REPORT

of the

Auditor-General

for the

FINANCIAL YEAR ENDED DECEMBER 31, 2022

ON

LOCAL AUTHORITIES

Presented to Parliament of Zimbabwe: 2023

OAG ZIMBABWE
Office of the Auditor-General
We assure accountability

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

The Hon. Professor M. Ncube
Minister of Finance and Economic Development
Mgandane Dlodlo Building
Corner S.V. Muzenda
Harare.

Dear Sir,

I hereby submit my report on the audit of Local Authorities in terms of Section 309(2) of the Constitution of Zimbabwe read together with Section 10(1) of the Audit Office Act [*Chapter 22:18*], for the year ended December 31, 2022.

Yours faithfully,

R. KUJINGA,
ACTING AUDITOR-GENERAL.

HARARE
June 26, 2023.

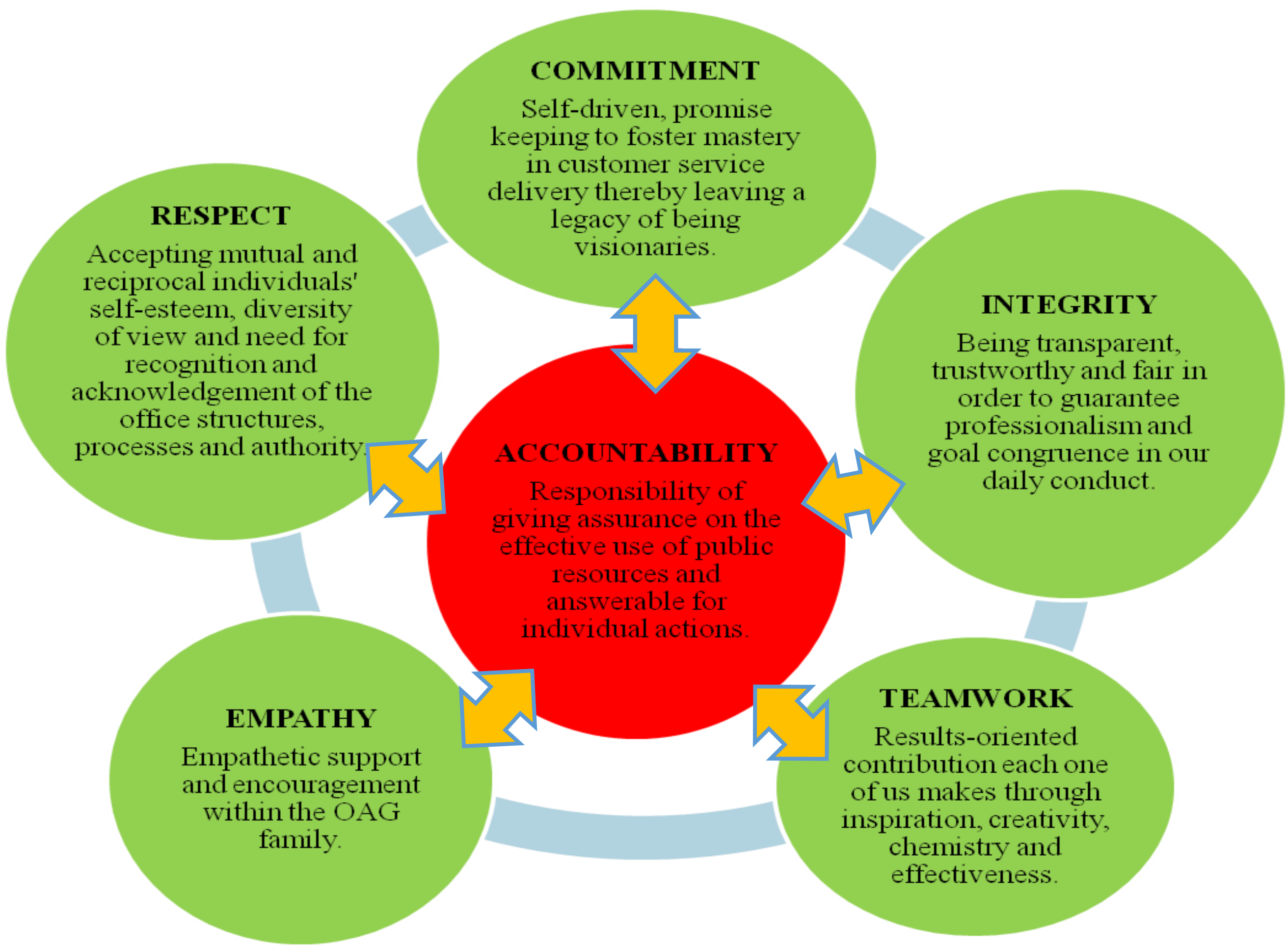
OAG ZIMBABWE
Office of the Auditor-General

OAG Vision

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

OAG Mission

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



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LIST OF ACRONYMS

1. 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. NEC- National Employment Council
8. NSSA- National Social Security Authority
9. OAG- Office of the Auditor-General
10. PAYE- Pay As You Earn
11. PFMA – Public Finance Management Act
12. PSIP- Public Sector Investment Programme
13. SDL- Standards Development Levy
14. SLB- Service Level Benchmarking
15. SPB- State Procurement Board
16. UCPF- Urban Councils Pension Fund
17. UDCORP- Urban Development Corporation
18. UNICEF- United Nations Children Education Fund
19. USD – United States Dollars
20. VAT- Value Added Tax
21. ZIMDEF- Zimbabwe Manpower Development Fund
22. ZIMRA- Zimbabwe Revenue Authority
23. ZINARA- Zimbabwe National Roads Agency
24. ZINWA- Zimbabwe National Water Authority
25. ZRDCWU- Zimbabwe Rural District Council Workers' Union
26. ZUCWU - Zimbabwe Urban Councils Workers Union
27. ZWL - Zimbabwean Dollar Local

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

This report contains the results of audits of Local Authorities following the end of the 2022 Financial year. 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 public sector, the users of financial statements include various stakeholders, inter alia, parliament, development partners and the public at large. The objectives of financial statements audit in the public sector are often broader than expressing an opinion on whether the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework but also to address service delivery issues. Local Authorities service delivery is critical in improving the quality of life of citizens.

Mandate

My mandate is set out in the Constitution of Zimbabwe Amendment (No. 20) Act, 2013 and amplified in the Audit Office Act [Chapter 22:18]. I am required to audit and report to the 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.

Basis of preparation of Local Authorities financial statements

Management of public funds is governed primarily by the Constitution of Zimbabwe Amendment (No. 20) Act, 2013 and the Public Finance Management Act [Chapter 22:19]. Section 37 of the Public Finance Management Act [Chapter 22:19] requires all public entities' financial statements to be prepared in accordance with Generally Accepted Accounting Practice (GAAP). This is interpreted as comprising International Financial Reporting Standards (IFRSs) and International Public Sector Accounting Standards (IPSASs). IFRSs and IPSASs comprise interpretations adopted by the International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board (IPSASB) which sets standards so that financial statements can be consistent, transparent and comparable around the world.

The regulator of the Accountancy Profession in Zimbabwe, Public Accountants and Auditors Board (PAAB) prescribed the International Public Sector Accounting Standards (IPSASs) for use in Zimbabwe on March 1, 2019 following the gazetting Statutory Instrument 41 of 2019. IPSASs have been adopted by the Government of Zimbabwe as the financial reporting framework for Local Authorities. All Local Authorities are expected to have fully implemented the standards by December 31, 2025. I appreciate the efforts being made by the Local Authorities, Ministry of Finance and Economic Development and Ministry of Local Government and Public Works in the adoption and implementation of these standards.

Audit opinion

The principal objective of my audit procedures is to enable me to express an opinion on the truthfulness 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide the basis for my opinion of the respective financial statements.

Audit approach

I conducted my audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and the International Standards on Auditing (ISAs). These Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. In this regard, my audit approach was designed to enable me to express an opinion on the Local Authorities' financial statements.

All aspects of the Local Authorities' activities and processes may not have been examined. I consider maintenance of adequate internal controls to be the responsibility of management. My audits cannot therefore be expected to identify all weaknesses in the systems and processes, 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.

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 and evaluation of management responses where necessary.

I also made a follow-up on my prior year recommendations and reported on the progress towards addressing prior year audit findings and implementation of recommendations.

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 co-operation. 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.

HARARE
June 26, 2023.

R. KUJINGA,
ACTING AUDITOR-GENERAL.

EXECUTIVE SUMMARY

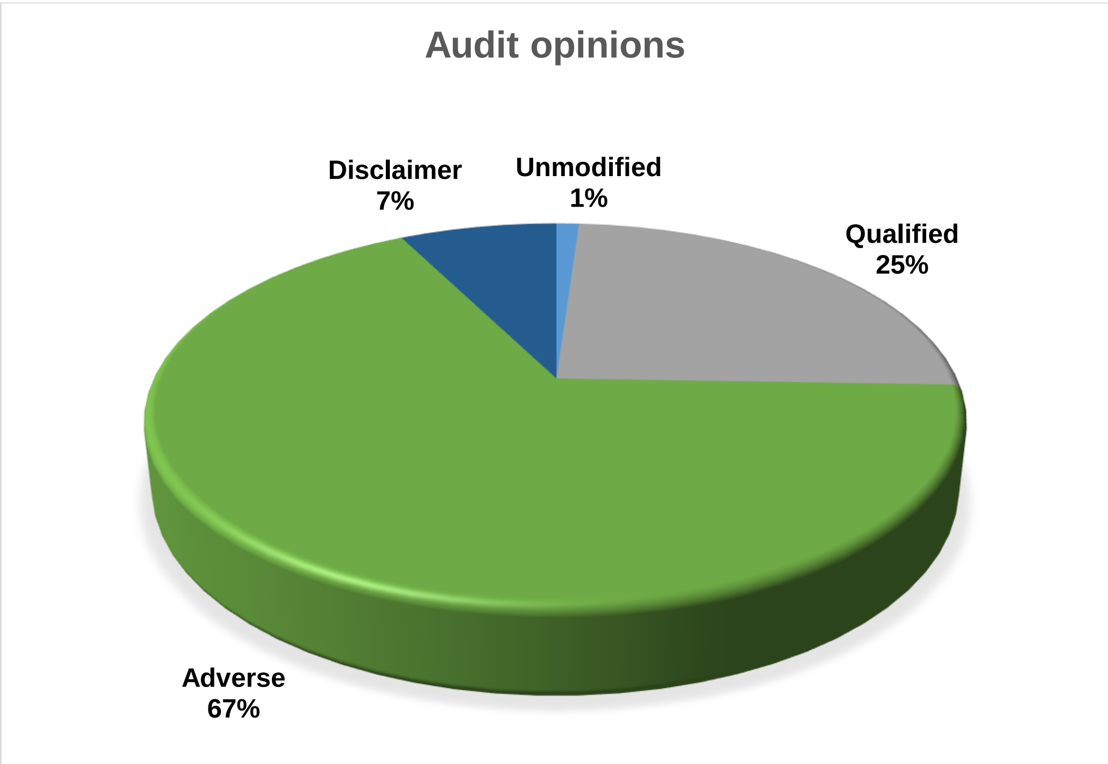
This report covers the results of the audit of financial statements of Local authorities which comprises of the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flows and notes to the financial statements. The report highlights key audit findings noted during the audits and recommendations on how issues raised may be addressed in order to improve public sector transparency, accountability, good corporate governance and service delivery.

Audit opinions

It is noteworthy that most of the local authorities had modified opinions (qualified and adverse) for the audited years (2018-2022) which were mainly due to non-compliance with International Public Sector Accounting Standards and International Financial Reporting Standards, among other issues.

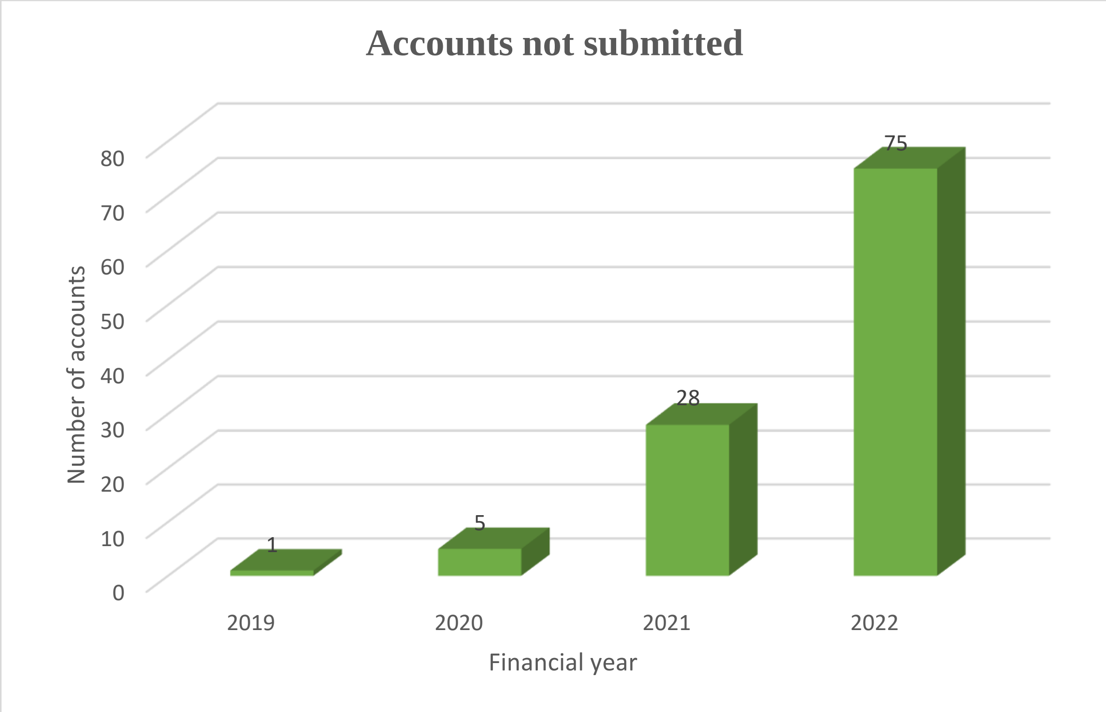
I issued disclaimer of opinion to six (6) Local Authorities. A disclaimer of opinion means that the public entity could not provide sufficient appropriate audit evidence for most of the information in their financial statements and I could therefore not express an opinion on whether the financial statements were showing a true and fair view or determine how these Councils utilised the funds they received for the respective audited financial years.

Below is a pie chart showing the opinions in my report;



Progress status of audits

The overall status of non – submission of financial statements is shown in the graph below;



A total of one hundred and nine (109) financial statements were not yet submitted for audit as at May 31, 2023. The financial statements not submitted for audit related to the financial years ended December 31, 2019 (1), 2020 (5), 2021 (28) and 2022 (75). **Annexure D** refers.

The audit of sixty-four (64) financial statements from fifty-eight (58) Local Authorities were in progress while five (5) were at signing stage at the time of concluding my report. **Annexures B and C** refers.

Highlights

I noted that most findings in Local Authorities continue to be in respect of financial mismanagement, non-compliance with international Public Sector Accounting Standards (IPSAS)/ International Financial Reporting Standards (IFRS) and laws and regulations, untaxed benefits, lack of adequate controls over contract management and management of stands sales and poor service delivery.

Included in my report are six (6) Local Authorities (Harare City Council, Hwange Local Board, Kusile Rural District Council, Mazowe Rural District Council, Mutasa Rural District Council and Nyaminyami Rural District Council) for which I issued disclaimer of opinions. The lack of transparency on how these Local Authorities used public funds significantly compromised transparency and accountability and in turn affected service delivery to the public.

Central government disbursed devolution funds to Local Authorities. However, I noted that some Councils did not use the money as intended. For instance, Bindura Municipality received devolution funds amounting to ZWL34,2 million, however, ZWL7.7

million was used for salaries and ZWL19.2million was invested at the expense of undertaking development projects. Gokwe Town Council received ZWL7.3 million in 2020, but could not provide approved plans of projects, internal audit report on acquittals, minutes of meetings of project consultations, documentary evidence of implementation of the projects. Kadoma City Council utilized ZWL3.6 million from devolution funds which was 80% of the contract price for installation of eight (8) power correction units in 2020, however only one unit was partly installed.

Governance issues

Governance issues dominated my findings as they increased from ninety-one (91) issues in 2021 to one hundred and thirty-nine (139) in 2022. The same have remained high in all my reports over the last five years.

In 2021, Bindura Municipality committed ZWL46,4 million with an asset management company as a short-term investment. However, this decision resulted in real value loss for the Municipality amounting to USD104 703. The Municipality also had unreconciled cash and cash equivalent balances amounting to ZWL25,8 million between the financial statements balance of ZWL44 million and the balance as per bank statements of ZWL69,3 million.

Revenue collection and debt recovery

There was a sharp significant increase in revenue collection and debt recovery issues from eleven (11) to one hundred and one (101) between 2021 and 2022 as a result of weak internal controls in revenue collection and debt recovery.

Bindura Municipality received un-serviced stands in Brockdale and Atherstone from land developers instead of receiving cash payments as endowment.

Procurement of goods and services

The number of reported procurement issues increased from eleven (11) in 2021 to forty-one (41) in 2022, an indication of weakening procurement management systems and non-compliance with procurement laws and regulations by Local Authorities.

Gweru City Council had unsupported expenditure amounting to ZWL5,4 million. In addition, there was an unresolved variance of ZWL10,4 million between payables balance as per ledger of ZWL70 million and listing balance of ZWL59,6 million.

Masvingo City Council did not adhere to proper procurement procedures as it changed contract terms on two (2) occasions in favour of the suppliers yet the changes were not provided for in the contracts. The Council also directly procured the services of an auctioneer which was unjustified as required by the Public Procurement and Disposal of Public Assets Act [Chapter 22:23].

There was a breach of contractual terms at Redcliff Municipality as the supplier did not deliver procured vehicles on agreed terms. The supplier was contracted to deliver a garbage truck Faw Underpan 10m3 motor vehicle valued at USD41 260 but instead supplied a Dong fang garbage truck valued at USD57 819. Another vehicle was invoiced at USD75 000 but had a contractual value of USD42 414 among other irregularities.

Kariba Municipality disposed four (4) Council houses to management without approval from the Ministry contrary to the Public Finance Management Act [Chapter 22:19] and the Public Procurement and Disposal of Public Assets Act [Chapter 22:23].

Management of assets

I reported sixty-four (64) issues in respect of management of assets.

Kadoma City Council lost 800 bags of cement as a result of solidification and inventory and equipment worth USD33 000 to theft. Redcliff Municipality could not account for one hundred and nine (109) boxes of floor tiles which were meant to rehabilitate the Bell Medical Centre.

Service delivery

Service delivery issues have also been rising over the years. I reported thirty-three (33) in 2021 and forty-one (41) in 2022.

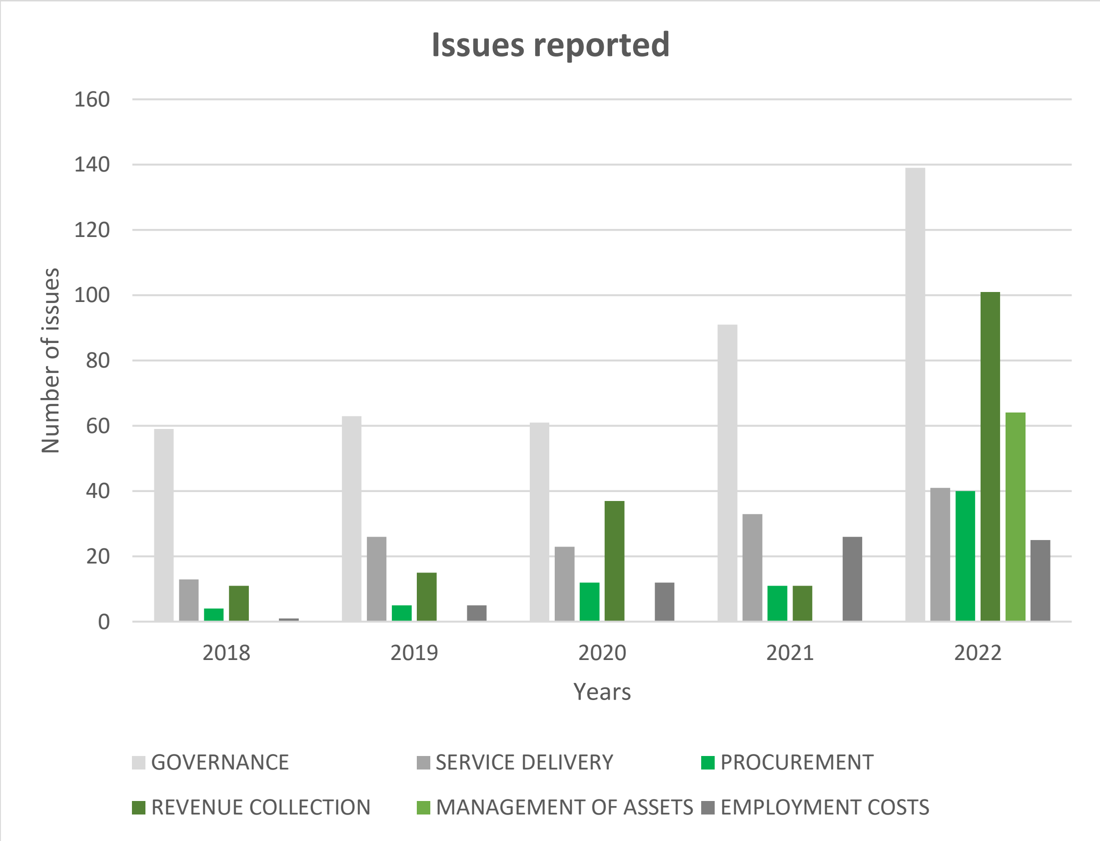
There were cases of sewer challenges in Victoria Falls City, Masvingo City, Bindura Municipality, Hwange Local Board, Ruwa Local Board and Chitungwiza Municipality. In addition, during the 2021 - 2022 rainy season, some residents in Victoria Falls lost property as a result of flooding due to poor drainage systems.

The existing infrastructure in Local Authorities was lagging behind to meet the growing demand for services. There was a backlog in both constructions of new infrastructure and maintenance of the existing facilities. The basic services include access to clean water, sanitation, health and good roads and these cannot be delivered without good infrastructure.

Employment issues

A slight improvement was noted on employment issues as they reduced from twenty-six (26) to twenty-five (25) findings between 2021 and 2022.

My analysis of reportable issues by category is illustrated below:



The table below shows the number of issues reported;

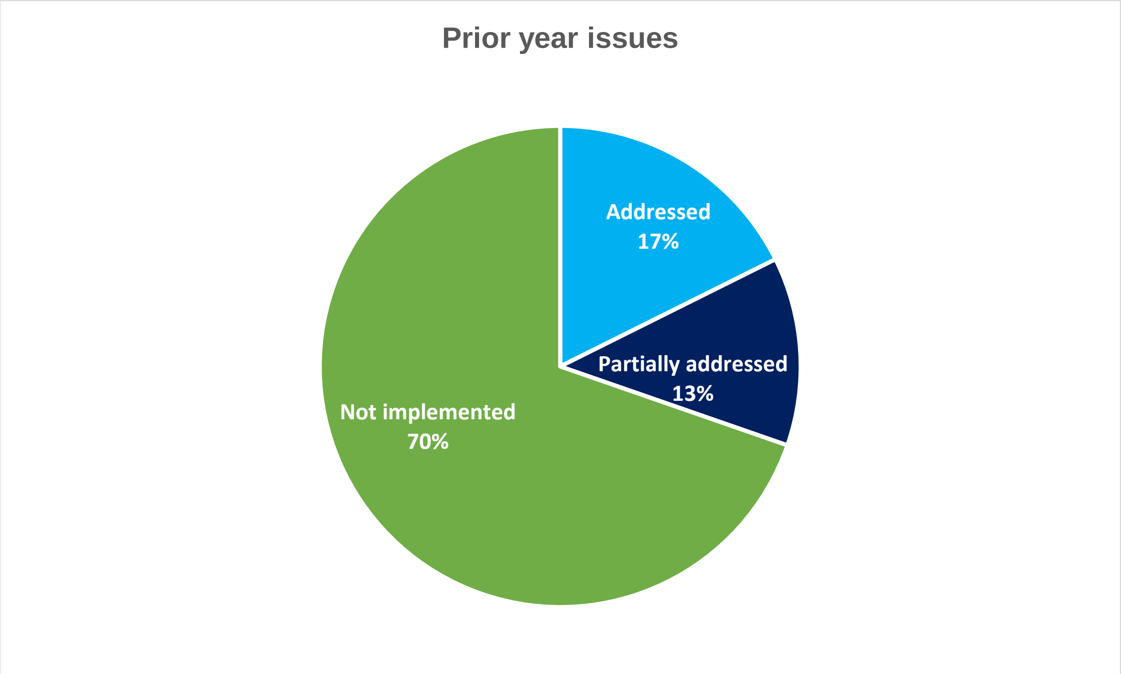
Table showing number of issues reported

Category	2018	2019	2020	2021	2022
Governance issues	59	63	61	91	139
Service delivery	13	26	2	33	41
Procurement of goods and services	4	5	12	11	40
Revenue collection	11	15	37	11	101
Management of assets	0	0	0	0	64
Employment issues	1	5	12	26	25
Totals	**88**	**114**	**145**	**172**	**410**

Progress in addressing prior year audit findings

My follow up on progress towards addressing prior year audit findings showed that out of the two hundred and twenty-one (221) findings reported in the prior years, only thirty-nine (39) were fully addressed while twenty- eight (28) were partially addressed and one hundred and fifty-four (154) were yet to be addressed.

My analysis of prior year audit findings is illustrated below:



Conclusion

The audit findings in my report warrant the attention of management and those charged with governance. The audit revealed that most findings relate to governance issues, revenue collection and debt recovery. Concerted efforts from those charged with governance is required to put in place measures to address weaknesses reported in my report.

There is still room for improvement on accountability and transparency in all the Local Authorities if, among other things, audit recommendations are implemented.

CITY COUNCILS

I have audited the financial statements of Gweru City Council for the year ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Gweru City Council as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

The Council did not comply with the provisions of International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates". The need to account for these effects emanated from the 'multi-tiered' pricing environment that was prevailing during the year under review, where settlement of transactions depended on the mode of payment, whether USD cash, RTGS, bond notes and mobile money. This resulted in the Council experiencing premiums on the official foreign exchange rate of 1:1 prescribed by Statutory Instrument 33 of 2019, between RTGS FCA, Bond Notes and the Nostro FCA transactions. This 'multi-tiered' pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" would apply.

The Council applied a rate of 1:1 as pronounced by Statutory Instrument (SI) 33 of 2019 and the Monetary Policy Statement of the 20th of February 2019 for transactions from October 01, 2018 to February 22, 2019. Therefore, the exchange rates for transactions and balances between the USD and the RTGS/ZWL used by the Council (1:1) for the period from October 01, 2018 onwards did not meet the criteria for appropriate exchange rates in terms of IPSAS 4- "The Effects of Changes in Foreign Exchange Rates".

The prior year financial statements were qualified due to non- compliance with IPSAS 4. The opening balances for the year ended December 31, 2019 were therefore misstated and the Council did not assess the impact of this non-compliance. Had the Council complied with the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" many elements in the financial statements would have been materially affected. As a result, the impact of the Council's inability to comply with IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" has been determined as significant.

Had the Council applied the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" the figures disclosed in the financial statements would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements.

ii. Non-compliance with International Public Sector Accounting Standard IPSAS 10 - "Reporting in Hyper-Inflationary Economies"

The Council did not hyper inflate the financial statements contrary to the provisions of International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in

Hyper-Inflationary Economies”. The provision requires the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the reporting date. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10- “Financial Reporting in Hyper-Inflationary Economies” in Zimbabwe had been met and the standard should be applied from July 01, 2019 and financial statements of entities with year-end on or after this date should be hyper inflated. Had the Council applied the requirements of IPSAS 10 - “Reporting in Hyper-Inflationary Economies” the financial statements would have been materially affected. The departure is material and pervasive to the financial statements taken as a whole.

iii. Non-compliance with International Public Sector Accounting Standard IPSAS 17 - “Property, plant and equipment”.

Infrastructure assets such as road networks, sewer reticulation systems and bridges amongst others were not valued and not accounted for in the financial statements, contrary to International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment” paragraph 21.

The Council’s items of property, plant and equipment were last revalued in 2010 contrary to the requirements of IPSAS 17- “Property, Plant and Equipment” paragraph 44, which requires assets to be revalued with sufficient regularity. The Council did not maintain a comprehensive fixed asset register. I was therefore not able to verify the completeness and valuation of the balance disclosed in the financial statements.

In addition, management posted unsupported transactions amounting to ZWL39 817 in the financial statements. The same resulted in an increase in reported property, plant and equipment balances. Furthermore, there were unsupported asset additions during the year amounting to ZWL9 928 967 due to missing supplier invoices.

Had the Council revalued and recognised its infrastructure assets in the property, plant and equipment, the financial statements would have been materially affected. The departure from the requirements of IPSAS 17 - “Property, plant and equipment” are material.

iv. Payables

There was an unresolved difference amounting to ZWL10 432 262 between the payables ledger balance of ZWL69 999 730 and listing balance of ZWL59 567 468. In addition, the Council could not reconcile the variance amounting to ZWL381 377 between the balances as per creditors listing of ZWL7 501 735 and suppliers’ statements of ZWL7 883 112.

Included in the payables balance of ZWL69 999 730 was an unsupported balance amounting to ZWL3 796 256 due to unavailability of creditor’s statements and reconciliations.

Furthermore, management posted unsupported transactions amounting to ZWL2 680 775 in the financial statements. The same resulted in a decrease in reported creditor balances. I was therefore unable to satisfy myself on the accuracy, validity and completeness of accounts payable reported in the financial statements.

v. Receivables

There was an unresolved variance of ZWL8 298 108 between the balance as per debtors listing of ZWL176 066 210 and balance reported in the financial statements of ZWL167 768 102.

In addition, management posted unsupported transactions amounting to ZWL377 869 in the financial statements.

This resulted in an increase in reported accounts receivables balances. I was therefore unable to satisfy myself on the accuracy and valuation of receivables reported in the financial statements.

vi. Expenditure

There were missing supporting documents such as supplier invoices for transactions amounting to ZWL5 444 224 and I therefore could not ascertain the validity and accuracy of expenditure balance reported in the financial statements.

In addition, management posted unsupported transactions amounting to ZWL437 792 in the financial statements. This resulted in an increase in reported expenditure amounts. I was therefore unable to satisfy myself on the accuracy and validity of expenses reported in the financial statements.

vii. Employment costs

There was an unresolved variance of ZWL364 584 between the balance per payroll records of ZWL15 574 344 and amount disclosed in the financial statements at ZWL15 209 760. I was unable to satisfy myself as to the accuracy of the employee costs disclosed in the financial statements.

viii. Go Beer investment

The Council disclosed ZWL2 936 459 in its financial statements as an investment. This amount represented disbursements to Go Beer Breweries for working capital expenses, despite the fact that the company discontinued its beer brewing operations in July 2013. In addition, during the 2019 financial period, the Council injected an additional amount of ZWL228 996.

In addition, the value of the infrastructure and financial performance for Go beer activities have not been accounted for and consolidated with the Council's financial statements, a non-compliance with the requirements of IPSAS 35 - "Consolidated Financial Statements".

ix. Cash and cash equivalents

A comparison of system cashbook balances of ZWL5 338 143 and cash book balances reflected on the bank reconciliation statements amounting to ZWL9 754 177 revealed unresolved variances totaling ZWL4 416 034. In addition, management posted unsupported transactions amounting to ZWL4 413 481 in the financial statements. This resulted in a decrease in reported cash and cash equivalents balances. I therefore could not satisfy myself of the completeness, accuracy and validity of cash and cash equivalent balances disclosed in the financial statements.

x. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 - “Revenue from Exchange Transactions”

There was an unresolved variance of ZWL4 026 735 between the billing reports (ZWL36 083 324) and the financial statements (ZWL32 056 589). The Council did not comply with paragraphs 14 and 15 of International Public Sector Accounting Standard (IPSAS) 9 - “Revenue from Exchange Transactions” which state that revenue should be “measured at the fair value of consideration received or receivable in the year of sale”. Despite the fact that no stand sales had been made in 2019, Council disclosed cash receipts of stand sales made in prior years in the 2019 financial statements amounting to ZWL15 500 646 as current year stand sales.

In addition, management posted unsupported transactions amounting to ZWL2 752 965 in the financial statements. Had the Council applied the requirement of IPSAS 9 - “Revenue from Exchange Transactions”, the amount of trade receivables would have been materially affected.

xi. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - “Inventories”

The Council had some unsold pieces of land in Mkoba 18, Mkoba 21 and Randolph Phase 1 which were not valued and accounted for in the Council’s financial statements. In addition, management posted unsupported transactions amounting to ZWL313 925 in the financial statements resulting in an increase in reported inventory balances. Had the Council recognized land in its inventories the amounts disclosed in the financial statements would be materially affected. The departure from the requirement of IPSAS 12 - “Inventories” is material

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyper-Inflationary Economies”

Finding

The Council did not hyperinflate the financial statements contrary to the provisions of International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyper-Inflationary Economies”. The provision requires the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the reporting date. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10 in Zimbabwe had been met and the standard should be applied from July 01, 2019 and financial statements of entities with year-end on or after this date should be hyper inflated. Management cited that this was due to staff technical capacity issues.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should capacitate staff to prepare financial statements.

Management response

IPSAS training for all relevant staff in the Finance Department will be undertaken.

1.2 Go Beer investment

Finding

The Council disclosed ZWL2 936 459 in its financial statements representing advances to Go Beer Breweries for working capital boost as an investment despite the fact that the company stopped its beer manufacturing operations in July 2013. In addition, during the 2019 financial period, Council injected an additional amount of ZWL228 996 in the form of salary payments for Go Beer Breweries employees.

In addition, the value of the infrastructure and financial performance for Go beer activities were not accounted for and consolidated in the Council's financial statements, a non-compliance with the requirements of IPSAS 35 - "Consolidated Financial Statements". Go Beer financial statements were last audited in 2015.

Risk / Implication

Financial statements may be materially misstated.

Recommendation

The Council should consolidate its subsidiary in the financial statements.

Management response

The Finance Manager for Go-Beer breweries has been tasked to bring up to date audited financial statements for the entity.

1.3 Bank reconciliations

Finding

The Council's cash book balances were not reconciled to the bank statement balances resulting in an unexplained reconciling balance of ZWL408 206. Management cited that this was due to unresolved PROMUN system errors.

In addition, an analysis of the entity's bank reconciliation statements revealed significant variances between the cash book balance as per bank reconciliation statements and as per the PROMUN system cash books. Management cited that this was due to unresolved PROMUN system cash book errors.

Risk / Implication

Fraud and error may go undetected.

Financial statements may be materially misstated.

Recommendation

The Council should engage the IT system service provider/ consultant to address the system challenges.

Management response

This was due to manpower shortages and PROMUN system back up service challenges. We will recruit enough clerks and engage IT consultant to resolve the issues.

1.4 Unsupported journals

Finding

The Council did not avail supporting documents in respect of accounting journal entries amounting to a credit balance of ZWL3 171 888, [expenditure: ZWL437 792, revenue: ZWL2 752 965, payables: (ZWL2 680 775), receivables: ZW377 869, inventories: ZWL313 925, cash and cash equivalents (ZWL4 413 481) and property, plant and equipment of ZWL39 817]. Management indicated that the entries were meant to adjust for some transactions that were “hanging” in the system.

Risk / Implication

Irregular transactions may be captured to cover fictitious transactions.

Recommendation

All journal entries passed should be fully supported with relevant documentation.

Management response

Agreed - the process has been adopted with effect from April 2022 going forward.

1.5 Payable reconciliations

Finding

The Council was not performing monthly payables reconciliations. As a result, there was an unresolved variance of ZWL10 432 261 between payables balance as per ledger of ZWL69 999 730 and listing balance of ZWL59 567 468. In addition, a variance of ZWL381 377 between the creditors listing and balances as per suppliers’ statements remained unresolved. This was against accounting best practice which requires monthly creditors reconciliations.

Risk / Implication

Fraud and errors may go undetected.

Recommendation

Payables reconciliations should be done, variances investigated and necessary adjustments be made.

Management response

We will recruit and replace creditors' clerk.

1.6 Unsupported payables

Finding

Payable balances amounting to ZWL3 796 256 could not be substantiated due to unavailability of creditor's statements, reconciliations or confirmation responses. This was against the best practice in accounting. Alternative procedures could not be performed as I could not obtain the creditors confirmation responses from third parties.

In addition, the Council disclosed net salary arrears amounting to ZWL405 656 which were not agreeing to the supporting schedule balance of ZWL793 389 resulting in an unreconciled variance of ZWL387 733. The salary arrears records were being maintained on excel spreadsheet.

In addition, security deposits amounting to ZWL484 131 were not supported by a listing of the customers who paid water connection security deposits.

Risk / Implication

Misstatement of financial statements.

Financial loss due to fraud and error.

Recommendation

Management should investigate the variances and make the necessary adjustments.

Management response

We will recruit and replace creditors' clerk.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Receivables

Finding

The Council was not performing monthly debtors' reconciliations. As a result, there was an unreconciled variance of ZWL8 298 108 between the receivables balance of ZWL167 768 102 disclosed in financial statements and the balance as per supporting listing ZWL176 066 210. Management indicated that non-performance of reconciliations was due to manpower shortages.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should investigate the variances and make appropriate adjustments.

Management response

We will recruit additional clerks and implement the recommendations.

2.2 Debtors with credit balances

Finding

The Council was not raising invoices to account for the full cost of stands, instead, receipted amounts were recognised on the date of the transaction. As a result of cash accounting, some debtors accounts had credit balances amounting to ZWL508 762.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should invoice clients on time and make relevant entries in the records.

Management response

This was due to failure to do debit raising at the point of sale of stands. We will ensure the housing module is up and running.

3. PROCUREMENT OF GOODS AND SERVICES

3.1 Unsupported expenditure

Finding

The Council reported an expenditure amount of ZWL5 444 224 which was not supported by documents such as quotations, invoices, receipts and related payment voucher. This was not in line with the accounting best practice and regulations which require supporting documents to be attached to payment vouchers. Management indicated that this was due to poor filing system and that Council was paying most of its expenditure based on quotations therefore the missing invoices.

Risk / Implication

The Council may have paid for unauthorized expenditure.

Financial loss due to fraud.

Recommendation

All payments should be adequately supported.

Management response

We will adopt e-filing and engaging software vendor to activate e-filing capabilities on PROMUN. Entries with reference CS are stores issues and the requisitions for the same are available at our Central Stores.

4. EMPLOYMENT COSTS

4.1 Employees on acting positions

Finding

The Council had key vacant posts at senior management level. These positions, which are of strategic importance to the Council include Town Clerk, Director Finance, Estates Valuation Officer, Procurement Manager, City Engineer, Director Housing and Assistant Director Clinical.

Management revealed that failure to fill vacant posts was due to low remuneration.

Risk / Implication

Decision making may be compromised.

Recommendation

The Council should fill the vacant posts.

Management response

We will improve conditions of service for employees. Advertisements for all posts which are not subject to court hearings have been done to fill the vacancies. Appointment of substantive Director of Finance is with the Local Government Board.

5. MANAGEMENT OF ASSETS

5.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment" and IPSAS 12- "Inventories".

Finding

The Council did not maintain records of stands, open spaces and land reserve. Inquiries indicated that failure to account for stands inventory was due to lack of technical skill on the use of the PROMUN housing and estates modules. As a result, value of land reserve and stands inventory was not accounted for in the Council's financial statements. This was a non-compliance with the requirements of IPSAS 12- "Inventories" paragraph 12 (I) and IPSAS 17 - "Property, plant and equipment" in which an entity is required to account for its assets.

As at year end, the Council had some unsold pieces of land which included two thousand seven hundred and eight-four (2 784) un-serviced stands and twelve (12) infill stands.

Risk / Implication

Financial statements may be materially misstated.

Land and stands inventory may be misappropriated.

Recommendation

The Council should ensure all land reserves and stands inventory values are accounted for in the financial statements.

The Council should engage its PROMUN service provider to have the housing and estates modules activated and put in use for effective land and stands management.

Management response

Agreed. We are engaging the Promun system vendor to activate the modules and provide training and backup services for the modules and training of staff.

I have audited the financial statements of Harare City Council for the year ended December 31, 2019 and I issued a disclaimer of opinion.

Disclaimer of Opinion

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

Basis for Disclaimer of Opinion

i. Financial statements not supported by underlying accounting records.

The City Council's accounting and financial management system collapsed following the withdrawal of the BIQ financial accounting and reporting system in March 2019. I was not able to obtain sufficient appropriate evidence as to whether all the recorded balances and transactions during the year under review had actually occurred, been correctly classified, and had been completely and accurately recorded. In addition, I was not able to confirm the reported balances by alternative means and I was not able to obtain sufficient appropriate evidence that management fulfilled its responsibility in the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSASs).

Based on the audit evidence I gathered, it is my opinion that the financial statements submitted by City of Harare are not based on credible underlying accounting records as there was no credible financial accounting system

ii. Non-compliance with International Public Sector Accounting Standards (IPSAS);
IPSAS 34 - "Separate Financial Statements";
IPSAS 35 - "Consolidated Financial Statements";
IPSAS 36 - "Investments in Associates and Joint Ventures";
IPSAS 37 - "Joint Arrangements" and
IPSAS 38 - "Disclosure of Interests in Other Entities"

The Council did not consolidate and / or disclose the full list of subsidiaries, associates, joint ventures and other entities that the City of Harare invested in. No financial statements of subsidiaries, associates, joint ventures and other entities the City of Harare is invested in were submitted. International Standard on Auditing (ISA) 600, *"*The Work of Related Auditors and Other Auditors in the Audit of Group Financial Statements,*"* requires the group auditors to have full access to information on all group components.

In addition, management reported that the joint arrangement with Easi-park (Pvt) Limited had been terminated. I was not able to establish the terms and conditions of the reported termination and how the termination was accounted for in the Council's books. Besides, this joint venture had never been accounted for in the Council's financial statements in accordance with accounting standards.

I was not able to obtain sufficient appropriate audit evidence that the financial statements and the notes thereto have been properly prepared in accordance with applicable standards.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10- “Financial Reporting in Hyper-Inflationary Economies” and IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”

Government promulgated Statutory Instrument (SI) 33 on February 22, 2019, giving legal effect to the reintroduction of the Zimbabwe dollar (ZWL) as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on the effective date would be deemed to be Zimbabwe dollars at a rate which was at par with the United States Dollar (USD). However, in accordance with IPSAS 4, the effective date of change in functional currency should have been October 1, 2018. In October 2018, banks were instructed by the Reserve Bank of Zimbabwe to separate and create distinct bank accounts for deposits, namely: Real Time Gross Settlement (RTGS) FCA accounts and Nostro FCA accounts. This resulted in separation of transactions on the local RTGS payment platform from those relating to foreign payments. This separation resulted in an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legal framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by IPSAS 4.

The introduction of a local Zimbabwe dollar currency triggered events that resulted in factors and characteristics required to apply IPSAS 10 - Financial Reporting in Hyper-Inflationary Economies, being met in Zimbabwe during the year under review. As a result, the Public Accountants and Auditors Board (PAAB) pronounced that entities reporting in Zimbabwe were required to apply the requirements of IPSAS 10 with effect from July 1, 2019.

IPSAS 10 requires financial statements of an entity whose functional currency is the currency of a hyper-inflationary country to be restated into the current purchasing power at the end of the reporting period. Comparative figures for prior period(s) and any information in respect of earlier periods shall be stated into the same measuring unit current at the reporting date. The surplus or deficit on the net monetary position shall be separately disclosed in the statement of financial performance. When entities in the public sector include in their financial statements the related budgetary information, the budgetary information shall also be restated into the same current measuring unit. The management did not restate historical financial statements in terms of the measuring unit current at the end of the reporting period. Historical cost financial statements are less meaningful in a hyper inflationary environment and are only included as supplementary or other information.

iv. Non-Compliance with International Public Sector Accounting Standard 17 - “Property, Plant and Equipment”.

The City of Harare did not correctly recognise the items of property, plant and equipment disclosed in the financial statements at ZWL505 545 227 in accordance with IPSAS 17, “Property, Plant and Equipment” Following the change in currency from USD to ZWL in October 2018 as per IPSAS 4 and the onset of hyperinflationary economic conditions, the City of Harare has not restated property, plant and equipment for inflationary effects per requirements of IPSAS 10. No professional valuation of the assets was done as at December 31, 2019. I was not able to obtain sufficient appropriate audit evidence for property, plant and equipment due to the poor status of the accounting records. Therefore, I was not able to confirm the valuation of property, plant and equipment by alternative means.

v. Non-Compliance with International Public Sector Accounting Standard 26 - "Impairment of Non-Cash Generating Assets"

The City of Harare owned old plant and equipment. However, the City did not perform formal and credible impairment tests in accordance with IPSAS 26, "Impairment of Cash-Generating Assets" and IPSAS 21, "Impairment of Non-Cash-Generating Assets".
I was not able to obtain sufficient appropriate audit evidence for property, plant and equipment due to the poor status of the accounting records. Therefore, I was not able to confirm the valuation of property, plant and equipment by alternative means.

vi. Non-Compliance with International Public Sector Accounting Standard 16 - "Investment Property"

The City of Harare did not correctly recognise the items Investment property disclosed in the financial statements at ZWL4 615 000 in accordance with IPSAS 16, Investment Properties". Following the change in currency from USD to ZWL in October 2018 as per IPSAS 4 and the onset of hyperinflationary economic conditions, the City of Harare has not restated investment property for inflationary effects per requirements of IPSAS 10. No professional valuation of the assets was done as at December 31, 2019.
I was not able to obtain sufficient appropriate audit evidence for investment property due to the poor status of the accounting records. Therefore, I was not able to confirm the valuation property, plant and equipment by alternative means.

vii. Non-Compliance with International Public Sector Accounting Sector 12 - "Inventories''

The City of Harare did not separately and correctly recognise the items of inventory asset with a carrying amount of ZWL145.3 million in accordance with IPSAS 12, "Inventories". According to IPSAS 12, inventories are required to be measured at the lower of cost and net realisable value.
In addition, I was not able to obtain sufficient appropriate audit evidence on inventory with a carrying amount of, due to the poor status of the accounting records and non-submission of information in support of these accounts. I was not able to confirm inventory and biological asset balances by alternative means.

viii. Non-Compliance with International Public Sector Accounting Standards (IPSAS) 27 - "Agriculture"

The City of Harare did not separately and correctly recognise the items of biological asset with a carrying amount of ZWL 2 245 505 in accordance with IPSAS 27, "Agriculture". IPSAS 27 requires all biological assets to be measured at fair value less costs to sell. Any change in the fair value of biological assets during a period is reported in surplus or deficit.
In addition, I was not able to obtain sufficient appropriate audit evidence on inventory and biological asset balances, due to the poor status of the accounting records and non-submission of information in support of these accounts. I was not able to confirm biological asset balances by alternative means.

ix. Receivables from exchange transactions

The City of Harare did not have adequate processes and systems in place to correctly account for impairment on receivables from exchange transactions with a carrying amount of ZWL567 749 040. An impairment assessment of outstanding receivables from exchange transactions was not performed. I was not able to quantify the impact of the resultant misstatement on receivables or the impairment expense as it was impracticable to do so.

Following the withdrawal of the BIQ system in March 2019, there was no alternate billing system until June 2019. Management did not submit records of what transpired between March 2019 and June 2019. I was also not able to verify the opening balances used in the new billing system.
I was not able to obtain sufficient appropriate audit evidence on receivables from exchange and non-exchange transactions, due to the poor status of the accounting records and non-submission of information in support of these receivables from exchange transactions. I was not able to confirm these accounts receivable by alternative means.

x. Receivables from non-exchange transactions

City did not have adequate processes and systems in place to correctly account for impairment on receivables from non-exchange transactions with a carrying amount of ZWL441 269 827. An impairment assessment of outstanding receivables from non-exchange transactions was not performed. I was not able to quantify the impact of the resultant misstatement on receivables or the impairment expense as it was impracticable to do so.

Following the withdrawal of the BIQ system in March 2019, there was no alternate billing system until June 2019. Management did not submit records of what transpired between March 2019 and June 2019. I was also not able to verify the opening balances used in the new billing system.

I was not able to obtain sufficient appropriate audit evidence on receivables from non-exchange transactions, due to the poor status of the accounting records and non-submission of information. I was not able to confirm these accounts receivable by alternative means.

xi. Prepayments

I was not able to obtain sufficient appropriate audit evidence on prepayments with an amount of ZWL 207 596 due to the poor status of the accounting records and non-submission of information in support of these prepayments. I was not able to confirm these prepayments by alternative means.

xii. Cash and bank balances

Following the withdrawal of the BIQ system in March 2019, the City of Harare did not have functional integrated cash books. No verifiable reconciliations were done because of absence of sub-ledgers. Unreconciled balances per bank statements were used for reporting purposes as at December 31, 2019. I was not able to obtain sufficient appropriate audit evidence on cash and bank balances of ZWL26 062 702, due to the poor status of the accounting records and non-submission of information in support of these cash and bank balances. I was not able to confirm these cash and bank balances by alternative means.

xiii. Bank overdraft

Following the withdrawal of the BIQ system in March 2019, the City of Harare did not have functional integrated cash books. No verifiable reconciliations were done because of absence of sub-ledgers. Unreconciled balances per bank statements were used for reporting purposes as at December 31, 2019. I was not able to obtain sufficient appropriate audit evidence on overdraft amounting to ZWL5 524 515, due to the poor status of the accounting records and non-submission of information in support of these cash and bank balances. I was not able to confirm these cash and bank balances by alternative means

xiv. Payables

Councils disclosed payables with an amount of ZWL869 233 421. There were no functional accounts payable sub-ledger(s). As a result, the City of Harare did not produce lists of individual accounts payable and supporting third-party documents.

Included in other payables is leave pay provision of ZWL16 652 526. When the BIQ accounting system was switched off in March 2019, the Belina Human Resources System which the City used to process payroll did not have a functional module to calculate leave days and leave provision. Management decided to use a general 5% of the annual basic salaries bill to compute the leave pay provision of ZWL16 652 526 as at 31 December 2019. I was not able to obtain sufficient appropriate audit evidence that management had properly accounted for payables, due to the poor status of the accounting records and non-submission of information in support of these payables. I was not able to confirm these payables by alternative means.

xv. Borrowings

Councils disclosed borrowings with an amount ZWL110 878 962 and finance charges of ZWL10 459 907. The Council entered into the loan agreements with EXIM Bank of China and CABS. The Council did not re-measure the foreign loan of EXIM Bank of China loan at the reporting date and did not recognise foreign exchange losses as a result of the depreciation of ZWL against USD which implies non-compliance with IPSAS 4, “The Effects of Changes in Foreign Exchange Rates”.

In addition, I was not able to obtain sufficient appropriate audit evidence to support the balances because management did not submit specific written contractual agreements between the Council and the bankers as at December 31, 2019. I was not able to obtain sufficient appropriate audit evidence that management had properly accounted for borrowings, due to the poor status of the accounting records and non-submission of information in support of these borrowings. I was not able to confirm these borrowings by alternative means.

xvi. Deferred grant

I was not able to obtain sufficient appropriate audit evidence that management had properly accounted for deferred grants due to the poor status of the accounting records and non-submission of information in support of these deferred grants. I was not able to confirm these deferred grants by alternative means.

xvii. Equity/net assets

I was not able to obtain sufficient appropriate audit evidence that management had properly accounted for net assets, due to the poor status of the accounting records and non-submission of information in support of the net assets balance. I was not able to confirm net assets by alternative means.

xviii. Revenue from non-exchange transactions

Included in revenue from non-exchange transactions are property rates revenue

amounting to ZWL145 975 514. Valuations on properties are supposed to be performed statutorily every five (5) years. Interim valuations are processed on a quarterly basis to take into account all changes in individual property values due to alterations or improvements. The last valuation done by the City of Harare came into effect on February 2, 2009. Other revenue from non-exchange transactions totalled ZWL99 827 258.
I was not able to obtain sufficient appropriate audit evidence that management had properly accounted for revenue from non-exchange transactions, due to the poor status of the accounting records and non-submission of information in support of these revenues. I was not able to confirm the revenue from non-exchange transactions by alternative means.

xix. Revenue from exchange transactions

I was unable to obtain sufficient appropriate audit evidence that management had properly accounted for revenue from exchange transactions of ZWL367 826 291, due to the poor status of the accounting records and non-submission of information in support of these revenues. I was unable to confirm the revenue from exchange transactions by alternative means.

xx. Employment costs

The Belina Human Resources System did not produce the amount of salaries and wages when the BIQ system was switched off. Pay slips of the previous years were used to determine the salaries and wages bill.

The system of control over the recording and classification of employment costs was not adequate. I was not able to verify the employment costs amounting to ZWL183 017 958 due to the poor status of the accounting records and non-submission of information by management to support this expenditure. There were no other alternative audit procedures that I could perform to obtain reasonable assurance that employment costs transactions occurred and had been accurately recorded and classified in the financial records of the City.

xxi. General expenses

The system of control over the recording and classification of expenses (excluding employment costs) was not adequate. I was not able to verify the expenses amounting to ZWL282 194 581 due to the poor status of the accounting records and non-submission of information by management in support of this expenditure. There were no other alternative audit procedures that I could perform to obtain reasonable assurance that expense transactions occurred and had been accurately recorded and classified in the financial records of the City.

xxii. Impairment loss

The system of control over calculation of impairment losses on various classes of assets was not adequate. I was not able to verify the impairment loss due to the poor status of the accounting records and non-submission of information by management to support the impairment loss amounting to ZWL59 832 137. There were no other alternative audit procedures that I could perform to obtain reasonable assurance that impairment losses were adequately provided for in the financial records of the City.

xxiii. Non-compliance with IPSAS 20, “Related Party Disclosures”

City of Harare did not make related party disclosures in line with IPSAS 20. The Council did not have an adequate system to account for its related party transactions as required by IPSAS 20. I was not able to verify and quantify related party transactions and balances due to the poor status of accounting records and the non-submission of related parties’ information by management.

xxiv. Provisions, contingent liabilities and contingent assets

I have been not able to obtain sufficient appropriate audit evidence that all provisions and contingencies have been accounted for and disclosed in line with IPSAS 19 due to the poor status of accounting records and the non-submission of information to support of these transactions. I have been not able to confirm these transactions by alternative means.

xxv. Going concern

Management did not prepare a note on going concern. The City of Harare reported a positive working capital position of ZWL81 061 589. Because the City’s financial statements are not supported by credible underlying records, I was not able to verify the going concern status of the City and whether it was appropriate to prepare the financial statements using the going concern basis of accounting. Management did not provide me with sufficient appropriate audit evidence to support the going concern assumption.

xxvi. Statement of comparison of budget and actual amounts

Because the City’s financial statements are not supported by credible underlying records, I was not able to establish if the statement of comparison of the approved budget and actual amounts presented by management complies with IPSAS 24, “Presentation of Budget Information in Financial Statements”.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Financial statements not supported by underlying accounting records

Finding

I was not able to obtain sufficient appropriate audit evidence that management fulfilled their responsibility for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSASs), the Urban Councils Act [*Chapter 29.15*] and the Public Finance and Management Act [*Chapter 22.19*].

The City of Harare accounting and financial management system collapsed following the withdrawal of the BIQ accounting and financial reporting system in March 2019. I was not able to obtain sufficient and appropriate evidence as to whether all the recorded balances and transactions during the year under review had actually occurred, been classified correctly, and had been completely and accurately recorded. In addition, I was not able to confirm the reported balances by alternative means.

There was no credible financial reporting system since the City of Harare’s accounting and financial reporting system (BIQ) was withdrawn in March 2019.

There were no functional general ledgers. Balances reported in the historical cost financial statements were derived from excel spreadsheets prepared by management and are not supported by underlying records and cannot be independently verified.

Management did not to submit trial balances supporting balances reported in the financial statements. There were no functional sub-ledgers like accounts receivable and accounts payable ledgers.

Risk / Implication

Misstatement of financial statements.

Recommendation

Given the scale and complexity of the City of Harare operations, the Council should consider urgently acquiring an appropriate Enterprise Resource Planning (ERP) software that the City can use to manage day-to-day business activities such as accounting, procurement, project management, risk management and compliance, and supply chain operations. This will facilitate the efficient running of proper general and sub-ledgers.

Council should have a back-up facility for its ERP.

Management response

Following the abrupt termination of BIQ Accounting system, the City engaged the Procurement Regulatory Authority of Zimbabwe (PRAZ) on the fastest mode to acquire another ERP software. The City was allowed to acquire a temporary alternative system whilst looking for a permanent ERP Software. Currently the City is using SAGE software as an immediate mitigating measure whilst carrying out a process of acquiring a more robust and efficient ERP system.

1.2 Non-compliance with International Public Sector Accounting Standards (IPSAS);

IPSAS 34 - “Separate Financial Statements”;
IPSAS 35 - “Consolidated Financial Statements”;
IPSAS 36 - “Investments in Associates and Joint Ventures”;
IPSAS 37 - “Joint Arrangements” and
IPSAS 38 - “Disclosure of Interests in Other Entities”

Finding

No proper consolidations were performed. In addition, management did not disclose a full list of subsidiaries, associates, joint ventures and other entities that the City of Harare has interests in. No financial statements of subsidiaries, associates, joint ventures and other entities that the City of Harare is associated with were submitted.

I am not the auditor of the entities that the City of Harare is invested in. International Standard on Auditing (ISA) 600, “The Work of Related Auditors and Other Auditors in the Audit of Group Financial Statements,” requires the group auditors to have full access to information on all group components. Restrictions on access may lead to a scope limitation that may impact the auditor’s report on the group financial statements.

In addition, management reported that the joint arrangement with Easi-park (Pvt)Limited had been terminated. I was not able to establish the terms and conditions of the reported termination and how the termination was not accounted for in the Council's financial statements. Besides, this joint venture had never been accounted for in the Council's financial statements in accordance with accounting standards.

Risk / Implication

The interests of residents may not be fulfilled as cash-flows from the joint ventures are unaccounted for.

Recommendations

International standards on auditing compel management to facilitate group auditors to have access to information of entities that the group (City Council) has invested in.

Management should ensure that consolidations of financial statements and the notes thereto have been properly prepared in accordance with applicable standards.

Management response

The City of Harare has always had problems in consolidating financial statements of its subsidiaries. Management will direct all its subsidiaries and joint ventures to submit their audited financial statements for consolidation.

1.3 Non-compliance with International Public Sector Accounting Standard (IPSAS) 10, "Financial Reporting in Hyper-Inflationary Economies"

Finding

The Council did not comply with the provisions of (IPSAS) 10 - "Financial Reporting in Hyper-Inflationary Economies". Zimbabwean entities were operating in an environment in the period under review which has witnessed significant monetary and exchange control policy changes since the beginning of the year. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10 in Zimbabwe had been met and the standard should be applied from July 01, 2019 and financial statements of entities with year-end on or after this date should be hyper inflated. Management did not hyper inflate the financial statements.

The effects of the above departures from IPSAS are material and pervasive to the financial statements.

Risk / Implication

Misstatement of financial statements.

Recommendation

Management should restate financial statements of the City into the current purchasing power at the end of the reporting period in compliance with IPSAS 10.

Management response

The City of Harare will provide Financial statements that are inflation adjusted according to IPSAS 10.

1.4 Non Compliance with IPSAS 17 - "Property, plant and equipment"

Finding

The City of Harare did not perform revaluation of its assets to determine fair values. The Property, plant and equipment was disclosed in the financial statements at ZWL505 545 227 contrary to IPSAS 17 - "Property, Plant and Equipment" Paragraphs 44 and 49 which requires the Council to revalue its assets with sufficient regularity. No valuation of the assets was done as at December 31, 2019. Following the change in currency from USD to ZWL in October 2018 as per IPSAS 4 and the onset of hyperinflationary economic conditions, the City of Harare has not restated property, plant and equipment.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should perform a revaluation of property, plant and equipment.

Management response

Management has taken note of the above observations and will take measures to implement the above recommendations.

1.5 Non Compliance with IPSAS 16 - "Investment Property"

Finding

The City of Harare did not perform revaluation of its assets to determine fair values contrary to IPSAS 16 - "Investment Property" which requires the Council to determine the fair-values. The investment property was disclosed in the financial statements at ZWL4 615 000. No valuation of the assets was done as at December 31, 2019 following the change in currency from USD to ZWL in October 2018 as per IPSAS 4 and the onset of hyperinflationary economic conditions, the City of Harare has not restated investment property.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should perform a revaluation of property, plant and equipment.

Impairment exercise should be performed.

Management response

Management has taken note of the above observations and will take measures to implement the above recommendations.

1.6 Non Compliance with IPSAS 12 - "Inventories" and IPSAS 27 - "Agriculture"

Finding

The City of Harare did not measure its inventories at the lower of cost and net realisable value contrary to IPSAS 12 - "Inventories"

In addition, biological assets amounting to ZWL2 245 505 were not measured at fair value less costs to sell contrary with IPSAS 27.

Risk / Implication

Misstatement of financial assets.

Recommendation

Council should disclose inventory values in compliance with IPSAS 12.

Fair valuation of biological assets should be done in compliance IPSAS 27.

Management response

Management acknowledges the above observations and the City is in the process of acquiring an ERP system that will manage and account for inventory in accordance with IPSAS 12.

However, IPSAS 27 does not cover the treatment of biological assets held for providing a service. These include the cattle at the City's farms and dogs used by Municipal Police.

1.7 Receivables from exchange transactions

Finding

The City did not have adequate processes and systems in place to correctly account for impairment on receivables from exchange transactions amounting to ZWL567 749 040. An impairment assessment of outstanding receivables from exchange transactions was not performed. I was not able to quantify the impact of the resultant misstatement on receivables or the impairment expense as it was impracticable to do so.

Following the withdrawal of the BIQ system in March 2019, there was no alternate billing system until June 2019. Management did not submit records of what transpired between March 2019 and June 2019. I was also not able to verify the opening balances used in the new billing system.

Risk / Implication

Failure to properly account for receivables may lead to liquidity problems.

Recommendation

Comprehensive accounts receivable impairment exercise should be performed at the end of the financial year.

Management should review debtors' age analysis at least once a month and use the analyses for debt collection.

Management response

Management is finalising a comprehensive debtors' policy that also complies with Urban Councils Act and most of the issues raised above are addressed in the policy. An age analysis for debtors is available and obtainable at consolidated bill level. However, the system is not able to show debtors as in the respective analysis per service. This will be addressed as a new ERP system is adopted.

1.8 Receivables from non-exchange transactions

Finding

The City did not have adequate processes and systems in place to correctly account for impairment on receivables from non-exchange transactions amounting to ZWL441.2 million. An impairment assessment of outstanding receivables from non-exchange transactions was not performed. I was not able to quantify the impact of the resultant misstatement on receivables or the impairment expense as it was impracticable to do so.

Following the withdrawal of the BIQ system in March 2019, there was no alternate billing system until June 2019. Management did not submit records of what transpired between March 2019 and June 2019. I was also not able to verify the opening balances used in the new billing system.

Risk / Implication

Failure to properly account for receivables may lead to liquidity problems.

Recommendation

Management should review debtors' age analysis at least once a month and used the analyses for debt collection.

Comprehensive accounts receivable impairment exercise should be performed at the end of the financial year.

Management response

Management is finalising a comprehensive debtors' policy that also complies with Urban Councils Act Section 303 and most of the issues raised above are addressed in the policy.

An age analysis for debtors is available and obtainable at consolidated bill level. However, the system is not able to show debtors as in the respective analysis per service. This will be addressed as a new ERP system is adopted.

1.9 Prepayments

Finding

I have not been able to obtain sufficient appropriate audit evidence on prepayments, due to the poor status of the accounting records and non-submission of information in support of the prepayments amounting to ZWL1.2 million. I have not been able to confirm these prepayments by alternative means.

Risk / Implication

Non delivery of goods.

Misstatement of financial statements.

Recommendation

There should be a system in place to ensure that there is adequate management, accounting and information system which properly accounts for prepayments.

Management response

Management will ensure that a system is put in place that enables all prepayments and monthly reviews are done to ensure that prepaid goods and services are delivered timeously.

1.10 Cash and bank balances

Following the withdrawal of the BIQ system in March 2019, the City of Harare did not have functional integrated cash books. No verifiable reconciliations were done because of absence of sub-ledgers. Unreconciled balances as per bank statements were used for reporting purposes as at December 31, 2019.

Risk / Implication

Lack of proper audit trail.

Fraud and error may go undetected.

Recommendation

Management should perform and review bank reconciliations for all bank accounts at least once a month.

Management response

Management is in the process of acquiring an ERP system. The system should have an inbuilt bank reconciler. Management will also put in place adequate management, accounting and information system which properly accounts for cash and cash equivalents as is required by the law.

1.11 Payables

Finding

Council disclosed payables amounting to ZWL869.2 million in the financial statements. However, Council had no functional accounts payable sub-ledger(s) and did not produce lists of individual accounts payable and supporting third-party documents.

Included in other payables is leave pay provision of ZWL16.6 million. When the BIQ accounting system was withdrawn in March 2019, the Belina Human Resources System which the City used to process payroll did not have a functional module to calculate leave days and leave provision. Management decided to use a general 5% of the annual basic salaries bill to compute the leave pay provision of ZWL16.6 million as at December 31, 2019.

Risk / Implication

Loss of public funds as payments may be made to fictitious suppliers.

Weak control environment which may result in suppliers demanding more.

Service delivery may be compromised.

Recommendation

There should be a system in place to ensure that there is adequate management, accounting and information system which properly accounts for expenditure and accounts payable.

Reconciliations of suppliers' statement balances and individual balances per creditors ledger should be performed and reviewed at least once a month.

Management response

Management is in the process of acquiring an ERP that will facilitate the efficient management of creditors which includes the functional creditors ledgers.

The City's payroll is currently being run on the Belina Payroll Software. Belina Payroll does not have a leave module hence the leave days are being managed by departmental staff offices. As alluded to in my responses above the new ERP software will be able to address most of the issues raised above. The 5% used to calculate leave pay provisions is part of management's judgement of coming up with the provision based on past experience.

1.12 Borrowings

Finding

The City of Harare entered into loan agreements with EXIM Bank of China and CABS. The Council did not re-measure the foreign loan of EXIM Bank of China loan at the reporting date amounting to ZWL110.8 million and finance charges amounting to ZWL10.4 million. Council did not recognise foreign exchange losses as a result of the depreciation of ZWL against USD which was a non-compliance with IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates".

Risk / Implication

Misstatement of financial statements.

Cash-flow planning may be disrupted due to incorrect calculations.

Recommendation

There should be a system in place to ensure that there is adequate management, accounting and information system which properly accounts for borrowings and finance costs.

Management response

Management is in the process of acquiring an ERP system. Management will also put in place adequate management, accounting and information system which properly accounts for borrowings as is required by the law.

Management will put in place a system to ensure that there is adequate management, accounting and information system which properly accounts for finance charges.

1.13 Deferred grant

Finding

Council disclosed deferred grant amounting to ZWL2 295 780, I was not able to obtain sufficient appropriate audit evidence that management had properly accounted for deferred grants, due to the poor status of the accounting records and non-submission of information to support the deferred grants. I have not been able to confirm these deferred grants by alternative means.

Risk / Implication

Misstatement of financial statements.

Recommendation

There should be a system in place to ensure that there is adequate management, accounting and information system which properly accounts for deferred grants.

Management response

Management is in the process of acquiring an ERP system. Management will also put in place adequate management, accounting and information system which properly accounts deferred grants as is required by the law.

1.14 Equity / net assets

Finding

I have not been able to obtain sufficient appropriate audit evidence that management had properly accounted for net assets, due to the poor status of the accounting records and non-submission of information in support of the net assets balance. I have been not able to confirm net assets by alternative means.

Risk / Implication

Misstatement of financial statements.

Recommendation

There should be a system in place to ensure that there is adequate management, accounting and information system which properly accounts for equity line items.

Management response

Management is in the process of acquiring an ERP system. Management will also put in place adequate management, accounting and information system which properly accounts for equity line items as is required by the law.

1.15 Revenue from non-exchange transactions

Finding

Included in revenue from non-exchange transactions is property rates revenue amounting to ZWL145.9 million. Valuations on properties are supposed to be performed statutorily every five (5) years. Interim valuations are processed on a quarterly basis to take into account all changes in individual property values due to alterations or improvements. The last valuation done by the City of Harare came into effect on February 2, 2009. Other revenue from non-exchange transactions totalled ZWL99.8 million.

Risk / Implication

Misstatement of financial statements.

Recommendation

Management should adhere to the provisions of Urban Council's Act [*Chapter 29:15*] in the updating of its valuation roll.

Management response

Management has embarked on an exercise to update the General Valuation Roll which should enable current values for rates determination.
The acquisition of a new ERP software will address most of the issues raised above. Management will also put in place adequate management, accounting and information system which properly accounts for its revenue and receivables as is required by the law.

1.16 Revenue from exchange transactions

Finding

Council disclosed ZWL367.8 million as revenue from exchange transactions. I have been unable to obtain sufficient appropriate audit evidence that management had properly accounted for revenue from exchange transactions, due to the poor status of the accounting records and non-submission of information in support of these revenues. I have been unable to confirm the revenue from exchange transactions by alternative means.

Risk / Implication

Financial loss.

Misstatement of financial statements.

Recommendation

Council should maintain proper ERP software to facilitate the efficient running of proper general and sub-ledgers.

Management response

The acquisition of a new ERP software will address most of the issues raised above. Management will also put in place adequate management, accounting and information system which properly accounts for its revenue and receivables as is required by the law.

1.17 Employment costs

Finding

Council disclosed an amount of ZWL183 million in respect of employment costs. I have not been able to verify the employment costs due to the poor status of the accounting records and non-submission of information by management in support of this expenditure. The Belina Human Resources System did not produce the amount of salaries and wages when the BIQ system was switched off. Pay slips of the previous years were used to determine the salaries and wages bill. The system of control over the recording and classification of employment costs was not adequate.

There were no satisfactory alternative audit procedures that I could perform to obtain reasonable assurance that employment costs occurred and had been accurately recorded and classified in the financial records of the City.

Risk / Implication

Fraud and errors may go undetected.

Misstatement of financial statements.

Recommendation

There should be a system in place to ensure that there is adequate management, accounting and information system which properly accounts for expenditure and payables as is required by the law.

Management response

Employee obligations master file which had all employees' details was uploaded onto Belina and used for the running of payrolls. Management is in the process of

acquiring an ERP system. Management will also put in place adequate management, accounting and information system which properly accounts for salaries and wages expenditure.

1.18 General expenses

Finding

The system of control over the recording of general expenses amounting to ZWL281.1 million was not adequate. I was not able to verify the expenses due to the poor status of the accounting records and non-submission of information by management to support this expenditure.

Risk / Implication

Lack of audit trail.

Misstatement of financial statements.

Recommendation

There Council should put system in place and have back-ups.

Management response

All expenditure incurred after the 21 March 2019 to 31 December 2021 was recorded manually on excel spreadsheets which were availed to the auditors. Selected/ audit samples for expenditure was carried out by your auditors and the source documents of the expenditure were availed.

1.19 Non-compliance with IPSAS 20 - "Related Party Disclosures"

Finding

The City of Harare failed to make related party disclosures in line with IPSAS 20. For related-party transactions, disclosure is required of the nature of the relationship, the types of transactions that have occurred, and the elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

The City did not have an adequate system to account for its related party transactions as required by IPSAS 20.

Risk / Implication

Transactions with related parties may not be properly approved as they may not be at arm's length.

Service delivery may be compromised.

Recommendation

Management should properly account for and disclose related-party transactions.

Management response

Management will put in place a system of internal controls of identifying, accounting and disclosing related party transactions. Business Development Unit is now in place and has been mandated to track all related parties' activities and make follow-ups on annual audited accounts.

1.20 Non-compliance with IPSAS 19 - "Provisions, Contingent Liabilities and Contingent Assets"

Finding

I have not been able to obtain sufficient appropriate audit evidence that all provisions and contingencies have been accounted for and disclosed in line with IPSAS 19 - "Provisions, Contingent Liabilities and Contingent Assets" due to the poor status of accounting records and the non-submission of information to support of these transactions. I have not been able to confirm these transactions by alternative means.

Risk / Implication

Critical judgements on the treatment and recognition of provisions cannot be carried out when there is no full disclosure.

Limited information to stakeholders due non-disclosure of pending claims and litigations.

Recommendation

The Council should have an internal control system capable of identifying and accounting for provisions, contingent liabilities and contingent assets.

Management response

Management has taken note of the above and improvements will be made to account for provisions and disclose contingent assets and liabilities.

1.21 Employee benefit obligations

Finding

I have not been able to obtain sufficient appropriate audit evidence that management had properly accounted for employee benefit obligations amounting to ZWL211.2 million, due to the poor status of the accounting records and non-submission of information in support of these employee benefit obligations. I have not been able to confirm these employees benefit obligations by alternative means.

Risk / Implication

Misstatement of financial statements due to unrecorded liabilities.

Possible litigations from existing/former employees and service organisations.

Recommendation

Management should properly account for employee benefits.

Management response

It has been observed that most of the issues raised above will be addressed through the acquisition of a new ERP system. The City is currently in the process of acquiring a new ERP software.

2 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2020 report. I raised five (5) findings and all are yet to be addressed as indicated below;

2.1 Reconciliation of cash and cash equivalents

The finding has not been addressed. Monthly bank reconciliations are not yet being done and reviewed.

2.2 Maintenance of proper books of accounts

The finding has not been addressed. Proper books of accounts are yet to be maintained.

2.3 BIQ System

The finding has not been addressed. Council is yet to comply with section 45 of the Public Finance Management Act [Chapter 22:19]

2.4 Accounting for subsidiaries

The finding has not been addressed. Council is yet to consolidate all of its entities to comply with International Public Sector Accounting Standards (IPSASs).

2.5 Disaster recovery and business continuity site

The finding has not been addressed. Management is yet to establish an offsite disaster recovery site.

I have audited the financial statements of Kadoma City Council for the years ended December 31, 2019; 2020 and 2021 and I issued adverse opinions.

Adverse Opinion 2019

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kadoma City Council as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The effects of Changes in Foreign Exchange rates"

The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL using the February 22, 2019 interbank rate. The Council has not been able to assess the appropriateness of use of the interbank rate in achieving fair presentation primarily due to the need to comply with Statutory Instrument 33 of 2019, and also the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. Additionally, the introduction of the interbank rate occurred after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies.

In substance, the immediate delivery of foreign currency could not be guaranteed which impinged on the underlying concept of closing rates and definition of spot rates. This therefore impacts the basis for measuring transactions between October 2018 and February 2019, valuation of assets and liabilities as well as the accounting for exchange differences. In that regard, the Council has not been able to comply with the requirements of IPSAS 4 - "The effects of Changes in Foreign Exchange rates".

Had the Council applied the requirements of IPSAS 4 **- "**The Effects of Changes in Foreign Exchange Rates" the figures disclosed in the financial statements would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The effects of Changes in Foreign Exchange rates"

Kadoma City Council adopted February 22, 2019, as the date of change in functional currency despite the existence of evidence that the chosen date may not be appropriate. Based on International Public Sector Accounting Standard (IPSAS 4) - "The effects of the changes in Foreign Exchange Rates", the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it. Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. In particular, there was a requirement for banks to separate local Foreign Currency Accounts (FCAs) (RTGS$) from the FCA Nostro USD Accounts effective October 01, 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between ZWL and United States Dollar (USD). In February 2019 there was a monetary policy statement which introduced the RTGS Dollar (RTGS$) and the interbank foreign exchange market through Statutory Instrument 33. The impact of the Council's inability to comply with IPSAS 4 **-** "The effects of Changes in Foreign Exchange rates" on the financial statements had been considered material and pervasive to the financial statements as a whole.

Had the Council applied the requirements of IPSAS 4 - "The effects of Changes in Foreign Exchange rates" the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and equipment".

The Council disclosed land and buildings at a carrying amount of ZWL55.6 million. However, it did not separate land from the buildings for depreciation calculation thereby depreciating land. Had the Council disclosed separately the land and building the values of property, plant and equipment in the financial statements would have been materially affected. The departure from requirements of IPSAS 17 - "Property, plant and equipment" are material.

iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 and 14 - "Inventories" and "Events after reporting date".

Sewer pipes and eight hundred (800) bags of cement which were part of inventory were no longer in a usable state. In addition, items worth USD33 000 constituting inventory and equipment were stolen during the year 2021 before the audit of 2019 was conducted. IPSAS 14 - "Events after reporting date" requires such events to be disclosed in the financial statements. However, the Council did not make the necessary adjustments and disclosures to the financial statements. Had the Council not recognized the bags of cement in its inventories the amounts, disclosed in the financial statements would be materially affected. The departure from the requirement of IPSAS 12 - "Inventories" and IPSAS 14 - "Events after reporting date" is material.

Adverse Opinion 2020

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kadoma City Council as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The effects of Changes in Foreign Exchange rates"

The prior year financial statements did not comply with the requirements of IPSAS 4, "The Effects of Changes in Foreign Exchange Rates", as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22 at interbank rate.

The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Council's 2020 opening balances misstatements have an impact on the current year financial statements.

Had the Council applied the requirements of IPSAS 4 - **"**The Effects of Changes in Foreign Exchange Rates" the figures disclosed in the financial statements would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment".

The Council disclosed land and buildings at a carrying amount of ZWL38 623 556. However, Council did not separate land from the buildings for depreciation calculation thereby depreciating land. This was non-compliance with the requirements of IPSAS 17 - "Property, Plant and Equipment". Had the Council separated its property, plant and equipment the amounts disclosed in the financial statements would be materially affected.

