



**VALUE FOR MONEY AUDIT REPORT BY
AUDITOR-GENERAL
on the
MONITORING OF DEVOLUTION FUNDED PROJECTS
by
MINISTRY OF LOCAL GOVERNMENT AND PUBLIC WORKS**



Presented to Parliament of Zimbabwe

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Dear Sir

I hereby submit my Value for Money Audit Report on Monitoring of Devolution Funded Projects by the Ministry of Local Government and Public Works in terms of Section 11 of the Audit Office Act [Chapter 22:18].

Yours faithfully,

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ACTING AUDITOR-GENERAL.

Harare
June 9, 2023.



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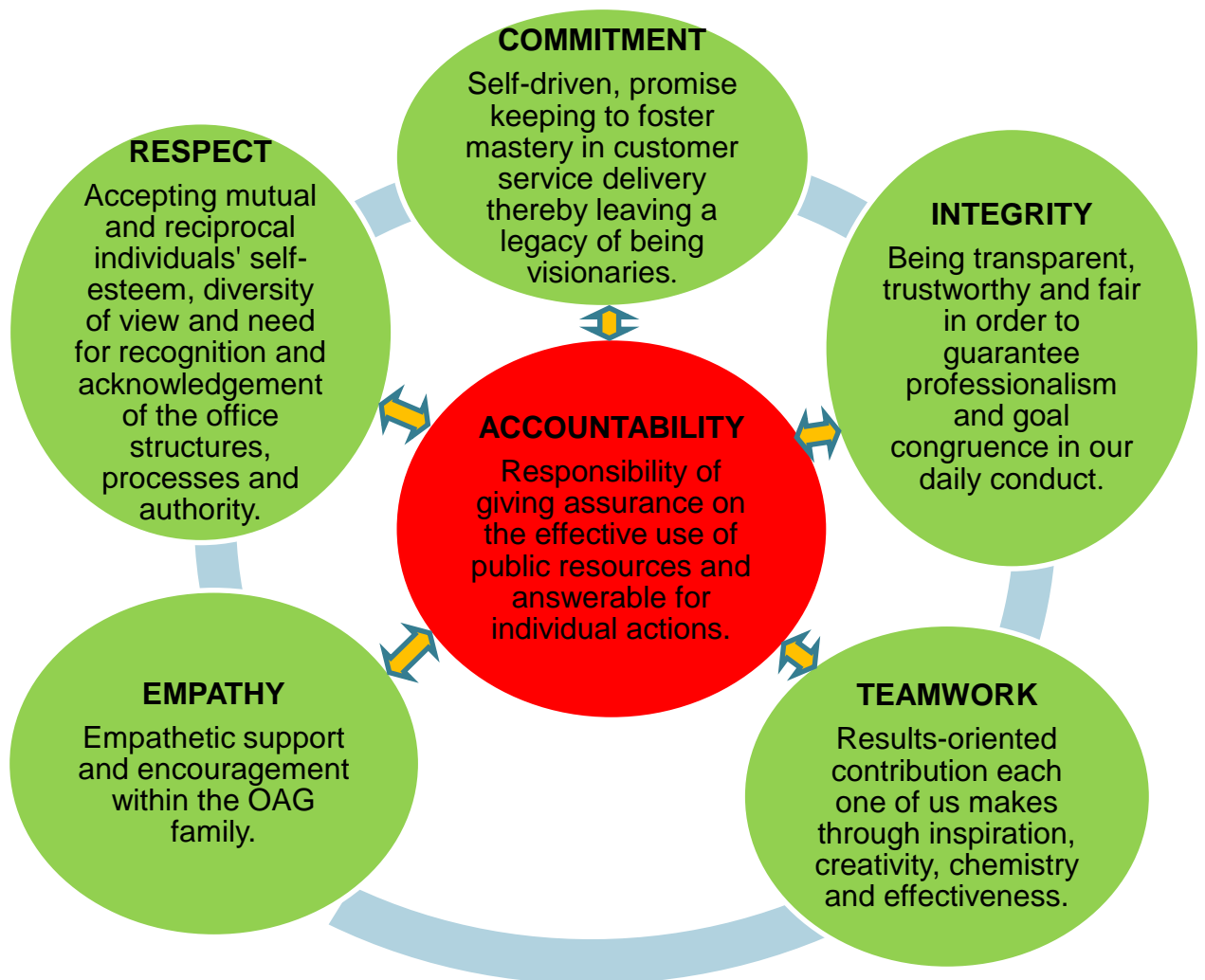


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GLOSSARY OF TERMS

Allocations:	These are funds that are allocated by the MLGPW to each Local Authority from where they set up project budgets.
Acquittal:	Schedules detailing how disbursed funds have been utilized by Local Authorities.
Disbursements:	Funds that have been released by the MLGPW to Local Authorities.
Dedicated bank account:	A specific bank account meant for devolution funds at the Local Authority.
Monitoring:	Is the systematic process of collecting, analyzing and using information to track progress on devolution funded projects towards achieving its objectives.
Operational Grant:	This is a proportion of devolution funds for administering the devolution programmes.
Procurement Plan:	A plan that guides Local Authorities on procurement.
Special Audit:	A type of audit that focuses on a specific area of an organization's activities.

ABBREVIATIONS

CCH:	City Council of Harare
DDC:	District Development Committee
LA:	Local Authorities
MLGPW:	Ministry of Local Government and Public Works
MSPD:	Minister of State for Provincial Affairs and Devolution
NDS 1:	National Development Strategy 1
OPC:	Office of the President and Cabinet
PC:	Provincial Council
PDC:	Provincial Development Committee
PFMA:	Public Finance Management Act
PPDPA	Public Procurement and Disposal of Public Assets
PRAZ:	Procurement Regulatory Authority of Zimbabwe
RLB:	Ruwa Local Board
RLA:	Rural Local Authority
TSP:	Transitional Stabilization Programme
ULA:	Urban Local Authority

EXECUTIVE SUMMARY

Section 264 (1)(e,f) of the Constitution of Zimbabwe Amendment (No. 20) Act 2013 provides for governmental powers and responsibilities to be devolved to Provincial and Metropolitan Councils and Local Authorities. According to National Development Strategy 1 (NDS1), the Government of Zimbabwe identified devolution as the main driver to achieving an upper middle income economy status by 2030. The objectives of devolution are inter alia to give powers of local governance to the people and enhance their participation in making decisions affecting them as well as to promote democratic, effective, transparent, accountable and coherent government in Zimbabwe as a whole. The provisions of devolution in the Constitution are also supported in the National Development Strategy 1(NDS1) on paragraph 729 which stipulates that devolution funds are supposed to be utilised for upgrading, rehabilitation and maintenance and construction of new infrastructure. According to the Devolution and Decentralization policy, the key pillars of devolution which are electricity, education, water and sanitation, transport, health and public amenities will be implemented by the councils using devolution funds from central Government.

Section 301(3) of the Constitution of Zimbabwe provides that a budget of at least 5% of the national revenues raised in any financial year, should be allocated to Local Authorities to fund devolution projects. From the funds allocated, 10% will go towards administration while 90% should go towards construction and infrastructure projects.

The special audit was motivated by huge budget allocations and press reports which reported different views on whether devolution funds had undeniably assisted economic development of communities. The press reports indicated that in line with the Constitution of Zimbabwe, and the National Development Strategy 1 (NDS 1), the Government of Zimbabwe had since 2019 been disbursing devolution funds to Local Authorities (LAs). The ucaz.org.zw website on March 25, 2021 reported that most Provinces had started using the funds for construction of schools, clinics and roads, among other projects aimed at facilitating development. The same article also reported that although Provincial Councils (PCs) are a significant part in the devolution process, they had not been inaugurated since their election.

The purpose of this Special Audit was to assess the extent to which the Ministry of Local Government and Public Works was monitoring whether devolution funds had been utilised to develop communities in an economic, efficient and effective way.

Summary of findings

The Government through the MLGPW since 2019 in terms of Section 301(3) of the Constitution of Zimbabwe, has been disbursing devolution funds to Local Authorities. Local Authorities utilized the funds in construction of projects including clinics, schools, sewage systems, boreholes in order to economically empower their communities. Audit noted that out of the twenty (27) projects undertaken, eighteen (18) projects for City Council of Harare (CCH) and four (4) for Ruwa Local Board (RLB) had not been completed. Of the eighteen (18) uncompleted projects for CCH, fourteen (14) projects had not been commenced. Local Authorities were unable to complete projects due to a number of reasons including non-monitoring of the projects, non-disbursement of allocated funds and undertaking of unapproved projects.

The detailed findings are in Chapter 3, and below is a summary of the same:

1 Monitoring of devolution funded projects

Documentary review and interviews held with MLGPW officials revealed that the Ministry was unable to conduct scheduled monitoring on implementation of devolution funded projects. Instead of scheduled monitoring inspections, the Ministry resorted to adhoc investigations whenever

stakeholders had raised complaints on utilisation of devolution resources. The Ministry officials indicated that they were unable to conduct scheduled monitoring visits as funds for that purpose had not been budgeted by the Ministry.

1.1 Utilisation of Devolution funds

The number of devolution funded projects that had been implemented from January 2019 to the time of audit on December 31, 2021 was not availed as the MLGPW did not have a data base. However, from review of project reports for the period 2019-2021, audit noted that of the 27 projects that City Council of Harare (CCH) and Ruwa Local Board (RLB) had planned to implement, only 5 projects were completed. Projects were not being completed due to a number of factors including funds being used on unapproved projects, delay in utilization of disbursed funds, misappropriation of disbursed funds. CCH for example expended 74% of disbursed devolution funds on unapproved projects. An investigation report by the MLGPW in 2020 revealed that Kusile/Lupane RDC delayed utilization of disbursed funds by more than 6 months.

1.2 Procurement

Due to inadequate monitoring by the MLGPW, audit noted that procurement for devolution funded projects were in some instances not being done in accordance to procurement regulations. For example, some projects by the CCH and RLB were not included in their respective annual procurement plan. This was particularly so for unapproved projects. Furthermore, audit noted that due to procurement processes which commence after funds had been disbursed, some LAs were unable to timely utilise disbursed devolution funds. Audit also noted cases when purchased materials for devolution funded projects were not delivered and in some instances delivered but not utilised.

