.	Gweru City Council	2019
2.	Harare City Council	2019
3.	Kadoma City Council	2018-2019
4.	Masvingo City Council	2020
5.	Mutare City Council	2020
6.	Victoria Falls City Council	2020
<b>MUNICIPAL COUNCILS</b>		
7.	Beitbridge Municipality	2019
8.	Chinhoyi Municipality	2020
9.	Chitungwiza Municipality	2019
10.	Kariba Municipality	2019
11.	Marondera Municipality	2019-2020
12.	Redcliff Municipality	2020
<b>TOWN COUNCILS</b>		
13.	Chipinge Town Council	2019
14.	Chiredzi Town Council	2019
15.	Karoi Town Council	2019
16.	Norton Town Council	2020
17.	Shurugwi Town Council	2020
18.	Zvishavane Town Council	2020
<b>LOCAL BOARDS</b>		
19.	Hwange Local Board	2016-2017
20.	Lupane Local Board	2019
<b>RURAL DISTRICT COUNCILS</b>		
21.	Beitbridge Rural District Council	2019
22.	Bikita Rural District Council	2020
23.	Bindura Rural District Council	2020
24.	Binga Rural District Council	2020
25.	Bubi Rural District Council	2018
26.	Buhera Rural District Council	2020
27.	Bulilima Rural District Council	2019
28.	Chaminuka Rural District Council	2020
29.	Chegutu Rural District Council	2020
30.	Chirumhanzu Rural District Council	2020
31.	Gokwe North Rural District Council	2020

<b>NAME OF LOCAL AUTHORITY</b>		<b>YEAR</b>
32.	Gokwe South Rural District Council	2020
33.	Guruve Rural District Council	2019
34.	Gwanda Rural District Council	2020
35.	Hurungwe Rural District Council	2020
36.	Hwange Rural District Council	2017-2018
37.	Hwedza Rural District Council	2020
38.	Kusile Rural District Council	2016-2017
39.	Makonde Rural District Council	2019
40.	Mangwe Rural District Council	2019
41.	Manyame Rural District Council	2020
42.	Marondera Rural District Council	2020
43.	Mazowe Rural District Council	2019
44.	Mbire Rural District Council	2019
45.	Mhondoro-Ngezi Rural District Council	2019
46.	Murewa Rural District Council	2019-2020
47.	Mutare Rural District Council	2019
48.	Mutasa Rural District Council	2020
49.	Muzarabani Rural District Council	2020
50.	Mwenezi Rural District Council	2019
51.	Nkayi Rural District Council	2020
52.	Nyaminyami Rural District Council	2016-2017
53.	Pfura Rural District Council	2020
54.	Runde Rural District Council	2020
55.	UMP Zvataida Rural District Council	2020
56.	Umzingwane Rural District Council	2020
57.	Vungu Rural District Council	2019
58.	Zvimba Rural District Council	2020

**APPENDIX B****ACCOUNTS NOT YET SUBMITTED FOR AUDIT AS AT NOVEMBER 30, 2021**

<b>NAME OF LOCAL AUTHORITY</b>		<b>YEAR</b>
<b>CITY COUNCILS</b>		
1.	Bulawayo City Council	2019-2020
2.	Gweru City Council	2020
3.	Harare City Council	2020
4.	Kadoma City Council	2020
5.	Kwekwe City Council	2019-2020
<b>MUNICIPAL COUNCILS</b>		
6.	Beitbridge Municipality	2020
7.	Bindura Municipality	2020
8.	Chitungwiza Municipality	2020
9.	Gwanda Municipality	2019-2020
10.	Kariba Municipality	2020
<b>TOWN COUNCILS</b>		
11.	Chipinge Town Council	2020
12.	Chiredzi Town Council	2020
13.	Gokwe Town Council	2019-2020
14.	Karoi Town Council	2020
15.	Mvurwi Town Council	2019-2020
16.	Plumtree Town Council	2019-2020
17.	Rusape Town Council	2020
<b>LOCAL BOARDS</b>		
18.	Chirundu Local Board	2020
19.	Epworth Local Board	2020
20.	Hwange Local Board	2018-2020
21.	Lupane Local Board	2020
<b>RURAL DISTRICT COUNCILS</b>		
22.	Beitbridge Rural District Council	2020
23.	Bubi Rural District Council	2019-2020
24.	Bulilima Rural District Council	2020
25.	Chikomba Rural District Council	2020
26.	Chimanimani Rural District Council	2020
27.	Chivi Rural District Council	2020
28.	Guruve Rural District Council	2020
29.	Hwange Rural District Council	2019-2020
30.	Insiza Rural District Council	2019-2020
31.	Kusile Rural District Council	2018-2020
32.	Makonde Rural District Council	2020
33.	Mangwe Rural District Council	2020
34.	Matobo Rural District Council	2018-2020

<b>NAME OF LOCAL AUTHORITY</b>		<b>YEAR</b>
35.	Mazowe Rural District Council	2020
36.	Mberengwa Rural District Council	2020
37.	Mbire Rural District Council	2020
38.	Mhondoro-Ngezi Rural District Council	2020
39.	Mudzi Rural District Council	2020
40.	Mutare Rural District Council	2020
41.	Mwenezi Rural District Council	2020
42.	Nyaminyami Rural District Council	2018-2020
43.	Nyanga Rural District Council	2019-2020
44.	Rushinga Rural District Council	2020
45.	Sanyati Rural District Council	2020
46.	Tongogara Rural District Council	2020
47.	Tsholotsho Rural District Council	2019-2020
48.	Umguza Rural District Council	2019-2020
49.	Vungu Rural District Council	2020
50.	Zaka Rural District Council	2018-2020
51.	Zibagwe Rural District Council	2020