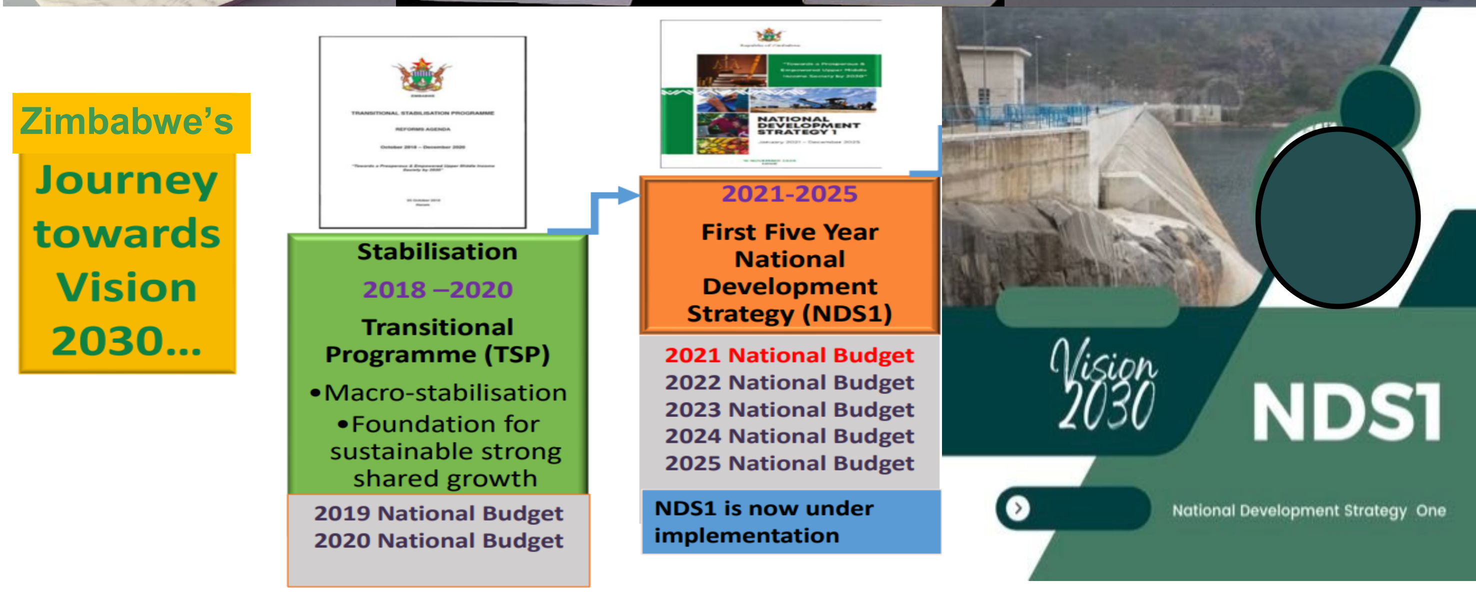
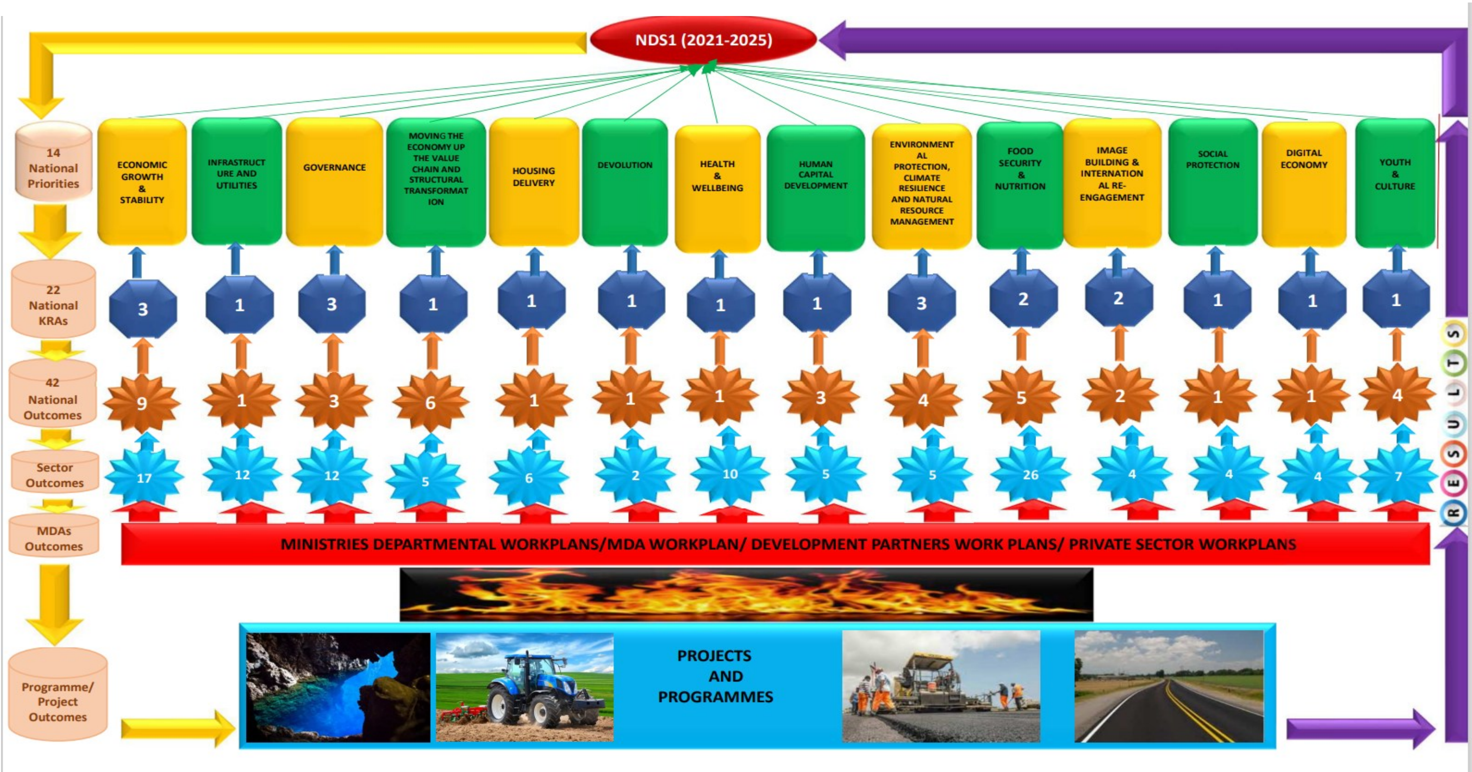
AUDIT OFFICE

2020 ANNUAL REPORT

We assure accountability





“WE ASSURE ACCOUNTABILITY”