Adverse Opinion 2021

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Kadoma City Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment".

The Council did not perform a revaluation of its property, plant and equipment with an inflation adjusted carrying amount of ZWL72.8 million in order to reflect the current value of the assets in its financial records as required by IPSAS 17 - "Property, Plant and Equipment", paragraph 44 and 49.

The Council did not carry out an assessment of the residual values and useful life of its property, plant and equipment as required by IPSAS 17 - "Property, plant and equipment", paragraph 67 which states that the residual value and the useful life of an asset shall be reviewed at least at each annual reporting date.

In addition, the Council disclosed land and buildings at a carrying amount of ZWL16.5 million. However, the Council did not separate land from the buildings for depreciation calculation thereby depreciating land. This was non-compliance with the requirements of IPSAS 17- “Property, plant and equipment”. Had the Council performed a revaluation and assessment of useful lives of its property, plant and equipment the amounts disclosed in the financial statements would be materially affected.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, plant and equipment”.

The Council’s infrastructure assets, which includes road networks, sewer and water systems were not recognised in the financial statements. This was contrary to the provisions of IPSAS 17 - “Property, plant and equipment” paragraph 21 which requires infrastructure assets that meet the definition of property, plant and equipment to be accounted for in the financial statements. Had the Council recognized its property, plant and equipment the amounts disclosed in the financial statements would be materially affected

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 16-17, “Investment properties” paragraph 13(f) and “Property plant and equipment.

The Council had properties that were being leased out as a housing service that were not included in financial statements of the Council as property, plant and equipment. IPSAS 16 - “Investment properties” paragraph 13(f) states that property held to provide a social service which generates cash inflows should be accounted for in accordance with IPSAS 17- “Property, plant and equipment” as property, plant and equipment. Had the Council recognized its Investment properties the amounts disclosed in the financial statements would be materially affected.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 16- “Investment properties” paragraph 13(f) and IPSAS - “Property plant and equipment.

Finding

The Council had one hundred and ninety-four (194) single quarter houses, one hundred and twenty-four (124) General barracks and forty-one (41) light industry shops that were being leased out as service properties. The properties were not recognised in financial statements of the Council. IPSAS 16 - “Investment properties”, paragraph 13(f) requires property held to provide a social service which generates cash inflows to be accounted in accordance with IPSAS 17 - “Property plant and equipment”.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should account for the houses.

Management response

The assets revaluation exercise which was initiated in 2021 had a coverage which included assets which were being valued for initial recognition in the financial statements to facilitate compliance with the requirements of IPSAS 17. The exercise had however not been concluded by the reporting date, as a result, the inclusion of the assets had to be deferred to the 2022 financial reporting period.

1.2 Firearms management

Finding

Two (2) senior Council employees were issued with fire arms for personal protection. However, the issuance of the fire arms was contrary to the conditions of the firearm certificates paragraph 3 which requires the holder to use the firearms for the purpose of protection of cash, bullion and other valuables in transit only.

In addition, the Council's ammunition record was last updated on January 24, 2012 with a balance of six hundred and seventeen (617) rounds of ammunition. At the time of my audit in January 2022, there was a physical balance of three hundred and fifty (350) resulting in a movement of two hundred and sixty-seven (267) rounds. The movement was not supported with a record detailing the recipients and purpose. Furthermore, I could not ascertain whether the Council could have acquired more ammunition.

Risk / Implication

Firearms held by individual employees may be used inappropriately.

Recommendation

The Council should use the firearms for its intended purpose.

Management response

We take note of the observation. The firearms had been released for the protection of the officers. All firearms are now in the armoury and going forward, records of firearms and ammunition activity will be promptly updated. A procedure for administering firearms will be crafted by March 31, 2023.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Traffic fines

Finding

The Council issued tickets for various offences, however, not all tickets raised in 2020 were paid for as no corresponding receipts could be matched to issued tickets. Enquiry with management indicated that some of the outstanding tickets were in respect of parking offences committed by motorists who could not pay due to their social status or relations with Council staff. Management did not provide a policy covering the current practice of exemptions.

In addition, the Council did not maintain securities items register or issue voucher for traffic ticket books. I therefore could not ascertain if all the traffic ticket books were accounted for.

Risk / Implication

Revenue leakage due to non-receipting of traffic offences.

Financial loss due to fraudulent activities.

Recommendation

The Council should ensure that all traffic fines issued are paid for and regulated. The Council should maintain issue vouchers or security items register for the traffic ticket receipt books.

Management response

The need to ensure that all traffic fines issued are receipted is noted and will be enforced forthwith. Regarding exemption from paying parking fees, a comprehensive policy will be put in place by end of February 2022. The current practice is that the Chief Security Officer deals with all motorists with queries and resolves them but where he is not able to conclude a matter he refers to his superiors.

However currently we have put in place a register which records all vehicles clamped indicating, among other things, the offence, details of the motorist and the vehicle as well as what transpired after the clamping, dates etc.

We are also going to review the whole system with the assistance of internal audit and implement by March 31, 2022.

The issue of securities items registers or issue voucher for traffic ticket books is noted and will be looked into seriously in 2022.

2.2 Completeness of revenue from 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 Council recognised beer levy revenue amounting to ZWL807 849 for the year under review. However, I was not availed with evidence in the form of sales schedules maintained or reconciliations performed between the Councils 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 should have an inspector responsible for demanding 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 Traditional Beer Act.

Management should perform reconciliations for the remitted funds.

Management response

We take note of the observation. Council has without success engaged the brewer for clarification on the computation of beer levy. Efforts along the same line will be continued. The duties of an inspector will be designated to an appropriate employee of Council.

2.3 Lease agreements

Finding

There was no evidence of a lease agreement with Telecel Zimbabwe for the four (4) boosters within the Council's area of jurisdiction. The company had not been paying fees since 2017 having an outstanding balance of ZWL2 260 900 as at 31 December 2021. In addition, Econet Wireless' lease agreement was not valid as it expired in 2013.

Risk / Implication

Financial loss.

Recommendation

The Council should ensure that lease agreements are put in place.

Management response

Both companies have now been engaged and the process to enter into new contract agreements has begun and is expected to be completed by 31 December 2022.

3 PROCUREMENT OF GOODS AND SERVICES

3.1 Fuel inventory

Finding

In 2019, three hundred (300) litres of fuel at Victory Park were not accounted for. The stores keeper at Victory Park highlighted that this was due to fuel leakage during delivery and further stated that he reported the issue to management. Upon enquiry, management indicated that they did not have knowledge of the matter.

Risk / Implication

Loss of public resources.

Recommendation

The Council should investigate the matter and take corrective action.

Management responses

We take note of the observation. Efforts to improve on this have been made through the engagement of a stores person and regular checking of fuel records.

3.2 Procurement of vehicles

Finding

The Council procured a motor vehicle (High Rider Single Cab Toyota Hilux 2.4L Diesel) on July 13, 2021 with a condition that the contractor delivers the motor vehicle within six (6) weeks from the signing of the contract. At the time of my audit in 2022, the Council had not yet received the procured vehicle.

Risk / Implication

Financial loss due to non-delivery and failure to recover amount paid.

Recommendation

The Council should ensure that all contracts should be performed as per contract terms and conditions to safeguard public resources.

Management response

We take note of the audit observation, a procurement strategy will be developed and implemented by the 30th of October 2022. The delivery for the vehicle was delayed by the supplier who cited supply problems. The truck is yet to be received.

3.3 Claw dam pump station power factor correction unit

Finding

The Council entered into a contract agreement on March 27, 2020 for the installation of eight (8) power correction units within thirty (30) days of the contract signing. The Council paid ZWL3,6 million from devolution funds being 80% of the contract amount with the balance being payable upon completion of works. However, at the time of my audit in July 2022, only one (1) unit was partly installed and not functional.

Risk / Implication

Improper management of procurement processes.

Loss of public funds due to non-performance of contractual obligations by contractors.

Recommendation

The Council should ensure that the contractor fulfils the contractual obligations.

Management response

The contractor has since been engaged and advised to install the units as per contract provision. At the time of the installation, the 11KV line on which the contractor installed the power factor correction unit was the one that was off hence contractor had mistakenly thought that it had been switched off to facilitate

the installation. The contractor has undertaken to install and commission the units by 20 December 2022.

4 EMPLOYMENT COSTS

4.1 Salary payments

An Accounts Clerk who resigned on September 15, 2020 from employment remained on the Council payroll for three (3) months after termination of employment and was paid a total of ZWL45 416. However, there was no evidence that the amount was recovered.

Risk / Implication

Loss of public funds.

Recommendation

The Council should recover the public funds.

The Council should ensure that payroll controls are enhanced.

Management response

This was a regrettable incident which we noticed late. After noticing the anomaly, we wrote to the former employee advising her to refund the Council but she has not responded. Further efforts will be implemented to have her refund Council.

5 MANAGEMENT OF ASSETS

5.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, plant and equipment”.

Finding

The Council disclosed land and buildings at carrying amounts of ZWL55 665 419 (2019); ZWL38 623 556 (2020) and ZWL16 590 759 (2021). However, Council did not separate land from the buildings thereby depreciating land. The Council also did not perform a revaluation of its property, plant and equipment which was disclosed at a carrying amount of ZWL72 841 288 in 2021 contrary to IPSAS 17 - “Property, Plant and Equipment”, paragraph 44 and 49. The standard requires revaluation to be made with sufficient regularity to ensure that the carrying amounts do not differ materially from those which could be determined using fair value model. The Council’s revaluation exercise was last performed in 2010.

In addition, the Council did not carry out an assessment of the residual value and useful life of its property, plant and equipment in line with IPSAS 17- “Property, Plant and Equipment paragraph 67 which requires the residual value and the useful life of an asset to be reviewed at least at each annual reporting date.

Furthermore, infrastructure assets which includes road networks, bridges amongst others were not recognised in the financial statements. This was contrary to the provisions of IPSAS 17- “Property, Plant and Equipment paragraph 21, which requires infrastructure assets that meet the definition of property, plant, and equipment to be accounted for in the financial statements.

Risk / Implication

Misstatement of property, plant and equipment

Recommendation

The Council should comply with requirements of IPSAS 17.

Management response

The observation has been noted and the assessment of useful lives and residual values will be implemented in the 2022 accounting cycle to facilitate compliance with the requirements set out in IPSAS 17.

An assets revaluation exercise was initiated in 2021 and the exercise had not been concluded by the reporting date, as a result, the inclusion of assets at revalued amounts had to be deferred to the 2022 financial reporting period.

The assets revaluation exercise had a coverage which included infrastructure assets which were being valued for initial recognition in the financial statements to facilitate compliance with the requirements of IPSAS 17.

Separation is being effected in the revaluation process which is currently underway.

5.2 Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 and 14 - "Inventories" and "Events after reporting date".

Finding

In 2019, the Council had 800 bags of solidified cement and obsolete sewer pipes within its premises. The bags of cement became unusable as a result of Council having acquired cement in excess of the required quantities for its projects in 2019. At the time of the audit in July, 2022 the bags of cement had been taken outside of the storerooms and Council still had 2 300 bags of cement in stock. Cement by nature has a shelf life of six (6) months. The cement was being stored in a storage facility which had leaking roofs with no pallets.

In addition, items worth USD33 000 constituting inventory and equipment were stolen during the year 2021 before the audit of 2019 was conducted. IPSAS 14 - "Events after reporting date" requires such events to be disclosed in the financial statements. However, the Council did not make the necessary adjustments and disclosures to the financial statements.

Stolen items

Item description
1 Fridge capri,2- door
1 Desktop computer (cpu monitor keyboard)
1 Solar battery
13 sewer pipe 160mm upvc class SDR51
149 sewer pipe 200mm upvc class SDR51
53 sewer pipe 250mm upvc class SDR51
20 sewer pipe 315mm upvc class SDR51
2 tipper batteries 683

1 hydraulic jack 50 tonne
2 Shovels
1 Spade
1 heavy duty torch

In addition, the Council inventory worth USD20 447 was stolen on July 31, 2022 (during my audit period of the 2021 financial year). This was the third time within two (2) years that the Council had lost inventory through theft. Enquiry with management revealed that thefts were caused by shortage of manpower and the fact that security personnel was last trained weapon handling in 1997.

Risk / Implication

Misstatement of the financial statements.

Loss of public resources.

Recommendation

The Council should put in place adequate measures to safeguard public assets.

The Council should make necessary adjustments and disclosures.

Management response

Management will work on the recommendation to adjust asset values for the stated losses and the relevant disclosures will be made.
The cement had been bought in bulk in 2019 to beat inflation and ensure that the Victory project would be completed using the resources already collected from the beneficiaries. In 2019 and 2020 project work was affected by shortage of fuel and the cement was held longer than anticipated. Storage that had been taken to be secure had leaks and that caused the cement to dry. Going forward council will buy cement for use within the dry period as long as storage has not improved.

The cement could not all be used as planned due to unavailability of other materials to be used together with the cement, e.g. mesh wire for weed protection lining on the sewer ponds (for which the bulk of the cement was meant) which was only purchased in November 2020, delays in engagement of a blasting contractor where an inexperienced blaster was only engaged in 2020 and has also since left employment, frequent equipment breakdowns, especially on the grader which is non-functional up to this day.

The situation was worsened by the cement theft that occurred in December 2020.This resulted in the dismissal of the key employees in the above construction works that require cement i.e. sewer ponds lining, culvert construction and manhole construction. Measures have been put in place that includes a dedicated stores person, a project administrator and currently management. These include increasing security, lockable and secure storerooms and regular stock checks.

To enhance security, armed personnel will be deployed with immediate effect and CCTVs will be installed by 31 December 2022. A Council resolution will be sought to facilitate the writing off of the obsolete inventory by 31 December 2022.

6 SERVICE DELIVERY

6.1 Service delivery vehicles

Finding

The Council had no functioning ambulance for heath service delivery. As a result, residents did not have an option but to hire private vehicles for transportation of serious patients.

In addition, six (6) service vehicles have been at the Chimoio workshop for more than a year before being repaired. Upon enquiry, management indicated that some delays were due to wrong parts being procured or delays in purchase of requested items. Table below contains examples of such vehicles;

Un-serviced vehicles

Reregistration number	Type of vehicle	Problem identified	Date vehicle was received at the workshop
713-789E	Furukwa front-end loader	rear axe	2018
AAE 7434	Nissan hardbody pick up	engine seized	21/01/2019
AAE 7039	Toyota Hiace	engine overhaul	04/03/2019
ADB 4051	Toyota corolla	suspension	05/07/2019
ADB 4052	Toyota carina	suspension	06/08/2019
AAE 5634	Mazda BT50 pick up	top overhaul	18/12/2019

Risk / Implication

Service delivery maybe compromised.

Recommendation

Repairs and maintenance of service delivery vehicles should be prioritised.

Management response

Comments noted and being addressed through proper maintenance and vehicle servicing.

6.2 Maintenance of drains and culverts

Finding

The Council was not following proper project management practices, as a result I was not availed with project appraisals and completion reports for completed projects. At the time of audit (January 2022), most roads which had been patched in the year 2021 already had potholes.

Drainage systems cleared in 2021 were already clogged at the time of audit resulting in flooding. Noted examples of flooding were witnessed along Mukwati, Chitepo, Harare Bulawayo and Cashel roads.

Risk / Implication

Service delivery may be compromised.

Damage to property and loss of human lives.

Financial loss due to substandard works.

Recommendation

Projects assessments and completion reports should be done to safeguard public funds.

The Council should ensure regular maintenance of drainage systems.

Management response

The observations have been noted and recommendations appreciated. The issue of project closure reports has since been adopted and to be used for all upcoming and ongoing works.

The City is also working on coming up with a drain masterplan in order to address holistically the issue of water clogging within the City. Some of the culverts were done more than thirty years ago and would require upgrading whilst engagement with the Department of Roads will also be upped as they are responsible for works on the Harare Bulawayo State road.

Although the observation is quite correct, it is also standard practice that despite the poor drainage system, period after raining to the period after which the surface water would have washed off is 30 minutes of which efforts to ensure this is bettered have been made and significant progress made.

6.3 Water logging areas

Finding

The Council library in Rimuka is located at a water logging area as it was built at a waterway. In addition, houses in some suburbs were being affected by flooding. Enquiries with management revealed that flooding was being caused by poor drainage. Table below shows the affected areas;

Water logging areas

Area/Ward	Impact	Cause of flooding
Mazai Infill (ward 2) Rimuka Residential	13 houses affected by stormwater	Change of water course caused by illegal extraction of aggregates from nearby mountain. Roads servicing not done to completion
Rimuka (Ward 4) Institutional	The Family Child Health building severely affected and now in unsuitable state.	Waterlogging at area and earth movements

	20 Houses affected by storm water	
Rimuka (ward 5) Residential	45 houses experienced flooding and household properties damaged by water	Water breaking the drain embankments and flowing freely in the suburb
Zengwe; Chidoko, Mangwanya (Ward 6) Rimuka Residential	60 houses affected by storm water and sewer overflows	Poor sewerage design and poor drainage
Nyambo St (Ward 8) Rimuka Residential	30 Houses affected by stormwater and damaging household property and foodstuffs	Area is situated along a waterway flows from different suburbs and the poor drainage.
Westview (Ward 10) Residential	23 Houses affected by stormwater	Servicing was not done to completion. Area also along a waterway. Free flow of water and the poor drainage in the area.
Westview West(Ward 10) Residential	55 Houses affected by storm-water and property damaged	Compliance certificate not yet granted. Area on a waterway. Absence of proper drains and roads in the area.
Westbrook (Ward 10) Residential	15 Houses experienced flooding due to storm-water	Area along a waterway and developer not completed servicing. Closure of main drains where houses were constructed. No drainage in the area.
Munhumutapa (Ward 13)-Residential	120 houses affected by storm-water and household property affected	Area on a waterway. Servicing of roads and storm-water drainage not done to completion. Poor drainage in the area.

Ingezi (Ward 14) Residential	34 houses affected by flooding and loose ground	Area on loose ground and on a waterway. Natural flooding and rise in water table.

Risk / Implication

Financial loss due to damage to property and infrastructure.
Service delivery maybe compromised.

Recommendation

The Council should put in place proper drainage systems.

Management response

Currently, efforts are on ensuring that water flow is managed through construction of proper drainage systems.

6.4 Water treatment and reticulation

Finding

Water losses were experienced due to illegal connections, vandalism and an aged water distribution network. At Pasi water treatment plant desludging process was not being done regularly and this negatively affected the quality of water.

In addition, the Council was not maintaining the existing public taps and community boreholes. As a result, thirty-five (35) out of sixty (60) boreholes were not working.

Risk / Implication

Inadequate water provision.

Recommendation

The Council should rehabilitate its water distribution lines.

The non-functional boreholes should be repaired.

The Council should conduct the desludging process regularly to improve the quality of water.

Management response

Recommendation noted and appreciated. Desludging of the return water ponds has been undertaken whilst at Blue Ranges it is on-going.

Repair of non-functional boreholes is also being undertaken starting with those in areas experiencing perennial water challenges.

Water distribution lines rehabilitation is being undertaken starting with Ngezi phase 2 and Ward 8 Rimuka 1 000 meters of the lines is planned for 2022.

6.5 Water pumps

Finding

I noted that three (3) out of the five (5) water pumps at Pasi water treatment plant were non-functional straining the two (2) functional pumps, as they were continuously pumping without cooling off.

In addition, the Council flowmeter was not working as well as scales used to measure chlorine, as a result, Council was using estimates in establishing the measurements.

Risk / Implication

Quality of water may be compromised.

Recommendation

The Council should ensure that non-functional meters and pumps are repaired.

Management response

Recommendation has been adopted and the repairs are being undertaken although in a phased approach owing to funding challenges. 2 meters for Pasi and Claw dam have already been procured and are due for installation by year end. An equipment replacement plan is being crafted for implementation in 2023.

7 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2021 report. I raised nine (9) findings, three (3) were addressed, one was partially addressed and five (5) findings were yet to be addressed as indicated below;

7.1 Segregation of duties

The finding has been addressed. The senior payroll is now being done by the management accountant.

7.2 Business continuity

The finding has been addressed. The Council has an outstation backup data.

7.3 Separation of damaged and expired stock.

The finding has been addressed. Expired drugs and damaged inventory are now being kept in different warehouse.

7.4 Beer levy revenue

The finding has not been addressed. Council is yet to get beer levy statistics from brewers.

7.5 Manpower- staff vacancies

The finding has been partially addressed. The post of the Housing Director, Community Services Officer and Billing Supervisor had been filled.

The clinics are still operating with shortages of registered general nurses and sisters in charge.

7.6 Service delivery equipment

The finding has not been addressed. Ambulances and fire tenders not yet adequate.

7.7 State of buildings

The finding has not been addressed. Council buildings not yet repaired.

7.8 Availability of medical drugs

The finding has not been addressed. Council clinics still facing drugs shortages.

7.9 Water and sewer systems

The finding has not been addressed. Council is yet to services the stands sold unserviced.

I have audited the financial statements of Masvingo City Council for the year ended December 31, 2021 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Masvingo City Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment".

The Council performed valuation of its tangible and intangible assets in USD and the values were converted to ZWL using the interbank exchange rate. I was not availed with documentary evidence of the inputs and assumptions applied in the valuation exercises. I could therefore not determine the basis of the valuation of tangible assets amounting to ZWL15 billion and intangible assets worth ZWL4,34 million without the assumptions. Had the Council used correct valuation inputs on its property, plant and equipment the amounts disclosed in the financial statements would be materially affected

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 – "Revenue from exchange transactions"

The Council did not perform properties valuation and assessments in order to update the valuation roll despite the number of commercial properties in the City Council's jurisdiction increasing by 527 from 14653 to 15180 between 2016 and 2021. The 527 additional commercial properties were not billed for assessment rates during the year under review as the values of the properties could not be ascertained in the absence of a valuation exercise. I was therefore, not able to determine the extent by which revenue was misstated and any adjustments that could have been necessary. Had the Council applied the requirements of IPSAS 9 – "Revenue from exchange transactions" the receivables would have been materially affected.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment".

The Council did not maintain a record of its land reserves. As a result, it did not account for land reserves in the financial statements. I was therefore not able to determine the extent by which property, plant and equipment was misstated and any adjustments that could have been necessary. Had the Council used correct assumptions and method on its property, plant and equipment the amounts disclosed in the financial statements would be materially affected

iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories".

The Council did not account for stands as part of its inventory due to incomplete records. I was therefore not able to determine the extent by which inventory was misstated and any adjustments that could have been necessary. Had the Council recognised the stands inventory, the amounts disclosed in the financial statements would be materially affected

Below are other material issues noted during audit;

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Non-revenue water

Finding

During the year under review, 7 530 468m³ of water was treated and distributed. However, 4 09 445m³ was billed resulting in 3 421 023m³ (45%) being non-revenue water. The loss reflected a 20% premium above the globally acceptable non-revenue water loss of 25%. Upon inquiry, management attributed the water loss to vandalism, non- functional meters and aged water infrastructure.

Risk / Implication

Financial loss due to non-revenue water.

Recommendation

Management should come up with strategies to reduce non-revenue water to acceptable levels.

Management response

The Council has set up a Non-Revenue Water Team that consists of officers from Engineering, Finance and Housing departments. This team is working on setting up district metering areas (DMAs) for the purposes of carrying out water balance. So far one (1) DMA has been established in Rujeko and properties with non-functional meters were identified.

The Council has also procured flow recorders for the water treatment works and we have also budgeted for leak detection equipment for 2022.

Water fitting team attends to water pipe bursts within 24 hours of receiving the report.

1.2 Revenue from water sales

Finding

The City Council had 4 652 properties with non-functional meters and 452 unmetered properties whose billing was based on estimates. These properties accounted for 35% of the 14 771 properties in Masvingo City. As a result, ZWL186 947 402 of the Council's revenue from water sales was based on estimates. Upon enquiry, management indicated that the estimates were based on an average of the last six (6) months which had meter readings taken. An analysis of the assumptions used in providing estimates in water consumption and billing were found not to be reasonable as some of the properties had at least three years without functional meters. Furthermore, my analysis of the Council minutes also showed that some residents disputed the billings on their properties and succeeded.

Risk / Implication

Revenue from water may have been misstated.
The Council might also face reputational risk and incur financial losses from litigations.

Recommendation

The Council should ensure provision of functional meters to enable correct billing.

Management response

Noted. Council procured 250 water meters in 2021 and plans are under way to install the same on a cost recovery basis. Council has also budgeted for 1000 meters in the 2022 financial year which we intend to procure and install during the year. Consideration will also be made in the 2023 budget to factor the cost of meter replacement in the water tariff to enable Council to consistently stock water meters and ensure swift replacement of non-functional meters. Our target is to replace all non-functional meters by December 2025.

1.3 Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 – "Revenue from exchange transactions"

Finding

The Council did not perform properties valuation and assessments in order to update the valuation roll despite the number of commercial properties in the City Council's jurisdiction increasing by 527 from 14653 to 15180 between 2016 and 2021. According to the Urban Council Act [*Chapter 29:15*] Section 237, every Council is required to appoint a valuation officer to make valuations and assessments and prepare valuation rolls. However, the Council did not have a valuation officer to ascertain the values of the additional stock of properties for the billing of assessment rates contrary to the governing Act. As a result, the 527 additional commercial properties were not billed for assessment rates during the year under review as the values of the properties could not be ascertained in the absence of a valuation exercise.

Risk / Implication

Loss of revenue due to under billing.

Recommendation

The City Council should ensure valuation of properties is done in compliance with the Urban Council Act [*Chapter 29:15*].

Management response

The Council is currently undertaking a general valuation which is key to identify all omitted properties and we hope finalisation of this exercise will be concluded

by 31st December 2022. Council also got an approval to recruit the valuation officer who will be instrumental in dealing with any other new developments and updating any other supplementary valuations that may arise and all these will eradicate gaps noted. Moreover, billing of properties for rates will begin once the valuation is finalised and this would not be applied in retrospect. However, service charges will be billed in relation to the date services were connected.

2 EMPLOYMENT COSTS

2.1 Taxation

Finding

The Council did not account for tax on two motor vehicles disposed to management at ZWL341 940 (USD2 500) and nil value respectively as part of condition of service. At the time of disposal, no market values were determined. This was in contravention with the Income Tax Act [*Chapter 23:06*], Section 8(1) (x) which requires that fair value on motor vehicles be determined for tax purposes.

Risk / Implication

Non-compliance with the Act which lead to financial loss due to fines and penalties.

Recommendation

The Council should ensure compliance with laws and regulations.

Management response

Noted, we are going to carry the assessments and tax them accordingly.

2.2 Recruitment of senior internal auditor

Finding

The Council initiated the recruitment of senior internal auditor grade (14) in the year under review and the best candidate was chosen. The recruitment was stalled citing violation of "corporate governance principles" and the post remained vacant. Inquiries with management revealed that the violated "corporate governance principles" were in respect of the chairing of the interviews by the Chief Internal Auditor instead of the Town Clerk. However, in terms of section 3.2.4 of the Council's Human Resources Manual, interviews for grades 10-14 should be done by Management and the Department that is recruiting chairs the interview. In this vein, the interviews were chaired by the Chief Internal Auditor who had a managerial position in the recruiting department.

Risk / Implication

Recruitment processes might have been un-procedurally stalled.

The oversight role of the internal audit department may be compromised.

Recommendation

The Council should uphold the provisions of the Human Resources Manual section 3.2.4 and put closure to the recruitment of the Senior Internal Auditor.

Management response

Our recruitment policy states that the Head of the recruiting department must chair the interviews and in this case it was supposed to be the Town Clerk. However, the Town clerk was not involved in the process as a result of an oversight by the human resources office.

A Special Council meeting will be held in July 2022 to finalise the recruitment of the Senior Internal Auditor.

Auditor's evaluation of management response

Management response is noted. However, in terms of section 3.2.4 of the Council's Human Resources Manual the Council erred to suspend the recruitment process since the Chief Internal Auditor is the Head of the Department who reports to the Town Clerk (Accounting Officer). This position remained open as at April 30, 2023.

3 PROCUREMENT OF GOODS AND SERVICES

3.1 Overpayment of lot two (2) works-roads rehabilitation

Finding

The Council entered into contract for emergency road rehabilitation programme. However, I noted that there was an overpayment ZWL2 561 445 to Earthlygate Precast and Civil Contractors for the emergency road rehabilitation programme (ERRP) phase one (1) works which had an initial contract sum of ZWL19 416 900 in April 2021. Subsequently, in August 2021 an addendum for a variation of ZWL3 495 042 to bring the contract price to ZWL22 911 942 was signed citing that the charging of Preliminaries and Generals cost (Ps and Gs) had been "omitted". However, according to the contractual agreements signed on April 14, 2021, no variations were permitted except where the works were specifically stated as being a measured item, necessitated by the employer (the Council) or by government regulation.

The price variation resulted in the contractor engaged proving not to be the cheapest bidder as was indicated on the supplier evaluation sheet as the cheapest bidder would have been Jepnik with a bid amount of ZWL19 861 930 which might have led to a saving of ZWL3 050 012. The Public Finance Management Act [*Chapter 22:19*] Section 85 (1)(b), does not permit irregular, fruitless and wasteful expenditure.

Furthermore, the bids were evaluated on two (2) different bases – two (2) bidders including Earthlygate did not include Ps and Gs whilst the other four (4) bidders including Jepnik had considered such in their bid prices.

Risk / Implication

Financial loss due to irregular, fruitless and wasteful expenditure.

Recommendation

The Council should ensure compliance with the laws and regulations to safeguard public funds.

Management response

Earthlygate (Pvt) Ltd was awarded ERRP 2 Phase 1 LOT 2 and a contract of ZWL19 416 900 was signed, however, it was later noted that there was an omission on Preliminary and Generals amounting to ZWL3 495 042. An Addendum was raised and was signed by both parties on 13 and 17 August 2021. The contract price was then ZWL22 911 942. Although the contract had stated that no variation was allowed but the Preliminary and General expenses were included in the bid document which also form part of the contract document.

In the same lot it is noted that Citizen charged ZWL31 508 557, CMED charged ZWL25 299 343 and Tensor charged ZWL29 941 419. The bids are above that of Earthlygate even after the Addendum.

Auditor's evaluation of management response

Management response is noted. However, if the P s and Gs were an integral part of the bid, the Council should have disqualified Earthlygate in the evaluation process since they omitted a critical requirement.

Management did not indicate in their response that Jepnik was also among the bidders with a ZWL19 861 930 bid price inclusive of Ps and Gs.

3.2 Procurement of Toyota Quantum

Finding

The procurement of Minibus in October 2020 was awarded to Byword Motors as the cheapest to specification with a bid price of USD15 000 and a contract was signed. The second-best bidder had quoted a price of USD18 500. In March 2021, a new contract with a price of USD18 400 was signed with the supplier. This was contrary to the contract which provided that price adjustments would only be made in relation to changes necessitated by government regulation. However, I was not provided with the government regulation which necessitated the above price variation.

Risk / Implication

Financial loss due to irregular expenditure.

Recommendation

The Council should follow procurement procedures.

Management response

A tender for pre-owned vehicles was done in 2020 and Byword Motors was awarded the supply and delivery of a minibus at a bid price of USD15 000. A minibus was delivered for inspection but the vehicle did not meet our requirement and we returned the vehicle. The supplier had another vehicle which they offered for USD20 000. We considered the second bidder and a quotation with an amount of USD19 500 was sent up from their bid price of USD18 500 with an advance payment as a condition. We then returned back to Byword for negotiation to avoid cancelling the tender that is in line with Section 42 (1) of PPDPA Act Chapter 22:23 which states that if possible a procuring entity shall avoid cancelling procurement proceedings.

Auditor's evaluation of management response

While I appreciate management response given, management is clearly indicating that the minibus that was delivered at the USD15 000 contract did not meet the bid specifications. This was therefore imperative that the bidder had failed to perform his obligations. However, management went on to prejudice the Council by "renegotiating" another contract price.

All the sections of the PPDPA Act quoted by management were not applicable in this case.

3.3 Engagement of auctioneer

The Council engaged an auctioneer - Sanya Properties through direct procurement which was not justified under Section 33 of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*].

In addition, I was not provided with a contract to verify how bid deposits and catalogue fees which were required to be paid in US dollars were handled. I also noted that the service provider was paid ZWL882 205 as 10% commission from the sales made. In the absence of the contract, I could not ascertain if the terms and conditions were adhered to.

Risk / Implication

Financial loss due to uneconomic procurement and lack of fairness in the procurement process.

Recommendation

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

Management response

Sanya auctioneers is the only registered local auctioneer and was selected in the spirit of promoting local small and medium enterprises.

4 MANAGEMENT OF ASSETS

4.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment".

Finding

The Council performed valuation of its tangible and intangible assets in USD and the values were converted to ZWL using the interbank exchange rate. I was not availed with documentary evidence of the inputs and assumptions applied in the valuation exercises. I could therefore not determine the basis of the inflation adjusted valuation of tangible assets amounting to ZWL15 175 385 261 and intangible assets worth ZWL4 336 804 without the assumptions.

Risk / Implication

Misstatement of financial statements**.**

Recommendation

Management should ensure that assumptions made in the valuation exercise are documented.

Management response

We engaged the services of experts in the Ministry of Local Government department of estates for revaluation services and we received the report without assumptions as observed. We have since engaged them on that note and they have committed to avail the assumptions in due course.

4.2 Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories".

Finding

The Council did not account for stands as part of its inventory contrary to IPSAS 12 - "Inventories" which requires entities to recognise stands available for sale as inventory. This was as a result of incomplete records and contradictory stand schedules between the planning and housing departments. In addition, management availed a stands register which could not distinguish between surveyed land, un-surveyed land and stands ready for sale though it was disposing stands year on year.

In addition, the Council, was not utilising the housing modules in the PROMUN and Local Authorities Digital Systems (LADS) in the accounting for stands. Upon enquiry, management indicated that while the stores module could be utilised for taking up stands inventory, personnel were still working on the inventory schedules.

Risk / Implication

Misstatement of financial statements.

Misappropriation of stands may go undetected.

Recommendation

Management should utilise the housing modules in the management of stands.

Management response

Noted. Management has begun the process of identifying all land and the levels of development so as to appropriately separate land reserves and inventory. A LADS housing module was also procured during the year under review and training is in progress to enable users to fully utilise the module. The housing module will facilitate an electronic waiting list database and an electronic system of land allocations which should also enable maintenance of a stands database. We expect the module to be fully functional by the end of 2022.

4.3 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment".

Finding

The Council did not maintain a record of its land reserves. As a result, it did not account for land reserves in the financial statements. Land was not valued in the revaluation exercise which was conducted in 2021. This was contrary to the requirements of IPSAs 17 - "Property, Plant and Equipment"

Risk / Implication

Misstatement of financial statements.

Recommendation

The City Council should account for the value of its land reserves to ensure fair presentation.

Management response

Noted, the question of land reserves and inventory is still work in progress and we hope to incorporate these values by December 31, 2022.

5 SERVICE DELIVERY

5.1 Sewer reticulation challenges

Finding

The Council received 3 591 sewer complaints for sewer blockages and bursts during the year under review from residents around the city. My scrutiny of the complaints register revealed that the Rugare street residents lodged at least seven (7) blockage complaints during the year as the sewer blockages have been a perennial issue. Interviews with residents of Rugare street from house numbers 3477 to 3479 revealed that sewage effluent regularly accumulated in the residents' houses when blockages occur. Furthermore, the waste was flowing into a stream that feeds into Mucheke river.

Risk / Implication

Residents are exposed to health hazards.

Recommendation

Management should permanently resolve the sewer reticulation challenges.

Management response

Noted. Some of the discharge is a result of vandalism and irresponsible behavior by members of the community who deliberately block sewer lines. Continuous efforts at community education as well as repair of sewerage infrastructure shall be made.

A proper analysis of the perennial problem in Rugare street to be done and a permanent solution to be proffered by July 2022, as well as any other areas with perennial problems of the same nature.

6 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2021 report. I raised fourteen (14) findings, one (1) finding was addressed, seven (7) were in partially addressed and six (6) findings were not addressed as indicated below;

6.1 Valuation of property, plant and equipment

The finding has not been addressed, the property, plant and equipment were not valued

6.2 Work in progress - Mucheke trunk sewer

The finding has been partially addressed. Works are still in progress.

6.3 Donations received

The finding has been partially addressed**.** The Council has put in place a register but was yet to record any donations.

6.4 Land reserves

The finding has not been addressed. Land reserves are yet to be accounted for.

6.5 Maintenance of stands register

The finding has not been addressed. Council is yet to update the stands register.

6.6 Impounded vehicles

The finding has been addressed. The vehicles were cleared and owners identified.

6.7 Segregation of duties

The finding has not been addressed. IT personnel still doing billing processes.

6.8 Assessment rates and valuation of properties

The finding has not been addressed. There were properties that were still not being billed.

6.9 Business licenses

The finding has been partially implemented. New serialised licence book now in place. However, the database was still to be updated.

6.10 Non- revenue water

Finding has been partially addressed. A Committee was put in place to look into ways of reducing non-revenue water.

6.11 Water works- treatment plant capacity

Finding was partially addressed. The Council has put in place a plan to capacitate the water works plant.

6.12 Compliance and solid waste management

Finding was partially addressed. The Council had started working on designs and EMA assessments for the construction project the new landfill.

6.13 Monitoring and quality management of waste

Finding was partially addressed. The Council had started working on the designs and EMA assessments for the construction project of new landfill.

6.14 Health services provisions

Finding not yet addressed. The Council has not yet engaged a radiographer to operate the idle machine.

I have audited the consolidated financial statements of Mutare City Council and its subsidiaries for the year ended December 31, 2021 and I have issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the consolidated financial position of the Council as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment".

Council disclosed property, plant and equipment with carrying amounts of ZWL9,5 billion. The Council did not separately disclose the value of land on which buildings were constructed contrary to the requirements of IPSAS 17, "Property, Plant and Equipment". Included in the carrying amount is assets totaling ZWL 288.5 million which could not be traced from physical items to the register as the subsidiary did not maintain an asset register. As a result, I could not satisfy myself on the existence, completeness and valuation of property, plant and equipment disclosed in the financial statements with a carrying amount of ZWL9,519 billion.

ii. Revenue

The Council had an unreconciled variance of ZWL68 million on revenue from business license fees and bill boards rentals. The business license fees and billboard rentals had total invoices amounting to ZWL 219 million while the ledgers had balances of ZWL150 million resulting in variances of ZWL68 million. I was not able to satisfy myself of the completeness and accuracy of revenue from exchange transactions at ZWL2 billion in the financial statements.

iii. Payables and expenditure

Included in the payables figure of ZWL 27 million is ZWL1.6 million in respect of maize purchases by the subsidiary that had no payables ledger and supporting documentation such as invoices or contracts. In addition, expenditure amounting to ZWL719 045 for hiring of employee vehicles, hiring of delivery vehicles and purchase of a water pump had no supporting documentation such as contracts. As a result, I could not ascertain the accuracy and completeness of trade payables and expenditure disclosed in the financial statements.

iv. Beer sales

Included in the total revenue of ZWL3.6 billion are beer sales amounting to ZWL124 million from the Council subsidiary that was not supported by sales ledger. I could not verify the completeness and accuracy of the revenue disclosed in the financial statements.

v. Rental income

The subsidiary recognized rental income amounting to ZWL15 million. However, fourteen (14) tenants out of thirty-three (33) were using the properties without contracts. I could not verify the completeness and accuracy of the revenue disclosed in the financial statements of ZWL3.6 billion.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Payables

Finding

The subsidiary had payables amounting to ZWL1.6 billion in respect of maize purchases that had no payables ledger and supporting documentation such as invoices or contracts. Expenditure amounting to ZWL719 045 for hiring of employee vehicles, hiring of delivery vehicles and purchase of a water pump had no supporting documentation.

Risk / Implication

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

Recommendation

The Council should process expenses that adequately supported and payables reconciliations performed on a monthly basis.

Management response

Supporting documents for accounts payables will be maintained in future.

1.2. Non Compliance with IPSAS 17 - "Property, plant and equipment".

Finding

The value of the land on which the buildings are constructed was not disclosed separately. Combining the value of land and building was contrary to the requirements of IPSAS 17 - "Property, Plant and Equipment" paragraph 52, which states that, the entity should account for its value of land separately from the buildings. As a result, land was depreciated.

Risk / Implication

Overstatement of depreciation through depreciation of land.

Lack of fair presentation.

Recommendation

The Council should ascertain the size, value of land and account for it separately in the financial statements.

Management response

Noted, Council is to engage the government valuers for doing valuation separating land and buildings.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1. Lease agreements

Finding

The Council had 4 025 leased properties which did not have lease agreements for the year ended December 31, 2021. The Housing policy requires all tenants to have lease agreements which are renewed at the beginning of each financial year.

In addition, the tenants without lease contracts were not up to date in their rentals. The tenants had been occupying the rented properties for a period of more than 12 months.

Risk / Implication

The Council may have no legal recourse in the event of disputes leading to financial losses.

Recommendation

The Council should ensure all rented properties have lease contracts.

Management response

Noted. Council is finalizing the deployment of the Lease Management Module in the Local Authorities Database System (LADS). The Lease Management Module will strengthen Council's ability to track leases and flagging of expired leases. Furthermore, in its recently adopted Human Capital Structure, Council will establish an Estates Section under the Housing and Community Services Department which shall be responsible for management of all rented properties.

2.2. Business licenses and billboards

Finding

The Council had an unreconciled variance of ZWL68 million on revenue from business license fees and bill boards rentals. The business license fees and billboard rentals had total invoices amounting to ZWL 219 million while the ledgers had balances of ZWL151 million resulting in variances of ZWL68 million.

In addition, the Council was not enforcing the provisions of the Shop Licenses Act [*Chapter 14:17*] which requires every business operator to obtain a license. As a result, the Council had 168 businesses operating without licenses and there was no evidence of penalties charged for illegally operating businesses contrary to the Shop Licensing Act sections 4 (1) and 12(4-6). My enquiries with management revealed that the businesses did not meet the minimum requirements of operating in the respective industry. The businesses were operating preschools, butcheries, restaurants and takeaways, hardwares, night clubs and grocery shops.

Risk / Implication

Corruption and irregular collection of licenses from shops.

Misstatement of financial statements.

Recommendation

Periodic reconciliation of receipts from business licenses to enable the invoices to determination of errors.

Council should provide the minimum requirements up front and persuade business to obtain licenses.

Management response

Noted. The Council had been issuing invoices to some customers who do not have accounts and may end up not paying the invoices. Currently quotations are given to those who are enquiring. Normally, temporary licenses are given to business people who have no fixed premises such as tenants and hence the reason for not giving them accounts. In future council shall issue quotations to the business owners enquiring about licenses and issue invoices to those who have accounts or who had paid (for temporary) licenses. Enforcements shall be made to ensure that all shop owners pay their licenses on time. Reconciliations are now done on a monthly basis and invoicing is now done on Local Authorities Digital Systems (LADs).
Council with effect from January 2023 is now billing its billboards using the figures on the leases. Council has made an effort and establish the lease office post in its organogram. The tariffs are set in USD and the billing is done at the auction rate.

2.3. Beer sales

Finding

The subsidiary recognized revenue from beer sales amounting to ZWL124 million. However, no sales ledger was maintained. I could not verify the completeness and accuracy of the revenue recognized in the financial statements.

Risk / Implication

Misstatement of financial statements.

Recommendation

The subsidiary should maintain full books of accounts.

Management response

Pungwe did not maintain sales ledger for the years 2020 and 2021, however sales ledger is now being maintained starting from 1st of January 2022.

2.4. Lease agreements

Finding

The subsidiary recognized rental income amounting to ZWL15 million. However, fourteen (14) tenants out of thirty-three (33) were using the properties without contracts. I could not verify the completeness and accuracy of the revenue recognized in the financial statements.

Risk / Implication

Misstatement of financial statements
In case of rental arrears dispute it will be difficult to enforce rental payments.

Recommendation

The subsidiary should maintain full books of accounts.

Management response

Pungwe did not have contracts with tenants for the period 2020 and 2021. It was an oversight however; all tenants will have their lease agreements put in place.

2.5. Water meters

Finding

The Council had 13 846 out of 32 026 (43%) non-functional waters meters. As a result, the Council was estimating water consumption when billing clients with functional meter.

Risk / Implication

Financial loss due to under estimation and disadvantage clients due to estimation of water consumption.

Recommendation
The Council should repair and or replace the non-functional water meters.
The Council should formulate a plan to rectify the problem of estimation of water consumption.

Management response

True, most meters are non- functional and estimates are used for billing. Council has since concluded a tender for the procurement of new meters and funds permitting the non-functional meters would be replaced in phases. The Council shall ensure that by December 31, 2022 it had a record of all non-functional meters. Management is recommending to Council for individual customers to replace their meters and have their accounts credited as reimbursement.

3. EMPLOYMENT COSTS

3.1. Secondment of employees

Finding

The Council assigned two (2) employees to assist in the crafting of an internal control system at Pungwe Breweries. I noted that the employees concerned received salaries and allowances from both Mutare City Council and its subsidiary (Pungwe Breweries & Marketing Private Limited) during the period of secondment despite the employees having been relieved of their duties at the Council. The letter of secondment entitled the employees to receive their normal salaries and also 80% of the subsidiary general manager's salary and allowances. The total expenditure incurred by Pungwe Breweries in allowances amounted to ZWL454 000, while Mutare City incurred a total amount of ZWL1 116 440 in salaries during the period of their absence. Council engaged two (2) employees in acting capacity to replace the seconded members.

In addition, there was no evidence of output from the exercise handed over to Pungwe Breweries to fulfill the objective of the assignment.

Risk / Implication

Financial loss due to dual payments and wasteful expenditure if there was no output.

Recommendation

Management should put in place the systems as per engagement.

Management response

Management will ensure that systems that need to be corrected are attended to.

4. MANAGEMENT OF ASSETS

4.1 Asset management register

Finding

The subsidiary was operating without an asset register for effective management and accountability of its assets.

Risk / Implication

Poor management of assets may lead to misappropriations and misstatements of financial statements.

Recommendation

An asset policy and asset register should be put in place.

Management response

The company does not have an asset management policy. The Company will introduce an asset register.

5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2021 report. I raised eighteen (18) findings, seven (7) were addressed, two (2) were partially addressed and nine (9) were not addressed as indicated below;

5.1 Accounting for subsidiary

The finding has been addressed. The Subsidiary was consolidated in the 2021 financial statements.

5.2 Impairment of investment properties

The finding has been addressed**.** The Council tested impairement of assets in 2021.

5.3 Accounting for land

The finding has been addressed. Land was accounted for in the 2021 financial statements.

5.4 Stands inventory

The finding has been addressed**.** Stands inventory was accounted for in the 2021 financial statements.

5.5 Approval of 2020 supplementary budget

Finding was not addressed in retrospect. However, the recommendation was implemented.

5.6 Vehicle registration

The recommendation has not been implemented.

5.7 Business licensing

The recommendation has been implemented.

5.8 Parking discs

The recommendation has been implemented.

5.9 Employment costs overrun

The finding has not been addressed.

5.10 Organizational structure

The recommendation has been partially implemented. The Organogram was approved by Council and is awaiting approval by the parent Ministry**.**

5.11 Stores department

The recommendation has not been implemented.

5.12 Procurement of vehicles

The recommendation has been partially implemented. Council only managed to recover ZWL 39 860.

5.13 Dangamvura water pipeline

The recommendation has not been implemented.

5.14 Water losses

The recommendation has not been implemented.

5.15 Bulk water meters

The recommendation has not been implemented.

5.16 Matida flats and Mcgregors hostels

The recommendation has not been implemented.

5.17 Odzani Water Works

The recommendation has been implemented. Council procured motor bike for use at the treatment plant, supervisors are given airtime for communication and workers have been provided with personal protective equipment.

5.18 Meter replacement

The recommendation has not been implemented.

I have audited the financial statements of Victoria Falls City Council for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements give a true and fair view of the financial position of Victoria Falls City Council as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and equipment".

The Council was given control of a raw water pump station by ZINWA through a non-exchange transaction. IPSAS 17- "Property, Plant and Equipment" paragraph 27 requires such assets to be measured at fair value at acquisition date. However, Council did not recognise the transferred assets even though they met the recognition criteria for property, plant and equipment under IPSAS 17- "Property, Plant and Equipment".

In addition, the Council did not carry out an assessment of the economic useful lives and residual values of its property, plant and equipment as required by IPSAS 17- "Property, Plant and Equipment" paragraph 67 which requires that the useful life and residual values of assets be reviewed at least once at each annual reporting date. Had the management recognised the assets transferred and carried out an assessment of the useful lives and residual values of assets, the amount of property, plant and equipment disclosed in the financial statements of ZWL1 454 240 431 would have been materially affected.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment".

Finding

The Council was given control of a raw water pump station by ZINWA through a non-exchange transaction. IPSAS 17 -"Property, Plant and Equipment" paragraph 27 requires such assets to be measured at fair value at acquisition date. However, Council did not recognise the transferred assets even though they met the recognition criteria for property, plant and equipment under IPSAS 17. The Council then went on to incur a total of ZWL15 088 445 towards maintenance of the pump station which was not previously recognized and capitalised the costs contrary to IPSAS 17.

Furthermore, the Council did not carry out an assessment of the economic useful lives and residual values of its property, plant and equipment as required by IPSAS 17 paragraph 67 which requires that the useful life and residual values of assets be reviewed at least once at each annual reporting date. Had the management recognised the assets transferred and carried out an assessment of the useful lives and residual values of assets, the amount of property, plant and equipment disclosed in the financial statements of ZWL1 454 240 431 would have been materially affected.

Risk / Implication

Financial statements may be misstated.

Recommendation

Council should consider revaluing its property, plant and equipment in compliance with the requirements of IPSAS 17.

Management response

The Council signed a handover/ takeover agreement with ZINWA but the water supply agreement has not been signed. The issue has been escalated to respective Ministries for guidance as Council and ZINWA failed to reach consensus. The issue of value of assets that were handed over was not concluded as it is affected by the clauses in the Water Supply agreement. Council will engage valuers to do a valuation when the agreement is signed. Council had thought it prudent to capitalize the rehabilitation costs as it is hoped that the assets will be wholly handed over.

For other assets Council does not have staff qualified to do the exercise internally and it was difficult to outsource due to the financial constraints. An asset revaluation exercise is expected to be carried out in 2023.

1.2 Councillors’ allowances

Finding

There was an overpayment of ZWL80 940 towards each councillor for the year under review. The latest circular dated March 3, 2021, stated that the Councillors’ responsibility allowance should be paid based on the 50% of the responsibility allowances of members of parliament which was ZWL33 510 for the period under review. However, the allowances were paid using 50% of ZWL47 000 which was agreed in a Council committee meeting number 1 of 2021 item 4.2 (b).

Risk / Implication

Loss of public funds due to unauthorised expenditure.

Recommendation

The Council should adhere to the circular and relevant regulations.

Management response

The Council did not adopt the circular of 3rd March 2021 and decided to apply the circular of 11th November 2019. Councillors are the ultimate decision makers in Council, Management provide technical expertise and guidance to the decision makers, where technical advice is not accepted Management have no way of stopping a decision from being made.

1.3 Payables

Finding

The Council was not up to date in remitting statutory deductions and payment of utilities. The table below refers:

Payables owed as at December 31, 2021

Creditor	Closing balance ZWL
ZIMRA	13 116 148
UCPF	10 151 604
NSSA	1 556 025
PSMAS	1 340 352
ZETDC	17 655 640
TOTAL	**43 819 769**

Risk / Implication

Financial loss due to fines, penalties and interest.

Employees might not be able to access pension funds upon retirement.

Non- settlement of payables might pose operational challenges.

Recommendation

The Council should make payment plans with service providers.

Management response

The Council struggled to meet its statutory obligations because of the reduced cash flows as a result of the effects of COVID 19. The organization has continued to pay instalments towards its outstanding bills. The goal is to clear and be up to date when the financial position of the organization improves.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Valuation roll and billing

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 was designed in 2005. As a result, new properties and improvements that were made from 2005 to the current period were not included in the valuation roll or in a supplementary roll.

Risk / Implication

Financial loss due to non-billing of rateable properties.

Recommendation

The Council should have an updated valuation roll.

Management response

The observation is correct. Nevertheless, noting the importance of valuation roll the Council is at an advanced stage of updating the valuation roll. Property survey is almost complete and it is hoped that by December 2022 the process will be completed.

However, because of the nature of our stakeholders mostly being corporates they take a keen interest in the process and they are likely to object and so we hope that by the time we complete the legal hurdle would have been taken care of.

The Council is basing on 2005 valuation roll for billing where percentage increments are factored.

3 EMPLOYMENT COSTS

3.1 Locomotion allowance

Finding

I noted that employee number 10111005 acquired a vehicle as part of his condition of service for a total of ZWL140 276 on November 18, 2021. The Condition of service on paragraph 29(C) states that an employee who uses his private vehicles on Municipality business shall be entitled to locomotion allowances set out and approved by the Council.

The employee was granted 3000km mileage for business use of his vehicle instead of 2000km per month contrary to resolution number EC15/05/07 1.273. As a result, the employee claimed a total of ZWL5 884 686 for seventeen (17) months starting from November 2020 to March 2022.

Risk / Implication

Loss of public funds due to overpayment.

Recommendation

The Council to ensure that the locomotion allowance claimed and paid are per policies and statutes.

Management response

The observation is noted, and will be rectified accordingly the amounts claimed have not been paid by the Council. The claim was prepared for payment but has not been paid, after observing the recommendation, the claim will be adjusted accordingly.

3.2 Taxation on benefits

Finding

The Town Secretary acquired a vehicle, as part of his condition of service, at 25% of the market value translating to a value of ZWL140 276 and was not taxed on the 75% benefit. According to Income Tax Act [*Chapter 23:06*] section 8.1 (f)(x), the 75% of the market value is deemed to have accrued to the Town Secretary and should be subject to income tax.

In addition, fuel that was used for private purpose was not taxed as required by Income Tax Act [*Chapter 23:06*] section 8.1 (b) which states that fuel meant for private use should be taxed as a benefit. The Council management was being paid fuel based on a fixed number of kilometres. Managers were allocated 160 litres per month for private use.

Risk / Implication

Loss of public funds due to non-payment of taxable benefits and penalties.

Recommendation

The Council should comply with the requirements of the Income Tax Act.

Management response

Senior managers are allocated 40litres of fuel per week for administration purposes which translate to 160 litres per month. The 250 litres for private mileage was based on the Council resolution of 15 May 2007, 1.273 and for the Town clerk is based on his contract of employment.

4 SERVICE DELIVERY

4.1 Sewer systems

Finding

There were constant cases of sewer spillages and blockages in wards 5, 8, 10 and 11. Inquiries with management revealed that the major causes were population growth, aging pipes, sandy soils, poor drainage systems and poor designs, improper use of sewer system by communities disposing solids through manholes or flushing system.

In addition, some areas in the high-density suburbs were still using septic tanks, which is not recommended as it is a health hazard. During the year, the Council was fined ZWL436 066 by EMA because the quality of the effluent was not up to standard.

Risk / Implication

The fine resulted in financial loss as the money could have been used for service delivery.

Recommendation

The Council should aim to improve sewer systems and quality of effluent.

Management response

The Council has a WASH project aimed at addressing these challenges. Some sections in ward 8, 10 and 11 have been permanently addressed. Some of the areas have frequent blockages due to aged sewers and broken manholes. In some areas there is need to install bigger sewers. A scheme of 330 houses in Chinotimba requires an outfall sewer hence it is using septic tanks. This outfall sewer will be installed in the year 2023 when another development servicing starts.

Funding is a challenge and various means have been implored to get the funding.

4.2 Fencing of sewer ponds

Finding

The Council sewer ponds were not fenced, as a result, elephants were gaining access therefore damaging the ponds which impact negatively on the quality of effluent. The sewer ponds were rated on the red zone upon assessment by the Environmental Management Agency (EMA). Upon inquiry, management indicated that there was need to rehabilitate and upgrade the waste water treatment plant with feasibility study estimated at a cost of USD14 million.

Risk / Implication

Possible health hazards for the community.

The Council may be fined by the Environmental Management Agency.

Recommendation

The Council should fence the boundaries of the sewer ponds.

The Council should comply with the environmental management regulations.

Management response

The rehabilitation and upgrade of the Waste Water Treatment Plant is part of the Water and Sewerage Infrastructure Rehabilitation and Upgrade (WASH project), estimated cost of the project is USD14 million covering both Water and Sewage, designs have been done and currently Council is seeking funding for the project.

Funding for the works required has been challenging and the Council will consider attending the issues in phases as per available funding.

4.3 Street lighting

Finding

Most areas in the City had no street lights. The areas include Mkhosana, Chinotimba surburbs and areas between the CBD and the border post. During an interview with the City Engineer, it was highlighted that most areas were serviced without the installation of streetlights whilst some areas had dilapidated infrastructure. Street lighting is necessary so as to minimise cases of animal attacks which were on the rise as the Council is located in a game area.

Risk / Implication

Loss of life due to animal attacks.

Recommendation

The Council should prioritise the provision of street lighting to save lives.

Management response

Most of the areas were serviced without street lights and huge financial injections are required. Older areas have dilapidated street lights infrastructure requiring rehabilitation. The street lighting project is underway and will address some of the challenges.

4.4 Drainage systems

Finding

During the 2021 - 2022 rainy season, residents in Mkhosana and Chinotimba areas (that is, wards 10 and 8 respectively) lost property due to flooding. This was as a result of poor drainage in the areas. Upon inquiry management highlighted that most of the affected areas were developed by cooperatives.

Risk / Implication

Loss of property due to poor drainage.

Recommendation

Storm drains should be built and drain cleaning should be attended to.

Management response

The areas were serviced without drainage systems as mostly were done during hyper-inflation. Some drains were blocked by debris and constantly require unblocking. The flood was also unusual and most drains could not cope.

The Council through the Emergency Road Rehabilitation Programme (ERRP) program will address some of these challenges. Council is sending awareness notices about litter dumping. Funding is a challenge.

4.5 Water distribution

Finding

There were no water reservoirs to service Mkhosana suburb and its surrounding residential areas and water was delivered through direct pumping. In the event of emergencies such as power cuts and plant break down these areas had no alternative source of water.

Risk / Implication

Service delivery may be compromised.

Health hazard as community were exposed to outbreak of diseases.

Recommendation

The Council should consider constructing water reservoirs to service the affected areas.

Management response

The Council has a WASH project aimed at addressing these challenges. Designs for reservoirs and other components of the project have been done. Rehabilitation work has also been done at the river raw water pump station and new pump has been delivered to be installed at the water treatment plant.

4.6 Water system

Finding

The Zambezi abstraction pump station was designed when the population was low with its highest volume of water abstraction at 1080m^3 / hour which was sufficient to sustain the City. However, during dry season the highest amount of water that the pump can abstract is an average of 500m^3 /hour which resulted in a variance of 300m^3/hour from the amount required to supply the city adequately. As a result, the City was experiencing a water supply shortage during the dry season.

In addition, the water delivery pipes were old and as a result, there were leakages impacting negatively on the supply of water to the community.

Risk / Implication

Service delivery may be compromised.

Recommendation

The Council should consider upgrading the water abstraction station to cater for dry season.

Management response

Upon takeover of the River Raw Water Abstraction Pumping Station, The Council noted the challenges both short term and long term. Short term challenges, are works in progress as observed on site with Y piece, gate valves, electrical and guardroom construction works now done. The pump station cannot supply adequately especially during the dry season, in such cases the Council resort to running both pumps the duty and standby and this arrangement is not sustainable. Realising the urgency of the situation the Council initiated the long-term solution and designs for the upgraded pumping station have been done and currently pending is the construction of the new pumping station.

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

The Council made progress in addressing audit findings and recommendations raised in my 2021 audit report. I raised five (5) audit findings and one (1) was addressed while four (4) were partially implemented as indicated below;

5.1 Employee safety

The finding was addressed; Council is now providing transport for shift workers.

5.2 Beer levy revenue

The finding has not yet been addressed. Council will arrange a meeting with Delta in Bulawayo to iron out the issue by end of year 2022.

5.3 Schools

The finding has not yet been addressed. While Council has two (2) schools, church schools are fairly affordable and there are two governments primary school that are also affordable. The Council has started work on another secondary school for Mkhosana area.

5.4 Security of Council properties

The finding was partially addressed. The Chinotimba dumpsite now has a perimeter fence and other sites are still outstanding.

5.5 Provision of water

The finding has not yet been addressed. The Council has a WASH project aimed at addressing these challenges. Designs for the upgrade of the infrastructure have been done and various efforts made towards obtaining funding for the project. During the year under review, the raw water treatment plant was handed over by ZINWA to the Council in a dilapidated state and short -term works were done to rehabilitate the station.

MUNICIPALITIES

I have audited the financial statements of Bindura Municipality for the years ended December 31, 2020 and 2021, and I issued a qualified opinion for 2020 and an adverse opinion for 2021.

Qualified Opinion 2020

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Bindura Municipality as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) - 4 "The Effects of Changes in Foreign Exchange Rate"

The prior year financial statements did not comply with the requirements of International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates", as the Municipality had been unable to use an appropriate exchange rate on change of functional currency. The Municipality translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

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

ii. Cash and cash equivalents

The Municipality recognised cash and cash equivalents balance of ZWL1,7 million in the financial statements which excluded the nostro bank balance of USD50 707 (ZWL4 ,1 million). The Municipality did not maintain a corresponding cashbook / ledger for the nostro account and no monthly bank reconciliations were done during the year. Therefore, I could not ascertain the completeness of the cash and cash equivalents balance disclosed in the statement of financial position.

Adverse Opinion 2021

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Council as at December 31, 2021, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs)

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) - 4 "The Effects of Changes in Foreign Exchange Rate"

The prior year financial statements did not comply with the requirements of International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates", as the Municipality had been unable to use an appropriate exchange rate on change of functional currency. The Municipality translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

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

ii. International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment"

The Municipality did not perform a revaluation of its property, plant and equipment since 2016. Property, plant and equipment was disclosed at a carrying amount of ZWL118,7 million contrary to IPSAS 17, "Property, Plant and Equipment" paragraphs 44 and 49 which require revaluation to be made with sufficient regularity to ensure that the carrying amounts do not differ materially from that which would be determined using fair value at the reporting date.

The Municipality did not carry out an assessment of the residual values and useful lives of its property, plant and equipment in line with IPSAS 17 paragraph 67 which requires the residual value and the useful life of an asset to be reviewed at least at each annual reporting date.

I was therefore not able to determine the extent by which property, plant and equipment was misstated and any adjustments that could have been necessary.

iii. Completeness of property, plant and equipment

There was an unreconciled difference of ZWL25,7 million between the assets register cost of assets of ZWL64,3 million and the disclosed gross carrying amount of ZWL90 million.
As a result, I could not satisfy myself on the valuation and completeness of property, plant and equipment disclosed in the financial statements

iv. Cash and cash equivalents

There were unreconciled balances amounting to ZWL25,8 million between the financial statement balance of ZWL44 million and the balance as per bank statements of ZWL69,8 million. The Municipality was not accurately performing bank reconciliations which would have enabled the clearance of the noted variance.

In addition, management invested USD418 000 and ZWL46,4 million with an asset management company and did not account for the investments in its financial statements. At the time of my audit in March 2023, no adjustments had been made for these transactions in the financial statements as management could not ascertain the value of the investments as at year end.

v. Revenue

The Municipality recognised revenue from business licences of ZWL31,2 million. However, the Municipality did not have a database of business operators in its jurisdiction and eighty-two (82%) of issued licenses were not supported by licence renewal or application forms as required in the Municipality's policy to validate the licence fee to be charged. Therefore, I could not ascertain the completeness and accuracy of revenue received from licences.

In addition, the Municipality received drugs and clinical consumables from a donor. However, the Municipality did not account for the donations received, the related issues and inventory in the financial statements. Most of the donations, did not have monetary values and the Municipality did not ascertain the same.

In addition, the Municipality's two (2) clinics received solar fridges and the complementary solar panels whose values were not established. I was therefore, not able to determine the extent by which the financial statements were misstated in respect of revenue, inventory and property, plant and equipment and any adjustments that could have been necessary.

vi. Payroll

There was a variance of ZWL77,4 million between the disclosed balance of ZWL283,7 million in the financial statements and the payroll reports of ZWL206, 2 million. No reconciliation was provided for the noted variance. I could not satisfy myself as to the accuracy of payroll expenditure balances disclosed in the financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Cash and cash equivalents

Finding

The Municipality had a nostro bank account that transacted during the year ended December 31, 2020. However, no cashbook or ledger were maintained and no monthly bank reconciliations were prepared. A review of the nostro bank statements showed that there were fifty (50) transactions processed in 2020 which were not recorded in any book of prime entry.

In 2021, there were unreconciled balances amounting to ZWL25,3 million between the financial statements balance of ZWL44 million and the bank statements balance of ZWL69,3 million. The Municipality was not accurately performing bank reconciliations which would have enabled the clearance of the unreconciled balances. This was contrary to the provisions of the Public Finance Management Act (PFMA) [*Chapter*

22:19], section 49 (1) (a) which requires the accounting authority for a public entity to keep full records of the financial affairs of the public entity.

Risk / Implication

Fraud and error may go undetected.

Misstatement of financial statements.

Recommendation

The Municipality should maintain records as required by the PFMA Act.

Management should investigate the noted variance, ensure bank reconciliations are done correctly and make the necessary adjustments.

Management response

We will record nostro cashbook transactions separately and reconcile the same monthly, so that we keep on track.

The Council will investigate the variances and also ensure that bank reconciliations are done correctly. Reconciliation of the balances will be done and necessary adjustments will be made but this will be done in the 2022 financial year which we are presently working on.

1.2 Devolution acquittals

Finding

The Municipality received three tranches of devolution grants amounting to ZWL11,0 million in 2020. However, the Municipality neither prepared acquittal reports to show how the funds were utilised. In addition, there was no approved proposals for projects submitted to the Ministry, therefore contravening the provisions of the devolution Circular number 1 of 2019. Non-acquittal was contrary to the requirements of the same Circular which requires Local Authorities to acquit all grant transfers made in order to facilitate further releases.

Risk / Implication

Non-compliance with the devolution circular requirements.

Misappropriation of funds.

Delays in the subsequent receipt of devolution grants.

Recommendation

The Municipality should submit acquittals for the received amounts and avail for audit.

The Municipality should submit project proposal priority list for approval annually before receipt of devolution funds.

Management response

Management will adhere to the Devolution Circular and make acquittals on time. On the issue of approved project proposals, Management has made it a point that all Managers, Middle Managers and Supervisors go through a Project Management training, which was conducted successfully. Management will make it a point that all devolutions funds are disbursed and acquitted as per the Circular.

1.3 Nostro account

Finding

The Municipality did not account for its nostro bank account with a local bank and no corresponding cash book was being maintained. The bank statement showed that there were six (6) transactions processed during the year under review with the bank balance moving from USD50 707 at the beginning of the year to USD5 888 as at year end. This was contrary to the provisions of the Public Finance Management Act (PFMA) [*Chapter 22:19*], section 49 (1) (a) which requires the accounting authority for a public entity to keep full records of the financial affairs of the public entity. The transactions remained unadjusted and unaccounted for the year ended December 31, 2021.

Risk / Implication

Non-maintenance of a corresponding cash book may create room for errors and fraud.

Misstatement of financial statements.

Recommendation

The Municipality should maintain records as required by the PFMA Act.

Management response

We will liaise with our service providers if they can create the Nostro bank account in the system since this is long overdue.

1.4 Valuation of property, plant and equipment

Finding

The Municipality did not perform a revaluation of its property, plant and equipment since 2016. Property, plant and equipment was disclosed at a carrying amount of ZWL118,7 million contrary to IPSAs 17- "Property, Plant and Equipment" paragraphs 44 and 49 which require revaluation to be made with sufficient regularity to ensure that the carrying amounts do not differ materially from that which would be determined using fair value at the reporting date.

In addition, the Council did not carry out an assessment of the residual values and useful lives of its property, plant and equipment contrary to IPSAS 17 paragraph 67 which require the residual value and the useful life of an asset to be reviewed at least at each annual reporting date.

Risk / Implication

Misstatement of property, plant and equipment.

Recommendation

The Municipality should comply with requirements of IPSAS 17.

Management response

The Council is in the process of doing assets valuation. Council will also in future carry out assessment of residual value and useful life of its property, plant and equipment.

1.5 Financial management- investments

Finding

The Municipality invested USD418 000 with an asset management company and did not account for the investment in the financial statements. No adjustments had been made for these transactions in the financial statements. This was contrary to the Public Finance Management Act [*Chapter 22:19*], section 1(a) (i) which requires an accounting authority to ensure that the public entity maintains effective, efficient systems of financial and risk management. The non-disclosure of the investments was also against fair presentation according to IPSAS 1- “Presentation of Financial Statements.”

Risk / Implication

Loss of public funds due to improper risk management.

Financial statements may be misstated.

Recommendation

The Municipality should adhere to the requirements of the Act to safeguard public resources.

Management should comply with the accounting framework.

Management response

Management will account for the investments in the 2022 financial statements.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Business licences

Finding

In 2020, the Municipality issued licences to seven (7) business operators without carrying out inspections. The licencing procedures of the Municipality requires a health inspection report for every licence issued. Management attributed this to a shortage of environmental health officers in the Council which made it difficult for them to inspect all operators.

Risk / Implication

Promotion of health hazards to the public.

Fraudulent licensing of businesses may go unnoticed.

Recommendation

Management should ensure inspections are conducted before issuing a licence.

Management response

Yes, the requirement is that all premises should be inspected before licensing. However, we did not inspect all but around 50% due to shortage of Environmental Health Practitioners within the Council. Basically, we had targeted food premises for inspections and because of the shortages of staff, non-food premises were not being inspected. Food premises which we considered to be high risk area were being targeted. The situation is likely to improve soon as effort is underway to engage more of these professionals. In the event that we still have shortages we will consider outsourcing to the Ministry of Health.

2.2 Revenue from business licences

Finding

The Municipality recognised revenue from business licences of ZWL31,2 million. However, the Municipality did not have a database of business operators in its jurisdiction and eighty-two (82%) of issued licenses were not supported by licence renewal / application forms as required in the Municipality's policy to validate the licence fee to be charged. This contravenes section 286 of the Urban Councils Act [*Chapter 29:15*] which requires a public entity to keep all books of accounts necessary to maintain a true and proper record of all matters relating to the financial transactions of the Council.

Risk / Implication

Revenue from licences may be misstated.

Potential loss of revenue.

Recommendation

Management should put in place a record of businesses updated regularly to ensure maximum revenue collection.

Management response

Management has taken note of that and the record/ schedule will be availed during the 2022 financial period.

2.3 Beer levy

Finding

The Municipality received a total of ZWL7,1 million from Delta Beverages as beer levy during the year ended December 31, 2021. However, no sales schedules were obtained from the brewer contrary to the Traditional Beer Act [*Chapter 14:24*], which requires local authorities to obtain schedules of beer sales from breweries within their jurisdiction.

Risk / Implication

Financial loss to the Municipality due to potential under-declarations.

Recommendation

Management should engage commercial brewers to obtain the sales schedules which are used as the basis for calculating the levy.

Management response

Management will continue to engage Delta Beverages regularly to obtain the sales schedules. Council will reconcile remittances made.

2.4 Stands received as endowments

The Municipality received four hundred and eighty-eight (488) un-serviced stands in Brockdale and thirteen (13) unserviced stands in Atherstone from land developers instead of receiving cash payment as endowment. This was contrary to the permits which were granted to both developers and section 41(1) (b) (ii) of the Regional Town and Country Planning Act [*Chapter 29:12*]. These (the permit and the Act) stated that the developers had the sole responsibility to service the stands and endowments were to be paid in cash to the Municipality. Therefore, I could not ascertain whether the endowment transactions were to the Council's advantage. There was no evidence of due diligence done by management over the cost / benefit analysis of the endowments received.

Risk / Implication

Municipality may have been prejudiced by land developers on the endowments.

Loss of public funds as the Municipality will be required to meet the cost of servicing the stands.

Recommendation

Municipality should comply with the permits and governing Act.

Municipality should diligently follow up on endowments and ensure the value received is as stated in the permit**.**

Management response

The Council has noted the observations and will communicate with the land developers to reach a conclusion to this matter.

2.5 Sale of institutional stands

Finding

The Municipality did not withdraw an offer for a clinic and school stands which had been extended to a potential investor after the investor failed to meet the terms of the offer. As a result, the Municipality subsequently received payments from the potential investor in 2021 amounting to ZWL4,140 million despite violation of the terms of the offer extended in April 2020 over which the payments were based. The terms of the offer signed between the Municipality and the investor required the cost of the stands to be paid in cash within seven (7) days, failure of which the offer had to be withdrawn.

Risk / Implication

Financial loss due to non-cancellation of offer.

Recommendation

The Municipality should ensure that all terms and conditions of stand offers are enforced for the benefit of the Council.

Management response

Our housing allocations are done manually. Management is engaging LADs on the Housing module so that the Housing Module and the Finance modules speak to each other. That will go a long way in tracking unpaid offer letters. The system may flag the account to show that payments are no longer accepted on that account.

2.6 Discount allowed on stands

Finding

The Municipality granted discounts to Councillors contrary to Ministry of Local Government and Public Works Circular number 12 of 2019 thereby prejudicing the Council of USD20 132 in revenue. Discounts given in these allocations was based on total cost of stand instead of land value only as the circular states that servicing costs should be paid in full. Enquiry with management revealed that they had made an error and would engage the councillors to adjust selling price. No adjustment had been made at the time of concluding my audit in March, 2023. The table below refers;

Stand sales with discount error

Date	Stand size	Total stand cost (Inc. Vat)USD	Discount granted	Land vale only (Inc. Vat) USD	Correct discount USD	USD excess discount
14/09/21	345m^2	4 237	1 695	989	396	1 299
26/10/21	3367m^2	31 127	12 451	9 638	3 855	8 596
27/09/21	317m^2	3 916	1 566	907	363	1 204
09/09/21	3025m^2	27 995	11 198	8 659	3 464	7 734
22/09/21	345m^2	4 237	1 695	989	396	1 299
Total			**28 605**		**8 473**	**20 132**

Risk / Implication

Financial loss due to non-compliance with regulations.

Recommendation

Management should engage the concerned Councillors and make the necessary adjustments.

Management response

The Council has invited the Councillors who benefited from the 40% discount to advise and correct the anomaly. The Councillors have to pay for servicing and other costs.

3. EMPLOYMENT ISSUES

3.1 Staff establishment

Finding

The Municipality had three hundred and thirty-three (333) employees in post as at December 31, 2021. However, I was not provided with the Municipality's approved staff establishment which related to this position. This was contrary to the generally accepted human resources and corporate governance practices which require the maintenance of an approved structure that depicts the total number of staff required per each level and at entity level.

Risk / Implication

Inappropriate staffing which may have a negative impact on the achievement of the Council's mandate.

Financial loss due to uncontrolled recruitments.

Recommendation

The Council should put in place an approved organisational structure.

Management response

Management will work on producing the structure and establishment for the consideration in 2023.

3.2 Payroll costs

Finding

There was an unreconciled variance of ZWL77,5 million between the disclosed employment costs of ZWL283,7 million in the financial statements and the payroll reports of ZWL206,2 million. No reconciliation was provided for the noted variance.

Risk / Implication

Financial statements may be misstated.

Fraudulent financial reporting.

Recommendation

Management should investigate the noted variance and make the necessary adjustments.

Management response

The difference remains unreconciled and will be reconciled and availed for the 2022 financial year.

4. PROCUREMENT OF GOODS AND SERVICES

4.1 Devolution expenditure

Finding

The Municipality received devolution funds amounting to ZWL34,2 million. However, scrutiny of the devolution bank account revealed that the Municipality utilized devolution funds amounting to ZWL7.7 million for salaries and ZWL19.2million was invested. Although these funds were later reimbursed, there were incomplete devolution projects such as the Garikai bridge and Brockdale primary school which started in 2019 which could have been considered and also prioritised.

This was contrary to Circular number 1 of 2019 “Guidance on utilisation of devolution funds”, paragraph 6 which states that transferred resources should be used on service areas such as school, clinics, roads, plant and equipment, water, waste water and solid waste, electrification and facilities which promote tourism and economic development and service provision.

The Municipality did not avail the 2021 priority list of its devolution projects and neither prepared nor submitted any acquittal reports on how the devolution funds were utilised as per requirement.

Risk / Implication

Misappropriation of funds.

Loss of value in the funds thereby compromising service delivery.

Recommendation

Management should comply with the governing instructions and ensure service provision to the community.

Management response

We have noted this and now aware that the moment funds are transferred to fund other activities we will be compromising service delivery. We will however stop transferring devolution funds for other activities save for service delivery.

5. MANAGEMENT OF ASSETS

5.1 Asset register

Finding

There was an unreconciled variance of ZWL25,7 million between the assets register balance of ZWL64,2 million and the closing gross carrying amount of ZWL90 million disclosed in the financial statements.

Risk / Implication

Misstatement of the financial statements

Recommendation

The Municipality should reconcile the variance.

Management response

The Council will engage the service provider so that the assets module is up and running, presently depreciation is calculated manually outside PROMUN.

6. SERVICE DELIVERY

6.1 Fire tender and ambulance

Finding

The Municipality was operating without a functional ambulance and fire tender to respond to emergencies in the Municipality's area of jurisdiction.

Risk / Implication

Compromised service delivery in times of emergencies.

Recommendation

The Municipality should consider purchasing a fire tender and ambulance.

Management response

The observation is factually correct as the Council does not have a functional fire tender. The two fire tenders are now obsolete. However, some arrangement was made with a local mining concern that has a fire tender to assist in the event of a fire outbreak. At the same time efforts are currently underway to re-equip the Council.