1.3 Devolution accounting records and acquittals

LAs were not preparing separate books of accounts for devolution as required by Local Authorities Circular No1 of 2019 issued by the MLGPW. This had resulted in some LAs failing to account for the disbursed devolution funds. For example, CCH could not account for devolution funds amounting to \$32 686 017. Furthermore, LAs were not submitting acquittals for funds that would have been disbursed. This had culminated in some LAs diverting devolution funds. An investigation report issued in September 2020 by the Ministry, revealed a number of instances when Local Authorities ended up diverting devolution funds by expending the funds on travel and subsistence allowances, buying provisions.

2 Allocation and disbursement of devolution funds

Review of devolution allocations and actual releases or disbursements revealed wide discrepancies. Audit noted that for the period 2020 and 2021, disbursements by MLGPW to all Local Authorities were less than budget allocations by 65% and 94% respectively. Officials from CCH and RLB also indicated that most devolution funded projects had stalled due to non-disbursement of allocated funds.

3 Coordination

The non-availability of a legal instrument to provide appropriate mechanisms and procedures had negatively affected coordination between the Ministry and other key stakeholders. This was corroborated by interviews with officials from the Ministry who revealed that there was no proper platform to coordinate devolution related issues between the MLGPW, MSPD and other key stakeholders like the Office of the President and Cabinet (OPC), Local Authorities. From the interviews, it was revealed that the Provincial Councils Administrative Amendment Bill which among other things enhances coordination had been amended but it had not yet been passed into law.

RECOMMENDATIONS

The MLGPW could improve on efficient and effective implementation of devolution funded projects by considering the following possible solutions that would address weaknesses highlighted above.

1 Monitoring of devolution funded projects.

The Ministry should come up with strategies to carry out regular monitoring and support visits to local authorities in order to mitigate misuse or misappropriation of devolution funds. The Ministry should establish a database of all the devolution funded projects. A database will enable the Ministry to plan scheduled monitoring activities. The Ministry should enforce provisions of Circular No. 1 of 2019 which requires that Local Authorities give regular updates on progress of projects being implemented using the devolution funds.

1.1 Utilisation of Funds.

When conducting monitoring exercises, the Ministry should check whether Local Authorities are utilising disbursed funds on approved and budgeted projects only. The DDCs in the Ministry should conduct quarterly monitoring visits of devolution funded projects and submit reports to PDCs who then reports to Head Office.

1.2 Procurement

To mitigate against price variations due to inflation, the MLGPW should ensure that devolution funds are released when procurement processes have been done and the funds are ready to be utilized. The Ministry should advice the LAs on the funds available for them to commence procurement activities. All procurement should also be included in the entity annual procurement plan. Furthermore, the MLGPW should make sure that goods procured by Local Authorities are delivered and utilised.

1.3 Devolution accounting records and acquittals.

Reports on Devolution funded projects should be separated from other financial reports by the LAs. This will enhance accountability of devolution funds. The devolution financial statements should be supported by acquittal reports. To further enhance accountability, in line with Local Authority Circular No 1 of 2019, devolution funds should be disbursed into a separate bank account that shall be opened by each Local Authority.

2 Allocation and disbursement of devolution funds

The Ministry should ensure that allocated funds are fully disbursed. The Ministry should engage Treasury as failure to disburse allocated funds may culminate in litigation.

3 Coordination

The MLGPW should make constant follow-ups to expedite the enactment of Provincial Councils Administrative Amendment Bill into an Act of Parliament. This will enable the Ministry to engage with Local Authorities and other key stakeholders to adequately coordinate utilization of devolution funds.

CHAPTER 1

1.0 INTRODUCTION

This Chapter outlines background to the devolution program, the motivation, organizational structure, funding and the audit design.

1.1 Background

The Government of Zimbabwe identified devolution as a key pillar to achieving an upper middle income economy status by 2030. Section 264 (1)(e,f) of the Constitution of Zimbabwe Amendment (No. 20) Act 2013 provides for devolution of governmental powers and responsibilities to be devolved to Provincial and Metropolitan Councils and Local Authorities. The objectives of devolution are to give powers of local governance to the people and enhance participation in making decisions affecting them as well as to promote democratic, effective, transparent, accountable and coherent government in Zimbabwe as a whole. The provisions of devolution in the Constitution are also supported by the National Development Strategy 1(NDS1) on paragraph 729 which stipulates that devolution funds are supposed to be utilised for upgrading, rehabilitation and maintenance and construction of new infrastructure. The key pillars of devolution which are electricity, education, water and sanitation, transport, health and public amenities will be implemented by the councils using devolution funds from Central Government.

To align the devolution program with the Constitution, the Provincial Councils and Administrative Amendment Bill states that there is need to establish Provincial and Metropolitan Councils. In addition to amendment of Provincial Councils and Administrative Act [*Chapter 29:11*], other subsidiary legislations such as the Urban Council Act [*Chapter 29:15*], Rural Councils Act [*Chapter 29:13*], Regional and Town and Country Planning Act [*Chapter 29:12*], Rural Councils and Administration Act [*Chapter 29:11*] need to be reviewed and amended to align the devolution program with the Constitution.

Section 301(3) of the Constitution of Zimbabwe provides that a budget of at least 5% of the national revenues raised in any financial year, should be allocated to Local Authorities to fund devolution projects. From the funds allocated, 10% will go towards administration, 90% should go towards construction and infrastructure projects.

The purpose of this Special Audit was to assess the extent to which the Ministry of Local Government and Public Works was monitoring whether devolution funds had been utilised to develop communities in an economic, efficient and effective way.

1.2 Motivation

The special audit was motivated by huge budget allocations to the devolution programme and press articles which reported incompatible views on whether the devolution programme had assisted the economic development of communities. Amongst the press reports are the following clips;

According to an article in the Herald on July 2019, Government's devolution agenda had taken off in earnest as provinces had begun to utilise development funds under the \$310 million facility set aside by Treasury, with Finance and Economic Development Minister Honourable Professor Mthuli Ncube saying the amount will be increased in the next cycle.

According to another article published on the ucaz.org.zw website on March 25, 2021 it stated that the devolution program was allocated \$19,5 billion in 2021 as the Government moved with pace to implement the strategy aimed at developing the country and getting local communities to take responsibility for their development. The article reported that most Provinces had started using the devolution funds for the construction of schools, clinics and roads, among other projects aimed at facilitating development.

However, according to an article published on 26 February 2021 on Kubatana.Net website, Legislators, took to task the Local Government and Public Works Deputy Minister, demanding answers on a number of issues relating to the devolution funds. The Legislators asked the Deputy Minister about the measures the government had put in place to ensure devolution funds were always released to Local Authorities. The Legislators also wanted to know about what the government was doing about those devolution funds for 2020 that were not released to Local Authorities.

An article on kubatana.com on 21 July 2021, highlighted that there was also need to distinguish roles and responsibilities of each tier of government so that there was no duplication. The Devolution and Decentralization Policy endorsed the existence of Provincial Councils as stipulated in Section 264 (1) of the Constitution. The article indicated that it was disheartening to note that even though Provincial Councils were a significant part of the devolution process, the Provincial Councillors who were supposed to be discharging duties had not been inaugurated since their election.

In another article in the Herald of 8 December 2020, it was highlighted that some Local Authorities were sitting on Devolution Funds which were supposed to fund development projects meant to improve peoples' lives.

1.3 Funding

Table 1, highlights funds that were allocated and disbursed between the years 2019 to 2021. Amount allocated in each year should equal 5% of the national budget. The amount allocated increased from \$703 000 000 in 2019 to \$19 540 000 000 in 2021, in line with the increase in the national budget.

Table 1: Devolution Allocations against Disbursements.

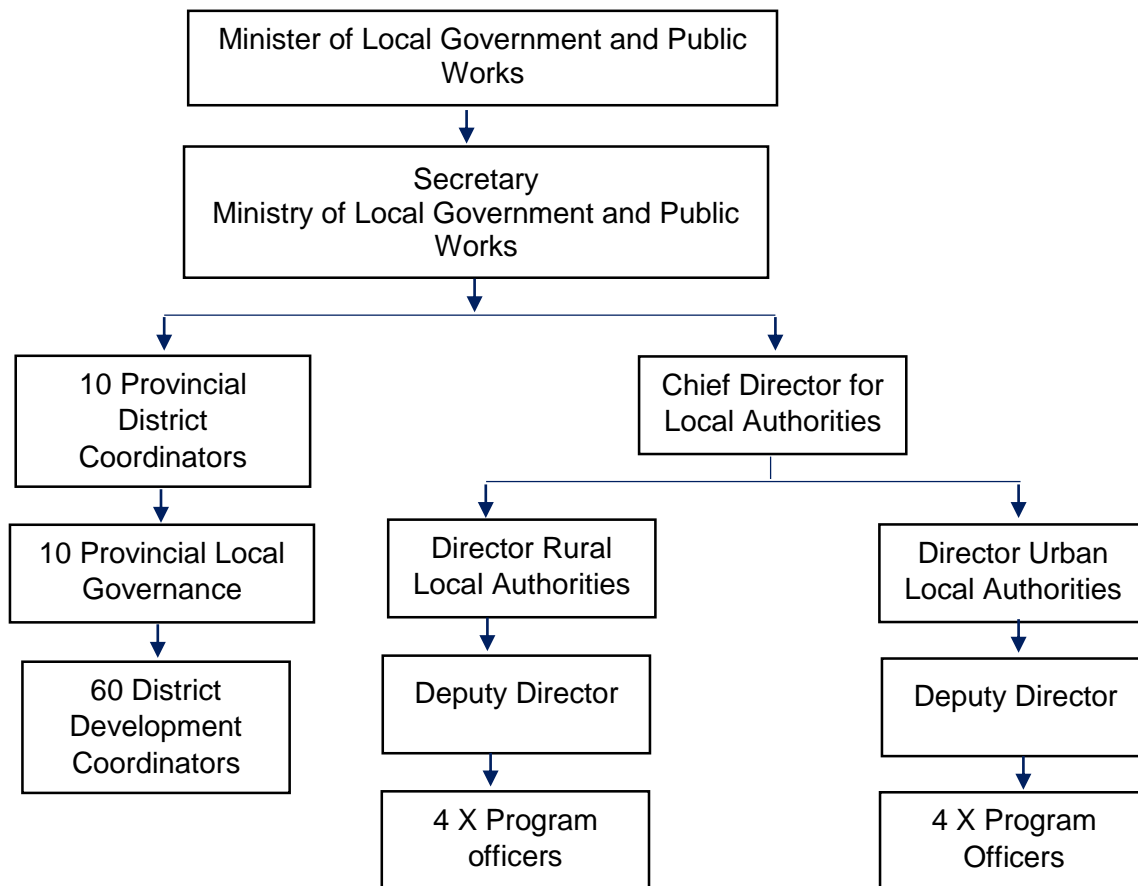
Year	2019	2020	2021	Total
Currency	ZW \$	ZW \$	ZW \$	ZW\$
Amount Allocated	703 000 000	2 932 000 000	19 540 000 000	23 175 000 000
Amount Disbursed	658 624 863	1 035 445 396	1 162 000 000	2 856 070 259

Source: MLGPW Financial Reports and Budget Estimates from 2019 to 2021

1.4 Organisational Structure

The MLGPW is responsible for formulating and enacting a legal framework to use in monitoring of the devolution program in accordance to National Development Strategy 1 paragraph 118. The implementation of the devolution program is headed by the Secretary for MLGPW. Reporting to the Secretary are 10 Provincial Development Coordinators (PDC) and Chief Director Local Authorities. For devolution program structure refer to Chart 1.