Contents

List of Acronyms

ACCA	Association of Chartered Certified Accountants
AFROSAI	African Organisation of Supreme Audit Institutions
AFROSAI-E	African Organisation of English Speaking Supreme Audit Institutions
AG	Auditor-General
CPA	Certified Public Accountant
DAG	Deputy Auditor-General
EI	Extractive Industries
ICAZ	Institute of Chartered Accountants in Zimbabwe
ICT	Information Communication Technology
ICBF	Institutional Capacity Building Framework
IDI	INTOSAI Development Initiative
INTOSAI	International Organisation of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
IT	Information Technology
KPI	Key Performance Indicator
KRA	Key Result Area
MDA	Ministry/Department/Agency
M & E	Monitoring and Evaluation
MIS	Management Information System
NKRA	National Key Result Area
NPA	National Priority Area
NOUC	National Outcome
OAG	Office of the Auditor-General
PAC	Public Accounts Committee
PR	Public Relations
QAU	Quality Assurance Unit
SAI	Supreme Audit Institution
VFM	Value for Money
ZAS	Zimbabwe Agricultural Show
ZITF	Zimbabwe International Trade Fair

MANDATE, VISION, MISSION AND VALUES

Mandate

The Audit Office was established by section 309 of the Constitution of Zimbabwe Amendment (No. 20) Act 2013 to execute the functions of the Auditor-General which are enshrined in section 309 (2)(a)-(d), principally being to audit the accounts, financial systems and financial management of all departments, institutions and agencies of Government, all provincial and metropolitan councils and all Local Authorities.

Mission

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

Vision

To be the Centre of Excellence in the provision of Auditing services .

Values

1. COMMITMENT
2. INTEGRITY
3. TEAMWORK
4. EMPATHY
5. RESPECT
6. ACCOUNTABILITY

THE ORGANISATION STRUCTURE

The Office is divided into four divisions headed by Deputy Auditors-General. Three of the divisions are responsible for the audit function while one deals with Finance, Human Capital and Administration. Below the Deputy Auditors-General are the directors of audit and one director responsible for finance.

CORPORATE INFORMATION

The Audit Office is a Supreme Audit Institution established in terms of section 309 of the Constitution of Zimbabwe Amendment (No. 20) Act 2013 whose mandate is to provide auditing services to departments, institutions and agencies of Government, all provincial and metropolitan councils and all Local Authorities.

Period of Accounts
Year ended December 31, 2020.

Accounting Officer
Auditor General : Mrs M. Chiri

Executive Management
Mrs Mildred Chiri — Auditor General (Retired on March 31, 2023)
Ms Rheah Kujinga — Deputy Auditor General (Appointed Acting Auditor General April 1, 2023)
Ms Nyasha Magadza — Deputy Auditor General
Mrs Marjory M. Vingirai — Acting Deputy Auditor General

Administration and Finance
Mr Onesimo Musi — Finance Director

Registered Offices
48 George Silundika Avenue, Burroughs House
Harare
Zimbabwe

Auditors
MGI Chartered Accountants
7 Central Avenue
2nd Floor, Methodist House
P.O Box 6499
Harare

Lawyers
Makuwaza & Gwamanda Attorneys
3rd Floor, Travel Centre Building, 93 Jason Moyo Avenue
Harare, Zimbabwe

Bankers
CBZ Bank Limited
Kwame Nkumah branch
Harare, Zimbabwe

FOREWORD FROM THE BOARD CHAIRPERSON

Dr. M. T. Kunaka
Acting Board Chairman

INTRODUCTION

It is my pleasure to present to you the Annual Report for the Audit Office for the year ended December 31, 2020 outlining the performance and achievements during the year 2020. The Audit Office is a unique institution and a key cog in the system of public sector governance and is charged with assuring transparency and accountability of public sector financial management.

APPOINTMENT OF THE AUDIT OFFICE BOARD

During 2020 the Audit Office had no Board of Directors. Matters which required to be considered and approved by the Board were being referred to the Ministry of Finance, Economic Development and Investment Promotion. The Audit Office Board was subsequently appointed on April 24, 2023, for a three -year term effective May 1, 2023 in line with the Audit Office Act [*Chapter 22:18*] and Section 314 of the Constitution which provides for the appointment of the Audit Office Board whose key function is "to employ persons to assist the Auditor-General in the exercise of his or her functions".

OPERATING ENVIRONMENT

The Board acknowledges the ever-changing economic environment that the Audit Office was operating under throughout the year 2020. The period under review was characterized by disruptive effects of the COVID 19 pandemic as the country experienced successive outbreaks of new variants of the COVID 19 virus, with Government responding by imposing lockdown measures to control the spread of the pandemic. The Audit Office was not spared from the negative impact of the pandemic as few employees were reporting for work in a bid to contain the spread of the COVID 19 virus among staff members.

While inflation remained relatively high, Government made commendable progress in controlling inflation down from a three-digit figure to a two-digit figure. Other challenges faced by the economy during the year under review include increased costs of raw materials, rising production costs and demand for salary increases. As a result of the subdued economic performance, Treasury disbursements to MDAs including the Audit Office were below the budgeted amounts.

HIGHLIGHTS

The Audit Office, despite the challenging operating environment characterized by Covid-19 disruptions, managed to continue upholding its constitutional mandate. The 2019 Annual Auditor General's Report for Appropriation Accounts, State Owned Enterprises and Local Authorities were produced although delayed due to Covid – 19 pandemic. However, the report was subsequently tabled in Parliament in 2021. The Audit Office was also able to produce four (4) Value for money (VFM) audit reports which were tabled during the year.

APPRECIATION

I wish to extend my gratitude for the support that the Audit Office continues to receive from its stakeholders, including our clients, the auditees, the Ministry of Finance, Economic Development and Investment Promotion and development partners. Management and staff also deserve a special recognition for their continued commitment and dedication to duty.

CONCLUSION

I look forward to improved organisational performance and the office becoming the centre of excellence in the provision of audit services for the benefit of the citizens of Zimbabwe. Let us continue with the spirit of dedication, team work and collaboration.

AUDITOR GENERAL'S OVERVIEW

RHEAH KUJINGA
ACTING AUDITOR- GENERAL

AUDITOR GENERAL'S OVERVIEW

INTRODUCTION

The Audit Office aims to be a centre of excellence in the provision of audit services to public sector entities which should result in increased levels of transparency, accountability and good corporate governance. Through the execution of its Constitutional mandate, the Office plays a pivotal role towards cultivating a culture of transparency, accountability, good corporate governance, quality service delivery and achievement of national priorities.

The Audit Office was established by section 309 of the Constitution of Zimbabwe Amendment (No. 20) Act 2013 to execute the functions of the Auditor-General which are enshrined in section 309 (2)(a)-(d), principally being to audit the accounts, financial systems and financial management of all departments, institutions and agencies of Government, all provincial and metropolitan councils and all Local Authorities. In terms of Section 311 of the Constitution " In the exercise of his/her functions the Auditor-General is independent and subject only to the law".