6.2 Shaft on Council stores premises

Finding

I noted a deep shaft at the Municipality's Central Stores. Inquiries with management revealed that the shaft was a result of previous mining activities in the area. However, there was no evidence that an expert had been engaged to assess the impact of the shaft on the Municipality staff, resources and the community contrary to best practice environmental, health and safety management.

Risk / Implication

Loss of human life and damage to public properties.

Recommendation

An assessment of the potential risk posed by that shaft should be made.

Management response

The shaft was a result of underground mining activities, which were done long ago. Management is planning to erect a perimeter brick wall, or steel wall to protect is its employees. We will also engage experts from the local mines in Bindura to assist with professional solutions to the problem.

6.3 Sewer challenges

Finding

There were recurring sewer challenges which were not being permanently addressed by the Municipality. A scrutiny of the sewer complaints registers revealed that complaints were repeatedly lodged with the Municipality.

In addition, the Municipality was granting operating licences without enforcing or carrying awareness campaigns of the provisions of the Environmental Management Act [*Chapter 20:27*] section 59 (2) which require the owner of a trade or an industrial undertaking prior to being granted a licence to discharge effluent into the environment, to install an appropriate plant for the treatment of such effluent. As a result, there were food courts that have been operating without appropriate plants (oil separators) and were discharging oils contributing to the sewer blockages.

Risk / Implication

Improper management of effluents.

Financial loss due to fines by EMA.

Outbreak of diseases due to recurring sewer challenges.

Recommendation

The Municipality should put in place plans to resolve sewer challenges and enforce regulations on food courts.

Management response

We have identified these areas and have plans to rehabilitate the lines to ensure that no blockages occur. An assessment was done on all separators and we have formulated By-laws in order to enforce the issue.

6.4 Water challenges

Finding

The Municipality was not providing water in wards 6,7,10 and 12. Enquiry with management revealed that areas with water challenges were located on high areas. However, there was no evidence that the Municipality was making efforts to resolve the problem permanently to improve access to water by residents. The table below refers;

Sample of areas with water challenges

Area	Comment
Ward 6 and 7	Approximately 70% of households were facing water challenges
Ward 10	Stand numbers 1665-1692 were facing water challenges
Ward 10	Stand numbers 1707-1729 were facing water challenges
Ward 10	Stand numbers 1746-1756 were facing water challenges
Ward 10	Stand numbers 1983-2018 were facing water challenges
Ward 12	Stand numbers 2049-2071 were facing water challenges

Risk / Implication

The health and safety of residents may be compromised.

Recommendation

Municipality should ensure all residents have access to water.

Management response

We are working on rationing water so that the system builds up pressure to reach high areas.

We have planned for construction of another reservoir to increase water supply.

6.5 Roads maintenance

Finding

The Municipality contracted Instant Tar Zimbabwe to do resealing and drainage of 10th and 11th streets in Chiwaridzo for a contract price of ZWL53 million. According to the contract, the works were to be completed by December 20, 2021. However, the Municipality was not satisfied with the workmanship after the roadworks were completed resulting in the termination of the contract in April 2022.

The Municipality did not pursue this project, and no works were later performed on the roads up to the time of my audit in March 2023.

Part of 10th street Chiwaridzo

Source: External auditor, March 2023

Risk / Implication

Service delivery may be compromised due to delayed projects.

Loss of public funds due to substandard works.

Recommendation

The Municipality should ensure that attention is given to the abandoned roads.

Management response

The Council wrote a letter on 3 December 2021 to Instant Tar complaining over poor workmanship. Instant Tar was contracted on 26 August 2021 and they came on site in November 2021. Council discovered that the main cause of the continuous challenges on the road was because of the poor drainage system upstream. So, Council decided first to fix the drainage works – which caused poor drainage at the intersection of 10th street and 11th Street. The money which was withheld from Instant Tar was used to purchase cement, culvert pipes, river sand and stones, and constructed the double barrel 600mm culvert crossing on 5th Street. We also opened 900m of drain then another drain opening in Bhasvi Area. Presently we are laying culvert pipes and drain opening on roads leading to 10th Street. We graded Mutsonzowa Street, drain opening on 1st and 2nd Circle, drain opening on 11th Street. Drain opening at on Mukuyu link, hired JCB for drain opening and labour. Patch pole tar patching.

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

The Municipality made progress in addressing findings that I raised in my 2019 report. I raised seven (7) findings, all the seven (7)) findings were yet to be address as indicated below;

7.1 Accounts receivables

The finding has not been addressed. Investigations not yet conducted.

7.2 Prepaid goods and services

The finding has not been addressed. Front end loader not yet delivered.

7.3 State of fire service vehicles

The finding has not been addressed. Fire tenders not yet in place.

7.4 Water shortages

The finding has not been addressed. Expansion of water reticulation not yet commenced.

7.5 Treated water

The finding has not been addressed. Pollution of water still occurring.

7.6 Access to tap water

The finding has not been addressed. Some suburbs still not accessing tap water.

7.7 Dumpsite

The finding has not been addressed. Municipality has not yet established a standard scientific engineered dumpsite.

I have audited the financial statements of Chegutu Municipality for the year ended December 31, 2021, and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Chegutu Municipality as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 36 - "Investments in Associates and Joint Ventures".

The Municipality terminated a joint venture contract with Life Time Farming (Private) Limited on a 1 600-hectare farm owned by the Municipality in November 2021. In the Joint venture, the Municipality was entitled to 10% of the gross income whereby 5% was distributed as revenue to the Municipality and the other 5% retained and allocated to the capital reserve of the joint venture company as the Municipality's capital contribution. However, the joint venture was not accounted for in the financial statements as per requirements of IPSAS 36 - "Investments in Associates and Joint Ventures". I was not availed with the audited financial statements of the joint venture. I could therefore not verify the correctness of the reported 5% farm sales of ZWL4,01 million and I could not ascertain the total value of the financial, immovable and or moveable assets which accrued to the Municipality in this joint arrangement and its effects on the financial statements.

Had the Council applied the requirements of IPSAS 36 the figure disclosed in the financial statement would have been materially affected. The effects of the above departures from IPSAS are material to the financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories"

During the year under review the Municipality's two (2) clinics (Chinengundu and Pfupajena) received various drugs and clinical consumables from National Pharmaceutical Company (NatPharm). However, the Municipality did not account for the donations received and related expenditure in the financial statements. The Municipality did not make efforts to establish the values related to the donations. Had the Council recognized inventory from drugs and clinical consumables the figure in the financial statements would be materially affected.

iii. Payables reconciliation

The Municipality was not performing payables reconciliations during the year 2021. From a sample of significant suppliers, I noted that there were unreconciled variances amounting to ZWL1,16 million between the suppliers' statements and the amounts in the payables ledgers. I could therefore not ascertain the accuracy of the total payables balance of ZWL47,23 million reported in the financial statements.

iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment”

The Municipality disclosed non-current assets of ZWL1,669 billion as at December 31, 2021. The Municipality did not carry out an assessment of the economic useful lives and residual values of its assets contrary to IPSAS 17- “Property, Plant and Equipment” paragraph 67 that requires the useful lives of assets to be reviewed at least once at each annual reporting date. In addition, the Council did not revalue its non-current assets in the past eleven (11) years. This was contrary to the requirements of IPSAS 17 - “Property, Plant and Equipment” paragraph 49 which requires that assets may be revalued once every three (3) or five (5) years. Had Council performed/ carried out an assessment of the useful lives, residual value and revalued the items of property, plant and equipment, the values disclosed in the financial statements would have been materially affected.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 36 - “Investments in Associates and Joint Ventures”

Finding

In November 2021, the Municipality terminated its farming joint venture contract with Life Time Farming (Private) Limited as a result of a change in land use. However, the joint venture was not accounted for in the financial statements as per the requirements of IPSAS 36 -“Investments in Associates and Joint Ventures”.

In addition, I was not availed with the audited financial statements of the joint venture. As a result, I could not verify the correctness of the reported 5% farm sales revenue amounting to ZWL4,01 million recognised in the financial statements. Furthermore, the value of the assets which accrued to the Municipality in respect of the joint arrangement was not recognised in the financial statements.

Risk / Implication

Lack of accountability over the Municipality’s investments may lead to potential misappropriation of resources.

Misstatement of the financial statements.

Recommendation

Management should ascertain and take possession of all assets due to the Council as at the dissolution of the joint venture.

Management response

The Partner was engaged to submit their audited financial statements on time in order to allow for compliance with IPSAS 36 during consolidation of the accounts into the Chegutu Municipality financial statements. Assets have been ascertained and Council in the process of collecting them from the partner.

1.2 Payables reconciliations

Finding

The Municipality was not performing payables reconciliations during the year under review contrary to best accounting practice on payables management. From a sample of five (5) suppliers I noted a variance of ZWL1,16 million between the supplier statements of ZWL23,62 million and the payables ledgers balance of ZWL22,46 million. The Municipality could not reconcile these amounts at the time of the audit. I could therefore not ascertain the accuracy of the total payables of ZWL47.23 million reported in the financial statements.

Risk / Implication

Fraud and errors may not be detected.

Financial statements may be misstated.

Recommendation

The Municipality should investigate and agree or clear the unreconciled payables variance.

Payables reconciliations should be performed on a regular basis.

Management response

Observation noted. Have not been receiving statements from Zimbabwe Electricity Distribution Company (ZETDC) hence, it has been difficult to reconcile the statements. The variance is emanating from interest being charged on overdue amounts. Monthly reconciliations will be done and reviewed on a monthly basis by 30 June 2022.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories"

Finding

The Municipality was not maintaining a donations register contrary to the provisions of the Public Finance Management (Treasury Instructions), 2019 section 114 (3) which requires Accounting Officers to maintain a register of all gifts and donations offered or accepted during the year. I noted that the Municipality did not account for the donations revenue and expenditure but only accounted for the closing inventory ascertained at year-end inventory count exercise.

During the year under review the Municipality's two (2) clinics (Chinengundu and Pfupajena) received various drugs and clinical consumables from National Pharmaceutical Company (NatPharm). However, the Municipality did not account for the donations received and related expenditure in the financial statements. Most of the donations invoices, did not have monetary values of the donated items and the Municipality did not ascertain the same.

Risk / Implication

Misstatement of financial statements.

Donated items may be misappropriated.

Recommendation

Management should adhere to the requirements of the Public Finance Management (Treasury Instructions), 2019.

The Municipality should put in place adequate controls over the management of donations.

Management response

All donations are now being accounted for through the use of a register. On the same note a central stores officer is now in place to account for donations. Also, relevant Standard Operating Procedures (SOPS) for donations are now in place and being utilized.

3 EMPLOYMENT COSTS

3.1 Taxation

Finding

The Municipal's senior management were awarded tax free school fees and housing benefits amounting to ZLW$2,09 million for the year under review. This was contrary to the Income Tax Act [*Chapter 23:06*] sec 8(1) (f) which requires that an amount equal to the value of an advantage or benefit in respect of employment be included in the gross income. Benefits were being processed outside the Berlina payroll system and hence not taxed. Table below refers;

Untaxed benefits

Beneficiary	Benefit	Amount on the payment voucher ZWL	Amount as per payroll ZWL	Variance ZWL
CM358	Fees/rental	814 566	376 800	437 766
CM0185	Housing/ fees	723 542	609 375	114 167
CM006	Housing/ fees	1 48 0146	595 375	884 771
012	Fees/rental	840 311	169 000	671 311
Total		**3 858 565**	**1 750 550**	**2 085 115**

I also noted that employee number 20 was issued with a commercial stand measuring 200m^2 and this constitute an employee benefit, which was not taxed.

Risk / Implication

Financial loss due to penalties and fines.

Loss of public resources due non-payment of taxes by individuals.

Recommendation

The Council should ascertain all the untaxed benefits and take corrective measures to properly account for the taxable benefits in line with the Income Tax Act [*Chapter 23:06*].

Management response

The Zimbabwe Revenue Authority (ZIMRA) has since been engaged and a tax audit for the 2014-2021 period was conducted by ZIMRA and reconciled all untaxed benefits. Payment of tax arrears has since commenced.

4 MANAGEMENT OF ASSETS

4.1 Non-compliance with International Public Sector Accounting Standard (IPSAS)17 - "Property, Plant and Equipment"

Finding

The Municipality disclosed non-current assets of ZWL1,669 billion as at December 31, 2021. The Municipality did not carry out an assessment of the economic useful lives and residual values of its assets contrary to IPSAS 17 - "Property, Plant and Equipment "paragraph 67 which requires that the useful life of assets be reviewed at least once at each annual reporting date.

In addition, the Municipality did not revalue its non-current assets since 2010. This was contrary to the requirements of IPSAS 17 - "Property, Plant and Equipment" paragraph 49 which requires that assets may be revalued once every three (3) to five (5) years. Had management carried out an assessment of the useful lives, residual value and revalued the non-current assets, the amounts disclosed in the financial statements would have been materially different from the figures disclosed.

Furthermore, the Municipality engaged the Ministry of Local Government and Public Works in the year 2020 to carry out an asset revaluation exercise and incurred ZWL42 000. There were no terms of reference drawn for the engaged valuers as a result, the results of the valuation exercise had missing information hence the valuation report was not presented to Council for adoption.

Risk / Implication

Misstatement of financial statements.

Wasteful expenditure as a result of inadequate project management processes.

Recommendation

The Council should perform a revaluation exercise on its assets.

The Council should agree terms of reference with the Valuers before engaging them.

Management response

Noted, the valuation report was not presented to Council because it had missing assets. Council contracted the Ministry of Local Government to carry out the valuation which is now almost complete, the valuers were given clear terms of reference as per audit recommendation.

4.2 Stands register

Finding

The Municipality was not using the housing modules available in its two (2) systems (Promun and LADS) meant for effective management of stands and housing operations. As a result, the Municipality had been maintaining its stands registers in a spreadsheet which had no proper controls to prevent unauthorized changes to the information. This was contrary to the requirements of the Public Finance Management Act [*Chapter 22:19*], which requires accounting officers to ensure that proper control systems exist for the custody and management of the assets.

In addition, the Municipality identified sixty-eight (68) stands valued at ZWL8,6million which had been omitted from the existing records.

Risk / Implication

Financial loss due to misappropriation of stands.

Recommendation

The Municipality should consider using the Promun or Local Authorities Database system (LADS) for stands management.

The Municipality should put in place adequate controls in the management of stands.

Management response

The stands had been omitted in our registers. The area was allocated to cooperatives and after they had developed their stands realized there were still vacant stands in the area. The matter came to the attention of management through policy makers who had been approached by the cooperative leadership. The issue was referred to Planning Section which confirmed the existence of those stands hence the addition to the inventory. Furthermore, Housing Section is currently doing a stands reconciliation exercise of our schemes to improve our inventory records and have since noted that the stands are 68. To avoid similar challenges in the future a Standard Operating Procedures (SOP) on stand management has been developed where all stands upon creation by Town Planning are sent to Estates office to capture in the system before allocations so that all stock is accounted for and easily tracked.

5 SERVICE DELIVERY

5.1 Service industry-Durawall area

Finding

The Municipality was not enforcing the relevant legislation in the administration of activities carried out by residents for the change of use for land. As a result, activities were being carried out in the Durawall area which included piggery projects, beerhalls, retail shops as well as residential which were inconsistent with the service industry activities as defined in the Regional Town and Country Planning (Use Groups) Regulations, 1994 and the Municipality's master plan. I was not availed with a Council resolution or Ministerial approval for the change of use for land.

Risk / Implication

There is a risk of non-compliance with laws and regulations leading to negative environmental and social impact.

Recommendation

The Municipality should ensure that land use is in accordance with the laid-out regulations.

Management response

Observation noted. The Council will improve on enforcement.

5.2 Solid waste management

Finding

The Municipality did not have a standard engineered landfill. The dumpsite in use was not fenced and within 100 meters of the residential areas with no waste compaction being done in violation of the environmental management legislation. As a result, the Municipality was fined ZWL100 000 in April 2021 by the Environmental Management Agency.

In addition, I was not provided with the daily collection register for the solid waste collected by the Municipality, therefore I was unable to determine if solid waste was collected in all areas as per laid down collection schedules. Furthermore, the vehicle log books used for refuse collection were last completed in April 2021 and did not contain vital details such as the destination of the vehicle and the mileage covered.

Risk / Implication

Financial loss due to fines and penalties.

Improper solid waste management practices may lead to health hazards.

Recommendation

The Municipality should ensure compliance with environmental laws and regulations.

Records of waste collections should be put in place and adhered to.

Management response

Efforts are underway to open a new dumpsite/landfill. Daily collection register for the solid waste collected by the Municipality was not in place. Best practice noted and now being implemented.

The vehicle logbooks observation noted and supervisor emphasizing completion. The tractors have no mileage gauge.

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

The Council made progress in addressing the findings that I raised in my 2021 report. I raised ten (10) findings, six (6) were not addressed and four (4) findings were partially addressed as indicated below;

6.1. Councillor's allowances

The finding has not been addressed. Correspondences supporting increase of allowances not yet availed.

6.2. Policy document

The finding has been partially addressed. Policies drafted and waiting for Council approval.

6.3. The valuation of investment property

The finding has been partially addressed the draft is on consultation stage.

6.4. Revaluation of assets

The finding has not been addressed. Valuation report not yet adopted by full Council

6.5. Bank reconciliations

The finding has not been addressed. Variances not yet cleared.

6.6. Investment in joint venture

The finding has not been addressed. Joint venture financial statements have not been audited and are yet to be consolidated.

6.7. Street lighting

The finding has been partially addressed. The finding is being implemented in phases.

6.8. Beer levy

The finding has not been addressed. Schedules not yet received from Brewers.

6.9. Meter status

Finding has not been addressed. Properties are yet to be installed with functional water meters.

6.10. Wheel clamping

Finding has not been addressed. Municipality not yet issuing tickets stating the offenses committed and amounts due.

I have audited the financial statements of Chinhoyi Municipality for the year ended December 31, 2020 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Chinhoyi Municipality as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non-compliance with International Public Sector Accounting Standards (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

The prior year financial statements did not comply with the requirements of International Public Sector Accounting Standards (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates", as the Municipality was unable to use an appropriate exchange rate on change of functional currency. The Municipality translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019, through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

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

Had the Council applied the requirements of IPSAS 4 – "The Effects of Changes in Foreign Exchange Rates", the figures disclosed in the financial statements would have been materially affected. The effects of the above departures from IPSASs are material and pervasive to the financial statements.

Below are other material issues noted during the audit;

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Business licenses

Finding

Business license booklets were not being recorded in the security items register upon purchase. Licenses were only recorded upon issue by Treasury to other departments of the Municipality contrary to best accounting practice.

Risk / Implication

Loss of revenue through fraudulent issue of business licenses.

Recommendation

Management should maintain a comprehensive record for business licenses.

Management response

Observation is correct. We are going to streamline the processes for business licensing whereby inspection and issuance of license is now being done by Health Department whilst Treasury is there to receive payment of licenses only.

1.2 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. Chinhoyi Municipality recognised beer levy revenue amounting to ZWL1 130 468 for the year under review. I was not availed with evidence of reconciliation or verification of beer sales made and there was no supporting evidence of how the brewer arrived at the remitted amount. 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 section 15 of the Act.

Management response

The audit observation is noted. Management will institute mechanisms to ensure remittances are supported by documentary proof in the form of a sales return for the sales made within the Local Authority jurisdiction. Delta Beverages has since been requested to submit the beer levy returns covering the period January 2021 to date and also requested to submit the same on a monthly basis.

2 SERVICE DELIVERY

2.1 Water meters

Finding

During the year under review, the Municipality had 2 634 non-functional meters out of a total of 12 490 and depended on estimates for billing purposes. The non-functional meters represented 21% of all the water meters of the Municipality.

Risk / Implication

Financial loss to Council due to reliance on water estimates**.**

Revenue may be misstated.

Recommendation

The Municipality should replace non-functional water meters.

Management response

Due to the technology enhancement, these non-functioning meters are to be fixed and actual recordings are obtained. A budget has also been availed in the 2022 budget to purchase 800 new meters to reduce the gap between non-working meters and the issue of estimates.

2.2 Stands development

Finding

The Municipality allocated seventeen (17) residential stands on land belonging to Ruvimbo primary school and seven (7) stands on Kubatana secondary school land. The allocations of the infills were not supported by any Council resolution and the infill stand numbers were not appearing on the layout plan approved by the Department of Physical Planning. The beneficiaries/ stand owners had already constructed houses. At the time of my audit in 2022, the Municipality had not yet addressed the encroachment issues. According to section 155 of the Urban Councils Act [*Chapter 29:15*] where land has been encroached upon, the Council may:

(a) sell the land concerned to the person owning the land on which the building causing the encroachment is situated; or

(b) Grant a servitude over the land concerned; or

(c) Require the removal of the encroachment.

Risk / Implication

Service delivery on education may be compromised.

Financial loss due to irregular / fraudulent allocation of stands.

Recommendation

The Council should cause an investigation into the matter and take corrective action.

Management response

The Council is to map these schools and there should be physical forms of stands before authentication. The Council will look at the possibility of relocating stand owners hence; encroachment is to be reversed. The mapping is in progress for the whole town aimed at regularizing where possible or relocate.

2.3 Stand allocations on wetlands

Finding

The Municipality allocated two residential stands (9606 and 9607) in the flood plain of the stream between Ruvimbo and Rujeko high-density suburbs. Ministry of Local Government and Public Works circular No 70 of 2004, "New National Housing standards for High, Medium and Low-Density Residential Areas" states that, "Buffers or greenbelts shall be created to separate residential development from rivers and other water bodies as follows: …… streams – 50m". In addition, the Environmental Management Agency (Statutory Instrument (SI) 7 of 2007 forbids the construction of a building within thirty (30) metres of the naturally defined banks of a public stream. Inquiries with management revealed that no environmental impact assessment (EIA) had been done when the stands were allocated.

Risk / Implication

Possible loss of human life and property due to flooding.

Non-compliance with EMA regulation.

Recommendation

Management should consider relocating the affected beneficiaries.

Management response

Allocation of stand 9606 was done on 10 June 2005. Stand 9607 was allocated on the 11th of February 2005. Both stands were allocated during the hyperinflation period and as such no construction took place until years later when development commenced it was then observed that these stands were allocated on the stream. A joint team consisting of Council and EMA condemned the stands 9606 and 9607 in April 2021. The team recommended relocating them to create the buffer noted above. Relocation will be done once suitable land is identified.

3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Municipality made progress in addressing findings that I raised in my 2019 report. I raised three (3) findings, two (2) were addressed and one (1) finding was yet to be addressed as indicated below;

3.1. Traffic management system

The finding has been addressed. The Contract with Clyna was terminated in 2021.

3.2. Receipt books

The finding has been addressed**.** Missing receipt books have been located.

3.3. School fees allowance

The finding has not been addressed. School fees allowances were not taxed.

I have audited the financial statements of Chitungwiza Municipality for the year ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not give a true and fair view of the financial position of Chitungwiza Municipality as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

The Council did not fully comply with the provisions of IPSAS 4. The need to account for these effects emanated from the 'multi-tiered' pricing environment that was prevailing during the year under review, where settlement of transactions was depended on the mode of payment, whether USD cash, RTGS, bond notes and mobile money. This resulted in the Council experiencing premiums on the official foreign exchange rate of 1:1 prescribed by Statutory Instrument 33 of 2019, between RTGS FCA, Bond Notes and the Nostro FCA transactions. This 'multi-tiered pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IPSAS 4- **"**The Effects of Changes in Foreign Exchange Rates" would apply. Had the Council complied with the requirements of IPSAS 4- **"**The Effects of Changes in Foreign Exchange Rates" many elements in the financial statements would have been materially affected. As a result, the impact of the Council's inability to comply with IPSAS 4- **"**The Effects of Changes in Foreign Exchange Rates" has been determined as significant.

Had the Council applied the requirements of IPSAS 4- **"**The Effects of Changes in Foreign Exchange Rates" the figures disclosed in the financial statements would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements.

ii. Inflation adjusted financial statements

The Council's financial statements showed that there was a debit entry amounting to ZWL256 491 made to the inflation adjusted Statement of Changes in Net Assets. Management failed to substantiate the figure and also explain the account to which the corresponding credit entry was posted.

In addition, the inflation adjusted amount for investment property reported in the Statement of Financial Position of ZWL $67 638 977 exceeded the amount on the supporting note of ZWL65 734 824 by ZWL1 904 153. Management failed to make relevant adjustments to the accounts. As a result, I could not satisfy myself on the accuracy and validity of the reported inflation adjusted financial statements.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment"

The Council engaged external valuers to revalue its assets in 2019. However, the valuer's capabilities and competence to conduct such an exercise could not be determined as the professional qualifications and experience was not availed for audit verification. Further, within the classes of assets that were revalued, not all assets were revalued hence non-compliant with paragraph 51 of IPSAS 17 - "Property, Plant and Equipment" which states that "if an item of property, plant, and equipment is revalued, the entire class of property, plant, and equipment to which that asset belongs shall be revalued". The cost of assets that were not revalued amounted to ZWL935 136.

In addition, infrastructure assets like road networks were not included in the asset register and as such were not accounted for in the financial statements in violation of IPSAS 17- "Property, Plant and Equipment" paragraph 21 which requires infrastructure assets to be capitalised.

There were also material variances amounting to ZWL163 769 800 between property, plant and equipment amount as per revaluation report of ZWL330 428 342 and the property, plant and equipment amount disclosed in the financial statements of ZWL166 658 542. Had Council performed / carried out a revaluation of the items of property, plant and equipment, the values disclosed in the financial statements would have been materially affected.

iv. Payables

There were no supporting supplier statements and confirmation responses to substantiate the accuracy and validity of major creditors amounting to ZWL29 503 945. In addition, management were unable to resolve creditors with debit balances amounting to ZWL1 028 763. This balance represents payments made to creditors for which no invoices were raised. Consequently, both payables and expenditure balances reported in the financial statements were materially misstated.

As a result, I was unable to satisfy myself on the completeness, accuracy and validity of payables reported in the financial statements.

v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 - "Revenue from non-exchange transactions"

There was an unresolved variance of ZWL5 748 395 between the sales revenue on the land sales listing of ZWL11 696 514 and the balance disclosed in the financial statements of ZWL17 444 909.

In addition, the Council was accounting for business licence fees on cash accounting basis instead of accruals basis contrary to IPSAS 9 - "Revenue from non-exchange transactions".

As a result, only cash received for business licence fees was accounted for in the financial statements. Had the Council applied the requirements of IPSAS 9 - "Revenue from non-exchange transactions" the revenue figures and trade receivables would have been materially affected.

vi. Inventory

The inventory valuation report and supplier invoices to support the inventory amount of ZWL1 176 367 reported in the financial statements were not availed for audit verification. As a result, I was unable to satisfy myself on the accuracy and validity of inventory reported in the financial statements.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Statutory deductions

Finding

The Council was not up to date in remitting statutory deductions as per statutory requirements. The Council is required by law to ensure that all statutory deductions are remitted timely on a monthly basis. The following balances were still outstanding as at December 31, 2019:

Creditor name	Amount (ZWL)
LAPF	7 593 410
ZIMRA -VAT	11 522 703
ZIMRA - PAYE	9 364 744
UCPF	13 721 151
NSSA	261 518
Grand total	**42 463 527**

Risk / Implication

Financial loss due to penalties and fines.

Recommendation

The Council should ensure that statutory deductions are timeously remitted on a monthly basis so as to avoid penalties and fines.

Management response

This was due to low revenue inflows which are affecting payments to statutory bodies. The organisation now has payment plans with all statutory bodies and efforts to intensify revenue collection are underway through making sure that all revenue streams are covered by by-laws for easy of enforcing.

1.2 Accuracy of hyper inflated financial statements

Finding

The Council's financial statements showed that there was a debit entry amounting to ZWL256 491 made to the inflation adjusted Statement of Changes in Net Assets. Management did to substantiate the figure or explain the account to which the corresponding credit entry was posted.

In addition, investment property disclosed at ZWL67 638 977 in the Statement of Financial Position did not agree with supporting schedule of ZWL65 734 824 by ZWL1 904 153. Management did not make relevant adjustments to the financial statements.

Risk / Implication

Financial statements may be misstated.

Recommendation

Management should investigate the variances and make necessary adjustments.

Management response

The observation has been noted. We will ensure such errors do not happen in future. At the moment, we are unable to resolve the issue but will resend our staff for IPSAS 10 training and improve in house reviews before accounts are send to auditors.

1.3 Payables

Finding

The Council was not carrying out creditors' reconciliations for some of its suppliers for the period under review. The Council only managed to carry out creditor's reconciliations for City of Harare, Unified Council Pension Fund (UCPF) and Local Authorities Pension Fund (LAPF). Management cited that this was due to staff capacity challenges.

In addition, due to poor filing system, there were no supplier statements on file for some of the creditor balances reported in the financial statements. Furthermore, I could not get confirmation from some of the Council's major suppliers.

Risk / Implication

Creditors may be misstated due errors, omissions or fraud.

Recommendation

The Council should ensure that all creditors are reconciled.

Management response

Observation noted. Creditors reconciliations have been started with big creditors and the exercise will be extended to other creditors in 2020 financial statements since we now have a person who is responsible for reconciliations. On confirmations, we will continue engaging our suppliers so that they respond to creditor confirmations sent to them.

1.4 Creditors with debit balances

Finding

The Council had creditors amounting to ZWL1 028 763 with debit balances contrary to best accounting practice. Management cited that in some cases, this was caused by payments made by the Council in advance.

Risk / Implication

Misstatement of creditor balances in the financial statements.

Loss of public funds due to undelivered goods or services.

Recommendation

The Council should investigate the causes of the debit balances and ensure that necessary adjustments are done to correct the anomaly.

Management response

The observation has been noted and the efforts to get the necessary documents to clear the debit balances will be done. However, some of the negative balances were caused by prepayments, for instance in 2019 we procured a vehicle from Nissan Clover Leaf Motors that was delivered in 2020. Therefore, the GRV was raised in 2020 to clear the balance.

2 PROCUREMENT OF GOODS AND SERVICES

2.1 City of Harare water purchases

Finding

The Council purchased 7 822 987 kilolitres of water from the City of Harare based on estimates as the bulk water meter was not functioning.

In addition, during 2019 the Council billed customers 2 084 720 kilolitres of water, resulting in 73% being unaccounted for. This was due to the Council not repairing the bulk water meters and an ageing water distribution network.

Risk / Implication

Financial loss due to Non-Revenue Water.

Recommendation

The Council should prioritise repair of bulky water meters and rehabilitation of the water distribution network.

Management response

The bulk water metre has now been repaired. The Council is also offering a discount of 3 kilolitres to all residential property owners and also some of the water is lost through leakages.

3 REVENUE COLLECTION AND DEBT RECOVERY

3.1 Stand sales

Finding

The Council's stand sales administration did not comply with section 152(2) of the Urban Councils Act [*Chapter 29:15*], the Management of Urban State Land Manual and Council Housing Policy. As a result, there was an unreconciled variance of ZWL5.7 million between the amount on the land sales register of ZWL11 696 514 and the balance disclosed in the financial statements of ZWL17.4 million.

In addition, a copy of the advert for the stands sold during the year was not provided and some important details were missing from the stand sales listing such as names of beneficiaries, amount, stand numbers, stand sizes, land use, location and date of offer. The Council did not provide forty-three (43) files for stand sales made during the year.

Furthermore, some stand sales customers were not billed while others were incorrectly billed for the stands purchased. Most of the customers did not adhere to payment terms to the extent that some had unpaid balances as at the time of audit in October 2021.

Risk / Implication

Stand sales revenue maybe misstated.

Loss of public resources due to fraud.

Recommendation

Management should investigate causes of the variances and make appropriate adjustments.

The Council should ensure that stand sales administration is in line with relevant laws and regulations.

Management response

Observations are noted. Indeed, there were a lot of malpractices that characterised land administration during the period under audit review which even resulted in the parent Ministry to institute an investigation over the alleged maladministration. In addition, some of the Council officials were arrested on alleged criminal abuse of office arising from the observed maladministration.

Meanwhile, Council has suspended all new land allocations with a view of correcting the administrative shortcomings observed in the audit as well as findings of the Investigation Team appointed by the Minister of Local Government investigation report. Council is also in the process of computerising the Housing Department so as to eliminate shortcomings created by over-reliance on manual system which has turned to be a fertile ground for corruption.

3.2 Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 - "Revenue from non-exchange transactions".

Finding

The Council was accounting for business licence fees on a cash basis contrary to the accruals accounting basis. This was caused by the absence of a comprehensive shop owners' database. As a result, only cash received for business licence fees was accounted for in the financial statements and I could not verify the accuracy and completeness of business licence fees amounting to ZWL2 031 601 accounted for in the financial statements.

In addition, I also noted that the Council was also charging tariffs that were different from the approved tariff schedule. Management attributed this to advance payments made by clients based on estimates before budget approvals were received from the Ministry.

Risk / Implication

Business license fees maybe misstated.

Financial losses due to fraud from business licensing.

Recommendation

The Council should ensure that trading licences are accounted for on accrual accounting basis.

Approved tariffs should be used in the computation of business licence fees.

Management response

The observation is acknowledged and will make sure that the budget figures are adhered to when charging business licence fees. Furthermore, accounting for licence fees on cash accounting basis will be corrected in the 2020 financial statements.

3.3 Receivables

Finding

The Council had debtors amounting to ZWL266 345 on the debtors' age analysis without names. Inquiries with management, revealed that this was due to Pastel accounting system errors.

Risk / Implication

Financial loss due to fraudulent transactions.

Misstatement of financial statements.

Recommendation

The Council should investigate and engage the IT service provider to resolve the anomaly and ensure that only valid debtors are created in the system.

Management response

The debtors with no names were as a result of wrong customer movements and IT will be engaged so as to eliminate them from the system. This may have been caused by wrong inputting of customers in the database.

3.4 Beer levy

Finding

The Council received ZWL778 836 as beer levy, however, there was no basis for the levy remitted as the Council did not obtain beer sales returns from the commercial brewer. The Council is entitled to collect beer levy from brewers as required by the Traditional Beer Act [*Chapter 14:24*]. Section 15 of the same Act empowers the Council to demand the production of records/ accounts of controlled liquor to verify the accuracy of the amount remitted. The Council accounted for amounts received at the bank only. I was not able to verify the completeness and accuracy of the beer levy.

Risk / Implication

Financial loss due to under remittances.

Recommendation

Management should engage the commercial brewer to obtain beer sales returns.

Management response

No beer sales information is given by Delta Beverages and it is difficult to account for something which one does not have information. The organization tried to get this information from Delta but they were reluctant to release this information citing the reason that the information is voluminous. Besides, we do not have power to audit them in order to verify the accuracy of the sales figures. However, Council will continue making concerted efforts to ensure that the beer statistics are obtained from Delta Beverages.

4 EMPLOYMENT COSTS

4.1 Management fuel allowances

Finding

Management was receiving fuel during the year under review. I noted that a total of 55 120 litres of fuel issued to thirteen (13) senior managers in 2019 was not processed through the payroll and was not taxed. Based on the Income Tax Act [*Chapter 23:06*], all staff benefits should be processed through the payroll and taxed. Management cited that this was due to Council not splitting free mileage fuel allocation from business allocation so that the free mileage is taxed in the hands of the beneficiary.

Risk / Implication

Fines and penalties may be levied by ZIMRA for flouting tax regulations.

Loss of public funds due to non-payment of tax on benefits.

Recommendation

The Council should ensure that fuel benefit is taxed.

Management response

The introduction of issuing fuel to management did not start as a benefit but were limits which managers were allowed to observe when drawing fuel for

operations from the service station. The fuel was for operations but however the audit observation has been noted and the fuel issue has been put as a benefit and is now being taxed with effect from June 2020.

5 MANAGEMENT OF ASSETS

5.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment"

Finding

The Council infrastructure assets such as road networks, bridges amongst others were not recorded in the asset register and were not accounted for in the financial statements. This was due to the lack of inhouse specialized expertise to revalue infrastructure assets and the Council was also facing financial challenges to hire the valuation service. According to paragraph 21 of IPSAS 17 - "Property, Plant and Equipment", infrastructure assets meet the definition of property, plant, and equipment and should be accounted for in accordance with this standard.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should value infrastructure assets, record them in its non- current asset register and account for them in the financial statements.

Management response

The observation has been noted and the organisation will engage experts to carry out revaluation of the infrastructure assets.

5.2 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and equipment"

Finding

The Council engaged external valuers to revalue its assets in 2019. However, the valuer's capabilities and competence to conduct such an exercise could not be determined as the professional qualifications and experience was not availed for audit verification.

In addition, some assets in classes of assets that were revalued, were not revalued hence the Council did not comply with IPSAS 17 - "Property, Plant and Equipment". IPSAS 17- "Property, Plant and Equipment" which requires that if an item of property, plant, and equipment is revalued, the entire class of property, plant, and equipment to which that asset belongs shall be revalued. The assets that were not revalued had a carrying amount of ZWL935 136. Management explained that the assets were erroneously omitted from the revaluation**.**

Furthermore, there were material unresolved variances amounting to ZWL163.7 million between balances per the revaluation report of ZWL330.4 million and the balance disclosed in the statement of financial position of ZWL166. 6 million.

Risk / Implication

Misstatement of financial statements.

Recommendation

Management should ensure that all assets within a class are revalued in line with IPSAS 17.

The Council should investigate and resolve the variance between revaluation report and the statement of financial position.

Management response

Observation noted, the revaluation exercise was carried out by the parent Ministry and they did not provide their professional qualifications and experience. Some assets were erroneously omitted from the revaluation exercise and this was established during updating the asset register.

The variances are going to be investigated and corrective action will be taken to address the anomalies in future years.

Going forward we are going to comply with the requirements of IPSAS 17.

6 SERVICE DELIVERY

6.1 Sewerage services

Finding

The Council has two (2) sewer treatment plants namely; Waste Stabilisation Ponds and Trickling Filters commissioned in 1975 and Activated Sludge Treatment Process (BNR) commissioned in 2000. The Activated Sludge Treatment Process has not been functioning since 2006.

Processing capacity for both plants is 55 mega litres i.e. 20 mega litres for BNR and 35 mega litres for the Waste Stabilisation Ponds. Currently 9 mega litres that is 16% is being utilised. As a result, there are sewer spillages and blockages in nearly all the areas in Chitungwiza.

Most of the sewer spillages and blockages are caused by aged infrastructure, lack of continuous water supply and misuse and vandalism of sewer manholes and illegal connections. The Council has incurred penalties from the Environmental Management Agency (EMA) for environmental pollution through sewer spillages.

Furthermore, the following areas were not connected to the sewer reticulation network; N.O.P Extension, Garikai housing, J Extension, K Extension, M Extension, L Extension, Zengeza 4 Pagomba, Zengeza 5 Extension, Zanoremba and St Mary's Extension as they were not yet serviced.

Risk / Implication

Health hazard due to spillages and blockages.

Financial losses due to penalties being charged by EMA for sewer spillages.

Recommendation

The Council should increase awareness campaigns in educating Chitungwiza populace on the need to ensure non-recurrence of sewer spillages.

The Council should put in place mechanisms to ensure the non-recurrence of sewer spillages such as; gradual rehabilitation of the aged sewer infrastructure, repair the non-functional sewer plant, provide alternative source of water supply to the Municipality water supply grid and enforce Council by-laws and effect penalties to the offenders.

Management response

We intend to conduct awareness campaigns in schools, churches and public places like shopping centres. Concerning rehabilitation of aged infrastructure, with the assistance from ZIMFUND, plans are at an advanced stage to rehabilitate Zengeza outfall, Zengeza 4 Pagomba trunk sewer, St Mary's trunk sewer, Zengeza 3 collector sewer and Seke outfall requires de-silting. Regarding rehabilitation of non- functional sewer plant, currently Japan International Cooperation Agents (JICA) are conducting studies towards redesigning Biological Nutrient Removal (BNR) to a pasveer ditch which is easy to maintain and consumes less electricity.

6.2 Water meters

Finding

The Council had 32% water meters that were non-functional therefore it was resorting to charging water consumption using estimates. This was as a result of the Council not being able to buy new water meters and/ or repair broken water meters due to financial constraints and brass water meter thefts**.** Below is a table showing the details;

Water meters statistics

Description	Seke North	Seke South	St Marys	Zengeza	Total	Percentage (%)
Functional meters	9 824	6445	2 863	9 500	28 632	68
Non-functional meters	2 207	2 395	4 517	4 500	13 619	32
Totals	**12 031**	**8 840**	**7 380**	**14 000**	**42 251**	**100**

Risk / Implication

Financial loss due to inaccurate invoicing.

Customers may question the validity of invoiced amounts leading to non- recoverable receivables.

Recommendation

The Council should replace or repair the water meters and recover the costs from the consumers to ensure correct billing.

Management response

We intent to conduct a pilot project of supplying and installing new prepaid water meters and those water meters will be installed in low lying areas. For water meter repairs we have donated meter kits, donated by ZIMFUND.

7 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2020 report. I raised twelve (12) findings, one (1) was addressed, one (1) was partially addressed and ten (10) are yet to be addressed as indicated below;

7.1 Cash and bank

The finding has been addressed. Petty cash has been supported and banked.

7.2 Investment properties

The finding has not been addressed. Lease agreements not yet in place

7.3 Salary adjustments

The finding has not been addressed. Salary increments approvals not availed for audit verification.

7.4 Building inspections

The finding has not been addressed. Building inspection forms not yet being retained.

7.5 Voluntary deductions facility

The finding has not been addressed. Stop order and deduction still to be effected.

7.6 Staff receivables

The finding has not been addressed. Misappropriated funds not yet recovered.

7.7 Water sales

The finding has not been addressed. Non-functional meters are yet to be replaced.

7.8 Employee terminations

The finding has not been addressed. Terminated employees still being removed on payroll late.

7.9 Water provision

The finding has not been addressed. Municipality still purchasing treated water from City of Harare and water supplies are still below demand.

7.10 Sewerage treatment plant

The finding has not been addressed. Sewer treatment plant rehabilitation not yet done.

7.11 Fire protection services

The finding has not been addressed. Fire service department not yet capacitated.

7.12 Health provision

The finding has been partially addressed. Council procured two ambulances.

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

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Municipality as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse opinion

i. Opening balances translated at an inappropriate exchange rate

The prior year financial statements did not comply with the requirements of International Public Sector Accounting Standard (IPSAS 4), "The Effects of Changes in Foreign Exchange Rates", as the Council was unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Municipality used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard, the Council's 2020 opening balances misstatements have a material impact on the accuracy of current year financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS 9), "Revenue from Exchange Transactions".

There were unresolved variances amounting to ZWL1 130 549 between the business licenses listing of ZWL2 097 552 and the recomputed balance of ZWL3 228 101 for business licenses. Management did not adjust the financial statements and the matter remained unresolved.

In addition, the municipality recognized revenue from stand sales on cash basis instead of accruals basis as required by (IPSAS 9), "Revenue from Exchange Transactions". As a result, stand sales revenue and related receivables balances were misstated. Had the Municipality accrued the revenue amount could have been significantly different from that which has been disclosed.

iii. Employment costs

There was an unsubstantiated variance of ZWL1 579 067 between the historical cost amount on the payroll costing report (ZWL60 117 223) and the corresponding amount disclosed in the financial statements (ZWL61 696 290). Management failed to resolve the same and I was unable to satisfy myself as to the completeness and accuracy of the employee costs disclosed in the financial statements.

iv. Non-compliance with International Public Sector Accounting Standard (IPSAS 17, "Property, plant and equipment"

Infrastructure assets like road networks, sewer reticulation systems and bridges amongst others were not included in the fixed assets register and were not accounted for in the financial statements in violation of IPSAS 17, "Property, Plant and Equipment" paragraph 21, which requires infrastructure assets to be capitalized. The financial effects of the same could not be quantified as these were not valued.

In addition, IPSAS 17 paragraph 44 and 49 requires assets to be revalued with sufficient regularity, which is every three (3) to five (5) years. The Council did not comply with this requirement as other items of property, plant and equipment were last revalued in 2011.

The Municipality did not properly maintain a detailed fixed assets register. As a result, there were unresolved variances of ZWL10 090 403 between fixed asset register (ZWL31 223 672) and the financial statements (ZWL41 314 075). Had the Municipality accounted for infrastructure assets the carrying amount of property, plant and equipment disclosed in the financial statements would have materially different.

v. Payables

There were creditors totalling ZWL9 214 184 that were not supported by supplier lists. In addition, there was no supporting payroll schedule for salary payables amounting to ZWL7 392 306 disclosed in the financial statements. I was unable to verify the payables balance disclosed in the financial statements.

vi. Completeness and accuracy of cash and cash equivalents

Management did not account for ecocash merchant accounts for six (6) locations with aggregated balance of ZWL770 319 and four (4) bank accounts with aggregated balance of ZWL1 187 390 in the financial statements.

In addition, there were no supporting cash books, bank reconciliation statements and bank statements for bank balances of ZWL308 626 reported in the financial statements. I could not satisfy myself of the completeness and accuracy of the cash and cash equivalents balance disclosed in the financial statements.

vii. Journal entries

There was a significant number of unsupported journal entries amounting to ZWL40 256 925 due to unavailability of supporting documents. Some of these were posted as single entries bringing into question integrity of the financial statements as a whole. I could not satisfy myself of the validity and accuracy of the journals posted in the financial statements.

viii. Expenditure

Included in general expenses of ZWL61 887 075 disclosed in the financial statements are unsupported expenditure transactions amounting to ZWL331 387.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Journal entries

Finding

There was a significant number of unsupported journal entries amounting to ZWL40 256 925. Some of these were posted as single entries bringing into question integrity of the financial statements as a whole. There was also no evidence of authorisation of these journals.

Risk / Implication

Financial loss due to fraud and error.

Recommendation

Journals should be supported and authorised.

Management response

Observation is noted, management is in the process of investigating the origins of these single-entry transactions. Management will undertake in-house trainings for the finance staff to ensure this anomaly is corrected.

Management has redesigned the journals system starting March, all entries will now include all the supporting documentations and attached on the journals.

1.2 Cash and cash equivalents

Finding

Management did not account for ecocash merchant accounts for six (6) locations with aggregated balance of ZWL770 319 and four (4) bank accounts with aggregated balance of ZWL1 187 390 in the financial statements. The four (4) bank accounts comprised of, MOK RTGS bank account (ZWL25 008), savings account (ZWL1 991), Mayor Christmas Cheer Fund account (ZWL212 490) and Nostro bank account (USD11 589). The Nostro bank account balance of USD11 589 when converted to RTGS using the closing mid-rate of 81.79 as at 31 December 2020 would be equivalent to ZWL947 901.

In addition, there were no supporting cash books, bank reconciliation statements and bank statements for bank balances amounting to ZWL308 626 reported in the financial statements.

Risk / Implication

The financial statements may be materially misstated.

Recommendation

The Council should create cashbooks for all its bank accounts and perform monthly bank reconciliations.

Management response

Audit finding is correct, management is seized with addressing the issue and will implement the audit recommendations.

2. PROCUREMENT OF GOODS AND SERVICES

2.1 Expenditure supporting documents

Finding

Expenditure amounting to ZWL331 387 had no supporting documents such as payment vouchers, supplier invoices and goods received notes (GRVs). Management cited that this was due to understaffing in the payments office which resulted in poor filing. In addition, there was no evidence that at least three (3) quotations were sourced before procurement of goods and services.

Risk / Implication

Expenditure incurred cannot be validated in the absence of supporting documents.

Value for money may not be achieved.

Recommendation

Management must ensure that all expenditure is adequately supported.

Management response

Observation noted, the Council will endeavour to improve its filing system and documentation.

3. REVENUE COLLECTION AND DEBT RECOVERY

3.1 Accounting for revenue- Business licenses

Finding

There was an unresolved variance amounting to ZWL1 130 549 between the business licenses (ZWL2 097 552) and the recomputed balance of (ZWL3 228 101). Revenue from business licences were recognised on a cash basis instead of accruals basis as required by International Public Sector Accounting Standard (IPSAS 23), “Revenue from non-exchange transactions”. As a result, revenue and related receivables balances were misstated. Management highlighted that the differences were as a result of part payments made in respect of business licenses. Council allowed businesses to operate after making part-payments contrary to the Shop Licencing Act [*Chapter 14:17*] resulting in unpaid balances which were not recognized as receivables in the year under review.

In addition, the shop owners' database provided was not complete as a number of businesses such as funeral parlors, banks among others were excluded as there was no consistent updating of the database. This was contrary to the Public Finance Management Act [*Chapter 22:19*] which requires public entities to establish strong systems of financial management and internal control.

Risk / Implication

Financial statements may be misstated.

Financial loss due to corruption and fraud in the issue of business licenses may go undetected.

Recommendation

Management should update the business licenses database.

Management should enforce the requirement for businesses to pay business licenses in full before a license is issued.

Management response

Business database shall be updated monthly as a standard operating procedure. Payment of business license in full shall be enforced going forward.

3.2 Revenue from stand sales

Finding

The Council was accounting for revenue from stand sales on a cash basis instead of accruals basis as required by International Public Sector Accounting Standard (IPSAS 9), "Revenue from Exchange Transactions". Management attributed this to the incorrect interpretation of the standard.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should account for revenue from stand sales in accordance with IPSAS 23.

The Council should consider IPSAS training its staff.

Management response

The observation is noted Council was trying preserving the value of the stands as the stands were quoted in USD price but being sold in Zimbabwean dollar equivalent.

The Council will regularize the accrual concept in 2022. Gain/ loss on exchange rates will be recognized in the 2022 financial statement.

4. MANAGEMENT OF ASSETS

4.1 Property, plant and equipment

Finding

Infrastructure assets were not recognized in the financial statements contrary to International Public Sector Accounting Standard (IPSAS) 17, “Property, Plant and Equipment” which specifies that infrastructure assets such as road networks, sewer reticulation systems and bridges meet the definition of property, plant, and equipment and should be accounted for in the financial statements.

In addition, the Council last revalued its assets in 2011 contrary IPSAS 17, paragraphs 44 and 49 which requires assets revaluation to be done with sufficient regularity. Management attributed that to lack of in-house expertise and financial challenges faced by the Council hence they could not afford to hire an external valuer.

Risk / Implication

The financial statements may be materially misstated.

Recommendation

The Council should consider revaluing its assets to comply with IPSAS 17.

Management response

The Council will make a commitment in 2023 to engage external valuer (Ministry of Local Government) to revalue its assets and incorporate in the books.

4.2 Sale of public assets to management

Finding

The Municipality’s Council passed a Resolution C/85/18, to sell four (4) Council houses to management who were occupying the houses. However, there was no evidence to support that a Ministerial approval was obtained contrary to the provisions of section 48 (3)(d) of the Public Finance Management Act [*Chapter 22:19*] which requires the accounting authority to seek the approval of Treasury and the appropriate Minister in writing in relation to the acquisition or disposal of a significant asset.

In addition, Council did not comply with section 93 of the Public Procurement and Disposal of Assets Act [*Chapter 22:23*] which restricts entities from selling public assets to employees.

I noted that a disposal committee was created and it engaged three (3) valuers to value the properties as per requirements of the Public Procurement and Disposal of Assets Act [*Chapter 22:23*] and Council used the average selling price of the three (3) valuers to determine the sale price. Agreements of sale for these houses were signed two (2) years later in June 2020 and stipulated that payments were to be spread evenly over a six (6) month period beginning June 2020 to December 2020. However, none of the managers complied with these terms. Table below refers.

Disposed Council houses and related values

Stand size (Sq. meters)	Average price (USD)	June 1, 2020 interbank exchange rate (ZWL / USD)	Equivalent amount (ZWL)	Disposed value (ZWL)
870	34 333	25	858 333	858 358
1143	37 667	25	941 667	941 675
1058	35 667	25	891 667	891 675
1772	40 000	25	1 000 000	1 000 000

Risk / Implication

Loss of public resources due to management override of controls.

Recommendation

The requirements of PFMA and PPDPA Acts should be upheld in all disposals.

Disposal of assets must be done fairly to avoid demotivation of staff.

Management response

Valuators of properties were engaged using the Request for Quotations Method as it did not meet the threshold for tenders. The sale of the houses was not done in terms of the PPDPA as Council is in the business of building and selling houses to sitting tenants and this is supported by government policies. The four Directors were residing in these houses and considered sitting tenants. All submissions concerning this sale was accordingly submitted to Council on three (3) different occasions for approval and in compliance with Council Housing Policy which allows selling of houses to sitting tenants.

The same reasons that Council has in the past sold houses to sitting tenants were the same that lead to this decision.

On the payment period the beneficiaries were required to access bank loans and due to Covid 19 the process was delayed at the banks and Council was advised of the delay and this was captured in the 19th Health and Housing Minutes of a meeting held on 17th December 2020.

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

The Council made progress in addressing findings that I raised in my 2020 report. I raised ten (10) findings, two (2) were addressed and eight (8) were not addressed as indicated below;

5.1 Property, plant and equipment

The finding has not been addressed. Infrastructure assets not yet in the asset register and were not accounted for in the current year financial statements.

5.2 Statutory deductions

The finding has not been addressed. Council is still not up to date with clearing of statutory deductions.

5.3 Inventory management

The finding has not been addressed. No strategies for segregation of handling of donated drugs at the clinics.

5.4 Beer levy

The finding has been addressed. Schedules are now being received.

5.5 Service Level Agreements

The finding has not been addressed. Council is yet to follow up on signing of service level agreement with PROMUN service provider.

5.6 Statutory deductions

The finding has not been addressed. Remittances of statutory deductions are not done on time.

5.7 Water meters

The finding has not been addressed. Non-functional meters are yet to be replaced.

5.8 Estate funds

The finding has not been addressed. Council failed to reimburse estate funds borrowed and used for recurrent expenditure.

5.9 Water Connection

The finding has been addressed. Disciplinary action was taken.

5.10 Business License

The finding has not been addressed. Council is yet to charge business licences on accrual basis as per approved tariff schedule.

I have audited the financial statements of Redcliff Municipality for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Redcliff Municipality as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non-compliance with IPSAS 17, "Property, Plant and Equipment"

I could not satisfy myself with the fair presentation of the property, plant and equipment disclosed at ZWL192 436 298 as the Municipality neither performed a revaluation of its assets since 2017 nor assessed the economic useful life and residual values of property, plant and equipment. This was contrary to IPSAS 17, "Property, Plant and Equipment" paragraph 49 which guides on the necessity to revalue assets once every three (3) to five (5) years when there is evidence of changes in fair values and paragraph 67 which requires that the useful life of an asset be reviewed at least once at each annual reporting date.

Had the property, plant and equipment been revalued, the amounts in the financial statements would have been materially different.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Contract management

Finding

In 2020, the Municipality (seller of land) entered into an agreement with a certain company (purchaser of land) for the supply of vehicles in exchange with land.

However, I noted that during the execution of the contract in 2021, the company breached section 2.2 (iii) and (iv) of the contract which required the purchaser (the company) to supply Garbage Truck Faw Underpan 10m^3 motor vehicle at a price of USD41 260 but instead supplied a Dong fang garbage truck valued at USD57 819. The same contract also stated that the company had to supply a Fire tender Faw Underpan motor vehicle valued at USD66 802 but instead supplied a Dong Fang fire tender at a price of USD74 180.

In addition, the company was supposed to deliver brand new vehicles as per section 2.6 of the agreement which stated that motor vehicles to be delivered by the company to the Municipality shall be in brand new condition. However, one (1) of the vehicles delivered was not brand new. The value of the vehicle as per invoice was USD75 000 but the value on the contract was USD42 414.

Furthermore, the Council's implementation of the contract was contrary to clause 2.7 of the agreement which stated that the company shall be responsible for any costs incidental or otherwise which is not catered for in the purchase price including but not limited to transportation, delivery, insurance in transit and payment of all relevant taxes however so arising whether with the Zimbabwe Revenue Authority (ZIMRA) or with any other competent or lawful authority, and the registration of the vehicles and plant into the name of Redcliff Municipality.

Risk / Implication

Loss of public resources.

Service delivery may be compromised.

Recommendation

The terms and conditions of the agreements to which the Municipality enters must be adhered to.

Management response

Price variations

As was observed in the previous Auditors report, the main reason for a change in the price for Garbage Truck was import duty and related taxes which had not been factored in at the point the agreement was made. Management took the matter to Council and it was resolved to make an addendum to the original contract to cater for the above-mentioned variances. The Council minutes, addendum to the contract and resolutions have been supplied to external auditors.

Model variation

The change in model from Faw to Dong Feng was as a result of availability, Management took the matter to Council for ratification and after showing that there are no significant differences in specifications Council resolved to amend the contract in relation to type of model to be procured.

Previously registered vehicle

We acknowledge the observation that the vehicle was pre-registered, however the vehicle was new and had delivery mileage of 400km as highlighted in the Internal Audit Inspection report. In regards to the price variance, the main reason for a change in the price was import duty and related taxes which had not been factored in at the point the agreement was made. Management took the matter to Council and it was resolved to make an addendum to the original contract to cater for the above-mentioned variances.

Evaluation of management response

While I appreciate management response on price variations, the Council's implementation of the contract was contrary to Clause 2.7 of the agreement which stated that the company shall be responsible for any cost incidental or otherwise which is not catered for in the purchase price including but not limited to transportation, delivery, insurance in transit and payment of all relevant taxes however so arising whether with the Zimbabwe Revenue Authority or with any

other competent /or lawful authority, and the registration of the vehicles and plant into the name of Redcliff Municipality.

2. PROCUREMENT OF GOODS AND SERVICES

2.1 Procurement of floor tiles

Finding

The Council did not account for 109 boxes of floor tiles. The tiles were part of a consignment of 417 boxes of tiles valued at ZWL415 081 procured using devolution funds for the renovation of Bell Medical Centre (BMC). This was contrary to the Public Finance Management Act [*Chapter 22:19*] section 42 (1) (a) which requires the accounting authority to ensure reasonable protection of the assets and records of the public entity.

Risk / Implication

Misappropriation of public resources.

Recommendation

The Council should account for the missing boxes of floor tiles.

The Council should ensure safe custody of public resources.

Management response

Internal investigation was done and a report was made to ZRP.

Auditor's evaluation of management response

While I appreciate management response on internal investigation and report to ZRP, I was not availed with the police reports.

3. MANAGEMENT OF ASSETS

3.1 Valuation of property, plant and equipment

Finding

The Municipality neither performed a revaluation of its assets since 2017 nor assessed the economic useful life and residual values of property, plant and equipment. This was contrary to IPSAS 17, "Property, Plant and Equipment" paragraph 49 which guides on the necessity to revalue assets once every three (3) to five (5) years when there is evidence of changes in fair values and paragraph 67 which requires that the useful life of an asset be reviewed at least once at each annual reporting date.

Risk / Implication

Misstatement of financial statements.

Recommendation

Municipality should revalue its assets and review residual values and useful lives of the assets in order to comply with the requirements of IPSAS 17.

Management response

The Council will revalue its asset in 2023 before December 31, 2023

3.2 Ownership of assets

Finding

I was not availed with the documentation in relation to the ownership of the Redcliff College of Development Education buildings. Inquiries with management revealed that the Training Centre was handed over to the Municipality by the previous owner, Zimbabwe Iron and Steel Company. Section 10 (2) of the Urban Council's Act [*Chapter 29:15*] states that, "In the case of immovable property, the ownership of which has vested in the Municipality, the Registrar of Deeds shall, at the request of the Council, cause, free of charge, the name of that Municipality or Town to be substituted as the owner of the property concerned in an appropriate register in the Deeds Registry and on the deeds relating to that property.''

Risk / Implication

In case of disputes, it will be difficult to prove ownership.

Recommendation

Management should ensure that all documentation on the ownership of the Training Centre by the Municipality is in place.

Management response

The Training Centre used to belong to the Zimbabwe Iron and Steel Company (ZISCO) and a contractor named ZECO Engineering which was working under ZISCO and that in the event they decide to relocate they were to hand over the property to Redcliff Council. However, Council is looking for the documentation pertaining to the transaction which will be availed as soon as is available.

4. SERVICE DELIVERY

4.1 Shortage of classrooms

Finding

The Council embarked on a project to construct three (3) classroom blocks with two (2) classrooms each. The project commenced in 2015. However, the project has remained at foundation level for seven (7) years. At the time of audit in 2022 the learners were on a hot sitting programme.

According to the enrolment statistics there were forty-seven (47) classes against the available seventeen (17) classrooms hence the school required additional thirty (30) classrooms to alleviate the shortage.

In addition, there were thirteen (13) classes which could not be accommodated in the current hot sitting arrangement as such, learners were attending lessons outside classrooms. The table and picture below refer;

Statistics of the Primary School

Details	Year 2020	Year 2021	Year 2022
Available classrooms	17	17	17
Number of classes	47	47	47
Number of teachers	44	53	55
Number of learners	1 730	1 870	1 936

Image of learners conducting lessons outside

Source: External Auditor, July 12, 2022

Risk / Implication

Service delivery may be compromised.

Learners may be exposed to bad weather conditions.

Management response

Two (2) blocks of four (4) classes each have since been constructed in 2022. The Council has approached potential partners to construct 26 classrooms from the 2 already constructed in 2021 to eradicate hot sitting.

4.2 Sewer plant

Finding

The Council had a disused sewer plant which was not fenced. As a result, a minor fell into the disused sewer plant and died during the year under review. At the time of my audit in July 2022, the Municipality had not taken any action to prevent the recurrence of a similar incident.

Risk / Implication

Loss of lives.

Recommendation

The Municipality should take steps to ensure that the community is safe from the disused sewer plant.

Management response

Fencing was once put but was vandalised and stolen. The Council is however going to fill the clarifier tanks with gravel, cut the grass in the area and fence again.

5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Municipality made progress in addressing findings that I raised in my 2021 report. I raised nine (9), four (4) findings were addressed and four (4) findings were not addressed as indicated below;

5.1 Valuation of property, plant and equipment

The finding has not been addressed. Property, plant and equipment is yet to be revalued.

5.2 Fuel management

The finding has been addressed. The Municipality is now using coupons

5.3 Settlement of creditors with land

The finding has not been addressed. Regularisation not yet been.

5.4 Approval and acquittal of devolution grant

The finding has not been addressed. Ministerial approvals for the projects not yet availed for audit verification.

5.5 Beer levy

The finding has been Implemented. Sales schedules are now being received.

5.6 Income generating projects

The finding has not been addressed. Ministerial approvals for the projects not yet availed for audit verification.

5.7 Appointment of Business Development Manager

The finding has addressed. Approval has been sought from the Ministry.

5.8 Procurement of vehicles and equipment- land swap

The finding has not been addressed. Management is yet to receive all the procured equipment.

5.9 Fire services, health and safety

The finding has been addressed. Fire equipment has been procured.

TOWN COUNCILS

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

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS)17 - "Property, Plant and Equipment "paragraph 21 and 44

The Council infrastructure assets like road networks and bridges were not included in the fixed asset register and as such were not accounted for in the financial statements contrary to paragraph 21 of IPSAS 17 - "Property, Plant and Equipment", which requires infrastructure assets to be capitalized.

In addition, the revaluation model under IPSAS 17- "Property, Plant and Equipment", paragraph 44 requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. I noted that the Council last revalued its assets in 2009 upon change over from the Zimbabwean dollar to the multi-currency system.

As a result of the above, I could not satisfy myself on the accuracy and completeness of property, plant and equipment disclosed in the financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Agriculture"

The Council has a gum tree plantation from which it made salse of ZWL3 600. However, these were not valued and accounted for in the financial statements contrary to the requirements of IPSAS 27 - "Agriculture". As a result, I was unable to satisfy myself on the completeness, accuracy and valuation of biological assets reported in the financial statements.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Property, plant and equipment ownership

Finding

The Council had vehicles without registration books and some were not registered in the Council's name table below refers;

Vehicle ownership status

Vehicle	Reg number	Ownership
Grader Xgma	Not provided	Vehicle registration book not availed
Front End Loader	Not provided	Vehicle registration book not availed
Isuzu Fire Tender	Not provided	Vehicle registration book not availed
Nissan Hardbody - S/Cab	AFE1009	In the name of third party
Nissan Ck10	Not provided	Vehicle registration book not availed
Black Used Honda Fit	AFD1784	Vehicle registration book not availed
Black used Honda Fit	AFB7752	Vehicle registration book not availed
Mazda B2500	ACN7807	In the name of third party
Nissan Navara	ACX 5504	In the name of third party
Toyota Hilux	ABW 2642	In the name of third party
Renault Fire Tender	610720A	In the name of third party
Mercedes Benz C200	AEM8470	In the name of third party

Risk / Implication

In the event of a dispute, the Council might not have a legal right over the assets.

There is risk of misappropriation of the assets.

Recommendation

The Council should ensure that assets are registered in the name of the Council.

Management response

For the movable assets, the vehicle registrations are being pursued to have them under the name of the Council.

1.2 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, Plant and Equipment "paragraph 21

Finding

The Council's infrastructure assets such as road networks, bridges amongst others were not incorporated in the asset register and were not accounted for in the financial statements. Paragraph 21 of IPSAS 17, "Property, Plant and Equipment" requires infrastructure assets like road networks and bridges to be accounted for as assets in entity's financial statements. Inquiry with management revealed that this was due to an oversight and the assets will be accounted for in 2021 financial statements.

Risk / Implication

Financial statements may be misstated.

Recommendation

Management should account for the infrastructure assets.

Management response

The Council engaged a professional valuer in 2020 and infrastructure assets are to be included in the Council's 2021 financial statements.

1.3 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment "paragraph 44

Finding

Some of the Council assets in the asset register had nil values but were still in use. Inquiries with management indicated that the Council last performed revaluation of assets more than nine (9) years ago. According to IPSAS 17 - "Property, Plant and Equipment", paragraph 44 revaluation of assets should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Risk / Implication

The Council assets may be misstated.

Recommendation

Management should ensure that all assets are revalued with sufficient regularity in compliance with IPSAS 17.

Management response

All Council assets were revalued in 2020, with the view of having them included in the financial statements in the 2021 financial statements.

1.4 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Agriculture"

Finding

The Council had timber sales of ZWL3 600 which were recognised during the year under review. However, the plantation was not valued and accounted for in the financial statements contrary to the requirements of IPSAS 27, "Agriculture". As a result, I was unable to satisfy myself on the completeness, accuracy and valuation of biological assets reported in the financial statements.

Risk / Implication

Misstatement of financial statements.

Recommendation

Management should account for Council plantation in the financial statements as required by IPSAS 27.

Management response

The Council to include the value of the Council plantation in its financial statements.

The Council did not actually plant the gumtrees, but rather they mushroomed on the land which is adjacent to the sewer ponds.

2 EMPLOYMENT COSTS

2.1 Contract workers

Finding

The Council employed contract workers continuously for a period ranging from one (1) year to fourteen (14) years. However, the Labour Act [*Chapter 28:01*] section 12(3) states that a casual worker shall be deemed to become an employee on a contract of employment without limit of time on the day that his period of engagement with a particular employer exceeds a total of six (6) weeks in any four (4) consecutive months.

Risk / Implication

Financial loss due to legal costs arising from labour disputes.

Recommendation

The Council should ensure that recruitment and employment comply with the requirements of the Labour Act.

Management response

The Council appointed a sub-committee of the General Purposes Committee to deal with the issue of contract workers with the view of achieving a win-win solution to the matter. After the appointment of the sub-committee, there were deliberations on its findings and also the engagement of the contract workers with the view of having a mutual agreement with them.

3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2021 report. I raised eight (8) findings, two (2) were partially addressed and six (6) were not addressed as indicated below;

3.1 Statutory deductions

The finding has not been addressed. Council is yet to comply with statutory deductions payment deadlines.

3.2 Non-current assets

The finding has not been addressed. Council yet to revalue its assets and disclose all assets in the financial statements.

3.3 External loans

The finding has not been addressed. Council is yet to repay the PSIP loan.

3.4 Beer levy

The finding has not been addressed. Council is yet to receive beer sales statistics from commercial brewers.

3.5 Non-revenue water

The finding has not been addressed**.** Council is yet to fix non-functional water meters and minimise water leakages.

3.6 Sewerage system

The finding has not been addressed. Council is yet construct sewer reticulation system.

3.7 Water supply

The finding has been partially addressed. The Council has capacitated eight (8) boreholes with solar and ZESA power to supply portable water to residents and replacement of old infrastructure in the water distribution channel is in progress.

3.8 Refuse removal

The finding has been partially addressed. Refuse collection is now being done on a weekly basis.

I have audited the financial statements of Chiredzi Town Council for the year ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Chiredzi Town Council as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rate"

The Council did not comply with the provisions of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates". The need to account for these effects emanated from the 'multi-tiered' pricing environment that was prevailing during the year under review where settlement of transactions was depended on the mode of payment, whether USD cash, RTGS, bond notes and mobile money. This resulted in the Council experiencing premiums on the official foreign exchange rate of 1:1 prescribed by Statutory Instrument (SI) 33 of 2019, between RTGS, bond notes and the nostro FCA transactions. This 'multi-tiered' pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IPSAS 4 would apply. Had the Council complied with the requirements of IPSAS 4, many elements in the financial statements would have been materially affected. As a result, the impact of the Council's inability to comply with IPSAS 4 has been determined as material and pervasive.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies".

The Council did not comply with the provisions of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies". Zimbabwean entities were operating in an environment which has witnessed significant monetary and exchange control policy changes since the beginning of the year 2019. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10 - "Financial Reporting in Hyperinflationary Economies"**.** in Zimbabwe had been met and the standard should be applied from July 1, 2019 and financial statements of entities with year-end on or after this date were to be inflated. Management did not inflate the 2019 financial statements. According to IPSAS 10 - "Financial Reporting in Hyperinflationary Economies", inflation adjusted financial statements become the primary financial statements whilst historical financial statements are presented as supplementary information.

Had the Council applied the requirements of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies" many elements of the financial statements would have been materially impacted and therefore the departure from the requirements of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies" is considered to be material and pervasive to the financial statements.

iii. Completeness of property, plant and equipment

The Council disclosed its property, plant and equipment at a carrying amount of ZWL 16,8 million which was not reconciled to the asset register figure of ZWL16,9 million. There were no supporting documents such as supplier invoices and receipts for asset purchases made during the year amounting to ZWL3 889 682. The Council was not properly maintaining a detailed fixed asset register.

As a result of the above, I could not satisfy myself on the valuation and completeness of property, plant and equipment disclosed in the financial statements.

iv. Non- compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment".

The Council did not revalue its assets since 2011 contrary to IPSAS 17, "Property, Plant and Equipment" that requires assets to be revalued with sufficient regularity.

In addition, the Council's infrastructure assets such as road networks, bridges amongst others were not incorporated in the asset register and were not accounted for in the financial statements as required by IPSAS 17, paragraph 21.

Had the Council revalued its items of property, plant and equipment, the carrying amounts would have been materially different from the figures in the financial statements.

v. Non-Compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories".

The Council had various inventory items on hand, as at year-end. These included 3 427 residential stands, 60 commercial stands, 61 institutional stands and 102 industrial stands. According to IPSAS 12, "Inventories", these met the criteria to be accounted for as inventory. As at year end, these inventories were not accounted for in the financial statements. Management did not ascertain the value of the stands, and the matter remain unresolved.

Had the Council accounted for stands inventory the value of inventory disclosed in the financial statements would have been materially different.

vi. Revenue

There were unresolved variances amounting to ZWL1 199 330 between revenue amount as per billing reports of ZWL6 430 482 and the amount disclosed in the historical cost financial statements of ZWL5 231 152. As a result, I could not satisfy myself as to the accuracy of income reported in the financial statements.

I therefore could not satisfy myself on the accuracy of revenue as disclosed in the financial statements by alternative audit procedures.

vii. Expenditure

The Council disclosed total expenditure of ZWL12 648 766 in the financial statements. Included in the expenditure was an amount of ZWL949 738 which was not supported with the requisite documentation. I could not satisfy myself as to the accuracy and validity of expenditure balances disclosed in the financial statements.

viii. Completeness and accuracy of payables

There was a variance of ZWL300 244 between balance as per payables listing of ZWL1 622 917 and payables balance as per financial statements of ZWL1 322 673. Furthermore, there was an unresolved variance of ZWL966 154 between payroll creditors disclosed in the financial statements of ZWL3 103 061 and balance as per payroll creditors listing of ZWL2 136 907. I therefore could not satisfy myself on the accuracy and completeness of the trade and other payables reported in the financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Non-compliance with IPSAS 10, “Financial Reporting in Hyperinflationary Economies”

Finding

The Council did not prepare inflation adjusted financial statements contrary to the Public Accountants and Auditors Board (PAAB) pronouncement number 01/2019 issued on October 11, 2019. Zimbabwean entities were operating in an environment which witnessed significant monetary and exchange control policy changes since the beginning of the year. Management attributed the non-adjustment of financial statements to lack of expertise among the staff.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council staff should be trained.

Management response

The observation is noted and the Council is going to comply with IPSAS 10 in future. Our staff needs training on preparation of inflation-adjusted accounts.

1.2. Completeness and accuracy of accounts payables reconciliations

Finding

There was a variance of ZWL300 244 between payables listing of ZWL1 622 917 and payables balance disclosed in the financial statements of ZWL1 322 673. In addition, there was an unresolved variance of ZWL966 154 between payroll creditors disclosed in the financial statements at ZWL3 103 061 and balance as per payroll creditors listing of ZWL2 136 907. Management attributed these variances to system challenges.

Risk / Implication

Financial statements may be misstated.

Fraud and errors may go undetected.

Recommendation

The Council should resolve the creditors module challenges in order fully utilise it.

Council should ensure that payroll reconciliations are done on a monthly basis and variances noted should be investigated.

Management response

Council had a challenge with its Promun creditors' module therefore maintenance of creditors was difficult. The Council has engaged an IT Consultant to resolve the matter. Manual maintenance of the creditors and reconciliations is now being closely monitored.

Payroll reconciliations will be implemented monthly going forward as a control measure and also variance noted will be investigated to ensure non-recurrence.

The HR section has assumed full responsibility of the payroll and Expenditure Accountant will make supervisory checks before payments are done to ensure segregation of duties.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1. Receivables

Finding

The Council was not carrying out debtor's reconciliations. In addition, I was not availed with debtors listing and therefore I could not perform detailed tests on receivables balances disclosed as ZWL651 308 in the financial statements.

Risk / Implication

Fraud and errors may not be detected.

Financial statements may be misstated.

Recommendation

The Council should perform regular debtor's balances checks and review the validation reports regularly.

Management response

There was a reliance on the system, however regular debtor's balances checks are now being performed combined with the review of validation reports to improve the accuracy of the records.

The Council will improve on record keeping and ensure that all transactions have supporting listings and documents.

2.2. Revenue

Finding

There were unresolved variances amounting to ZWL1 199 330 between revenue amount as per billing reports of ZWL6 430 482 and the amount disclosed in the historical cost financial statements of ZWL5 231 152.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should ensure that the variances are investigated and adjustments made where necessary.

Management response

We cannot change the billing report after it has been run. Therefore, adjustment journals raised after billing will cause differences between the billing report and the ledger. We will improve on record keeping of the journals raised monthly and prepare monthly reconciliations of the ledgers to the billing. Water will be affected by usage. However, we will also perform monthly analysis as a further control measure on top of running exception reports.

3. MANAGEMENT OF ASSETS

3.1. Completeness of property, plant and equipment

There was an unresolved variance of ZWL143 703 between fixed assets register figure of ZWL16 952 533 and balance disclosed in the financial statements of ZWL16 808 830. There were also no supporting documents such as supplier invoices and goods receipt vouchers for asset purchases made during the year amounting to ZWL3 889 682. The Council was not properly maintaining a detailed fixed asset register. The Council's infrastructure assets such as road networks, bridges amongst others were neither incorporated in the asset register nor accounted for in the financial statements as required by IPSAS 17 paragraph 21.

In addition, the Council last performed a revaluation exercise in 2011 contrary to IPSAS 17, "Property, Plant and Equipment.

Risk / Implication

Financial statements may be misstated.

Recommendation

The Council should maintain a comprehensive asset register.

The Council should comply with the requirements of IPSAS 17.

Management response

Observation noted. The Council will ensure that the fixed asset register is properly updated once the Council has carried out a revaluation of its entire assets.

In future, the Council will ensure that payment vouchers are attached with all the relevant supporting documents for all asset additions done during the year. This was mainly due to poor filing system which has now been rectified from 2022 onwards.

Observation is noted. Valuation of infrastructure assets shall be effected as recommended in addition the roads rehabilitation programme that is currently in progress after which a proper valuation can be done.

3.2. Inventory

Finding

The Council did not account for stands inventory in the financial statements contrary to IPSAS 12 “Inventories”. The Council had 3 427 residential stands, 60 commercial stands, 61 institutional stands and 102 industrial stands. Management did not ascertain the value of the stands, and the matter remain unresolved.

Risk / Implication

Misstatement of financial statement.

Fraud and errors may go undetected.

Recommendation

Management should account for its inventories.

Management response

Implementation of IPSAS 12 on inventory of land will be done from 2020 financial reporting going forward. This was an oversight on reporting.

4. PROCUREMENT OF GOODS AND SERVICES

4.1. Unsupported expenditure

Finding

The Council disclosed total expenditure of ZWL12 648 766 in the financial statements. Included in this expenditure was ZWL949 738 which was not supported with the requisite documentation such as supplier invoices and receipts due to poor filing systems.

Risk / Implication

Financial loss due to unsupported expenditure.

Misstatement of financial statements.

Recommendation

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

Management response

The Council will continuously improve on its filing system and ensure that all relevant supporting documents are attached to payment vouchers, and also improve on financial statement audits as information may be misplaced after a long time.

I have audited the financial statements of Gokwe Town Council for the years ended December 31, 2019; 2020 and 2021 and I issued an adverse opinion for the three years.