Chart 1. Organisational Structure



Source: Organisational Structure

Local Authorities are under the MLGPW and are governed by the Urban Councils Act [Chapter 29:15] and the Rural District Councils Act [Chapter 29:13]. There are 32 Urban Local Authorities and 60 Rural District Councils in Zimbabwe. The Local Authorities have been accorded different status according to their level of economic development. Section 14(1-6) of the First Schedule of Urban Councils Act [Chapter 29:15] states that the status of a Local Authority is determined by the following among other factors: the size and density of population, the extent to which the municipality provides employment opportunities, valuation of properties (industry, commercial and residential), provision of local services such as firefighting, ambulance, public parking, financial services, State services (police stations, law courts and prisons), transport network (road, rail and air communications and tourism facilities (hotels, motels and caravan parks). The hierarchy of Local Authorities is as follows:

Local Boards

These are the lowest in the hierarchy and are established in settlements that have very small populations but have a potential to grow into big urban centres. Currently there are five (5) such local boards namely Chirundu, Epworth, Hwange, Lupane and Ruwa.

Town Councils

The second in the hierarchy are town councils which are eleven (11) in number namely Beitbridge, Chiredzi, Chipinge, Gokwe, Karoi, Mvurwi, Norton, Plumtree, Rusape, Shurugwi and Zvishavane. These are centres that have grown from service centres in the rural areas to a size sufficient for them to stand alone.

Municipal Councils

There are eight (8) municipal councils which occupy the third position in the hierarchy of Urban Local Authorities. These are Bindura, Chegutu, Chinhoyi, Chitungwiza, Gwanda, Kariba, Marondera and Redcliff.

City Councils

There are eight (8) city councils namely; Bulawayo, Gweru, Harare, Kwekwe, Kadoma, Masvingo, Mutare and Victoria Falls.

Rural District Councils

There are sixty (60) Rural District Councils.

1.5 Audit Design

1.5.1 Audit Objective

The objective was to assess whether the MLGPW was monitoring implementation of devolution funded projects by Local Authorities.

1.5.2 Audit Scope

My audit focused on assessing the extent to which MLGPW was monitoring the effectiveness and efficiency in the implementation of devolution funded projects by Local Authorities during the period 2019 to 2021.

1.5.3 Audit Questions and Assessment Criteria.

Question 1. Has the MLGPW been monitoring implementation of devolution program processes by Local Authorities to enhance achievement of devolution objectives?

Criteria 1. According to item number 43 of the Devolution and Decentralisation Policy, the Minister of Local Government and Public Works has a day to day oversight role in the implementation of devolution programs by Local Authorities.

Question 1.1. Have Local Authorities been utilizing devolution funds in line with Local Authorities Circular No 1 of 2019 on the development of communities?

Criteria 1.1. According to Local Authorities Circular No.1 of 2019, in line with the Transitional Stabilisation Program, LAs are to use the Devolution funds on infrastructure development.

Question 1.2 Have Local Authorities been submitting devolution accounting and acquittal reports?

Criteria 1.2 According to Local Authorities Circular No.1 of 2019, to ensure continuity of projects, all devolution funds must be submitted with accounting and acquittal reports.

Question 1.3 Have Local Authorities been adhering to procurement regulations?

Criteria 1.3. Procurement processes for Devolution funded projects must be in accordance with regulations prescribed in the Public Procurement and Disposal of Public Assets Act [Chapter 22:23].

Question 2. Are devolution funded projects being approved by the Ministry before funds have been disbursed?

Criteria 2. According to the Local Authorities Circular No 1 of 2019, Local Authorities should submit their project proposals before the start of the year for the Minister's approval.

Question 3. Is there coordination between key stakeholders in the implementation of the devolution program?

Criteria 3. According to Section 13 of the Provincial Councils and Administration Amendment Act [Chapter 29:11]), each province shall have a Provincial or Metropolitan Council responsible for facilitating coordination through conducting quarterly meetings with stakeholders.

1.6 Audit Methodology

The following methods were applied in data collection:

1.6.1 Documentary Review

In conducting this audit, documents were reviewed to gather information with regards to policies, procedures and functions related to monitoring of devolution funded projects by MLGPW. Refer to Table 2 for the documents reviewed.

Table 2: Documents Reviewed

Document	Reason for Review
Zimbabwe Constitution Amendment (No. 20) Act of 2013	To understand the framework for devolution of governmental powers and responsibilities in Section 264 with tiers of government outlined in Section 5
Ministry of Local Government and Public Works founding Act	To understand the mandate of the Ministry
Strategic Plan and Annual plans	To obtain long and short term objectives of the Ministry and Local Authorities in relation to implementation and monitoring of devolution funds.
Organogram	To understand the reporting structure and levels of responsibilities
Annual Reports	To assess trends in performance of MLGPW and LA.
Budgets	To check source of funding as well as to enable performance evaluation
National Development Strategy 1	The role of Local Authorities on attaining the 2030 Vision using devolution funds.
Devolution and Decentralization Policy	To understand the devolved functions of Provincial Councils.
Guidelines for devolution	To understand the role and functions of key players in the implementation framework of devolution funded projects.
Project Progress Reports	To check progress on completion of the devolution funded projects.
Payment vouchers	Checking whether the procurement processes are being adhered to.
Public Procurement and Disposal of Public Assets Act [<i>Chapter 22:23</i>]	Checking on the thresholds and understanding procurement guidelines.

1.6.2 Interviews

Interviews were carried out with key personnel from the MLGPW, Local Authorities and other stakeholders. The interviews were used to corroborate information obtained from documentary review for the purposes of evaluation. Refer to Table 3

Table 3: Interviews Conducted

Designation	Work station
MINISTRY OF LOCAL GOVERNMENT AND PUBLIC WORKS	
Chief Director Local Authorities	Harare
Director Urban Councils	Harare
Chief Finance Director	Harare
Human Resources Director	Harare
Director Rural Councils	Harare
Chief Accountant Financial Advisory Section	Harare
Provincial Development Coordinator	Harare
City of Harare Council	Harare
Project Manager Seke Road Market	Harare
Project Manager Morton Jeffrey	Harare
Project Manager Ruzivo Crossing Stream	Harare
Acting Director Finance	Harare
Acting Monitoring Evaluation manager	Harare
Acting Head budgeting	Harare
Principal buyer- WASH	Harare
Principal – Housing	Harare
Stores Officer	Harare
Contractor	Harare
Ruwa Local Board	
Town Secretary	Ruwa
Finance Director	Ruwa
Head Engineering Services	Ruwa
Procurement Manager	Ruwa
Storeman	Ruwa

1.6.3 Inspections

Inspections were carried for nine (9) devolution funded projects by City Council of Harare three (3) and Ruwa Local Board six (6). Project selection in Harare was based on project cost whilst 100% of projects in Ruwa were selected. The purpose for the inspections was to assess existence as well as progress on completion of the selected projects. Table 4 shows projects that were inspected:

Table 4: Projects that were inspected.

Local Authority	Project	Budgeted Amount (ZW \$)	Actual Expenditure ZW \$
City Council of Harare	Seke Road Market	15 000 000	15 000 000
City Council of Harare	Ruzivo Stream Crossing	582 400	1 102 468
City Council of Harare	Morton Jeffrey	22 000 000	7 492 599
Ruwa Local Board	Rujeko Primary School	0	2 129 379
Ruwa Local Board	Damofalls Clinic	0	1 040 874
Ruwa Local Board	Grader	6 000 000	24 799 383
Ruwa Local Board	Refuse Truck	874 000	1 245 623
Ruwa Local Board	3 Boreholes	882 275	882 275
Ruwa Local Board	Water Plant	5 688 859	2 518 859

1.7 Sampling

The MLGPW Head Office and Harare Provincial Office were used to assess how the Ministry was monitoring devolution funded projects. Two Local Authorities namely City Council of Harare and Ruwa Local Board were followed through to confirm activities carried out in monitoring of devolution funded projects by the MLGPW. The two Local Authorities were selected due to proximity to Audit Office. Devolution funds received by the two Local Authorities are shown in Table 5.

Table 5: Funds received by the two Local Authorities from 2019 to June 2021)

Local Authority	2019	2020	2021	Total
Currency	ZW\$	ZW\$	ZW\$	ZW\$
City of Harare	53 892 000	450 855 646	56 732 215	561 479 861
Ruwa Local Board	4 940 000	8 236 000	35 482 315	48 658 315

Source: CCH and RLB Financial Reports 2019 to June 2021

CHAPTER 2

2. SYSTEMS DESCRIPTION

This chapter describes the roles and responsibilities and process description by the Ministry and other key players in the monitoring of devolution funded projects.

2.1 Roles and Responsibilities of Key Players

2.1.1 Ministry of Local Government and Public Works

According to National Development Strategy 1(NDS 1) paragraph 118, the MLGPW should formulate and enact a legal framework to use in monitoring of the devolution program. Local Authorities Circular No 1 of 2019 highlight that the roles of the Ministry shall be to enact a legal instrument. The Devolution and Decentralisation Policy mandates the MLGPW through Provincial and District Development Coordinators to play an oversight role in monitoring devolution funded projects. According to Local Authorities Circular Number 1, of 2019, the MLGPW shall also be responsible for approval of devolution funded projects. NDS 1 states that, MLGPW is responsible for monitoring Local Authorities by means of institutionalised systems audits. The Ministry also provides training, mobilize resources, provide advisory services and monitor whether Local Authorities are complying with the regulations.