OPERATING ENVIRONMENT

The 2020 financial year was challenging as the country had to deal with the rising inflation and pressures in the economy as well as the effects of the COVID-19 pandemic. In response to the COVID-19 pandemic, the Government of Zimbabwe together with other countries, imposed lockdown measures of varying extents in an effort to curtail the spread of the deadly Corona virus. The health authorities made a number of policy pronouncements in response to the pandemic and these affected the operations of the Office and its clients. The first half of the year was mostly affected as the Office and most of its clients were not designated essential services and went on total lockdown and this affected preparation of financial statements by clients and in turn the audits. The economy was also affected by the negative impact of two consecutive years of droughts. Against this background, the overall economy contracted by 5.3%, mostly driven by mining sector (-9%) and manufacturing sector (-3.2%) performances during the year. Inflation closed the year at 348% year-on-year thus entailing increased cost of running business whilst the local currency depreciated by 389% to ZWL$ 81.77 against the United States Dollar.

FINANCIAL PERFORMANCE HIGHLIGHTS

The Office's financial results are reported in Zimbabwean dollars (ZWL$) since the change in functional and reporting currency on February 22, 2019, in accordance with Statutory Instruments 33 and 142 of 2019. Inflation-adjusted financial statements have been issued as the Office's primary financial reports, as required by the International Financial Reporting Standard 29 – Financial Reporting in Hyperinflationary Economies.

This follows guidance from the Public Accountants and Auditors Board (PAAB) through Circular 01/19 issued on October 11, 2019, which identified the economy as hyperinflationary. Consequently, the financial statements were prepared using the hyperinflationary accounting basis to ensure fair presentation as of the reporting date of December 31, 2020.

The financial statements of the Audit Office show inflation-adjusted total Income of ZWL$ 342.09 million with an inflation adjusted surplus of ZWL$ 47.14 million. The Office's budget for the year was ZWL$151.93 million and a total of ZWL$ 93.683 million (61%) was released by Treasury resulting in a shortfall of 39% due to the difficult economic conditions and the Covid-19 pandemic.

The non-current assets increased by 64% from ZWL$ 27.86 million to ZWL$ 45.84 million, the increase was due to the acquisition of assets during the year. Current assets of ZWL$ 50.8 million exceeded the current liabilities by ZWL$ 46.76 million as a result of increases in revenue inflows due to increases in chargeable audit fees rates.

OPERATIONAL HIGHLIGHTS

During the year under review, the Audit Office was able to record some noteworthy achievements despite the challenging environment. The Office was able to work together as a team and achieved some goals that were set in the Office's Strategic plan 2016-2020 and annual operational plan. The Office had two key result areas which are (1) Public Sector Transparency and Accountability and (2) Human capacity building and human resources development.

Strengthen operational planning and reporting

The Audit Office has been consistently producing annual operational plans that are linked to the Integrated Results-Based Management (IRBM) System. The 2020 Operational plan marked the culmination of the Audit Office Strategic Plan 2016 to 2020. The Office began preparation for the formulation of the 2021 - 2025 Strategic plan. The Audit Office set out to improve planning and resource utilisation to ensure effectiveness and efficiency.

Property and Equipment

Thanks to the Treasury which supported the Office on the acquisition of the assets. The Office managed to acquire a new fleet of six (6) operational vehicles which are currently in use and these have eased the transport constraints.

HUMAN CAPACITY BUILDING AND HUMAN RESOURCES DEVELOPMENT

The ability of the Audit Office to fulfil its mandate and conduct high quality, effective audits depends to a large extent on the quality , integrity and competency of its staff, to this end the Office is on a professionalisation trajectory. However, uncompetitive remuneration and the resultant high staff turnover are risks to the ability of the Auditor-General to deliver the audit mandate on a sustainable basis. Due to Covid-19 pandemic restrictions no meaningful recruitment was done during the year.

Training

The Office is accredited to the Professional Accountants Organisations (PAOs) such as ACCA, ICAZ and CPA. The Office has undertaken a professionalization drive which has resulted in a number of members pursuing and attaining various professional qualifications over the period. In addition, the Audit Office holds and sponsors various training sessions for the continuous professional development of its staff. The Office conducted a few training activities during the year under review due to the Covid-19 pandemic and the subsequent lockdowns.

STAKEHOLDER ENGAGEMENT

During the year there were no stakeholder engagements that were undertaken due to Covid-19 restrictions. The usual Zimbabwe International Trade Fair (ZITF) and Zimbabwe Agricultural Show (ZAS) exhibitions were also postponed.

PUBLIC SECTOR TRANSPARENCY AND ACCOUNTABILITY

Audits

The Office, despite the challenging operating environment characterized by Covid-19 disruptions, managed to continue upholding its constitutional mandate. The 2019 Annual Auditor General's Report for Appropriation Accounts, State Owned Enterprises and Local Authorities were produced although delayed due to Covid – 19 pandemic. However, the report was subsequently tabled in Parliament in 2021. The Office was also able to produce four (4) Value for Money (VFM) audit reports which were tabled during the year.

The pandemic had a huge negative impact on the public sector auditing and reporting which eroded some of the gains that had been made in earlier years. Most audits were concluded much later than the planned audit timelines with other public entities falling into arrears due to non or late submission of financial statements for audit.

EMERGING RISKS

The global spread of the Covid-19 pandemic is one of the key emerging risks that the Office is likely to continue facing in the future. The disruptions caused by COVID-19 had a significant impact on the financial reporting cycle as preparation of financial statements and audit of financial statements were disrupted resulting in accumulation of audit backlogs. The lockdown conditions had the impact of slowing down the Office's ability to discharge its statutory mandate of auditing public sector entities in Zimbabwe.

ACKNOWLEDGEMENTS

On behalf of management and staff, let me take this opportunity to express my heartfelt appreciation to the former Auditor General Mrs Mildred Chiri for her outstanding service to the Audit Office and the nation of Zimbabwe at large. Her expertise, dedication and hard-work made a significant impact on the Office. Mrs Chiri served as the Auditor General from 2004 to March 2023. Her legacy will continue to inspire and guide us as we move forward .

My gratitude goes to the Ministry of Finance, Economic Development and Investment Promotion for financial support given to my Office within the constrained resource envelope.

I would like to convey my sincere appreciation to the African Organization of English speaking Supreme Audit Institutions (AFROSAI-E) for the various training programmes and technical support afforded to members of my Office during the course of the year. I would also like to appreciate the support my Office received from other cooperating partners inter alia, the World Bank, International Development Initiative (IDI) and Swedish National Audit Office.

Finally, I would also like to acknowledge and commend the hard work and dedication to duty of my staff that has enabled the Office to achieve its objectives.

R. KUJINGA
ACTING AUDITOR-GENERAL
November 15, 2024

GOVERNANCE ARRANGEMENTS

In terms of section 309(1) of the Constitution of Zimbabwe Amendment (No. 20) Act 2013, there must be an Auditor-General, whose office is a public office but does not form part of the Civil Service. The Auditor-General is appointed by the President with the approval of Parliament. It is further stated in the Constitution section 311 that 'in the exercise of his or her functions the Auditor-General is independent and subject only to the law".

In terms of section 10 of the Audit Office Act [Chapter 22:18] the Auditor-General, after examining the accounts submitted to her in terms of section 35(6) and (7) of the Public Finance Management Act [Chapter 22:19], shall prepare and submit to the Minister not later than 30th June in each year, a report on the outcome of her examination and audit of the accounts referred to her in terms of section 6(1) of the Audit Office Act [Chapter 22:18].