Adverse Opinion 2019

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Gokwe Town Council as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates"

The Council did not comply with the provisions of International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of changes in foreign exchange rates". The need to account for these effects emanated from the 'multi-tiered' pricing environment that was prevailing during the year under review, where settlement of transactions was depended on the mode of payment, whether USD cash, RTGS, bond notes and mobile money. This resulted in the Council experiencing premiums on the official foreign exchange rate of 1:1 prescribed by Statutory Instrument 33 of 2019, between RTGS, bond notes and the nostro FCA transactions. This 'multi-tiered pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IPSAS 4 would apply. Had the Council complied with the requirements of IPSAS 4 - "The Effects of changes in foreign exchange rates", many elements in the accompanying financial statements would have been materially affected. As a result, the impact of the Council's inability to comply with IPSAS 4 - "The Effects of changes in foreign exchange rates" has been determined as significant. The effects on the financial statements are considered material and pervasive to the financial statements as a whole.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories"

The Council had various stock items on hand, as at year-end that included 5 589 residential stands, 150 commercial stands, 195 light industrial stands and 20 heavy industrial stands, spare parts and clinic drugs. According to IPSAS 12- "Inventories", these met the criteria to be accounted for as inventory. As at year end, these inventories were not valued and accounted for in the financial statements. Management could not ascertain the value and size of the stands, and the matter remain unresolved. As a result, I could not satisfy myself of the valuation and completeness of inventory disclosed in the financial statements.

iii. Expenditure not supported

Included in the expenditure of ZWL4,8 million was an amount of ZWL1,3 million which was not supported with the relevant documentation. I could not satisfy myself as to the accuracy and validity of expenditure figures disclosed in the financial statements.

iv. **Investment property**

The council had no investment property register to support the value of investment property disclosed in the financial statements amounting to ZWL484 808. I therefore could not confirm the completeness and accuracy of the investment property disclosed.

Adverse Opinion 2020

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Gokwe Town Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. **Non - compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates".**

The prior year financial statements did not comply with the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates", as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. Gokwe Town Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard, the Council's 2020 opening balances misstatements have a material impact on the accuracy of current year financial statements.

ii. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and equipment".**

The Council did not depreciate buildings, recreation parks, roads and sewer lines contrary to the requirements of IPSAS 17 - "Property, plant and equipment". In addition, the Council last performed a revaluation in 2015 despite the changes in the economic environment. This was contrary to IPSAS 17 - "Property, Plant and Equipment" which requires revaluation to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Had the Council complied with the requirements of IPSAS 17 - "Property, Plant and Equipment" the carrying amounts of property, plant and equipment disclosed would have been materially different from the ones disclosed in the financial statements.

iii. Accuracy and completeness of Property, plant and equipment

There was an unresolved variance of ZWL5,1 million between the fixed assets register of ZWL58,9 million and the financial statements of ZWL53,8 million as the Council was not maintaining a comprehensive fixed asset register. In addition, the Council did not avail supporting documents such as payment vouchers, invoices and receipts for assets purchased amounting to ZWL1,4 million (2020) and ZWL884 758 (2021).

The Council disclosed “prior year adjustments” on its property, plant and equipment amounting to ZWL305 769 relating to furniture and fittings and an adjustment on accumulated depreciation of motor vehicles amounting to ZWL74 770 without supporting documents or reasonable explanation. I therefore could not ascertain the validity and accuracy of the adjustments.

iv. Accuracy of revenue

There were unresolved variances amounting to ZWL1,2 million between revenue billing reports of ZWL11,6 million and the amount disclosed in the financial statements of ZWL12,8 million. In addition, the Council`s stands sales revenue which amounted to USD2,2 million was converted to ZWL80 million. I was not availed with evidence of the exchange rates used to arrive at the amount disclosed in the financial statements. As a result, I could not satisfy myself as to the accuracy of revenue reported in the financial statements.

v. Receivables

There were debtors with credit balances that were yet to be resolved amounting to ZWL1 million. In addition, there was an unresolved variance of ZWL991 583 between the financial statements balance of ZWL9,1 million and the debtor’s age listing amount of ZWL8,1 million. I therefore could not satisfy myself on the accuracy of receivables disclosed in the financial statements.

vi. Non- compliance with International Public Sector Accounting Standard (IPSAS) 12 - “Inventories”

The Council had various stock items on hand, as at year-end which included residential stands, commercial stands, industrial stands and clinic drugs inventory. According to IPSAS 12 - “Inventories”, these met the criteria to be accounted for as inventory. As at year end, these inventories were not valued and accounted for in the financial statements. Management could not ascertain the value and size of the stands, and the matter remain unresolved.

In addition, there was an unresolved variance of ZWL50,9 million between balances as per financial statements and the balance as per inventory valuation listing. Had the Council complied with the requirements of IPSAS 12 - “Inventories” the amount of inventory would have been materially different from the figures in the financial statements.

vii. Expenditure

The Council disclosed total expenditure of ZWL34,5 million. Included in the expenditure was an amount of ZWL1,4 million which was not supported with the relevant documentation. I could not satisfy myself as to the accuracy and validity of expenditure balances disclosed in the financial statements.

viii. Statement of changes in net assets

The Council adjusted the statement of Changes in Net Assets under the Grants Reserve by ZWL353 394. This single entry adjustment had no supporting documents. As a result, I could not satisfy myself on the accuracy and validity of the reported amounts.

ix. Investment property

There was no database or listing to support the value of investment property disclosed in the financial statements amounting to ZWL484 808. I therefore could not confirm the completeness and accuracy of this balance as well as existence of the investment property disclosed.

Adverse Opinion 2021

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Gokwe Town Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Expenditure not supported

Included in the expenditure for projects funded through grants, expenditure of ZWL7,7 million was not supported. I could not satisfy myself with the accuracy and validity of expenditure disclosed in the financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and equipment".

Included in amount of property, plant and equipment of ZWL83,6 are assets that were not depreciated. Management did not account for depreciation charge on buildings, recreation parks, roads and sewer lines contrary to the requirements of IPSAS 17, "Property, Plant and Equipment". The revaluation model under IPSAS 17 states that "revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date", that is, every 3 to 5 years. I noted that the Council last revalued its assets in 2015 upon change over from the Zimbabwean dollar to the multi-currency system. Had the Council depreciated the assets that were not depreciated and also revalued its assets, the property, plant and equipment amount disclosed would have been materially different.

iii. Completeness of Property, plant and equipment.

The Council management did not avail supporting documents such as payment vouchers and supporting supplier invoices and receipts for asset purchases made during the year amounting to ZWL884 758. As a result of the above, I could not satisfy myself on the accuracy, valuation and completeness of property, plant and equipment disclosed in the financial statements.

iv. Revenue

The Council's revenue recognition policy in relation to stand sales was not consistent with IPSAS 9, "Revenue from Exchange Transactions". The Council recognises the revenue in full upon allocation of the stand. IPSAS 9 paragraph 28 (b) requires revenue to be recognised when, "The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold."

In addition, grants and donations were not reconciled as a result there was an unresolved variance of ZWL752 855 between the amount of grants and donations income as per bank statement of ZWL9,6 million and the amount disclosed of ZWL10,4 million.

v. Valuation of inventory

The Council had various stock items on hand as at year-end. These included residential stands, commercial stands, industrial stands and clinic drugs inventory. According to IPSAS 12, "Inventories", these met the criteria to be accounted for as inventory. As at year end, these inventories were not valued and accounted for in the financial statements. Management did not ascertain the value and size of the stands and these matters were unresolved hence the financial statements were not adjusted.

As a result, I could not satisfy myself of the completeness, accuracy and valuation of inventory disclosed in the financial statements.

vi. Non-compliance with the International Public Sector Accounting Standard (IPSAS) 16 "Investment Property"

There was no evidence to support the balance of investment property disclosed in the financial statements amounting to ZWL3,5 million. In addition, management did not account for depreciation charge on investment property in accordance with international Public Sector Accounting Standard (IPSAS) 16 "Investment Property". Had the Council complied with the requirements of IPSAS 16 "Investment Property" the amounts disclosed would have been materially different.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Prior year adjustments

Finding

In 2021, the Council disclosed "prior year adjustments" on its property, plant and equipment amounting to ZWL305 769 relating to furniture and fittings and an adjustment on accumulated depreciation of motor vehicles amounting to ZWL74 770 that had no supporting documents.

Risk / Implication

Assets may be materially misstated.

Recommendation

Management should ensure that adjustments are adequately supported.

Management response

The observation is noted and Council will ensure that it has complied with IPSASs in the 2021 audit and forward.

1.2. Devolution funds

Finding

The Council received devolution funds amounting to ZWL7,3 million in 2020. However, the Council did not provide approved plan of projects, internal audit report on acquittals, minutes of meetings of project consultations, documentary evidence of implementation of the projects and the capital projects proposals submitted to the Ministry. This was contrary to the Local Authorities Circular no. 1 of 2019, "Guidance on utilisation of devolution funds".

Risk / Implication

Financial loss due to misappropriation of devolution funds.

Service delivery may be compromised.

Recommendation

The Council should ensure that it complies with the Local Authorities Circular no. 1 of 2019.

Management response

Observation is noted. Management will ensure that all the issues raised by audit are attended to as a matter of urgency. The Internal Audit Department will also ensure that there are no weaknesses surrounding the utilisation of devolution thereby ensuring Council's compliance with the Local Authorities Circular no. 1 of 2019 - Guidance on utilisation of devolution funds.

1.3. Payables

Finding

There was an unresolved variance of ZWL57 710 between payroll payables disclosed in the financial statements of ZWL2,1 million and balance as per payroll payables listing of ZWL2 million. In addition, the Council was maintaining its payables on Excel which did not have any controls instead of utilising the creditor's module in the PROMUN system.

Risk / Implication

Material errors may occur and not detected on time.

Financial statements may be misstated.

Recommendation

The Council should investigate the variances and make the necessary adjustments.

The Council should make use of the creditors' module in the PROMUN system.

Management response

Management will ensure that the variance is investigated and corrective measures taken so that figures in the financial statements are supported by correct listings. The Council will also ensure that all PROMUN modules are working so that all the Council information will be on the system so that we do away with manual records. Going forward, reconciliations will be done quarterly. The Council will operationalize the creditors' module accordingly; funding and trainings have been a challenge for the Council.

1.4. Manual accounting system

Finding

The Council's revenue collection points that were not housed at the Town House, (that is, Cheziya Clinic, Mapfungautsi Clinic, Craft Centre, Bus terminus, Pay toilets) were not automated. The Council attributed this condition to under-utilization of the Promun system due to lack of training among staff.

Risk / Implication

Financial loss due to fraud and error.

Recommendation

The Council should consider training staff to ensure full utilisation of the Promun system for automation of all processes.

Management response

The Council will get its staff trained and update its accounting package and ensure all available modules are utilised to allow all information to be automated. The Council will enhance internal controls in order to minimise manipulation of revenue.

1.5. Valuation roll

Finding

The Council did not have an updated valuation roll contrary to the requirements of section 253(a)-(f) of the Urban Councils Act [Chapter 29:15]. The valuation roll in use signed in January 2020 categorised properties as “unallocated” although the properties were in existence from as early as 2016. In addition, new properties developed and improvements done in 2020 and 2021 were missing from the valuation roll. Management cited delays by the Ministry of Local Government and Public Works to perform the valuation as a contributory factor.

Risk / Implication

The Council might be undercharging or overcharging rate payers.

Property additions and improvements after the valuation may not be billed.

Recommendation

The Council should continue engaging the Ministry of Local Government and Public Works to have an updated valuation roll to ensure accurate billing of rateable properties.

Management response

Observation noted. The Council has already started the process through the Valuations department. Field work was completed on the 08th of February 2023.

1.6. Leased properties

Finding

There was no evidence of lease agreements for some Council leased properties. Inquiries with management revealed that there was missing information on tenants' history on some of the properties and there was need to perform a comprehensive information gathering exercise.

Risk / Implication

Potential loss of revenue.
Recommendation

The Council should ensure that all tenants have valid lease agreements.

Management response

The issue is noted and Council will ensure that all properties are issued with the lease agreements. We will also regularly review rentals in line with inflationary trends.

2. PROCUREMENT OF GOODS AND SERVICES

2.1. Assets purchased without going to tender

Finding

In 2019, Council purchased assets worth ZWL1 254 194 without going through the tendering process as required by the procurement regulations. This was a violation of Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*] and the Statutory Instrument 5 of 2018. Below is a table showing the details;

Assets purchased without tendering

DATE	DESCRIPTION	AMOUNT (ZWL)
25/06/2019	Refuse trailer & tow grader	173 580
19/08/2019	80hp refuse tractor	286 800
17/12/2019	Solar street lights and 500w	182 250
21/05/2019	Nissan Np300	154 129
27/12/2019	Solar powered boom gate	132 000
11/04/2019	10 kw solar equipment and fixing	325 435
Total		**1 254 194**

Risk / Implication

The Council may be penalised for flouting tender procedures.

Value for money may not be achieved.

Fraudulent procurement processes.

Recommendation

The Council should comply with the Public Procurement and Disposal of Public Assets Act and Statutory Instrument 5 of 2018.

Management response

Noted the anomalies will be corrected in future to ensure the Council adheres to the statutory requirements. The Council has also improved on this issue as it now has a fully-fledged procurement unit and this will help council to ensure that all the procurement requirements are met.

2.2. Unsupported expenditure

Finding

The Council disclosed total expenditure of ZWL4,8 million in 2019. However, expenditure amounting to ZWL1,3 million was not supported. I was also not availed with payment vouchers for expenses incurred using grant funds amounting to ZWL7,9 million.

Expenditure incurred in 2020 amounting to ZWL1,4 million was not supported with the relevant documentation such as payment vouchers and invoices. Inquiries with management revealed that missing documents were as a result of poor filing.

Risk / Implication

Financial loss due to weak controls in procurement activities.

Recommendation

All expenditure should be adequately supported with relevant documents.

Management response

Observation is noted. The Engineer responsible for ZINARA acquittals resigned and the documents could not be located. On all missing documentation Council will improve on its filling system. Going forward, the Council will ensure that all the relevant supporting documents are attached to their respective payment vouchers. These will be kept safely on file for ease of use in the future.

This was mainly due to poor filing caused by the Council relying on students on attachment and graduate trainees. This has now been rectified from 2022 onwards.

The Council is in the process of implementing Local Authorities Digital Systems (LADS) voucher management system, which keeps the supporting documents in electronic form. This will be the solution and backup to the manual vouchers.

3. REVENUE COLLECTION AND DEBT RECOVERY

3.1. Grant

Finding

In 2021, there was an unresolved variance of ZWL752 855 betwee grant disclosed in the financial statements of ZWL10,4 million and the actual amount disbursed by ZINARA as per bank statement of ZWL9,6 million. This was contrary to the Public Finance Management Act (PFMA) [*Chapter 22:19*] which requires accounting authorities to establish strong systems of financial management and internal control. Management attributed the variance to a glitch in the Promun system which posted one side of the transaction twice.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should reconcile balances to source documents and the variance should be investigated and cleared.

Management response

The Council will implement all audit requirements.

3.2. Revenue variances

Finding

There were unresolved variances amounting to ZWL1,2 million between billing reports of ZWL11,6 million and the amount disclosed in the financial statements of ZWL12,8 million. In addition, the Council`s stands sales revenue which amounted to USD2,2 million was converted to ZWL80 million. I was not availed with conversion rates used to arrive at the amount disclosed in the financial statements.

Risk / Implication

Financial statements may be misstated.

Recommendation

The Council should ensure that the variances are investigated and adjustments made.

Management response

Observation is noted. Billing reconciliations will be conducted on a monthly basis going forward and correct statistics kept as well as proper record keeping of all income journals passed.

3.3. Stand sales revenue recognition

Finding

The Council's revenue recognition policy was not consistent with International Public Sector Accounting Standard (IPSAS) 9 - "Revenue from Exchange Transactions". The Council recognises the revenue in full upon allocation of the stand contrary to IPSAS 9. IPSAS 9 paragraph 28 (b) requires revenue to be recognised when, "The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold."

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should align its policies with IPSAS 9 -"Revenue from Exchange Transactions" and recognize revenue accordingly.

Management response

The Council has noted audit observation and will fully comply with this requirement for the 2022 financial period.

3.4. Beer levy

Finding

The Council accounted for beer levy income as per bank statements amounting to ZWL655 281 in 2020 and ZWL3,8 million in 2021 without obtaining returns from commercial brewers contrary to section 11 of the Traditional Beer Act [*Chapter 14:24*].

Risk / Implication

Financial loss due to misstatement of revenue.

Recommendation

The Council should engage commercial brewers and obtain beer sales returns.

Management response

It is 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 but however we will put modalities in place to ensure that some reconciliation is performed in future.

4. EMPLOYMENT COSTS

4.1. Key vacant posts

Finding

The Council had key vacant posts for the Senior Housing and Community Services Officer and Town Engineer. In addition, I noted that the Revenue and Expenditure Controller was also the Chief Administration Officer and Director Finance. As a result, there was no segregation of duties as the officer held three posts.

Risk / Implication

Decision making may be compromised in the absence of key personnel.
Fraud and error may go undetected in the absence of segregation of duties.

Recommendation

The Council should to ensure that key vacant positions are timely filled so as to avoid a huge gap in management leadership.

Management response

The Director of Finance and Town Secretary are on suspension and issues are now at the Local Government Board and we hope they will be finalised soon. Town Engineer and Senior Housing were shortlisted and interviews are targeted in the month of September 2022. The Council had no qualified staff to fill the position of Acting Chief Administrator, hence the move.

5. MANAGEMENT OF ASSETS

5.1. Inventory management and valuation

Finding

The Council had various stock items on hand which included 5 589 residential stands, 150 commercial stands, 195 light industrial stands and 20 heavy industrial stands, spare parts, stationery and clinic drugs on December 31, 2019 and 2020. According to IPSAS 12- “Inventories”, these met the criteria to be accounted for as inventory. As at year end, these inventories were not valued and accounted for in the financial statements. Management could not ascertain the value and size of the stands, and the matter remain unresolved. Inquiry with management revealed that the stands inventory issues were due to use of different softwares such as PROMUN for finance department and LADS for housing department without interface.

In addition, there was an unresolved variance of ZWL50,9 million in 2020 between balances as per financial statements and the balance as per inventory valuation listing. Management could not provide supporting documents which were used in inventory valuation.

Risk / Implication

Financial statements may be materially misstated**.**

Financial loss due to fraudulent sale of stands.

Recommendation

The Council should ensure that all inventories are valued and appropriately accounted for.

Management response

The Council agrees with the Auditors recommendation and it will be able to fully implement the recommendation from 2023 financial year onwards. In addition, the Council will ensure that inventory accounting package is implemented so as to ensure proper maintenance of inventory.

The Council will improve on internal controls to ensure that every item received by council whether donated or otherwise is properly recorded in council records to ensure completeness of financial records.

5.2. Property, plant and equipment

Finding

The Council was not maintaining an updated comprehensive fixed asset register. As a result, there was an unresolved variance of ZWL5,1 million between the carrying amount of ZWL58,9 million in the asset register and the amount disclosed in the financial statements of ZWL53,8 million. This was contrary to section 286 (1) of the Urban Councils Act [*Chapter 29:15*]. Enquiry with management revealed that this was due to inadequate staff in the Finance Department.

In addition, buildings, roads and sewer/ water infrastructure were not being depreciated for the three (3) years under review contrary to IPSAS 17, “Property, Plant and Equipment” which requires an asset to be depreciated over its useful life. The undepreciated balances disclosed as at December 31, 2021 were: buildings ZWL25,2 million, recreational parks ZWL237 156, roads ZWL47,4 million and storm water drainage ways ZWL10,7 million.

There were no supporting documents such as supplier invoices and receipts for asset purchased during the year under review amounting to ZWL1,5 million (2020) and ZWL884 758 (2021).

Risk / Implication

Financial loss due to fraud and misappropriation of assets.

Financial statements may be misstated.

Recommendation

The Council should ensure that a comprehensive fixed asset register with all the necessary details is maintained.

The Council should comply with IPSAS 17 and the available depreciation policy.

All expenditure should be adequately supported with invoices and receipts.

Management response

Observation noted. The Council will ensure that the fixed asset register is properly updated once the Council has carried out a revaluation of its entire assets. This will enable the Council to charge or calculate depreciation on each individual asset.

The Council will review its policy which states that assets of such a nature are not depreciated but rather revalued in 10 years. Council will ensure full compliance

with the IPSAS and all assets will be revalued in 2023 and IPSAS 17 requirements will be complied with.

The Council is in the process of implementing LADS Voucher management system, which keeps the supporting documents in electronic form. This will be the solution and backup to the manual vouchers.

5.3. Asset revaluation

Finding

I noted that the Council last performed revaluation of assets in 2015. According to IPSAS 17- “Property, Plant and Equipment”, revaluation of assets should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Enquiries with management revealed that this was due to inadequate staff in the Finance department and also lack of funds.

Risk / Implication

Financial statements may be misstated.

Recommendation

Management should ensure that all assets are revalued with sufficient regularity (that is, every 3 to 5 years) in compliance with IPSAS 17- “Property, Plant and Equipment”.

Management response

Observation is noted. Management will ensure that revaluation of assets is done by the end of 2023.

5.4. Investment properties

Finding

The Council did not have any record to support the investment property disclosed in the financial statements for the three (3) years under review disclosed at ZWL3,5 million in 2021 (ZWL484 808 historical cost for the 3 years).

Risk / Implication

Misstatement of financial statements.

Misappropriation of assets without detection.

Recommendation

Management should maintain an investment properties database.

Management response

The Council notes the observation and will ensure that revaluation of its investment properties is done and its database is properly updated.

6. SERVICE DELIVERY

6.1. Provision of social amenities

Finding

The Council's three (3) social amenities which are the community hall, swimming pool, tennis court needed rehabilitation. In addition, these were inadequate as they were lacking sporting fields and libraries. The Council cited lack of funding to maintain available social amenities and also to construct new ones. The Council had budgeted ZWL535 629 for provision of recreational parks during the year and utilized ZWL147 000 due to funding constraints.

Risk / Implication

Service delivery may be compromised.

Recommendation

The Council should consider renovating and rehabilitating the social amenities that are in poor state.

The Council should consider constructing and or developing new social amenities.

Management response

The Council has erected soccer and netball posts in each of the six (6) wards to encourage sports for both men and women. It has budgeted to construct infrastructure at the community hall for table tennis and introduce indoor games like chess, darts, taekwondo and other indoor disciplines.

7. PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing finding that I raised in my 2020 report. I raised eight (8) findings, one (1) was addressed, one (1) was partially addressed and six (6) were not addressed as indicated below;

7.1. Policies and procedure manuals

The finding has been partially addressed. Asset capitalisation policy is yet to be crafted and approved.

7.2. Internal audit

The finding has been addressed. The post of the internal auditor has been filled.

7.3. Allocation of commercial stands

The finding has not been addressed. Council is yet to avail evidence of an offer letter and resolution approving sale of the commercial stand.

7.4. Beer levy

The finding has not been addressed. Sales schedules are yet to be received from the traditional commercial brewers.

7.5. Purchases of goods and services

The finding has not been addressed. Council is yet to avail the missing vouchers and put in place an effective filling system.

7.6. Payments for assets and operating expenditure

The finding has not been addressed. Council is yet to avail the missing vouchers and put in place an effective filling system.

7.7. Salaries payables

The finding has not been addressed. Salaries payables reconciliations are yet to be done.

7.8. Ambulance and fire services

The finding has not been addressed. Council is yet to procure an ambulance and establish a fire department.

I have audited the financial statements of Karoi Town Council for the year ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report the financial statements do not present fairly, the financial position of Karoi Town Council, as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4, "The Effects of Changes in Foreign Exchange Rates"

The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council therefore translated its foreign denominated balances to ZWL using the February 22, 2019 interbank rate. The entity has not been able to assess the appropriateness of the interbank rate in achieving fair presentation primarily due to the need to comply with SI 33 and also the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. Additionally, the introduction of the interbank rate occurred after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. In substance, the immediate delivery of foreign currency could not be guaranteed which impinged on the underlying concept of closing rates and definition of spot rates. This therefore had an impact on the basis for measuring transactions between October 2018 and February 2019, valuation of assets and liabilities as well as the accounting for exchange differences. In that regard, the entity has not been able to comply with the requirements of IPSAS 4, "The Effects of Changes in Foreign Exchange Rates".

Date of change in functional currency

Karoi Town Council adopted February 22, 2019 as the date of change in functional currency despite the existence of evidence that the chosen date could have been not appropriate. Based on International Public Sector Accounting Standard (IPSAS) 4, "The Effects of Changes in Foreign Exchange Rates", the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. In particular, there was a requirement for banks to separate local Foreign Currency Accounts (FCAs) (RTGS$) from the FCA Nostro USD Accounts effective October 01, 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS$ and USD, therefore the Council's reported transactions did not indicate the prevailing economic substance. In February 2019 there was a Monetary Policy statement which introduced RTGS$ and the interbank foreign exchange market.

Due to the fundamental nature of the issues raised and interplay of variables within the existing economic environment, I have not been able to determine the extent of misstatements and any adjustments that would have been necessary to correct the historical cost financial statements. The effects on the historical cost financial statements have an impact on the application of IPSAS 10, “Financial Reporting in Hyper-Inflationary Economies”.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, plant and equipment”.

Council did not perform an assessment of the economic useful life of its assets. This resulted in assets with zero values that were still in use. IPSAS 17, “Property, Plant and Equipment”, paragraph 67 requires that the useful life of an asset be reviewed at least once at each annual reporting date.

The Council disclosed buildings at a carrying amount of ZWL8 392 697. However, Council did not separate land from buildings for depreciation calculation thereby depreciating land. This was contrary to IPSAS 17, “Property, Plant and Equipment”.

Had the Council complied with the requirements of IPSAS 17 - “Property, Plant and Equipment” the carrying amounts of property, plant and equipment disclosed would have been materially different from the ones disclosed in the financial statements.

iii. Unallocated deposits

The Council recognized unallocated deposits amounting to ZWL774 743 as revenue instead of liabilities in the financial statements. I was not able to match the deposits to the respective individual services accounts. As a result, receivables and equity were overstated with the same amount. Had the deposits been identifiable with the respective services, the amount disclosed would have been materially different.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUE

1.1 Asset management policy

Finding

The Council did not have an asset management policy in place contrary to Public Finance Management (General) Regulations, 2019 section 33 which requires an Accounting Officer to establish asset management systems that enables an entity to meet its service delivery requirements.

Risk / Implication

Misstatement of financial statements.

Inconsistences in handling of assets.

Recommendation

Management should put in place an asset management policy.

Management response

Management noted the observation and to have the asset management policy by 31 March 2023.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Unallocated deposits

Finding

The Council had no mechanisms to enable the identification of a reference (Account number) whenever a rate payer makes a direct deposit. In addition, no awareness campaigns were done to alert rate payers to include reference of account number when making direct deposits. As a result, the Council had unallocated deposits of ZWL774 743. The Council utilised the amount without identifying the purpose of the deposits. The direct deposits were recognised as revenue instead of liabilities.

Risk / Implication

Financial statements may be misstated.

Financial loss due to misappropriation of funds.

Recommendation

The Council should engage the bankers with a view of designing an appropriate system matching direct deposits to respective accounts.

The Council should conduct awareness campaigns informing residents on the need to have their direct deposits receipted.

Management response

Management to engage our bankers to customise our deposit slips and bank statement on direct deposits. An Officer responsible for tracking and identifying depositors for unknown deposits to be assigned and trained by 31 November 2022.

2.2 Revenue from stand sales

Finding

The Council did not have a comprehensive database for stand sales made in Chiedza and West-view areas. Revenue from stand sales amounting to ZWL2 555 231 was recognized on a cash basis contrary to IPSAS 9, “Revenue from Exchange Transactions” which requires revenue to be reported on accruals basis.

Risk / Implication

Financial statements may be misstated.

Misappropriation of stands may go unnoticed.

Recommendation

Management should maintain a comprehensive stand sales record.

The Council should comply with the accruals accounting basis.

Management response

Funds related to stands sales were recognized on cash basis. Therefore, payments that were done by stands debtors were not posted to the relevant debtors’ accounts but were treated as stands sales for the year under review.

Council could not correct the anomaly as there was no database for the stands debtors.

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 Council recognised beer levy revenue amounting to ZWL1 709 422 for the year under review. I was not availed with evidence of any reconciliation or verification of sales which were made by the brewer in arriving at the remitted funds. Upon enquiry with management it was indicated that Council only recorded funds received at the bank 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

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

Under-collection of revenue.

Recommendation

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

Management should perform reconciliations for the remitted funds.

Management response

Management noted the recommendation on beer levy reconciliations. We only recorded the received funds. However, starting January 2023, the Council will engage Delta breweries to correct the same.

3. MANAGEMENT OF ASSETS

3.1 Valuation of land

Finding

The Council did not have a land register in place and no valuation of land was done. As a result, land was not accounted for in the financial statements as per the requirements of IPSAS 17, “Property, Plant and Equipment”.

Risk / Implication

Financial statements may be misstated

Recommendation

The Council should value land and account for it in the financial statements.

Management response

The Council will consider valuation of land in April 2023. Accordingly, 2019 financial statements only bear the value of buildings.

3.2 Assets with nil values

Finding

The Council had six (6) assets with nil values whichwere still in use. These assets included four (4) vehicles and two (2) generators. The useful lives and residual values of assets were not reassessed on a regular basis as required by IPSAS 17, “Property, Plant and Equipment”.

Risk / Implication

Financial statements may be misstated.

Recommendation

Assets should be assessed for useful lives and revalued regularly reflecting the economic benefit derived by the Council.

Management response

Management takes note of the observation. Management will assess the useful lives of assets on a regular basis.

4. SERVICE DELIVERY

4.1 Council clinics

Finding

The Council had only one (1) clinic (Chikangwe Clinic) to serve the whole town. In 2019, Council resolved to establish a satellite clinic in Kubatana however, at the time of my audit in November 2022, there was no satellite clinic in Kubatana and no satisfactory explanation was given on why the resolution was not implemented.

In addition, there was no running tap water at Chikangwe clinic and inquiries with management revealed that the clinic was making use of dam water which was not safe for drinking. There was no evidence of the Council’s plans to solve the water problems at the clinic.

Risk / Implication

Provision of health services may be compromised.

Recommendation

The Council should consider building and setting up clinics in other areas of the town.

The Council should come up with a long-term plan to resolve the water problem.

Management response

The Council has put Chiedza and Kubatana clinics in its 2021 to 2025 strategic plan. Tender process to select a contractor for the construction of Chiedza Clinic was done in the year 2022. Construction of the Chiedza Clinic is set to be done in the year 2023, financed from devolution funds.

The Council envisages to drill a borehole at Chikangwe Clinic and to refurbish the water reticulation at the clinic in the year 2023.

5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council did not make progress in addressing findings that I raised in my 2021 report. I raised four (4) findings and all the four (4) were not addressed as indicated below;

5.1 Termination of Clyna Trading (Private) Limited contract

The finding has not been addressed. Mutual agreement on termination of the traffic operations not yet reached by both parties.

5.2 Registration of motor vehicles

The finding has not been addressed. The five vehicles are not yet registered in the Council name.

5.3 Delivery of refuse compactor truck

The finding has not been addressed. Refuse truck not yet delivered.

5.4 Delivery of goods

The finding has not been addressed. Council has not yet applied for condonation with Procurement Regulatory Authority of Zimbabwe (PRAZ).

I have audited the financial statements of Mvurwi Town Council for the years ended December 31, 2019 and 2020, and I issued adverse opinions.

Adverse Opinion 2019

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Mvurwi Town Council as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4- "The Effects of Changes in Foreign Exchange Rates"

During the period January 1, 2019 to February 22, 2019, the Council operated in an environment where suppliers were applying multi-tier pricing, where a single product had different prices depending on the mode of payment, whether USD cash, electronic payment, mobile money or bond notes. Due to the economic environment, the Council operated in, the Council ended up experiencing premiums on the official foreign exchange rate of 1:1 prescribed by statutory instrument 133 of 2016, between the RTGS FCA, Bond Notes, and the Nostro FCA. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IPSAS 4- "The Effect of Changes in Foreign Exchange Rates" would apply. The transactions and balances presented in the period January 1, 2019 to February 22, 2019 were converted from USD to ZWL at an official rate of 1:1 in line with the requirements of Statutory Instrument (SI) 33 of 2019. IPSAS 4- "The Effect of Changes in Foreign Exchange Rates" requires the use of a single market exchange rate when converting balances and transactions upon a change in functional currency. Consequently, using a rate of 1:1 for translating transactions during the period January 1, 2019 to February 22, 2019 to ZWL and use of different exchange rates when converting balances and transactions upon a change in functional currency resulted in the distortion of the ZWL values presented in the financial statements.

To comply with the legislation, some of the transactions presented in the period February 23, 2019 to December 31, 2019, were converted to the local reporting currency (ZWL) using the official exchange rate which was derived from the interbank rate. IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates**"** requires firms to use market exchange rates from official sites which reflect a currency's long-term exchangeability. For the Council, the Zimbabwean Dollar is subject to a longer-term lack of exchangeability on the forex exchange market since the Council could not access the foreign currency from this market during the year. This resulted in a departure from the requirements of IPSAS 4- "The Effect of Changes in Foreign Exchange Rates".

The comparative figures were converted to the local reporting currency (ZWL) from the previous reporting currency (USD) at a rate of 1:1. The exchange rate used did not represent the true market exchange rate which existed in the comparative year in terms of IPSAS 4- "The Effect of Changes in Foreign Exchange Rates". The use of an exchange rate of 1:1 was not in line with the requirements of IPSAS 4 - "The Effect of Changes in Foreign Exchange Rates" when applying a change in functional and reporting currency retrospectively. This resulted in distortion of comparative figures reported in the financial statements. The opening balances as at January 1, 2019 contain misstatements that materially affect the current period's financial statements of the

Council, and the effects of the misstatements are not appropriately accounted for. Since the opening balances as at January 1, 2019 were part of the determination of the financial performance, changes in net assets and cash flows for the financial year ended December 31, 2019, adjustments might have been necessary in respect of the current year financial statements of the Council in line with the requirements of IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had the financial statements been prepared in accordance with the requirements of the IPSAS 4 - "The Effect of Changes in Foreign Exchange Rates", some elements would have been materially different. The effects of non-compliance with the requirements of IPSAS 4- "The Effect of Changes in Foreign Exchange Rates" have been considered to be material to the financial statements as a whole

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyperinflationary Economies”

Inflation-adjusted amounts in terms of requirements of IPSAS 10 - “Financial Reporting in Hyperinflationary Economies” were arrived at based on misstated historical amounts, consequently, corresponding figures on the inflation-adjusted Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Net Assets, and the Statement of Cash Flows remain misstated and this also impacts comparative figures. The comparability and misstatements' effects have not been quantified. However, they have been determined to be inherently both material and pervasive given their nature and the impact when the underlying historical amounts are restated for hyperinflation.

iii. Value Added Tax

The Value Added Tax (VAT) was not being calculated and captured in the system and the returns were not being submitted to the regulatory authority. In light of this, I could not ascertain the total amount of VAT receivable or payable during and at year-end. Due to limited audit evidence, I could not find any other alternative means of determining the balance at year-end to my satisfaction.

Adverse Opinion 2020

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Mvurwi Town Council, as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4- “The Effects of Changes in Foreign Exchange Rates”

The prior year’s financial statements for the year ended December 31, 2019 had an Adverse opinion based on improper application of International Public Sector Accounting Standards (IPSAS) 4- "The Effect of Changes in Foreign Exchange Rates". During the financial year ended 2019, the Council operated in an environment where suppliers were applying multi-tier pricing, where a single product had different prices depending on the mode of payment, whether USD cash, electronic payment, mobile money, or bond notes. Due to the economic environment, the Council operated in, the Council ended up experiencing premiums on the official foreign exchange rate of 1:1 prescribed by statutory instrument 133 of 2016, between the RTGS FCA, Bond Notes and the Nostro FCA during the period January 1, 2019 to February 22, 2019. This resulted in transactions that are similar to what one would expect with transactions undertaken in different currencies to which IPSAS 4 would apply. The transactions and balances presented in the period January 1, 2019 to February 22, 2019 were converted from USD to ZWL at an official rate of 1:1 except for Nostro FCA-denominated balances which were converted at 1:2.5 in line with the requirements of Statutory Instrument 33 of 2019. IPSAS 4 - "The Effect of Changes in Foreign Exchange Rates” requires the use of a single market exchange rate when converting balances and transactions upon change in functional currency. Consequently, using a rate of 1:1 for translating transactions during the period January 1, 2019 to February 22, 2019 to ZWL and use of different exchange rates when converting balances and transactions upon change in functional currency resulted in distortion of the ZWL values presented on the financial statements. This resulted in a departure from the requirements of IPSAS 4 - "The Effect of Changes in Foreign Exchange Rates".

The opening balances as at January 1, 2020 contain misstatements that materially affect the current period's financial statements of the Council, and the effects of the misstatements are not appropriately accounted for. Since the opening balances as at January 1, 2020 were part of the determination of the statement of financial position, Changes in Reserves and Cash Flows for the financial year ended December 31, 2020, adjustments might have been necessary in respect of the current year’s financial statements of the Council in line with the requirements of IPSÅS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyperinflationary Economies”

Inflation-adjusted amounts in terms of requirements of IPSAS 10 - “Financial Reporting in Hyperinflationary Economies”, were arrived at based on misstated historical amounts, consequently, corresponding numbers on the inflation-adjusted statement of financial performance, the inflation-adjusted statement of financial position, the inflation-adjusted statement of changes in reserves, and the inflation-adjusted statement of cash flows remain misstated and this also impacts comparative figures. Had the underlying historical cost financial statements been prepared in accordance with the requirements of IPSAS 4 - "The Effect of Changes in Foreign Exchange Rates", and then inflation-adjusted in accordance with IPSAS 10 - “Financial Reporting in Hyperinflationary Economies”, many elements in the accompanying financial statements would have been restated. It was not practicable to quantify the financial effects on the financial statements, hence, the comparability and misstatements' effects have not been quantified. However, they have been determined to be inherently both material and pervasive given their nature and the impact when the underlying historical amounts are restated for hyperinflation.

iii. Revenue

The Council did not have a database for business licenses for the year under review. Due to missing information, I could not ascertain the completeness and accuracy of business licenses amounting to ZWL3,4 million. In addition, the Council did not have a lease register in place, which shows the necessary details of all leased properties. In light of this, I could not ascertain the completeness and accuracy of revenue from lease rental amounting to ZWL1,1 million.

In addition, beer levy of ZWL3,1 million in the financial statements was recorded on a cash basis. The basis of arriving at the total beer levy for the year could not be explained or supported to my satisfaction, and there was no evidence available to support the levy except the proof of receipt. Due to the limitation of scope, I was not able to ascertain whether the total levy reported is accurate and complete or not. I could not find any other alternative means of ascertaining the accuracy and completeness of business license fees, rental income and beer levy.

iv. Statutory obligations

The Council was claiming Value Added Tax (VAT) on some of the expenditures using an incorrect rate of 15% instead of the standard rate of 14.5%. This resulted in an overstatement of VAT receivable. Further, the Council was not claiming VAT on some of the standard-rated expenditures which resulted in an understatement of VAT receivable. Due to these errors, the VAT balance has been determined to be inaccurate.

In addition, the Council was not applying tax on the motor vehicle use benefits and fuel allowances received by employees. This resulted in an understatement of Pay As You Earn (PAYE) payable to the regulatory authority.

v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, Plant and Equipment".

The Council did not recognise land reserves and other infrastructure assets including road networks, sewage systems, and water supply systems in the financial statements, resulting in an understatement of assets and noncompliance with IPSAS 17- "Property, Plant and Equipment".

Below are other material other issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Value Added Tax

Finding

The Council was claiming Value Added Tax (VAT) on some of the expenditure using a rate of 15% instead of 14.5% and other expenses were recorded inclusive of VAT for the period under review. The Council is a registered VAT vendor, but due to management oversight, it is not complying with Value Added Tax Act [*Chapter 23:12*].

Risk / Implication

Financial loss due to fines and penalties.

The Council is not claiming VAT on some of the expenditure items resulting in financial losses.

Recommendation

The Council should use the correct VAT rate as per the current VAT Act. Expenses should be recorded net of VAT.

Management responses

Noted. Corrective action will be taken with immediate effect.

1.2 Income tax

Finding

The Council was not applying tax on the motor vehicle use fringe benefits and fuel allowances received by employees contrary to the requirements of the Income Tax Act [*Chapter 23:06*].

Risk / Implication

Understatement of Pay As You Earn (PAYE) which might lead to financial loss due to fines and penalties.

Recommendation

All fringe benefits awarded to employees should be included in gross income for PAYE computations.

Management response

Noted. Corrective action will be taken with immediate effect.

1.3 Stand files

Finding

The Council was not maintaining proper records of stands. The majority of stands files did not have critical information such as application forms, letter of approval, offer letter, proof of payments, lease agreements, certified identification documents, address and contact details were missing. This was contrary to the housing procedure manual. The table below refers;

Stand files without key documentation

Area	Total stands	Files without documents
Kurai high-density	482	260
Kurai medium	462	200
Mbizi	191	100
Pembi	527	460
Total	**1 662**	**1 020**

Risk / Implication

Fraudulent stand sales may be concealed.

Recommendation

The Council should ensure that files are created for all stands sold and the files should contain all necessary documentation for stand sales.

Management response

The Council placed public notices in its various public places requesting all Council stands beneficiaries to come and update their records so as to correct

the anomaly. The Council will do everything necessary to address this challenge as per your recommendation.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Business licenses

Finding

In 2020, the Council did not have a database for business licences as required by section 212 of the Urban Councils Act [*Chapter 29:15*]. As a result of the missing information, I could not ascertain the completeness of revenue from business licenses amounting to ZWL 3 433 559.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should maintain a comprehensive and up to date database for businesses in its jurisdiction.

Management response

The Council is in the process to use Local Authorities Digital System (LADs) which has a Business license module, currently Council will compile a database using excel before migrating to LADs.

2.2 Beer levy

Finding

The Council recognized beer levy revenue amounting to ZWL3,1 million in 2020. I was not availed with evidence of any reconciliation or verification of sales made by the brewers and there was no supporting evidence of how the brewers arrived at the amount paid. This was contrary to the provisions of the Traditional Beer Act [Chapter 14:24] section 15 which requires local authorities to demand production of records or accounts of controlled liquor monies to verify the accuracy of the amount to be remitted and paid to the Council by the brewer.

Risk / Implication

Potential loss of revenue.

Recommendation

The Council should obtain beer sales information, calculate and reconcile the levy receivable from the brewers.

Management response

Noted. Engagements with Delta Beverages are underway so that Council gets beer sales information for it to calculate and reconcile the levy receivable from brewers.

3. MANAGEMENT OF ASSETS

3.1 Property, plant and equipment

Finding

The Council did not recognise land reserves and other infrastructure assets including road networks, sewage systems, and water supply systems in the financial statements, resulting in an understatement of assets and noncompliance with IPSAS 17.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should recognise land reserves and other infrastructure assets in the financial statements.

Management response

Noted. The Council failed to carry out a revaluation exercise in line with IPSÅS 17 due to financial constraints, however, a provision for the valuation of assets has been included in the 2023 budget.

4. SERVICE DELIVERY

4.1 Waste water management

Finding

The Council's sewage system was not in compliance with the Environmental Management Act [*Chapter 20:27*] requirements because it lacks proper sewer stabilization ponds. As a result, during the year under review, the Council was fined ZWL55 868.

Risk / Implication

Financial losses due to fines and penalties.

Potential health and safety hazards to the community.

Recommendation

The Council should prioritize the completion of a proper sewer stabilization point.

Management response

The Council is currently constructing new Sewer Stabilisation Ponds which are now at 80% completion and are compliant with Environmental Management Act [*Chapter 20:27*].

4.2 Dumpsite

Finding

The dumpsite at Kurai High was not in compliance with the provisions of the Environmental Management Act [*Chapter 20:27*], which requires a full environmental impact assessment to be done and a certificate to be acquired prior to operations. The Council cited limited resources to establish a scientifically engineered landfill.

Risk / Implication

Financial loss due to penalties and fines from the regulatory authority.

Potential health hazards to the community.

Recommendation

The Council should comply with the Environmental Management Act [*Chapter 20:27*].

Management response

Failure to have a compliant landfill is due to lack of funding. The Council will seek assistance from the Central Government to construct a compliant landfill.

I have audited the financial statements of Norton Town Council for the year ended December 31, 2021, and I issued an adverse opinion.

Adverse Opinion

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

Basis for Adverse Opinion

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

The Council did not comply with IAS 21, "The Effects of Changes in Foreign Exchange Rates" as it elected to comply with Statutory Instrument 33 of 2019 (SI 33/19) only from 22 February 2019. Prior to 20 February 2019, the transacting and functional currency of the Zimbabwean economy was the United States dollar (USD). The rate of 1:1 was consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by IAS 21, "The Effects of Changes in Foreign Exchange Rates". The Council transacted using a combination of USD, electronic cash, bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, and RTGS FCA in comparison to the USD. Although RTGS was not legally recognized as currency up until 22 February 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was a currency. In October 2018, banks were instructed by the Reserve Bank of Zimbabwe (RBZ) to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g., United States Dollar, British Pound, and South African Rand).

Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. For the period up to 22 February 2019, the Council maintained its functional currency as the USD, with transactions and balances reflected using an exchange rate of 1:1 in compliance with SI 33/19. From 22 February 2019, balances and transactions were retranslated at the legislated inaugural exchange rate of 1:2.5 between the USD and the RTGS$ in compliance with the requirements of SI 33/19. Whilst the timing of this conversion was in line with the dictates of SI 33/19, it constituted a departure from the requirements of IAS 21, "The Effects of Changes in Foreign Exchange Rates", and therefore the 2019 financial statements were not prepared in conformity with International Financial Reporting Standards.

The Council translated foreign denominated transactions and balances using exchange rates determined from the interbank market and trading arrangements. In view of the continued distortions in the foreign exchange market during the year, the Council indicated that it could not establish observable and consistent market wide spot exchange rates that meet the requirements of IAS 21, “The Effects of Changes in Foreign Exchange Rates”, the same pattern contributed to the qualified opinion in prior year on this matter.

ii. Non-compliance with International Accounting Standard (IAS) 16 – “Property, plant and equipment”

The Council did not revalue any of its assets during the year ended December 31, 2021. The assets were disclosed in the statement of financial position at a carrying amount of ZWL65 332 499. The assets were not stated at their fair values which was contrary to IAS 16, “Property, Plant and Equipment”. The Council's records indicate that the assets were last revalued in 2010, accordingly the assets are currently understated.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Revaluation of assets

Finding

The Council did not revalue any of their assets during the year ended December 31, 2021. The assets were disclosed in the statement of financial position at a carrying amount of ZWL65 332 499 as at December 31, 2021. The assets were not stated at their fair values which was contrary to IAS 16, “Property, Plant and Equipment” which requires revaluations to be carried out with sufficient regularity so that the carrying amount of an asset does not differ materially from its fair value at the reporting date.

Risk / Implication

Misstatement of the financial statements.

Recommendation

The Council should comply with the requirements of IAS16, “Property, Plant and Equipment”.

Management response

Consultants hired to do the revaluation of assets are carrying out the valuation exercises.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Beer levy computation

Finding

The Council recognised beer levy revenue amounting to ZWL459 091 for the year ended December 31, 2021. However, I was not availed with evidence of any reconciliation or verification of sales which were made by the brewer in arriving at the remitted funds. Upon enquiry with management Council only recorded funds received at the bank 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

Under-collection of revenue.

Recommendation

The Council should request for production of records/ accounts of controlled liquor monies to verify the accuracy of the amount to be remitted to ensure compliance with section 15 of the Traditional Beer Act [*Chapter 14:24*].

Management response

The brewer was consulted through the brewer's representative but he was not clear as to where and whom is responsible for the statements.

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

The Council did not make progress on addressing the issue I raised in my 2021 annual audit report. I raised one (1) issue and the finding was yet to be addressed as indicated below;

3.1 Property, plant and equipment valuation

The finding has not been addressed. Revaluation of assets is yet to be done.

I have audited the financial statements of Plumtree Town Council for the year ended December 31, 2020 and 2021 and I issued an adverse opinion for both years.

Adverse Opinion 2020

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

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 - "Revenue from Exchange Transactions.

Included in revenue from exchange transactions in the statement of financial performance is revenue of ZWL20.9 million from the sale of stands. The Council's revenue recognition policy was not consistent with the requirements of IPSAS 9 - "Revenue from Exchange Transactions". The Council recognised revenue from land sales upon allocation rather than when the customer has satisfied the sale requirements and the Council's obligation to refund the applicant has been extinguished, contrary to IPSAS 9 - "Revenue from Exchange Transactions". The Council's selection and application of the accounting policy is not appropriate as it does not comply with International Public Sector Accounting Standards. In addition, rental income was also recognised on cash basis. Had the Council complied with requirements of IPSAS 9 - "Revenue from Exchange Transactions the revenue figure would have been materially affected. The departure is material.

ii. Completeness, occurrence and accuracy of system billed revenue

Included in total revenue on the statement of financial performance for the year ended December 31, 2020 is a total amount of ZWL41.5 million comprising revenue ordinarily billed by the Council. I was unable to obtain sufficient appropriate audit evidence over the completeness, occurrence and accuracy of such revenue because of the different reports that are produced by the system.

iii. Non-compliance with International Public Sector Accounting Standards (IPSAS) 16 - "Investment property"

Included in total non- current assets disclosed in the financial statements for the year ended December 31, 2020 are investment properties valued at ZWL1 million. It is the Town Council's policy to value investment property at fair value in accordance with IPSAS 16, "Investment Property", however, the last revaluation was performed in 2015. This was inconsistent with IPSAS 16 paragraph 45-47 which requires investment property to be measured at fair values reflecting market conditions at the reporting date. As a result, the investment properties were materially misstated as market conditions at the reporting date indicated that investment property fair values had significantly increased.

Adverse Opinion 2021

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Council as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standards (IPSAS) 9, "Revenue from Exchange Transactions.

Included in revenue from exchange transactions in the statement of financial performance is revenue from sale of stands amounting to ZWL28.7 million. The Council recognised revenue from sale of stands upon allocation rather than when the applicant has satisfied the stated requirements and the Council's obligation to refund the applicant has been extinguished Contrary to IPSAS 9, "Revenue from Exchange Transactions". The Council's selection and application of the accounting policy was not appropriate as it does not comply with IPSAS 9. Had the Council complied with requirements of (IPSAS) 9 - "Revenue from Exchange Transactions" the revenue figure would have been materially affected. The departure is material and pervasive.

ii. Suspense account

The Council had an imbalance of ZWL19.4 million in the financial statement being posted in the system. The suspense account arose as a result of single entries of un-receipted direct deposits that were being posted in the system due to adequate documentation such as insufficient customer details. As a result, I was unable to determine the extent to which other accounts in the financial statements may be misstated. The effect of this misstatement is material and pervasive.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Suspense account

Finding

The Council had an imbalance of ZWL19.4 in the million financial statement being posted in the system. The suspense account arose as a result of single entries of un-receipted direct deposits that were being posted in the system due to adequate documentation such as insufficient customer details.

Risk / Implication

Fraud and errors may go undetected.

Financial statements may be misstated.

Recommendation

Management should maintain proper double entry in their accounting system.

Management should investigate the imbalance and take corrective action.

Management response

Council is currently using the Promun accounting system which does not provide for the billing of once-off transactions such as plan approvals, certificates, fines and penalties. This thus result in one legged 19 transactions that in turn create a suspense account in the monthly Trial balances. Efforts have been made to find a solution with the service provider but there has been no breakthrough.

Secondly, the suspense account is created by an increasing number of rate-payers who make payments through online platforms without providing adequate details. These are thus only receipted into the suspense account waiting for the clients to visit the office and thereby enabling the officers to pass the necessary journals (DR) Suspense account and (CR) -respective individual account. Unfortunately, most of these clients do not turn up until the end of the financial year. However, Council has since resolved to change the Enterprise Resource Planning (ERP) and acquire one that allows for the billing of once-off transactions (cash customers before they are receipted. This will eliminate the on-legged transactions that are continuously creating this suspense account. The only stumbling block are the resources since most of the ERP providers sell their packages in foreign currency which council currently is not able to collect. From the market research done, at least USD50 000 must be mobilised to acquire the core modules of Pastel evolution.
Efforts are being made to mobilise resources for the procurement of a new accounting package which will enable the billing of all transactions before they are receipted.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Revenue recognition

Finding

Included in revenue from exchange transactions in the statement of financial performance is revenue from sale of stands amounting to ZWL28.7 million. The Council recognised revenue from sale of stands upon allocation rather than when the applicant has satisfied the stated requirements and the Council’s obligation to refund the applicant has been extinguished, Contrary to IPSAS 9, “Revenue from Exchange Transactions”. The Council’s selection and application of the accounting policy was not appropriate as it does not comply with IPSAS 9.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should comply with the requirements of 9 and stands sales policy.

Management response

Efforts to separate deferred income and land value charges have been done, however system challenges and economic challenges are giving the local authority serious challenges on the sale of stands. The Council will revisit the policy and make the necessary amendments.

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

The Council did not make progress in addressing findings that I raised in my 2021 report. I raised four (4) findings that were yet to addressed as indicated below;

3.1 Prepaid meters

The finding has not been addressed. Council is yet to account for the one hundred and eighty-four (184) water meters.

3.2 Suspense account

The finding has not been addressed. Council is yet to investigate and clear the suspense account balance.

3.3 Completeness, existence and valuation of receivables from exchange transactions

The finding has not been addressed. Council is yet to comply with the requirements of International Public Sector Accounting Standard (IPSAS) 29 “Financial Instruments” on the recognition of receivables.

3.4 Revenue

The finding has not been addressed. Council is yet to comply with the requirements of International Public Sector Accounting Standard (IPSAS) 9 “Revenue from Exchange transactions” and International Public Sector Accounting Standard (IPSAS) 23 “Revenue from Non-exchange transactions”

SHURUGWI TOWN COUNCIL 2021

I have audited the financial statements of Shurugwi Town Council for the year ended December 31, 2021 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Shurugwi Town Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS 10) - "Financial Reporting in Hyperinflationary Economies"

The Council did not prepare inflation adjusted financial statements contrary to the provisions of International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies" and despite the fact that on October 11, 2019 the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019 in this regard. The pronouncement highlighted a broad market consensus within the accounting and auditing profession that the factors and characteristics to apply the IPSAS 10- "Financial Reporting in Hyperinflationary Economies", in Zimbabwe had been met and the standard should be applied by all entities reporting under IPSASs for financial periods ended on or after July 1, 2019.

Had the Council applied the requirements of IPSAS 10 - "Financial Reporting in Hyper-Inflationary Economies" the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

ii. Revenue

The Council did not maintain accurate records or databases to support the revenue balances posted in the PROMUN system. There was a variance of ZWL75 096 160 between the revenue figure of ZWL134 386 080 disclosed in the financial statements and the amount on the supporting billing reports of ZWL59 289 920. Management did not make the necessary adjustments. I therefore, could not satisfy myself of the completeness and accuracy of revenue as disclosed in the financial statements.

iii. Land

The Council disclosed land in its financial statements valued at ZWL854 213 693. However, the Council did not avail the land register with information on the number and sizes of the land as at year end. As a result, I was unable to satisfy myself on the completeness of land in the financial statements.

iv. Payroll

Employee costs disclosed in the financial statements amounting to ZWL68 124 617 did not reconcile to the total of the Promun payroll reports amounting to ZWL78 512 345. This resulted in a variance of ZWL10 387 728 that the Council could not explain. I was unable to satisfy myself with the completeness and accuracy of the employee costs disclosed in the financial statements.

v. Expenditure

Expenditure amounting to ZWL20 088 870 was not supported by the requisite documentation such as supplier invoices and receipts. I therefore could not satisfy myself as to the accuracy and validity of expenditure balances disclosed in the financial statements.

vi. Cash and cash equivalents

A comparison of the system cashbook balances revealed that there was an unresolved variance amounting to ZWL749 472 between system cashbook balances of ZWL47 276 124 and cashbook balances on the bank reconciliation statements of ZWL48 025 596. I was therefore unable to satisfy myself of the completeness, existence, accuracy and validity of cash and cash equivalent balances disclosed in the financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Non-compliance with International Public Sector Accounting Standard (IPSAS 10) – "Financial Reporting in Hyperinflationary Economies"

Finding

The Council did not prepare inflation adjusted financial statements contrary to the provisions of International Public Sector Accounting Standard (IPSAS 10) - "Financial Reporting in Hyperinflationary Economies" despite the fact that on October 11, 2019 the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019 in this regard. The pronouncement highlighted a broad market consensus within the accounting and auditing profession that the factors and characteristics to apply the IPSAS 10- "Financial Reporting in Hyperinflationary Economies" in Zimbabwe had been met and the standard should be applied by all entities reporting under IPSASs for financial periods ended on or after July 1, 2019. Upon inquiry, management cited that this was due to staff technical capacity issues.

Risk / Implication

Financial statements may be materially misstated.

Recommendation

Management should ensure that the finance and internal audit staff are afforded continuous professional development.

Management response

Our staff needs training on preparation of inflation adjusted financial statements.

1.2. Cash and cash equivalents

Finding

There was an unresolved variance of ZWL749 472 between system cashbook balances amounting to ZWL27 155 448 and cashbook balances on the bank reconciliation statements of ZWL27 904 921. Management did not resolve this difference and cited erroneous capturing of opening balances when migrating from Excel cashbooks to system cashbooks as the root cause.

There was no evidence that the bank reconciliations prepared were being checked by the supervisors for all the above accounts.

In addition, the Council was not maintaining cashbooks in the PROMUN for its bank accounts which are Salaries Account and Health USD Account.

Risk / Implication

Fraud and errors may go undetected.

Misappropriation of cash.

Recommendation

The Council should investigate the variances noted and make necessary adjustments to correct the anomalies.

Bank reconciliation statements should be reviewed by supervisors.

The Council should maintain cashbooks for all bank accounts.

Management response

Noted, we have tasked an independent Internal Audit team to look into the matter. We will implement audit recommendations from the 2022 financial year going forward.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1. Revenue

There was a variance of ZWL75 096 160 between balance as per financial statements of ZWL134 386 080 and billing reports of ZWL59 289 920 which the Council could not explain. The table below refers;

Revenue variances

Item	Financial Statements (ZWL)	Billing Report (ZWL)	Variance (ZWL)
Rates	41 194 628	-	41 194 628
Water	22 240 642	9 730 890	12 509 752

Item	Financial Statements (ZWL)	Billing Report (ZWL)	Variance (ZWL)
Sewerage	4 701 537	3 653 276	1 048 261
Fixed water charge	9 662 726	7 273 904	2 388 823
Supplementary charges	2 549 584	1 995 000	554 584
Refuse	30 796 521	23 448 229	7 348 291
Levies	17 205 615	13 187 316	4 018 298
Rentals	6 034 827	1 305	6 033 522
Total	**134 386 080**	**59 289 920**	**75 096 160**

Risk / Implication

Financial statements maybe materially misstated.

Recommendation

The Council should ensure that the variances are investigated and adjustments are made.

Management response

We note the recommendation and going forward (from 2022 financial year onwards), reconciliations will be done to resolve variances on time.

3. PROCUREMENT OF GOODS AND SERVICES

3.1. Unsupported expenditure

Finding

I was not availed with supporting documentation for expenditure incurred such as payment vouchers, invoices or contracts, goods received notes and requisition orders. The total amount for unsupported expenditure from my sample amounted to ZWL29 764 770 (ZWL20 088 870 general expenditure and ZWL9 675 700 for asset additions).

Risk / Implication

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

Financial loss due to unauthorized expenditure.

Recommendation

The Council should ensure all payments have supporting documentation.

Management response

Audit recommendations will be implemented. Receipts and invoices are now being attached to vouchers.

The Council acknowledges the observation. The Council shall improve filing and ensure all invoices and comparative schedules are attached to the payment voucher.

4. EMPLOYMENT COSTS

4.1. Payroll reconciliations

Payroll reconciliations were not being performed resulting in an unexplained variance of ZWL10 387 728 between balance as per financial statements of ZWL68 124 617 and payroll summaries figure of ZWL78 512 345.

In addition, there was a variance of ZWL173 205 between salary payments for the year of ZWL48 863 041 and net pay schedules of ZWL49 036 246.

Management cited an oversight on their part as they had not assigned a specific person to ensure payroll reconciliations are done monthly.

Risk / Implication

Errors and fraudulent transactions may go undetected.

Recommendation

The Council should ensure that payroll reconciliations are done on a monthly basis and variances noted are investigated.

Management response

Agreed, the Council will check payments control. The payroll variance analysis is being done monthly by our internal audit. Any variances will be timely resolved going forward.

4.2. Fuel benefit

Finding

The Council issued 8 800 litres as fuel benefits during the year ended December 31, 2021 to senior management. However, I noted that the benefits were not taxed as they were being processed outside the payroll. This was contrary to the requirements of Income Tax Act [*Chapter 23:06*].

Risk / Implication

Financial loss due to fines and penalties may be levied.

Recommendation

All employee benefits should be processed through the payroll and taxed accordingly.

Management response

The Council will revise the management of managerial payroll in order to ensure that there is transparency in the taxation of fringe benefits and that all allowances are processed through the payroll from 2022 financial year going forward.

5. MANAGEMENT OF ASSETS

5.1. Land

Finding

The Council disclosed land valued at ZWL854 213 693 in the financial statements. However, I was not availed with the land register with information on the number and sizes of the land at the year end. As a result, I was unable to satisfy myself on the completeness and valuation of land of the financial statements.

Risk / Implication

Loss of public resources due to fraud.

Financial statements may be materially misstated.

Recommendation

The Council should put a comprehensive register in place to account for all the land.

Management response

We will implement all audit recommendations.

6. PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council did not make progress in addressing findings that I raised in my 2021 report. I raised six (6) findings that were yet to addressed as indicated below;

6.1 Effects of changes in inflation not disclosed in the financial statements (Noncompliance with IPSAS 10)

The finding has not been addressed**.** Council is yet to comply with the requirements of International Public Sector Accounting Standard (IPSAS) 10 “Financial Reporting in Hyper-Inflationary Economies.

6.2 Cash and cash equivalents

The finding has not been addressed**.** Council is yet to investigate the causes of variances between cash book and bank reconciliations.

6.3 Asset additions without supporting documents

The finding has not been addressed**.** Council is yet to adhere to procurement procedures**.**

6.4 Revaluation of assets

The finding has not been addressed. Council is yet to revalue its assets.

6.5 Revenue

The finding has not been addressed. Management is yet to investigate and make the necessary adjustments.

6.6 Payroll reconciliation

The finding has not been addressed. Council is yet to prepare monthly payroll reconciliations.

I have audited the financial statements of Zvishavane Town Council for the years ended December 31, 2020 and 2021, and I issued adverse opinion for both years.

Adverse Opinion 2020

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

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies"

Management did not inflate the 2020 financial statements. According to IPSAS 10, inflation adjusted financial statements become the primary financial statements whilst the historical financial statements are presented as supplementary information. The Council did not comply with the provisions of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies". Zimbabwean entities were operating in an environment in the period under review, which has witnessed significant monetary and exchange control policy changes since the beginning of the year. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10 in Zimbabwe have been met and the standard should be applied from 1 July 2019 and accounts of entities with year-end on or after this date should be hyper inflated.

Had the Council applied the requirements of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies" many elements of the financial statements would have been materially impacted and therefore the departure from the requirements of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies" is considered to be material and pervasive to the financial statements.

ii. Non- compliance with International Public Sector Accounting Standard (IPSAS) 3 - "Accounting Policies, Changes in Accounting Estimates and Errors"

The Council recognised some of the stand sales revenue made from 2001 to 2019 amounting to ZWL1,2 million in the current year and did not restate prior year accounts which was a non-compliance with IPSAS 3 - "Accounting Policies, Changes in Accounting Estimates and Errors". Had the Council restated the prior year financial statements revenue from sale of stands could have been materially different.

Adverse Opinion 2021

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not give a true and fair view of the financial position of the Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rate"

The prior year financial statements did not comply with the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates", as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 per Statutory Instrument (SI) 33 of 2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard, the Council's opening balances misstatements have an impact on the current year financial statements. The effects of the above departures from IPSAS 4 are considered to be material and pervasive to the financial statements as a whole.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10- "Financial Reporting in Hyperinflationary Economies"

Management did not inflate the financial statements from 2019 to 2021. According to IPSAS 10, inflation adjusted financial statements become the primary financial statements whilst historical financial statements are presented as supplementary information. The effects of the above departures from IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates", are considered material and pervasive to the financial statements as a whole. The Council did not comply with the provisions of IPSAS 10, "Financial Reporting in Hyperinflationary Economies". Zimbabwean entities were operating in an environment in the period under review, which has witnessed significant monetary and exchange control policy changes since the beginning of the year. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply IPSAS 10 in Zimbabwe have been met and the standard should be applied from July 1, 2019 and financial statements of entities with year-end on or after this date should be hyper inflated.

iii. Completeness and valuation of inventory

There was no valuation report to support the inventory amount disclosed in the financial statements at ZWL65,6 million. As a result, I could not satisfy myself on the completeness and valuation of inventory disclosed.

iv. Property, plant and equipment

The Council did not have a fixed asset register and assets were not tagged or coded for ease of identification and accountability. I was therefore not able to satisfy myself with the completeness and valuation of property, plant and equipment disclosed in the financial statements at ZWL152,4 million. In addition, assets additions made during the year were not presented separately contrary to IPSAS 17 paragraph 88 (e).

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Non-compliance with IPSAS 10 - "Financial Reporting in Hyperinflationary Economies"

Finding

The Council did not prepare inflation adjusted financial statements contrary to the Public Accountants and Auditors Board (PAAB) pronouncement number 01/2019 issued on October 11, 2019. Zimbabwean entities were operating in an environment which witnessed significant monetary and exchange control policy changes since the beginning of the year. Management attributed the non-adjustment of financial statements to lack of expertise among the staff.

Risk / Implication

Misstatement of financial statements due to non-compliance with IPSAS 10- "Financial Reporting in Hyperinflationary Economies".

Recommendation

The Council should train staff on how to hyper inflate the financial statements.

Management response

The observation was noted. Council staff will undergo IPSAS training so that they will be able to comply with IPSAS 10 from 2024 onwards for 2023 financial statements in line with our representation letter.

1.2 Title deeds

Finding

The Council had over seventeen (17) properties (land and buildings) with a carrying amount of ZWL31,8 million which had no title deeds. Based on best practice, entities should have title deeds for their immovable property. Upon enquiry, management indicated that this was partly due to delays at the Deeds office and the need to first get land for the water works and markets title surveyed.

Risk / Implication

It may be difficult for the Council to prove legal ownership of the properties.

Council properties may be misappropriated.

Recommendation

The Council should ensure that all properties have title deeds.

Management response

The observation is noted and the Council is in the process of applying for title deeds for properties that have stand numbers. Some of the buildings such as water works and markets do not have title deeds and are not title surveyed. We will get these to be title surveyed.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Non- Compliance with International Public Sector Accounting Standard (IPSAS) 3 - "Accounting Policies, Changes in Accounting Estimates and Errors"

Finding

Revenue from stand sales in 2020, showed that revenue amounting to ZWL1,2 million related to previous financial periods (2001 to 2019). Enquiries with management showed that the revenue was erroneously omitted from the prior years and accounted for in 2020. However, the Council did not apply the requirements of IPSAS 3 - "Accounting Policies, Changes in Accounting Estimates and Errors".

In addition, the Council sold its stands in Mandava. However, the sale was not advertised contrary to the requirements of Urban Councils Act [*Chapter 29:15*] section 152 (2). Management did not provide reasons for the non-compliance.

Risk / Implication

Financial statements may be misstated.

Irregular sale of stands may be perpetrated.

Recommendation

The Council should ensure that stand sales revenue is accounted for in the correct accounting period.

The Council should ensure compliance with the Act.

Management response

We take note of the observation. Revenue was omitted from 2001 to 2019 and hence was recognised in 2020. In future, we will ensure that all stand sales are accounted for in the correct accounting period. We will also ensure that all stands sales are advertised and keep supporting evidence on file going forward.

3. MANAGEMENT OF ASSETS

3.1 Property, plant and equipment

Finding

The Council did not have a detailed fixed asset register and assets were not tagged or coded for ease of identification and accountability. This was contrary to the Urban Councils Act [*Chapter 29:15*] which requires Councils to maintain a true and proper record for all the assets of the Council.

In addition, assets additions made during the year were not disclosed separately in the financial statements contrary to IPSAS 17 paragraph 88 (e) which requires the financial statements to disclose a reconciliation of the carrying amount at the beginning and end of the period showing additions for each class of property, plant and equipment.

Risk / Implication

Misstatement of financial statements due to errors.

Misappropriation of assets and fraud may go undetected.

Recommendation

Management should maintain a detailed asset register and all assets be tagged for easy of identification and accountability.

Management response

Observation noted. The Council now has a person dedicated to take charge of an asset register, responsible for recording all non-current assets, in an acceptable prescribed manner in terms of best practice.

3.2 Inventory valuation and ageing report

Finding

There was no valuation report to support the inventory amount disclosed in the 2021 financial statements at ZWL65.5 million.

The Council was not utilising the inventory module in the PROMUN system and did not perform reconciliations between the balances in the financial statements and physical balances. As a result, I could not satisfy myself on the completeness and valuation of inventory disclosed.

Risk / Implication

Misstatement of inventory in the financial statements.

Weak controls may result in misappropriation of inventory.

Recommendation

The Council should utilise its Promun system in order to maintain ageing and other reports of inventories.

Management response

The Council notes the observation and was going to train staff and ensure that all Promun modules are up and running.

4. SERVICE DELIVERY

4.1 Dump site

Finding

The Council did not have an approved landfill and was disposing its refuse at Maglas dumpsite. In addition, other illegal dumping areas were created in Shabanie mine area and open spaces in Makwasha, Bhiza, Arise and Mandava areas. This was contrary to the provisions of the Environmental Management Agency (EMA) Act [*Chapter 20:27*].

Risk / Implication

Land pollution and health hazards to residents.

Financial loss due to penalties from the regulatory agency (EMA).

Recommendation

The Council should have an approved landfill.

Management response

We take note of the observation. We will embark on an anti-littering campaign to educate residents with a view to effect behavior change. We are also working towards having an approved dumpsite which conforms to EMA regulations.

4.2 Public lighting

Finding

The Council had no tower lights in Izayi Park, Arise and Council Park. In addition, Milton, Juke, Ireland road had no streetlights. Fifty-five (55) out of (one hundred and six) 106 streetlights were not functional. Council budgeted ZWL2,4 million in 2021. However, the public lighting project was not done due to financial constraints.

Risk / Implication

Residents and travelers may be exposed to theft, robberies and loss of lives.

Recommendation

Financial strategies should be drawn for the Council to collect more revenue.

Management response

Observation noted. This is work in progress and provision for public lighting has been budgeted for in the year 2022. The Council was having financial challenges and competing priorities such as provision of water.

4.3 Provision of health facilities

Finding

The Council did not have any clinic or hospital. Zvishavane Town has one (1) district hospital and one (1) government clinic and these facilities were not adequate to cater for the District's population which was standing at approximately 33 075.

Risk / Implication

Service delivery may be compromised.

Recommendation

The Council should put plans to provide adequate health facilities to cater for the growing population.

Management response

The Council had budgeted for the construction of a clinic in Makwasha Lot 2.

5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made some progress in addressing findings that I raised in my 2020 report. I raised ten (10) findings, two (2) were partially addressed and eight (8) were not addressed as indicated below;

5.1 Partial utilization of PROMUN system and data integrity

The finding has not been addressed. Council is yet to fully utilise the PROMUN system.

5.2 Purchase of goods and services

The finding has not been addressed. Council is to avail supporting documents for goods purchased and improve on record keeping.

5.3 Lease and house rentals

The finding has been partially addressed. Some of the properties now have lease agreements.

5.4 Service level agreements

The finding has not been addressed. Council is yet to put in place service level agreement with accounting and payroll system providers.

5.5 Water leakages

The finding has not been addressed. Council is yet put in place rehabilitation plan for the water distribution system.

5.6 Employment costs not processed through the payroll

The finding has not been addressed. Council is yet to incorporate all salary related payments on payroll.

5.7 Payroll reconciliations

The finding has not been addressed. Council is yet to investigate the variances and make necessary adjustments.

5.8 Fire Protection

The finding has not been addressed. Council has only managed to apply for a toll free line.

5.9 Water Supply

The finding has not been addressed. Council is yet to service non-functional meters.

5.10 Provision of public sewer

The finding has been partially addressed. Mabula sewer rehabilitation is in progress.

LOCAL BOARDS

I have audited the financial statements of Hwange Local Board for the years ended December 31, 2017 and 2018 and I issued a disclaimer of opinion for both years.

Basis for Disclaimer of Opinion 2017

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

Basis for Disclaimer of Opinion

i. Property, plant and equipment

The Council did not maintain a fixed asset register. As a result, I could not substantiate the balance of USD2 359 899 disclosed in the financial statements as property, plant and equipment.

In addition, Council's non-infrastructure assets were last revalued in 2009 contrary to the requirements of IPSAS 17 - "Property, plant and equipment" which requires assets to be revalued with sufficient regularity, that is every three (3) to five (5) years.

There were also no supporting documents such as supplier invoices for asset additions made during the year amounting to USD410 370. The Council did not account for donation received in the form of a fire tender and there were no supporting documents availed for audit verification.

As a result, I could not satisfy myself of the completeness, validity, accuracy and valuation of property plant and equipment reported in the financial statements.

ii. Cash and cash equivalents

There was an unresolved variance of USD1 172 730 between cashbook balances of USD1 207 782 and the balance reported in the financial statements of USD35 052. There were also invalid reconciling items on bank reconciliations, namely outstanding deposits amounting to USD1 540 086 and outstanding payments amounting to USD 1 595 683. In addition, balances for two (2) Council bank accounts amounting to USD18 939 were not accounted for in the financial statements. I could not satisfy myself of the accuracy of cash and cash equivalents disclosed in the financial statements.

iii. Receivables

There was an unresolved variance amounting to USD493 128 between the debtors listing total of USD7 078 123 and financial statements balance of USD7 571 251. As a result, I was unable to satisfy myself on the accuracy of the receivables balance reported in the financial statements.

In addition, inter-funds receivables and payables were not eliminated by USD2 390 311 thereby creating an invalid debtor in the financial statements. I could not satisfy myself of the validity and accuracy of inter-fund receivables and payables disclosed in the financial statements.

iv. Payables

There were no supporting documents such as supplier statements or confirmation responses for payables amounting to USD2 339 230. In addition, there were unresolved variances amounting to USD74 042 between creditors listing amounting to USD120 773 and supplier statements of USD194 815.

Included in payables are salary arrears amounting to USD876 621 for which there was no listing hence I could not verify the accuracy of the same.

Furthermore, there was a variance of USD687 620 for salaries payable as per financial statements amounting to USD876 621 and actual outstanding amount of USD1 564 241 due to Council not accruing the costs on a monthly basis. Management did not make the relevant adjustments in the financial statements.

As a result, I could not satisfy myself of the completeness, validity and accuracy of the payables reported in the financial statements.

v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9, "Revenue from Exchange Transactions".

Included in revenue disclosed in the financial statements of USD1 578 576 were revenue line items amounting to USD637 941 for which no supporting documents were availed for audit verification. In addition, the Council recognised stand sales income on a cash receipt basis rather than on accruals basis. This was non-compliance with paragraphs 14 and 15 of IPSAS 9, "Revenue from Exchange Transactions". This resulted in revenue and receivables being understated.

Due to a scope limitation arising from the unavailability of statistics for billable properties, I was unable to re-compute and test the accuracy of billable revenue reported in the financial statements. Had the Council complied with IPSAS 9, the amount of stand sales income would have been materially different.

vi. Expenses

There were unsupported expenses amounting to USD451 269 due to unavailability of supplier statements and receipts.

In addition, the Council accounted for payroll costs on cash basis which was non-compliant with the accruals concept resulting in understatement of expenses. Management did not make relevant adjustments to the financial statements.

As a result, I could not satisfy myself of the validity and accuracy of expenses reported in the financial statements.

Disclaimer of Opinion 2018

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

Basis for Disclaimer of Opinion

i. Cash and cash equivalents

Included in cash and cash balances of USD102 158 disclosed in the financial statements were two (2) bank accounts with cash book balances amounting to USD 4 656 for which there were no supporting bank reconciliations. In addition, there were invalid reconciling items in relation to outstanding payments of USD1 377 969 and outstanding deposits of USD933 868 on the year-end bank reconciliations for four (4) bank accounts for which there was no evidence of subsequent clearance.

I was unable not satisfy myself of the accuracy of cash and cash equivalents disclosed in the financial statements.

ii. Receivables

There was an unresolved variance amounting to USD556 835 between the receivables listing total of USD7 034 266 and financial statements balance of USD7 591 101.
In addition, inter-fund receivables and interfund payables balances were not reconciling resulting in a net interfund receivable of USD2 874 793 as at year-end. Management was not maintaining an interfund matrix.

I was therefore, unable to satisfy myself on the accuracy and validity of receivables reported in the financial statements.

iii. Property, plant and equipment

The Council did not maintain a comprehensive fixed asset register. As a result, there was an unresolved variance of USD1 377 251 between the carrying amount on the fixed asset register of USD1 025 348 and balance disclosed in the financial statements of USD2 402 599.

There was no asset additions listing together with supporting supplier invoices for asset purchases made in 2018 amounting to USD281 270.

The Council did not account for the value of a fire tender received as a donation and the cost of a clinic it constructed in 2018, contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 17, "Property, plant and equipment". The values of these assets were not established and recognised in the financial statements due to unavailability of information such as donor correspondences and supplier invoices.