2.1.2 Department of Rural and Urban Local Authorities

According to interviews held with the Chief Director for Local Authorities, the department has provisionally been mandated to support the delivery of effective and efficient services by Local Authorities. The Department carries out targeted Monitoring and Evaluation visits to Local Authorities. The Department deploys officers to assist in the devolution roll out (implementation of devolution funded projects). Through training the department builds capacity of Local Authorities in handling procurement processes and preparation of financial reports specifically with regards to Devolution Funds. The Department is represented by Provincial Development Coordinators (PDC) and the District Development Coordinators (DDC) who work with Local Authorities. LAs produce monthly reports to DDCs on progress of projects being undertaken in areas of their jurisdictions for onward submission to Head Office through the PDC

2.1.3 Provincial/Metropolitan Councils

According to Section 13 of the Provincial Councils and Administration Amendment *Bill*, each province shall have a Provincial or Metropolitan Council. A Provincial Council shall consist of;

- (a) Minister of State for the Province;
- (b) The Mayor or Chairman and one other councillor appointed by each Municipal Council, Town Council, Rural District Council and Local Board within the Province;
- (c) One Chief appointed from amongst its membership by each provincial assembly of chiefs.
- (d) Three persons appointed by the President

According to the Provincial Councils and Administration Amendment Act, Provincial or Metropolitan Councils are responsible for among other things including;

- Planning and implementing social and economic development activities in their provinces;
- Co-ordinating and implementing governmental programmes in their provinces;
- Monitoring and evaluating the use of resources in their province.

- To promote the development of the province;
- Prepare annual development and other plans for the province;
- Review and evaluate the implementation of development plans and policies within the province;

2.1.4 Minister of State and Devolution

According to Section 10 of the Provincial Councils and Administration Amendment Bill, the roles of the Minister of State shall be to facilitate co-ordination between central and local government to ensure that national development goals are realized; foster synergistic relationships between the national planning agenda and programme implementation at local level; monitor and evaluate effective and efficient implementation of government programmes and projects in the provinces to ensure attainment of national aspirations and objectives; and report to the President on implementation of devolution funded projects as appropriate.

2.1.5 Ministry of Finance and Economic Development. (Treasury)

Section 301 of Constitution of Zimbabwe provides for Treasury to facilitate Intergovernmental and Fiscal transfers to Provincial and Local tiers of Government to support the devolution of governmental powers and responsibilities.

2.1.6 Procurement Regulatory Authority of Zimbabwe

According to Section 6(1)(a) of the Public Procurement and Disposal Act [*Chapter 22:23*], PRAZ should ensure that procurement is done in a transparent, fair, honest cost effective and competitive way. According to Section 6(1)(b) of the same act, PRAZ should monitor and supervise procuring entities. PRAZ evaluates tender documents on whether they have been prepared in compliance with the regulations and also helps in the specifications for bidders.

2.1.7 Local Authorities

According to Local Authorities Circular No 1, of 2019 Local Authorities should come up with projects proposals for their communities. The Local Authority should -:

- Submit the projects proposals to the Minister for approval at the start of each financial year.
- Open a dedicated bank account meant for devolution funds.
- Maintain separate books of accounts for accountability and reporting.
- Acquit all grant transfers made to them to be eligible for additional funds.
- Prepare reports on the economic, efficient and effective utilisation of disbursed funds.
- Ensure that projects being implemented are approved.

2.2 Process Description

From review of Local Authorities Circular 1 of 2019, NDS 1, Constitution of Zimbabwe, Devolution policy, the following key processes were identified to be critical in the implementation of devolution funded projects to enhance economic development in communities:

- Allocation and disbursement of devolution funds;
- Monitoring of Devolution funded projects focusing on the following:
 - Utilisation of devolution funds.

- Accounting and Acquittal records.
- Procurement processes
- Coordination

2.2.1 Allocation and Disbursement of Devolution Funds

Section 301(3) of the Constitution provides for Treasury to set aside at least 5% of the annual National budget for the purposes of devolution. According to Local Authorities Circular No.1 of 2019, MLGPW then allocates devolution funds to Local Authorities using an agreed framework based on population, poverty prevalence and infrastructure indices which are weighted at 20:30:50.

Following the allocation, each LA in consultation with key stakeholders who include residents should identify projects essential to stimulate economic development in their constituencies. Estimated budgets for projects are then forwarded to the Ministry of Local Government and Public Works at the start of the year for approval by the Minister. When budgets have been approved, Local Authorities then submit requests for disbursement of allocations on approved projects. Basing on the requests by LAs, the MLGPW then submit requests to Treasury for disbursement of required devolution funds. Treasury then transfers requested funds into the MLGPW bank account and thereafter the Ministry transfers the funds into individual LA bank account.

2.2.2 Monitoring of Devolution Funded Projects.

The MLGPW, through PDC and DDC is mandated by paragraph 43 of the Devolution and Decentralisation Policy to play an oversight role in monitoring devolution funded projects. DDC's should produce monthly monitoring reports and submit to the PDC's for onward submission to MLGPW Head Office.

Besides monitoring visits by PDC and DDC, the Department of Local Authorities under the Ministry Head Office are supposed to prepare a data base of devolution funded projects of all Local Authorities. From the database the department prepares annual work plans that will guide them to organize monitoring and support visits to Local Authorities to check progress on the implementation of projects. The scope of the visits includes, to get first hand appreciation, to proffer technical support as well as the following:

- **Utilisation of Devolution Funds**

The MLGPW has to monitor whether disbursed funds were being utilised as planned. According to Local Authorities Circular No.1 of 2019, in line with the Transitional Stabilisation Program, LAs are to use the disbursed Devolution funds on infrastructure development. Examples of such infrastructure, include development on schools, roads, procurement of Plant and Equipment, provision of water, sewer and any other related capital activities that may be deemed necessary to enhance economic development.

- **Accounting and Acquittal Records for Devolution Funds**

The MLGPW must ensure that all Local Authorities have opened a dedicated bank for devolution funds. This is in accordance to Local Authority Circular No.1 of 2019 which requires all devolution disbursements from the MLGPW to be deposited into this account. At the end of each financial year each Local Authority must prepare separate financial reports for devolution funds. The

financial reports would show how the devolution funds in a particular year were expended. The financial reports are annually submitted to the MLGPW.

Furthermore, the Circular also requires that all devolution funds must be acquitted. In preparing the acquittal, the Local Authority will provide details pertaining to the projects that were initiated, the date of commencement of the project, expected date of completion, funds expended on the project and current stage of the project. The acquittal should also describe the activities that took place leading up to, during and after the project. The acquittal must be submitted to the Ministry together with a performance report from the LAs internal audit detailing projects undertaken and an analysis of their intended impact as per project proposal. The report must also give status of work in progress.

- **Procurement**

The MLGPW should also ensure that Local Authorities are abiding to procurement processes when utilising devolution funds. Procurement processes must be in accordance to regulations as prescribed in the Public Procurement and Disposal of Public Assets Act [Chapter 22:23]. Amongst the essential procurement processes are those covered by the following sections in the Act:

(a) Annual procurement plan.

According to Section 22(1), for each financial year and no later than one month, a procuring entity shall publish, in summary form, the list of goods, construction works and services included in the entity's annual plan for procurement during the coming financial year.

(b) Evaluation committees of procuring entity.

According to Section 18(1), for each procurement above the prescribed threshold, the accounting officer of a procuring entity shall appoint an evaluation committee. The evaluation committee should submit evaluation reports to the Procurement Management Unit.

(c) Contract documents.

In accordance to Section 17(1)(j) the Procurement Management Unit of each LA is required to prepare all contract documents

2.2.3 Coordination

According to Section 265(3) of the Constitution, the MLGPW should facilitate enactment of the Provincial Councils and Amendment Bill. Section 17 of the Amendment Bill states that every Province should establish a Provincial Council. The Provincial Council is responsible for the implementation of social and economic development programmes in their domain which include coordination of devolution programmes. To achieve this, the Council must establish a Provincial Development Committee (PDC). The committee is composed of (a) the Provincial Administrator for the Province, (b) the Town Clerk, and Senior Council officer of either Municipal Council, Town Council, Local Board, or Rural District Council. (c) the senior officer in the province of the Police Force; the Central Intelligence Organization; the Zimbabwe National Army, the provincial head of each Ministry and other members representing other organizations and interests.

At least once in every three months the committee is supposed to hold joint Provincial meetings. Minutes of the meetings are to be recorded and the minutes are at all times to be open for inspection by any member of the public. Copies of the minutes are also supposed to be submitted to Head Office.

CHAPTER 3

3. FINDINGS

In this Chapter, I start by presenting findings on whether the MLGPW was monitoring the efficiency and effectiveness on the implementation of devolution funded projects by Local Authorities during the period 2019 to 2021.

3.1 Allocation and Disbursement of Devolution Funds

According to Section 301(3) of the Constitution, Treasury must allocate and disburse at least 5% of the annual National budget for the purposes of undertaking identified projects submitted by LA.

Review of budgets and disbursements reports by the MLGPW, revealed that allocation and disbursement of devolution funds commenced in 2019. Table 6 provides a comparison between Constitutional budget provision and actual allocations from 2019 to 2021.

Table 6: Devolution Annual Budget compared against actual allocations.

	2019 ZW \$	2020 ZW \$	2021 ZW \$
Annual National Budget	17 136 414 000	60 747 836 564	464 873 772 981
5% Constitutional Devolution Provision	856 820 700	3 037 391 828	23 243 688 649
Devolution Budget Allocation	703 000 000	2 932 000 000	19 540 000 000
Shortfall	153 820 700	105 391 828	3 703 688 649
Shortfall (%)	18	3	16

Source: Budget Estimates and Financial reports

Analysis of the Table 6, shows that actual budget allocation was less than the 5% of the Constitutional provision of the National Budget. The discrepancy ranged from 3% to 18%.

Audit also noted discrepancies between the actual budget allocation and the amount that was disbursed as indicated in Table 7.