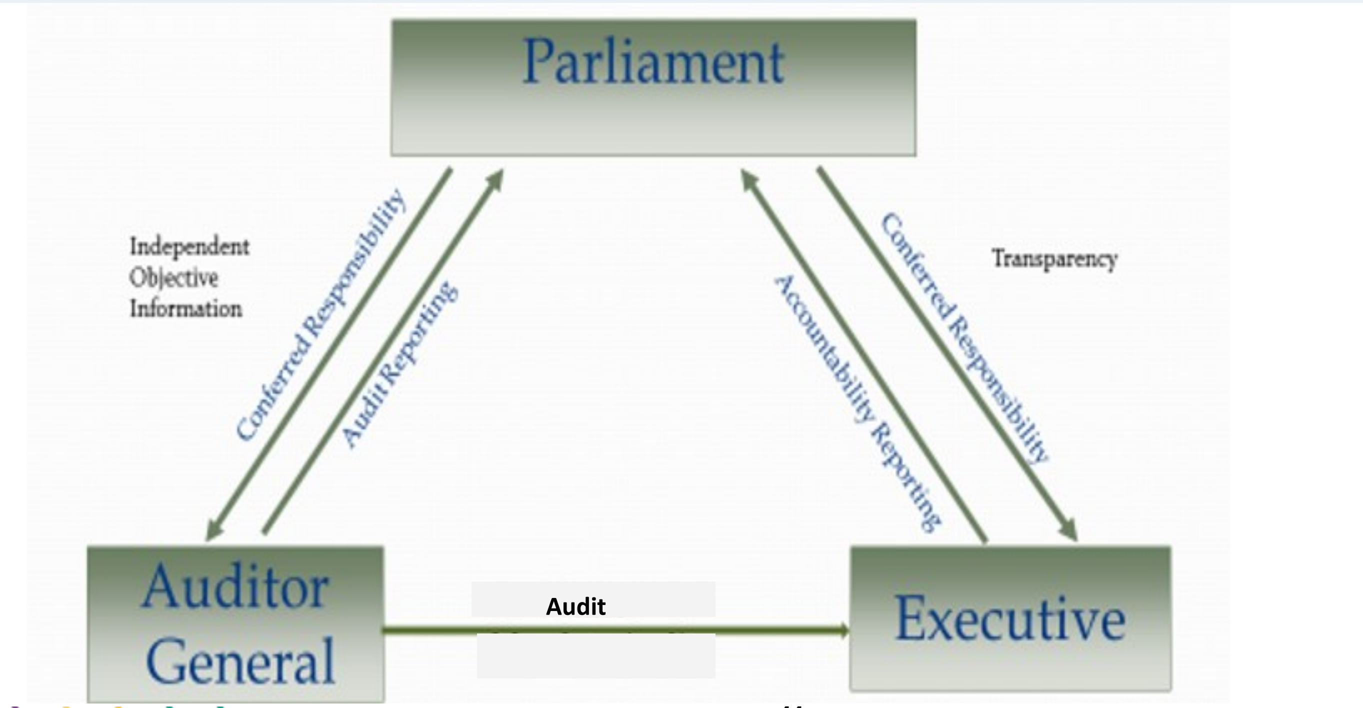
In terms of section 12 of the Audit Office Act [Chapter 22:18], the report submitted to the Minister is supposed to be laid before the House of Assembly within seven (7) days. If for any reason the Minister is unable to lay the report before the House of Assembly within the stipulated period, the Auditor-General shall transmit a copy of the report to the Speaker of the House of Assembly for the Speaker to lay it before the House of Assembly.

The Annual report will be considered by the Public Accounts Committee which is a Committee of Parliament whose objective is to ensure that public entities are held accountable for their stewardship over, and use of public resources.

In terms of section 314 of the Constitution, there must be an Act of Parliament which provides for the appointment of the board to employ persons to assist the Auditor-General in the exercise of his or her functions. The functions of the Board are dealt with in section 15 of the Audit Office Act [Chapter 22:18] and summarized below:

- ⇒ To appoint persons to the Audit Office, assign and promote them to offices, posts and grades and to fix their conditions of service.
- ⇒ To exercise disciplinary powers in relation to members of the Audit Office,
- ⇒ To inquire into and deal with grievances made by members of the Audit Office,
- ⇒ To administer the funds of the Audit Office, and
- ⇒ To exercise any other functions that may be imposed or conferred upon the board in terms of this Act.

Accountability triangle



Parliament confers resources to the executive through the budgeting process, establishing a framework for accountability. In this context, the Auditor General (AG) audits and reports to Parliament, particularly through the Public Accounts Committee (PAC). Once the AG's report is tabled in Parliament, it is subject to consideration and deliberation by the PAC. As the chief adviser to the PAC, the AG prepares memoranda to facilitate these discussions. The PAC may call upon the Board, Accounting Officer, or CEO to clarify or provide further submissions on issues raised in the AG's reports. After deliberating on the AG's findings, the PAC prepares its own report with recommendations, which is then tabled in Parliament. Ministers are subsequently called to respond to the issues highlighted by the PAC. The Ministry of Finance, responsible for managing public resources, is expected to produce a Treasury Minute detailing the actions taken in response to the committee's report.

Audit Standards and methodology

The Audit Office conducts audits in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) and International Standards on Auditing (ISAs). The Audit Office uses a risk– based audit approach in carrying out its audits. The Office is an affiliate member of the International Organisation of Supreme Audit Institutions (INTOSAI), the African Organisation of Supreme Audit Institutions (AFROSAI) and African Organisation of English Speaking Supreme Audit Institutions (AFROSAI-E), which groupings come up with standards and guidelines that members are expected to adhere to.

Quality assurance

As an audit institution, the Audit Office is required to ensure that its processes adhere to quality requirements and the professional code of ethics as required by International Standards for Supreme Audit Institutions (ISSAIs) and International Standards on Auditing (ISAs). The Office has a Quality Assurance Committee headed by a Deputy Auditor-General which is responsible for the quality review functions. In addition, external reviews are conducted periodically by the regional grouping AFROSAI-E.

External Technical desk

The Audit Office entered into an agreement with the local consultancy firm Training and Advisory Services (TAS) for the provision of external technical desk services. The arrangement involves the review and provision of second opinion on audit reports of high risk and complex entities. The arrangement is to ensure a high level of quality of reports produced by the Audit Office and is one of the measures taken by the Office to mitigate audit risk.

We subscribe to the following standards and principles:

Auditing / Accounting Standards

- The International Public Sector Accounting Standards
- The International Standards on Auditing
- The International Standards of Supreme Audit Institutions
- International Standard on Quality Management 1 and 2
- The International Financial Reporting Standards

Ethics Standards

- The International Ethics Standards Board for Accountants' Code of ethics for professional accountants
- The INTOSAI Code of ethics

Ethics

The Audit Office has adopted a Code of Ethics which is a guideline of conduct reflecting moral standards and ethical values to ensure a culture of professionalism. This Code of Ethics covers the ethical requirements of Audit Office auditors including their professional obligations in particular. The Audit Office has policies and systems that manage the ethical conduct of members, who are required to sign the Code of Ethics declaration when they carry out the assignments.