Additionally, Council's non-infrastructure assets were last revalued in 2009 contrary to the requirements of IPSAS 17, "Property, plant and equipment" which requires assets to be revalued with sufficient regularity, that is every three (3) to five (5) years.

Consequently, I was unable to satisfy myself of the completeness, validity, accuracy and valuation of property plant and equipment reported in the financial statements.

iv. Inventory

There was no valuation report to support inventory amount of USD121 027 reported in the financial statements. As a result, I could not satisfy myself on the accuracy and valuation of inventory.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Payables

Finding

In 2017, the Council did not maintain creditors' ledgers and perform reconciliations to ensure that accurate balances are recorded in the financial statements. There were no supporting documents such as supplier statements for payables amounting to USD2 339 230. In addition, there were unresolved variances amounting to USD74 042 between creditors listing amounting to USD120 773 and supplier statements of USD194 815.

Included in the payables balance of USD3 835 319 were salary arrears amounting to USD876 621 for which there was no supporting payroll summary of amounts outstanding hence I could not verify the accuracy of the same.

There was also a variance of USD687 620 for salaries payables between the financial statements balance of USD876 621 and actual outstanding balance of USD1 564 241 due to Council not accruing the costs on a monthly basis. Management did not make relevant adjustments to the financial statements.

Risk / Implication

The Council might pay for liabilities which do not belong to them.

Misstatement of financial statements.

Recommendation

The Council should maintain creditors ledgers and prepare monthly reconciliations.

The Council should investigate the cause of the variances and make necessary adjustments.

Management response

PROMUN System has procurement and creditors management function, which was being underutilized, this facility is being set up such that it can be used extensively to assist in the management of payables.

1.2. Cash and cash equivalents

Finding

In 2017, there was an unresolved variance of USD1 237 981 between cashbook balances of USD1 207 782 and the balance reported in the financial statements of USD35 052. In addition, there were invalid reconciling items on bank reconciliations for outstanding deposits amounting to USD1 540 086 and outstanding payments amounting to USD1 595 683. In addition, balances for two (2) Council bank accounts amounting to USD18 939 were not accounted for in the financial statements.

Included in cash and cash balances of USD102 158 disclosed in the 2018 financial statements were two (2) bank accounts with cash book balances amounting to USD4 656 for which there were no supporting bank reconciliations. In addition, there were invalid reconciling items for outstanding payments of USD1 377 969 and outstanding deposits of USD933 868 on the year-end bank reconciliations for four (4) bank accounts for which there was no evidence of subsequent clearance.

Risk / Implication

Fraud and errors may go undetected.

Financial statements may be misstated.

Recommendation

Bank reconciliations should be done on all bank accounts and errors should be corrected timeously.

Management response

Noted, bank reconciliations are important control tools and we are in the process of ensuring that they are done timeously, reviewed and signed off at the end of each month.

1.3. Inventory

Finding

The Council did not have an inventory valuation report to support the balance of USD121 027 disclosed in the financial statements. Management cited that this was as a result of lack of proper documentation and non-utilisation of the inventory module.

Risk / Implication

Financial statements may be materially misstated.

Recommendation

Management should maintain inventory valuation reports.

Management response

It's an ongoing process which the Council hopes to have in place as soon as possible.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1. Receivables

Finding

In 2017, there was an unresolved variance amounting to USD493 128 between the debtors listing total of USD7 078 123 and financial statements balance of USD7 571 251. There was also an unresolved variance of USD556 835 between the trade debtors listing total of USD7 034 266 and financial statements balance of USD7 591 101 in the 2018 financial period.

In addition, management was not maintaining an interfund matrix. As a result, inter-fund receivables and payables balances were not reconciling with USD2 390 311 in 2017 and USD2 874 793 in 2018 and the balance were reported as debtors in both financial periods.

The debtors ageing analysis report was inaccurate as there were credit balances in current period for some debtors due to the fact that some invoices had not been raised on billing.

Risk / Implication

Financial statements may be misstated.

Recommendation

The Council should investigate the cause of the variance and make the appropriate adjustments.

Management response

Noted. We are in the process of recruiting two (2) Accountants who will strengthen our Finance Department. They will be charged with ensuring that all reconciliations are timeously done.
Manual systems in general pose a challenge to complete record maintenance. The use of Promun system will enable us to improve our reporting for management decision making.

2.2. Stand sales

Finding

The Council sold stands to various individuals in 2017. However, the terms stipulated in the offer letters for payment of a deposit of USD5 000 were not being adhered to. Tabulated below are examples of stands allocated without full deposit.

Stand sales payment terms

Stand No	Full price as per offer (USD)	Deposit to be paid (USD)	Deposit paid (USD)
2063	12 440	5 000	Nil
2059	11 896	5 000	Nil
2044	12 316	5 000	4 000

In addition, there were inconsistences in the application of Council policies and procedures in that agreements of sale were signed before full payment. Table below refers;

Stand sales agreement signed before full payment

Stand number	Full price (USD$)	Amount paid (USD)	Percentage (%) paid
2045	12 860	6 965	54%
2047	13 348	7 500	56%
2049	12 480	8 180	66%
2052	12 028	6 500	54%

Risk / Implication

Financial loss due to fraudulent activities which may be perpetrated.

Recommendation

The Council should follow conditions set for stand sales.

Management response

Noted, efforts will be made to follow laid down procedures.

2.3. Stands sales recognition

Finding

In 2017, the Council recognised stand sales income on a cash basis rather than the accrual basis as required by paragraphs 14 and 15 of IPSAS 9, “Revenue from Exchange Transactions”. This resulted in income and debtors being understated.

In addition**,** there was no listing to support the amount of USD367 284 stand sales recognized in the financial statements.

Risk / Implication

Misstatement of revenue and stand sales debtors reported in the financial statements. Fraud and errors may go undetected.

Recommendation

The Council should recognize revenue on accrual basis in line with IPSAS 9, "Revenue from Exchange Transactions".

Management response

We will ensure correct recognition of transactions going forward.

3. PROCUREMENT OF GOODS AND SERVICES

3.1. Acquisition of motor vehicles

Finding

The Council purchased three (3) utility vehicles for USD111 110 from two (2) local dealers through tendering processes without seeking prior cabinet approval and this was in violation of the Cabinet Circular Number 16 of 2011. The Circular states that, "with effect from 1 November 2011 all vehicles purchased by government and other public institutions shall be procured from local vehicle assembly plants" unless a clearance by the Office of the President and Cabinet has been obtained.

Risk / Implication

The thrust of government to promote local manufacturers may not be realized.

Recommendation

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

Management response

Noted, necessary procedures and circulars will be followed going forward as Procurement officer is now in place.

3.2. Purchase of equipment (motorised grader and ambulance)

Finding

The Council awarded a tender for the supply of a motorised grader in 2018 and paid the amount in full. However, the motorized grader had not been delivered at the time of my audit. Enquiries with management revealed that this was due to a misunderstanding arising from pricing issues relating to the change in currency in 2018 and the dispute is yet to be finalised by the courts.

In addition, the Council awarded a tender for the supply of an ambulance at a price of USD75 000, subsequently there was a price increase to USD90 000 citing that the ambulance would be fully equipped and would take less delivery time. However, the ambulance was not fully equipped when it was delivered.

Risk / Implication

Value for money may not be realized.

Recommendation

The Council should ensure delivery of the motorised grader.

The Council should follow procurement regulations.

Management response

Noted, necessary procedures will be followed going forward as Procurement officer is now in place.

4. EMPLOYMENT COSTS

4.1. Taxation of employee benefits

Finding

The Council processed fringe benefits amounting to USD10 450 outside payroll for six (6) managerial employees in 2017. The benefits were not taxed contrary to the requirements of the Income Tax Act [*Chapter 23.06*].

Risk / Implication

Possible understatement of employment costs in the financial statements.

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

Recommendation

Management should tax all benefits and allowances.

Management response

Noted, payment of these benefits will be reviewed and efforts will be made to implement taxation on them.

5. MANAGEMENT OF ASSETS

5.1. Property, plant and equipment

The Council did not maintain a comprehensive fixed asset register. As a result, there was an unresolved variance of USD1 377 251 between the carrying amount on the fixed asset register of USD1 025 348 and the balance disclosed in the financial statements of

USD2 402 599 in 2018. This was contrary to section 286 (1) of the Urban Councils Act [*Chapter 29:15*] which requires a Council to keep books of accounts as may be necessary to maintain a true record of all the assets of the Council.

In addition, asset additions amounting to USD410 370 (2017) and USD281 270 (2018) were not supported by sufficient documentation such as supplier invoices and receipts. Council did not account for the value of a fire tender received as a donation and the cost of a clinic it constructed in 2018 contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 17- “Property, plant and equipment”. The values of these assets were not established and recognised in the financial statements as the fixed asset register was not maintained and unavailability of information such as donor correspondences and supplier invoices.

The Council’s assets were last revalued in 2009 contrary to the requirements of IPSAS 17- “Property, plant and equipment”, which requires assets to be revalued with sufficient regularity, that is every three (3) to five (5) years.

Risk / Implication

Assets may be misappropriated.

Fraud or error may go undetected.

Financial statements may be materially misstated.

Recommendation

The Council should put in place an asset register in order to properly account for all assets.
Management should ensure that all supporting receipts and invoices are attached to the payment vouchers.
IPSAS 17 - “Property, plant and equipment” requirements should be complied with.

Management response

Noted – we agree and we will comply with audit recommendation. Fixed asset register to be compiled and all assets to be identified and tagged.

6. SERVICE DELIVERY

6.1. Sale of un-serviced stands

Finding

In 2018, the Council sold stands in Mpumalanga before servicing the area. People were already living in the area without sewer systems and water. Forty percent (40%) of households have not been connected due to lack of sewerage infrastructure. In accordance with the provisions of section 300 of the Urban Councils Act [*Chapter 29:15*], all money collected from sale of land should not be used for any other purpose except servicing of the land.

Risk / Implication

Service delivery may be compromised.

There is a risk of diseases such as cholera and typhoid.

Recommendation

The Council should comply with the provisions of Urban Councils Act, all money collected from sale of land should not be used for any other purpose except servicing of the land.

Management response

Noted, the Council will ring-fence estate funds for servicing of stands as per Act.

6.2. Sewerage services

Finding

The Local Board had two (2) sewer plants which served its jurisdiction. However, one (1) of them was not operational. Households within the town area, were experiencing sewerage spillages and blockages due to increase in population and worn-out pipes. The Urban Council Act [*Chapter 29:15*] section 168 states that it is the Council's responsibility to construct public sewer or public drain and maintain, repair or renew. Management cited that this emanated from the financial challenges faced by the Local Board, however they are planning on using devolution funds to upgrade and improve the sewer system.

Risk / Implication

There is a risk of diseases such as cholera and typhoid due to burst pipes as a result of blockages.

Recommendation

The Council should ensure that the sewer system is rehabilitated as it is no longer adequate due to the ever-increasing population and expansion of the town.

Management response

The Council is using devolution funds to upgrade sewer system.

6.3. Refuse removal

Finding

The Council did not have a scientifically engineered landfill as required by the Environmental Management Agency (EMA). Management cited that this was as a result of financial challenges faced by the Local Board.

Risk / Implication

Disease outbreaks.

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

Recommendation

The Council should construct a scientifically engineered landfill in compliance with EMA regulations.

Management response

Noted, Council to source for funding for the financing of landfill construction.

I have audited the financial statements of Ruwa Local Board for the year ended December 31, 2021, and I issued an unmodified opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Ruwa Local Board as at December 31, 2021, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Internal audit reports

Finding

The internal audit reports for the 2021 financial year were yet to be responded by management at the time of concluding my audit in May 2023. Enquiries with internal audit revealed that all the reports submitted to the management between February and June 2022 were not responded to as detailed in the table below;

Internal audit reports without responses

Description of audit assignment	Date of submission to management	Months taken without responses
Chituriro Clinic	January 06, 2022	17
Billing	February 01, 2022	16
Annual stock count report	March 10, 2022	14
Chiremba Primary	May 03, 2022	13
Fuel	June 21, 2022	12

Risk / Implication

Weak control environment.

Recommendation

The Board should respond to the issues raised in the internal reports and implement respective recommendations on time.

Management response

All managers are expected to respond to all outstanding reports by 30 June 2023.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Non-revenue water

Finding

The Board did not effectively manage the flow of water from the point of production to the point of consumption. There were variances between the quantity of water produced (278 613 mega-litres) and water billed (121 133 mega-litres) resulting in non-revenue water of 157 480 mega-litres which translate to 57%.

In addition, Ruwa had 7 884 (70%) non-functional meters out of a total of 11 270 meters. Residents with non-functional meters were only charged a fixed charge component instead of actual water consumed. The Board could not charge water based on consumption.

Risk / Implication

Financial loss due to non-revenue water

Recommendation

Management should conduct zoning exercise to enhance manageability of water.

Management response

There are a number of interventions to be carried out to reduce the amount of non-revenue water which replacement of non- functional meters, replacement of malfunctioning meter which are the bulk contributors, monthly meter readings of Zonal meters to establish where the losses are occurring and attending to reported water bursts promptly and isolate affected lines.

An exercise to replace none functional meters is underway and it is going to be stepped up in year 2023.

Water meters we have in stock will be installed to replace non-functional meters by November 2023. Properties with non-functional meters are charged fixed water charge.

3. PROCUREMENT OF GOODS AND SERVICES

3.1 Water purchases

Finding

The Board purchased water from City of Harare at a cost of ZWL161 (USD1.49) per cubic meter (m^3) and supplied it to Zimre Park residents using the following price ranges, USD0.80, USD0.85 and USD1 for $1m^3$-$10m^3$, $11m^3$-$20m^3$ and $21m^3$-$30m^3$ respectively. Therefore, water was supplied at less than the cost price. At year-end the Board had an outstanding balance of ZWL79.3 million to City of Harare.

In addition, water charged to the Board was based on estimates as there were no functional bulk water meters to record the total volume of water supplied to Board.

Risk / Implication

Financial loss due to possible overcharges by the water supplier and undercharging of water to residents.

Recommendation

Board should charge water rates sufficient to cover cost of purchase.

Board should engage City of Harare to repair the bulk water meters.

Management response

The issue will be rectified in 2023.Tariffs have been reviewed for Zimre to cater for the cost recovery plus 25% admin cost plus legacy debt.

4. SERVICE DELIVERY

4.1 Schools

Finding

The Board has six (6) primary and three (3) secondary schools to serve its growing population. All the schools were operating on a hot sitting arrangement in order to accommodate the number of learners who need affordable education. Enquiries with management indicated that Council schools were over populated. The table below shows the current enrolments against capacity at some of the schools;

Sample of statistics at the Local Board schools

Name of school	Current enrolment	Capacity	Number of learners exceeding capacity
Chiremba primary school	1 400	600	800
Ruvheneko primary school	2 893	1 000	1 893
Zimre primary school	1 646	700	946
Green olive primary school	853	350	500

Risk / Implication

The quality of education may be compromised.

Recommendation

The Board should put strategies in place on how to decongest schools in line with growing population.

Management response

The Board has a plan to decongest Board schools. Construction of schools has been phased in the sense that every year the Board has a school under construction and such has been budgeted for. Board had constructed a classroom block at Rujeko Primary School. The plan has also been extended to

private developers to ensure that all school sites have been developed. Board is not the only player in offering education services in Ruwa, there are also private players like Old Windsor, Wind View to mention a few.

4.2 Sewer blockages and spillage

Finding

The Board has been disposing raw effluent into Ruwa river as well as experiencing blockages along the sewer network. This was attributed to erratic power supply, pump breakdown, old pipes and the design of the sewer plant. As a result, the Local Board was charged ZWL687 229 by Environmental Management Agency (EMA) for offences related to disposition of raw effluent into the Ruwa river.

Risk / Implication

Outbreak of diseases due to blockages and spillages.

Financial loss due to penalties and fines.

Recommendation

The Board should replace old pipes and find alternative source of power supply.

Management response

The board has budgeted for the acquisition of a standby generator for the main pump station. Priority has also been given to Chiremba pumping main with a design fault.

5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Board made progress in addressing finding that I raised in my 2020 report. I raised seven (7) findings, three (3) were addressed and four (4) were not addressed as indicated below;

5.1 Valuation of property, plant and equipment

The finding has been addressed. Property plant and equipment has been revalued for the 2021 Financial year.

5.2 Locomotion allowance

The finding has been addressed. Locomotion allowance are now being paid in line with best practise.

5.3 Beer levy

The finding has not been addressed. Council is yet to receive beer schedules.

5.4 Cellphones

The finding has not been addressed. Cellphone are yet to be delivered.

5.5 Transactions outside payroll

The finding has been addressed. Transactions are now being processed through the payroll.

5.6 Functional meters and water consumed

The finding has not been addressed. Council is yet to replace non-functional water meters.

5.7 Fire department

The finding has not been addressed. Council is yet to establish a fire service station.

RURAL DISTRICT COUNCILS

I have audited the financial statements of Beitbridge Rural District Council for the year ended December 31, 2020 and I issued an adverse opinion.

Adverse Opinion

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

Basis for Adverse Opinion

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

The prior year financial statements did not comply with the requirements of IAS 21- "The Effects of Changes in Foreign Currency Rates", as the Rural District Council had not been able to use the correct rate as required by the standard upon the change of currency legislated through Statutory Instrument 33 of 2019.

To comply with the legislation, the transactions presented in the period January 1, 2019 to February 22, 2019, the balances on February 22, 2019 and the financial statements for the prior year, were converted to the local reporting currency (ZWL) at a rate of 1:1 in line with the requirements of Statutory Instrument 33 of 2019. However, IAS 21 - "The Effects of Changes in Foreign Currency Rates" requires the use of a single market exchange rate when converting balances and transactions upon change in functional currency. Consequently, using a rate of 1:1 for translating transactions during the period January 1, 2019 to February 22, 2019 to ZWL and use of different exchange rates when converting balances and transactions upon change in functional currency resulted in distortion of the ZWL values presented on the financial statements. This resulted in a material and pervasive departure from the requirements of IAS – 21- "The Effects of Changes in Foreign Currency Rates".

In addition, the Council did not correct the prior period errors arising from non-compliance with IAS 21 - "The Effects of Changes in Foreign Currency Rates" as would have been expected by IAS 8 - "Accounting Polices, Changes in Accounting Estimates and Errors". Had the Council correctly applied IAS 8 and perform a full restatement, the financial statement would have been materially affected. In this regard, the Council did not comply with the requirements of IAS 8.

ii. Non- compliance with International Accounting Standard (IAS) 16 - "Property, Plant and Equipment"

The Council did not depreciate all the assets that it held in the current and previous years. This constituted a material departure from the requirements of IAS 16. Property, plant and equipment was disclosed at ZWL13 353 878 in the statement of financial position, however, according to IAS 16, all depreciable assets' costs should be systematically allocated over the estimated useful life of the assets. Had the Council depreciated its items of property, plant and equipment. The carrying amount would have been materially different.

iii. Asset register

The amount of non-current assets in the asset register was not agreeing with the amount that was disclosed in the financial statements. The asset register showed a total amount of ZWL6 183 554 whereas ZWL13 353 878 was disclosed in the financial statements resulting in a variance of ZWL7 170 324. As a result of the above I could therefore not satisfy myself regarding the completeness and valuation of property, plant and equipment.

iv. Revenue and receivables

Revenue was disclosed in the Statement of Comprehensive Income at ZWL66 184 448 and receivables from customers were disclosed at ZWL22 840 819 in the statement of financial position. However, invoicing of customers was done based on an outdated database. The Council did not carry out activities to update the database which forms the basis for invoicing the customers. I could not therefore satisfy myself regarding the completeness of revenue and receivables. It was not practicable to quantify the financial effects on the financial statements.

The Council did not provide customers age analysis in order to determine the appropriate expected loss of the receivable. International Financial Reporting Standard (IFRS) 9 - "Financial Instruments" requires that Council determines the expected loss rates for each sub-group sub-divided into past-due categories. Instead the Council provided a flat percentage of 10% for the expected losses which is not as per requirement of IFRS 9 - "Financial Instruments". I could not satisfy myself on the valuation of receivables. It was not practicable to quantify the financial effects on the financial statements.

Below are other material issues noted during the audit;

1. REVENUE COLLECTION AND DEBT RECOVERY

1.1 Residential properties database

Finding

The Council did not have a stand register for Lutumba and Tongwe residential areas detailing all residential units in the areas to which the Council is supposed to charge rates contrary to section 99 of the Rural District Act [*Chapter 29:13*] that requires the Council to charge rates to all owners of rateable property within the Council area. I was therefore unable to ascertain whether the amount recognised by the Council as rates for the residential units was complete as I did not have a basis to establish the completeness thereof.

The completeness of the debtors list could not be established as the Council did not update its customer database. The Council relied on prior years' pastel system debtors' data for invoicing clients. As a result, I could not ascertain the completeness of revenue generated from ward levy, business licenses and service rates.

Risk / Implication

Financial loss due to non-collection of revenue.

Misstatement of financial statements.

Recommendation

The Council should maintain a stand register and carry out activities to update its customer's database.

Management response

Noted, a stand register will be maintained and the debtor's database will be updated and reconciled with the stands register.

2.1 Debtors aging and allowance for credit losses

Finding

The Council did not provide a complete debtors age analysis from the pastel system. Management could not extract the debtors aging analysis. I was therefore unable to verify the ageing of the debtors. In addition, the allowance for credit losses was calculated based on 10% of total trade receivables. However, this was against the requirements of International Financial Reporting Standard (IFRS) 9 - "Financial Instruments" which requires the Council to determine the expected loss rates for each sub-group sub-divided into past-due categories. (i.e. a loss rate for balances that are 0 days past due, a loss rate for 1-30 days past due, a loss rate for 31-60 days past due and so on).

Risk / Implication

Trade receivables may be materially misstated.

Recommendation

A proper ageing of debtors should be maintained.

The Council should comply with the requirements of IFRS 9.

Management response

Noted, the Council will ensure that a proper ageing of debtors is maintained. The Council will have a provision matrix as required by IFRS 9 as per your recommendation.

2.1 Councillors' allowances

Finding

There were twelve (12) Councillors who were occupying Council houses without paying rentals and utilities. Contrary to circular number 12 of March 18, 2020 which stated that Councillors should not be given any allowances over and above the monthly allowances as long as they are within their district. Any allowances not covered in the circular would require approval from parent Ministry. However, the approval was not availed in respect of the noted benefits.

Risk / Implication

Financial loss due to award of unauthorised benefits.

Recommendation

The Council should seek approval from parent Ministry for provision of allowances that are above the approved thresholds.

Management response

The provision of houses by the Council to use during a Councillors' term of office was initiated by the Council long back when there was a realisation of challenges affecting Council business due to fact that the rural Councillors are situated some long distances away from the offices some even in excess of 130kms rendering them impossible to get to town for Council business and return within a day. The policy circular in question came at a later stage. There is indeed need for engaging the Ministry for advice and direction on such a situation.

3.1 Valuation of non-current assets

Finding

The Council did not depreciate its assets according toInternational Accounting Standard (IAS) 16 - "Property, Plant and Equipment" paragraph 50, which states that "the depreciable amount of an asset shall be allocated on a systematic basis over its useful life". Upon enquiry with management it was stated that the Council did not have a policy of depreciating its assets as all its classes of assets do not have any useful life set.

In addition, the asset register was not agreeing with the amount of non-current assets in the financial statements. The asset register showed a total of ZWL6 183 554 whereas the amount on the financial statements showed a total amount of ZWL13 353 878 resulting in a variance of ZWL7 170 324. This was against section 120 of the Rural District Council Act [*Chapter 29:13*] which requires the Council to keep proper books of accounts. Management could not trace where the variance emanated from.

Risk / Implication

Financial statements may be materially misstated.

Recommendation

The Council should depreciate assets to comply with IAS 16 - "Property, plant and equipment and maintain a proper asset register.

Management response

The Council will revalue all its property, plant and equipment to have proper values, the depreciation and other related polices will be implemented from 2021 Financial statements.

I have audited the financial statements of Bindura Rural District Council for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Council as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and equipment"

The Council did not perform a revaluation of its property, plant and equipment with a carrying amount of ZWL74,6 million.

The Council last revalued its assets in 2016 contrary to IPSAS 17 which states that the frequency of revaluations depends upon the changes in the fair values of the items of property, plant and equipment being revalued. Property, plant and equipment of the Council experienced significant changes in fair values due to the changes in functional currency and hyperinflationary environment therefore revaluation was necessary.

In addition, there was no evidence that the Council carried out an assessment of the residual values and useful lives of property, plant and equipment as required by IPSAS 17 paragraph 67.

Had the Council carried out revaluation and assessed the residual values and useful lives of property, plant and equipment it would have resulted in the carrying amounts to be materially different from the figures in the financial statements.

Below are material other issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Non-compliance with International Public Sector Accounting Standards (IPSAS) 17- "Property, plant and equipment"

Finding

The Council did not perform a revaluation of its property, plant and equipment with carrying amount of ZWL74,6 million as required by IPSAS 17- "Property, Plant and Equipment". IPSAS 17 paragraph 49 requires the Council to revalue property, plant and equipment annually or every three (3) to five (5) years when necessary, thus aligning with the Council's policy to revalue assets with sufficient regularity. The property, plant and equipment of the Council experienced significant changes in fair values due to hyper inflationary environment therefore revaluation was necessary. Inquiry of management indicated that the last revaluation was conducted in 2016.In addition, there was no evidence that the Council carried out an assessment of the residual values and useful lives of its property, plant and equipment as required by IPSAS 17 paragraph 67.

Risk / implication

Financial statements may be materially misstated.

Recommendation

The Council should fully comply with the provisions of IPSAS 17.

Management response

The Council will carry out a revaluation of all its assets in line with the recommendation. Quotations for the revaluation have been obtained and are waiting funding. We anticipate to carry out the valuation by June 30, 2023.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1. 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 distributed by brewers within their jurisdictions. The Council recognised beer levy revenue amounting to ZWL3,7 million for the year ended December 31, 2021. However, I was not availed with evidence of sales schedules or reconciliations performed between the Councils records and that of the brewer in order to ascertain the accuracy of the beer levy revenue disclosed.

Risk / Implication

Misstatement of financial statements.

Recommendation

Continuous engagement should be done and reconciliations should be performed for the remitted funds.

Management response

Effort to have the beer-levy revenue reconciled has been made and the supplier is not forth coming, the matter has been escalated to Association of Rural District Councils in Zimbabwe (RDCZ) for intervention at national level.

We are still awaiting the national position as representations were cascaded to ARDCZ for engagement with Delta.

3. PROCUREMENT OF GOODS AND SERVICES

3.1. Purchase requisitions

Purchase requisitions were not being raised in the procurement of goods and services. This was contrary to the Council's procurement procedures which requires purchase requisition to be raised by user department before procurement. Payments amounting to ZWL702 478 were made without purchase requisitions. The table below refers:

Payments without purchase requisitions

PV Number	Date	Details	Amount ZWL
24304	25/3/2021	Tyres for AAE 7109 (Technical)	79 200
23700	24/3/2021	Low bed hire (Technical)	52 000
23688	12/3/2021	Scanning plans (Technical)	960
24301	24/3/2021	Servicing Sony Grader (Technical)	570 318
Total			**702 478**

Risk / Implication

Irregular purchases may be processed.

Recommendation

Purchase requisitions should be raised in the procurement cycle.

Management response

Payments will be done with purchase requisitions as per the recommendation.

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

The Council made progress in addressing findings that I raised in my 2021 report. I raised seven (7) findings, two (2) were addressed and five (5) were not addressed as indicated below;

4.1. Valuation of property, plant and equipment

The finding was not addressed, the property, plant and equipment were not valued.

4.2. ZINARA fuel

The finding was addressed. This was a once off issue.

4.3. Devolution fuel

The finding was not addressed. Council did not maintain a fuel register for devolution fuel.

4.4. Stores requisition forms

The finding was addressed. The requests from stores are now being authorised.

4.5. Fuel management

The finding was not addressed. The transport policy is due for review.

4.6. Allowance for credit losses

The finding was not addressed. An assessment for allowance for credit losses was not performed in 2021.

4.7. Devolution funds

Finding was addressed devolution funds were reimbursed. Council used did not use devolution funds for recurrent expenditure in 2021.

I have audited the financial statements of Binga Rural District Council for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

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

Basis for Qualified Opinion

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

For the financial year ended December 31, 2021 the Council did not comply with IAS 21 - "The Effects of Changes in Foreign Exchange Rates", as it elected to comply with Statutory Instrument 33 of 2019 (SI 33/19) from February 22, 2019.

Prior to February 20, 2019, the transacting and functional currency of the Zimbabwean economy was the United States Dollar (USD). On February 22, 2019, the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 (SI 33/19) with an effective date of February 22, 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the United States Dollar (USD) at a rate of 1:1 for the period up to this effective date. The rate of 1:1 was consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by IAS 21 - "The Effects of Changes in Foreign Exchange Rates":

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

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

Prior to this date, RTGS FCA and Nostro FCA transactions and balances were mixed. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity.

For the period up to February 22, 2019, the Council maintained its functional currency as the USD, with transactions and balances reflected using an exchange rate of 1:1 in compliance with SI 33/19. From February 22, 2019, balances and transactions were retranslated at the legislated inaugural exchange rate of 1:2.5 between the USD and the RTGS$ in compliance with the requirements of SI 33/19.

Whilst the timing of this conversion was in line with the dictates of SI 33/19, it constituted a departure from the requirements of IAS 21 **- "**The Effects of Changes in Foreign Exchange Rates", and therefore the 2019 financial statements were not prepared in conformity with IFRS. Had the Council applied the requirements of IAS 21 **- "**The Effects of Changes in Foreign Exchange Rates", the December 31, 2020 comparative inflation adjusted financial statements would have been materially impacted. The financial effects of this departure on the inflation adjusted financial statements have not been determined.

Had the Council applied the requirements of IAS 21 **- "**The Effects of Changes in Foreign Exchange Rates" the figure disclosed in the financial statement would have been materially affected. The effects of the above departures from IAS are material and pervasive to the financial statements

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

Below are other material issues noted during the audit;

1. REVENUE MANAGEMENT

1.1. Beer levy

Finding

The Council received ZWL2, 1 million from Delta beverages as beer levy, however, there was no basis for the levy remitted. The Council is entitled to collect beer levy from brewers as required by the Traditional Beer Act [*Chapter 14:24*]. Section 15 of the same Act empowers the Council to demand the production of records/ accounts of controlled liquor monies to verify the accuracy of the amount remitted.

Risk / Implication

Loss of income due to possible under remittances.

Recommendation

The Council should engage the brewer to obtain beer sales records to support beer levy remittance.

Management response

The Council will engage Delta on the calculation and remittance of beer levy.

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

The Council made progress in addressing findings that I raised in my 2021 report. I raised three (3) findings, one (1) was addressed and two (2) were not addressed as indicated below;

2.1. Policies and procedures manuals

The finding has not been addressed. Council is yet to adopt policies and procedures.

2.2. Property, plant and equipment

The finding has been addressed. Property plant and equipment has been revalued.

2.3. Beer levy

The finding has not been addressed. Council is yet to receive monthly beer sales schedules from brewers.

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

Adverse Opinion 2018

In my opinion, due to the effects of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Council as at December 31, 2018, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Standards (IPSASs).

Basis of Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

Bubi Rural District Council did not fully comply with the provisions of International Public Sector Accounting Standard 4 - "The effects of Changes in Foreign Exchange rates". The need to account for these effects emanated from the 'multi-tiered' pricing environment that was prevailing during the year under review, where settlement of transactions depended on the mode of payment, whether USD cash, RTGS, bond notes and mobile money. This resulted in the Council experiencing premiums on the official foreign exchange rate of 1:1 prescribed by Statutory Instrument 133 of 2016, between RTGS FCA, Bond Notes and the Nostro FCA transactions. This 'multi-tiered' pricing environment resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" would apply.

Had the Council complied with the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" many elements in the accompanying financial statements would have been materially affected. The departure from the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" will be material.

ii. Expenditure

The Council recognised unsupported expenditure amounting to USD$91 406. I was therefore unable to satisfy myself on the completeness and accuracy of expenses reported in the financial statements.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories"

The Council omitted all inventory in the form of drugs and other medical supplies donated to it during the period under review from its financial statements. In addition, I was not availed with a listing or supporting documents for the inventory amounting to USD$53 765 disclosed in the financial statements. Had the Council recognized inventory from drug and other medical supplies the figure in the financial statements would be materially affected.

iv. Cash and cash equivalents

Cash on hand balances disclosed in the financial statements amounting to USD25 714 exceeded balances on the year-end cash count certificates of USD1 315 by USD24 399. Management was unable to resolve the matter and to make the necessary adjustments to the financial statements. As a result, I could not satisfy myself of the accuracy of cash and cash equivalents.

v. Trade and other payables

There was an unresolved variance of USD20 222 between creditors reported in the accounts amounting to USD388 139 and those per supporting listings of USD408 361. Management was unable to resolve the matter. As a result, I was unable to satisfy myself of the completeness and accuracy of trade and other payables reported in the financial statements.

Adverse Opinion 2019

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not give a true and fair view of the financial position of the Council as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis of Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

The Council applied the legal rate of 1:1 as pronounced by Statutory Instrument (SI) 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and of the 20th of February 2019 for transactions from 1 October 2018 to 22 February 2019. On the 22nd of February 2019, the Council did not translate most of the applicable foreign denominated non-monetary and monetary assets and liabilities at that date to ZWL at an exchange rate of 1:4 between USD and ZWL. Had the balances been translated using an exchange rate applied on other items, the resultant translation gains to be accounted for through the income statement would have been materially different.

According to IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" at the end of each reporting period; (a) foreign currency monetary items shall be translated using the closing rate; (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. According to paragraph 10 of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates"- the closing rate is defined as a) spot exchange rate at the end of the reporting period, and b) spot exchange rate is the exchange rate for immediate delivery.

I therefore believe that the exchange rates for transactions and balances between the USD and the RTGS$/ZWL used by the Council (1:1 for the period from 1 October 2018 onwards did not meet the criteria for appropriate exchange rates in terms of IPSAS as defined above.

Had the Council complied with the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” many elements in the accompanying financial statements would have been materially affected. The departure from the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” will be material.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyperinflationary Economies” and (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates”

The Council did not comply with the provisions of IPSAS 10, “Financial Reporting in Hyperinflationary Economies”. Zimbabwean entities were operating in an environment in the period under review, which has witnessed significant monetary and exchange control policy changes since the beginning of the 2019 year. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10 - “Financial Reporting in Hyperinflationary Economies” in Zimbabwe had been met and the standard should be applied from July 1, 2019 and accounts of entities with year-end on or after this date should be hyper inflated.

Had the Council complied with the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” many elements in the accompanying financial statements would have been materially affected The departure from the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” will be material.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “Revenue from exchange transactions”

I was not availed with databases used for the billing of service charges, development levy and business licenses to enable me to perform recalculations of the income line items. In addition, there was an unresolved variance of ZWL105 829 between the amount of land sales disclosed in the financial statements amounting to ZWL1 079 435 and the amount as per audit recalculation (ZWL973 606). Had the Council applied the requirements of IPSAS 9 - “Revenue from exchange transactions” the revenue figures and trade receivables would have been materially affected.

iv. Expenditure

There was unsupported expenditure amounting to ZWL306 045 due to missing supplier invoices. I was therefore unable to satisfy myself on the accuracy and validity of expenses reported in the financial statements.

v. Accounts payable

Included in accounts payables of ZWL11 434 194 reported in the financial statements was a suspense amount of ZWL211 371. Management was unable to provide a schedule of what the balance is made up of and make the relevant adjustments to the accounts. As a result, I was unable to satisfy myself of the completeness and accuracy of other payables reported in the financial statements.

vi. Payroll

There was an unresolved variance of ZWL228 293 between the payroll costs disclosed in the financial statements of ZWL1 174 293 and supporting payroll balance of ZWL946 000. As a result, I could not satisfy myself of the accuracy of payroll costs in the financial statements.

vii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "Revenue from exchange transactions"

Although the Council had some unsold pieces of land in Inyathi Township at the end of the year, the same was not accounted for in the financial statements. In addition, Council did not avail the land stock register with information on the number and sizes of the land available for sale at year end. Had the Council applied the requirements of IPSAS 9 - "Revenue from exchange transactions" the revenue figures and trade receivables would have been materially affected.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Disaster recovery plan

Finding

The Council did not have a documented disaster recovery plan which sets out policies, tools and procedures to enable the recovery of data and business continuity following a disaster.

Risk / implication

Business continuity and recovery of data may be compromised.

Recommendation

A disaster recovery plan should be put in place to enable business continuity and recovery of data in the event of a disaster.

Management response

This was due to lack of qualified IT staff to assist in the formulation of the plan in conjunction with the finance staff. Council is however willing to engage an I.T personnel on contract basis to assist in this matter.

1.2 Cash and cash equivalents

Finding

The Council disclosed cash on hand balances in the financial statements amounting to USD25 714 which exceeded balances on the year-end cash count certificates of USD1 315 by USD24 399. Management was unable to resolve the matter and to make the necessary adjustments to the financial statements. As a result, I could not satisfy myself of the accuracy of cash and cash equivalents.

In addition, the Council was not performing bank reconciliations for two (2) of its bank accounts. This resulted in Council omitting the Estate Account transactions and balance from the financial statements during the period under review. The omitted account had a total debit and credit transactions of USD49 761 and USD56 075 respectively, with a closing balance of USD6 314 at year end.

Risk / Implication

Fraud and errors might go undetected.

Recommendation

The Council should ensure that investigations are done and necessary adjustments made.

Bank reconciliations should be done monthly and reviewed by a senior person.

Management response

Noted, with the computerised accounting system, bank reconciliations are easily done and the Treasurer will closely supervise the staff. The USD$179 and USD$411 were bought forward from previous years and we propose they be written off.

The Estate account transactions which include the bank balance of USD$6 314 have now been recorded in the accounts, and the Estate account has also been added to the final accounts.

1.3 Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies"

Finding

The Council did not comply with the provisions of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies". Zimbabwean entities were operating in an environment which witnessed significant monetary and exchange control policy changes since the beginning of the 2019 year. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10 - "Financial Reporting in Hyperinflationary Economies" in Zimbabwe had been met and the standard should be applied from July 1, 2019 and accounts of entities with year-end on or after this date should be hyper inflated.

The Council did not adjust its financial statements in line with this pronouncement and only presented historical results. Management cited that this was due to staff technical capacity issues and financial resources to train them.

Risk / Implication

Misstatement of financial statements.

Recommendation

Management must ensure all relevant IPSAS are complied with for the accounts to show a true and fair view.

Management response

The Council has noted the observation above. Accountants will be trained on the implementation of IPSAS in the Council's financial statements.

1.4 Payables

Finding

In 2018, there was an unresolved variance of USD20 222 between creditors reported in the accounts amounting to USD388 139 and those per supporting lists of USD408 361. Management was unable to resolve the matter. The Council did not maintain creditors' reconciliations to ensure that accurate balances are recorded in the financial statements. Major creditors' balances were not confirmed and no supporting statements were availed to audit.

In addition, the Council was not tracing unspecified deposits made by customers into the Council's bank accounts, as a result, Council credited the suspense account with the unspecified funds and these balances were increasing year on year. On enquiry, management indicated that some customers pay their bills into Council's bank accounts but do not submit the proof of payment to Council to enable receipting. Included in the 2019 accounts payables of ZWL11 434 194 reported in the financial statements was an unsubstantiated suspense amount of ZWL211 371.

Risk / Implication

Fraud and error may go undetected.

Misstatements of financial statements.

Recommendation

The Council should encourage customers to submit proof of payments so that relevant correcting entries are posted timely.

Management response

We will conscientise our customers to present proof of payments and reconciliations and adjustments will be done.

2 PROCUREMENT OF GOODS AND SERVICES

2.1 Expenditure supporting documents

Expenditure amounting to USD91 406 in 2018 and ZWL306 045 in 2019 had no supporting documents. Documents not availed included payment vouchers, invoices, goods received notes, PRAZ certificates, tax clearance certificates, quotations and comparative schedules. Management indicated that the reason why many payment vouchers were not located was due to understaffing of the payments office which resulted in poor filing.

Risk / Implication

Fraud and error may go undetected.

Misstatement of financial statements.

Financial loss as the Council may have paid for undelivered goods and services not rendered.

Recommendation

All expenditure should be adequately supported by relevant documents.

Management response

Noted. The Council will improve its filing system.

3 REVENUE COLLECTION AND DEBT RECOVERY

3.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 – "Inventories"

Finding

In 2018, the value of drug donations was not disclosed in the financial statements. Goods received vouchers from clinics were not availed for audit to enable confirmation of the total amount of donations received during the year.

In addition, I was not availed with a listing or supporting documents for the inventory amounting to USD$53 765 disclosed in the financial statements.

Risk / Implication

Misstatement of financial statements.

Donated items may be misappropriated.

Recommendation

Adequate records for the donations should maintained to ensure appropriate accounting.

The Council should ensure that all amounts in the financial statements are properly supported.

Management response

Noted, the Council owns the infrastructure in clinics while the administration of the medicals is under the district hospital. Going forward, the Council will do stock valuations for drugs.

3.2 Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 – "Inventories"

Finding

There was an unresolved variance of ZWL105 829 between the amount of land sales disclosed in the financial statements amounting to ZWL1 079 435 and the amount as per my re-computation was ZWL973 606. Management could not resolve the variance and indicated that the variance was a result of lack of coordination between the technical department and the finance department.

In addition, the Council had some unsold pieces of land in Inyathi Township in 2019 and these were not accounted for in the financial statements due to management oversight. This was a non-compliance with IPSAS 12 - "Inventories". Furthermore, the Council did not avail the land stock register with information on the number of stands and their sizes which were available for sale at year end.

Risk / Implication

Fraud and errors could go undetected.

Misstatement of financial statements.

Recommendation

The Council should investigate the noted variance and ensure that stand sales are accurately accounted for.

Management response

The observation is noted.

4 EMPLOYMENT COSTS

4.1 Payroll computations

Finding

The Council did not perform payroll reconciliations for the year ended December 31, 2019. This resulted in an unexplained variance of ZWL228 293 between the payroll costs disclosed in the financial statements of ZWL1 174 293 and the payroll summaries balances of ZWL946 000. Management could not resolve the variance.

Risk / Implication

Misstatement of the financial statements.

Recommendation

Monthly payroll reconciliations should be done so as to avoid the variances.

Automation of all employee costs so as to avoid errors that arise as a result of a manual payroll system.

Management response

Noted, the Council has subsequently acquired a payroll package to assist in this regard.

I have audited the financial statements of Buhera Rural District Council for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Buhera Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

i. Non-compliance with International Accounting Standard (IAS 21 - "The Effects of Changes in Foreign Exchange Rates" and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" with respect to opening balances

The Council changed its functional and reporting currency from United States Dollars (USD) to Zimbabwe Dollars (ZWL) on February 22, 2019 in compliance with Statutory Instrument 33 of 2019. Based on the interpretation of IAS 21- "The Effects of Changes in Foreign Exchange Rates" it was generally acknowledged that there was a functional currency change prior to February 22, 2019, before Statutory Instrument 33 (SI 33) was issued, from USD to ZWL. Despite acknowledging that there was a change in functional currency prior to February 22, 2019, the Council accounted for the change in functional currency prospectively from February 22, 2019 in compliance with SI 33. This constitutes a departure from the requirements of IAS 21- "The Effects of Changes in Foreign Exchange Rates" due to the need to comply with local regulations under SI 33. The Council did not restate the opening balances to resolve this matter which resulted in an adverse audit report in prior years. Prior year balances were carried over into 2021 without any adjustment for prior period misstatements, impacting comparability of the current year figures. Had the Council applied the requirements of IAS 21 - "The effects of Changes in Foreign Exchange rates" the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

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

Notwithstanding that IAS 29 - "Financial Reporting in Hyperinflationary Economies" has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21- "The Effects of Changes in Foreign Exchange Rates" and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" as described above. Had the Council applied the requirements of IAS 29 - "Reporting in Hyper-Inflationary Economies" the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

iii. Non-compliance with International Accounting Standard (IAS) 17 - "Property, plant and equipment".

The Council did not provide for depreciation in the financial statements, which constitutes a departure from IFRSs. The useful lives of the assets have not been determined in accordance with IAS 16 - "Property, plant and equipment" hence I could not determine the adjustments necessary to adjust the surplus for the year, retained earnings and accumulated depreciation.". Had the Council depreciated and assessed its useful of its property, plant and equipment the financial statements would have been materially affected.

In addition, the Council did not revalue its property, plant and equipment valued at ZWL367 583 457 as at December 31, 2021 .Considering the impact of change in functional currency from United States Dollar (USD) to Zimbabwean Dollars (ZWL), the carrying amounts of non-current assets that were carried over from 2019 at an exchange rate of USD1: ZWL1, no longer represented the carrying amounts of non-current assets in ZWL as at December 31, 2021 for purposes of applying IAS 29 - "Financial Reporting in Hyperinflationary Economies". Had the Council revalued its property, plant and equipment the financial statements would have been materially affected. The departure from requirements of IAS 16 - "Property, plant and equipment" are material.

I was not able to verify the assets included in the financial statements against the Council's asset register. The Council's asset register consisted of a list of assets that could not be separately identified due to the absence of unique numbering or tagging and absence of values attached to the assets. I could not therefore confirm the existence of assets included in the financial statements, by alternative means.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Failure to withhold tax

Finding

The Council made payments to suppliers who did not have valid tax clearances and did not withhold any tax as required by the Income Tax Act [Chapter 23:06]. No returns and payments were made to Zimbabwe Revenue Authority (ZIMRA) with respect to these transactions. From a sample of four (4) regular suppliers who had no valid tax clearance at the time of payment withholding tax amounting to ZWL322 409 was not withheld.

Risk / Implication

Financial loss due to fines and penalties.

Recommendation

The Council should put an active monitoring system over its payments processes to ensure that tax is withheld from suppliers without tax clearance certificates.

Management response

Noted. Active monitoring process is now in place to ensure that tax is withheld from suppliers without tax clearances and remitted.

1.2 Incomplete asset register

Finding

The asset register for the Council was incomplete and did not contain all the relevant details relating to the assets. Update of the asset register was still work in progress at the time of conducting the audit and information such as purchase dates, asset reference numbers, asset values, disposal information and allocation to respective committees was not yet complete. As a result, I could not agree the assets that I physically verified to the asset register.

Risk / Implication

Misstatement of financial statements.

Financial loss due to theft and misappropriation of assets.

Recommendation

The Council should update the asset register with all relevant information and consider automating the asset management function.

Management response

Updating of the asset register is work in progress. Once the valuation of assets is completed the asset register will have the value of each asset.

1.3 Non-compliance with International Accounting Standard (IAS) 17 - “Property, plant and equipment”.

Finding

The Council’s assets were not revalued following a change in functional in 2019. The value of assets in the financial statements did not present a true and fair position of the Council since assets were presented at their values before date of change of functional currency converted to Zimbabwe Dollars at an exchange rate of USD1: ZWL1. Revaluation of assets was necessary given the change in functional currency from United States Dollars to Zimbabwean Dollars.

Risk / Implication

Financial statements were materially misstated due to inclusion of asset values that were not reflective of the fair values of assets of a similar nature given the changes in functional currency from USD to ZWL.

Recommendation

Independent professional assets valuators should be considered for the valuation of the Council's assets. Where a management valuation is used, there should be proper documentation, stating the basis, comparatives and method used in valuing the assets. Such internal valuation should be approved by the Council.

Management response

Management with the assistance of Government Departments will undertake the valuation of assets.

1.4 Absence of asset management policy

Finding

The Council operated without a documented asset management policy. Due to the absence of policy, the Council did not have a basis for depreciation of its assets as a result, the Council's assets were not being depreciated contrary to IAS 16 - "Property, Plant and Equipment."

In addition, purchases of blankets, locks, surge protectors, printer maintenance, MiFi dongles, bin repairs, spanner repairs, refuse collections amongst other expenditure items were capitalised contrary to best accounting practice in the classification of capital expenditure.

Risk / Implication

Inconsistent treatment of assets in area such as capitalization and valuation.

Financial statements may be misstated.

Recommendation

The Council should have an asset management policy and procedures manual to guide the finance department and other departments in recording transactions relating to non-current assets.

Management response

Asset management policy will be crafted during the month of July 2022.

2 PROCUREMENT OF GOODS AND SERVICES

2.1 Failure to comply with procurement regulations

Finding

The Council sourced one quotation for various procurements during the year under review. This was contrary to the Council's policy and section 34 of the Public Procurement and Public Disposal of Assets Act [*Chapter 22:23*] which require the Council to obtain at least three (3) competitive quotations for comparisons whenever acquiring goods or services using the quotations method.

Direct procurement

Account description	Voucher number	Amount ZWL	Supplier
Repairs: vehicles	99/21	123 206	Mutare Toyota
Repairs: vehicles	354/21	56 333	Amtec Motors
Maintenance	404/21	85 778	Amtec Motors
Repairs: plant equipment	54/21	198 931	Duly's

Risk / Implication

Financial loss due to fraudulent and or uneconomic procurement.

Recommendation

The Council should ensure that it complies with the requirements of the Public Procurement and Public Disposal of Assets Act [*Chapter 22:23*].

Management response

Observation have been noted. In future we will utilise all the procurement methods.

3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2021 report. I raised six (6) findings, two (2) were partially addressed and four (4) were not addressed as indicated below;

3.1 Long-term loans

The finding has been partially addressed. Council has agreed on a payment plan with the Ministry.

3.2 Asset register

The finding has not been addressed. Council is yet to automate its fixed asset register.

3.3 Devolution funds disbursements- construction projects management

The finding has not been addressed. The Council is now employing a site stores clerks responsible for running each projects.

3.4 Non-compliance with IAS 16- Property, plant and equipment

The finding has not been addressed. Council is yet to provide for depreciation after revaluation of property, plant and equipment is carried out.

3.5 Limitation of scope on cash and cash equivalents

The finding has been partially addressed. Separation of cash was done for head office and sub office. Cash separation is yet to be done as well as reconciliations for cash and Eco cash.

3.6 Revenue recognition issues

The finding has not been addressed. Council is yet to recognise revenue on accrual basis.

I have audited the financial statements of Bulilima Rural District Council for the year ended December 31, 2020 and I issued an adverse opinion.

Adverse Opinion

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

Basis for Adverse Opinion

i. Non-compliance with International Accounting Standards (IAS) 41 - "Agriculture"

The Council had cattle rearing income generating project which was discontinued in 2020. The Council disclosed biological assets in relation to two (2) cattle valued at ZWL43 873 yet there was no information on their existence. Had the Council confirmed the existence of its biological assets the figure disclosed would have been materially affected.

ii. Non-compliance with International Accounting Standards (IAS) 29 - "Financial Reporting in Hyperinflationary Economies", (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates" and (IAS) 8 - "Accounting Polices, Changes in Accounting Estimates and Errors"

The Council was operating in a hyperinflationary economy for the year ended 31 December 2020. However, financial statements were not prepared in accordance with IAS 29 - "Financial Reporting in Hyperinflationary Economies", The non-compliance by the Council constitutes a departure from IAS 29 - "Financial Reporting in Hyperinflationary Economies". Had the financial statements been prepared in accordance with IAS 29 - **"**Financial Reporting in Hyperinflationary Economies**"** multiple elements would have been materially adjusted. As a result, the impact of the Council's inability to comply with IAS 29 - "Financial Reporting in Hyperinflationary Economies", has been determined as significant.

Had the Council applied the requirements of IAS 29 the figures disclosed in the financial statement would have been materially affected. The effects on financial statements of non- compliance with IAS 29 - "Financial Reporting in Hyperinflationary Economies", are considered material and pervasive to the financial statements.

iii. Non-compliance with International Accounting Standards (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates" and (IAS) 8 - "Accounting Polices, Changes in Accounting Estimates and Errors"

The Council changed its functional and reporting currency from United States Dollar (USD) to Zimbabwe Dollars (ZWL) on February 22, 2019 in compliance with Statutory Instrument 33 of 2019. The change in functional currency occurred in October 2018.
My report for the year ended December 31, 2019 was therefore modified as management prospectively applied the change in functional currency from USD to ZWL from February 23, 2019. The correct approach would have been a retrospective restatement as a prior period error in terms of International Financial Reporting Standards IAS 8 - "Accounting Polices, Changes in Accounting Estimates and Errors." My report is modified in respect of the impact of these matters on the current year financial statements.

Had the Council applied the requirements of IAS 21 and IAS 8 the figure disclosed in the financial statement would have been materially affected. The effects of the above departures from IFRS are material and pervasive to the financial statements.

Below are other material issues noted during the audit.

1 Management of assets

1.1 Non-compliance with International Accounting Standard (IAS) 41 - "Agriculture"

Finding

The Council had an income generating project of cattle rearing which was discontinued in 2020. At the beginning of the year, the records showed that the Council had nineteen (19) cattle. Twelve (12) cattle were auctioned, five (5) died and two (2) cattle were missing and presumed dead. However, the Council disclosed two (2) cattle valued at ZWL43 873 as its biological assets yet there was no information on their existence.

Risk / Implication

Financial losses due to fraud and theft.

Biological assets may be overstated.

Recommendation

Management should investigate the whereabouts of the two missing cattle and take appropriate action.

Management response

The Council will write off the two (2) cattle as they could not be found but presumed dead.

2 SERVICE DELIVERY

2.1 Roads equipment

Finding

The Council had one (1) functional tractor which serve the various needs of the Council and one (1) grader. However, the grader was out of service for a year resulting in the Council relying on hiring equipment for its works.

Risk / Implication

Service delivery may be compromised.

Recommendation

The Council should ensure that the grader is repaired without further delay and consider purchasing additional equipment.

Management response

Provisions have been made to acquire the necessary equipment.

I have audited the financial statements of Chaminuka Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Chaminuka Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The effects of changes in foreign exchange rates"

The prior year financial statements did not comply with the International Public Sector Accounting Standards (IPSAS) 4 - "The effects of changes in foreign exchange rates", as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of observable foreign exchange market. In that regard, the Council's prior year financial statements have an impact on the current year financial statements.

Had the Council applied the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" the figure disclosed in the financial statement would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment" paragraph 21 and 66.

The Council was not depreciating its items of property, plant and equipment. In addition, land reserves and infrastructure assets including road networks, sewage systems and water supply systems were not disclosed in the financial statements resulting in non-compliance with IPSAS 17 - "Property, plant and equipment". Had the Council recognised land reserves and depreciated its property, plant and equipment the amounts disclosed in the financial statements would be materially affected.

Below are other material issues noted during the audit;

1 MANAGEMENT OF ASSETS

1.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment" paragraph 21 and 66

Finding

The Council was not maintaining a comprehensive asset register to ensure proper management and control of assets. Details on some assets lacked vital information such as the date of purchase and some were not being depreciated in terms of International Public Sector Accounting Standards (IPSAS) 17 - "Property, Plant and Equipment" paragraph 66.

In addition, the Council did not recognize land reserves and some infrastructure assets including road networks, sewage systems and water supply systems in the financial statements resulting in noncompliance with IPSAS 17- "Property, Plant and Equipment" paragraph 21. Inquiries with management indicated that this was due to transition from International Financial Reporting Standards (IFRS) to IPSAS and management oversight.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should ensure that an up to date asset register is in place and that assets are depreciated in the terms of the standards.

Management response

Observation noted. It's still a challenge to establishing values and date of construction for infrastructure assets such as roads. Council is in the process of revaluing the assets and coming up with appropriate depreciation models for the infrastructure assets. Council plans to complete the process within the three year IPSAS transitional period

I have audited the financial statements of Chikomba Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

Adverse Opinion

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

Basis for Adverse Opinion

i. Non Compliance with International Accounting (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates and (IAS) 8 - "Accounting Policies, Changes in Accounting Estimates and Errors".

The Council changed its functional and reporting currency from United States Dollar (USD) to Zimbabwe Dollars (ZWL) on February 22, 2019 in compliance with Statutory Instrument 33 of 2019. I however believe that the change occurred on October 1, 2018 in terms of IAS 21 - "The Effects of Changes in Foreign Exchange Rates", given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019. The Council had not restated the opening balances to resolve this matter which resulted in the adverse opinion in the prior period in accordance with IAS 8 - "Accounting Polices, Changes in Accounting Estimates and Errors", therefore, some corresponding balances on the statement of financial position and many items on the statement of comprehensive income remain misstated, impacting comparability of the current year figures.

In the current year, the Council translated foreign denominated transactions and balances to ZWL using the interbank exchange rates for the period January 1, 2020 to June 23, 2020, prior to introduction of the foreign exchange auction trading system. This includes the period between March and June 2020 when the exchange rate was fixed at USD1: ZWL25. As in the prior year, I concluded that the interbank exchange rates did not meet the definition of a spot exchange rate as per IAS 21, as they were not available for immediate delivery.

However, owing to the lack of information on the spot rates available to the entity and the other matters discussed above it was not possible to quantify the impacts of this departure from IFRS on the amounts noted above.

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

The financial statements were not prepared in accordance with the requirements of IAS 29 were not complied with in converting the financial information for the year ended December 31, 2021 into an applicable measurement base at the date of reporting. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued a pronouncement relating to the application of IAS 29 - "Financial Reporting in Hyperinflationary Economies". The PAAB advised that there was broad market consensus within the accounting and auditing professions that the factors and characteristics to apply IAS 29, in Zimbabwe had been met.

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

Below are other material issues noted during the audit;

1.1 Beer levy

Finding

The Council recognized beer levy revenue amounting to ZWL3 759 169 for the year ended December 31, 2021. However, this amount was not supported by the brewer's sales returns. Enquires from management revealed that brewers were not submitting beer levy sales returns which form the basis upon which beer levy revenue remittances are derived. According to the Traditional Beer Act [*Chapter 14:24*], commercial brewers should remit beer levy to local authorities on the basis of total sales.

Risk / Implication

Misstatement of financial statements.

Recommendation

Management should fully enforce the provisions of the Traditional Beer Act [*Chapter 14:24*] which mandates the commercial brewers to remit beer sales returns to the local authority.

Management response

Noted, efforts shall be made to recover monies owed by traditional beer manufacturers.

I have audited the financial statements of Chipinge Rural District Council for the years ended December 31, 2018, 2019, 2020 and 2021. I issued adverse opinions for 2018, 2019 and 2020 and a qualified opinion for 2021.

Adverse Opinion 2018

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

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

The Council transacted using a combination of United States Dollars (USD), bond notes and bond coins. An acute shortage of USD cash, other foreign currencies, bond notes and bond coins in the country, resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. The RTGS system was employed as a mode of electronic settlement intended to be representative of physical currency. During the year there was a significant divergence in market perception of the relative values between bond notes, bond coins, mobile money settlements and RTGS settlements in comparison to the USD. Although RTGS and mobile money platform settlements were not legally recognised as currency during the year ended December 31, 2018, the substance of the economic phenomenon, from an accounting perspective, suggested that they were currency.

In October 2018, banks were instructed by the Reserve Bank of Zimbabwe (RBZ) to separate and create distinct bank accounts for depositors, namely, Real Time Gross Settlement Foreign Currency Account (RTGS FCA) and Nostro Foreign Currency Account (Nostro FCA). This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currency (e.g. United States Dollar, British Pound and South African Rand). Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled.

As a result of this separation, there was an increase in multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. These events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates".

As a result of these factors, management performed an assessment on the functional currency of the Council in accordance with IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" and acknowledged that the functional currency of the Council was no longer USD. Subsequent to year-end, as indicated in the financial statements, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 (SI 33/19) with an effective date of February 22, 2019. In addition, SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes as currency.

Although the management acknowledge that there was a functional currency change and that the rates of exchange rate between the USD and local currency was not 1:1, they have maintained their functional currency as the USD and have presented the financial statements in USD using an exchange rate of 1:1, in compliance with SI 33/19. This constitutes a departure from the requirements of IPSAS 4, and therefore the financial statements have not been prepared in conformity with IPSASs. Had the Council applied the requirements of IPSAS 4- “The Effects of Changes in Foreign Exchange Rates”, many of the elements of the financial statements would have been materially impacted and therefore the departure from the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” is considered to be pervasive. The effects on the financial statements of this departure have not been determined.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) - 17 “Property, Plant and Equipment”

The Council did not perform a revaluation exercise either to establish the fair value of the assets as at December 31, 2018. According to International Public Sector Accounting Standards 17 Property, Plant and Equipment revaluations should be carried out regularly so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. The council’s property, plant and equipment were valued at USD3 922 118 (2017: USD3 998 899 which constitutes 54% of total assets. I was unable to determine the impact on the net carrying amount of property, plant and equipment as it was impracticable to do so.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - “Inventories” and (IPSAS) 9 - “Revenue from Exchange Transactions”

The Council did not account for stands inventory in the books of accounts. According to IPSAS 12 paragraph 12(I) inventories include land held for sale. In addition, the Council was only accounting for stand sales on a cash basis to IPSAS 9 - “Revenue from Exchange Transactions” The financial effects on the financial statements of this departure have not been determined.

iv. Unreconciled / unsupported amount in the Statement of Changes in Net Assets

The Council’s financial statements for the year ended December 31 2018 include unreconciled / unsupported difference amounting to USD357 866. This amount has been disclosed in the Statement of Changes in Net Assets and Reserves and not supported as no general ledger was provided to enable reconciliation of the amount. As a result, I was unable to satisfy myself as to the nature and existence of this reconciling amount. Consequently, the accumulated fund is affected by this variance.

Adverse Opinion 2019

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

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

On February 20, 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 (SI 33/19) with an effective date of February 22, 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the USD at a rate of 1:1 for the period up to its effective date. The rate of 1:1 is consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates":

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

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

Prior to this date, RTGS FCA and Nostro FCA transactions and balances were co-mingled. As a result of this separation, there was an increased proliferation of multi-tier pricing practices by suppliers of goods and services, indicating a significant difference in purchasing power between the RTGS FCA and Nostro FCA balances, against a legislative framework mandating parity. Because the Council transacted using a combination of United States Dollars (USD), bond notes and coins, Real Time Gross Settlement (RTGS) system and mobile money platforms during the period from October 1, 2018 to February 22, 2019, the decision to change the functional currency on February 22, 2019 in accordance with SI 33/19 resulted in misstatement to the financial performance and cash flows, as transactions denominated in USD were not appropriately translated in line with IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates".

Although management acknowledge, that there was a functional currency change and that the rates of exchange rate between the USD and local currency was not 1:1, they have maintained their functional currency as ZWL and have presented the financial statements in ZWL using an exchange rate of 1:1, in compliance with SI 33/19 for periods January and February 2019. This constitutes a departure from the requirements of IPSAS 4, and therefore the financial statements have not been prepared in conformity with IPSAS. Had the Council applied the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates", many of the elements of the financial statements would have been materially impacted and therefore the departure from the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" is considered to be pervasive.

ii. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, plant and equipment”.**

The Council did not perform a revaluation exercise to establish the fair values of the assets as at December 31 2019. The Council’s property, plant and equipment were disclosed at ZWL39 843 263 at year end. The provisions of International Public Sector Accounting Standards 17- “Property, Plant and Equipment” requires that revaluations should be carried out regularly so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. Had the Council performed a revaluation due to economic condition the values of the Councils items of property, plant and equipment would be materially affected.

iii. **Inventory valuation**

The Council did not account for stands inventory in the accounting record. According to IPSAS 12 paragraph 12(l) inventories in the public sector include land held for sale. The departure from the requirements of IPSAS 12 - “Inventories” is considered to be pervasive. The effects on the financial statements of this departure have not been determined.

iv. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 – “Revenue from Exchange Transactions”**

The Council recognised sundry income of ZWL8 ,2 million during the year ended December 31 2019. Included in the amount was income received through the eco-cash mobile money platform amounting to ZWL8,1 million. According to IPSAS 9 - “Revenue from exchange transactions” revenue from the sale of goods and services is recognized when the significant risks and rewards of ownership have been transferred to the buyer, when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to council”.

However, the Council recorded receipts from customers as revenue and did not apply the requirements of IPSAS 9 - “Revenue from exchange transactions”, the departure from the requirements of IPSAS 9 is considered to be material. Had the Council applied the requirements of IPSAS 9 - “Revenue from exchange transactions”, the revenue figures and trade receivables would have been materially affected.

v. **Unreconciled/ Unsupported amount in the Statement of Changes in Net Assets**

The Council’s financial statements for the year ended December 31, 2019 include unreconciled/ unsupported difference amounting to ZWL301 790. This amount has been disclosed in the Statement of Changes in Net Assets and Reserves and does not have a listing of the specific accounting entries constituting it. No general ledger was provided to enable us to reconcile the amount. As a result, I was unable to satisfy myself as to the nature and existence of this reconciling amount.

Adverse Opinion 2020

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

The Council did not comply with IPSAS 4 in the prior financial period, as it elected to comply with Statutory Instrument 33 of 2019 (SI33/2019). In order to comply with SI33/2019, the RTGS transactions and balances for the prior year were accounted for on the basis of a rate 1:1 between USD and RTGS. The Council changed the functional currency on February 22, 2019 in compliance with legislation. This was not consistent with IPSAS 4, in which compliance would have resulted in the reassessment of the functional currency at a date earlier than February 22, 2019.Therefore, the departure from the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rate", was considered material in the prior year and this was not corrected in line with IPSAS 3 - "Accounting Policies, Changes in Accounting Estimates and Errors".

The misstatements in the historical comparative information impacted the determination of the amounts as is required in the application of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rate" in prior years.

In addition, the Council translated foreign denominated transactions and balances to ZWL using the interbank exchange rates for the period April 1, 2020 to June 23, 2020, prior to introduction of the Foreign Exchange Auction Trading System. This includes the period between March and June 2020 when the exchange rate was fixed at USD1: ZWL2.5. I concluded that the interbank exchange rates did not meet the definition of a spot exchange rate as per IPSAS 4. The departure from the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" was material.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, Plant and equipment".

The Council did not perform a revaluation exercise to establish the fair value of the assets as at December 31, 2020. The Council's property, plant and equipment disclosed at ZWL184 million and that was not revalued contrary to IPSAS 17 - "Property, Plant and Equipment" which requires revaluations to be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. Had the Council carried out a revaluation due to economic condition the values of the Councils items of property, plant and equipment would be materially affected.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories"

The Council did not account for stands inventory in the accounting records. According to IPSAS 12 paragraph 12(I) inventories in the public sector may include land held for sale. As at December 31, 2020, the Council did not record any inventory in its financial statements. The departure from the requirements of IPSAS 12 - "Inventories" is considered to be pervasive. The financial effects on the financial statements of this departure have not been determined. Consequently, I was unable to determine whether any adjustments to the financial statements were necessary.

Qualified Opinion 2021

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Chipinge Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

During the financial year, the foreign currency denominated transactions and balances were translated into ZWL using the interbank exchange rates. I concluded that the interbank exchange rates did not meet the definition of a spot exchange rate as per IPSAS 4. This had an impact on the revenue of ZWL644, 5 million and expenditure of ZWL198, 5 million on the statement of financial of performance and accumulated fund of ZWL771, 7 million on the statement of financial position. Had the requirements of IPSAS 4 – "The Effects of Changes in Foreign Exchange Rates", been applied some elements would have been materially different. The effects of non-compliance with the requirements of IPSAS 4 have been considered to be material to the financial statements as a whole.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment".

The Council did not perform a revaluation exercise to establish the fair value of the assets as at December 31, 2021. The Council's property, plant and equipment were valued at a carrying amount of ZWL356,2 million. The requirements of IPSAS 17 states that revaluations should be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. Had the Council carried out a revaluation due to economic condition the values of the Councils items of property, plant and equipment would be materially affected.

In addition, the Council disclosed investment property with a cost of ZWL23 million. The Council elected to account for investment property under the cost model as described by paragraph 65 of IPSAS 16 - "Investment Property". However, the Council did not disclose the fair value of its Investment property contrary to IPSAS 16 paragraph 90. I was not able to determine the impact on the carrying amount of investment property.

The Council did not depreciate its constructed buildings such as schools, which were already in use in the district.

According to International Public Sector Accounting Sector Standard 17, Property, Plant and Equipment (IPSAS 17) paragraph 71 "depreciation of an asset begins when it is available for use and ceased with de-recognition.

The Council did not account for the value of land separately and as such in depreciating the combined value of the land and buildings elected to depreciate land as well contrary to, IPSAS 17 - "Property, Plant and Equipment" paragraph 74". Had the Council revalued its items of property, plant and equipment, depreciate all its assets, the amounts for depreciation and carrying amounts would have been materially affected.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 16 - "Investment property" and (IPSAS) 17 - "Property, Plant and Equipment"

Finding

In 2021, the Council disclosed investment property with a cost of ZWL23 million. The Council elected to account for investment property under the cost model as described by paragraph 65 of IPSAS 16 - “Investment Property”. However, the Council did not disclose the fair value of its Investment property contrary to IPSAS 16 paragraph 90.

In addition, The Council did not perform a revaluation exercise to establish the fair values of the assets as at December 31 2018, 2019, 2020 and 2021. The Council’s property, plant and equipment were disclosed at USD3,9 million, USD39, 8 million, USD184 million and USD356,2 million for the years 2018, 2019, 2020 and 2021 respectively. The provisions of International Public Sector Accounting Standard 17 - “Property, Plant and Equipment” requires that revaluations should be carried out regularly so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. Had the Council carried a revaluation due to economic condition the values of the Councils items of property, plant and equipment would be materially affected.

The Council did not carry out an assessment of the economic useful life of its property, plant and equipment as required by IPSAS 17 - “Property, Plant and Equipment”. The standard states that “the residual value and the useful life of an asset shall be reviewed at least at each annual reporting date and, if expectations differ from previous estimates, the change shall be accounted for as a change in an accounting estimate in accordance with IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”.

The Council recognised some assets upon payment to the supplier instead of capitalising when the asset was available for use. As a result, a payment of ZWL7,2 million for borehole construction on December 28, 2021 was capitalised for works that had not been completed.
The Council did not depreciate its constructed buildings such as schools, which were already in use in the district. According to International Public Sector Accounting Sector Standard (IPSAS) 17 – “Property, Plant and Equipment” paragraph 71 “depreciation of an asset begins when it is available for use”.

In 2021, the Council did not account for the value of land separately and as such in depreciating the combined value of the land and buildings elected to depreciate land as well contrary to, IPSAS 17 - “Property, Plant and Equipment” paragraph 74”.

Had the Council revalued its items of property, plant and equipment, depreciate all its assets, the amounts for depreciation and carrying amounts would have been materially affected.

Risk / Implication

Misstatement of financial statements.

Understatement of property, plant and equipment due to depreciation of land.

Recommendation

The Council should revalue its assets and assess their economic useful lives in line with the requirements of IPSAS 17 - “Property, Plant and Equipment”.

Management should consider carrying out a revaluation exercise of all investment property in line with IPSAS 16 - “Investment Property”.

The Council should depreciate its assets.

Management response

Observation noted. The Council will consider conducting a revaluation exercise of all investment property.

Observation noted. There was poor budget performance in 2021 that caused the observed failure by Council to fund the revaluation exercise of Council assets. However, Council has resolved to engage Government for the same service which is provided by the department of Public Works at minimum costs which will not affect service delivery

Council is in the process of engaging valuers for its properties who are qualified to value the properties according to IPSAS 17 as the current valuation roll did not separate land and buildings.

Observation noted. The Council will reassess the number of buildings which are in the location and condition necessary for them to be capable of operating in the manner intended by management as per IPSAS 17.

1.2 Completeness of the asset register.

Finding

The Council’s infrastructure assets that included road networks, bridges and other infrastructure assets were not incorporated in the asset register and as such they were not accounted for in the financial statements. This was contrary with the requirements of, which requires infrastructure assets that meet the definition of property, plant and equipment to be accounted for in accordance with the standard.

Risk / Implication

Misstatement of financial statements.

Recommendation

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

Management response

Observation noted. The reported infrastructure was not yet included in the Council financial statements because their fair values were not yet known. The revaluation exercise which shall be done in 2023 shall help us to come up with correct values and the subsequent reporting of the same in our financial statements.

1.3 Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - “Inventories”.

Finding

The Council did not recognise inventory in its financial statements as at December 31, 2018, 2019 and 2020. According to IPSAS 12 paragraph 12(I) inventories in the public sector may include land held for sale. In addition, the Council accounted for stand sales on a cash basis contrary to IPSAS 9 - “Revenue from exchange transactions”.

Risk / Implication

Misstatement of inventory and revenue in the financial statements.

Recommendation

Council should regularly maintain an inventory register and account for inventory in line with IPSAS 12 - “Inventories”.

Management response

Observation noted. Council is currently using manual system in the accounting of Council inventory. This is what caused the failure to produce computer generated inventory valuation report. However, Council had already purchased Pastel evolution software which has inventory module in it which shall help in the management of all Council inventories. The system shall be in place from January 2022 going onwards.

1.4 Adjustments to Statement of Changes in Net Assets and Reserves.

Finding

The Council’s financial statements for the year ended 31 December 2018 and 2019 include unreconciled/ unsupported difference amounting to ZWL357 866 and ZWL301 790 respectively. These amounts were disclosed in the Statement of Changes in Net Assets and Reserves. No general ledger was provided to enable me to verify and reconcile the amount.

Risk / Implication

The accumulated fund might be misstated.

Recommendation

The general ledger accounts should be reconciled and all adjustments should be supported.

Management response

Observation noted. This variance was due to opening balance adjustments which had not been posted in the system, resulting in variances between previous audited financial statements and the figures rolled over in the accounting system. We shall ensure the Council’s system is to be cleaned up.

1.5 Non-compliance with International Public Sector Accounting Standard, IPSAS 9 – "Revenue from exchange transactions"

Finding

The Council recognised sundry income of ZWL8, 2 million during the year ended December 31, 2019. Included in the amount is income received through the Ecocash mobile money platform amounting to ZWL8,1 million. The Council recorded receipts from customers as revenue when it could not be determined whether there were any risks or rewards transferable to customers as some could have been paying to settle their debts. Included in this amount may have been payments towards the clearing of trade receivables from customers. No general ledger was provided to enable us to verify and reconcile the amount.

Risk / Implication

Non-compliance with IPSAS 9 - "Revenue from exchange transactions" and IPSAS 23 - "Revenue from non-exchange transactions".

Overstatement of income.

Overstatement of trade receivables.

Recommendation

The general ledger accounts must be reconciled and all adjustments passed to clean up the system.

Management response

Observation noted. During the current year, the Council's accounts department was understaffed and following the Cyclone Idai disaster, the Council was behind in its financial reporting and statutory audit obligation. As a result, the funds which were in Ecocash at year end were not reconciled on time although they all belonged to walk-in customers who are not billed as regular customers in the system.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Beer levy

Finding

The Council recognised beer levy revenue amounting to ZWL6,7 million for the year ended December 31, 2021. However, I was not availed with beer sales returns or reconciliations performed between the Council and the brewers. This was contrary to the provisions of the Traditional Beer Act [*Chapter 14:24*] section 15 which requires that local authorities to obtain beer sales returns from commercial brewers to verify the accuracy of the amount to be remitted.

Risk / Implication

Financial loss due to understatement of revenue.

Recommendation

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

Management response

Observation noted. The engagement exercise with Delta beverages was still on-going during the period of audit for them to submit sales returns to Council. A team was set to finalize this issue with them.

I have audited the financial statements of Chimanimani Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

Adverse Opinion

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

Basis for Adverse Opinion

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

During the year, the Zimbabwean economy was characterized by a multi-tiered pricing model. Under the model, a single product had different prices depending in the mode of payment, whether United States Dollar (USD), cash, electronic money (ZWL) or mobile money. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies which IAS 21 - "The Effects of Changes in Foreign Exchange Rates", would apply. Market wide entities experienced premiums and discounts on the official foreign exchange rate between the ZWL transactions and the United States Dollar (USD). This environment was also coupled with hyperinflation as defined in IAS 29.

These financial statements, which are expressed in ZWL, have been prepared using the official exchange rate. This is contrary to the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" which requires the use of the spot rate in accounting for transactions. The Council has determined that it is not practically possible to comply with the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" in the circumstances. The effect of the non-compliance with IAS 21 - "The Effects of Changes in Foreign Exchange Rates" has not been quantified but it is considered significant for these financial statements.

Had the Council applied the requirements of IAS 21 the figures disclosed in the financial statements would have been materially affected. The effects of the above departures from IFRS are material and pervasive to the financial statements.

ii. Non-compliance with International Financial Reporting Standard (IFRS) 15 - "Revenue from contracts with customers" and International accounting standard (IAS)1 – "Presentation of Financial Statements" paragraph 27

There was no complete database for all rate payers, as a result, revenue was recognized mainly on a cash basis with invoices being raised for the actual amount received rather than the total amount due from the customer. This contradicts the revenue recognition criteria of IFRS 15 - "Revenue from Contract with Customers", which requires revenue to be recognized as and when performance obligations have been satisfied regardless of whether actual cash has been received or not. Had the Council applied the requirements of IFRS 15 the revenue figures and trade receivables would have been materially affected.

iii. Non-compliance with International Accounting Standard (IAS) 16 – "Property, plant and equipment"

The Council's asset register did not have infrastructure assets and purchase dates of the assets to enable the calculation of depreciation of property, plant and equipment. Had Council recognised the items property, plant and equipment and depreciated its assets, the values disclosed in the financial statements would have been materially different.

iv. Biological assets

The Council's fair value adjustment of ZWL12 341 472 (2020: ZWL3 621 085) in the financial statements was not supported by a valuation report. I could not able to ascertain the reasonableness of the fair values disclosed in the financial statements.

v. Non-compliance with International Accounting Standard (IAS) 2 – Inventories"

The Council did not account for inventory of stands in the financial statements as required by IAS 2 - "Inventories" and I could not quantify the stands inventory through alternative means. Had Council recognised the inventory of stands, the values disclosed in the financial statements would have been materially affected

Below are other material issues noted during the audit;

1 MANAGEMENT OF ASSETS

1.1 Non-compliance with International Accounting Standard (IAS) 2 - "Inventories"

Finding

The Council did not account for stands inventory in the financial statements. Unsold stands qualify as inventory according to IAS 2 - "Inventories." There was no stands inventory register to show the opening stands balances, additions, allocations during the year and the resulting closing balances. The records availed indicated that the Council had 1,481 stands at Nhedziwa and 814 stands at West End (Bumba) between 2015 and 2021.