Table 7: Devolution Funds allocated and disbursed from 2019 to 2021

	2019 ZW \$	2020 ZW \$	2021 ZW \$
Devolution Budget Allocation	703 000 000	2 932 000 000	19 540 000 000
Amount Disbursed	658 624 863	1 035 445 396	1 162 000 000
Shortfall	44 375 137	1 896 554 604	19 333 800 000
Shortfall (%)	6	65	94

Source: Budget estimates and financial reports.

Analysis of Table 7 shows that for the period under review, discrepancies between budget allocations and amounts disbursed ranged from 6% to 94%.

As highlighted from the correspondences between the MLGPW to Treasury as well as interviews with officials from CCH and RLB most devolution funded projects had stalled due to non-disbursement of allocated funds. Non disbursement of funds was due to non-release of funds by Treasury. The correspondences availed to audit indicated that the MLGPW was inundated with letters from Local Authorities of contractors threatening litigation due to non-payment of invoices.

Management Response

- a) The 5% is calculated on collections only not on total resources in the budget.***
- b) Concern of the Ministry has been more on disbursement of the allocated funds which is continuously deteriorating.***
- c) It is true that requests by LAs are received and the Ministry request for releases which do not come in most cases.***
- d) Local Authorities are procuring only when they have received funds. This has also its challenges as the procurement process takes long while the value of the funds decreases due to inflation.***

Auditor's Evaluation

The 5% is determined during the budget process and this is done before collections have been received. The understanding is that budgeted funds are going to be collected in full. If the budgeted funds are less than collections Treasury would then consider a supplementary budget.

Auditors however have noted that there has been no response on how the Ministry will address the challenge of projects that have stalled, because there are now issues of litigation on Local Authorities.

3.2 Monitoring of Devolution Funded Projects

According to paragraph 43 of the Devolution and Decentralisation policy, the MLGPW, through Provincial and District Development Coordinators plays an oversight role in monitoring devolution funded projects. To facilitate monitoring, 10% of the devolution budget allocation will be reserved for operational grant and will be shared equally between the Provincial/Metropolitan Councils (5%) and Local Authorities (5%).

The MLGPW was unable to avail to audit work plans and monitoring reports on implementation of devolution funded projects. Interviews held with Ministry officials revealed that they were unable to conduct scheduled monitoring programmes of devolution funded projects. The Ministry officials indicated that they were unable to conduct scheduled monitoring visits as funds for that purpose had not been budgeted for by the Ministry. The Ministry had resorted to conducting adhoc investigations whenever stakeholders had raised complaints. Audit was availed with an adhoc investigation report that was conducted by the Ministry on nine (9) Local Authorities in 2020. A summary of the contents of the report is on Annexure C. According to MLGPW officials the investigation was only possible through the Ministry Appropriation budget.

Furthermore, operational grants that were allocated to PDCs and DDCs to use in monitoring devolution projects were not disbursed. Table 8 highlights a comparison between the operation grant allocations and disbursements for the period under review.

Table 8: Allocations vs. Disbursements

	2019 ZW \$	2020 ZW \$	2021 ZW \$
Operation Grant Allocation	35 150 000	293 200 000	977 000 000
Operation Grant Disbursed	Nil	Nil	Nil
Board fees Disbursed	1 953 382	1 894 125	1 739 782

Source: Devolution budgets and Financial Reports

Analysis of Table 8 indicates that the operational grants were not being released to Provincial Councils (PCs) for the period under review. To the contrary, Board fees were being disbursed although they had not been allocated or budgeted for. According to interviews held with management from the MLGPW, it was revealed that the operational grants were not being released as there were no Provincial Councils who are supposed to utilise the funds. Management highlighted that PCs will only be in existence once the Provincial Councils and Administration Amendment Bill had been signed into law.

Table 8, shows that between 2019 and 2021, the Ministry paid \$1 953 382, \$1 894 125 and \$1 739 782 respectively in board fees to Councilors. Audit noted that although the Councilors were being paid board fees, there were no minutes to provide evidence that they had been doing any devolution related activities. Interviews with officials revealed that the Councilors had not yet been sworn in as the legal instrument which is the Provincial Councils and Administration Amendment Act [Chapter 29:11] had not yet been signed into law. From the interviews, it was revealed that currently, the Councilors are performing other duties but not related to devolution.

Management Response

- a) Operational grants are not for the use of the Ministry but the respective council which is meant to facilitate smooth implementation of projects. This Ministry does not have a direct support for monitoring of Devolution. It should be noted that the Constitution does not allow utilisation of Intergovernmental Fiscal Transfers by central government. Provincial Councils are not yet operational hence the non-release of operational grants.***
- b) Two Scheduled monitoring visits have been done jointly with Ministry of Finance to date. Each visit was covering three provinces. The recent one covered Matabeleland South, Masvingo and Manicaland. It should be noted that the Devolution Circular No 1 of 2019, states that most of the monitoring will be done at Provincial and District Level.***
- c) Provincial Councils are not yet operational but the Provincial Councillors are in place and they are a creation of the Constitution hence the payment of their allowances as observed.***
- d) The principles of the Provincial Councils and Administration Act were approved and the Ministry has since sent drafting instructions to the Attorney General in 2022 after the Constitutional Amendment***

Auditor's Evaluation

In the absence of the Provincial Councils, the Ministry should design adequate mechanisms to monitor these funds. The two visits conducted reveal that only 6 Provinces were monitored once since 2019.

As a result of inadequate monitoring, audit discovered the following inadequacies

3.2.1 Utilisation of Devolution Funds

According to Local Authorities Circular No.1 of 2019 of the MLGPW, in line with the Transitional Stabilisation Program, Local Authorities are to use devolution funds for construction and development of Schools, Roads, Plant and Equipment, Water, Sewer and Solid Waste, Electrification and any other related capital activities that may be deemed necessary for service provision.

Audit was unable to determine the number of projects that had been undertaken at national level using devolution funds. Interviews held with MLGPW management, revealed that the Ministry had no database of devolution projects that had been carried out by Local Authorities.

However, review of devolution progress reports by the City Council of Harare and Ruwa Local Board as well as interviews held with officials from the respective authorities, revealed that the devolution funds had assisted in undertaking a number of projects. From review of project reports for the period 2019-2021, audit noted that the two LAs had planned to implement a total of twenty seven (27) projects using devolution funds.

Of the twenty seven (27) projects, audit noted that twenty (20) projects were for City Council of Harare. **Annexure A** shows the twenty (20) projects that the CCH had budgeted to undertake using devolution funds. Analysis of the Annexure reveals that on average, the stage of completion for the projects was at 18.4%. Refer to Table 9.

Table 9: Summarised Stage of Completion for City of Harare Projects

Nature of Project	Number of Projects	Stage of completion (%)
Water supply	4	0
Sanitation	3	0
Sanitation	1	60
Refuse collection	6	0
Refuse collection	1	15
Refuse collection	1	33
Refuse collection	1	100
Sewer reticulation	1	100
Health services	1	0
Decongest City	1	60
	Total 20	Average Completion 18.4

Source: Project Reports

Analysis of Table 9 indicates that only 2 devolution funded projects were completed by the City Council whilst 14 budgeted and approved projects were yet to begin at the time of conducting the audit on November 26, 2021.

Review of the Devolution Funded Projects Template and Acquittal Reports revealed that Ruwa Local Board utilised devolution funds on seven (7) projects. For implementation progress on projects by the RLB refer to Table 10. The projects that were implemented using devolution funds included purchase of motorized grader, refuse truck, and drilling of three (3) solarized boreholes. For details refer to **Annexure B**.

Table 10: Summarised Stage of Completion for Ruwa Local Board Projects

Nature of Project	Number of Projects	Stage of Completion (%)
Water supply	1	100
Water supply	1	5
Water supply	1	10
Refuse collection	1	100
Health services	1	10.6
Road Construction	1	100
Education	1	3.6
	Total 7	Average Completion 45.6

Source: Project Reports

Analysis of the Table 10 indicates that the average stage of completion was 45.6%. Further analysis shows that out of the seven (7) projects, three (3) projects were completed. The stage of completion for the other projects was between 3.6% and 10.6%.

Management Response

- a) A list of devolution projects is there but may not be comprehensive**
- b) The issue of non-completion of projects is also due to spreading of the little resources that are disbursed. Councilors want to see at least something being done in their wards for political reasons. Prioritization of projects has improved but is still a challenge.**

Auditor's Evaluation

The list is however not a database and furthermore the list does not provide important details on progress of the projects.

Projects that Councilors want to undertake in their wards using Devolution funds, should be submitted to their Local Authorities during planning and budgeting processes done at the beginning of every year.

The Ministry should monitor to ensure that projects commenced in a constituency are completed before embarking on new projects.

3.2.1.1 Completed Projects

From review of progress reports, audit gathered that out of the 27 projects by the 2 LAs, only 5 projects had been completed. Below are some of the projects that were completed using devolution funds by the CCH and RLB.

Ruzivo Stream Crossing

This is a sewer trunk line under City Council of Harare as shown by picture A. The project was commenced by the CCH in October 2018 using council revenues amounting to USD2 609 461. According to the contract the project was supposed to be completed within 6 months. The project was completed using devolution funds to the tune of USD1 984 766. According to interviews with CCH officials, sewer trunk line was upgraded from 25 to 42Megalitres (ML) carrying capacity. The raw sewage will be conveyed from Marimba and Mufakose residential areas to Crowbrough Treatment works. The trunk line has assisted residents of Mufakose suburb from sewerage outbursts which had become a daily eyesore, with residents at the risk of contracting water borne diseases.

Picture A: Ruzivo Stream Crossing



Source: Picture taken on site by OAG

Skip Bins

CCH procured 40 skip bins in 2021 using devolution funds.

Picture B: Skip Bin



Source: Picture taken on site by OAG at Montague Shopping Centre

Analysis of the picture reveal that although the CCH had procured the skip bins, there was minimal improvement in refuse collection and disposal.

Borehole drilling

The Ruwa communities were having challenges on accessing clean water. The RLB utilized devolution funds in drilling three boreholes in Damofalls, Zimre Park and Ruwa Location (Spar solar powered borehole). Audit gathered that the boreholes had gone a long way in assisting residents to obtain clean water. **Picture C**, shows one of the boreholes that was drilled by the Local Board.

Picture C: Spar solar powered Borehole



Source: Picture taken on site by OAG

Refuse Truck

The truck was procured in 2019 by the RLB using devolution funds. According to an acquittal report by the RLB, the refuse truck benefited the community as residential suburbs including Timire Park & Cranbrook were now being serviced with refuse collection frequently. **Picture D** shows the refuse truck at Timire Park.