The Auditor General Mrs Chiri receiving laptops donated by the Swedish National Audit Office

AUDITED FINANCIAL STATEMENTS_____ 15

OFFICE OF THE AUDITOR GENERAL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2020

mgi (mazhandu) chartered accountants

2nd Floor, Methodist House
7 Central Ave, Box 6499, Harare,
Zimbabwe
Tel: +263 242 795247 / 253033/4
Mobile: +263 77 474 6056 / +263 71 631 9216
Email:fpange@mgi.co.zw
Website:www.mgi-mcaglobal.co.zw

Independent auditor's report

To the members of the Office of the Auditor-General

Report on the audit of the financial statements

We have audited the financial statements of the **Office of the Auditor-General** set out on pages **7 to 23** which comprise the statement of financial position as at **December 31, 2020,** the statement of surplus or deficit and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

Qualified Opinion

In our opinion, because of the significance of the matters discussed in the Basis for Qualified Opinion section of our report, the organisation's financial statements do not present fairly the financial position of the organisation 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 of Qualified Opinion

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

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

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

- The organisation 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 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 currencies (for example, the United States Dollar, the British Pound, and the South African Rand).

Independent auditor's report

To the members of the Office of the Auditor-General

Report on the audit of the financial statements

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 organisation maintained its functional currency as the USD, with transactions and balances reflected using an exchange rate of 1:1 in compliance with SI 33/19. From 22 February 2019, balances and transactions were retranslated at the legislated inaugural exchange rate of 1:2.5 between the USD and the RTGS$ in compliance with the requirements of SI 33/19.

Whilst the timing of this conversion was in line with the dictates of SI 33/19, it constituted a departure from the requirements of IAS 21, and therefore the 2019 financial statements were not prepared in conformity with IFRS. Had the organisation applied the requirements of IAS 21, the 31 December 2019 comparative inflation adjusted financial statements would have been materially impacted. The financial effects of this departure on the inflation adjusted financial statements have not been determined.

Our 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.

Property and equipment valuation
The organisation's equipment are carried in the statement of financial position at ZWL$45,837,111 as at December 31, 2020. The management has not stated its assets at fair value despite the continuous depreciation in the currency which is in contradiction with IAS 16. The organisation's records indicate that the assets were last revalued in 2011, accordingly the fixed assets are currently understated.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zimbabwe, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Except for the matters in the basis of qualified opinion section, we have determined that there were no key audit matters.

Independent auditor's report

To the members of the Office of the Auditor-General

Report on the audit of the financial statements

Other information

Management are responsible for the other information. The other information comprises the Management's Responsibility Statement and the Historical Cost Financial Information, which we obtained prior to the date of this report. The other information does not include the inflation adjusted financial statements and our auditor's report thereon. Our opinion on the inflation adjusted financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis of a Qualified Opinion section above, the organisation did not comply with the requirements of IAS 21 – Effects of Changes in Foreign Exchange Rates. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items included therein and affected by the failure to comply with the referred standard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) and for such internal controls as management determines as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors or its equivalent either intend to liquidate the organisation or to cease operations, or have no realistic alternative but to do so.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organisation's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the organisation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Office`s audit. We remain solely responsible for our audit opinion. We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide management with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, because of the significance of the matters discussed in the Basis of Qualified Opinion section of our report, the accompanying inflation adjusted financial statements have not in all material respects, been properly prepared in compliance with the disclosure requirements of and in the manner required by the Audit Office Act (Chapter 22:18) with regards to the requirement to comply with the International Financial Reporting Standards.

To the members of the Office of the Auditor-General

Report on the audit of the financial statements

The engagement partner on the audit resulting in this independent auditor's report is

Fanuel Pange, CA (Z)
PAAB number 0457
Managing Partner
Registered Public Auditor

MGI (Mazhandu) Chartered Accountants
Registered Public Auditors
Harare
June 24, 2021

Statement of financial position

As at December 31, 2020

	Note	Inflation Adjusted 2020 ZWL$	Inflation Adjusted 2019 ZWL$	Historical cost 2020 ZWL$	Historical cost 2019 ZWL$
Assets					
Non-current assets					
Property and equipment	15	45,837,111	27,864,522	10,014,245	4,264,547
Total non-current assets		**45,837,111**	**27,864,522**	**10,014,245**	**4,264,547**
Current assets					
Inventory	5	2,680,270	4,567,268	2,680,270	1,017,209
Trade and other receivables	6	32,757,876	9,743,547	32,757,876	2,170,055
Cash and cash equivalents	7	15,362,010	5,231,739	15,362,010	1,165,198
Total current assets		**50,800,156**	**19,542,554**	**50,800,156**	**4,352,462**
Total assets		**96,637,267**	**47,407,077**	**60,814,401**	**8,617,009**
Equity and liabilities					
Equity					
Accumulated surplus		92,598,435	45,463,190	56,775,569	8,184,072
Total equity		**92,598,435**	**45,463,190**	**56,775,569**	**8,184,072**
Current liabilities					
Trade and other payables	8	4,038,832	1,943,887	4,038,832	432,937
Total current liabilities		**4,038,832**	**1,943,887**	**4,038,832**	**432,937**
Total equity and liabilities		**96,637,267**	**47,407,077**	**60,814,401**	**8,617,009**

....Date 23/09/21..................

Secretary For Finance and Economic Development

mahuhi..Date September 1, 2021.

Auditor-General

Statement of surplus or deficit and other comprehensive income

For the year ended December 31, 2020

	Note	Inflation Adjusted		Historical cost	
		2020 ZWL$	2019 ZWL$	2020 ZWL$	2019 ZWL$
Income					
Revenue	9	342,094,561	231,504,890	156,190,167	21,317,209
Total income		**342,094,561**	**231,504,890**	**156,190,167**	**21,317,209**
Expenditure					
Administration costs	10	159,125,929	125,457,891	70,370,614	11,552,292
Staff and labour costs	11	89,178,768	53,971,551	40,716,364	4,969,756
Total expenditure		**248,304,697**	**179,429,442**	**111,086,978**	**16,522,048**
Surplus before monetary loss		**93,789,864**	**52,075,448**	**45,103,189**	**4,795,161**
Net exchange gain on foreign currency translation		3,488,308	79,127	3,488,308	79,127
Monetary loss		(50,142,927)	(27,230,431)	-	-
Surplus for the year		**47,135,245**	**24,924,144**	**48,591,497**	**4,874,288**

Office of the Auditor-General

Statement of changes in equity

For the year ended December 31, 2020

Inflation Adjusted	Accumulated surplus ZWL$	Total ZWL$
Balance as at December 31, 2018	**20,539,046**	**20,539,046**
Surplus for the year	24,924,144	**24,924,144**
Balance as at December 31, 2019	**45,463,190**	**45,463,190**
Surplus for the year	47,135,245	**47,135,245**
Balance as at December 31, 2020	**92,598,435**	**92,598,435**