Risk / Implication

Financial loss due to misappropriation of stands.

Misstatement of financial statements.

Recommendation

Management should maintain proper management of stands inventory records.

Management response

The Council has already acquired a Geographic Information System (GIS) software which will help in the synchronisation of stand creation and allocation process and also this will help in coming up with an electronic register. Council

is only left with the integration of GIS to Pastel evolution and this will have been done by June 30, 2023 given the financial capacity.

1.2 Non-compliance with International Accounting Standards (IAS) 41- "Agriculture"

Finding

The Council owns gum and pine plantations at Mermaids Grotto, Green Mount, Village, Shiri and Cashel where it grows trees for sale. There was no evidence that the biological assets were fair valued in 2021 contrary to IAS 41, "Agriculture", which requires biological assets to be valued at fair value less costs to sale at each reporting date. However, the Council made a fair value adjustment of ZWL12 341 472 (2020: ZWL3 621 085) in the financial statements which was not supported by a valuation report. As a result, I was not satisfied with the completeness, accuracy and valuation of biological assets reported in the financial statements.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should comply with the requirement of IAS 41 on valuation of biological assets.

Management response

The Council will engage an asset valuer to do the valuation and this should be done by February 28, 2023.

1.3 Non-compliance with International Accounting Standards (IAS) 16 - "Property, plant and equipment"

Finding

The Council was not maintaining a comprehensive asset register. The register lacked vital information such as acquisition dates and this resulted in depreciation being charged on the aggregate cost of each asset class. The Council disclosed property, plant and equipment at a carrying amount of ZWL585 664 774. In addition, no assessment of the economic useful life of assets was carried out during the year under review and this was contrary to IAS 16 -"Property, plant and equipment" which requires the useful life of an asset to be reviewed at least at each annual reporting date.

Risk / Implication

Misstatement of financial statements.

Assets may be misappropriated without detection.

Recommendation

The Council should ensure that a comprehensive asset register is maintained.

The Council should comply with the requirements of IAS 16.

Management response

The Council will engage an asset valuer to do the valuation and this should be done by February 28, 2023. The maintenance of the asset register is now being done. Council has since identified an officer responsible for that. On another note the depreciation policy is now on draft stage it will be finalised by December 31, 2023.

1.4 Nhedziwa sub-office

Finding

The Council was not maintaining its sub-office at Nhedziwa where it has developed 1481 residential stands. The office has no electricity, water, toilet, ceiling and the windows did not have burglar bars.

Risk / Implication

Loss of Council properties and confidential information.

Employees may be exposed to health hazards and poor working conditions.

Recommendation

The Council should rehabilitate its office buildings.

Management response

Noted- will take a look into the raised issues, but so far glazing was done two months ago and has since secured a person to do the burglar bars and the works will commence as soon as we raise the funds. For the rest of other works Council will commit to finish and finalise by December 31, 2023.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Non-compliance with International Financial Reporting Standards (IFRS) 15 - "Revenue from contracts with customers" and International accounting standard (IAS) 1 - "Presentation of Financial Statements" paragraph 27

Finding

There was no comprehensive database for all rate payers, as a result, revenue was recognized mainly on a cash basis with invoices being raised for the actual amount received rather than the total amount due from the customer. This contradicts the revenue recognition criteria of IFRS 15, "Revenue from contract with customers", which requires revenue to be recognized as and when performance obligations have been satisfied regardless of whether actual cash has been received or not.

Risk / Implication

Misstatement of financial statements.

Loss of revenue due to non-billing of revenue.

Recommendation

The Council should come up with a comprehensive ratepayers' database.

The Council should ensure revenue is recognized in line with IFRS 15.

Management response

Noted. The Council will comply with the billing requirements. Data base for each village for collection of development levy and rate payer's database (water and unit tax) are now available and Council is now updating the data base for shop licensing for both communal and urban by December 31, 2022.

2.2 Debt management policy

Finding

The Council did not have a debt management policy. As at December 31, 2021, the outstanding debtors stood at ZWL9 000 000 and ZWL14 309 856 for water and estate respectively. The majority of the Council debtors were over 120 days.

Risk / Implication

Financial loss due to lack of policies on recoverability of receivables.

Service delivery may be compromised as funds are held up in receivables.

Recommendation

The Council should consider putting in place a debt recovery policy.

Management response

The Council is making a follow up on these debts. The debt recovery policy is now at a draft stage; it will be presented to management in November and then to finance committee in December 2022.

I have audited the financial statements of Chiredzi Rural District Council for the year ended December 31, 2020 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Chiredzi Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

The Council did not comply with IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" in the prior financial period as it elected to comply with Statutory Instrument 33 of 2019 (SI 33/19). In order to comply with SI 33/2019, the RTGS transactions and balances for the prior year were accounted for on the basis of a rate 1:1 between United States Dollars (USD) and RTGS. The Council changed the functional currency on February 22, 2019 in compliance with legislation. This was not consistent with IPSAS 4 – "The Effects of Changes in Foreign Exchange Rates", in which compliance would have resulted in the of the functional currency at a date earlier than February 22, 2019.Therefore, the departure from the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" was pervasive in the prior period.

The misstatements in the comparative information impacted the determination of the inflation adjusted amounts as is required in the application of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies" in prior years. The financial effects on the financial statements of this departure could not be determined. My opinion is modified due to the possible effects on the accumulated fund and the comparability of the current period's financial statements with that of the prior year.

Had the Council applied the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" the figures disclosed in the financial statements would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment" paragraph 44 and 49

The Council's property, plant and equipment valued at ZWL364 987. The provisions of IPSAS 17 - "Property, Plant and Equipment" paragraph 49 requires revaluations to be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. The Council did not perform a revaluation exercise to establish the fair value of the assets as at December 31, 2020. I was not able to determine the impact on the net carrying amount of the reported property, plant and equipment. Had Council performed/ carried out a revolution assessment of the items property, plant and equipment, the values disclosed in the financial statements would have been materially affected.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 41 - “Financial Instruments”

The Council recognized trade and other receivables amounting to ZWL10 344 813 without providing for allowance for credit losses. This was non-compliance with IPSAS 41, “Financial Instruments”. The standard requires credit losses to be measured and recognized using the Expected Credit Loss (ECL) model. The ECL model relies on a relative assessment of credit risk, looking at how current and future economic conditions impact the loss. The non-calculation of expected credit losses was therefore considered material. Had the Council applied the requirement of IPSAS 41 - “Financial Instruments” by recognising the allowances for credit losses the amount of trade receivables would have been materially affected.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment” paragraph 44 and 49

Finding

The Council’s property, plant and equipment valued at ZWL364 987 466 constitutes 78% of total assets. The provisions of (IPSAS) 17 - “Property, Plant and Equipment” requires revaluations to be carried out regularly so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. However, I noted that the Council only approved the 2019 revaluation exercise in 2021 rendering the exercise inapplicable as the values were no longer fair values. Upon, inquiry, management indicated that the delay was due to the national lockdowns necessitated by the COVID-19 pandemic following the revaluation exercise.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should revalue its property, plant and equipment.

Management response

A revaluation exercise was conducted by the Council in 2019. However, due to the COVID-19 pandemic, the valuation report was not tabled in front of Council until 2021. This therefore meant the Council could not adopt the values in the financial statements.

1.2 Non-compliance with International Public Sector Accounting Standard (IPSAS) 41 - “Financial Instruments”

Finding

The Council recognised receivables of ZWL10 344 813 without providing for an allowance for expected credit losses (ECL). The Council’s non-measurement of expected credit losses was not in compliance with (IPSAS) 41 - “Financial Instruments”, which require credit losses to be measured and recognised using the expected credit loss (ECL) model approach. The ECL approach relies on a relative assessment of credit risk, looking at how current and future economic conditions impact the loss.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should ensure compliance with IPSAS for valuation of receivables.

Management response

Trade receivables are at fair value as they are priced in the United States Dollars but payable with the preferred stakeholder's currency of choice as Council will realise gains and losses at the time of payment (bill settlement). Non-exchange receivables have a time frame of 12 months and there are no expected losses. 95% of the trade receivables are from exchange transactions (stand sales) with a settlement period of three (3) years.

Auditor's evaluation of management response

Whilst I appreciate management response, the fact that the Council's receivables are denominated in USD and are largely from exchange transactions does not absolve the Council from making a provision for expected credit losses.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Beer levy

Finding

The Council was not accruing beer levy revenue as no invoices were raised, hence the beer levy was recognised on a cash basis. The commercial brewers confirmed that the total beer levy for the year 2020 was ZWL1 344 601. However, the Council recognised ZWL857 053 which was received in the bank before December 31, 2020, resulting in understatement of beer levies by ZWL487 548 as beer levies for November and December were not recognised. Enquiries with management revealed that Council had made numerous attempts to engage the commercial brewers over the sales schedules but had not managed to receive them consistently throughout the year.

Risk / Implication

Misstatement of financial statements.

Recommendation

Council should raise invoices for all the beer levies.

Council should engage commercial brewers to obtain the beer levy returns to enable calculation of the beer levy due.

Management response

Council and Delta have agreed to share Opaque Beer Sales statistics on a monthly basis and Council will use the statistics to raise a bill to Delta for them to pay beginning 2022. Delta has however not shared a detailed schedule of the beer sales statistics but instead has provided Council with confirmation of disbursed amounts every month beginning January 2021.

2.2 Base minerals levy

Finding

The Council recognized base minerals levy revenue amounting to ZWL112 000 for the year ended December 31, 2020. The base mineral levy tariffs are charged in terms of section 96 (1)(b)(ii) of the Rural District Council Act [*Chapter 29:13*] and section 255 of the Mines and Minerals Act [*Chapter 21:05*] for mining, quarry and exploration activities in the district. However, only two entities were billed during the year and management could not avail the list of all the miners operational within the district. Inquiries with management revealed that efforts by management to get an updated list of all small-scale miners from the Ministry of Mines and Development were on-going.

Risk / Implication

Revenue may be understated.

Recommendation

Council should ensure that a database of all mines in the district is compiled and used to bill the businesses.

Management response

The Council through the Provincial Environmental Chapter which comprises all Environment departments heads for all Councils in Masvingo Province have requested for a meeting on the 26th of November 2021. Among other recommendations made was to avail the database for all miners in each District. This will be useful for the enforcement on the payment of production and other levies. We shall be sending our clerk to collect the data starting January 2022.

3 PROCUREMENT OF GOODS AND SERVICES

3.1 Delivery of assets

Finding

The Council made a payment to Solution Motors for the purchase of a Toyota Fortuner for the Chief Executive Officer (CEO) valued at ZWL6 158 120 in October 2020. However, up to the time of audit in October 2021, Council had not yet received the motor vehicle, this was in violation of the purchase agreement which had a delivery date of November 2020. The Council made a resolution in December 2020, to engage its lawyers to pursue the matter. Inquiries with management revealed that the Council had requested a bank guarantee, however, the supplier had cited that the bank guarantee would result in the supplier losing 20% of their income from the sale to the bank, as a result, the Council had continued with the arrangement in good faith, believing the supplier would deliver the motor vehicle on time.

Risk / Implication

Financial loss due to non-delivery of procured motor vehicle.

Recommendation

The Council should follow up on the issue and consider all avenues of recovery of the purchase consideration paid.

The Council should conduct due diligence prior to engaging suppliers and ensure that all payments in advance are supported by a bank guarantee.

Management response

The supplier indicated that they were unable to meet the payment terms to import the vehicle due to the backlog of RBZ Auction System payments and is still waiting to be allocated foreign currency to import the vehicle. In the interim, Council has engaged a lawyer to enforce delivery of the motor vehicle.

4 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council did not make progress on addressing the issue I raised in my 2020 annual audit report. I raised one (1) issue and the finding was yet to be addressed as indicated below;

4.1 Beer levy

The finding has not been addressed. Council is yet receiving beer levy statistics from the brewers.

I have audited the financial statements of Chirumanzu Rural District Council for the year ended December 31, 2020 and I issued a qualified opinion.

Qualified Opinion

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

Basis for Qualified Opinion

i. Non-compliance with International Accounting Standard (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates" and International Accounting Standard (IAS) 8 - "Accounting Policies, Changes in Accounting Estimates and Errors"

During the prior and current financial years, the foreign currency denominated transactions and balances were translated into ZWL using the interbank exchange rate / foreign currency auction rates which were not considered appropriate spot rates for translations as required by (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates". The opinion on the prior year financial statements was modified in respect of this matter and misstatements have not been corrected in accordance with (IAS) 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" in the financial statements for the year ended December 31, 2020. Had the management considered a revaluation of the Council assets, and financial statements be prepared in accordance with (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates" many elements would have been materially different.

ii. Completeness of Property, plant and equipment

The cost and accumulated depreciation recorded for all asset classes in the asset register was significantly different from the amounts recorded in the general ledger. The variances amounted to ZWL7 135 626 and ZWL548 080 respectively. As a result, I could therefore not satisfy myself regarding the completeness and valuation of property, plant and equipment.

iii. Non Compliance with International Accounting Standard (IAS) 36 - "Impairment of Assets"

There were indications that assets have been impaired however, management did not assess whether individual assets were impaired. Estimation of the recoverable amount of the assets was not done. (IAS) 36 - "Impairment of Assets" requires that a reporting entity assesses whether there is any indication that assets may be impaired at the end of each reporting date. Had the Council assessed for impairment the carrying amounts would have been materially different.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Statutory funds

Finding

The Council did not establish a Capital Development Fund (CDF) account contrary to the requirements of the Rural District Councils Act [Chapter 29:13] section 128, for the purpose of financing capital expenditure and creating or replacing assets.
In addition, the Council did not establish housing account for the purpose of depositing all rents, charges and other income derived in respect of the occupation of persons in the local government area in compliance section 130(2)(c).

Risk / Implication

Service delivery may be compromised.

Recommendation

The Council should establish a capital development fund to finance capital expenditure as required by the Act.

All rents, charges and other income derived in respect of the occupation or residence of persons in the local government area should be credited in the housing account.

Management response

The inflation rate experienced in 2020 could not allow Council to set aside some funds for the purpose of purchasing capital assets. Inflation was so high such that the value for money deposited in January together with its interest could not be the same buying power with same amount deposited in June of the same year. During the period in question the Council experienced its worst economic conditions due to Covid 19 pandemic hence the low budget performance and failure to operate a stand-alone capital account.

Noted all the funds from the above-named account will be deposited into the housing account as per the Act.

1.2 Property, plant, and equipment

Finding

The cost and accumulated depreciation recorded for all asset classes in the asset register was significantly different from the amounts recorded in the general ledger contrary to section 120 of the Rural District Council Act [Chapter 29:13] which requires the Council to keep proper books of accounts. The tables below refer;

Table of cost variances

Category	Cost in GL (ZWL)	Cost in AL (ZWL)	Variance
	A	**B**	**C (A-B)**
Land and buildings	2 265 581	9 548 571	(7 282 990)
Computer equipment	113 739	-	113 739
Other equipment	11286	16 469	(5 183)
Furniture and fittings	38	-	38
Total	**2 429 414**	**9 565 040**	**(7 135 626)**

Table of accumulated depreciation variances

Category	Accumulated depreciation in GL (ZWL)	Accumulated depreciation in AR (ZWL $)	Variance (ZWL)
	A	**B**	**C (A-B)**
Land and buildings	712 397	238 559	473 838
Computer equipment	337 885	347 582	(9 697)
Other equipment	5 932	1 647	4 285
Furniture and fittings	31 977	-	31 977
Motor vehicles	52 526	4849	47 677
Total	**1 140 717**	**592 637**	**548 080**

Risk / Implication

Misappropriation of assets may go undetected.

Financial statements may be materially misstated.

Recommendation

The asset register should be updated timeously.

The amounts for costs, depreciation charge and accumulated depreciation on the asset register should match with the amounts recorded in the general ledgers.

Management response

The assets which were being charged depreciation and the charges differed from what was recorded in the ledger accounts of the referred assets due to the fact that some of the assets were depreciated to zero values and they await revaluations.

1.3 Assessment of residual value, useful lives and impairment

Finding

The Council did not perform an assessment of the residual values and useful lives of property, plant and equipment items reported in the financial statements contrary to the requirements of IAS 16 - "Property, Plant and Equipment", the residual value and the useful life of an asset should be reviewed at each annual reporting date.

In addition, there were indications that Council assets had been impaired however, management did not assess whether there was any indication that individual assets were impaired. Estimation of the recoverable amount of the assets was not in place. IAS 36, "Impairment of Assets" requires that a reporting entity assesses whether there is any indication that assets may be impaired at each reporting date. Supporting schedules required for audit including a list of impairments and details of results from impairment assessments were not in place.

Risk / Implication

Misstatement of financial statements.

Recommendation

Management should ensure compliance with the standards.

Management response

The observation is noted

2. PROCUREMENT OF GOODS AND SERVICES

2.1 Prepaid goods and services

Finding

The Council paid ZWL73 125 to a Supplier for the fitting of thirteen (13) boreholes pumps in its jurisdiction in March 2020. The fittings were supposed to be completed by June 30, 2020. However, at the time of my audit in September 2021, the borehole pumps had not been fitted contrary to the agreed contract terms.

Risk / Implication

Service delivery may be compromised.

Loss of public funds due non-performance of contractual obligations.

Recommendation

Management should pursue the matter with the supplier.

Management response

The matter was reported to Council lawyers who have already prepared a court application in the High Court of Zimbabwe to compel delivery of missing items.

3. SERVICE DELIVERY

3.1 Refuse

Finding

There was no approved landfill in compliance with environmental management legislation. The dumpsite in use was situated near residential areas making its location unsuitable for continued use.

In addition, the Council was failing to collect refuse from its suburbs on time due to lack of equipment and residents were using pits and illegal sites to dispose refuse.

Risk / Implication

Health hazards to the community and contamination of the environment.

Financial loss as a result of penalties by the Environmental Management Agency.

Recommendation

The Council should develop a landfill site which is compliant with the required legislative framework.

The Council should ensure availability of adequate equipment for refuse collection.

Management response

The Council budgeted for the procurement of a refuse truck which will be used to improve in the collection of refuse within the district. A site has been identified on which land fill will be constructed and used to improve on service delivery.

I have audited the financial statements of Gokwe North Rural District Council for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

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

Basis for Qualified Opinion

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

For the financial year December 31, 2021, the Council did not comply with IAS 21 - "The effects of changes in foreign exchange rates" as it elected to comply with Statutory Instrument 33 of 2019 ("SI 33/19") only from February 22, 2019.

Prior to February 22, 2019, the transacting and functional currency of the Zimbabwean economy was the United States Dollar (USD). A currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 (SI 33/19) with an effective date of February 22, 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the United States Dollar (USD) at a rate of 1:1 for the period up to this effective date. The rate of 1:1 was consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies.

For the period up to February 22, 2019, the Council maintained its functional currency as the USD, with transactions and balances reflected using an exchange rate of 1:1 in compliance with SI 33/19. From February 22, 2019, balances and transactions were retranslated at the legislated inaugural exchange rate of 1:2.5 between the USD and the RTGS$ in compliance with the requirements of SI 33/19.

Whilst the timing of this conversion was in line with the dictates of SI 33/19, it constituted a departure from the requirements of IAS 21 and therefore the 2019 financial statements were not prepared in conformity with IFRS. Had the Council applied the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" the December 31, 2020 comparative financial statements would have been materially impacted.

Had the Council applied the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" the figure disclosed in the financial statement would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements

ii. Non-compliance with International Accounting Standards (IAS) 16 - "Property, plant and equipment"

The Council's assets are carried in the statement of financial position at ZWL3,3 million as at December 31, 2021. Management has not stated its assets at fair value despite the continuous depreciation in the currency which is in contradiction with IAS 16 – "Property, Plant and Equipment", accordingly the property, plant and equipment were understated. Had the Council performed / carried out a revaluation assessment of the items property, plant and equipment, the values disclosed in the financial statements would have been materially affected.

iii. Completeness of receivables

The accounts receivables system was not up to date. As a result, I was unable to verify by alternative means the carrying value of receivables amounting to ZWL85.2 million and to determine whether any adjustments might be necessary.

Below are other material issues noted during the audit;

1. MANAGEMENT OF ASSETS

1.1. Non-compliance with International Accounting Standards (IAS) 16 – “Property, plant and equipment”

Finding

The Council did not revalue assets since the currency change from USD to ZWL in contradiction with IAS 16 which states that the assets should be carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably. Effectively, most of the Councils’ assets have long diminished in value since then and therefore need to be revalued again as the current balances were not representative of the market realizable values.

Risk / Implication

Assets contributing economic inflows to the Council maybe understated while obsolete and dilapidated assets may be valued as if they are still productive leading to overstatement of the property and equipment balance in the financial statements.

Recommendation

A revaluation exercise should be carried out with sufficient regularity to ensure correct valuation of the Council’s property, plant and equipment.

Management response

Noted. The Council is going to include in the 2023 budget estimates expenditure for the revaluation exercise to be carried out in 2023.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1. Debt collection

Finding

The receivables system was not up to date. As a result, I was unable to verify by alternative means the carrying value of receivables amounting to ZWL85 .2 million and to determine whether any adjustments might be necessary.
In addition, the Council’s debt collection efforts were not effective even though follow ups were being done during the year under review. This was evidenced by an increase from ZWL7.5 million in 2020 to ZWL85 .2 million in 2021.

Risk / Implication

Financial loss due to non-recoverability of receivables and loss of value.

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

Recommendation

The Council should put in place an effective debt management system.

Management response

Noted. The majority of our clients are being affected by climate change which has impacted negatively on farming activities as well as economic challenges. However, Council is in the process of broadening its stakeholder engagements in order to recover these debts.

I have audited the financial statements of Gokwe South Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

Adverse Opinion

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

Basis for Adverse Opinion

ii. Non-compliance with International accounting standard (IAS) 21 and (IAS 8) - "The effects of changes in foreign exchange rate" and "Accounting Polices, Changes in Accounting Estimates and Errors"

The Council changed its functional and reporting currency from United States Dollar (USD) to Zimbabwe Dollars (ZWL) on February 22, 2019 in compliance with Statutory Instrument 33 (SI 33) of 2019. I believed that the change occurred on October 1, 2018 in terms of IAS 21- "The effects of changes in foreign exchange rate" given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019. This contributed to a modified opinion in prior year because of the translation of foreign denominated transactions and balances at exchange rates which did not meet the requirements for a spot rate in terms of IAS 21– "The effects of changes in foreign exchange rate". The impact could not be quantified because an IAS 21 – "The effects of changes in foreign exchange rate" compliant exchange rate had not been identified for the stated period. There has been no restatement of the opening balances to resolve this matter which resulted in the adverse audit report in the prior period in accordance with IAS 8, "Accounting Polices, Changes in Accounting Estimates and Errors" as the issues to do with IFRS compliance and consistent market exchange rates have persisted in the current period.

These matters continue to impact the amounts from opening balances of all elements of the financial statement for the year ended December 31, 2021 and my audit opinion is also modified in respect of the impact of these matters.

Had the Council applied the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" the figures disclosed in the financial statement would have been materially affected. The effects of the above departures from IFRS are material and pervasive to the financial statements

iii. Non-compliance with International Accounting Standards (IASs) 16 -"Property, Plant and Equipment" and IAS 36 -"Impairment of Assets".

The Council did not comply with IAS 16, "Property, Plant and Equipment". The standard requires that an entity depreciates assets which are available for use up until the asset is derecognized. Management did not depreciate the Councils assets for the year under review. In addition, IAS 36 -"Impairment of Assets", requires that impairment be charged in the statement of comprehensive income should there be evidence that the carrying amount of the asset concerned is in excess of the recoverable amount. However, there was evidence of impairment in material assets, and no charge was made to the statement of comprehensive income. Had the Council performed/ carried out an impairment assessment and depreciated the items property, plant and equipment, the values disclosed in the financial statements would have been materially affected.

iv. Non-compliance with International accounting standard (IAS) 29 - "Reporting in Hyper-Inflationary Economies"

The Council's financial statements were not prepared in accordance with IAS 29 - "Reporting in Hyper-Inflationary Economies" which requires converting the financial statements into applicable measurement base at the reporting date. The non-compliance by the Council constitutes a departure from the standard. Had the financial statements been prepared in accordance with IAS 29 - "Reporting in Hyper-Inflationary Economies", multiple elements would have been materially adjusted. As a result, the impact of the Council's inability to comply with IAS 29 - "Reporting in Hyper-Inflationary Economies" has been determined as significant. Had the Council applied the requirements of IAS 29 - "Reporting in Hyper-Inflationary Economies" the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

v. Non-compliance with International Financial Reporting Standard (IFRS) 9- "Financial Instruments"

The Council did not make an allowance for credit losses even though they were corporate debtors with an estimated amount of ZWL2 935 730 and with evidence of potential default as they were either defunct or under judicial management. This constituted a departure from IFRS 9 - "Financial Instruments" which requires credit loss to be recognized for a financial instrument if there is a significant increase in credit risk. Had the Council applied the requirements of IFRS 9 - "Financial Instruments" the receivables would have been materially affected.

Below are other material issues noted during the audit;

1. MANAGEMENT OF ASSETS

1.1. Non-current assets Non-compliance with International Accounting Standards (IASs) 16 -"Property, Plant and Equipment" and IAS 36 -"Impairment of Assets".

Finding

The Council did not comply with IAS 16, "Property, Plant and Equipment". The standard requires that an entity depreciates assets which are available for use up until the asset is derecognized. Management did not depreciate the Councils assets for the year under review. In addition, IAS 36 -"Impairment of assets" also requires that impairment be charged in the statement of comprehensive income should there be evidence that the carrying amount of the asset concerned is in excess of the recoverable amount. However, there was evidence of impairment in material assets, and no charge was made to the statement of comprehensive income.

Risk / Implication

Financial statements may be misstated.

Recommendation

The Council should comply with IAS 16 and 36.

Management response

The Council has adopted a depreciation policy in place and would charge it in 2022 accounts and would also assess its assets for impairment

Noted. The Council would record its land and inventory in its books of accounts using the acquired accounting and Geographic Information System (GIS) software. The Council is currently in the process of compiling its land bank database.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1. Non-compliance with International Financial Reporting Standard (IFRS) 9 - "Financial Instruments"

Finding

The Council did not provide for an allowance for credit losses even though the receivables balance included some corporate debtors amounting to ZWL2 935 730 with evidence of potential default as the debtors were either defunct or under judicial management. This constituted a departure from IFRS 9, "Financial Instruments" which requires credit loss to be recognized for a financial instrument if there is a significant increase in credit risk. In addition, trade and other receivables records were being maintained manually and the Council did not have a standing guideline/policy over debt management and recovery.

Risk / Implication

Accounts receivables maybe overstated.

Manual systems are prone to fraud and errors.

Service delivery might be compromised due to lack of debt management policy

Recommendation

The Council should comply with standards for the impairment of receivables.

The Council should consider migrating to electronic debt management systems.

Management response

Noted. Due diligence would be done on the Council debtors and appropriate action would be taken on bad debts.

Noted. The Council is now migrating from Pastel Partner to Evolution after finalising the 2021 audit to which debt management would be done electronically.

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

The Council made progress in addressing findings that I raised in my 2021 report. I raised three (3) findings, one (1) was partially addressed and two (2) were not addressed as indicated below;

3.1. Policies

The finding has been partially addressed. Risk management, procurement and IT policies are yet to be adopted.

3.2. Non-current assets

The finding has not been addressed. Council is yet to depreciate assets after conducting a revaluation of assets.

3.3. Income generating projects

The finding has not been addressed. Council is yet to have a signed agreement with tenants.

I have audited the financial statements of Goromonzi Rural District Council for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of Goromonzi Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non-compliance with International Public Sector Accounting Standards (IPSASs) 17 - "Property, Plant and Equipment" paragraph 67

The Council disclosed property, plant and equipment at a carrying amount of ZWL3 310 956 340. The Council did not carry an assessment of the economic useful life and residual values of its assets contrary to IPSAS 17 - "Property, Plant and Equipment", paragraph 67 which requires that the useful life and residual values of assets be reviewed at least once at each annual reporting date. Had the management carried out an assessment of the useful life and residual values of the property, plant and equipment, the amounts disclosed in the financial statements would have been materially affected.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Use of employee vehicles

Finding

The Council used management and employees' vehicles to conduct its day to day operations**.** I was not availed with the evidence of a resolution passed by Council to authorize the hiring of employee vehicles in the absence of an adequate vehicle fleet. In addition, I was not availed with evidence of control over the fuel allocated to the hired vehicles to ensure that all the fuel has been used for Council business.

Risk / Implication

Financial loss due to possible misappropriation of public resources.

Service delivery may be compromised due to unavailability of adequate operational motor vehicles.

Recommendation

The Council should consider increasing its motor vehicle fleet to meet all administration transport needs.

Management response

The Council has noted the recommendation. The 2022 budget will cater for at least 2 service vehicles by December 31, 2022.

Additionally, the Transport policy will be amended to accommodate conditions for the use of private vehicles by October 31, 2022.

1.2 Non-compliance with International Public Sector Accounting Standards (IPSASs) 17 - "Property, Plant and Equipment "paragraph 67

Finding

I was not availed with evidence that Council reviewed the useful lives of property, plant and equipment for the year ended December 31, 2021. IPSAS 17 - "Property, Plant and Equipment" requires that the useful life of property, plant and equipment be reviewed at least at each annual reporting date.

Risk / Implication

The Council may not identify the need to replace or maintain its assets which may compromise service delivery.

Financial statements may be misstated.

Recommendation

The Council should annually assess the useful lives of property, plant and equipment to comply with IPSAS 17.

Management response

The Council has noted audit recommendation. The annual reviews of assets shall be conducted at the end of each year.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Billboards

Finding

The Council had one hundred and twenty-three (123) billboards in the year under review. No revenue was invoiced for the leasing of the billboards space. Enquiry with management revealed that the billboard customers had not applied for the billboard space as per Council procedure, as a result, the Council did not have contracts with the billboard customers. The Regional Town and Country Planning Act [*Chapter 29:12*] section 35 empowers Council to discontinue or modify any unsanctioned use of its land. However, no evidence of action taken by Council was availed to audit.

Risk / Implication

Loss of revenue.

Recommendation

Council should ensure that all billboard customers have contracts and invoiced.

Management response

All bill boards shall be followed up and issued with prohibition orders by December 31, 2022. However, Council shall speed up the establishment of a loss control department with a view to restore sanity throughout the district.

2.2 Rent receivables

Finding

The Council was renewing rental contracts for commercial and residential tenants who were not settling their rental obligations. The rental contracts were valid for twelve (12) months and were renewed at the beginning of each financial year. The rental contract (item 18) allows Council to terminate the rental contract where the lessee fails to pay their monthly dues. Rental arrears were ranging from ten (10) to forty-one (41) months as at December 31, 2021.

Risk / Implication

Financial losses due to irrecoverable receivables.

Compromise in service delivery.

Recommendation

Council should enforce termination of contract in line with (item 18) of the contract for defaulting customers.

Management response

The Council has noted the audit recommendation. All tenants with arrears shall be served with notice of termination by October 31, 2022.

3 EMPLOYMENT COSTS

3.1 Contract workers

Finding

The Council employed contract workers continuously for a period ranging from one (1) year to fifteen (15) years. However, the Labour Act [*Chapter 28:01*] section 12(3) states that a casual worker shall be deemed to become an employee on a contract of employment without limit of time on the day that his period of engagement with a particular employer exceeds a total of six (6) weeks in any four (4) consecutive months. Enquiry with management revealed that the workers were contracted by user departments contrary to Human Resources (HR) policy which required all employees to be employed by the human resources function.

Risk / Implication

Financial loss due to legal costs arising from labor disputes.

Recommendation

The Council should ensure that recruitment and employment comply with the requirements of the Labour Act.

Management response

The employment of casual labour shall be the sole responsibility of Human Resources Department with immediate effect. However, the HR department shall resolve the current status of casual laborers and map a way forward amicably by June 30, 2022.

4 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2020 report. I raised two (2) findings, one (1) was partially addressed and one (1) was not addressed as indicated below;

4.1 Board of inquiry

The finding has been addressed. Board of inquiry has been conducted.

4.2 Revenue from unit taxes

The finding has been partially addressed. Seventy percent (70%) of the unit taxes has since been billed.

I have audited the financial statements of Hwange Rural District Council, for the years ended December 31, 2017 and 2018 and I issued a qualified opinion for 2017 and an adverse opinion for 2018.

Qualified Opinion 2017

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2017, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non- Compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment"

Infrastructure assets such as road networks, sewer reticulation systems and bridges were not included in the assets register and as such were not accounted for in the financial statements contrary to IPSAS 17, "Property, Plant and Equipment", which requires infrastructure assets to be accounted for in the financial statements.

In addition, the Council disclosed its property, plant and equipment at a carrying amount of USD1 473 043. The Council did not perform a revaluation of its property, plant and equipment with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date as required by IPSAS 17 paragraph 44. The Council last revalued its assets in 2009, contrary to IPSAS 17. Had the property, plant and equipment been revalued, the amounts disclosed in the financial statements would have been materially different from the figures disclosed. The impact of non-compliance with the standards is considered material to the financial statements.

ii. Accuracy, completeness and validity of property, plant and equipment

Management did not resolve a variance of USD252 001 between the gross carrying amount of (USD3 920 697) and an amount disclosed in the financial statements of (USD3 668 696).

In addition, I could not ascertain the validity and accuracy of asset additions made during the year amounting to USD49 471 as no supporting documents such as supplier invoices were availed for verification.

I was unable to satisfy myself of the completeness, valuation and accuracy of property, plant and equipment reported in the financial statements.

iii. Receivables

There was an unsubstantiated variance of USD458 376 between the receivables disclosed in the financial statements of USD4 249 448 and the receivables listing totalling USD 3 791 072. In addition, the Council did not provide for doubtful debts despite recoverability of receivables totalling to USD2 485 240 being doubtful. These receivables did not confirm their balances and had not subsequently settled their debts. I was therefore unable to satisfy myself on the accuracy and valuation of receivables reported in the financial statements.

iv. Payables

There were unsupported payables amounting to USD345 088 due to missing supporting documents such as supplier invoices and third-party confirmations. I was unable to obtain sufficient audit evidence from alternative procedures.

I could therefore not satisfy myself on the accuracy of trade payables reported in the financial statements.

v. General expenses

Included in the financial statements are expenses amounting to USD156 601 that were not supported by payment vouchers and supporting invoices. As a result, I was unable to satisfy myself on the validity and accuracy of expenses reported in the financial statements.

Adverse Opinion 2018

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Council as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-Compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and equipment".

Infrastructure assets such as road networks, sewer reticulation systems and bridges were not included in the assets register and as such were not accounted for in the financial statements in violation of IPSAS 17, "Property, Plant and Equipment", which requires infrastructure assets to be accounted for in the financial statements.

The revaluation model under IPSAS 17 states that "revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date". I noted that Council last revalued its assets in 2009 upon change over from the Zimbabwean dollar to the multi-currency system.

Had the property, plant and equipment been revalued, the amounts disclosed in the financial statements would have been materially different from the figures disclosed. The impact of non-compliance with the standards is considered material to the financial statements.

ii. Accuracy of property, plant and equipment

The Council did not resolve a variance of USD100 828 between the gross carrying amount of property, plant and equipment as per asset register USD3 275 650 and the balance disclosed in the financial statements of USD3 174 822.

I was unable to satisfy myself of the accuracy and valuation, of property, plant and equipment as reported in the financial statements.

iii. Completeness, accuracy and validity of cash and cash equivalents

A balance of USD74 961 in the campfire account was not disclosed in the financial statements. The Council did not avail campfire cashbook and bank statements for Kamativi account.

In addition, there was an unresolved variance of USD12 030 between balance as per bank statement for the general account of USD20 079 and balance as per bank confirmation of USD8 049.

I therefore could not satisfy myself of the completeness, accuracy and validity of cash and cash equivalent balances disclosed in the financial statements.

iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23 - "Revenue from Non-Exchange Transactions".

The Council recognised revenue on a cash basis thereby not complying with the provisions of IPSAS 23, "Revenue from Non-Exchange Transactions" which requires revenue to be disclosed on accrual basis. Non-compliance with IPSAS 23 resulted in understatement of both revenue and corresponding debtors on unit tax, land development levy, and business licences.

Had the Council applied the requirements of IPSAS 23, "Revenue from Non-Exchange Transactions" the amount of revenue disclosed in the financial statements would have been materially different.

v. Payables

Included in payables disclosed in the financial statements is an amount of USD744 985 which was not supported by creditors' statements. I could not satisfy myself on the accuracy and validity of the payables disclosed in the financial statements.

vi. Unsupported expenditure

Included in the financial statements was expenditure of USD337 683 which was not supported by payment vouchers and supporting invoices. As a result, I was not able to satisfy myself on the validity and accuracy of expenses reported in the financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Cash and cash equivalents

Finding

In 2018, a balance of USD74 961 in the campfire account was not disclosed in the financial statements. The Council did not avail campfire cashbook and bank statements for Kamativi account.

Risk / Implication

Misappropriation of funds as fraudulent activities could go undetected.

Recommendation

All cash and bank balances should be disclosed in the financial statements.

Management response

This was noted and corrective measures has been taken.

1.2. Councillor's allowances

Finding

Councillor's allowances processed in 2018 were not in line with the Ministerial Directive Circular No.1 of 2016 as they were overstated by USD5 137. Management cited that this was an oversight.

Risk / Implication

Loss of public funds due to unapproved payments.

Recommendation

The Council should comply with the directives given by the Ministry on Councillors' allowance to avoid loss of public funds.

Management response

Observation noted Councillors shall be paid as per statutory requirements.

1.3. Payables

Finding

The Council was not performing creditors' reconciliation and filing of supplier statements. There were unsupported payables amounting to USD345 088 (2017) and USD744 985 (2018). Supplier invoices and third-party confirmations were not availed contrary to section 45 of the Public Finance Management Act [*Chapter 22:19*] which requires Council management to establish strong system of financial management and internal control.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should ensure monthly payables reconciliations are prepared and reviewed.

Variances should be investigated and cleared.

Management response

Management will henceforth ensure that creditors records are updated on time and reconciliations are maintained and checked by the Accountant and Treasurer. Variances between the Control Account and General ledger will be investigated and resolved.

Individual creditors accounts will be reconciled to supplier statements before any payments are made in order to ensure that erroneous payments are not made.

Noted. This will be implemented and also Council has computerized the payable system.

2. PROCUREMENT OF GOODS AND SERVICES

2.1. Unsupported expenditure

Finding

There were unsupported expenditure totalling USD337 683 (2018) and USD156 601 (2017). Expenditure for trips were processed without invitation letters, circulars or any form of communication. There were no receipts attached for claims made for fuels and oils.

In addition, vouchers for expenses amounting to USD195 684 in respect of 2018 financial year were not availed for audit.

Risk / Implication

Misstatements of financial statements.

Irregular expenditure may not be detected on time.

Recommendation

All expenditure incurred should be adequately supported with relevant documents.

Management response

Management will introduce document management control procedures in order to ensure that movement and retention of essential accounting documents is controlled. The Local Authorities accounting manual procedures will be customized by developing a checklist that will be used to ensure that payments are not approved and done without necessary documents.

Management is in the process of identifying the missing documents which will be availed to the auditors.

All fuel payments to individuals are now treated as advances which are acquitted by production of appropriate vouchers of which failure to do so results in recovery of the advance from the defaulting individual's salary.

Noted, since the Council had no procurement unit this created most of the challenges above and currently Council has put in place a procurement unit most of the recommendations will be adhered to.

3. REVENUE COLLECTION AND DEBT RECOVERY

3.1. Receivables

Finding

There was an unsubstantiated variance of USD458 376 between the receivables balance disclosed in the financial statements of USD4 249 448 and the receivables listing total of USD 3 791 072 for the year ended December 31, 2017. In addition, the Council did not make a provision for doubtful debts despite recoverability of receivables amounting to USD2 485 240 being doubtful. These receivables did not confirm their balances and there was no evidence of subsequent settling of these debts.

Risk / Implication

Misstatement of financial statements.

Recommendation

Management should investigate the variances and take necessary corrective action.

Management response

The Council has migrated the majority of its debtors' records to Pastel system and has begun maintaining reconciliation of control accounts to general ledger in order to identify, investigate and resolve any differences.

Management will produce debtors' ageing analysis records in order to assist in performance assessment of the Council's debtors' portfolio hence make recommendations on the appropriate provision.

3.2. Non-Compliance with IPSAS 23 - "Revenue from Non-Exchange Transactions"

Finding

The Council did not maintain a database for business licences. Revenue from business licenses was recorded as and when customers came to purchase their licences, thus Council was recording the fees on cash basis and not accruing the revenue derived from business licenses in contravention to IPSAS 23, "Revenue from Non-Exchange Transactions".

Risk / Implication

Misstatements of financial statements.

Recommendation

The Council should create and maintain a database of all businesses within its jurisdiction.

Management response

The Council have put in place a data base for all its client and is continuously updating.

3.3. Beer levy

Finding

The Council did not have a separate beer levy account contrary to section 10 of the Traditional Beer Act [*Chapter 14:24*]. Management cited this as an oversight.

Risk / Implication

Misappropriation of funds.

Recommendation

A separate bank account should be opened and maintained for the administration of the beer levy.

Management response

Noted. The Council will ensure a separate account is maintained.

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

The Council did not make progress in addressing findings that I raised in my 2020 report. I raised three (3) findings and they are all yet to be addressed as indicated below;

4.1. Policy and procedure manuals

The finding has not been addressed. Risk housing and transport policies are yet to be developed and adopted.

4.2. Cash

The finding has not been addressed. Management is yet to investigate and account for the cash.

4.3. Health provision

The finding has not been addressed. Council is yet to repair Council building.

I have audited the financial statements of Hwedza Rural District Council for the year ended December 31, 2021, and issued a qualified opinion.

Qualified Opinion

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

Basis for Qualified Opinion

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

The Council did not comply with IAS 21- "The Effects of Changes in Foreign Exchange Rates" as it elected to comply with Statutory Instrument 33 of 2019 (SI 33/19) only from February 22, 2019. Prior to February 20, 2019, the transacting and functional currency of the Zimbabwean economy was the United States Dollar (USD). On February 20, 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 (SI 33/19) with an effective date of February 22, 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the United States Dollar (USD) at a rate of 1:1 for the period up to this effective date. The rate of 1:1 was consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi currencies.

Whilst the timing of the conversion was in line with the dictates of SI 33/2019, it constituted a departure from the requirements of IAS 21- "The Effects of Changes in Foreign Exchange Rates", and therefore the 2019 financial statements were not prepared in conformity with IFRSs. Had the Council applied the requirements of IAS 21- "The Effects of Changes in Foreign Exchange Rates", the December 31, 2019 comparative financial statements would have been materially impacted. The effects of this departure on the financial statements are material and pervasive.

My opinion on the current year financial statements is modified because of the effects of the matter on the comparability with that of the prior year.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Procedures and policies

Finding

The Council was operating without key policies such as the Information Technology (IT) policy and accounting policy. Best practice requires entities to have relevant policies in place to ensure there is consistency in the handling of operations.

Risk / Implication

Inconsistent treatment of issues.

Decisions made may not be binding in the absence of approved policies and procedures manuals.

Recommendation

The Council should ensure key policies are put in place.

Management response

Management has set a target to put all relevant policies in place.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Beer levy

Finding

The Council did not obtain traditional beer sales returns from the commercial brewers of traditional beer as required by Section 11 of the Traditional Beer Act [*Chapter 14:24*]. Beer levy revenue was recognized on cash basis to the extent of payments made by the brewer. As a result, I was not able to confirm the accuracy and completeness of revenue from beer levies.

Risk / Implication

Potential revenue loss due to under remittance of amounts due.

Recommendation

The Council should engage the brewer to obtain beer sales returns / statistics to enable the calculation of beer levy due.

Management response

We acknowledge the observation by Auditors. Delta Company has not been willing to provide the sales volumes despite Council engaging them several

I have audited the financial statements of Insiza Rural District Council, for the year ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

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

Basis for Adverse Opinion

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

During the financial year, the foreign currency denominated transactions and balances were translated into ZWL using the interbank exchange rates. I concluded that the interbank exchange rates did not meet the definition of a spot exchange rate as per IAS 21 - "The Effects of Changes in Foreign Exchange Rates".

This had an impact on the revenue of ZWL32,3 million in the statement of profit or loss and other comprehensive income and accumulated funds of ZWL8,2 million on the statement of financial position. Had the financial statements been prepared in accordance with the requirements of the IAS 21 - "The Effects of Changes in Foreign Exchange Rates", some elements would have been materially different. The effects of non-compliance with the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" have been considered to be material to the financial statements as a whole.

ii. Non- compliance with International Accounting Standard (IAS) 16 - "Property, plant and Equipment"

The Council did not depreciate its property, plant and equipment contrary to the provisions of IAS 16 - "Property, Plant and Equipment", which requires that property, plant and equipment be depreciated over their useful life. Had the Council applied the requirements of IAS 16 - "Property, Plant and Equipment" the carrying amount of property, plant and equipment disclosed in the financial statements would have been materially different.

In addition, the Council received a motorised grader from ZINARA in 2013 and this has not been included in the books of accounts. The asset's value was not included in the financial statements. As a result, the extent of the misstatement could not be established as this was never brought into the financial statements since 2013.

iii. Non-compliance with International Financial Reporting Standard (IFRS) 16 - "Leases"

The Council was leasing a farm, which it did not account for in accordance with International Financial Reporting Standard (IFRS) 16 - "Leases". Had the Council accounted for the right of use and related liability, the right of use would have been materially different.

iv. Non-compliance with International Accounting Standard (IAS) 41 - “Agriculture”

The Council’s biological assets (heifers) procured in 2016 were not capitalised. No appropriate action has been taken by Council to bring their value in the books of accounts. The extent of misstatement could not therefore be established. This was non-compliance with IAS 41 - “Agriculture”. Had the Council accounted for its heifers the biological assets would have been materially different.

v. Non-compliance with International Accounting Standard (IAS) 38- “Intangible Assets”

The Council’s accounting software was not valued hence its exclusion in the books of accounts. This is a contravention with the provisions of IAS 38, “Intangible Assets”. The value of intangible assets, accumulated fund and amortisation expense disclosed in the financial statements were therefore materially misstated.

Below are other material issues noted during the audit;

1. MANAGEMENT OF ASSETS

1.1 Non- Compliance with International Accounting Standard (IAS) 16 - “Property, plant and Equipment”

Finding

The Council’s asset register was not updated with relevant information such as date of purchase, serial number and unique asset identification code. This was in contravention with the provisions of the Rural District Councils Act [*Chapter 27:13*] section 120 (3), which requires the Council to maintain up to date permanent record of all movable and immovable assets and the Public Finance Management Act [*Chapter 22:19*] section 42.

Risk / Implication

Misappropriation of assets might go undetected.

Recommendation

The Council should update its assets register.

Management response

Upon the procurement of Sage Evolution and adoption of the Programme Based Budgeting, Council went on a drive of identifying all its assets and allocating them to various programmes, reclassifying them and coding them for use in the accounting package mentioned above. The process is still underway and by the end of 2022, the Human Resources & Administration will ensure that all assets belonging to the Council are fully captured into the system with the necessary information.

1.2 Non-compliance with International Accounting Standard (IAS) 41- “Agriculture”

Finding

The Council did not account for its biological assets in the financial statements. This was in contravention with the provisions of IAS 41- “Agriculture” which states that the biological assets should be recognized at fair value less cost to sell.

Risk / Implication

Misstatement of financial statements.

Misappropriation of biological assets may go undetected.

Recommendation

The Council should revalue its biological assets to show their fair values and recognise the biological assets in the financial statements.

Management response

Management is in process of coming up with a comprehensive asset register that will include biological assets and their valuation thereto. Where there is probable reliable measurement, management will ensure such biological assets are included in the financial statements in accordance to relevant statutes and accounting standards.

1.3 Non-compliance with International Accounting Standard (IAS) 38- "Intangible Assets"

Finding

The Council did not account for its accounting package, which it has been using for financial reporting during the period under review. This was in contravention with the provisions of IAS 38, "Intangible Assets", which sets out the criteria for recognition and measuring intangible assets and requires disclosures about them.

Risk / Implication

Misstatement of financial statements.

Recommendation

Intangible assets should be included in the financial statements.

Management response

Management is in process of coming up with an all-inclusive asset register that will comprise intangible assets like software and their valuation thereto. Management will use historic cost method where there is available information and where impossible to obtain necessary documentation to use historic cost, the deemed cost method may be adopted.

1.4 Non-compliance with International Financial Reporting Standard (IFRS) 16 - "Leases"

Finding

The Council did not include all leased assets in the financial statements. This was in contravention with the provisions of IFRS 16, "Leases", which requires that the right of use of asset and the lease liability be recognised in the financial statements.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should include all leased assets in the financial statements.

Management response

Management will engage professional estate valuers to come with a process of valuation of all its assets. Once the leased farm has been reliably measured, it will be included in the Council's financial statements.

1.5 Weak inventory system

Finding

The Council was not maintaining proper inventory control system. Information maintained in manual records was not being posted into the system. In addition, no proper records were being maintained to account for inventory.

Risk / Implication

Misstatement of financial statements.

Misappropriation of public resources.

Recommendation

The Council should maintain proper inventory control system.

Management response

It is the future objective of management to purchase the SAGE evolution inventory module that will enhance the proper inventory control system.
This will further ensure proper inventory records are kept and accurately recorded in council's books of accounts. In the meantime, management will design a proper manual inventory control system.

1.6 Non-compliance with International Accounting Standard (IAS) 16 - "Property, Plant and Equipment"

Finding

The Council did not depreciate its property, plant and equipment. This was contrary to the provisions of IAS 16 - "Property, Plant and Equipment", which require assets to be depreciated over their useful life.

In addition, the Council did not account for the motorised grader received from the Zimbabwe National Roads Authority (ZINARA) in 2013 which is in use by Council contrary to the provisions of IAS 16 - "Property, Plant and Equipment".

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should depreciate assets over their useful lives.

The Council should account in its books the motorised grader.

Management response

After compilation of the assets register, Council will establish a depreciation policy that will cater for all assets.

2. SERVICE DELIVERY

2.1 Refuse removal equipment

Finding

The Council had no refuse removal truck. Instead the Council was using a tractor with a trailer for refuse removal in one of its Township which was not compatible for the purpose.

Risk / Implication

Environmental and health standards are compromised as some litter will be blown off in transit to the dump site.

Recommendation

The Council should consider the acquisition of a refuse compactor.

Management response

The Council is in the process of procuring a refuse compactor.

I have audited the financial statements of Kusile Rural District Council for the year ended December 31, 2018 and I issued a disclaimer of opinion.

Disclaimer of Opinion

I do not express an opinion on the financial statements of Kusile Rural District Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

i. Non-compliance with International Public Sector Accounting Standards (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

The Council applied the legal rate of 1:1 as pronounced by Statutory Instrument 33 of 2019 (SI 33/19) and the Monetary Policy Statements of February 22, 2018, October 1, 2018 and February 20, 2019 for transactions from October 1, 2018 to February 22, 2019. I therefore believe that the exchange rates for transactions and balances between the USD and the ZWL used by the Council of 1:1 for the period from October 1, 2018 onwards did not meet the criteria for appropriate exchange rates in terms of IPSAS as defined above.

Had the Council applied the requirements of IPSAS 4 **- "**The Effects of Changes in Foreign Exchange Rates" the figure disclosed in the financial statement would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements

ii. Non-compliance with International Public Sector Accounting Standards (IAS) 16 - "Property, plant and equipment"

Infrastructure assets such as road networks, bridges and culverts amongst others were not included in the assets register and as such were not accounted for in the financial statements contrary to IPSAS 17 - "Property, plant and equipment" which requires infrastructure assets to be capitalised. Had the Council recognized its Infrastructures the property, plant and equipment the amounts disclosed in the financial statements would be materially affected

The Council did not maintain a record of its assets in the form of a comprehensive fixed assets register as required by section 120 (1) of the Rural District Councils Act [*Chapter 29:13*] which states that a Council shall cause to be kept such books of accounts as may be necessary to maintain a true and proper record for all the assets of the Council thereof. The cost/ revaluation balance per asset register of USD7 103 470 did not agree to property, plant and equipment balance disclosed in the financial statements of USD34 135 923 leaving an unresolved variance of USD27 032 453.

Included in the property, plant and equipment are line items with debit balances termed "adjustments" with a balance of USD2 090 537 and "revaluation surplus" with debit amount of USD7 791 587 relating to infrastructure assets for which no supporting documents were availed for review hence audit could not substantiate validity and accuracy. Management also could not explain in which accounts they had posted the corresponding entries as they did not properly maintain Council's financial records with respect to double-entry accounting principles in such a manner as to facilitate the preparation of financial statements.

In addition, Council revalued its assets using gross replacement cost method to the value of USD15 983 825, however the value was not depreciated over the remaining useful life of the assets. The valuation report did not specify significant assumptions applied in estimating the assets' fair values contrary to the requirements of paragraph 92(c) of IPSAS 17- "Property, plant and equipment", there is also an unsubstantiated variance of USD14 874 489 between the amount on the revaluation report of USD15 938 825 and that disclosed in the financial statements of USD30 813 314. Management could not resolve the matter or make relevant correcting adjustments in the financial statements. Had the Council depreciated and correctly applied revaluation assumptions of the property, plant and equipment the amounts disclosed in the financial statements would be materially affected

iii. Payables

There was an unresolved variance of USD77 032 between payables as per financial statements of USD1 514 049 and the creditors' listing balance of USD1 591 082. In addition, outstanding Councillors' allowances disclosed in the accounts amounting to USD89 838 were not supported by a listing. Furthermore, there were unsupported payables amounting to USD778 299 due to missing creditors' statements. I was unable to obtain alternative audit evidence hence could not satisfy myself as to the accuracy, validity and completeness of the payables disclosed.

iv. Non-compliance with International Public Sector Accounting Standards (IPSAS) 23 - "Revenue from Non-Exchange Transactions"

The Council did not substantiate a variance of USD285 026 established between major revenue balances disclosed in the financial statements of USD643 414 compared to revenue per billing recognized on an accrual basis as per IPSAS 23 - "Revenue from Non-Exchange Transactions" requirements. Therefore, I could not satisfy myself of the accuracy and completeness of revenue balance disclosed in the financial statements.

v. Cash and cash equivalents

The cash and bank balances reported in the financial statements amounting to USD248 823 significantly differ from the cash book balance of USD2 719 463 by USD2 470 640. I could not therefore satisfy myself as to the completeness and accuracy of the cash and cash equivalent balances disclosed in the financial statements.

vi. Trade receivables

Receivable balance disclosed in financial statements amounting to USD2 413 669 did not agree with the receivables listing of USD2 033 272 resulting in an unsubstantiated variance of USD380 397. In addition, the Council made a provision for bad debts of USD2 286 982. Provision for doubtful debts was calculated based on collection efficiency of which the billing figures and collection data used to compute the same were not availed for audit. As a result, I could not verify the valuation and accuracy of receivables balance disclosed in financial statements.

vii. Expenditure

I could not ascertain the validity and accuracy of expenditure balance of USD82 498 reported in the financial statements which was not supported by supplier invoices.

viii. Non-compliance with International Public Sector Accounting Standards (IAS) 12 - "Inventories"

The Council had unsold pieces of land in Jotsholo and clinics drug inventory. The inventories were not valued and accounted for in the financial statements. In addition, inventory balance of USD23 803 disclosed in financial statements was not supported by signed stock count sheets and valuation report. I was not invited to attend the stock counts and there was no evidence that management performed the year-end stock counts. I was unable to perform alternative procedures as the Council did not avail stock movement reports. I could not satisfy myself with the valuation and completeness of inventory disclosed in the financial statements.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Cash and cash equivalents

Finding

The cash and bank balances reported in the financial statements amounting to USD248 823 significantly differ from the cash book balance of USD2 719 463 by USD2 470 640. Management did not resolve the variance.

Risk / Implication

Financial statements may be misstated.

Fraud may go undetected if cash resources are not properly reconciled

Recommendation

The Council should reconcile the difference.

Management response

Going forward, finance staff will properly maintain cash books and bank reconciliations. The treasurer will be checking them for accuracy and sign off.

1.2 Payables reconciliation

Finding

There was an unresolved variance of USD77 032 between payables as per financial statements of USD1 514 049 and the creditors' listing balance of USD1 591 082. In addition, outstanding Councillors' allowances disclosed in the accounts amounting to USD89 838 were not supported by a detailed listing. Furthermore, there were statutory deductions that were unsupported amounting to USD778 299 due to missing creditors' statements.

Risk / Implication

Misstated in the financial statements.

Recommendation

Management should investigate the variance and make the necessary adjustments.

Management response

Reconciliations will be done monthly starting in January 2022.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Non-compliance with International Public Sector Accounting Standards (IAS) 23 - "Revenue from Non-Exchange Transactions"

Finding

The Council did not substantiate a variance of USD285 026 between major revenue balances disclosed in the financial statements of USD643 414 compared to revenue per billing recognized on an accrual basis as per IPSAS 23 - "Revenue from Non-Exchange Transactions" requirements. Therefore, I could not satisfy myself of the accuracy and completeness of revenue balance disclosed in the financial statements.

Risk / Implication

Financial statements may be misstated.

Recommendation

The Council should adopt computerized system and come up with comprehensive databases of its customers for each revenue source thereof and ensure that monthly billing is performed consistently

Management should investigate and reconcile the variance.

Management response

We will implement the recommendations. The exercise of updating the database is ongoing.

2.2 Receivables

Finding

Receivable balance disclosed in financial statements of USD2 413 669 did not agree to the amount as per the receivables listing of USD2 033 272 resulting in an unsubstantiated variance of USD380 397. In addition, the Council made a provision for bad debts of USD2 286 982 which equates to 95% of the Council's debtors. Provision for doubtful debts was calculated based on collection efficiency of which the billing figures and collection data used to compute the same were not availed for audit review. As a result, I could not verify the valuation and accuracy of receivables balance disclosed in financial statements.

Risk / Implication

Financial statements maybe misstated.

Recommendation

The Council should investigate the causes of the variances noted and make the necessary adjustments.

Management response

The Council will investigate the anomaly and adjust them accordingly in the 2019 financials.

3 PROCUREMENT OF GOODS AND SERVICES

3.1 Expenditure supporting documents

Finding

Expenditure amounting to USD82 498 had no appropriate supporting documents attached on payment vouchers such quotations, receipts and invoices.

Risk / Implication

Financial loss due to payment for goods and services not delivered.

Recommendation

All expenditure should be adequately supported.

Management response

Filing system to be improved and auditing to be done in time after clearing the 2019-2020 backlog.

4 MANAGEMENT OF ASSETS

4.1 Non-compliance with International Public Sector Accounting Standards (IPSAS) 17 – "Property, plant and equipment

Finding

Infrastructure assets such as road networks, bridges and culverts amongst others were not included in the assets register and as such were not accounted for in the financial statements contrary to IPSAS 17 - "Property, plant and equipment" paragraph 21 which requires infrastructure assets to be capitalised.

The Council also engaged a valuer to perform revaluation of its assets, however the revaluation did not meet the requirements of IPSAS 17- "Property, Plant and Equipment" paragraph 92, which require the valuation report to include methods used, significant assumptions, extent to which the assets' fair values were determined. The Council did not charge depreciation on items of property, plant and equipment valued at USD15 983 825.

In addition, there was an unsubstantiated variance of USD14 874 489 between the amount on the revaluation report of USD15 938 825 and the balance disclosed in financial statements USD30 813 314.

Furthermore, the Council revalued its infrastructure assets at a value of USD9 821 124. This amount included an adjustment of USD2 090 537 and revaluation surplus of USD7 791 587. The Council did not avail supporting documents and explanations to substantiate these amounts.

Risk / Implication

Financial statements may be materially misstated.

Recommendation

Management should investigate and substantiate the adjustment.
Management response

The Council will engage an external evaluator using Inter-Governmental Fiscal Transfer (IGFT) and attach staff for skills transfer for future developments.

4.2 Comparison of assets register balance and balance as per financials

Finding

There was an unresolved variance of USD 27 032 453 between assets cost balance as per financial statements of USD34 135 923 and balance as per asset register of USD7 103 470. In addition, the register was not being updated and no reconciliations were being performed.

Risk / Implication

Financial statements may be materially misstated.

Recommendation

Management should investigate the cause of the variance and make relevant adjustments.

Management response

We will implement the recommendation and record omitted assets in the register.

4.3 Non-compliance with International Public Sector Accounting Standards (IPSAS) 12 - "Inventories"

Finding

The Council had unsold pieces of land in Jotsholo and clinics drug inventory. The inventories were not valued and accounted for in the financial statements. In addition, inventory balance of USD23 803 disclosed in financial statements was not supported by signed stock count sheets and valuation report. I was not invited to attend the stock counts and there was no evidence that management performed the year-end stock counts.

In addition, Council was using a manual system for inventory management and there was no evidence of stock reconciliations during the year.

Risk / Implication

Financial loss due to misappropriation of inventory.

Financial statements maybe misstated.

Recommendation

Management should ensure all inventory is properly accounted for and disclosed in the financial statements.

Management response

This was due to shortage of staff. Going forward, we will implement the recommendations and ensure stock takes are done monthly.

5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2021 report. I raised eleven (11) findings, and all the eleven findings are yet to be addressed as indicated below;

5.1. Infrastructure assets

The finding has not been addressed. Council is yet to revalue and incorporate infrastructure assets in the financial statements.

5.2. Fixed assets register

The finding has not been addressed. Council is yet to investigate on the causes of the variances between the asset register and the financial statements.

5.3. Auctioned motor vehicles and equipment

The finding has not been addressed. Council is yet to update its asset register with actual costs.

5.4. Cash books and bank reconciliation statements

The finding has not been addressed. Council is yet to maintain cash books and perform monthly reconciliations.

5.5. Inventory management

The finding has not been addressed. Management is yet to maintain proper inventory records and ensure proper stock counts are done.

5.6. Accounting for salary arrears

The finding has not been addressed. Council is yet to maintain sub ledgers for individual sub salary arrears.

5.7. Accounts receivables

The finding has not been addressed. Council is yet to computerise accounting processes and investigate the variances.

5.8. Revenue recognition

The finding has not been addressed. Council is yet to put in place a comprehensive data base of customers for each revenue source.

5.9. Employee cost reconciliation

The finding has not been addressed. Monthly reconciliations are not yet being done.

5.10. Payables reconciliation

The finding has not been addressed. Management is yet to investigate the variances and make necessary adjustments.

5.11. Expenditure supporting documents

The finding has not been addressed. Management should yet to ensure that all payments for good and services are adequately supported.

I have audited the financial statements of Makoni Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not give a true and fair view of the financial position of Makoni Rural District Council as at December 31, 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of Adverse Opinion

i. Impact of non-compliance with International Accounting Standard (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates" on opening balances

The Council changed its functional and reporting currency from United States Dollar (USD) to Zimbabwean Dollars (ZWL) on February 22, 2019 in compliance with Statutory Instrument 33 of 2019. I believe that the change occurred on October 1, 2018 in terms of IAS 21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019. It contributed to my modified opinion in prior year because of the translation of foreign denominated transactions and balances at exchange rates which did not meet the requirements for a spot rate in terms of IAS 21. The impact could not be quantified because an IAS 21 compliant exchange rate had not been identified for the stated period.

There has been no restatement of the opening balances to resolve this matter which resulted in the adverse audit report in the prior period in accordance with IAS 8, "Accounting Polices, Changes in Accounting Estimates and Errors" as the issues to do with IFRS compliance and consistent market exchange rates have persisted in the current period.

These matters continue to impact the amounts from opening balances of all elements in the statement of financial position as at December 31, 2021, and the statement of comprehensive income and statement of cash flows for the period then ended.

Had the Council applied the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates", the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

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

The Council was operating in a hyperinflationary economy for the year ended December 31, 2021. The financial statements had not been prepared in accordance with IFRS in that the requirements of IAS 29 - "Financial Reporting in Hyperinflationary Economies" had not been complied with in converting the financial statements for the year into applicable measurement base at the date of reporting.

The non-compliance by the Council constitutes a departure from the standard. Had the financial statements been prepared in accordance with IAS 29, multiple elements would have been materially adjusted. As a result, the impact of the Council's inability to comply with IAS 29 has been determined as significant and the effects are considered material and pervasive to the financial statements as a whole.

Had the Council applied the requirements of IAS 29 the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

Below are material issues noted during the audit;

1. GOVERNANCE ISSUES

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

Finding

The Council did not prepare its financial statements in accordance with IAS 29, "Financial Reporting in Hyperinflationary Economies" which requires converting the financial statements for the year ended into applicable measurement base at the date of reporting to take inflation factor into account. Had the financial statements been prepared in accordance with IAS 29, multiple elements would have been materially adjusted.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should prepare financial statements in accordance with the relevant standards.

Management response

We did not do inflation adjustments to our 2021 accounts because we were committed to IPSAS migration and asset revaluation. We thought it would be prudent to adjust our 2022 accounts under the IPSAS framework.

1.2 Beer levy

Finding

The Council did not obtain beer sales returns from commercial breweries as required by Section 11 of the Traditional Beer Act [*Chapter 14:24*]. Enquiries with management revealed that management engaged the commercial brewer who did not provide the requested information. As a result, accuracy and completeness of beer levy revenue could not be verified.

Risk / Implication

Misstatement of financial statements.

Potential revenue loss due to possible understatement of remittances.

Recommendation

The Council should continue engaging commercial brewers to obtain the sales returns to enable calculation of the beer levy due.

Management response

Our Internal Audit team shall visit Delta to discuss on the issue stated above. In previous engagements, Delta indicated that it might be a challenge to have the sales schedules specifically for Makoni since some sales might be done in other districts.

I have audited the financial statements of Mangwe Rural District Council for the year ended December 31, 2019 and I issued an adverse opinion**.**

Adverse Opinion

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

Basis for Adverse Opinion

i. Non-compliance with International Accounting Standard (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates" and (IAS) 8 - "**Accounting Policies, Changes in Accounting Estimates and Errors"**

For the period January 1, 2019 to February 2019, the Rural District Council applied the United States dollar (USD) as its functional currency. In order to comply with Statutory Instrument 33 (SI 33), issued on February 22, 2019, the Rural District Council changed its functional currency to the Zimbabwe dollar (ZWL) with effect from this date. SI 33 precluded the use of any other currency other than USD as functional currency prior to February 22, 2019, which impacted financial statements as at December 31, 2018, and prescribed the use of Zimbabwe dollar as functional currency after February 22, 2019. The financial statements were therefore presented in Zimbabwean Dollar, also referred to as the RTGS dollar in SI 33.

Management based on their interpretation of IAS 21 - "The Effects of Changes in Foreign Exchange Rates", acknowledged that there was a functional currency change in the prior year (before Statutory Instrument 33 was issued) from USD to ZWL. The Rural District Council accounted for the change in functional currency prospectively from February 22, 2019 in compliance with SI 33. This constitutes departure from the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates", due to the need to comply with local regulations under SI 33. An adverse opinion was issued in the prior year for the departure from IAS 21 - "The Effects of Changes in Foreign Exchange Rates", among other issues. The Council did not restate the financial statement as required by IAS 8 to resolve the matters which resulted in the adverse opinion in the prior year relating to non-compliance with IAS 21 - "The Effects of Changes in Foreign Exchange Rates", and balances were carried over into 2019. Due to the matters discussed above, I was unable to satisfy myself by alternative means concerning the opening balances since opening balances have an effect on determining the financial position and cash flows.

Had the Council applied the requirements of IAS 21 the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

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

Zimbabwe became a hyperinflationary economy on July 1, 2019. IAS 29 - “Financial Reporting in Hyperinflationary Economies” has been applied to the 2018 comparatives with effect from January 1, 2018. IAS 29 - “Financial Reporting in Hyperinflationary Economies” has been applied to 2018 balances that were not in compliance with IAS 21 - “Financial Reporting in Hyperinflationary Economies”. Had the Council applied the requirements of IAS 29 - “Reporting in Hyperinflationary Economies” the financial statements would have been materially affected. The departure is material and pervasive to the financial statements.

iii. Non-compliance with International Accounting Standard (IAS) 16 - “Property, Plant and Equipment”

The Council’s non-current assets were revalued internally with reference to prevailing foreign exchange rates which were not market related. A revaluation surplus of ZWL1 344 919 was recognized in other comprehensive income. The Council referred to the Reserve Bank of Zimbabwe’s auction rate at December 31, 2019 for valuing assets previously denominated in United States Dollars (USD). The valuations of non-current assets do not reflect the fair values of the Council’s assets in accordance with IAS 16. The revaluation done was not accompanied with the methodology or details of the assumptions used. I was unable to evaluate by alternative means whether the valuations approximated fair values of the Council’s non-current assets at December 31, 2019. Had the Council used correct assumptions and method on its property, plant and equipment the amounts disclosed in the financial statements would be materially affected.

iv. Non-compliance with International Accounting Standard (IAS) 41 - “Agriculture”

Biological assets comprising of livestock were included in the statement of financial statements at a fair value of ZWL25 150 at December 31, 2019. I was not availed with the valuation report for biological assets nor other supporting documentation. Resultantly, I was unable to substantiate whether the valuation of the biological assets approximated their fair value. Had the Council performed an assessment of fair values on its biological assets, the amounts disclosed in the financial statements would be materially affected

v. Non-compliance with International Financial Reporting Standard (IFRS) 9 - “Financial Instruments”

Trade receivables balance was presented in the statement of financial position at a carrying amount of ZWL3 465 818. The recoverability of the receivables is doubtful as over 80% of the balances were brought forward from prior years. No allowance for credit losses arising from receivables has been recognized in the financial statements. This represents non-compliance with IFRS 9- “Financial Instruments”. Insignificant payments had been subsequently made towards the receivables as at the date of this report. I could not verify by alternative means the collectability and recoverability of the receivables. Had the Council applied the requirements of IFRS 9 - “Financial Instruments” the receivables would have been materially affected.

vi. Non-compliance with International Accounting Standards (IASs) IAS 40 - “Investment property”

The Council held properties with the intent of earning rental income valued at ZWL802 792, which should be classified as investment property in accordance with IAS 40. However, these assets were incorrectly classified as property, plant and equipment in terms of IAS 16- “Property, Plant and Equipment” Had the Council correctly classify its Investment properties the amounts disclosed as property, plant and equipment the would be materially affected.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Cattle project management

Finding

Biological assets which comprised of cattle, were included at a valuation of ZWL25 150 as at December 31, 2019. The cattle register with valuations, submitted for audit inspection was not supported by other supporting documents used as the basis of valuation.

In addition, there was no proper accountability for the cattle project, as monthly reconciliations for 2019 were not compiled which should give details of livestock movements on deaths, births, and promotions. The cattle register availed showed that the Council only waits for the Veterinary officer to assist them in the recordings as at the year end.

Risk / Implication

Financial loss due to misappropriation of livestock.

Misstatement of financial statements.

Recommendation

The livestock register should be properly maintained and movements and valuations should be adequately supported.

Management response

Noted.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Beer levy

Finding

The Council did not obtain beer sales returns from commercial breweries as required by Section 11 of the Traditional Beer Act [Chapter 14:24]. Beer levy was recognised to the extent of transfers made to the bank only. As a result, I was not able to validate the accuracy of the beer levy income disclosed in the financial statements.

Risk / Implication

Potential loss of revenue due to under remittance by commercial brewers.

Recommendation

The Council should engage commercial brewers to obtain the statistics to enable calculation of the beer levy due.

Management response

Efforts to get the statistics from breweries are always being made to no avail.

2.2 Non-compliance with International Financial Reporting Standard (IFRS) 9 - "Financial Instruments"

Finding

Trade receivable balance were presented in the statement of financial position at a carrying amount of ZWL3 465 818. The recoverability of the receivables was doubtful as over 80% of the balances were brought forward from prior years. Insignificant payments had been subsequently made towards the receivables as at the time of concluding my audit. In addition, allowance for credit losses were not provided for, contrary to IFRS 9 - "Financial instruments".

Risk / Implication

Misstatement of financial statements.

Recommendation

Allowance for credit losses should be provided for in accordance with IFRS 9- "Financial instruments".

Management response

Council will work on allowance for credit losses.

3 MANAGEMENT OF ASSETS

3.1 Non-compliance with International Accounting Standard (IAS) 17 - "Property, Plant and Equipment"

Finding

The Council's property, plant and equipment was revalued internally with reference to prevailing foreign exchange rates which were not market related. A revaluation surplus of ZWL1 344 919 was recognized in other comprehensive income. The Council referred to the Reserve Bank of Zimbabwe's auction rate at December 31, 2019 for valuing assets previously denominated in United States Dollars (USD). The valuations of non-current assets do not reflect the fair values of the Council's assets in accordance with IAS 16 - "Property, Plant and Equipment". In addition, the revaluation done was not accompanied with the methodology or details of the assumptions used.

Risk / Implication

Misstatements of the financial statements.

Recommendation

Management should ensure that any revaluation of property, plant, and equipment have sufficient and appropriate supporting documentation.

Management response

Noted.

3.2 Non-compliance with International Accounting Standards (IASs) IAS 40 - "Investment property"

Finding

The Council properties which were held with an intent to earn rentals were incorrectly classified under property, plant and equipment (IAS 16) instead of IAS 40, "Investment Properties". This was a reportable issue for the past two (2) years and management responses indicated that such changes will be put in place after revaluations are done. Table below shows examples properties;

Investment properties

Property name	Asset type
Sindisa bottle store	Commercial building
Tshitshi beerhall	Commercial building
Wasi beerhall	Commercial building
Langanani beerhall	Commercial building
Ingwizi bus terminus market stalls	Commercial building
Ingwizi kiosk	Commercial building

Risk / Implication

Improper classification of assets.

Recommendation

Assets should be properly classified.

Management response

As has always been the response, this will be resolved once property valuation is done. Valuation exercise has been budgeted for and will be done in 2022 all things being equal.

I have audited the financial statements of Manyame Rural District Council for the year ended December 31, 2021 and I have issued a qualified opinion.

Qualified Opinion

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

Basis of Qualified Opinion

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

For the financial year ended December 31, 2021 the Council did not comply with IAS 21 as it elected to comply with Statutory Instrument 33 of 2019 (SI 33/19) only from February 22, 2019.

Prior to February 22, 2019, the transacting and functional currency of the Zimbabwean economy was the United States Dollar (USD). On February 20, 2019, a currency called the RTGS Dollar was legislated through Statutory Instrument 33 of 2019 (SI 33/19) with an effective date of February 22, 2019. SI 33/19 fixed the exchange rate between the RTGS Dollar and the United States Dollar (USD) at a rate of 1:1 for the period up to this effective date. The rate of 1:1 was consistent with the rate mandated by the RBZ at the time it issued the bond notes and coins into the basket of multi-currencies. The below events were indicative of economic fundamentals that would require a reassessment of the functional currency as required by IAS 21- “The Effects of Changes in Foreign Exchange Rates”.

The Council transacted using a combination of USD, electronic cash, bond notes and bond coins. Acute shortage of USD cash and other foreign currencies in the country resulted in an increase in the use of different modes of payment for goods and services, such as settlement through the Real Time Gross Settlement (RTGS) system and mobile money platforms. During the year there was a significant divergence in market perception of the relative values between the bond note, bond coin, mobile money platforms, and RTGS Foreign Currency Account (FCA) in comparison to the USD. Although RTGS was not legally recognized as a currency up until February 22, 2019, the substance of the economic phenomenon, from an accounting perspective, suggested that it was a currency. In October 2018, banks were instructed by the Reserve Bank of Zimbabwe (RBZ) to separate and create distinct bank accounts for depositors, namely, RTGS FCA and Nostro FCA accounts. This resulted in a separation of transactions on the local RTGS payment platform from those relating to foreign currencies (for example, the United States Dollar, the British Pound, and the South African Rand).

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

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

The Council’s inflation adjusted financial statements for the year ended December 31, 2021 were based on foreign denominated transactions and balances which were translated using exchange rates determined from the interbank market and trading arrangements. In view of the continued distortions in the foreign exchange market during the year, the Council indicated that it could not establish observable and consistent market wide spot exchange rates that meet the requirements of IAS 21- “The Effects of Changes in Foreign Exchange Rates” the same pattern contributed to the qualified opinion in the prior year on this matter.

Had the Council applied the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”, many of the elements of the financial statements would have been materially impacted and therefore the departure from the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates “is considered to be material and pervasive.

Below are other material issues noted during the audit;

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Beer levy

Finding

The Council received ZWL415 418 beer levy for the year under review from commercial brewers. However, there was no evidence to support the beer levy amount as Council did not obtain beer sales returns as required by Section 11 of the Traditional Beer Act [Chapter 14:24]. I was not able to determine how the received amount was determined.

Risk / Implication

Financial loss due to under remittance by commercial brewers.

Recommendation

The Council should engage commercial brewers to obtain the statements and calculations of the beer levy due to the Council.

Management response

The Council is indeed aware that it is supposed to get 3% of proceeds from the sale of traditional beer by commercial breweries in its area of jurisdiction according to the Traditional Beer Act [Chapter 14:24] as beer levy. What we are not getting regularly from Delta is information regarding its sales in the Council area. Follow ups have been made on a number of occasions with Delta Beverages but to no avail. However, having noted that sister Local Authorities are also facing the same challenge we have since cascaded the matter to the Association of Rural District Councils of Zimbabwe through our provincial executive forums for a national engagement. Meanwhile we will continue to make follow ups regarding the matter.