Picture D: Refuse truck



Source: Picture taken on site by OAG

Motorized Grader

The grader was procured by the RLB in 2020. According to interviews with management from RLB, the grader had made it easy for the Local Board to repair roads. Before purchase of the grader, they were outsourcing private players to repair roads. **Picture E** shows the Motorized Grader.

Picture E: Motorized Grader



Source: Picture taken on site by OAG

Management Response

Impact of project completion may require an analysis of pre and post project completion date. The actual impact on the dumps in Harare may not be appreciated without such. Skip bins also will require skip trucks so complementary equipment or activities may delay realization of the impact. Certain deliverables are also affected by governance issues that may not necessarily mean the investment was misplaced.

3.2.1.2 Uncompleted projects

Although the two LAs had made strides to develop their communities using devolution funds, audit noted that 22 out of the 27 projects had not been completed. Of the 22 uncompleted projects audit visited 6 projects as shown in Table 11.

Table 11: Percentage Completion of Uncompleted Projects

Project	Start Date	Planned Completion Date	Completion (%) as at 31/12/21
Rujeko Primary School	13/10/21	17/12/21	3.6
Damofalls Clinic	27/06/21	15/11/21	10.6
VSD Installation (Water Plant)	15/9/21	30/12/21	0
Water Reactor 5 MG (Water Plant)	1/8/21	4/11/21	5
Seke Road Market	1/1/20	15/3/20	60
Morton Jeffrey	24/10/19	31/12/21	60

Source: Project progress reports

Seke Road Market

This is a market place for vendors to sale their wares. The project started in January 2020 and according to the contract (CCH and Kingson Engineering Private Limited) signed on May 13, 2020 the project was supposed to be completed in 10 weeks.

Picture F: Seke Road Market



Source: Picture taken on site by OAG

Audit gathered that upon completion, the market place will accommodate about 1 200 hawkers who are currently operating in open space. At the time of inspection, October 19, 2021, audit established that although all the budgeted funds (ZWS\$ 15M) had been received and utilised, the project was 80% complete. Interviews with Council officials indicated that the non-completion was because the initial structure that was planned had been changed. Vendors who intended to use the market place were therefore currently using temporary shelter adjacent to the new market exposing them to the vagrant of nature, like rainfall. **Picture G** shows the open space currently being used by vendors.

Picture G: Open space vending site



Source: Picture taken on site by OAG

Picture H: Damofalls Clinic



Source: Picture taken on site by OAG

The clinic was being constructed by the RLB using Council revenues. However, the Council was now utilising devolution funds to construct a perimeter fence and tiling of the floor. Review of the council budgets revealed that the expenditure for the fence and tiling was not budgeted for.

Picture I: Rujeko Primary School



Source: Picture taken on site by OAG

The school was being built using devolution funds. The project was initiated by the community. The RLB then came on board to assist in the building of the school using devolution funds. From review of budgets and interviews with officials, audit noted that the project was not budgeted for under devolution funds.

Picture J: Water Plant



Source: Picture taken on site by OAG

The project was being financed from devolution funds. Devolution funds amounting to \$5 688 854 were disbursed by the MLGPW towards the project. The funds were supposed to be expended on sealing of joints, replacement of Nozzles and installation of VSDs on existing raw water pump to regulate output at Greenskyes dam. At the time of audit on November 15, 2021 the water plant and the reactors were between 0% and 5% complete. Audit established that although the project was budgeted for, some of the disbursed funds were diverted towards construction of unbudgeted Damofalls Clinic and Rujeko Primary School projects.

Management Response

The issue of non-completion of projects is also due to spreading of the little resources that are disbursed. Councilors want to see at least something being done in their wards for political reasons. Prioritization of projects has improved but is still a challenge.

Auditor's Evaluation

The Ministry should request progress reports of current projects before funds are released as a monitoring mechanism.

Review of project progress reports revealed that non-completion of projects was a result of the following:

(a) Delay in Utilisation of Funds

From review of financial reports for the period 2019 to 2021 and interviews held with management, audit noted that after disbursement of devolution funds by the MLGPW, utilisation of the funds could in some instances, take more than six months. For example, from review of bank statements of RLB, audit noted that of the \$20 482 315 that was received between June and September 2021, \$17 182 809 had not been utilised as at 17 December 2021. In another case the RLB also

received \$3m on the 10th of February 2020 and only utilised the funds 5 months later on 27 July 2020.

An investigation report issued in 2020 by the MLGPW also revealed that some LAs failed to timely utilise devolution funds. Amongst these LAs were Kusile, Binga and Umguza RDC. According to the report, the three RDCs attributed delays to procurement processes which were negatively affected by price variations due to inflation. This inevitably resulted in retendering of most contracts as required by the Procurement Regulatory Authority of Zimbabwe (PRAZ). Kusile RDC received two tranches of the fiscal transfer funds amounting to \$965 000. The Local Authority had not utilised the \$600 000 received in September 2020 on the second disbursement. Umguza RDC cited the major challenge was on long bidding periods as provided for in the Public Procurement and Disposal of Public Assets Act [Chapter 22:23]. According to the Act, procuring entities shall afford bidders a reasonable period for preparation and submission of their bids.

Review of tender correspondences in 2020 between MLGPW, RLB and PRAZ revealed that the process to purchase a motorised Grader took six months to be completed. The procurement process for the grader with tender number RLB09/2020 was initially published in the Government Gazette of February 14, 2020 and another tender for the same Grader was done on July 22, 2020. When the tendering process was started, the Grader was valued at \$5 736 000. However due to delays in the tendering processes, the Grader was purchased for \$24 799 383. The correspondence from RLB to MLGPW indicated that, the delay was because the tendering process had to be restarted as initial bids expired due to Covid-19 induced lockdowns.

Management Response

Delay in utilisation of resources is due to several factors as highlighted by audit. Procurement process issues are a national problem which obviously require continuous capacity building to improve utilisation of disbursed funds.

Auditor's Evaluation

The Ministry should intensify monitoring visits. The Ministry is encouraged to work closely with PRAZ whenever they are faced with challenges.

(b) Undertaking of Unapproved Projects

Comparative analysis of the approved projects schedule against projects that were undertaken revealed instances when the two Local Authorities undertook projects/programs that had not been approved. Table 12, highlights the unapproved projects undertaken by the two Authorities.

Table 12: Examples of Unapproved Projects

Year	Local Authority	Project	Cost
2019	Harare	Water Chemicals	\$20 000 000
2019	Harare	Coca Cola Market	\$15 000 000
2020	Harare	Water Chemicals	\$394 561 091
2020	Harare	Morton Jeffrey	\$7 916 802
2020	Ruwa	Purchase of Grader	\$19 063 383
2021	Ruwa	Rujeko Primary School	\$2 129 379
2021	Ruwa	Damofalls Clinic	\$1 040 874

Source: City of Harare and RLB draft financials

Table 12 indicates that the CCH had in 2019 and 2020 used \$414 561 091 of the devolution funds to procure water chemicals. This represents 74% of the disbursements made to the CCH during the period under review. Review of approved budgets for CCH revealed that procurement of chemicals was supposed to be funded by revenues generated by the Council. Use of devolution funds for operational expenditure was contrary to the devolution objectives which required the funding to be utilised for capital projects.

Furthermore, review of the 2019 CCH budgets and interviews held with management, revealed that the Coca Cola market project had not been included in the 2019 approved budget. From review of bank statements, audit noted that the MLGPW deposited \$15 million into CCH bank account on June 2019. The CCH had no approved project to utilise the funds. As a result, the funds lay idle in the Council bank account from June 2019 to January 2020.

Interviews with the RLB revealed that the Local Authority used \$19 063 383 of council revenues to acquire a grader as devolution funds that been disbursed amounting to \$5 736 000 were not enough. The Board also commenced construction of Rujeko Primary School and Damofalls Clinic using funds that had been budgeted for the Water Plant.

Management Response

- a) The Coca Cola Market was not funded by devolution but Public Sector Investment Program (PSIP). The funds were released specifically for the project to deal with decongesting of Mupedzanhamo Market.***
- b) Diverting of devolution funds can be controlled by improved monitoring.***

Auditor's Evaluation

According to Devolution Consolidated Acquittal report by City of Harare in 2020, the project was included on the devolution funded projects. There is therefore need for the Ministry of Local Government and Public works to improve coordination and monitoring and ensure that Devolution and PSIP funds are separated for accountability purposes

3.2.2 Procurement

Section 22 (1) of the Public Procurement and Disposal of Public Assets Act [Chapter 22:23] states that procuring entity shall prepare a procurement plan. Also according to Section 67 of the Public Finance Management (Treasury Instructions) of 2019, the Accounting Officer shall ensure that the conditions of a contract are complied with and applied consistently throughout the procurement cycle. There shall be no variations on quality of goods and services requested and delivered; delivery time; and payment methods and timing.

Audit noted that due to inadequate monitoring by the MLGPW, there were instances when procurement processes by CCH and RLB, were not being done in accordance with Public Procurement and Disposal of Public Assets Act [Chapter 22:23]. The processes that were not being done included procurement of items not on the procurement plan, excessive price variations, and non-delivery of purchased items.

My review of a Departmental memorandum dated November 11, 2019 from the Director of Housing and Community Services and interviews held with the principal buyers for City of Harare's Housing and Water Sanitization and Hygiene (WASH) on October 13, 2021, revealed

that the Seke road market infrastructure developmental project was not included in the procurement plan. Audit also discovered that purchase orders were issued before there was a contract. The Procurement Management Unit issued purchase orders to the supplier on January 16, 2020 whilst the Departmental memorandum that notified the awarding of contract to Kingson Engineering was signed on February 26, 2020.

Audit also noted cases of price variations regarding 3 projects that were being implemented by CCH and RLB. On average there was a price variation increase of 154%. Refer to Table 13. In one of the projects (Ruzivo Stream Crossing), there was a price variation increase of 89%. This was revealed in a memorandum from the Supply Chain Manager to the Town Clerk dated April 12, 2021 requesting approval of price variation. According to the memorandum, an order for Kingson Engineering Pvt Ltd for ZWL\$582 400 was submitted for payment on October, 1 2020 but was not paid. The supplier wanted a payment of ZWL\$1 102 468 citing an inflationary environment. Table 13, highlights other instances when there were excessive variations.