Historical cost	Accumulated surplus ZWL$	Total ZWL$
Balance as at December 31, 2018	**3,309,784**	**3,309,784**
Surplus for the year	4,874,288	**4,874,288**
Balance as at December 31, 2019	**8,184,072**	**8,184,072**
Surplus for the year	48,591,497	**48,591,497**
Balance as at December 31, 2020	56,775,569	56,775,569

Office of the Auditor-General

Statement of cash flows

For the year ended December 31, 2020

	Inflation Adjusted		Historical cost	
	2020 ZWL$	2019 ZWL$	2020 ZWL$	2019 ZWL$
Cash flows from operating activities				
Surplus for the year	47,135,245	24,924,144	48,591,497	4,874,288
	47,135,245	**24,924,144**	**48,591,497**	**4,874,288**
Adjustments for:				
Depreciation	10,439,482	3,309,748	2,325,052	304,765
Net exchange gain foreign currency translation	3,488,308	6,646,668	-	-
Net moneraty loss	50,142,927	27,230,431	-	-
Inflation adjustment effects	(53,631,235)	(48,490,561)	-	-
Net cash inflows after adjustments	**57,574,727**	**13,620,429**	**50,916,549**	**5,179,053**
Working capital changes				
Increase in receivables	(23,014,329)	(1,909,399)	(30,587,821)	(425,256)
Decrease/(Increase) in inventories	1,886,998	(4,484,774)	(1,663,061)	(998,836)
Increase/(decrease) in payables	2,094,945	1,484,973	3,605,895	330,729
Net cash flow from working capital changes	**(19,032,386)**	**(4,909,200)**	**(28,644,987)**	**(1,093,363)**
Cash inflows from operating activities	**38,542,342**	**8,711,230**	**22,271,562**	**4,085,690**
Cash flows from investing activities				
Purchase of property and equipment	(28,412,071)	(18,841,499)	(8,074,750)	(4,196,325)
Net cash outflows from investing activities	**(28,412,071)**	**(18,841,499)**	**(8,074,750)**	**(4,196,325)**
Increase/(decrease) in cash and cash equivalents	**10,130,271**	**(10,130,271)**	**14,196,812**	**(110,635)**
Movement of cash and cash equivalents				
Cash and cash equivalents at beginning of year	5,231,739	15,362,010	1,165,198	1,275,833
Increase/(decrease) in cash and cash equivalents	**10,130,271**	**(10,130,271)**	**14,196,812**	**(110,635)**
Cash and cash equivalents at end of year	15,362,010	5,231,739	15,362,010	1,165,198

1 Nature of business

The principal business of the Office is to provide auditing services to Central Government, Local Authorities and State-Owned-Enterprises.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation and presentation

The financial statements have been partially prepared in accordance with International Financial Reporting Standards (`IFRS'). Partial compliance with IFRS has been achieved for the year ended 31 December 2020 as a result of non-compliance with IAS 21 The Effects of Changes in Foreign Exchange Rates as more fully explained in note 3.1.

The financial statements are based on statutory records that are maintained under the historical cost convention, and have been inflation adjusted in accordance with IAS 29"Financial Reporting in Hyperinflationary Economies" which requires the use of a general price index that reflects changes in the general purchasing power of the presentation currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the organisation`s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions are made. Management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4 to the financial statements.

2.2 Functional and presentation currency

The Office changed its functional and presentation currency from United States Dollars (US$) to Zimbabwe Dollar (ZWL$) for the financial year ended 31 December, 2019. The change in currency was effected in response to Statutory Instrument(SI) 33 of 2019 (effective from 22 February 2019) and to enable compliance with Statutory Instrument 142 of 2019 (effective from 24 June 2019).

The promulgation of SI 142 of 2019 on 24 June 2019 resulted in the Zimbabwe Dollar being the only legally accepted legal tender for transactions in Zimbabwe apart from those transactions otherwise specified therein. Through SI 142, the Zimbabwe Dollar was placed at par with bond notes and coins and Real TimeGross Settlements dollars, (RTGS$), which the forms of currency were declared legal tender with the gazetting of SI 33.

Historical cost comparative financial information as at, and for the year ended 31 December 2018 was converted from US$ to ZWL$ at a rate of 1US$:1ZWL$, being the official exchange rate between US$ and the defined ZW$ as at that date.

With effect from 22 February 2019, transactions that are in a currency other than the Zimbabwe Dollar reported using the official exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such balances of monetary assets and liabilities denominated in foreign currencies at the exchange rates at the end of the reporting period are generally recognised in the statement of profit and loss.

2.3 Inflation

The Public Accountants and Auditors Board issued pronouncement 01/2019 on the application of International Accounting Standard (IAS 29)` Financial Reporting in Hyperinflationary Economies in Zimbabwe. The pronouncement requires that companies generally recognised in statement of profit and loss and other comprehensive income within that prepare and present financial statements for the financial periods ended on or after 1 July 2019 to apply requirements of IAS29` Financial Reporting in Hyperinflationary Economies.Appropriate adjustments and reclassifications, including restatements for currency changes and general purchasing power of the Zimbabwe dollar and for the purposes of fair presentation in accordance with IAS 29 have been made in these financial statements to the historical financial information.

For inflation adjustments, the following indices were used:

CPI description	Index	Factor
CPI as at 31 December 2019	551.63	4.49
CPI as at 31 December 2020	2474.51	1.00
Average		
CPI average for 2020	240.30	10.30

The main procedures applied for inflation adjustment are as follows:

All corresponding figures as of, and for the year ended 31 December 2019 are inflation adjusted in terms of the measuring unit current at the reporting date as follows:

a. Monetary assets and liabilities are inflation adjusted by applying the change in the index from the 31 December 2019 to 31 December 2020.

b. Non- monetary assets and liabilities that were not carried at amounts current at 31 December 2019 and components of equity are inflation adjusted by applying the change in the index from the 31 December 2019 to 31 December 2020.

c. Profit or loss items/transactions, except the depreciation charges, are inflation adjusted by applying the change in the index from the 31 December 2019. Depreciation amounts are based on inflation adjusted carrying amounts.

All current year figures are translated using the following procedures:
(i) Monetary assets and liabilities that are carried at amounts current at statement of financial position date are not inflation adjusted because they are already expressed in terms of the monetary unit current at the reporting date.

(ii) Non- monetary assets and liabilities that were not carried at amounts current at 31 December 2020 and components of equity are inflation adjusted by applying the change in the index from the 31 December 2019 to 31 December 2020.

(iii) Profit or loss items/transactions, except the depreciation charges, are inflation adjusted by applying the change in the index from the 31 December 2019. Depreciation amounts are based on inflation adjusted carrying amounts.

(vi) The effect of inflation on the net monetary position of the entity is included in the statement of profit or loss and other comprehensive income as a loss or gain on monetary position.