2 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council did not make progress in addressing the finding that I raised in my 2021 report. I raised one (1) finding and the finding is yet to addressed as indicated below;

2.1 Beer levy computation

The finding has not been addressed. Efforts made to engage the brewer were fruitless**.**

I have audited the financial statements of Marondera Rural District Council for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Marondera Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment".

The Council maintained its property, plant and equipment using the revaluation model. IPSAS 17- "Property, Plant and Equipment", paragraph 49 requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would have been determined using fair value at the end of the reporting period. However, the Council last revalued its property, plant and equipment in December 2019. Due to the prevailing hyperinflationary environment there has been significant changes in fair values of property, plant and equipment which would warrant revaluations to be done to reflect the carrying amounts which would have been determined using fair value at the end of the reporting period. In the absence of a revaluation exercise, I was unable to independently verify whether the carrying amount of property, plant and equipment was fairly stated. Had a revaluation of property, plant and equipment been done, the amounts disclosed in the financial statements would be materially different.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment".

Finding

The Council maintained its property, plant and equipment using the revaluation model. IPSAS 17 - "Property, Plant and Equipment", paragraph 49 requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would have been determined using fair value at the end of the reporting period. However, the Council last revalued its property, plant and equipment in December 2019. Due to the prevailing hyperinflationary environment there has been significant changes in fair values of property, plant and equipment which would warrant revaluations to be done to reflect the carrying amounts which would have been determined using fair value at the end of the reporting period. In the absence of a revaluation exercise, I was unable to independently verify whether the carrying amount of property, plant and equipment was fairly stated.

Risk / Implication

Property, plant and equipment may be materially misstated.

Recommendation

The Council should consider revaluing its property, plant and equipment in line with IPSAS 17.

Management response

Management secured a Council resolution in 2021 for the valuation of Property, plant and equipment to be conducted by independent valuers at the end of the year. However, the valuation could not be conducted due to cashflow challenges experienced by Council towards the close of the year. As of now, Council has already commenced the procurement process of outsourcing services of independent valuers.

1.2 Funeral grants and life assurance for Councillors

Finding

Council paid funeral grants and life assurance allowances for Councillors amounting to ZWL170 324 without Ministerial approval.

Risk / Implication

Financial loss due to unauthorised expenditure.

Recommendation

The Council should consider obtaining Ministerial approvals before paying any allowances to Councillors.

Management response

Payments for the benefits in question was based on Council resolution and approved budget. Council has since written to the parent Ministry seeking approval for the benefits in question.

1.3 Beer levy

Finding

The Council did not avail evidence of traditional beer sales schedules to support the beer levy remitted of ZWL497 509 by the commercial brewers. According to the Traditional Beer Act [*Chapter 14:24*], local authorities are mandated to collect levies from breweries within their jurisdiction. Upon enquiry, management highlighted that the beer levy was being recognised on a receipt basis.

Risk / Implication

Financial loss due to under remittance of beer levy.

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 is quite aware of the provisions of Section 11: 6 and 7 of Traditional Beer Act [*Chapter 14:24*] which require all commercial brewers selling traditional beer within Council`s area of jurisdiction to keep records and submit returns relating to traditional beer sold by them from time to time. In line with the provisions of the section in question, management engaged the brewer orally and in writing on several occasions for them to submit sales returns to support remittances made but to no avail. Council has again written to the brewer pertaining the issue. If the brewer fails to respond, Council will then resort to litigation.

2 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made some progress in addressing some of the issues I raised in my 2020 report. Of the four (4) issues that I raised, three (3) findings were addressed and one (1) finding is yet to be addressed.

2.1 Prior period adjustments

The was addressed. Prior year error was corrected.

2.2 Unexplained balance

The finding was addressed. Prior year error explained.

2.3 Insurance policy documents

The finding was addressed. Policy documents are now in place.

2.4 Supply and delivery of equipment

The finding has not been addressed. Equipment not yet been delivered.

I have audited the financial statements of the Matobo Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Matobo Rural District Council as at December 31, 2021, the financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rate"

The functional currency for Matobo Rural District Council is the Zimbabwean Dollar (ZWL). In the year 2021, the Council had transactions and balances that were in United States Dollars (USD). IPSAS 4 - **"**The Effects of Changes in Foreign Exchange Rate" requires that the spot rate for immediate delivery of currency be used in recording transactions and translating balances. The interbank exchange rate which was used in the current year as the spot rate does not meet the definition of the spot exchange rate given in IPSAS 4 - **"**The Effects of Changes in Foreign Exchange Rate". The financial statements may be misstated to the net impact on the financial statement of the difference between the interbank exchange rate and the spot exchange that would meet the requirements of IPSAS 4 - **"**The Effects of Changes in Foreign Exchange Rate". No assessment of the spot exchange rate and the impact of the difference if any has been made, consequently I was not able to establish if the financial statements for the current year would be materially different if such an assessment had been carried out.

ii. Non Compliance with International Public Sector Accounting Standard (IPSAS) 17 - Property, Plant and Equipment.

There was no documentary evidence availed to audit supporting the revaluation of Property, plant and equipment disclosed at ZWL1 766 304 713 in the financial statements. I could not therefore, satisfy myself with regards to valuation and accuracy of the asset values.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Bank reconciliation

Finding

There was no evidence that bank reconciliations for the year ended December 31, 2021 were being prepared for the Council's ten (10) bank accounts contrary, to best practice in accounting.

Risk / Implication

Misstatement of financials.

Material errors may go undetected.

Financial losses due to fraud and error.

Recommendation

Bank reconciliations should be prepared and reviewed on time.

Management response

Observation noted, the reconciliation statements will be done timeously and checked, in the period under review we were short in numbers and a backlog resulted which affected our ability to do work effectively.

2. MANAGEMENT OF ASSETS

2.1 Valuation of property, plant and equipment

Finding

Property, plant and equipment amounting to ZWL1 766 304 713 was revalued during the financial year under review. However, I could not satisfy myself with regards to the valuation and accuracy of the revalued assets as there was no documentary evidence availed to audit supporting the revaluation.

Risk / Implication

Misstatement of financial statements.

Recommendation

Revaluations should be supported by revaluation reports.

Management response

Observation noted, there was correspondence raised concerning the process but next time reliable and appropriate documentation will be raised as per the audit recommendation.

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

The Council made progress in addressing findings that I raised in my 2021 report. I raised four (4) findings, two (2) were addressed and two (2) were not addressed as indicated below;

3.1. Suspense account

The finding has been addressed. The Council cleared the suspense.

3.2. Repair of motor vehicles

The finding has not been addressed. The matter is before the courts.

3.3. Investment property

The finding has not been addressed. The Council is yet to account for investment property under IPSAS 16.

3.4. Billing

The finding has been addressed. Service provider resolved the issue.

I have audited the financial statements of Mazowe Rural District Council for the years ended December 31, 2020 and 2021, and I issued an adverse opinion and disclaimer of opinion.

Adverse Opinion 2020

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

Basis for Adverse Opinion

i. Non-compliance with IAS 21- “Effects of Changes in Foreign Exchange Rates”

The Council did not apply the requirements of IAS 21- “Effects of Changes in Foreign Exchange Rates” in the financial statements for the year period January 1 to February 22, 2019 because of the unavailability of exchange rates as at that date. Transactions in Zimbabwe during that period had a three (3) tier pricing structure where a single product had different prices depending on the mode of payment, namely the United States Dollar Cash, Bond Notes, Electronic Money or Mobile Money. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21 would apply. Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and Monetary Policy statement of February 20, 2019 all confirmed the parity of 1:1 between the United States Dollar Cash, Bond Notes, Mobile Money and Electronic Money. This presented difficulties in ascertaining the fair values of the Councils' material assets and liabilities as at the reporting date. IAS 21, requires the use of spot rate in accounting for transactions. During the period, premiums and discounts were offered on the official exchange rate of 1:1 between the RTGS balances, Bond Notes and United States Dollar Cash. Under IFRS, the Council should have converted all transactions at spot rate. An adverse opinion was issued for the financial statements for the year ended December 31, 2019 owing to the issues noted above. The effects of non-compliance with the requirements of IAS 21 have been considered to be material to the financial statements as a whole.

ii. Revenue

The Council derives its revenue from various sources including but not limited to sand extraction, fines and penalties, however I could not determine the completeness of the revenue as the only source documents available were receipts. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the Council and I was unable to determine whether any adjustments might be necessary. In addition, the Council did not have a complete database of the rate paying residents in the district and I could not determine the completeness of revenue earned by the Council from this source.

iii. Non-compliance with International Accounting Standard (IAS) 16 - “Property, Plant and Equipment”.

The Council did not have a complete asset register of its property, plant and equipment. The asset register in place did not include Council schools and clinics and their related furniture, fittings and fixtures. I could not obtain sufficient appropriate audit evidence to satisfy myself with the valuation and existence of property, plant and equipment.

In addition, the Council did not depreciate on its property, plant and equipment disclosed at ZWL20, 72 in the financial statements contrary to IAS 16- “Property, Plant and Equipment” which requires property, plant and equipment to be carried at its cost less any accumulated depreciation. Had the Council included Schools, clinics and depreciate these items, the property, plant and equipment balance in the financial statements would have been materially different.

iv. Completeness of the stands register

The Council did not maintain a stands register that clearly showed allocated and unallocated stands hence I could not verify total number of stands allocated by Council in 2020 and fifty (50) lease files could not be traced to the stands register being maintained by the Council.

v. Unreconciled inter-fund balances

The transactions between various funds set-up by the Council for financial reporting were not reconciled at year end and a cumulative net difference of ZWL14,5 million amongst the fund accounts was outstanding as at December 31, 2020.

Disclaimer of Opinion 2021

I do not express an opinion on the financial statements of Mazowe Rural District Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

i. Non-compliance with International Accounting Standard (IAS) 16- “Property, Plant and Equipment”

The Council did not have a complete asset register with respect to property, plant and equipment. The asset register in place did include Council schools, clinics and their related furniture, fittings and fixtures. There was an unreconciled variance of ZWL2, 1 billion between the fixed asset register and financial statement.

In addition, the Council did not depreciate its property, plant and equipment disclosed at ZWL46, 2 million in the financial statements contrary to IAS 16, Property, Plant and Equipment which requires property, plant and equipment to be carried at its cost less any accumulated depreciation. I could therefore not satisfy myself with the valuation, completeness and accuracy of the property, plant and equipment disclosed in the financial statements.

ii. Revenue

The Council derives its revenue from various sources including but not limited to sand extraction, fines and penalties, permits (beer, grain, fish), flea market and market stall rentals (Nzvimbo), communal development levy, hiring services (boardroom, benches, hall). The Council policies and procedures for accounting of revenue did not provide for complete verification as the only source documents available are manual receipts. I could not determine the completeness of the revenue as the only source documents available were receipts. Accordingly, my verification of these revenue streams was limited to the amounts recorded in the records of the Council.

The Council did not have a complete database of the rate paying residents in the district.

In addition, the Council owns beerhalls, a night club, cocktail bar and speed bar, however I could not trace revenue from these leased properties to the financial statements.

I was not able to determine whether any adjustments might be necessary.

iii. Stand register

The Council did not maintain a complete stands register that clearly showed allocated and unallocated stands, hence, I could not verify total number of stands allocated by Council in 2021. No other alternative procedures could be done. Therefore, I was not able to verify the completeness of revenue received from stands leases as the Council only relies on amounts paid rather than the amount invoiced.

1. GOVERNANCE ISSUES

1.1 Management of stands register

Finding

The Council did not maintain a complete stands register that clearly show allocated and unallocated stands hence I could not verify total number of stands allocated by Council. In 2020, fifty (50) lease files for Nzvimbo, Dandamera and Tsungubvi Townships could not be traced to the stands register being maintained by the Council. This was contrary to the requirement of the Rural District Council Act [*Chapter 29:13*] section 120 (1) which requires a Council to cause to be kept such books of accounts as may be necessary to maintain a true and proper record of all matters relating to the financial transactions of the Council.

Risk / Implication

Misstatements of financial statements

Recommendation

The Council should maintain a complete stands registers.

The Council should apply the accrual basis when accounting for revenue from stand leases.

Management response

The soft copy registers with the format are now in place and Council was in the process of updating by reconciling information from townships and lease registers. Management is in the process of buying analysis books in order to construct hard copies of the registers.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Completeness of revenue

Finding

The Council derives its revenue from various sources including but not limited to sand extraction, fines and penalties, permits (beer, grain, fish), flea market and market stall rentals (Nzvimbo), communal development levy, hiring services (boardroom, benches, hall). The Council's policies and procedures for accounting for revenue does not provide for complete verification as the only source documents available are manual receipts.

The Council did not also have a complete database of the rate paying residents in the district and I could not determine the completeness of revenue earned by the Council from this source.

In addition, the Council owns beerhalls, a night club, cocktail bar and speed bar. However, I could not trace revenue from these leased properties to the financial statements.

Risk / Implication

Misstatement of financial statements through understatement of revenue

Recommendation

The Council should invoice and accrue revenue in order to completely account for revenue.

The Council should conduct a physical recount of all revenue producing units within the district and adjust the accounting records accordingly.

Management response

Efforts to have databases of all the revenue lines for the district shall be done by 31 March 2022.

The Council has embarked on a ward profiling exercise through its Councillors for the purposes of updating its data base on all its revenue streams. Council revenue teams will also be tasked to identify these renew points and document them.

2.2 Stands sales and registers

Finding

The Council did not maintain a complete stands register that clearly show allocated and unallocated stands. I could therefore not verify total number of stands allocated by Council in 2021. In addition, the Council did not have a complete waiting list for all the five (5) sub-offices.

Risk / Implication

Fraudulent land allocations may go undetected.

Recommendation

A complete stands register should be maintained that accurately documents all the necessary information such as, purchaser details, stand area and number.

Council should have a complete and up-to date record for all unallocated stands.

Management response

The Council does not have a register for a particular year but rather have a cumulative approach in the compilation of the same and as such all stands are recorded in the same document regardless of the time of allocation.

This is going to be achieved through new Local Authorities Database System (LADS) a software recently acquired for such purposes.

3. MANAGEMENT OF ASSETS

3.1 Non-compliance with International Accounting Standard (IAS) 16- "Property, Plant and Equipment"

Finding

The Council did not have a complete asset register for Council property, plant and equipment. The fixed asset register did not include Council schools and clinics and their related furniture, fittings and fixtures. In addition, there was an unreconciled variance of ZWL2,1 million between the fixed asset register and the financial statements for the year ended December 31, 2021.

In addition, the Council did not depreciate its property, plant and equipment disclosed at ZWL46, 2 million in the 2021 financial statements contrary to IAS 16- "Property, Plant and Equipment" which requires property, plant and equipment to be carried at its cost less any accumulated depreciation.

Risk / Implication

Misstatement of property, plant and equipment.

Recommendation

Management should ensure that the fixed asset register is reconciled to the general ledger.

The Council should update its registers to include all asserts controlled and owned by the Council.

Management response

The Council carried out an asset valuation exercise through the Ministry of Local Government and Public Works some time in 2020 and the exercise has since been completed. It is now from this document that Council will come up with a properly recorded asset register with revalued amounts.

4 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2020 report. I raised two (2) findings, one (1) was addressed, one (1) was partially addressed and two (2) findings were not addressed as indicated below;

4.1 Ward levy revenue

The finding was not addressed. Council is yet to develop a database for business operations in the district.

4.2 Payroll reconciliations

The finding has been addressed. Payroll reconciliations are now being done.

I have audited the financial statements of Mbire Rural District Council for the years ended December 31, 2019 and 2020 and I issued an adverse opinion in 2019 and a qualified opinion in 2020.

Adverse Opinion 2019

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

Basis for Adverse Opinion

i. Incomplete records following a system crash

The Council's accounting system crashed in the year 2019 resulting in the greater part of the Council's financial information being lost and the salvaged information was not complete and comprehensive enough to allow proper verification and authentication. Due to the crashing of the system, records were partly maintained in the system whilst some records were maintained in the Excel spreadsheet. Breakdowns of some of the balances included in the financial statements were incomplete and significant variances between the information salvaged from the system and the other manual records that were available, could not be fully resolved to my satisfaction. The completeness of revenue and receivables included in the financial statements could not therefore be verified.

Revenue was recognised at ZWL26 624 162 in the financial statements and receivables were included at a carrying amount of ZWL1 469 326. Following the crashing of the Council's accounting system, receivable balances were maintained manually in Excel. Receivable listings were mostly maintained for commercial customers with revenue from individual customers being recognised on a cash basis. An insignificant portion of the receivables subsequently paid after December 31, 2019. I could not verify, by alternative means, the completeness of revenue and related receivables included in the financial statements. The impact of the failure to completely verify revenue and receivables included in the financial statements was considered material.

ii. Non-compliance with International Standard on Accounting (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates" and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" with respect to opening balances

The Council applied the United States Dollar (USD) as its functional currency for the period January 1, 2019 to February 21, 2019. In order to comply with Statutory Instrument 33 of 2019 (SI 33) issued on February 22, 2019, the Council changed its functional currency to the Zimbabwe Dollar (ZWL) with effect from that date. SI 33 precluded the use of any other currency other than USD as functional currency prior to February 22, 2019, which impacted financial statements as at December 31, 2018, and prescribed the use of Zimbabwe dollar as functional currency after February 22, 2019. The financial statements are therefore presented in Zimbabwe dollar, also referred to as the RTGS dollar in SI 33.

Management based on their interpretation of IAS 21, acknowledged that there was a functional currency change in the prior year (before Statutory Instrument 33 was issued) from USD to ZWL. The Council accounted for the change in functional currency prospectively from February 22, 2019 in compliance with SI 33. This constitutes departure from the requirements of IAS 21, due to the need to comply with local regulations under SI 33. An adverse opinion was issued in the prior year for the departure from IAS 21, among other issues. The Council has not restated the financial statement as required by IAS 8 to resolve the matters which resulted in the adverse opinion in the prior year relating to non-compliance with IAS 21, and balances were carried over into 2019.

Due to the matters discussed above, I was unable to obtain sufficient appropriate evidence that the closing balances as at December 31, 2018 were free of material misstatement and have been brought forward into 2019 correctly. I was unable to satisfy by alternative means concerning the opening balances. Since opening balances have an effect on determining the financial position and cash flows, I was unable to determine whether adjustments might have been necessary.

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

Zimbabwe became a hyperinflationary economy on July 1, 2019. IAS 29 has been applied to the 2018 comparatives with effect from January 1, 2018. IAS 29 has been applied to 2018 balances that were not in compliance with IAS 21 and IAS 8 as highlighted in the preceding paragraph. The non-compliance with IAS 21, as necessitated by the requirement to comply with SI 33 of 2019, resulted in the use of incorrect base numbers in the preparation of inflation adjusted financial statements. The impact of the departure from the requirements of these standards is considered material and pervasive to the financial statements.

iv. Non-compliance with International Standard on Accounting (IAS) 16 - "Property, Plant and Equipment"

Non-current assets are included in the financial statements at a carrying amount of ZWL45 896 255. Assets were not revalued for more than five (5) years as the last asset revaluation was done in 2012. IAS 16 - "Property, Plant and Equipment" requires that when an entity adopts revaluation model, revaluations be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Revaluation of assets in 2019 was necessary considering the impact of change in functional currency from United States Dollar (USD) to Zimbabwean Dollars (ZWL). The carrying amounts of non-current assets of ZWL46 591 117 brought forward from 2018 no longer represented the fair values of the non-current assets in ZWL.

v. Unreconciled inter-account variances

Inter-account transactions could not be completely eliminated on consolidation. Unreconciled inter-account transactions amounting to ZWL71 800 are included as expenses in the financial statements. I was unable to verify the accuracy of expenditure recorded in the financial statements due to failure to eliminate inter-account transactions.

vi. Non-compliance with International Financial Reporting Standard (IFRS) 9 - "Financial instruments"

The Council's trade and other receivables are included in the statement of financial position at ZWL1 469 326. Management did not assess if there were any allowances for credit losses that should be provided on the receivable balance, which constitute a departure from IFRS 9 - "Financial instruments". I was not able to ascertain the necessary adjustments to provide for allowance for credit losses.

vii. Failure to verify beer levy income

Beer levy income is included in the statement of comprehensive income at ZWL41 821. Beer levy statistics were not available to verify the completeness of revenue recognised. Beer levy revenue was recognised on cash basis to the extent of payments made by the breweries. I was therefore not able to verify the completeness of beer levy revenue recognised in the statement of comprehensive income.

viii. Failure to provide for leave days in accordance with International Accounting Standard (IAS) 37 - "Provisions, Contingent Liabilities and Contingent Assets"

The Council did not make a provision for leave days as at December 31, 2019 which is a departure from IAS 37 - "Provisions, Contingent Liabilities and Contingent Assets" . According to IAS 37- "Provisions, Contingent Liabilities and Contingent Assets", a liability is recognised when there is a legal or constructive obligation. Records for leave days could not be availed. I was not able to ascertain the necessary adjustments to the financial statements.

Qualified opinion 2020

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Mbire Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

i. Non-compliance with International Accounting Standard (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates" and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors'', with respect to opening balances.

The Council applied the United States Dollar (USD) as its functional currency for the period January 1, 2019 to February 21, 2019. In order to comply with Statutory Instrument 33 of 2019 (SI 33) issued on February 22, 2019, the Council changed its functional currency to the Zimbabwe Dollar (ZWL) with effect from that date. The financial statements were therefore presented in Zimbabwe dollar, also referred to as the RTGS dollar in SI 33. Contrary to IAS 21 - "The Effects of Changes in Foreign Exchange Rates" Management acknowledged that there was a functional currency change in the prior year (before Statutory Instrument 33 was issued) from USD to ZWL. The Council accounted for the change in functional currency prospectively from February 22, 2019 in compliance with SI 33. This constituted a departure from the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates", due to the need to comply with local regulations under SI 33. An adverse opinion was issued in the prior year for the departure from IAS 21 - "The Effects of Changes in Foreign Exchange Rates", among other issues. The Council has not restated the financial statement as required by IAS 8 to resolve the matters which resulted in the adverse opinion in the prior year relating to non-compliance with IAS 21 - "The Effects of Changes in Foreign Exchange Rates", and balances were carried over into 2020.

Had the Council applied the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors'' many elements of the financial statements would have been materially affected. I was unable to satisfy by alternative means concerning the opening balances.

ii. Non-compliance with International Financial Reporting Standard (IFRS) 9 - "Financial Instruments"

The Council's trade and other receivables are included in the statement of financial position at a carrying amount of ZWL5 173 736. Management did not assess if there were any allowances for credit losses that should be provided on the receivable balance. This constituted a departure from IFRS 9 - "Financial Instruments". I was not able to ascertain the necessary adjustments to provide for allowance for credit losses.

iii. Lease income

The Council did not have an updated lease database to support the amounts recognised in the financial statements. Included in the Council's total income of ZWL20 662 049 was ZWL6 408 504, an amount relating to lease income. Council recognised lease income on cash basis instead of the accrual basis. Consequently, I was not able to verify the completeness of revenue recognised in the financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Eco-cash reconciliations

Finding

Council had an arrangement to transfer funds from its Eco-cash merchants accounts to the health fund bank account on a weekly basis. Reconciliations were not being prepared to reconcile Eco-cash transfers to bank statements. However, I noted that eco-cash merchant account with an amount totalling ZWL217 459 which could not be traced to the designated bank account. Upon enquiry, management was not aware of the missing funds and no investigation had been carried out.

Risk / Implication

Fraud and error may go undetected.

Recommendation

The Council should reconcile Ecocash transactions to their bank account and variances investigated.

Management response

Follow ups on the outstanding amounts were being done and Ecocash reconciliations were to be done weekly.

1.2 Receivables

Finding

The Council had receivables with a carrying amount of ZWL5 173 736 in the financial statements. Management did not assess for allowances for credit losses on the receivable balance. This constitutes a departure from IFRS 9, “Financial Instruments”. I was not able to ascertain the necessary adjustments to provide for allowance for credit losses as the Council had no debtors age analysis.

Risk / Implication

Financial statements may be misstated.

Recommendation

The Council should provide for allowance for credit losses in accordance with IFRS 9, “Financial Instruments”.

Management response

A policy position for providing for credit losses at a rate of 5% of trade receivables annually will be implemented in the 2022 financial year.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Beer levy statistics

Finding

The Council did not avail 2020 beer levy statistics from all breweries that delivered traditional beer within the district. I was not able to confirm the accuracy and completeness of revenue from beer levies recorded in the financial statements. Beer levy is collected from breweries by the Council in accordance with section 11 of the Traditional Beer Act [*Chapter 14:24*].

Risk / Implication

Misstatement of financial statements.

Recommendation

Beer levy statistics should be obtained from breweries and applied as basis for accounting for revenue.

Management response

We have written to Delta so that they can provide us with paper trail for the beer levy paid.

2.2 Lease income

Finding

The Council did not have an updated lease database to support the amounts recognised in the financial statements. Included in the Council's total income of ZWL20 662 049 was ZWL6 408 504, an amount relating to lease income. Council recognised lease income on cash basis instead of the accrual basis.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should have an updated lease database in the system and billing should be based on the database.

Management response

The Council database is going to be updated regularly. Networking between the Finance and the Civil Works Department is going to be improved.

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

The Council made progress in addressing findings that I raised in my 2020 report. I raised three (3) findings, one (1) was addressed and two (2) were not addressed as indicated below;

3.1. Road account receipt books

The finding has not been addressed. The missing receipt books were not availed for audit verification.

3.2. Supporting documentation

Finding has been addressed. Subsequent years have more traceable figures.

3.3. Beer levy

The finding has not been addressed. The Council could not manage to get statistics.

I have audited the financial statements of Murewa Rural District Council for the year ended December 31, 2021 and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Murewa Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and equipment".

The Council did not include the value of land in its financial statements contrary to IPSAS 17- "Property, Plant and Equipment" paragraph 74. Had the Council included the value of land the figure in the financial statements would have been materially different.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Fuel

Finding

The Council schedules for fuel drawn down from service stations had important missing information such as quantity of fuel drawn down, vehicle registration number, mileage, and identifiable employees in respect of fuel amounting to ZWL132 829. As a result, I was not able to ascertain whether the fuel was used for Council business. No satisfactory explanation was provided by management upon inquiry.

Risk / Implication

Financial loss due to misappropriation of fuel.

Management response

To liaise with local service stations to ensure that all relevant fields are completed. To inform all officers to abide by laid down procedures.
Expenditure section to cross check that all fields have been completed on the acquittals before attaching to the relevant payment vouchers.

2 MANAGEMENT OF ASSETS

2.1 Motor vehicles

Finding

The Council pool vehicles log books were not completed in full leaving blank spaces on fuels and oils drawn, closing odometer reading, trip mileage while some vehicles had no log books. In addition, some vehicles did not have important vehicle accessories such as jacks, spare wheels, fire extinguishers which help in emergencies. Upon inquiry it was revealed that lack of handover takeover controls was the main cause of loss of logbooks and vehicle accessories during numerous changing of hands of the vehicles by drivers.

Risk / Implication

Misuse of vehicles and misappropriation of fuel.

Vehicle accessories may be misappropriated.

Recommendation

All vehicles should have log books which should be completed in full.

The Council should ensure a proper handed over/ takeover of pool vehicles.

Management response

Measures have been put in place to ensure completion of logbooks and handover and takeover of vehicles through handover takeover forms and vehicle movement register and gate passes.

2.2 Project management

Finding

The Council received a total of ZWL22 470 830 in devolution funds by September 30, 2021 and was constructing three (3) clinics and seven (7) schools using the devolution funds. However, there was lack of supervision and proper storage of building materials. As a result, the construction of Chiguri Masunzwe Secondary School classroom block which started in 2019 was lagging behind. A total of fifty-two (52) bags of cement had dried up before use at the project site and was subsequently replaced.

Risk / Implication

Financial loss due to budget overrun and misappropriation of materials.

Recommendation

Projects should be adequately supervised and should be completed on time.

Management response

Additional cement for Chiguri Masunzwe and Gukwe was replacing dried cement. Community took long to avail local resources thereby extending project

period which resulted in drying of cement. Supervision now enhanced with a building inspector moved to head office to closely monitor projects. Storage facilities at project sites are not suitable for cement.

2.3 Obsolete materials

Finding

The Council had several inventory items such as roofing timber, cement, glazing putty among other things that were damaged. Inquiry with management revealed that some timber was bought from as far back as 2019, with the intention of hedging against inflation. This was as a result of community taking long to complete the project and use the materials.

There was rotten timber at Manjonjo Primary School which was meant for the construction of Mapukutu Secondary school.

Risk / Implication

Financial loss due to improper project management.

Recommendation

The Council should have appropriate storage facilities for construction materials and properly plan for its projects.

Management response

Noted, outstanding materials to be collected and stored at the Council central stores and to be utilized for other Council Projects.

Bill of quantities are matching building plans, but the community is taking long to utilize the materials for example roofing materials for the staff houses were procured, but the staff house is still at the slab level.

There are suggestions that procurement of timber for roofing materials should be done when the superstructure is complete.

2.4 Council house

Finding

The Council house (number 498 Nyazema) in Macheke was being occupied by a former Council chairperson since the time he held a Council position more than twenty (20) years ago. I was not availed with correspondences on how the former chairperson got to occupy the house. In 2010, a resolution to evict the former chairperson was passed but no action had been taken by the time of concluding my report in 2022. In addition, the former chairperson was not paying any rentals to the Council.

Risk / Implication

Financial loss due to mismanagement of Council properties.

Recommendation

The Council should pursue the resolution to evict the former Chairperson and take control of the property.

Management response

The observation is noted and Council will evict the former Council Chairperson.

2.5 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and equipment".

Finding

The Council did not account for land on which Council properties are built contrary to IPSAS 17 - "Property, Plant and Equipment", paragraph 74 which requires land and buildings to be separately accounted for. Had land been included, the amount in the financial statements would have been materially different from the amount disclosed.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should account for land and buildings separately in compliance with IPSAS 17- "Property, Plant and Equipment".

Management response

Agreed. Land was not included in the financial statements for 2021 and prior years owing to the fact that the Council does not have title to the land though the substance over form overrides this. The Council to engage independent valuators in 2022 and include land in the financial statements with effect from the year 2022.

3 PROCUREMENT OF GOODS AND SERVICES

3.1 Undelivered materials

The Council bought forty-five (45) cubic metres of 20mm quarry stones, using devolution funds on July 16, 2021 worth ZWL189 000. At the time of my audit in May 2022, the supplier had only delivered twenty-five (25) cubic metres of the quarry stones. The Council could not provide evidence of the delivery of the remaining twenty (20) cubic metres of quarry stones.

Risk / Implication

Loss of public funds as a result of undelivered goods.

Recommendation

The Council should follow up on undelivered materials.

Management response

Noted. We have engaged our lawyers to recover the undelivered quarry stones.

I have audited the financial statements of Mutare Rural District Council for the year ended December 31, 2020 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Mutare Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" and IPSAS 3 - "Accounting Policies, Changes in Accounting Estimates and Errors"

The Council changed its functional and reporting currency from United States Dollar (USD) to Zimbabwe Dollars (ZWL) on February 22, 2019 in compliance with Statutory Instrument 33 of 2019 (SI 33/19). The inflation adjusted financial statements are therefore presented in Zimbabwean Dollar, also referred to as the RTGS Dollar in SI 33.

The Council accounted for the change in functional currency prospectively from February 22, 2019 in compliance with SI 33. This constituted non-compliance with IPSAS 4 - due to the need to comply with local regulations under SI 33. An adverse opinion was issued in the prior year for non-compliance with IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates". The Council has not restated the inflation adjusted financial statement as required by IPSAS 3 - "Accounting policies, Change in Accounting Estimates and Errors" to resolve the matters which resulted in the adverse opinion in the prior year relating to non-compliance with IPSAS 4 - and balances were carried over into 2020.

Due to the matters discussed above, I was unable to satisfy myself by alternative means concerning the opening balances. Since opening balances have an effect on determining the financial position and cash flows, I was unable to determine whether adjustments might have been necessary in respect of the movements in the statement of financial performance, statement of cash flows and statement of financial position.

ii. Non-compliance with IPSAS 10 - "Financial Reporting in Hyperinflationary Economies"

Zimbabwe became a hyperinflationary economy on July 1, 2019 and IPSAS 10 has been applied to the 2019 comparatives with effect from January 1, 2019. IPSAS 10 has been applied to 2019 balances that were not in compliance with IPSAS 4 and IPSAS 3.

iii. Non-compliance with IPSAS 13 - "Leases"

The Council had a long-term receivable balance amounting to ZWL83 486 relating to motor vehicle loans issued to heads of departments (HODs) to purchase their motor vehicles. The Council hired the same motor vehicles from the HODs. The lease terms were for the entire useful lives of the motor vehicles, the motor vehicles cannot be replaced in the hiring arrangement, the Council assumes all repairs, maintenance, and insurance costs. The arrangement transferred substantially all the risks and rewards incidental to ownership to the Council. Consequently, the arrangement meets the criteria for recognition as finance lease asset in accordance with IPSAS 13. The Council did not comply with requirements of IPSAS 13 by not recognizing finance lease assets and related liability in the financial statements.

iv. Non-compliance with IPSAS 17 - "Property, Plant and Equipment"

The Council owned infrastructural assets that consisted of a road network that stretched a total distance of 1 250 km, bridges and drainage systems that were part of this road network. Infrastructural assets meet the definition of property, plant and equipment in accordance with IPSAS 17 - "Property, Plant and Equipment". Fair values were not determined and all the Council's infrastructural assets were not recognised as part of property, plant and equipment which is a departure of IPSAS 17. Exclusion of these assets in the non-current assets was material on the Council's financial position.

v. Valuation of property, plant and equipment, investment properties and intangible assets

The Council disclosed property, plant and equipment, investment properties and intangible assets at ZWL32 364 495, ZWL3 666 052 and ZWL2 446 574, respectively as at December 31, 2020. Majority of the non-current assets' carrying amounts consisted of balances that were carried over from prior periods. Considering the impact of change in functional currency from United States Dollar (USD) to Zimbabwean Dollars (ZWL) in the prior year, the carrying amounts of non-current assets that were acquired prior to December 31, 2018 no longer represent the fair values of non-current assets as at December 31, 2020. Some of the non-current assets used by the Council were fully depreciated. Paragraph 49 of IPSAS 17 states that, "The frequency of revaluations depends upon the changes in the fair values of the items of property, plant, and equipment being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary". The Council did not revalue these non-current assets following the change in functional currency and revaluation would have materially affected their carrying amounts as at December 31, 2020.

vi. Beer levy income

The Council's total revenue of ZWL105 614 148 included ZWL1 762 927, an amount relating to beer levy income. The Council did not provide beer levy statistics or returns submitted by traditional beer breweries to support the amounts recognised in the financial statements. This amount was recognised on a cash basis of accounting which was a non-compliance with the International Public Sector Accounting Standards

Conceptual framework which require such income to be recognised on an accrual basis of accounting. Consequently, I was not able to verify the completeness of revenue recognised in the financial statements.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Valuation of property, plant and equipment

Finding

The Council had infrastructural assets that consisted of a road network that stretched a total distance of 1 250 km, bridges and drainage systems that are part of this road network. These infrastructural assets meet the definition of property, plant, and equipment in accordance with IPSAS 17 - "Property, Plant and Equipment". Fair values of Council's infrastructural assets were not determined, and all these assets were not recognised as part of property, plant and equipment which is a departure from IPSAS 17.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should perform a revaluation of assets and ensure that all assets are recognised.

Management response

The Council has completed work of evaluating roads infrastructure internally and is in the process of engaging an external evaluator for the rest of the assets.

1.2 Motor vehicle loan scheme

Finding

As at December 31, 2020, the Council had a long-term receivable balance amounting to ZWL83 486 in respect of motor vehicle loans issued to heads of departments (HODs). The motor vehicle loan scheme commenced in the year 2015 and HODs were issued with loans to purchase their motor vehicle since then. In the loan agreements, the Council hired the same motor vehicles from the HODs at a fee equal to insurance costs, interest costs, depreciation, repairs, and maintenance expenses.

Notwithstanding that the vehicles are registered in the names of HODs, the substance of the arrangement was that the Council was the owner of the vehicles since the vehicles are principally used for Council business and the Council incurs all expenses of maintaining the vehicle. In addition, no interest was being charged to loan holders since they are also including the interest component in their hiring fees to the Council.

Risk / Implication

Financial loss due to fraud.

Service delivery may be compromised.

Recommendation

The Council should recover the outstanding receivables amount from the respective HODs and prioritise purchasing its own operational service vehicles.

Management response

The Council is engaging tax consultants.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Revenue recognition

Finding

The Council recognised beer levy revenue on a cash basis. This was contrary to the requirement of International Public Sector Accounting Standard (IPSAS) 23 - "Revenues from non- exchange transactions" which require such income to be accrued in the 2020 financial statements. During the year 2020, the Council did not obtain beer sales returns / statistics from the commercial breweries against the requirements of the Traditional Beer Act [*Chapter 14:24*], section 11.

Risk / Implication

Financial loss due to under remittance of beer levy.

Recommendation

The Council should engage the breweries and obtain beer sales returns in accordance with Traditional Beer Levy Act *[Chapter 14:24].*

Management response

The Council is engaging Delta Beverage over the issue.

3 PROCUREMENT OF GOODS AND SERVICES

3.1 Equipment purchase

Finding

The Council bought equipment amounting to USD192 510 from a supplier in 2019 which was not yet delivered by the supplier at the time of audit in May 2022. Inquiries with management revealed that the supplier was still waiting for a special scheme from Reserve Bank of Zimbabwe which provides favourable rates for them to import and supply the equipment.

Risk / Implication

Financial loss due to non-delivery of the equipment.

Recommendation

The Council should follow up on the delivery of the equipment.

Management response

The Council made follow ups and the supplier gave valid reasons that were beyond their control. Reserve bank of Zimbabwe had not remitted the forex payment to their supplier. Due diligence was also done at tender evaluation. The delay by RBZ was unforeseen. Council will continue to follow up the supplier.

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

The Council made progress in addressing findings that I raised in my 2021 report. I raised six (6) findings, four (4) were addressed, one (1) was partially addressed and one (1) was not addressed as indicated below;

4.1 Policies

The finding has been partially addresses. The policies are now in draft forms.

4.2 Non-compliance with IPSAS 13 - "Leases"

The finding has been addressed. A journal was passed.

4.3 Non-compliance with IPSAS 17- "Property, Plant and Equipment"

The finding has been addressed. Valuation of infrastructure assets was done.

4.4 Unverified unallocated receipts

The finding has not been addressed. Council is yet to clear unallocated receipts.

4.5 Unverified cash and cash equivalents balances

The finding has been addressed. Reconciliations are now being done.

4.6 Beer levy

The finding has been addressed. The brewer now providing returns.

I have audited the financial statements of Mutasa Rural District Council for the years ended December 31, 2020 and 2021 and I issued an adverse opinion in 2020 and disclaimer of Opinion in 2021.

Adverse Opinion 2020

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

Basis for Adverse Opinion

i. Non-compliance with International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates" and International Accounting Standard (IAS) 8- "Accounting Policies, Changes in Accounting Estimates and Errors", with respect to opening balances

The Council changed its functional and reporting currency from United States Dollars (USD) to Zimbabwe Dollars (ZWL) on February 22, 2019 in compliance with Statutory Instrument 33 of 2019 (SI 33/2019). Based on the interpretation of IAS 21- "The Effects of Changes in Foreign Exchange Rates", it was generally acknowledged that there was a functional currency change prior to February 22, 2019, before SI 33/2019 was issued, from USD to ZWL. Despite acknowledging that there was a change in functional currency prior to February 22, 2019, the Council accounted for the change in functional currency prospectively from February 22, 2019 in compliance with SI 33/2019 and this constitutes departure from the requirements of IAS 21. The Council has not restated the opening balances in accordance with IAS 8, to resolve this matter, which resulted in an adverse audit report in the prior year. Prior year balances were carried over into 2020 without any adjustment for prior period misstatements, impacting comparability of the current year figures.

ii. Application of International Accounting Standard (IAS) 29 - "Financial Reporting in Hyperinflationary Economies"

Notwithstanding that International Accounting Standard (IAS) 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21- "The Effects of Changes in Foreign Exchange Rates" and IAS 8 - "Accounting Policies, Changes in Accounting Estimates and Errors".

iii. Non-compliance with International Accounting Standard (IAS) 16 - "Property, Plant and Equipment" and International Financial Reporting Standard (IFRS) 13- "Fair Value Measurement"

The Council did not depreciate its items of property, plant and equipment which constitutes a departure from the requirements of International Accounting Standard (IAS) 16 - "Property, Plant and Equipment". The useful lives of the assets had not been determined; hence I could not determine the adjustments necessary to the financial statements.

iv. Unverified year end journals and transactions

Year-end journals amounting to ZWL5,3 million were passed to balance off the Council's financial statements and to agree balances to third party statements. Accurate accounting records were not being maintained throughout the year, with year-end journals being passed to reconcile balances and transactions to third party statements without any supporting documents and schedules. I was therefore not able to verify the accuracy, occurrence and completeness of the entries posted to the transactions.

v. Non-compliance with International Financial Reporting Standard (IFRS) 9 - "Financial Instruments"

The Council did not provide for an allowance for credit losses in the financial statements as required by IFRS 9 - "Financial Instruments". Recoverability of the receivable balance of ZWL65.08 million disclosed in the statement of financial position was not subject to assessment even though some of the receivable balances had been brought forward from as far back as 2016. None of the debtors responded to my debtors' circularization and an insignificant number of debtors subsequently paid their accounts after year end. I could not ascertain by alternative means, adjustment necessary to the financial statements.

vi. Cash and Cash equivalents

The Council disclosed a bank balance in general account amounting to ZWL96 985 as having been held with ZB bank while the bank confirmed two (2) additional accounts, resulting in unrecorded transactions and bank balances. Bank statements were not availed to enable the verification of transactions that went through the bank accounts. I could not determine the adjustments necessary to the financial statements.

Disclaimer of Opinion 2021

I do not express an opinion on the financial statements of Mutasa Rural District Council because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

i. Unverified year end journals and transactions

Year-end journals amounting to ZWL381 787 365 were passed to balance off the Council's financial statements and to agree balances to third party statements. Accurate accounting records were not being maintained throughout the year, with year-end journals being passed to reconcile balances and transactions to third party statements without any supporting documents and schedules. I was therefore not able to verify the accuracy, occurrence and completeness of the entries posted to the transactions.

ii. Foreign currency receipts

Foreign currency receipts, mainly denominated in United States Dollars (USD), were not properly accounted for during the year ended December 31, 2021. The USD cash receipts were not being receipted in the currency of receipt, instead they were converted to Zimbabwe Dollars (ZWL) and the receipts were recorded in ZWL. Where the cashier did not indicate the currency of receipt, it was difficult to separate USD cash receipts from ZWL receipts. In addition, cash received was not immediately banked and reconciled. Cash receipts applied to expenses could not be traced to expense vouchers.

Based on an audit sample, of the USD19 642 cash received by the Council equivalent to ZWL2,1 million, I could not trace USD11 252 equivalent to ZWL1,2 million and no proof of deposits slips could be availed for audit verification. While the Council's respective USD bank account statement showed a total USD8 390 equivalent to ZWL911 708 in cash deposits. There were no bank reconciliations. I could not determine the total amount of USD cash receipts received by the Council during the year.

As a result, I could not verify the accuracy and completeness of cash and cash equivalents disclosed in the Council's financial statements.

iii. Non-compliance with International Accounting Standard (IAS) 16- "Property, Plant and Equipment" and International Financial Reporting Standard (IFRS) 13- "Fair Value Measurement"

The Council did not depreciate its items of property, plant and equipment which constitutes a departure from the requirements of IAS 16- "Property, Plant and Equipment". The useful lives of the assets had not been determined; hence I could not determine the adjustments necessary to the financial statements.

iv. Cash and cash equivalents

A total of six (6) bank accounts including three (3) USD Nostro bank accounts with total balances equivalent to ZWL2,4 million have been excluded from the cash and cash equivalents of ZWL34 million disclosed in the statement of financial position for the year ended December 31, 2021. In addition, mobile money (Ecocash) balance of ZWL709 438 excluded ecocash transactions for the year ended December 31, 2021. In the absence of detailed bank statements for the affected bank and mobile money accounts, I could not determine the adjustments necessary to the financial statements.

v. Non-compliance with International Financial Reporting Standard (IFRS) 9 - "Financial Instruments"

The Council did not provide for an allowance for credit losses in the financial statements as required by IFRS 9- "Financial Instruments". Recoverability of the receivable balance of ZWL231 million disclosed in the statement of financial position was not subject to assessment even though some of the receivable balances had been brought forward from as far back as 2016. None of the debtors responded to my debtors' circularization and an insignificant number of debtors subsequently paid their accounts after year end. I could not ascertain by alternative means, adjustment necessary to the financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Unsupported year end journals

Finding

The Council posted several adjusting journals in the detailed ledgers which were being used to balance off the financial statements. Year-end journals amounting to ZWL381,8 million were passed to balance off the Council's financial statements and to agree balances to third party statements. Accurate accounting records were not being maintained throughout the year, with year-end journals being passed to reconcile balances and transactions to third party statements without any supporting documents and schedules. The following were material year end journals made in 2021 and were not supported;

Unsupported year- end journals

Ledger accounts	Journal transaction ZWL
Bank and cash	35 035 074
Payables control	73 728 957
Receivables control	74 039 836
Expenses	71 294 184
Revenue	126 321 455
Inventory	1 367 859
Total	**381 787 365**

Risk / Implication

Financial statements may be materially misstated.

Irregular transactions may be processed.

Recommendation

Journal entries should be supported.

Management response

The Accountant was advised in writing to explain the origin of the journals the authorisation thereof, failure of which charges of misconduct will be preferred against him. In future all journals shall be authorised by the Chief Executive Officer in the prescribe format.

1.2 Bank accounts

Finding

A total of six (6) bank accounts which include three (3) foreign currency bank accounts with total balances equivalent to ZWL2,4 million were excluded from the cash and cash equivalents of ZWL34 million disclosed in the financial statement.

In addition, mobile money (Ecocash) balance of ZWL709 438 included in the financial statements relates to a balance brought forward from 2020 and excluded Ecocash transactions for the financial year ended December 31, 2021.

Risk / Implication

Misstatement of financial statements.

Fraud and errors may go undetected.

Recommendation

The Council should maintain cashbooks for all bank accounts

Transactions relating to Ecocash and point of sale should be posted in the system and daily POS reconciliations should be done and reviewed.

Management response

Observation is correct. In future bank balances for Ecocash, Steward Bank, Point of Sale and Nostro bank accounts shall be incorporated.

Separate ledger accounts or cash books shall be maintained in the system for these accounts.

The Council shall prepare POS reconciliations to promote transparency and accountability.

1.3. Foreign currency cash receipts

Finding

Foreign currency receipts, mainly denominated in United States Dollars (USD), were not properly accounted for during the year ended December 31, 2021. The USD cash receipts were not being receipted in the currency of receipt, instead they were converted to Zimbabwe Dollars (ZWL) and the receipts were recorded in ZWL. Where the cashier did not indicate the currency of receipt, it was difficult to separate USD cash receipts from ZWL receipts. In addition, cash received was not immediately banked and reconciled. Cash receipts applied to expenses could not be traced to expense vouchers.

Based on an audit sample, of the USD19 642 cash received by the Council equivalent to ZWL2,1 million, I could not trace USD11 252 equivalent to ZWL1,2 million and no proof of deposits slips could be availed for audit verification. While the Council's respective USD bank account statement showed a total USD8 390 equivalent to ZWL911 708 in cash deposits. There were no bank reconciliations. I could not determine the total amount of USD cash receipts received by the Council during the year.

Risk / Implication

Misappropriation of funds may not be detected on time.

Recommendation

Foreign currency receipts should be separately recorded from local currency receipts.

All cash receipts should be banked.

Management response

Observation noted. We have since written to some of the employees to support reports on the areas raised in both this report and the 2021 Report to Management. Upon receipt of the reports Council will act accordingly.
We are the in process of reviewing our internal control systems. Heads of Departments have been instructed in writing to review internal control in their department and address issues raised in both the External and Internal Audit reports.

1.4. Banking

Finding

The Council could not account for USD19 642 collected from its sub offices on various occasions. An amount of USD11 252 could not be traced to the bank statement and no evidence of deposits made was availed for audit verification.
While the Council's bank's statement showed a total amount of USD8 390 in cash deposits for the whole year. No reconciliation was provided for the USD cash utilization by the Council during the year ended December 31, 2021.

Risk / Implication

Loss of funds due to fraud that may not be detected on time.

Recommendation

The Council should investigate and establish/ confirm that cash receipts were used for the purpose intended during the year and perform reconciliations on the cash received against banked cash.

Management response

Investigation underway to establish how the cash collected was used and whether the use was sanctioned as per the provisions of the Council's laid down procedures and policies.

1.5. Communal land layout plan

Finding

The Council had one hundred and twenty (120) business centres in the district but it did not have layout plans for the land in these areas. In accordance with paragraph 43 of the Regional, Town and Country Planning Act [*Chapter 29:12*], the Council is required to have a proposed layout plan for communal land approved by the Director after consulting with the Minister responsible for administration of such Communal land. In addition, some of the areas were being occupied without the Council's knowledge.

Risk / Implication

Council land may be misappropriated.

Recommendation

The Council should ensure that layout plans for communal lands are put in place.

Management response

Observation noted. Plans are underway to embark on an exercise to do layout plans for all business centres. We have started with the coding of the business centres and then start on the layout preparation. By year end we should have covered 75% of the business centres.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1. Tariffs

Finding

Services charges were billed differently from the agreed budgeted tariffs. Enquiries show that these tariffs were provided by the then Treasurer and there were no resolutions to support the adjustments. As a result, from the transactions examined the Council overbilled two (2) clients in the education business by ZWL5,9 million service charges.

Risk / Implication

Misstatement of revenue.

Recommendation

The Council should charge tariffs that have been approved and deviations should be properly documented.

Management response

The observation is correct. We shall ensure billing is done using the correct tariffs. Any variances to the approved tariffs shall have the appropriate authorisations. Periodic reviews of billings shall be done so as to curb occurrence of such incidents in future.

2.2. Receivables

Finding

The Council did not provide for an allowance for credit losses in a manner provided for in the International Financial Reporting Standards (IFRS) 9 - "Financial Instruments". Recoverability of the ZWL231 million receivable balance disclosed in the statement of financial position was not adjusted for allowance for credit losses although some of the receivable balances had been brought forward from as far back as 2016. None of the debtors I circulated in the category responded to my debtors' circularization and there was an insignificant number of debtors that subsequently settle their debts after year end.

Risk / Implication

Receivables may be overstated.

Recommendation

Management should come up with an expected credit loss model in line with IFRS 9 - "Financial Instruments".

Management response

The requirements of IFRS 9- "Financial Instruments", shall be adhered to. The Council shall come up with a policy that promotes the provision for credit losses and the policy will be presented before the Finance Committee and subsequently to the Full Council for adoption.

3. PROCUREMENT OF GOODS AND SERVICES

3.1. Unsupported expenditure

Finding

There were payment vouchers which did not have supporting documents such as purchase requisitions, quotations, comparative schedules, goods received vouchers (GRV), invoices and receipts. As a result, I could not verify whether the expenditure was authentic. In addition, there were missing payment vouchers amounting to ZWL4,4 million. Transactions pertaining to these vouchers had been traced to the detailed ledgers, but the documentation had either been misplaced or not raised at all.

Risk / Implication

Absence of payment vouchers might present the opportunity for fraudulent activities.

Recommendation

The Council should properly file all relevant documents.

Management response

Observation noted. The payment made were supported by payment vouchers. Investigations are underway to establish the reasons why the vouchers were not availed to the Auditors.

4. EMPLOYMENT COSTS

4.1. Salaries contributions

Finding

There were anomalies in the recording of transactions from various funding sources towards salaries. Several journal transactions were posted which could not be verified as they had no supporting documentation. The anomalies were worsened by a practice of not posting transaction as they occur as evidenced by significant journals that were posted at year end. The salaries bank account reflected ZWL46,3 million as contributions from various fund accounts however, the various fund accounts showed that contributions amounting to ZWL138,7 million was made towards salaries resulting in a variance of ZWL92,4 million.

Risk / Implication

Financial losses due to fraud.

Recommendation

Transactions should be posted as and when they occur and reconciliation between funds be done on time.

Management response

Observation noted. Plans are in place to have inter-fund reconciliations and reviews thereof done every month. We however are also investigating internally to find out if the transactions were genuine. The outcome will be communicated to the Auditors.

5. MANAGEMENT OF ASSETS

5.1. Non-compliance with International Accounting Standard (IAS) 16 - "Property, plant and equipment" and International Financial Reporting Standard (IFRS) 13- "Fair Value Measurement"

Finding

The Council did not depreciate its items of property, plant and equipment which constitutes a departure from the requirements of IAS 16- "Property, Plant and Equipment". The useful lives of the assets had not been determined.

Risk / Implication

Non-current assets may be misstated.

Recommendation

The Council should provide for depreciation to ensure compliance with IFRS.

Independent professional assets valuators should be engaged for valuation of the Council's assets.

Management response

The Council has adopted a policy to ensure that depreciation is charged. Valuation of properties will be done in 2023.

I have audited the financial statements of Nkayi Rural District Council for the year ended December 31, 2021 and issued an adverse opinion.

Adverse Opinion

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

Basis for Adverse Opinion

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

The Council did not apply the requirements of IAS 21- "Effects of Changes in Foreign Exchange Rates" in the financial statements for the year period January 1, to February 22, 2019 because of the unavailability of exchange rates as at that date. Transactions in Zimbabwe during that period had a three (3) tier pricing structure where a single product had different prices depending on the mode of payment, namely the United States Dollar Cash, Bond Notes, Electronic Money or Mobile Money. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IAS 21- "Effects of Changes in Foreign Exchange Rates", would apply. Statutory Instrument (SI) 133 of 2016, Statutory Instrument (SI) 33 of 2019 and Monetary Policy statement of February 20, 2019 all confirmed the parity of 1:1 between the United States Dollar Cash, Bond Notes, Mobile Money and Electronic Money. This presented difficulties in ascertaining the fair values of the Councils' material assets and liabilities as at the reporting date. IAS 21- "Effects of Changes in Foreign Exchange Rates" requires the use of spot rate in accounting for transactions. During the period, premiums and discounts were offered on the official exchange rate of 1:1 between the RTGS balances, Bond Notes and USD. Under International Financial Reporting Standards, the Council should have converted all transactions at the spot rate. The effects on the financial statements have not been determined. An adverse opinion was issued for the financial statements for the year ended December 31, 2020 owing to the issues noted above and hence no assurance could be obtained from the opening balances as the Council did not revalue its non-monetary assets.

ii. Non-compliance with International Financial Reporting Standard (IFRS) 13- "Fair Value Measurement" and International Accounting Standards (IAS) 16- "Property, plant and equipment valuation"

The Council did not perform revaluation of its assets to determine fair values. Property, plant and equipment was disclosed in the financial statements at ZWL25,2 million which was based on the last revaluation carried out in 2009. This was contrary to IAS 16, "Property, Plant and Equipment" which requires property, plant and equipment to be revalued with sufficient regularity to ensure that the carrying amount of an asset does differ materially from that which would be determined using fair value at the end of the reporting period. The country is currently experiencing hyperinflation thus prices of commodities, assets and services are rapidly increasing.

This has resulted in significant variations of the fair value in the market price and the amount reported in the financial statements. Had the property, plant and equipment been revalued the amounts disclosed in the financial statements would be materially different from the figures disclosed.

Below are other material issues noted during the audit;

1. MANAGEMENT OF ASSETS

1.1 Non-compliance with International Financial Reporting Standard (IFRS) 13- “Fair Value Measurement” and International Accounting Standards (IAS) 16- “Property, plant and equipment valuation”

Finding

The Council did not perform a revaluation exercise of its property plant and equipment during the year under review. The last revaluation exercise was carried out in 2009. This is contrary to IAS 16, “Property, Plant and Equipment” which requires property, plant and equipment to be revalued with sufficient regularity to ensure that the carrying amount of an asset does differ materially from that which would be determined using fair value at the end of the reporting period.

Risk / Implication

Financial statements may be misstated.

Recommendation

A revaluation exercise should be carried out to ensure assets reflect fair values as defined in IFRS 13 - “Fair Value Measurement”.

Management response

Due to costs associated with valuation of assets, the Council has endeavoured on doing the valuation exercise on a piecemeal basis, most Council properties around the growth point were evaluated on the 10th of January 2022, and we hope to spread the exercise to other wards by June 2023, dependent however on positive cash flows.

1.2 Management of stands

Finding

The Council did not account for stands inventory in its financial statements. The register of serviced, un-serviced, developed, and sold stands was not up to date. This was contrary to the Rural District Council Act [*Chapter 29:13*] section 120 (1) which stipulates that a Council shall cause to be kept such books of accounts as may be necessary to maintain a true and proper record of all matters relating to the financial transactions of the Council. Upon enquiry Council stated that this was caused by the absence of a Planner in the Council.

In addition, the Council did not maintain a waiting list record for those seeking to purchase stands. The Council was accounting for stands sales on a cash basis contrary to the requirements of IAS 1 paragraph 27.

Risk / Implication

Irregular disposal of stands may not be detected on time.

Misstatement of the financial statements.

Recommendation

The Council should maintain an updated stands register.

The Council should have a waiting list for those intending to purchase stands.

The Council should recognise revenue on accruals basis.

Management response

The Council will come up with two Waiting Lists for Land allocation, one for housing and one for industrial / commercial stands, the waiting lists will be kept using the format prescribed. Council will also engage a Planner.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Beer levy

Finding

The Council received ZWL1 751 252 as beer levy from traditional beer brewers during the year 2021. However, the figure was not supported by beer sales schedules as required by the Traditional Beers Act [*Chapter 14:24*]. According to the Act, the local authority is mandated to collect levies and schedules from brewers that sell traditional beer within its jurisdiction.

Risk / Implication

Misstatement of financial statements.
Financial loss due to under declarations of beer sales revenue.

Recommendation

The Council should obtain beer sales records / returns to support beer levy remittances as required by the Act.

Management response

The Council will engage Delta beverages so they produce returns.

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

The Council made progress in addressing findings that I raised in my 2021 report. I raised four (4) findings, one (1) was addressed and three (3) were not addressed as indicated below;

3.1 Policy documents and procedures manual

The finding has not been addressed. Recruitment, gender, Information technology, housing and risk policies are yet to be adopted.

3.2 Public Sector Investment Program (PSIP) funds

The finding has not been addressed. PSIP funds not yet used.

3.3 Assets register

The finding has been addressed. The asset additions are now incorporated in the register.

3.4 Beer levy

The finding has not been addressed. Sales schedules are yet to be received from brewers.

I have audited the financial statements of Nyaminyami Rural District Council for the years ended December 31, 2016; 2017; 2018 and 2019, and I issued an adverse opinion for 2016 and 2017 and a disclaimer of opinion for 2018 and 2019.

Adverse Opinion 2016

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Council as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non- compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment"

Infrastructure assets such as road networks, bridges and culverts amongst others were not included in the assets register and were not included in the financial statements contrary to IPSAS 17 - "Property, Plant and Equipment", which requires infrastructure assets to be recognised.

In addition, non-infrastructure assets were last revalued in 2009 contrary to the requirements of IPSAS 17, which requires assets to be revalued with sufficient regularity. I was unable to satisfy myself of the completeness and valuation of property, plant and equipment reported in the financial statements.

ii. Land stock and inventory

The Council had unsold pieces of land in Chalala growth point, including fuels, animal hides and ivory inventory items that were on hand at year end. These items were not included in the financial statements. Management did not provide the land sizes; I could not quantify the extent of misstatement.

iii. Employment costs

There was an unresolved variance of USD323 164 between the payroll balance of USD663 545 and ledger balance of USD340 380 disclosed in the financial statements. I was therefore unable to satisfy myself as to the completeness and accuracy of the employee costs disclosed in the financial statements.

iv. Revenue

The Council did not accrue the value of all stands sold dating back to 2013 in its financial statements. The extent of misstatement could not be ascertained with reliability as there were no comprehensive records. A significant number of revenue streams including concession fees, lease rentals, business licences, household development were recognized on a cash basis contrary to the requirements of IPSAS 9- "Revenue from Exchange Transactions" instead of on an accruals basis. The extent of misstatement could not be quantified due to the short comings of the cash basis and lack of sufficient records.

v. Payables

There was an unresolved variance of USD124 075 between financial statements payable balance of USD1 256 224 and the creditors listing balance of USD1 132 149. I could not satisfy myself as to the accuracy, validity and completeness of the payables disclosed in the financial statements.

vi. Expenditure

I could not ascertain the validity and accuracy of expenditure amounting to USD56 014 disclosed in the financial statements as there was missing supporting documents such as suppliers' invoices.

vii. Cash and cash equivalents

I could not ascertain the completeness, accuracy and validity of cash and cash equivalents balance of USD10 642 disclosed in the financial statements due to unavailability of bank confirmation responses and bank statements.

Adverse Opinion 2017

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Council, as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non- compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, Plant and Equipment"

Infrastructure assets such as road networks, bridges and culverts amongst others were not included in the assets register and as such were not accounted for in the financial statements contrary to IPSAS 17, "Property, Plant and Equipment", which requires infrastructure assets to be recognised. In addition, the non-infrastructure assets were last revalued in 2009 contrary to the requirements of IPSAS 17, which requires assets to be revalued with sufficient regularity. Had the infrastructure assets been included and revalued, the amount of property, plant and equipment would have been materially different.

ii. Land stock and inventory

The Council had inventory on hand on December 31, 2017 of pieces of land in Chalala growth point, fuels, animal hides and ivory, which were not valued and included in the financial statements. Management did not provide the land sizes, together with quantities of fuel and other stock items. I could not quantify the extent of misstatement.

iii. Employment costs

There was an unresolved variance of USD70 935 between the payroll balance USD420 010 and ledger balance of USD490 945 disclosed in the financial statements. I was therefore unable to satisfy myself as to the completeness and accuracy of the employee costs disclosed in the financial statements.

iv. Non- compliance with International Public Sector Accounting Standard (IPSAS) 9- "Revenue from Exchange Transactions"

The Council did not accrue the value of all stands sold dating back to 2013 in its financial statements. A significant number of revenue streams that includes concession fees, lease rentals, business licences, household development were recognized on a cash basis instead of on an accruals basis as spelt out in IPSAS 9- "Revenue from Exchange Transactions". The extent of misstatement could not be ascertained with reliability as there were no comprehensive records. Had the Council accounted for the revenue from stand sales and other revenue streams in line with IPSAS 9- "Revenue from Exchange Transactions", the revenue figure would have been materially affected.

v. Payables

There was an unresolved variance of USD13 719 between financial statements payable balance of USD1 363 913 and the creditors listing balance of USD1 350 194. In addition, outstanding travelling and subsistence payables amounting to USD17 000 were not supported with a detailed list of claims. I could not satisfy myself as to the accuracy, validity and completeness of the payables disclosed in the financial statements.

vi. Expenditure

I could not ascertain the validity and accuracy of expenditure amounting to USD 238 440 disclosed in the financial statements as I was not availed with supporting documents such as suppliers' invoices.

Disclaimer of Opinion 2018

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

Basis for Disclaimer of Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4- "The Effects of Changes in Foreign Exchange Rates"

Management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of February 22, 2018, October 01, 2018 and of February 20, 2019 for transactions from October 01, 2018 to February 22, 2019. On February 22, 2019, the Council did not translate most of the applicable foreign denominated non-monetary and monetary assets and liabilities at that date to ZWL.

According to IPSAS 4-“The Effects of Changes in Foreign Exchange Rates” at the end of each reporting period; (a) foreign currency monetary items shall be translated using the closing rate; (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. According to paragraph 10 of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, the closing rate is defined as a) spot exchange rate at the end of the reporting period, and b) spot exchange rate is the exchange rate for immediate delivery.

I therefore believe that the exchange rates for transactions and balances between the USD and the RTGS/ZWL used by the Council of 1:1 for the period from October 01, 2018 onwards did not meet the criteria for appropriate exchange rates in terms of IPSAS 4- “The Effects of Changes in Foreign Exchange Rates” as defined above. The effects of the above departures from IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” are material and pervasive to the financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, plant and equipment”

The Council did not maintain a record of its assets in the form of a comprehensive assets register. Therefore, the balance of assets disclosed in financial statements was not supported.

In addition, Infrastructure assets such as road networks, bridges and culverts amongst others were not included in the assets register, they were not revalued and as such were not included in the financial statements contrary to the requirements of IPSAS 17.

Non-infrastructure assets were last revalued in 2009 contrary to the requirements of IPSAS 17- “Property, plant and equipment” which requires assets to be revalued with sufficient regularity. Had Council included its infrastructure assets and revalued its non-infrastructure property plant and equipment in line with IPSAS 17- “Property, plant and equipment” the figure of property plant and equipment would have been materially affected. I was unable to determine the extent of adjustments necessary to the financial statements in the absence of a valuation.

iii. Land stock and inventory

The Council had inventory on hand on December 31, 2018 of pieces of land in Chalala growth point, fuels, animal hides and ivory, which were not valued and included in the financial statements. Management did to provide details on the land size or number of stands together with quantities of fuel and other stock items hence could not quantify the extent of understatement. Owing to the nature of record keeping, I was unable to perform alternative procedures such as stock roll back procedures as the Council did not avail stock movement reports to determine the adjustments necessary to the financial statements.

iv. Employment costs

There was an unresolved variance of USD409 725 between the payroll balance amounting to USD450 201 and ledger balance of USD40 476 disclosed in the financial statements. Due to unavailability of supporting documents, management did not make relevant adjustments to the accounts. I was not able to satisfy myself as to the completeness and accuracy of employment costs disclosed in the financial statements.

v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 - "Revenue from Exchange Transactions"

The Council did not accrue the value of all stands sold dating back to 2013 in its financial statements. The degree of misstatement could not be ascertained with reliability as there were no comprehensive records. A significant number of revenue streams that includes concession fees, lease rentals, business licences, household development were recognized on a cash basis instead of on an accruals basis as required by IPSAS 9- "Revenue from Exchange Transactions". There was also no supporting listing for stand sales disclosed in financial statements of USD17 085.

In addition, properties with rates amounting to USD64 854 were billed but USD29 382 was disclosed in financial statements resulting in an understatement of USD35 472 management did not correct this error. Had the Council accounted for the revenue from stand sales and other revenue streams in line with IPSAS 9- "Revenue from Exchange Transactions", the revenue figure would have been materially affected.

vi. Payables

Payables disclosed in the financial statements at USD939 063 was not supported by a payables listing. I could not satisfy myself as to the accuracy, validity and completeness of the payables disclosed by Council in the financial statements.

vii. Receivables

There was an unresolved variance of USD35 669 between balance the debtors' listing total of USD963 696 and balance disclosed in the financial statements of USD925 027. Therefore, I could not verify the accuracy and validity of accounts receivables balance disclosed in financial statements.

viii. Expenditure

I could not ascertain the validity and accuracy of expenditure balance reported in the financial statements as I was not availed with supporting documents such as supplier invoices for expenditure transactions amounting to USD336 294.

ix. Cash and cash equivalents

The Council was not maintaining an updated cashbook. No cash books were maintained for six (6) bank accounts including the Campfire bank account which had a balance of USD103 986 as at year-end. I could not satisfy myself of the accuracy and validity of the cash and cash balance disclosed in financial statements.

Disclaimer of Opinion 2019

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

Basis for Disclaimer of Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

Management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of February 22, 2018, October 01, 2018 and of February 20, 2019 for transactions from October 01, 2018 to February 22, 2019. On February 22, 2019, the Council did not translate most of the applicable foreign denominated non-monetary and monetary assets and liabilities at that date to ZWL.

According to IPSAS 4- "The Effects of Changes in Foreign Exchange Rates", at the end of each reporting period; (a) foreign currency monetary items shall be translated using the closing rate; (b) non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and (c) non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. According to paragraph 10 of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" the closing rate is defined as a) spot exchange rate at the end of the reporting period, and b) spot exchange rate is the exchange rate for immediate delivery.

I therefore believe that the exchange rates for transactions and balances between the USD and the RTGS /ZWL used by the Council of 1:1 for the period from October 01, 2018 onwards did not meet the criteria for appropriate exchange rates in terms of IPSAS as defined above. The effects of the above departures from IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" are material and pervasive to the financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies"

The Council did not comply with the provisions of IPSAS 10- "Financial Reporting in Hyperinflationary Economies". Zimbabwean entities were operating in an environment in the period under review which has witnessed significant monetary and exchange control policy changes since the beginning of the year. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10- "Financial Reporting in Hyperinflationary Economies" in Zimbabwe have been met and the standard should be applied from July 01, 2019 and accounts of entities with year-end on or after this date should be hyper inflated. Management did not inflate the financial statements.

iii. **Accuracy of statement of changes in net assets**

There was a debit entry amounting to ZWL1,3 million posted to the Statement of Changes in Net Assets as Accumulated Fund. Management did not explain the circumstances and no documentary evidence to support this single transaction was availed. As a result, I could not satisfy myself on the accuracy and validity of the reported balances.

iv. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and equipment"**

The Council did not maintain a record of its assets in the form of a comprehensive assets register. Therefore, the balance of assets disclosed in financial statements of ZWL219 355 was not supported. In addition, Infrastructure assets such as road networks, bridges and culverts amongst others were not included in the assets register, they were not revalued and as such were not included in the financial statements contrary to the requirements of IPSAS 17 - "Property, plant and equipment" requires infrastructure assets to be recognized

Non-infrastructure assets were last revalued in 2009 contrary to the requirements of IPSAS 17- "Property, plant and equipment" which requires assets to be revalued with sufficient regularity. Had Council included its infrastructure assets and revalued its non-infrastructure property plant and equipment in line with IPSAS 17- "Property, plant and equipment" the figure of property plant and equipment would have been materially affected. I was unable to determine the extent of adjustment necessary to the financial statements in the absence of a valuation.

v. **Land stock and inventory**

The Council had inventory on hand on December 31, 2019 of pieces of land in Chalala growth point, fuels, animal hides and ivory, which were not valued and included in the financial statements. Management did to provide details on the land size or number of stands together with quantities of fuel and other stock items hence could not quantify the extent of understatement. Owing to the nature of record keeping, I was unable to perform alternative procedures such as stock roll back procedures as the Council did not avail stock movement reports to determine the adjustments necessary to the financial statements.

vi. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 39- "Employee Benefits"**

Employee costs were accounted on cash basis instead of accrual basis required by the IPSAS 39- "Employee Benefits". In addition, the Council did not provide 2019 payroll information for audit verification. Therefore, the payroll cost disclosed in financial statements of ZWL361 009 was not supported. Owing to the limitation of scope arising from unavailability of payroll records, there were no alternative tests that could be performed. Had the Council complied with the requirements of IPSAS 39- "Employee Benefits" the figures for payroll costs would have been materially affected. I was therefore unable to satisfy myself as on the completeness and accuracy of the employee costs disclosed in the financial statements.

vii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9- "Revenue from Exchange Transactions"

The Council recognised revenue from exchange transactions amounting to ZWL555 283 on a cash basis instead of on accruals basis. This was noncompliance with IPSAS 9- "Revenue from Exchange Transactions". Due to the limitation of scope arising from the unavailability of statistics for billable properties, I was unable to re-compute the accuracy of billable income reported in the financial statements. Had the Council complied with the requirements of IPSAS 9- "Revenue from Exchange Transactions" the revenue figures would have been materially affected. I was therefore unable to satisfy myself on the accuracy and completeness of revenue reported in the financial statements

viii. Payables

There was an unresolved variance of ZWL881 525 between the payables listing of ZWL1 612 992 and the financial statements balance of ZWL731 467. In addition, there were unsupported payables amounting to ZWL1 462 000 due to unavailability of supporting supplier statements. The suppliers did not confirm balances owed. I could not therefore satisfy myself as to the completeness, accuracy and validity of the payables disclosed in the financial statements**.**

ix. Receivables

Management did not reconcile inter-fund balances. As a result, inter-fund receivables and payable balances were not netting off resulting in a net inter-fund receivable of ZWL465 856 as at year-end. As a result, I was unable to satisfy myself on the accuracy and validity of trade and other receivables reported in the financial statements.

x. Expenditure not supported

I could not ascertain the validity and accuracy of the expenditure balances reported in the financial statements due to missing supporting documents such as supplier invoices for expenditure transactions totalling ZWL195 740.

xi. Cash and cash equivalents

The Council was not maintaining an updated cashbook. No cash books were maintained for four (4) bank accounts including the Campfire bank account as at year-end. I could not satisfy myself of the accuracy and validity of the cash and cash balance disclosed in financial statements.

xii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 18- "Segment Reporting"

The Council did not produce financial statements for its segments. Therefore, I could not verify how the primary statements for the whole organization were derived. As a result, Council was not compliant with IPSAS 18- "Segment Reporting". The possible effects on the financial statements of undetected misstatements could be both material and pervasive.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 10- "Financial Reporting in Hyperinflationary Economies"

Finding

The Council did not comply with the provisions of IPSAS 10- "Financial Reporting in Hyperinflationary Economies". Zimbabwean entities were operating in an environment in the period under review which has witnessed significant monetary and exchange control policy changes since the beginning of the year. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10- "Financial Reporting in Hyperinflationary Economies" in Zimbabwe have been met and the standard should be applied from July 01, 2019 and accounts of entities with year-end on or after this date should be inflated. Management did not inflate the financial statements. Management cited that this was due to accounts staff technical capacity challenges as they require further IPSAS training.

Risk / Implication

Financial statements may not show a true and fair view due to non-compliance with IPSAS 10- "Financial Reporting in Hyperinflationary Economies".

Recommendation

The Council should prepare inflated financial statements in order to comply with the requirements of IPSAS 10- "Financial Reporting in Hyperinflationary Economies".

Management response

The Council will ensure that accounts staff attend IPSAS trainings and continuous professional development (CPDs) courses in line with the ever-changing accounting standard requirements.

1.2 Manual accounting

Finding

A review of the entity's accounting system established that the revenue collection system was wholly manual with the use of manual receipt books despite the Council having a Sage Pastel accounting system that has a receipting module among other modules. Further enquires with management revealed that the Council has been operating on a real time in terms of recording its financial records but the transactions were being posted at a later period in 2020-2021.

Risk / Implication

Irregular transactions may be approved.

Financial loss due to fraud that may go undetected.

Misstatement of financial statements.

Recommendation

The Council should utilize the available computerized accounting system for its operations in order to reduce the risk of fraud.

Management response

The Council has acquired the Sage Evolution Accounting software and were are waiting for the service provider train members of staff.

1.3 Bank reconciliation statements

Finding

The Council disclosed an amount of USD10 642 cash and cash equivalents as at December 31, 2016. The Council was not maintaining up to date cashbooks contrary to section 120 of the Rural District Councils Act [*Chapter 29.13*]. No cash books were maintained for four (4) bank accounts including the Campfire bank account with a balance of USD103 986 as at December 31, 2018.

Risk / Implication

Misstatement of financial statements.

Financial loss due to fraud that may go undetected due to incomplete records.

Recommendation

The Council should maintain up to date cash books for all its bank accounts.

Management response

The Council has started implementing the recommendation from 2023 onwards.

1.4 Statement of changes in net assets

Finding

The Council posted a single debit entry of ZWL1,3 million to the statement of changes in net assets as accumulated fund. Management could not explain this adjustment. The error was not corrected. As a result, I could not satisfy myself on the accuracy and validity of this entry.

Risk / Implication

Misstatements of financial statements.

Recommendation

Management should investigate this entry and rectify the books of accounts.

Management response

Management will ensure that such errors do not recur and will implement the audit recommendation in future years and we are unable to resolve the query in these 2019 accounts.

1.5 Payables reconciliations

Finding

The Council was not performing monthly creditors' reconciliations in 2016. There was an unresolved variance of USD124 075 between financial statements payable balance of USD1 256 224 and the creditors listing balance of USD1 132 149. I was not availed with the payables list to validate the balance disclosed in the 2018 financial statements of USD1,0 million.

There was also a variance of USD13 719 between payables balance as per ledger USD1 1 363 913 and listing balance of USD1 350 194 in the 2017 financial statements. The Council did not provide supporting documentation in respect of outstanding travelling and subsistence payables amounting USD17 000.

Risk / Implication

Misstatements of financial statements.

Recommendation

The Council should perform reconciliations for creditors on a monthly basis.

Management response

Effort to resolve the noted variances and inconsistencies were fruitless due to information gap. The Council has already updated its creditors in its computerised accounting system starting January 2022.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Stands sales receivables

Finding

The Council did not accrue the value of all stands sold dating back to 2013 in its financial statements.
The Council was not issuing invoices for stands sales. Enquiries made with management revealed that beneficiaries only paid application fees and administration fees

Stands sales balance of USD8 350 disclosed in the 2016 financial statements was not supported with the stand sales listing. In addition, there was no supporting listing for stand sales disclosed in financial statements of USD17 085 for the year ended December 31, 2018.

The extent of misstatement could not be ascertained with reliability as there were no adequate records.

Risk / Implication

Service delivery may be compromised.

Misstatement of financial statements.

Recommendation

The Council should ring fence estate related funds.

The Council should invoice all stands sales.

Management response

The Council will adhere to the recommendation as there was a risk gap in regard to that.