Table 13: Price variations for Ruwa Council and Harare City council

Local Authority	Projects	Price Quoted \$	Actual expenditure	Variation	Increase
Ruwa Local Board	Purchase of Refuse Truck	874 000	1 245 623	371 623	42%
Ruwa Local Board	Purchase of Grader	5 736 000	24 799 383	19 063 386	332%
Harare City	Ruzivo stream crossing sewer	582 400	1 102 468	520 068	89%
Average					154%

Source: financial statements for the period 2019 - 2021

Audit also noted violation of Section 67 of the Public Finance Management (Treasury Instruction) of 2019 by the CCH in procurement of materials for the Seke Road market. According to inspections and documentary review, audit noted that on January 14, 2020, the City Council procured 27 000 bricks from Beta Bricks. At the time of conducting the inspection on October 28, 2021 the bricks had not yet been delivered. From interviews with CCH Project Manager, it was indicated that the bricks were safer to be kept at Beta Bricks.

Furthermore, I also discovered during inspections that there were 3351 bags of cement bought for the Seke Road market. The bags of cement were bought on January 9, 2020 and were being kept at the CCH storage warehouse at Nyenyere in Mbare suburb. Interviews with Project Manager revealed that they had procured the cement with the intention to use it on the project. However, the cement had not been used as progress on the project had stalled due to changes on the initial plan of the structure. **Refer to Picture K.**

Picture J: Bags of cement at Nenyere Stores



Source: Picture taken on site by OAG on 28 October 2021

These bags of cement have been in stock for about 22 months and audit observed that 50% of the bags had hardened and may not be usable. Interviews with the Project Manager indicated that there were no arrangements in place to use the cement although review of the stock/bin card revealed that 169 bags of cement had been issued out to other projects by the City Council.

Management Response

Undertaking of unbudgeted projects has also been noted by the Ministry. There will be budget implementation monitoring that will be undertaken by the Ministry to ensure approved budgets are complied with. In some instances, some projects are undertaken by Local Authorities to deal with problems that will have been identified during the year and require urgent attention. This may be initiated by Central Government or Council. In the case of Council, there is need to request the Minister's authority to divert the funds.

According to the Projects manager, procured bags of cement and bricks were kept due to the change of project plans. This is still the position the council is maintaining. The Ministry will however follow up on the issue and ensure that the council get value out of the procured items where possible. Keeping bricks at the manufacturer, though convenient to the council, it is too risk and the Ministry will ensure that the bricks are collected and utilized.

3.2.3 Devolution Accounting Acquittals and Records

According to Circular No.1 of 2019 each Local Authority must open a dedicated bank account, and books of accounts should be maintained separately to facilitate accountability and reporting in line with the provisions of the Public Finance and Management Act [Chapter 22:19]. At the end of each financial year an acquittal must be submitted to the MLGPW together with a performance report from the LA's internal audit detailing projects undertaken and an analysis of their intended impact as per project proposal. The report must give status of work in progress.

From analysis of the bank statements for CCH, audit discovered that the Council had opened a dedicated bank account for devolution funds in 2019. Review of the bank statements however revealed that the MLGPW was still transferring devolution funds into the Council's holding account instead of the dedicated devolution bank account. The City Council would then transfer some of the funds from the holding account into the dedicated bank account. Audit noted that despite this arrangement, bank reconciliation statements were not being done. From the investigation that was conducted on devolution funded projects by MLGPW officials in 2020, it was noted that Chipinge and Buhera RDC's devolution funds were being received in the main account. This was in violation of the Local Authorities Circular No 1 of 2019 which states that a dedicated bank account must be opened and books of accounts should be maintained separately to facilitate accountability.

Analysis of an investigation report held on 14 September 2020, and interviews held with management from CCH and RLB revealed that the LAs had not been preparing separate books of accounts for devolution funds. From the interviews with management at CCH, audit was informed that the MLGPW, had not given guidelines on how the separate accounts would be prepared.

The Ministry was also unable to avail acquittal reports for devolution funds that had been released to 92 Local Authorities for the period 2019 to 2021. At CCH, audit was only availed with excel schedules on how funds had been utilised. Also analysis of schedules indicated that devolution funds from MLGPW and CCH funds had not been separated. Audit was therefore unable to rely on the excel schedules which could be manipulated. Audit however noted that the RLB, had been preparing acquittal reports. The acquittal reports were however not supported by internal audit reports.

Review of bank statements in 2020 and 2021 revealed instances when devolution funds could have been misapplied. Audit noted that the CCH transferred devolution funds amounting to \$32 686 017 from the devolution account to the City Council main account. Audit was not availed with acquittals on how the funds were utilised. Reasons why devolution funds were being transferred to the holding account were not availed. Table 14 shows the dates and the amounts that were transferred.

Table 14: Devolution Funds Transferred from the Devolution Account to City Council of Harare Main Account.

Date	Recipient	Purpose	Amount (\$)
11/12/20	City of Harare	Not Disclosed	2 500 000
11/12/20	City of Harare	Not Disclosed	2 771 300
24/6/21	City of Harare	Creditors	7 006 029
27/8/21	City of Harare	Not Disclosed	10 190 500
27/8/21	City of Harare	Not Disclosed	6 219 100
18/10/21	City of Harare	Not Disclosed	9 270 388
Total			\$32 686 017

Source: CABS Account Bank Statements.

An investigation report by the MLGPW in September 2020 also revealed a number of instances when LAs ended up not utilizing devolution funds in line with devolution objectives. According to the report, Bindura Municipality diverted and expended devolution funds by purchasing tyres and servicing of the C.E.O, Treasurer and Bindura Community Share Ownership trust vehicles. Epworth RDC, Financial Director was reported to have diverted devolution funds to pay travel and subsistence allowances as well as buying provisions. For more examples on instances when devolution funds were being diverted refer to **Annexure C**.

Management Response

- a) Disbursements are made into bank accounts with vendor numbers. In most instances the account could be there but without a vendor number. The Ministry will however ensure all Local Authorities get vendor numbers for the Devolution Accounts.***
- b) This again can be improved by strengthening monitoring of LAs.***

Auditor's Evaluation

The management response does not state why funds were being diverted by the City Council.

3.3 Coordination

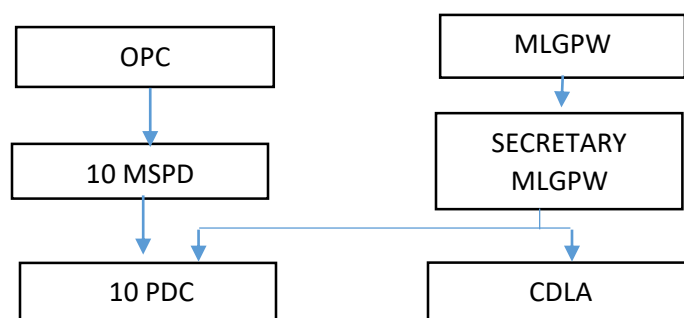
To enhance effectiveness in the oversight role, the National Development Strategy 1(NDS 1) item 118, states that the MLGPW should formulate and enact a legal framework to use in coordination and monitoring of devolution funded projects by LA's. According to Section 265 (3) of the Constitution, the MLGPW is supposed to do an amendment of the Provincial Councils Administrative Act. The amended Act would provide appropriate mechanisms and procedures to facilitate co-ordination between the Ministry, Provincial/Metropolitan Councils and Local Authorities.

Interviews with management from the MLGPW revealed that there was currently no legal instrument to provide appropriate mechanisms and procedures to facilitate coordination between the MLGPW and other key stakeholders. It was revealed that amendment of the Provincial Councils Administrative Act had not yet been passed by Parliament to become law as it was

gazetted on March 31, 2021 and at the time of audit June 16, 2021 the Bill was still at the Attorney General's office for inspection.

Analysis of the devolution program structure revealed that devolution was being administered by MLGPW and the MSPD. Refer to Chart 2

Chart 2: Devolution Program Structure



Source: Devolution Structure

As per the structure above the PDC has a dual reporting relationship, to the Secretary of MLGPW as well as to the MSPD. Interviews with MLGPW management indicated that the devolution program was being administered and monitored by both the MLGPW and the MSPD. Despite this arrangement, there was no evidence of interaction between the two Ministries as there were no legal mechanisms and procedures to facilitate coordination.

Audit also obtained that if the amended Act becomes law, it could assist the MLGPW in dealing with current coordination gaps. For instance, if the Act becomes law, it could enable establishment of the Provincial Councils. From review of the draft Act, it was established that the Provincial Councils could provide appropriate mechanisms and procedures to facilitate co-ordination between the MLGPW, LAs, key stakeholders and citizens. Section 270 of the Constitution also provides that Provincial or Metropolitan councils will be responsible for co-ordinating and implementing governmental programmes in its province.

Management Response

The issue of coordination may need further assessment of real issues on the ground. Audit recommendations will help the system to synergise efforts by different departments and different levels of Government for the benefit of devolution agenda.

Auditor's Evaluation.

A number of issues were identified and included in this report indicating instances when devolution projects were not being coordinated with all stakeholders. For instance, issues of uncompleted and unapproved projects

There were also no minutes to indicate that various stakeholders were meeting to deliberate on devolution programs.

CHAPTER 4

4.0 CONCLUSIONS

General Conclusions

The MLGPW has managed to allocate and disburse devolution funds in line with the Constitution of Zimbabwe. However, disbursements have been far less when compared with allocations made. Despite inadequate disbursements, the two LAs namely City Council of Harare and Ruwa Local Board have made strides in improving their communities by assisting in the provision of clean water, sewerage disposal, road repairs etc. The Ministry has however not been effectively monitoring implementation of devolution funded projects. This culminated in most devolution funded projects not being completed. Besides none completion of projects, inadequate monitoring led to CCH not preparing devolution acquittal reports, and in some instances procurement regulations were being flouted.

Specific conclusions;

4.1 Monitoring of Devolution Funded Projects

Although the MLGPW has been disbursing devolution funds, the Ministry has not been adequately monitoring LAs to assess whether funds were being utilised effectively. Inadequate monitoring has been caused by none availability of funds to conduct scheduled monitoring programmes as no provision had been made in the budget. Furthermore, there was no database of the projects that are being implemented by LAs to enable the Ministry to plan accordingly.