(vii) All items in the statement of cash flows are expressed in terms of the measuring unit current at the statement of financial position date.

2.4 Foreign currencies

2.4.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the organisation operates(the functional currency). The financial statements are presented in the Zimbabwean dollar(ZWL$) which is the organisation`s functional and presentation currency.

2.4.1 Transactions and balances

Foreign currency transatcions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange rates and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income.

2.5 Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and impairment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the organisation and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of surplus or deficit and other comprehensive income during the financial period in which they are incurred.

Depreciation on assets is calculated on the straight line basis to allocate the cost of each asset to its residual value over its estimated useful life as follows:

Motor vehicles	20%
Office equipment	10%
Computer equipment	33.33%
Furniture and fixtures	10%

The assets' useful lives and depreciation methods are reviewed, and adjusted, if appropriate, at each reporting date.

2.6 Financial instruments

2.6.1 Financial assets

(a) Classification and measurement under IFRS 9

The organisation classifies its financial assets based on amortised cost model because its objective is to collect all contractual cash flows in the foreseeable future.

(b) Recognition

The organisation recognises a financial asset or financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

(c) Derecognition

A financial asset is derecognised when the organisation loses control over the contractual rights that comprise the asset. A financial liability is derecognised when it is paid or settled.

(d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(e) Impairment of financial assets

The organisation assesses at each reporting date whether there is objective evidence that an asset or group of financial assets is impaired.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the organisation about the following loss events:

a) Significant financial difficulty of the issuer or obligor;
b) A breach of contract such as a default or delinquency in interest or principal payments;
c) It becomes evident that the borrower will enter bankruptcy or financial re-organisation
d) The disappearance of an active market for that financial asset because of financial difficulty;
e) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
(i) adverse changes in the payment status of borrowers in the portfolio; and
(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Management first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the statement of surplus or deficit and other comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2.7 Inventories

Inventory is stated at the lower of cost or net realisable value. Cost is determined using the first-in first-out method. Net realizable value is the estimated selling price less estimated selling expenses.

2.8 Prepayments and deposits

The organisation makes advance payments in respect of some key goods and services associated with its overall operations. The prepayments are initially recognised as assets in the statement of financial position and subsequently expensed to the statement of surplus or deficit and other comprehensive income or capitalised to other assets on delivery.

2.9 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents comprise:
• cash on hand; and
• balances with banks.

Cash and cash equivalents only include items held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. Cash and cash equivalents have a maturity of less than three months. Cash and cash equivalents are carried at cost which, due to their short term nature, approximates fair value.

2.10' Provisions.

Provisions are recognised when the organisation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.11 Employee benefits

Both the employer and employees contribute to the National Social Security Authority Scheme (NSSA). This is a social security scheme which was promulgated under the National Social Security Act. The organisation's obligations under the scheme are limited to specific contributions as legislated from time to time.

2.12 Termination benefits

Termination benefits are payable when the organisation terminates employment before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The organisation recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

2.13 Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Retirements benefits are provided for the organisation's employees through an independently administered defined contribution fund and the Zimbabwe government's National Social Security Authority (NSSA). With the organisation's independent fund, contributions are charged to statement of surplus or deficit and other comprehensive income so as to spread the cost of pension over the employee's working life within the organisation. The amounts payable to the National Social Security Authority are determined by the systematic recognition of legislated contributions. Payments to the two retirement benefit schemes are charged as an expense as they fall due.

2.14 Revenue recognition

(a) Audit fees

Revenue is recognised when performance obligation is satisfied according to IFRS 15. The entity recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service to a customer, which is when control is passed, either over time or at a point in time.

Control of an asset means having the ability to direct the use of, and obtain substantially all of the remaining benefits from the asset.

Revenue is recognised to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The organisation recognises revenue when performance obligations are satisfied when (i) it can identify the contracts with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, and (iv) allocate the transaction price.

(b) Grants
A government grant is recognised only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received. The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. Non-monetary grants, such as land or other resources, are usually accounted for at fair value, although recording both the asset and the grant at a nominal amount is also permitted. The grants income received was recognised as income in the current period. There were no unfulfilled conditions and other contingencies attached to the grant.

(c) Interest income
Interest income is recognised using the effective interest rate method.

3 Risk Management

3.1 Financial risk management

The organisation is exposed through its operations to the following financial risks:-
a. Foreign exchange risk
b. Credit risk
c. Liquidity risk

The organisation's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the organisation.

Risk management is carried out by management under policies approved by the Board of Directors/ the Ministry of Finance and/or the Auditor-General. Management identifies and evaluates financial risks such as foreign exchange risk, interest risk, and credit risk.

(a) Foreign exchange risk
The organisation is exposed to foreign exchange risks.

The organisation undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

(b) Credit risk
Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge a contract. Credit risk arises from credit exposures to outstanding receivables whenever they are overdue. Some receivables are overdue but are all collectible in full from State-owned-enterprises. Credit risk is managed at organisation-wide-basis. Counterparty risk is further managed by constant engagement of credit customers to determine the current position.

	Inflation Adjusted		Historical cost	
	ZWL$	ZWL$	ZWL$	ZWL$
Receivables	32,757,876	9,743,547	32,757,876	2,170,055
Total receivables	**32,757,876**	**9,743,547**	**32,757,876**	**2,170,055**

The fair value of receivables as at December 31, 2020 approximates the carrying amount.

Analysis by credit quality of financial assets is as follows:

Neither past due nor impaired				
-Cash and cash equivalents	15,362,010	5,231,739	15,362,010	1,165,198
Past due and not impaired				
Receivables	32,757,876	9,743,547	32,757,876	2,170,055
Past due and impaired				
Receivables	-	-	-	-

Trade receivables are all collectible from fellow State-owned entities.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The organisation manages liquidity risk by continuously monitoring forecast and actual cash flows. Liquidity risk is the risk that the organisation may fail to meet its payment obligations when they fall due, the consequences of which may be the failure to meet the obligations to creditors. The organisation identifies this risk through periodic liquidity gap analysis and the maturity profile of assets and liabilities. Where major gaps appear, action is taken in advance to close or minimise the gaps.

	On demand less than one month ZWL$	From 1 to 6 months ZWL$	Over six months ZWL$	Total ZWL$
At 31 December 2020				
Assets				
Inflation adjusted				
Receivables(excluding prepayments)	13,188,994	11,790,584	3,468,267	28,447,845
Cash and cash equivalents	15,362,010	-	-	15,362,010
Total	**28,551,004**	**11,790,584**	**3,468,267**	**43,809,855**
Liabilities				
Payables	1,858,345	1,767,657	118,830	3,744,832
Total	**1,858,345**	**1,767,657**	**118,830**	**3,744,832**
Liquidity gap-favourable	**26,692,659**	**10,022,927**	**3,349,437**	**40,065,023**

3.2 Capital risk management

Assets as per statement of financial position	Inflation Adjusted		Historical cost	
	ZWL$	ZWL$	ZWL$	ZWL$
Inventory	2,680,270	4,567,268	2,680,270	1,017,209
Receivables	32,757,876	9,743,547	32,757,876	2,170,055
Cash and cash equivalents	15,362,010	5,231,739	15,362,010	1,165,198
	50,800,156	**19,542,554**	**50,800,156**	**4,352,462**
Liabilities as per statement of financial position				
Other financial liabilities at amortised cost	4,038,832	1,943,887	4,038,832	432,937
	4,038,832	**1,943,887**	**4,038,832**	**432,937**

The organisation's objectives when managing capital(equity) are to safeguard it's ability to continue as a going concern in order to continue to provide services to clients and other stakeholders. In order to maintain or adjust the capital structure, the organisation may adjust the amount of investments it holds from time to time.