2.2 Revenue billing

Finding

Properties with rates amounting to USD64 854 were billed in 2018 but only USD29 382 was disclosed in financial statements resulting in an understatement of USD35 472. A significant number of revenue streams that includes concession fees, lease rentals, business licences, household development were recognized on a cash basis instead of on an accruals basis as required by IPSAS 9- "Revenue from Exchange Transactions". In addition, revenue from exchange transactions of ZWL555 283 was recognised on a cash basis instead of accruals basis. Management did not adjust the financial statements to correct the error.

Risk / Implication

Misstatement of financial statements.

Misstatements of financial statements due to non-compliance with IPSAS 9

Recommendation

The Council should comply with the requirements of IPSAS 9.

Management response

The Council will ensure that all customers are billed timeously and necessary reports are availed.
The Council will comply with the recommendation.

3. EMPLOYMENT COSTS

3.1 Payroll reconciliations

Finding

The Council was not using its Payday payroll system to process salaries and payroll reconciliations were not being done in 2019. Employee costs were accounted for on a cash basis instead of accrual basis in line with IPSAS 39 - “Employee Benefits”. In addition, the Council did not provide 2019 payroll documents for audit verification. Therefore, the payroll cost disclosed in financial statements of ZWL361 009 was not supported.

In 2016, there was an unresolved variance of USD323 164 between the payroll balance of USD663 545 and ledger balance of USD340 380 disclosed in the financial statements.

The Council did not also reconcile the payroll reports with a total of USD450 201 to employment costs of USD40 476 presented in the financial statements. The variance of USD409 725 (2018) was not resolved. Information to support movement in staff composition (termination and recruitments) could not be traced and some bank transfer schedules were not provided and thus total net salaries could not be reliably tested.

Risk / Implication

Misstatement of financial statements.

Potential payroll fraud and error may occur without being detected.

Recommendation

Management should make use of the available Payday payroll system and ensure monthly payroll reconciliations are done.

Management response

Recommendation noted and will be implemented.

The Council has since rectified the error since it had renewed its Payday software licence for running the payroll.

4. PROCUREMENT OF GOODS AND SERVICES

4.1 Expenditure supporting documents

Finding

The Council did provide payment vouchers and supporting documents for expenditure incurred in 2016 amounting to USD50 314, USD238 440 incurred in 2017, expenditure amounting to ZWL195 739 incurred in 2019.

Risk / Implication

Irregular payments may go undetected.
Misstatement of financial statements and limitation of audit scope.

Recommendation

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

Management response

Management will ensure that proper documentation is done and filing system improved.

Audit recommendation agreed – we will ensure that all supporting documents are attached to the payment vouchers going forward.

5. MANAGEMENT OF ASSETS

5.1 Land recognition and inventory management

Finding

The Council had inventory on hand of pieces of land in Chalala growth point, fuels, animal hides and ivory, which were not valued and included in the financial statements. Management did to provide details on the land size or number of stands together with quantities of fuel and other stock items hence could not quantify the extent of understatement. Owing to the nature of record keeping, I was unable to perform alternative procedures such as stock roll back procedures as the Council did not avail stock movement reports to determine the adjustments necessary to the financial statements.

Risk / Implication

Misstatement of financial statements.

Financial loss due to misappropriation.

Recommendation

The Council should maintain a perpetual inventory record of all items of stock.

Management response

A perpetual inventory will be maintained. The Council will ensure that the Roads, Planning and Works department will be relieved from the allocation of stands and given to another department. The Council to ensure that land stock gets accounted for starting January 2022.

5.2 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- “Property, plant and equipment”

Finding

The Council did not maintain a record of its assets in the form of a comprehensive assets register. Therefore, the balance of assets disclosed in financial statements of ZWL219 355 was not supported. In addition, Infrastructure assets such as road networks, bridges and culverts amongst others were not included in the assets register, they were not revalued and as such were not included in the financial statements contrary to the requirements of IPSAS 17 - “Property, plant and equipment” requires infrastructure assets to be recognised.

Non-infrastructure assets were last revalued in 2009 contrary to the requirements of IPSAS 17 - “Property, plant and equipment” which requires assets to be revalued with sufficient regularity. Had Council included its infrastructure assets and revalued its non-infrastructure property plant and equipment in line with IPSAS 17- “Property, plant and equipment” the figure of property plant and equipment would have been materially affected. I was unable to determine the extent of adjustments necessary to the financial statements in the absence of a valuation

Risk / Implication

Misappropriation of assets.

Misstatement of financial statements.

Recommendation

The Council should maintain an assets register.

The Council should account for all infrastructure assets and perform a revaluation to comply with IPSAS 17.

Management response

The Council will implement the recommendation of property valuation with the help of the Council Engineer (in house valuation) starting January 2022. The Council will incorporate the infrastructure assets in its financial statements after conducting a valuation.

Recommendation noted. Management will ensure that assets are revalued in line with accounting standards.

The crafting of an asset register is at an advanced stage and its now on its final stages.

I have audited the financial statements of Nyanga Rural District Council for the years ended December 31, 2019 and 2020, and I issued an adverse opinion for both years.

Adverse Opinion 2019

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

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

The Council translated its comparative financial statements and transactions up to February 22, 2019 using a rate of 1:1 between RTGS and USD which came into existence through Exchange Control Directive RU 28 of 2019 issued by Reserve Bank of Zimbabwe.

The Council has not been able to assess the appropriateness of use of the interbank rate in achieving fair presentation primarily due to the need to comply with Statutory Instrument 33 of 2019 (SI 33) and also the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In addition, the introduction of the interbank rate occurred after a period of foreign currency scarcity and constrained exchangeability of bond notes, coins and electronic money to other foreign currencies. In substance, the immediate delivery of foreign currency could not be guaranteed which impinged on the underlying concept of closing rates and definition of spot rates. This therefore impacts the basis for measuring transactions between October 2018 and February 2019, valuation of assets and liabilities as well as the accounting for exchange differences. In that regard, the entity has not been able to comply with the requirements of IPSAS 4- "The Effects of Changes in Foreign Exchange Rates".

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

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and Equipment"

The Council did not recognise the infrastructure assets in the financial statements as required by IPSAS 17- "Property. Plant and Equipment" paragraph 21 despite the fact that the Council owns and controls infrastructure assets such as sewer, water and road networks. According to IPSAS 17, these infrastructure assets met the recognition criteria of an asset hence should be accounted for as property, plant and equipment. Had the Council applied the provisions of IPSAS 17- "Property, plant and equipment" the carrying amount of property, plant and equipment would be materially different.

The Council did not assessment the useful lives and residual values of its assets contrary to IPSAS 17 paragraph 67 which requires the useful lives and residual values of assets to be reviewed at least at each annual reporting date.

The Council did not perform a revaluation exercise of other asset classes for the past eleven (11) years except for eleven (11) motor vehicles. This was contrary to the Council's accounting policy and requirements of IPSAS 17 paragraph 49 which states that the frequency of revaluation depends upon the change in the fair values of items of property, plant and equipment being revalued. The property, plant and equipment of the Council experienced changes in fair value in the year under review due to hyperinflationary environment, therefore annual revaluation was necessary.

The Council revalued only eleven (11) motor vehicles out of a total of thirty-one (31) contrary to IPSAS 17 paragraph 51 which requires the entire class of property, plant, and equipment to which that asset belongs to be revalued. In addition, I was not availed with the management revaluation report making it difficult to assess the reasonableness of the assumptions and estimates that were applied. As a result, I was not able to determine the extent of misstatements and any adjustments that would have been necessary to correct the financial statements.

iii. Revenue from mining claims

The Council was not invoicing land levy on mining operators within its jurisdiction. During the year under review, the Council received a total of ZWL105 984 mining levy from four (4) mining claims out of a total of one hundred and eighty-two (182) mining claims as provided by the Ministry of Mines and Mining Development. In addition, the Council was recognising mining levy revenue on cash basis contrary to the accrual basis as required by the IPSAS 23– "Revenue from Non-Exchange Transactions". I was not able to determine the extent of the misstatements and any adjustments that would have been necessary to correct the financial statements.

iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories"

The Council disclosed fuel and oils inventory valued at ZWL12 768 in the financial statements. The reported inventory excluded the values of four hundred and sixteen (416) stands measuring a total of 303 038m^2 held for sale, spare parts, maintenance materials and other consumables that were on hand as at December 31,2019. This was contrary to IPSAS12 paragraph 12, which requires that such items be recognized in the financial statements. Had the Council complied with the requirements of IPSAS 12 the figures disclosed would have been materially different.

Adverse Opinion 2020

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Council as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

The prior year financial statements did not comply with the requirements IPSAS 4- "The Effects of Changes in Foreign Exchange Rates", as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard Council's 2020 opening balances misstatements have an impact on the current year financial statements.

ii. Non Compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and Equipment".

The Council did not recognise the infrastructure assets in the financial statements as required by IPSAS 17- "Property, Plant and Equipment" paragraph 21 despite the fact that the Council owns and controls infrastructure assets such as sewer, water and road networks. According to IPSAS 17 infrastructure assets met the recognition criteria of an asset hence should be accounted for as property, plant and equipment. Had the infrastructure assets been recognised the carrying amount of property, plant and equipment would be materially different.

The Council did not assessment the useful lives and residual values of its assets contrary to IPSAS 17 paragraph 67 which requires the useful lives and residual values of assets to be reviewed at least at each annual reporting date.

The Council only carried out a management revaluation of two (2) out of a total of thirty-three (33) motor vehicles contrary to IPSAS 17- "Property, Plant and Equipment" paragraph 51 which requires that when an item of property, plant and equipment is revalued, the entire class to which that asset belongs should be revalued. In addition, I was not availed with the management revaluation report making it difficult to assess the reasonableness of the assumptions and estimates that were applied. As a result, I was not able to determine the extent of misstatements and any adjustments that would have been necessary to correct the financial statements.

The Council did not perform a revaluation exercise of other asset classes for the past twelve (12) years except for two (2) motor vehicles. This was contrary to the Council's accounting policy and requirements of IPSAS 17 paragraph 49 which states that the frequency of revaluation depends upon the change in the fair values of items of property, plant and equipment being revalued. The property, plant and equipment of the Council experienced changes in fair value in the year under review due to hyperinflationary environment, therefore annual revaluation was necessary.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) - 12 “Inventories”

The Council disclosed inventory valued at ZWL200 264 616 which did not incorporate the value of spare parts, maintenance materials and consumable stores inventory located in the workshop storeroom and the Council office stock yard. This was contrary to IPSAS 12- “Inventories” paragraph 12 which requires that such items be classified as inventory and recognized in the financial statements. Resultantly, inventory maybe misstated and I could not quantify the misstatement thereof.

iv. Inter-funds

The Council was not properly maintaining inter-funds records and there was no evidence that reconciliations were performed to agree transactions between the account receiving and the account disbursing. The Council disclosed inter-fund balances (ZWL1 685 047 debit and ZWL1 432 938 credit) giving a debit variance of ZWL252 109. Management did not clear the debit balance for the inter-fund transactions. I was not able to determine the extent of the misstatements and any adjustments that would have been necessary to correct the financial statements.

v. Revenue from mining claims

The Council was not invoicing land levy on mining operators within its jurisdiction. During the year under review, the Council received a total of ZWL489 025 mining levy from four (4) mining claims out of a total of one hundred and eighty-two (182) mining claims as provided by the Ministry of Mines and Mining Development. In addition, the Council was recognising mining levy revenue on cash basis contrary to the accrual basis as required by the IPSAS 23 - “Revenue from Non-Exchange Transactions”. I was not able to determine the extent of the misstatements and any adjustments that would have been necessary to correct the financial statements.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Policies and accounting manuals

Finding

The Council did not have an I.T policy, credit control policy, accounting procedure manual and procurement policies as the basis upon which to govern the information technology issues and record or manage financial transactions.

Risk / Implication

Misstatement of financial statements.

Recommendation

Management should ensure accounting procedure manuals and policies are crafted.

Management response

Council agrees with the auditor’s finding and will do as recommended. The ICT policy is available in draft form and will be presented to the relevant committee of

Council and to Full Council for possible adoption in due course. An accounting procedures manual is also available in draft form and will also be presented to the Finance Committee and Full Council during the year 2023.

1.2 Inter-funds accounting

Finding

The Council was not properly maintaining inter-funds records and there was no evidence that reconciliations were performed to agree transactions between the account receiving and the account disbursing. The Council disclosed inter-fund balances (ZWL1 685 047 debit and ZWL1 432 938 credit) giving a debit variance of ZWL252 109. Management did not clear the unreconciled debit balance for inter-fund transactions made during the year under review. This was contrary to the Rural District Council Act [*Chapter 29:13*] section (120) (1) which requires that Council shall keep books of accounts as may be necessary to maintain a true and proper record of all matters relating to the financial transactions.

Risk / Implication

Potential fraud.

Misstatement of financial statements.

Recommendation

Management should investigate the variance and take corrective action.

Proper records of inter-funds should be kept and updated timeously.

Management response

The observation is noted and Council will ensure that in future records for all inter-account transfers are well kept and updated timeously. Any differences will be investigated and cleared out.

2. MANAGEMENT OF ASSETS

2.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- “Property, plant and Equipment”.

Finding

The Council recognised property, plant and equipment at a carrying amount of ZWL3, 6 million and ZWL 26, 2 million for the financial years ended December 31, 2019 and 2020 respectively. There was no evidence that Council assessed the useful lives and residual values of its assets contrary to IPSAS 17- “Property, Plant and Equipment” paragraph 67 which requires the useful lives and residual values of assets to be reviewed at least at each annual reporting date.

The Council did not perform a revaluation exercise of other asset classes for the last twelve (12) years except for thirteen (13) motor vehicles. This was contrary to the Council’s accounting policy and the requirements of IPSAS 17 paragraph 49 which states that the frequency of revaluation depends upon the change in the fair values of items of property, plant and equipment being revalued. The property, plant and equipment of the Council experienced changes in fair value in the year under review due to hyperinflationary environment, therefore a revaluation was necessary.

The Council did not recognise the infrastructure assets in the financial statements as required by IPSAS 17- "Plant, Property and Equipment" paragraph 21 despite the fact that the Council owns and control the infrastructure such as sewer system, road networks, street lighting and dumpsite. According to IPSAS 17, these infrastructure assets meets the definition criteria of an asset hence should be accounted for as property, plant and equipment. Upon inquiry, the management indicated that they could not recognize the infrastructure in the financial statements, as they are yet to conduct a valuation exercise.

Risk / Implication

Misstatement of the financial statements.

Recommendation

The Council should ensure that assets are revalued in line with the requirements of IPSAS 17- "Property, plant and equipment".

The Council should conduct a valuation exercise.

Infrastructure should be recognized as property, plant equipment as required by IPSAS 17- "Property, plant and equipment".

Management response

The recommendation is noted and will be observed. The Council resolved to engage the services of a professional asset valuation firm that will do a valuation of all assets owned by it. The valuation report will then form the basis of all annual reviews by management.

A professional asset valuation firm will be engaged by Council so that initial values are professionally determined to form a basis for annual reviews by management.

2.2 Maintenance of asset register

Finding

The Council was operating with an incomplete asset register which lacked relevant information such as date of acquisition and cost of asset. This was contrary to the Public Finance Management Act [*Chapter 22:19*] which seeks to ensure transparency, accountability and sound management of assets of public entities.

In addition, other items of property, plant and equipment such as infrastructure assets, office and other equipment were not included in the asset register.

Risk / Implication

Council assets may be misappropriated.

Financial statements may be materially misstated.

Recommendation

Management should maintain a detailed asset register.

Management response

The recommendation is noted and will be implemented.

An asset valuation exercise will be conducted to determine the cost element of all the assets, including infrastructure assets. Dates of acquisition of vehicles will be inserted.

2.3 Revaluation of motor vehicles

Finding

The Council performed management revaluation exercise for only thirteen (13) out of thirty-three (33) motor vehicles. This was contrary to IPSAS 17 paragraph 51 that requires the entire class of property, plant, and equipment to which that asset belongs to be revalued.

In addition, I was not availed with the management revaluation report making it difficult for me to assess the reasonableness of the revaluation surplus of the thirteen (13) vehicles amounting to ZWL228 610, assumptions and estimates that were applied in determining the assets fair values.

Risk / Implication

Misstatement of the financial statements.

Recommendation

The Council should ensure compliance with IPSAS 17 on valuation of property, plant and equipment.

Management response

The recommendation will be observed.

The assets that were revalued are those vehicles which are still running but had nil values during the previous audit. The decision to revalue these assets was actually done to address a concern raised in the previous audit. Only those assets which were still useful but had nil values were revalued and the rest of the assets in that same class were left out on the basis that they had not exhausted their useful lives or that they were assets way past their useful life.

2.4 Non-compliance with International Accounting Standard (IPSAS) 12- "Inventories"

Finding

The Council disclosed fuel and oils inventory valued at ZWL12 768 and ZWL 200, 2 million in the financial statements. The reported inventory excluded the values of four hundred and sixteen (416) stands measuring a total of 303 038m^2 held for sale in 2019, spare parts, maintenance materials and other consumables that were on hand as at

December 31,2019. This was contrary to IPSAS12- “Inventories” paragraph 12, which requires that such items be recognized in the financial statements.

This was also contrary to the Rural District Act [*Chapter 29:13*] sec 120(5) which requires the Council to prepare a balance sheet which reflects a true and fair view of the state of affairs of the Council.

Risk / Implication

Financial statements maybe be materially misstated.

Misappropriation of stands may go unnoticed.

Recommendation

The Council should account for inventory items in line with the requirements of IPSAS 12- “Inventories”.

The Council should identify and record all stands in compliance with the Rural District Act.

Management response

The auditor’s recommendation is noted and the Council will do as recommended. The stock of 416 stands availed to the auditor needed a proper valuation for them to be included in the financial statements).

Most of the stores consumables have been kept in stock over a number of years and need proper valuation.

It is sincerely regretted that an error had been made earlier on.

3. EMPLOYMENT COSTS

3.1 Motoring benefit

Finding

A Council employee was allocated a vehicle with engine capacity of 3200cc. However, the benefit was not included on the payroll resulting in the deemed benefit not being taxed. The deemed motoring benefit amounted to ZWL144 000 for the year under review. This was contrary to provision of the Income Tax Act [*Chapter 23:06*] section 8(1) which states that an advantage or benefit is the use of furniture or of a motor vehicle granted to an employee should be classified as passage benefit and should be taxed.

Risk / Implication

Non-Compliance with the Act.

Financial loss through fines and penalties.

Recommendation

The Council should comply with the Income Tax Act.

Management response

The finding and the recommendation have been noted by management. The Council will look into the provisions of the Income Tax Act on motoring benefits so that there is compliance.

4. REVENUE COLLECTION AND DEBT RECOVERY

4.1 Revenue from mining claims

Finding

The Council was not invoicing land levy on mining operators within its jurisdiction. The Council received mining levy of ZWL105 984 and ZWL489 025 for the financial years December 31, 2019 and 2020 from four (4) mining claims out of a total of one hundred and eighty-two (182) mining claims as provided by the Ministry of Mines and Mining Development. In addition, the Council was recognising mining levy revenue on cash basis contrary to the accrual basis as required by the IPSAS 23 – "Revenue from Non-Exchange Transactions".

Upon inquiry, management indicated that letters of demand were sent to all miners however, only four (4) responded.

In addition, I was not availed with documentary evidence to support that the Council had a record that show operating and non-operating mines. This was also contrary to the third schedule (Sec 96 and 97) section 2(b) of the Rural District Council Act [*Chapter 29:13*] which stipulates that an owner of a mining location shall pay a land levy in respect of each mining location within the Council area of which he is the owner.

Risk / Implication

Financial statements were materially misstated.

Recommendation

The Council should conduct an exercise to identify non-operating claims and those in operations in order to raise invoices.

The Council should comply with the requirements of the adopted IPSAS framework and account for land levy on accruals basis.

The Council should ensure that the identified 182 mining operators are invoiced for the year 2019.

Management response

The Council will do as recommended. All owners of mining claims will be invoiced and follow ups will be made so that revenue due to Council is collected.

5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing findings that I raised in my 2020 report. I raised five (5) findings, and they were all yet to be addressed as indicated below;

5.1 **Fees received in advance**

The finding was not addressed. Management is yet to provide supporting information for the journal passed.

5.2 **Receipts from debtors and receivables**

The finding was not addressed. Management is yet to investigate causes of the missing records.

5.3 **Management of receipt books**

The finding was not addressed. Management is yet to provide the missing receipt books for audit verification.

5.4 **Beer levy**

The finding was not addressed. Council is yet to receive beer schedules from the brewer.

5.5 **Grader repairs**

The finding was not addressed.

I have audited the financial statements of Pfura Rural District Council for the year ended December 31, 2020 and I have issued an adverse opinion.

Adverse Opinion

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

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"

During the prior and current financial years, the foreign currency denominated transactions and balances of the Council were translated into ZWL using the interbank exchange rates or foreign currency auction rates which were not considered appropriate spot rates for translations as required by IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates". My opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended December 31, 2020. Had the financial statements been prepared in accordance with the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates", many elements would have been materially different. The effects of the non-compliance with the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" have been considered to be material and pervasive to the financial statements as a whole.

ii. Non- compliance with International Public Sector Accounting Standard (IPSAS 17) - "Property, plant and Equipment".

The Council did not assess the residual values and useful lives of all the property, plant and equipment items reported on the statement of financial position contrary to the provisions of IPSAS 17 - "Property, Plant and Equipment" which requires an annual review of the residual value and the useful lives. Had the Council carried out an assessment of residual values and useful life, property plant and equipment balance would have been materially different from the one disclosed in the financial statements.

In addition, the Council did not perform an impairment assessment on its property, plant and equipment contrary to IPSAS 21- "Impairment of Non-Cash Generating Assets" which states that an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If such indication exists, the entity shall estimate the recoverable service amount of the asset. Had the Council carried out an impairment test of its items of Property, plant and equipment the carrying amounts would have been materially different from the one disclosed in the financial statements.

iii. Non-compliance with International Accounting Standard (IPSAS) - 2 "Inventories"

The Council did not disclose stands inventory held specifically for sale contrary to IPSAS 12 - "Inventories" which defines inventories as all Council assets held for sale or distribution in the ordinary course of operation. Had the Council disclosed stands inventory the balances disclosed in the financial statements would have been materially different.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Manuals and policies

Finding

The Council was operating without key policies such as disaster management plan, asset management, Information Technology (IT) disaster recovery plan and an Information Technology (IT) security policy. This was in contrary with the Rural District Council Act [*Chapter 29:13*] which stipulates that Council should have internal policies for guidelines.

Risk / Implication

Inconsistencies in the handling of operational issues.

Recommendation

The Council should put in place policies.

Management response

It has been noted. The Council will formulate the necessary policies and plans by the second quarter of 2023 to allow for thorough consultations. The Council has been using the Urban state land for the planning and management of land.

2. MANAGEMENT OF ASSETS

2.1. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 – "Property, plant and Equipment".

Finding

The Council did not assess the residual values and useful lives of all the property, plant and equipment items reported on the statement of financial position contrary to the provisions of IPSAS 17- "Property, Plant, and Equipment" which requires an annual review of the residual value and the useful lives.

In addition, the Council did not carry out an impairment test as provided for in IPSAS 21- "Impairment of Non-Cash Generating Assets". The standard requires that an assessment at each reporting date be carried out whether there is any indication that an asset is impaired. Evidence to support that this exercise was carried out were not in place.

Risk / Implication

Financial statements may be misstated.

Recommendation

The Council should comply with the provisions of IPSAS 17- “Property, Plant, and Equipment” and IPSAS 21- “Impairment of Non-Cash Generating Assets” in accounting for its assets.

Management response

The Council assets are in different categories which have different depreciation rates based on their nature. These categories due to the accounting policy will determine the life span on the assets. In addition, maintenance schedules for the assets are also kept to assist in decision making. However, management have taken note of the observation.

The audit observation is noted. Management will in future ensure that impairment assessments are done.

2.2. Non-compliance with International Accounting Standard (IPSAS) 2- “Inventories”

Finding

The Council did not account for stands inventory (Land bank) in the financial statements at the reporting date contrary to IPSAS 12- “Inventories” which defines inventories as assets held for sale or distribution in the ordinary course of operations, or in the process of production for sale or distribution. Land and property held specifically for sale was not therefore considered to be inventory hence it was not accounted for contrary to the provisions of this standard.

Risk / Implication

Financial statements may be misstated.

Recommendation

The Council should comply with the provisions of IPSAS 12- “Inventories”.

Management response

The audit observation has been noted. The housing department has however prepared a list of outstanding land bank, approved layouts that have not been disposed for purposes of inventory.

I have audited the financial statements of Rushinga Rural District Council for the years ended December 31, 2020 and 2021 and I issued an adverse opinion and a qualified opinion respectively.

Adverse Opinion 2020

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

Basis for Adverse Opinion

i. Non-compliance with International Accounting Standard (IAS) 21 - "The Effects of Changes in Foreign Exchange Rates" and (IAS) 8 - "Accounting Policies, Changes in Accounting Estimates and Errors", with respect to opening balances

The Council changed its functional and reporting currency from United States Dollar (USD) to Zimbabwe Dollars (ZWL) on February 22, 2019 in compliance with Statutory Instrument 33 of 2019. Based on the interpretation of IAS 21, it was generally acknowledged that there was a functional currency change prior to February 22, 2019 before Statutory Instrument 33 was issued, from USD to ZWL. Despite acknowledging that there was a change in functional currency prior to February 22, 2019, the Council accounted for the change in functional currency prospectively from February 22, 2019 in compliance with SI 33. This constitutes departure from the requirements of IAS 21 due to the need to comply with local regulations under SI 33. The Council had not restated the opening balances to resolve this matter in accordance with IAS 8 - "Accounting Policies, Change in Accounting Estimates and Errors", to comply with IAS 21. Prior year balances were carried over into 2020 without any adjustment for prior period misstatements, impacting comparability of the current year figures.

ii. Application of International Accounting Standard (IAS) 29 - "Financial Reporting in Hyperinflationary Economies"

Notwithstanding that IAS 29 has been applied correctly, it is noted that its application was based on prior and current periods' financial information which was not in compliance with IAS 21 and IAS 8 as described above. My opinion in the current year's financial statements is modified because of the possible effects of the matters above on the comparability of the current year's financial statements with that of the prior year.

iii. Non-compliance with International Accounting Standard (IAS) 16 - "Property, Plant and Equipment"

Revaluation of property, plant and equipment

The Council disclosed its property, plant and equipment at a carrying amount of ZWL26 314 461 in the financial statements. While the Council's accounting policy is to use the cost model for its property, plant and equipment, there was need to revalue the Council's non-current assets following change in functional currency from USD to ZWL in 2019. The Council's assets acquired prior to change in functional currency (February 22, 2019) were converted to ZWL at a rate of USD1:ZWL1, which did not reflect fair values of the assets in accordance with IAS 16. Following the change in functional currency, the

Council did not perform a revaluation of its property, plant and equipment in order to reflect fair values of the assets as required by IAS 16 paragraph 31. In addition, IAS 16 paragraph 34 requires the Council to revalue its assets with sufficient regularity for items of property, plant, and equipment experiencing significant and volatile changes in fair value, thus necessitating annual revaluation". The last revaluation was done in 2012.

Residual values and useful lives

The Council had not reviewed the residual values and useful life of its assets that had been in use and had nil balances as required by IAS 16 paragraph 51, which states that the residual value and the useful life of an asset shall be reviewed at least at each annual reporting date and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 - "Accounting policies, changes in accounting estimates and errors". These assets included a grader and a motor vehicle. The grader was a donation from Zimbabwe National Road Administration (ZINARA) and it had no value placed on it in the Council's financial statements. Had the Council reviewed the residual and useful life of its assets the amount disclosed would have been materially different from the figure disclosed.

iv. Receivables

Following a system change over from Pastel to Palladium, the Council was unable to retrieve individual customer ledgers for the year ended December 31, 2020. Customer listings were availed for corporate debtors only. The Council had receivables with a gross carrying amount of ZWL8 635 411. Majority of the debtors were over 120 days outstanding and have been brought forward from prior year. I could not assess the existence of these trade receivables balances as individual customer ledgers could not be availed.

v. Non-compliance with International Financial Reporting Standard (IFRS) 9 - "Financial Instruments"

The Council provided for an allowance for credit loss of ZWL2 343 501 for the year under review. However, the Council did not perform an assessment for allowance for credit losses contrary to IFRS 9 - "Financial Instruments" which requires that an assessment for allowance for credit losses be done yearly. Had an assessment for allowance for credit losses been done, the receivables balance would have been materially different from the figure disclosed.

vi. Unreconciled adjustments on opening balances for accumulated fund reserves

The Council passed adjustments to 2020 opening balances resulting in unreconciled differences between 2019 audited financial statements and 2020 opening balances included in the financial statements. Management could not provide reasons for the adjustments to accumulated fund and reserves totalling ZWL1 053 873, with ZWL690 341 relating to accumulated fund and ZWL363 532 relating to reserves. I could not by alternative means determine adjustments necessary to reconcile the 2020 opening balances to the 2019 audited financial statements.

vii. Revenue

Included in the Council's total revenue of ZWL77 626 292 were stand allocation fees amounting to ZWL2 953 868. The Council was not properly referencing revenue from stand allocation fees and the supporting documentation regarding determination of stand allocation fees by square metre for each stand could not be availed. I could not verify by alternative means how stand allocation fees were determined.

Qualified Opinion 2021

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of Rushinga Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Non-compliance with International Accounting Standard (IAS) 16 - "Property, Plant and Equipment"

i. The Council disclosed its property, plant and equipment at ZWL35 761 787. However, the Council's assets were not revalued following a change in functional currency in 2019. The Council's assets were presented at their values before date of change of functional currency converted to Zimbabwe Dollars at an exchange rate of USD1: ZWL1.

The Council did not perform a revaluation of its property, plant and equipment in order to reflect the fair value of the assets in its financial records as required by IAS 16 - "Property, Plant and Equipment" to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. In addition, some of the non-current assets still in use were fully depreciated. This was non-compliance with paragraph 51 which requires review of the useful life of each asset at least each financial year end. Had the Council complied with the requirements of IAS 16 on revaluation of property, plant and equipment. The carrying amounts would have been materially different.

ii. Unverified journal entries arising from system changeover errors

The Council changed its accounting system from Palladium Software to Pastel Software and significant errors arose during the migration process resulting in significant adjusting journals being passed to correct the errors. An unsupported debit entry totalling ZWL10 267 476 resulted in reduction of revenue. I was unable to satisfy myself, by any other alternative means on the accuracy and occurrence of this transaction.

iii. Non-compliance with International Financial Reporting Standard 9 - "Financial instruments"

The Council did not carry out an assessment of allowance for credit losses for ZWL2 343 501 provided in the prior year, as required by IFRS 9 - "Financial Instruments". Eighty percent (80%) of the receivable balances were over 120 days on the aging analysis. I was unable to satisfy myself by alternative means on the recoverability and valuation of trade and other receivables. This represents a departure from IFRS 9 which requires allowance for credit losses to be assessed at each reporting date. Had an assessment for allowance for credit losses been done, the receivables balance presented on the statement of financial position of ZWL91 575 433 would have been materially different.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 System change over

Finding

Management did not follow proper system change over procedures resulting in some of the information not being transferred accurately and some errors arose during the migration process. The Council resorted to correct the errors through journal entries but these were not adequately supported to enhance verification resulting in the misstatement of financial statements. For instance, a debit entry to “other income” of ZWL10 267 476 could not be verified as it was not adequately supported.

In addition, there were no backup procedures manual and disaster recovery plan in place to assist in cases of data loss or corruption.

Risk / Implication

Financial statements may be materially misstated.

Permanent loss of data which compromises the integrity of the data provided.

Recommendation

The Council should follow proper data migration procedures.

The Council should consider having a dedicated Information and Technology Officer to attend to system challenges promptly.

Management response

The Council to come up with procedures on system change over.
The Council shall implement both manual and system capturing such that data is stored in manual in case of data corruption, it will be easier for the Council to recover data.

1.2 Service level agreement for accounting system

Finding

The Council did not have a service level agreement with its system provider for the provision of the accounting system contrary to best practice. In addition, errors were made during the migration process and the system provider did not finalise the process.

Risk / Implication

Financial loss in the event that the service provider did not execute their duties and no recourse to the Council in the event of disputes.

Recommendation

The Council should have procurement contracts with service provider as required by the Public Procurement and Disposal of Assets Act [*Chapter 22.23*].

Management response

Recommendation noted. We will engage our service providers for service level agreements going forward.

1.3 Adjustments to opening balances for reserves

Finding

The Council passed unsupported adjustments to the 2020 opening balances resulting in unreconciled differences between 2019 audited financial statements and 2020 opening balances included in the financial statements. Management did not provide reasons for the adjustments made to the reserves amounting to ZWL1 053 87.

Risk / Implication

Fraudulent transactions might go undetected.

Recommendation

The Council should ensure that all adjustments done in the system are adequately supported.

Management response

The system we used before Pastel Partner Version 11 had expired earlier before commencement of the current external auditing. These difference therefore could have been caused by late extraction of data from a corrupted system. The mismatch, obviously was from data loss during the process.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Receivables

Finding

The Council had receivable balances of ZWL8 635 411 (2020) and ZWL93 918 934 (2021) of which (80%) ZWL 75 135 147 of the balance was over 120 days. Majority of the ratepayers did not make payments during 2021 nor make subsequent payments in 2022.
I could not assess the existence of these trade receivables balances as individual customer ledgers could not be availed.

In addition, the Council provided for an allowance for credit loss of ZWL2 343 501 in both years. However, management did not perform an assessment for allowance for credit losses contrary to IFRS 9 - “Financial Instruments” which requires that an assessment for allowance for credit losses be done yearly.

Risk / Implication

Fraud may be perpetrated due to the absence of individual ledgers to confirm whether the customers have been settling their debts.

Recommendation

Management should make efforts to recover all outstanding debts.

There is need to put in place effective debt collection methods.

Management response

The Council management has set a debt collection unit that shall be responsible for debt follow-up, communication and engagement and for reconciliations of receivables accounts.

3 MANAGEMENT OF ASSETS

3.1 Valuation of property, plant and equipment

Finding

The Council had assets which had zero net book value as at December 31, 2020 that were still in use. The Council did not revalue or reassess the assets' useful lives. This was in contravention with the requirements of IAS 16, "Property, Plant and Equipment" which recommends annual reassessment of useful lives of assets such that you do not have assets that are fully depreciated but are still in use. I also noted that the Council received a grader from ZINARA and this was not included as an asset in the Council's financial statements.

In addition, while the Council's accounting policy is to use the cost model for its property, plant and equipment, the Council did not revalue its non-current assets following change in functional currency from USD to ZWL in 2019. The Council's assets acquired prior to change in functional currency were converted to ZWL at a rate of USD1: ZWL1, which did not reflect fair values of the assets in accordance with IAS 16.

Risk / Implication

Non-compliance with IAS 16.

Misstatement of financial statements.

Recommendation

The Council should reassess the useful lives of assets that were fully depreciated.

The Council should perform revaluation of assets.

Management response

The Council is in the process to engage asset valuers to reassess useful lives and revalue assets.

4 PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council did not make progress on the issue I raised in my 2021 annual audit report. I raised one (1) issue and the finding was yet to be addressed as indicated below;

4.1 PSIP loan

The finding has not been addressed. Council still mobilising funds to repay the loan.

I have audited the financial statements of Sanyati Rural District Council for the years ended December 31, 2020 and 2021, and I issued an adverse opinion for 2020 and a qualified opinion for 2021.

Adverse Opinion 2020

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Sanyati Rural District Council as at December 31, 2020, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rate"

The prior year financial statements did not comply with the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates", as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 per Statutory Instrument (SI) 33 of 2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the December 31, 2020. In that regard the Council's opening balances have an impact on the current year financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and Equipment"

The Council disclosed its property, plant and equipment at a carrying amount of ZWL63,4 million. However, the Council did not carry out an assessment of useful life of its property, plant and equipment as required by IPSAS 17, "Property, Plant and Equipment" paragraph 67.

In addition, the Council last revalued its assets in 2016 contrary to its policy of subsequent measurement of property, plant and equipment using the revaluation model and IPSAS 17 paragraph 49 which states that the frequency of revaluations depends upon the changes in the fair values of the items of property, plant, and equipment being revalued. The property, plant, and equipment of the Council experienced significant changes in fair values due to the change in functional currency in 2019 and hyper inflationary environment therefore, annual revaluation was necessary. Had the property, plant and equipment been revalued and review of useful life done annually, the amounts disclosed in the financial statements would be materially different from the figure disclosed.

Qualified Opinion 2021

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Sanyati Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, plant and Equipment"

The Council performed a revaluation of its property, plant and equipment in order to reflect the current value of the assets as required by IPSAS 17- "Property, plant and Equipment" paragraph 44 and 49. However, I could not place reliance on the revalued amounts as the revaluation report provided did not have evidence of the methodology and assumptions used to perform the revaluation exercise. In addition, the valuation report included assets that were disposed in prior years. The absence of assumptions and methodology precluded me from performing audit procedures necessary to confirm the valuation of property, plant and equipment disclosed in the financial statements at ZWL1,2 million.

Below are other material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Accounting procedure manual

Finding

The Council did not have an updated accounting procedures manual. The accounting procedures manual did not have guidance on investments, debtors or creditors management, property, plant and equipment, month end reporting, detailed budgetary process and project budgeting. Management indicated that the policy was at draft stage.

Risk / Implication

Inconsistences in the handling of operational issues.

Recommendation

Council should update its policy to reflect the current operating environment.

Management response

The observation has been noted and we will strive to ensure that the policy is updated in the second half of the current year so that it will be in line with all relevant accounting standards and the relevant legislation. In the event of the national accounting policy that is being crafted nationally being approved, we will also align our policy to it for consistency.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1 Beer levy

Finding

The Council recognised beer levy revenue amounting to ZWL3,7million for the year ended December 31, 2020. However, I was not availed with evidence in the form of sales schedules maintained or reconciliations performed between the Councils records and that of the brewer. This was contrary to the provisions of the Traditional Beer Act [*Chapter 14:24*].

Risk / Implication

Potential loss of revenue that may not be detected on time.

Recommendation

Management should consider inspection of sales schedules.

Management response

Most Councils are having challenges with Delta Beverages over the issue of sending sales returns to Councils for reconciliation purposes for best reasons known to them. However, Council will keep on pursuing the issue to get the sales returns for the purposes of reconciliation.

3. PROCUREMENT OF GOODS AND SERVICES

3.1 Construction of Masasa Clinic

Finding

The Council entered into a contract with the Ministry of Local Government and Public Works on July 30, 2021 for the construction of Masasa clinic worth ZWL975 657 (USD11 702). My visit to the site in March 2023 revealed that the construction of Masasa clinic had not commenced since 2021 despite the fact that the Council had paid the Ministry the agreed amount for the construction services after five (5) days of contract agreement. As a result, all the building material purchased by the Council for Masasa clinic were lying idle and exposed to bad weather conditions. In addition, the Council was not paying the personnel drawn from the community who were manning the place.

Risk / Implication

Financial loss due to theft, poor handling of materials and paying for services that are not provided.

Poor service delivery due to delayed projects.

Recommendation

The Council should engage the Ministry of Local Government and Public works to complete the construction.

Management response

The contractor is the construction technical arm of the Government and our parent Ministry. We had engaged them on a government-to-government arrangement hoping Masasa Clinic would be completed as we had previously cancelled procurement proceedings of a competitive tender which had bids with costs which Council viewed as beyond its reach. Along the way, the Department of Public Works posed a contract variation which was beyond Council reach and the contract was terminated. Council has since managed to secure an alternative contractor to commence works by not later than the 14th of April 2023.

4. MANAGEMENT OF ASSETS

4.1 Non- Compliance with International Public Sector Accounting Standard (IPSAS) 17 – "Property, plant and equipment valuation"

Finding

The Council did not revalue its items of property, plant and equipment for the year ended December 31, 2020 despite changes in the currency and the hyperinflationary economic environment. The Council's items of property, plant and equipment were stated in the statement of financial position at a carrying amount of ZWL63,4 million as at December 31, 2020. The assets were not stated at fair values despite evidence that the carrying amounts were materially different from their fair value contrary to IPSAS 17- "Property, Plant and Equipment" paragraph 44 and 49 which states that "revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date". The Council's records indicated that the assets were last revalued in 2017.
In 2021, the Council then performed a revaluation of its property, plant and equipment and disclosed a total carrying amount of ZLW1,2 billion. However, the valuation report did not include the assumptions and methodology used which were necessary for me to assess and evaluate the reasonableness of the amounts reflected in the report.

Risk / Implication

Financial statements may be misstated.

Recommendation

The Council should comply with the requirements of IPSAS 17.

The revaluation report with details of methodology and assumptions should be availed to support the amount stated in the financial statements.

Management response

The observation has been noted. The Council will make sure that requirements of IPSAS 17 are complied with. The only challenge was the intercity movement which was restricted due to COVID 19.

We sought the services of the experts in the area of valuation from our parent ministry. The information relating to assumptions used in the process will be requested from the responsible officials. The documents will be availed to the auditors once received from the Ministry of Local Government and Public Works.

5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council made progress in addressing the finding that I raised in my 2020 report.
I raised one (1) finding that was addressed as indicated below;

5.1 Equipment hire

The finding has been addressed. Proof of payment was availed.

I have audited the financial statements of Tongogara Rural District Council for the year ended December 31, 2020, and I issued a qualified opinion.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tongogara Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The effects of Changes in Foreign Exchange rates”

The prior year financial statements did not comply with the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

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

Had the Council applied the requirements of IPSAS 4 **“**The Effects of Changes in Foreign Exchange Rates” the figure disclosed in the financial statement would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements

ii. Unsupported expenditure

The Council made payments to suppliers amounting to ZWL1 653 766 on which I was not availed with supporting invoices. As a result, I could not ascertain the accuracy and completeness of the expenditure disclosed in the financial statements.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUE

1.1 Vehicle registration books

Finding

I was not availed with proof of ownership of the Council motor vehicle Isuzu D-Max which was purchased from Solution Motors in November 2020. At the time of my audit in April 2022, the vehicle had no registration book and the import documents indicated that the vehicle still belonged to Solution Motors.

Risk / Implication

The Council may fail to prove ownership in case of a dispute.

Recommendation

The Council should acquire and retain the proof of ownership documents for its vehicles

Management response

The Accounting officer has on several occasions tried to compel the supplier with registration. The supplier has proved elusive and we have reported the supplier to the Procurement Regulatory Authority of Zimbabwe (PRAZ) for a recommendation of debarment of the supplier as a way of forcing the supplier to comply.

2 PROCUREMENT OF GOODS AND SERVICES

2.1 Unsupported expenditure

Finding

The Council made payments amounting to ZWL1 653 766 however, I was not availed with supporting documentation such as payment vouchers and invoices.

Risk / Implication

Payments may be made for services not rendered.

Recommendation

Expenditure should be adequately supported with relevant documents.

Management response
We are going to make a follow-up with the suppliers to provide us with proper tax invoices.

I have audited the financial statements of Tsholotsho Rural District Council for the year ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Tsholotsho Rural District Council as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse Opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes on Foreign Exchange Rates" and IPSAS 3 - "Accounting Policies, Changes in Accounting Estimates and Errors"

The financial statements, for the period January 1, 2019 to February 21, 2019, the Council applied the United States Dollar (USD) as its functional currency. In order to comply with Statutory Instrument 33 (SI 33), issued on February 22, 2019 the Council changed its functional currency to the Zimbabwe Dollar (ZWL) with effect from this date. The financial statements were therefore presented in Zimbabwean Dollar, also referred to as the RTGS in SI 33.

Management based on their interpretation of IPSAS 4 - "The Effects of Changes on Foreign Exchange Rates" acknowledged that there was a functional currency change in the prior year (before Statutory Instrument 33 was issued) from USD to ZWL. The Council accounted for the change in functional currency prospectively from February 22, 2019 in compliance with SI 33. This constitutes departure from the requirements of IPSAS 4- "The Effects of Changes on Foreign Exchange Rates", due to the need to comply with local regulations under SI 33. An adverse opinion was issued in the prior year for the departure from IPSAS 4- "The Effects of Changes on Foreign Exchange Rates". The Council has not restated the financial statements as required by IPSAS 3 to resolve the matters which resulted in the adverse opinion in the prior year relating to non-compliance with IPSAS 4- "The Effects of Changes on Foreign Exchange Rates", and balances were carried over into 2019.

Due to the matters discussed above, I was unable to obtain sufficient appropriate evidence that the closing balances as at December 31, 2018 were free of material misstatement and have been brought forward into 2019 correctly. I was unable to satisfy myself by alternative means concerning the opening balances. Since opening balances have an effect on determining the financial position and cash flows, I was unable to determine whether adjustments might have been necessary in respect of the movements in the financial statements.

Had the Council applied the requirements of IPSAS 4 **- "**The Effects of Changes in Foreign Exchange Rates" the figure disclosed in the financial statement would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10- "Financial Reporting in Hyperinflationary Economies"

Zimbabwe became a hyperinflationary economy on July 1, 2019. IPSAS 10 - "Financial Reporting in Hyperinflationary Economies" has been applied to the 2018 comparatives with effect from January 1, 2018. IPSAS 10 - "Financial Reporting in Hyperinflationary Economies" has been applied to 2018 balances that were not in compliance with IPSAS 4- "The Effects of Changes on Foreign Exchange Rates" and IPSAS 3 - "Accounting Policies, Changes in Accounting Estimates and Errors" as highlighted in the preceding paragraph. Had the Council applied the requirements of IPSAS 10 - "Reporting in Hyper-Inflationary Economies" the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

iii. Understatement of school development levy (Income)

The Council is empowered by First Schedule paragraph 45 of the Rural District Councils Act [*Chapter 29:13*] to collect levies, fees and other charges from schools run by the Council. For the year ended December 31, 2019 the approved tariff per budget was ZWL3 per child. I noted that accurate billing for schools under the jurisdiction of Tsholotsho Rural District Council was not accurately done for the year ended December 31, 2019 thereby understating the School development levy (income). Enrolment figures were not collected from the various schools as required for billing purposes. This resulted in the Council erroneously billing only one child per each school at ZWL3 for a total of 61 schools. With a total enrolment of 23 424 from 74 schools in 2019, school development levy could have been understated by a total of ZWL393 388.

iv. Significant year-end adjustments journals

The Council passed year-end journal adjustments relating to revenue of ZWL822 662 and expenditure of ZWL900 679 which were not adequately explained or supported by documentary evidence. I was unable to substantiate whether the adjustments made to the above transactions were authentic. I could not therefore verify by alternative means the accuracy of amounts presented in the financial statements for revenue and expenses.

v. Non-compliance with International Public Sector Accounting Standard IPSAS 41 - "Financial instruments"

The Council had a receivable balance of ZWL6 331 602, with over 50% of the balance comprising of balances brought forward from prior years. The allowance for credit loss brought forward from 2018 of ZWL436 075, was not reviewed to comply with the requirements of IPSAS 41- "Financial instruments" which requires allowance for credit losses to be assessed at each reporting date. Had the Council applied the requirement of IPSAS 41 - "Financial instruments" by reviewing the allowance for credit losses, the amount of trade receivables would have been materially affected.

vi. Non-compliance with International Public Sector Accounting Standard IPSAS 17 - "Property, plant and equipment".

Council did not charge depreciation in the financial statements and this is a departure from IPSAS 17, which requires the depreciable amount of an asset to be allocated on a systematic basis over its useful life. The useful lives of the assets have not been determined as the Council indicated that the determination of useful lives would be done when it engages a valuator for asset verification and valuation. As a result, I could not determine the adjustments necessary to increase the net loss for the year and accumulated depreciation. Had the Council depreciated and assessed the useful lives of its property, plant and equipment the financial statements would have been materially affected. The departure from requirements of IPSAS 17 - “Property, plant and equipment” are material.

Property, plant and equipment are presented in the statement of financial position at a carrying amount of ZWL51 534 452. The Council does not have an asset register that uniquely identifies assets and records the cost, depreciation, revaluation, disposal and net book values of property and equipment. As a result, I could not verify the existence and valuation of property, plant and equipment presented in the financial statements.

vii. Non-compliance with International Public Sector Accounting Standard IPSAS 17 - “Property, plant and equipment”.

Property, plant and equipment are presented in the statement of financial position at a carrying amount of ZWL51 534 452. The Council’s assets were not revalued following change in functional currency from USD to ZWL in 2019. While the Council’s accounting policy is to use the cost model for its property plant and equipment, there was need to revalue the Council’s non-current assets following change in functional currency from USD to ZWL in 2019 so that the value of the assets approximated their fair values in ZWL. The Council’s assets acquired prior to change in functional currency on February 22, 2019 were converted to ZWL at a rate of USD1:ZWL1 in compliance with SI 33 of 2019, which did not reflect fair values of the assets in accordance with IPSAS 17- “Property, plant and equipment”. Had the Council revalued its property, plant and equipment the financial statements would have been materially affected. The departure from requirements of IPSAS 17 - “Property, plant and equipment” are material.

viii. Non-compliance with International Public Sector Accounting Standard IPSAS 16- “Investment Properties”.

The Council owned buildings which were leased as beer halls, grocery stores, and residential houses. The premises were held with an intent to earn rentals and in accordance with IPSAS 16 - “Investment property”, any building held to earn rentals or held for capital appreciation should be classified as investment property. However, these were incorrectly classified as property, plant and equipment under IPSAS 17- “Property, plant and equipment”. Due to failure to maintain an up-to-date asset register, I was unable to determine adjustments necessary to reclassify buildings from property, plant and equipment to investment property. Had the Council revaluated Investment properties the financial statements would have been materially affected. The departure from the requirements of IPSAS 17 - “Investment properties” are material.

ix. Verification of employment costs

Employment costs amounting to ZWL4 594 808 were recognised in the statement of financial performance. Payroll schedules and supporting journals for payroll costs could not be availed for some months.

In addition, payroll costs were recognised in the income statement on a cash basis as opposed to accrual basis. As a result, unpaid salaries expense and related statutory liabilities for the month of December 2019 were not recorded and were therefore excluded in the financial statements. Due to the unavailability of payroll schedules for the month of December, I was unable to determine adjustments necessary to account for December payroll costs.

Unpaid statutory liabilities accrued during the year ended December 31, 2019, including taxes were also excluded from the financial statements. Due to the absence of all payroll information, I was unable to determine adjustments necessary to account for statutory liabilities.

x. Non-compliance with International Public Sector Accounting Standard (IPSAS) 19 - "Provisions, Contingent Liabilities and Contingent Assets"

While the Council had provided for leave pay provision in previous years, for the year ended December 31, 2019 no provision for leave pay was provided for. Provision for leave pay has been carried forward at ZWL54 517 from 2018 in the statement of financial position without taking into account changes in leave days and rates of pay. This was contrary to the requirements of IPSAS 19 - "Provisions, Contingent Liabilities and Contingent Assets" which requires a provision to be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. I was not able to determine adjustments necessary to reflect current best estimate for leave pay provision due to failure by the Council to maintain accurate leave records for the year ending December 31, 2019. Had the Council applied the requirement of IPSAS 19 - "Revenue from Exchange Transactions" the amount of trade receivables would have been materially affected.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1 Asset register

Finding

The Council asset register was maintained manually and was last updated in 2017. Assets were not tagged for identification purposes. The Council did not perform physical asset verification exercise on regular basis to confirm physical existence and status of assets. Section 120 (3) of the Rural District Councils Act [*Chapter 29:13*] requires the Council to maintain a permanent record of all movable and immovable assets of the Council.

Risk / Implication

Misappropriation of assets may go unnoticed.

Recommendation

The Council should make use of Sage assets module to maintain asset register in the system.

The Council should expedite the updating of the assets register.

Management response

Recommendation noted. Council is in the process of valuing assets and has asked for assistance from the Department of Public Works. With the full usage of Sage Evolution, Finance will maintain a register of all assets, with depreciation records.

1.2 Non-compliance with International Public Sector Accounting Standard IPSAS 17 - "Property, plant and equipment".

Finding

The Council's non-current assets were not revalued following change in functional currency from USD to ZWL in 2019. Non-current asset balances on the financial statements were at their historical cost, adjusted for inflation. While the Council's accounting policy was to use the cost model for its property plant and equipment, there was need to revalue the Council's non-current assets following change in functional currency from USD to ZWL in 2019 so that the value of the assets approximated their fair values in ZWL. The Council's assets acquired prior to change in functional currency were converted to ZWL at a rate of USD1: ZWL1, which did not reflect fair values of the assets in accordance with IPSAS 17 - "Property, Plant and Equipment".

Inquiries with management revealed that a list of the assets was sent to the Ministry of Public works valuators to assess and carry out the asset revaluation exercise. The revaluation exercise had not yet been performed at the time of audit and non-current assets values presented on the statement of financial position do not depict the fair values of the assets, especially considering change in functional currency from USD to ZWL in 2019.

Furthermore, Council did not charge depreciation in the financial statements and this is a departure from IPSAS 17- "Property, Plant and Equipment", which requires the depreciable amount of an asset to be allocated on a systematic basis over its useful life. The useful lives of the assets have not been determined as the Council indicated that the determination of useful lives would be done when it engages a valuator for asset verification and valuation.

Property, plant and equipment are presented in the statement of financial position at a carrying amount of ZWL51 534 452.

Risk / Implication

Financial statements may be materially misstated.

Recommendation

The Council should liaise with Ministry of Public Works to expedite the revaluation exercises.

Management response

Recommendation noted. The Council is in the process of valuing Assets and has asked for assistance from the Department of Public Works. With the full usage of

Sage Evolution, Finance will maintain a register of all assets, with depreciation records.

1.3 Non-compliance with International Public Sector Accounting Standard IPSAS 16 - "Investment Properties".

Finding

The Council owned buildings which were leased as beer halls, grocery stores, and residential houses. The premises were held with an intention to earn rentals and in accordance with IPSAS 16 - "Investment Property", any building held to earn rentals should be classified as investment property. However, these were incorrectly classified as property, plant and equipment under IPSAS 17- "Property, plant and equipment".

Risk / Implication

Financial statements may be misstated due to non-compliance with IPSASs 16- "Investment Properties" and 17- "Property, plant and equipment".

Recommendation

The Council should ensure compliance with IPSASs.

Management response

Recommendation noted.

1.4 Unverified year-end adjustments

Finding

The Council passed year-end journal adjustments relating to revenue amounting to ZWL822 662 and expenditure of ZWL900 679 which were not satisfactorily explained or supported by documentary evidence. I was unable to substantiate whether the adjustments made to the above transactions were authentic and therefore could not verify by alternative means the accuracy of amounts presented in the financial statement for revenue and expenses.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should ensure that all journal entries are adequately supported.

Management response

The Treasurer left employment in 2019 and hence there were staffing gaps in the Finance department, a substantive Treasurer was engaged by Council in July 2021. Efforts are being made to support all journals passed in 2019 by documentary evidence, where documents could not be located management

would do investigations to establish if there was financial prejudice to the council and appropriate action would be taken where necessary. The Treasurer is now approving all journals passed.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Understatement of school development income

Finding

I noted that billing of schools under the jurisdiction of Tsholotsho Rural District Council was not accurately done for the year ended December 31, 2019 thereby understating the school development levy. Enrolment figures were not collected from the various schools as a basis for billing purposes. The Council is empowered by the First Schedule paragraph 45 of the Rural District Councils Act [*Chapter 29:13*] to collect levy, fees and other charges from schools run by the Council. For the year ended December 31, 2019 the approved tariff per budget was ZWL3 per child.

This resulted in the Council erroneously billing only one child per each school at ZWL3 for a total of 61 schools. With a total enrolment of 23 424 from 74 schools in 2019, school development levy could have been understated by a total of ZWL393 388.

Risk / Implication

Misstatement of revenue and related receivables.

Recommendation
The Council should properly account for revenue from all its operations.

Management response

Noted, Executive Officer Finance is working on ensuring that the billing system is revamped holistically. Council has already started updating the information on school enrolment in the Housing and Social Services department. Council before the end of 2022 would be utilizing the housing module of the Sage Evolution ERP where there would be one database for school enrolment that would be used for billing purposes.

2.2 Beer levy

Finding

The Council received a total of ZWL59 016 from commercial brewers as beer levy during the year under review. However, no sales schedules were obtained from the brewers, contrary to section 15 of the Traditional Beer Act [*Chapter 14:24*], which requires local authorities to collect levies from breweries within their jurisdiction.

Risk / Implication

Financial loss due to potential under-remittances.

Recommendation

Management should continuously engage commercial brewers of traditional beer to obtain the sales schedules which are used as a basis for calculating the levy.

Management response

Noted, Finance department has engaged the brewery companies and some information relating to 2019 has been provided.

2.3 Non-compliance with International Public Sector Accounting Standard IPSAS 41 - "Financial instruments"

Finding

The Council had a receivable balance of ZWL6 331 602, with over 50% of the balance comprising of balances brought forward from prior years. The allowance for credit loss brought forward from 2018 of ZWL436 075, was not reviewed to comply with the requirements of IPSAS 41- "Financial instruments". I was therefore unable to satisfy myself by alternative means the recoverability and valuation of trade and other receivables. This represents a departure from IPSAS 41 - "Financial instruments" which requires allowance for credit losses to be assessed at each reporting date.

Risk / Implication

Misstatement of financial statements.

Recommendation

The Council should comply with the requirements of IPSAS 41.

Management response

Admittedly there has been knowledge gaps in the Finance department compounded by lack of training in the Sage Evolution System, management is addressing the problem by ensuring full implementation of the system, trainings and on the job, coaching provided by the Executive Officer Finance.

3 EMPLOYMENT COSTS

3.1 Missing payroll information and failure to accrue payroll costs

Finding

Employment costs amounting to ZWL4 594 808 have been recognised in the statement of financial performance. Payroll schedules and supporting journals for payroll costs could not be availed for the month of December.

In addition, payroll costs were recognised in the income statement on a cash basis as opposed to accrual basis. As a result, unpaid salaries expense and related statutory liabilities for the month of December 2019 were not recorded and were therefore excluded in the financial statements. Due to the unavailability of payroll schedules for the month of December, I was unable to determine adjustments necessary to account for December payroll costs. Unpaid statutory liabilities accrued during the year ended December 31, 2019, including taxes were also excluded from the financial statements.

Risk / Implication

Financial statements may be materially misstatement due to failure to account for all payroll costs and liabilities.

Recommendation

The Council should maintain adequate supporting documents for payments made.

Monthly payrolls should be printed, filed, approved, and authorised.

Management response

Recommendation noted, there has been an improvement in payroll administration

3.2 Leave days

Finding

While the Council had provided for leave pay provision in previous years, for the year ended December 31, 2019 no provision for leave pay was provided for. Provision for leave pay has been carried forward at ZWL54 517 from 2018 in the statement of financial position without considering changes in leave days and rates of pay. This was a non-compliance with the requirements of IPSAS 19, "Provisions, Contingent liabilities and Contingent Assets", which requires a provision to be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. I was not able to determine adjustments necessary to reflect current best estimate for leave pay provision due to failure by the Council to maintain accurate leave records for the year ending December 31, 2019.

Risk / Implication

Misstatement of financial statements due to understatement of payables.

Recommendation

The Council should provide for the provision of leave days.

Management response

Recommendation noted, finance is providing for leave.

I have audited the financial statements of Umguza Rural District Council for the year ended December 31, 2019 and I issued an adverse opinion.

Adverse Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Umguza Rural District Council as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Adverse opinion

i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The effects of Changes in Foreign Exchange rates"

The Council did not fully comply with the provisions of IPSAS 4- "The effects of Changes in Foreign Exchange rates". The need to account for these effects emanated from the 'multi-tiered' pricing environment that was prevailing during the year under review, where settlement of transactions was depended on the mode of payment, whether USD cash, RTGS, bond notes and mobile money. This resulted in the Council experiencing premiums on the official foreign exchange rate of 1:1 prescribed by Statutory Instrument 33 of 2019, between RTGS FCA, Bond Notes and the Nostro FCA transactions. This 'multi-tiered pricing environment resulted in transactions bearing similarities to what one would- "The effects of Changes in Foreign Exchange rates" expect with transactions that are undertaken in different currencies to which IPSAS 4 would apply.

Had the Council applied the requirements of IPSAS 4 - "The effects of Changes in Foreign Exchange rates" the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies"

The Council did not comply with the provisions of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies". Zimbabwean entities were operating in an environment in the period under review, which has witnessed significant monetary and exchange control policy changes since the beginning of the year. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 1/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10- "Financial Reporting in Hyperinflationary Economies" in Zimbabwe have been met and the standard should be applied from July 1, 2019 and financial statements of entities with year-end on or after this date should be hyper inflated.

Had the Council applied the requirements of IPSAS 10 - "Reporting in Hyper-Inflationary Economies" the financial statements would have been materially affected. The departure is material and pervasive to the financial statements, taken as a whole.

iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, plant and equipment"

The Council did not properly maintain a record of its assets in the form of a comprehensive fixed asset register. As a result, the carrying amount per Council's fixed asset register of ZWL1 885 024 did not agree to the property, plant and equipment balance disclosed in the financial statements of ZWL3 114 949 leaving an unresolved balance of ZWL1 229 925.

In addition, there were no supporting documents such as supplier invoices and receipts for asset additions made in 2019 amounting to ZWL287 269. Therefore, I could not satisfy myself on the accuracy and validity of property, plant and equipment reported in the financial statements.

iv. Revenue

I could not verify the validity and accuracy of drug donations recorded in the financial statements of ZWL887 784 as no supporting documentation was availed for audit verification.

In addition, the Council was incorrectly recording billable revenue and stand sales on a receipt basis instead of on accruals basis. As a result, stand sales income recorded in the financial statements of ZWL620 736 was understated by ZWL705 264 when compared to amounts on the supporting stand sales listing of ZWL1 326 000. Management failed to make relevant adjustments to the financial statements. Therefore, I was unable to satisfy myself on the accuracy and completeness of the revenue disclosed in the financial statements.

v. Expenditure not supported

There were unsupported expenses amounting to ZWL142 029 due to missing payment vouchers and supplier invoices. As a result, I could not satisfy myself on the validity and accuracy of expenses reported in the financial statements.

Below are other material issues noted during the audit;

1 GOVERNANCE ISSUES

1.1. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies"

Finding

The Council did not comply with the provisions of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies". Zimbabwean entities were operating in an environment in the period under review, which has witnessed significant monetary and exchange control policy changes since the beginning of the year. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates.

On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 1/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10- "Financial Reporting in Hyperinflationary Economies" in Zimbabwe have been met and the standard should be applied from July 1, 2019 and financial statements of entities with year-end on or after this date should be hyper inflated.

The Council did not adjust its financial statements in line with this pronouncement due to finance staff technical capacity challenges.

Risk / Implication

Misstatement of the financial statements.

Recommendation

The Council should ensure continuous professional development for its staff.

Management response

The audit recommendation is noted for implementation. We will send our staff for IPSAS training.

1.2. Property, plant and equipment

Finding

The Council did not properly maintain a record of its assets in the form of a comprehensive fixed asset register. As a result, the carrying amount per Council's fixed asset register of ZWL1 885 024 did not agree to the property, plant and equipment balance disclosed in the financial statements of ZWL3 114 949 leaving an unresolved balance of ZWL1 229 925. Inquiry with management revealed that this was due to staff capacity challenges.

In addition, there were no supporting documents such as supplier invoices and receipts for asset additions made in 2019 amounting to ZWL287269. Therefore, I could not satisfy myself on the accuracy and validity of property, plant and equipment reported in the financial statements.

Risk / Implication

Misstatement of property plant and equipment.

Errors and irregularities may go undetected.

Recommendation

The Council should maintain a comprehensive fixed asset register.

All transactions should be adequately supported.

Management response

The asset register will be regularly updated to incorporate any changes and reconciliations performed periodically.

1.3. Clinic drugs donations

Finding

I was not availed with supporting documentation relating to drug donations income amounting to ZWL887 784. Inquiry with management revealed that this was due to staff capacity challenges.

Risk / Implication

Validity and accuracy of donations income cannot be ascertained.

Misappropriation of donated drugs inventory may go unnoticed.

Recommendation

Management should ensure that proper records for the donations received are maintained.

Management response

Audit recommendations will be implemented.

2. REVENUE COLLECTION AND DEBT RECOVERY

2.1. Revenue

Finding

The Council was incorrectly recording billable revenue and stand sales on a receipt basis instead of on accruals basis. As a result, stand sales income recorded in the financial statements of ZWL620 736 was understated by ZWL705 264 when compared to amounts on the supporting stand sales listing of ZWL1 326 000. Management failed to make relevant adjustments to the financial statements.

In addition, the basis of the land sale prices used and ledger accounts for stand sales were not availed to audit.

Risk / Implication

Stand sales income not fairly stated in the financial statements.

Recommendation

The Council should investigate the cause of the variance and make appropriate adjustments.

Management response

The reported figure of stand sales in Pastel Partner is that of stand sales deposits paid for in cash. However, going forward for reporting purposes, we will recognise the full stand selling prices on accrual basis and exclusive of VAT.

3. PROCUREMENT OF GOODS AND SERVICES

3.1. Unsupported expenditure

Finding

Expenditure amounting to ZWL142 029 was not supported with the relevant documentation such as payment vouchers and invoices. Inquiries with management revealed that missing documents were as a result of poor filing. As a result, I could not ascertain the validity of the expenditure.

Risk / Implication

Financial loss due to payments for goods or serviced not received.

Recommendation

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

Management response

The observation on supporting documents is noted. This was due to misfiling. We will improve.

4. EMPLOYMENT COSTS

4.1. Taxable benefits

Finding

School fees benefit accruing to the Chief Executive Officer (CEO) was paid outside the payroll and was not subjected to tax. In addition, a Toyota Hilux AAE 6624 was disposed to the C.E.O and no assessment was made to determine the taxation implication of the disposal. According to Section 8 (1) (f) of the Income Tax Act (Chapter 23:06) a taxable benefit accrues to an employee through the disposal of a vehicle.

Risk / Implication

Loss of public funds due non-payment of taxable benefits and fines by the authority.

Recommendation

The Council should ensure that all taxable benefits are processed through payroll and subjected to taxation.

Management response

Noted, all benefits accruing to employees will be paid through the payroll.

ANNEXURE A: AUDIT OPINIONS

	NAME OF LOCAL AUTHORITY	YEAR	OPINION EXPRESSED
	CITY COUNCILS		
1.	Gweru City Council	2019	Adverse
2.	Harare City Council	2019	Disclaimer
3.	Kadoma City Council	2019 2020 2021	Adverse Adverse Adverse
4.	Kwekwe City Council	2020	Adverse
5.	Masvingo City Council	2021	Adverse
6.	Mutare City Council	2021	Adverse
7.	Victoria Falls City Council	2021	Qualified
	MUNICIPAL COUNCILS		
8.	Bindura Municipality	2020 2021	Qualified Adverse
9.	Chegutu Municipality	2021	Adverse
10.	Chinhoyi Municipality	2020	Qualified
11.	Chitungwiza Municipality	2019	Adverse
12.	Kariba Municipality	2020	Adverse
13.	Redcliff Municipality	2021	Qualified
	TOWN COUNCILS		
14.	Chipinge Town Council	2020	Qualified
15.	Chiredzi Town Council	2019	Adverse
16.	Gokwe Town Council	2019 2020 2021	Adverse Adverse Adverse
17.	Karoi Town Council	2019	Adverse
18.	Mvurwi Town Council	2019 2020	Adverse Adverse
19.	Norton Town Council	2021	Adverse
20.	Plumtree Town council	2020 2021	Adverse Adverse
21.	Shurugwi Town Council	2021	Adverse
22.	Zvishavane Town Council	2020 2021	Adverse Adverse
	LOCAL BOARDS		
23.	Chirundu Local Board	2020	Adverse
24.	Epworth Local Board	2020	Adverse
25.	Hwange Local Board	2017 2018	Disclaimer Disclaimer
26.	Ruwa Local Board	2021	Unmodified
	RURAL DISTRICT COUNCILS		
27.	Beitbridge Rural District Council	2020	Adverse
28.	Bindura Rural District Council	2021	Qualified
29.	Binga Rural District Council	2021	Qualified

30.	Bubi Rural District Council	2018 2019	Adverse Adverse
31.	Buhera Rural District Council	2021	Qualified
32.	Bulilima Rural District Council	2020	Adverse
33.	Chaminuka Rural District Council	2021	Adverse
34.	Chegutu Rural District Council	2021	Adverse
35.	Chikomba Rural District Council	2021	Adverse
36.	Chimanimani Rural District Council	2021	Adverse
37.	Chipinge Rural District Council	2018 2019 2020 2021	Adverse Adverse Adverse Qualified
38.	Chiredzi Rural District Council	2020	Adverse
39.	Chirumanzi Rural District Council	2020	Qualified
40.	Chivi Rural District Council	2021	Adverse
41.	Gokwe North District Council	2021	Qualified
42.	Gokwe South District Council	2021	Adverse
43.	Goromonzi Rural District Council	2021	Qualified
44.	Gutu Rural District Council	2021	Qualified
45.	Hurungwe Rural District Council	2020 2021	Adverse Adverse
46.	Hwange Rural District Council	2017 2018	Adverse Adverse
47.	Hwedza Rural District Council	2021	Qualified
48.	Insiza Rural District Council	2019	Adverse
49.	Kusile Rural District Council	2018	Disclaimer
50.	Makoni Rural District Council	2021	Adverse
51.	Mangwe Rural District Council	2019	Adverse
52.	Manyame Rural District Council	2021	Qualified
53.	Marondera Rural District Council	2021	Qualified
54.	Masvingo Rural District Council	2021	Qualified
55.	Matobo Rural District Council	2021	Adverse
56.	Mazowe Rural District Council	2020 2021	Adverse Qualified
57.	Mbire Rural District Council	2019 2020	Adverse Qualified
58.	Murewa Rural District Council	2021	Qualified
59.	Mutare Rural District Council	2020	Adverse
60.	Mutasa Rural District Council	2020 2021	Adverse Disclaimer
61.	Mutoko Rural District Council	2021	Adverse
62.	Nkayi Rural District Council	2021	Adverse
63.	Nyaminyami Rural District Council	2016 2017 2018 2019	Adverse Adverse Disclaimer Disclaimer
64.	Nyanga Rural District Council	2019 2020	Adverse Adverse

65.	Pfura Rural District Council	2020	Adverse
66.	Runde Rural District Council	2021	Adverse
67.	Rushinga Rural District Council	2020 2021	Adverse Qualified
68.	Sanyati Rural District Council	2020 2021	Adverse Adverse
69.	Tongogara Rural District Council	2020	Qualified
70.	Tsholotsho Rural District Council	2019	Adverse
71.	Umguza Rural District Council	2019	Adverse
72.	UMP (Zvataida) Rural District Council	2021	Adverse
73.	Umzingwane Rural District Council	2020	Adverse
74.	Zvimba Rural District Council	2021	Adverse

ANNEXUXE B: AUDITS IN PROGRESS AS AT MAY 31, 2023

	NAME OF LOCAL AUTHORITY	YEAR
	CITY COUNCILS	
1.	Bulawayo City Council	2019 & 2020
2.	Gweru City Council	2020
3.	Harare City Council	2020
4.	Kadoma City Council	2022
5.	Kwekwe City Council	2021
6.	Masvingo City Council	2022
7.	Mutare City Council	2022
8.	Victoria Falls City Council	2022
	MUNICIPAL COUNCILS	
9.	Beitbridge Municipality	2020
10.	Chinhoyi Municipality	2021 & 2022
11.	Chitungwiza Municipality	2020
12.	Gwanda Municipality	2020
13.	Kariba Municipality	2021
14.	Redcliff Municipality	2022
	TOWN COUNCILS	
15.	Chiredzi Town Council	2019 & 2020
16.	Mvurwi Town Council	2021
17.	Rusape Town Council	2021
18.	Shurugwi Town Council	2022
19.	Zvishavane Town Council	2022
	LOCAL BOARDS	
20.	Chirundu Local Board	2021
21.	Hwange Local Board	2019
22.	Lupane Local Board	2020
	RURAL DISTRICT COUNCIL	
23.	Bikita Rural District Council	2021
24.	Bindura Rural District Council	2022
25.	Binga Rural District Council	2022
26.	Bubi Rural District Council	2020
27.	Bulilima Rural District Council	2021
28.	Chaminuka Rural District Council	2022
29.	Chikomba Rural District Council	2021
30.	Chiredzi Rural District Council	2021
31.	Chirumanzi Rural District Council	2021
32.	Goromonzi Rural District Council	2022
33.	Guruve Rural District Council	2020
34.	Gwanda Rural District Council	2021

35.	Insiza Rural District Council	2020 & 2021
36.	Kusile Rural District Council	2019
37.	Makonde Rural District Council	2020
38.	Mangwe Rural District Council	2020
39.	Marondera Rural District Council	2022
40.	Masvingo Rural District Council	2022
41.	Mberengwa Rural District Council	2021
42.	Mbire Rural District Council	2021
43.	Mhondoro-Ngezi Rural District Council	2020 & 2021
44.	Mudzi Rural District Council	2020 & 2021
45.	Mutare Rural District Council	2021
46.	Muzarabani Rural District Council	2021
47.	Mwenezi Rural District Council	2020
48.	Nyaminyami Rural District Council	2020
49.	Pfura Rural District Council	2021
50.	Runde Rural District Council	2022
51.	Rushinga Rural District Council	2022
52.	Tsholotsho Rural District Council	2020
53.	Umguza Rural District Council	2020
54.	UMP (Zvataida) Rural District Council	2022
55.	Umzingwane Rural District Council	2021
56.	Vungu Rural District Council	2019
57.	Zaka Rural District Council	2021
58.	Zibagwe Rural District Council	2020

ANNEXURE C: AUDITS AT SIGNING STAGE AS AT MAY 31, 2023

	NAME OF LOCAL AUTHORITY	YEAR
	CITY COUNCILS	
1.	Harare City Council	2019
2.	Mutare City Council	2021
	MUNICIPAL COUNCILS	
3.	Bindura Municipality	2021
	TOWN COUNCILS	
4.	Gokwe Town Council	2021
	RURAL DISTRICT COUNCIL	
5.	Sanyati Rural District Council	2020 & 2021

ANNEXURE D: ACCOUNTS NOT YET SUBMITTED AS AT MAY 31, 2023

	NAME OF LOCAL AUTHORITY	YEAR
	CITY COUNCILS	
1.	Bulawayo City Council	2021 & 2022
2.	Gweru City Council	2021 & 2022
3.	Harare City Council	2021 & 2022
4.	Kwekwe City Council	2022
	MUNICIPAL COUNCILS	
5.	Beit bridge Municipality	2021 & 2022
6.	Bindura Municipality	2022
7.	Chegutu Municipality	2022
8.	Chitungwiza Municipality	2021 & 2022
9.	Gwanda Muicipality	2021 & 2022
10.	Kariba Municipality	2022
11.	Marondera Municipality	2021 & 2022
	TOWN COUNCILS	
12.	Chipinge Town Council	2021 & 2022
13.	Chiredzi Town Council	2021 & 2022
14.	Gokwe Town Council	2022
15.	Karoi Town Council	2020 - 2022
16.	Mvurwi Town Council	2022
17.	Norton Town Council	2022
18.	Plumtree Town council	2022
19.	Rusape Town Council	2022
	LOCAL BOARDS	
20.	Chirundu Local Board	2022
21.	Epworth Local Board	2021 & 2022
22.	Hwange Local Board	2020 - 2022
23.	Lupane Local Board	2021 & 2022
24.	Ruwa Local Board	2022
	RURAL DISTRICT COUNCIL	
25.	Beitbridge Rural District Council	2021 & 2022
26.	Bikita Rural District Council	2022
27.	Bubi Rural District Council	2021 & 2022
28.	Buhera Rural District Council	2022
29.	Bulilima Rural District Council	2022
30.	Chegutu Rural District Council	2022
31.	Chikomba Rural District Council	2022
32.	Chimanimani Rural District Council	2022
33.	Chipinge Rural District Council	2022
34.	Chiredzi Rural District Council	2022

35.	Chirumanzi Rural District Council	2022
36.	Chivi Rural District Council	2022
37.	Gokwe North District Council	2022
38.	Gokwe South District Council	2022
39.	Guruve Rural District Council	2021 & 2022
40.	Gutu Rural District Council	2022
41.	Gwanda Rural District Council	2022
42.	Hurungwe Rural District Council	2022
43.	Hwange Rural District Council	2019-2022
44.	Hwedza Rural District Council	2022
45.	Insiza Rural District Council	2022
46.	Kusile Rural District Council	2020 - 2022
47.	Makonde Rural District Council	2021 & 2022
48.	Makoni Rural District Council	2022
49.	Mangwe Rural District Council	2021 &2022
50.	Manyame Rural District Council	2022
51.	Matobo Rural District Council	2022
52.	Mazowe Rural District Council	2022
53.	Mberengwa Rural District Council	2022
54.	Mbire Rural District Council	2022
55.	Mhondoro-Ngezi Rural District Council	2022
56.	Mudzi Rural District Council	2022
57.	Murewa Rural District Council	2022
58.	Mutare Rural District Council	2022
59.	Mutasa Rural District Council	2022
60.	Mutoko Rural District Council	2022
61.	Muzarabani Rural District Council	2022
62.	Mwenezi Rural District Council	2021 & 2022
63.	Nkayi Rural District Council	2022
64.	Nyaminyami Rural District Council	2021 & 2022
65.	Nyanga Rural District Council	2021 & 2022
66.	Pfura Rural District Council	2022
67.	Sanyati Rural District Council	2022
68.	Tongogara Rural District Council	2021 & 2022
69.	Tsholotsho Rural District Council	2021 & 2022
70.	Umguza Rural District Council	2021 & 2022
71.	Umzingwane Rural District Council	2022
72.	Vungu Rural District Council	2020 -2022
73.	Zaka Rural District Council	2022
74.	Zibagwe Rural District Council	2021 & 2022
75.	Zvimba Rural District Council	2022