As a result of inadequate monitoring the following conclusions can be made;

4.1.1 Utilisation of Devolution Funds

LAs have managed to utilise devolution funds to develop their communities. However, completion of most projects is taking long. Furthermore, there were instances when CCH and RLB were utilising devolution funds on unapproved projects and in other instances, the LAs took long to utilise disbursed funds.

4.1.2 Procurement

Local Authorities are taking advantage of inadequate monitoring to flout procurement procedures.

4.1.3 Devolution Accounting Records and Acquittals

The MLGPW is not making follow-ups on LAs to provide acquittal reports and ensure separate accounting records and reports for devolution projects are maintained

4.2 Allocation, and Disbursement of Devolution Funds

The MLGPW is managing to make allocations of devolution funds to all the LAs. However, the Ministry has not been able to disburse allocated funds in full. This is contributing to delays in completion of projects.

4.3 Coordination

The MLGPW is failing to effectively coordinate devolution related activities. This has been attributed to the absence of initiatives by management and the Provincial Council and Administrative Amendment Act, which provides for the establishment of the Provincial Council which coordinates devolution activities.

CHAPTER 5

5.0 RECOMMENDATIONS

5.1 Monitoring of Devolution Funded Projects

The Ministry should budget for monitoring activities in order to plan for the carrying out of regular monitoring and support visits to local authorities. This would mitigate misuse or misappropriation of devolution funds. Further the Ministry should come up with mechanisms to enforce Local Authorities to give regular updates on progress of projects being implemented using the devolution funds. The Ministry should also establish a database of all the devolution funded projects. Having a database, will enable the Ministry to plan monitoring activities. Amongst the key variables or elements that the Ministry should monitor include the following:

5.1.1 Utilisation of Devolution Funds

The Ministry should consider introducing a template that Local Authorities complete detailing how funds have been utilised. Furthermore, the MLGPW should ensure that devolution projects that are being undertaken by LAs have approved budgets before funds are released.

5.1.2 Procurement

To reduce loss in value of disbursed devolution funds, the MLGPW should ensure disbursements are only processed when the LAs have completed procurement processes so that when the funds are received, there are paid direct to service providers. The Ministry may also consider setting up time frames for the disbursed funds to have been utilised.

5.1.3 Devolution Accounting Records and Acquittals

The MLGPW should enforce the LAs to open a dedicated bank account for devolution funds and at the same time provide guidelines on preparing accounting records and reports required for devolution funds. Devolution reports should also be separated from other financial reports by the LAs.

5.2 Allocation and Disbursement of Devolution Funds

The MLGPW should ensure that disbursements are done based on invoices submitted by LAs. This will eradicate instances when disbursements are done to LAs and funds are kept in the bank account when other LAs are facing litigation from service providers including contractors for failing to settle debts.

5.3 Coordination

The MLGPW should make constant follow-ups to expedite enactment of Provincial Councils Administrative Amendment Bill into an Act of Parliament. This will enable the establishment of Provincial Council structures who will be able to assist in coordinating devolution programs in areas of their jurisdictions.

Annexure A: Devolution Projects by City Council of Harare as at December 31, 2021

PROJECT NAME	PROJECT PLANNED SCOPE OF WORK	BUDGET ZW\$	EXPECTED OUTCOME	BUDGET UTILISED ZW\$	PROGRESS VS PROJECT IMPLEMENTATION PLAN
WASH	Smart Water Meters (Meter Replacement)	36,559,300	Improve water supply	0.00	0%
	Rehabilitation of Pump Stations(1,2 and 3) at MJ	210,000,000	Improve water supply	0.00	0%
	Rehabilitation of (Ultrasonic) Flowmeters	9,000,000	Improve water supply	0.00	0%
	Valve Replacement	100,000,000	Improve water supply	0.00	0%
	Rehabilitation of Kuwadzana 1 km sewer line	93,170,000	Improve sanitation	0.00	0%
	Rehabilitation of collapsed sewer lines	12,530,000	Improve sanitation	0.00	0%
	Construction of the aerated lagoon	22,000,000	Improved sanitation	7 492 599	60%
	Rehabilitation of Crowborough digesters	120,000,000	Improved sanitation	0.00	0%
	Purchase of land fill compactor	58,063,000	Improve refuse collection	19 008 527	33%
POMONA	Purchase of land fill dozer	65,076,265	Improve refuse collection	0.00	0%
	Purchase of excavator	12,750,000	Improve refuse collection	0.00	0%
	Seke Road Market	0	Decongest the City from vendors	15 000 000	60%
	Ruzivo Stream Crossing	582 400	Improve sewer reticulation	1 102 468	100%

WASTE DISPOSAL	Purchase of skip bins	41,575,735	Improve refuse collection	41 432 000	100%
	Rehabilitation Pomona & Golden quarry dumpsite	71,400,000	Improve refuse collection	0.00	0%
	Supply and Delivery of Refuse compactors (10)	175,000,000	Improve refuse collection	0.00	0%
	Purchase of front end loader (Supply and delivery)	51,000,000	Improve refuse collection	0.00	0%
	Purchase of 3 Tipper Trucks	28,050,000	Improve refuse collection	0.00	0%
	Supply and Delivery of landfill dozer and landfill compactor.	123,139,265	Improve refuse collection	19 008 527	15%
HEALTH SERVICES	Construction Mabvuku polyclinic administration block.	46,800,000	Improve health services delivery	0.00	0%

Annexure B: Devolution Projects by Ruwa Local Board as at December 31, 2021

WASTE	Refuse truck	874 000	Improve refuse collection	1 245 623	100%
WASH	Drilling and equipping of 3 solarised boreholes and establishing of 10 water points.	882 275	Improve water supply	882 275	100%
	5ML Water Reactor FC Repairs-nozzles	4 413 854	Improve water supply	-	5%
	Variable Speed Drives(VSD) installation at Greenskyes	1 275 000	Improve water supply	-	0%
	Rujeko Primary; Construction of 2 classroom blocks	43 000 000	Improve education service delivery	1 550 697	3.61%
	Damofalls Clinic- Boundary Wall, floors and tiles	9 000 000	Improve health service delivery	950 815	10.6%
	A brand new motorised grader 140GC	5 736 000	Improve road accessibility	5 736 000	100%

Annexure C: Findings of Investigations carried on 9 Local Authorities Visited by the Ministry in 2020.

Local Authority	Projects being implemented.	Challenges	Risks
Chipinge RDC	<ul style="list-style-type: none"> -Council procured furniture for 30 schools. - Council procured a motorcycle, an Isuzu lorry, a tractor, a tipper trailer and towed grader. - 2 classroom blocks were constructed at Mbire Primary School and 1 at Goko and Charuma Primary Schools. -Construction of market stalls at Checheche Growth Point. -Drilling of a borehole at Jopa Market. -Construction of a Poly-Clinic staff house at Checheche. 	Devolution funds were being received in the main capital account in violation of the Ministry Circular No 1 of 2019 which states that a dedicated account must be opened and books of accounts should be maintained separately to facilitate accountability.	<ul style="list-style-type: none"> -The funds are prone to virements to salaries or other expenditures. -The funds are exposed to garnishes by debt collectors
Buhera RDC	<ul style="list-style-type: none"> -Construction of Mbundire Clinic and 3 staff houses. -Procurement of 2 service vehicles and a plant equipment. -Construction of classroom block at Viriri Primary School. 	Devolution funds were being received in the main capital account in violation of the Ministry Circular No 1 of 2019 which states that a dedicated account must be opened and books of accounts should be maintained separately to facilitate accountability	<ul style="list-style-type: none"> -The funds are prone to virements to salaries or other expenditures. -The funds are exposed to garnishes by debt collectors
Umguza RDC	<ul style="list-style-type: none"> -400 metres sewer outflow was excavated -Council bought 600 bags of cement -A perimeter fence was erected at the Sewer treatment plant 	There were delays in immediate usage of Devolution funds. This was attributed to the bidding periods as provided for by the PPDPA Act. The periods were considered too long. According to the RDC the periods	-The inflationary environment in the country is eroding away the disbursed funds.

	<ul style="list-style-type: none"> -300 cubic metres bedding material was procured -1 kilometre 160mm sewer pipes procured -4 Ponds excavated -Clay material stockpiled -Conducted tachometric survey for Landfill -Construction of 3 clinics 	were eventually reduced after consultations with PRAZ.	
Binga RDC	Amongst the projects being implemented is construction of Manyanda Clinic, construction of 3km roads in Lusulu High Density suburb, construction of a classroom block at Chibondo primary school among others.	The major challenge was on bidding periods as provided for in the PPDPA Act.	The inflationary environment in the country is eroding away the disbursed funds.
Kusile/Lupane RDC	Building of the classroom blocks has been completed at Mazwa and Maqubo Primary Schools..	The Local Authority has received two tranches of the fiscal transfer funds amounting to \$965 000. The Local Authority had not utilised the \$600 000 received on the second disbursement.	-The inflationary environment in the country is eroding away the disbursed funds.
Bindura RDC	Council received a total of \$9,014,000.00 devolution funds from June 2019 and (September 10, 2020) which was used for capital projects as guided by Circular number 1 of 2019.	<ul style="list-style-type: none"> -There was misuse of devolution funds through diverting to current expenditure through purchasing of tyres and servicing of the C.E.O, Treasurer and Bindura Community Share Ownership trust vehicles. -Devolution funds were also used to procure a generator 	Misuse of devolution funds by Council officials.

		for house number 515 Oxford which is the CEO's residence for personal use	
Nkayi RDC	-Construction of Faniya-Mloyiswa Health Centre, Mjena Rural Health Centre, Staff houses at Sebbhumane Rural Health Centre, public toilet and borehole at the terminus.	The buildings were substandard due to lack of qualified personnel to supervise construction. Devolution funds disbursed to Nkayi RDC not disclosed to the councilors. Delay in utilizing 2020 devolution funds.	Erosion of the funds by the runaway inflation.
Epworth Local Board	-Drilling of 14 boreholes -Installation of solar powered water pipes -Construction of 2 sheds at Munyuki vegetable market -procurement of a tractor	It is alleged that the Financial Director diverted the devolution funds to pay travel and subsistence allowances as well as buying provisions.	Misappropriation of funds.
Marondera Municipality	-Drilling boreholes -Installation of solar systems on council properties.	It is reported that there was an installation of solar systems to a Municipality Official's House in Harare using devolution funds.	Misuse of the devolution funds.