3.3 Fair value estimation

The carrying value of accounts receivable and payable is assumed to approximate their fair values. The fair value of financial instruments is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the organisation for similar financial instruments.

4 Critical accounting estimates and judgments

In the application of the organisation's accounting policies, which are described in note 3, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Useful lives and residual values of property, plant and equipment

The organisation assesses useful lives and residual values of property, plant and equipment each year taking into consideration past experience, technology changes and the local operating environment. The useful lives are set out in note 3.3 and no changes to those useful lives have been considered necessary during the year. Residual values will be reassessed each year and adjustments for depreciation will be done in future periods if there is indication of impairment in value. The inflation adjusted carrying amount of the organisation's property and equipment is ZWL 45,837,111 (2019: ZWL 27,864,522), with the historical carrying amount being ZWL 10,014,245 (2019: ZWL 4,264,547).

4.2 Functional currency

The organisation's financial statements are presented in Zimbabwean Dollars, which was determined to be the organisation's functional currency. The organisation applied this judgement after Government promulgated Statutory Instrument 33 of 2019 (SI 33) on 22 February 2019, giving legal effect to the reintroduction of the Zimbabwe Dollar (ZWL) as legal tender and prescribed that for accounting and other purposes, certain assets and liabilities on this effective date would be deemed to be Zimbabwe Dollars at a rate which was at par with the United States Dollar (USD).

4.3 Exchange rate

The organisation entered into foreign currency transactions throughout the year. Transactions in foreign currencies are initially recorded by the organisation at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. In determinig transactional and closing exchange rates, the organisation made use of the prevailing interbank rate and trading arrangements.

		Inflation Adjusted		Historical cost	
		2020 ZWL$	2019 ZWL$	2020 ZWL$	2019 ZWL$
5	**Inventory**				
	Consumables	2,680,270	4,567,268	2,680,270	1,017,209
	Total inventory	**2,680,270**	**4,567,268**	**2,680,270**	**1,017,209**
6	**Trade and other receivables**				
	Trade receivables	28,447,845	8,205,852	28,447,845	1,827,584
	Other receivables	4,310,031	1,537,695	4,310,031	342,471
	Total trade and other receivables	**32,757,876**	**9,743,547**	**32,757,876**	**2,170,055**
7	**Cash and cash equivalents**				
	Cash at bank	15,362,010	5,231,739	15,362,010	1,165,198
	Total cash and cash equivalents	**15,362,010**	**5,231,739**	**15,362,010**	**1,165,198**
8	**Trade and other payables**				
	Trade payables	3,744,832	853,594	3,744,832	190,110
	Other payables	294,000	1,090,293	294,000	242,827
	Total trade and other payables	**4,038,832**	**1,943,887**	**4,038,832**	**432,937**
9	**Revenue**				
	Audit fees	130,476,916	47,852,331	59,571,866	4,406,292
	Government appropriation	209,246,395	154,974,035	95,535,659	14,270,169
	Other income	2,371,250	28,678,523	1,082,642	2,640,748
	Total revenue	**342,094,561**	**231,504,890**	**156,190,167**	**21,317,209**
10	**Administration costs**				
	Communication and information	20,645,438	18,286,122	9,426,091	1,683,805
	Educational material	1,314	116,354	600	10,714
	Hospitality	-	32,015	-	2,948
	Medical expenses	14,261	45,156	6,511	4,158
	Office suppliers and services	9,441,905	3,902,715	4,310,892	359,366
	Rental and hire services	-	703,641	-	64,792
	Training and development	450,242	7,272,964	205,567	669,702
	Travel expenses - domestic	20,372,015	27,858,626	9,301,254	2,565,251
	Travel expenses - foreign	2,265,766	13,139,101	1,034,481	1,209,862
	Utilities and other	4,533,321	2,455,718	2,069,779	226,125
	Bank charges	746,514	1,056,906	340,836	97,321
	Audit fees	294,000	1,086,000	294,000	100,000
	Consulting fees	3,861,781	901,804	1,763,174	83,039
	Sub total	**62,626,556**	**76,857,121**	**28,753,185**	**7,077,083**

	Inflation Adjusted		Historical cost	
	2020	2019	2020	2019
Administration costs continued	ZWL$	ZWL$	ZWL$	ZWL$
Institutional provisions	42,978,920	23,085,917	19,622,892	2,125,775
Membership to local organizations	-	25,130	-	2,314
Repairs and maintenance	29,019,117	10,843,949	13,249,263	998,522
Fumigation and cleaning	763,201	110,750	348,455	10,198
Fuel, oils and lubricants	12,066,805	10,757,351	5,509,343	990,548
Foreign subscriptions	1,231,846	358,956	562,424	33,053
Depreciation	10,439,482	3,309,748	2,325,052	304,765
Withholding tax	-	108,969	-	10,034
Total administration costs	**159,125,929**	**125,457,891**	**70,370,614**	**11,552,292**
11 Staff and labour costs				
Pensionable salaries	79,242,043	47,723,130	36,179,552	4,394,395
Bonus	8,400,597	4,501,405	3,835,462	414,494
Constitutional and statutory appropriation	1,536,128	1,747,016	701,350	160,867
Total staff and labour costs	**89,178,768**	**53,971,551**	**40,716,364**	**4,969,756**
12 Provisions				
Audit fees provision				
At the beginning of the year	449,000	43,778	100,000	9,750
Provision for the year	294,000	449,000	294,000	100,000
Paid during the year	(449,000)	(43,778)	(100,000)	(9,750)
At the end of the year	**294,000**	**449,000**	**294,000**	**100,000**

13 Going concern

The financial statements have been prepared under the going concern assumption. In making this conclusion, management made specific assessments on net asset position and cash flows including the impact of the COVID-19 pandemic on all key stakeholders of the organisation and believes that the organisation will continue to operate in the foreseeable future.

COVID-19 impact

The Corona virus disease also referred to as the COVID-19 disease by the World Health Organization(WHO) was declared a global pandemic during the financial year. The pandemic spread to Zimbabwe, that is, the organisation`s primary economic environment and mandate area. As a COVID-19 risk management measure, Zimbabwe has been under lockdown conditions to varying degrees since end of March 2020 up to the time of signing-off of these financial statements.
In compliance with the COVID-19 health requirements, the organisation is continuing to incur expenditure towards mitigating the pandemic risks. The lockdown conditions had the impact of slowing down the organisation`s ability to discharge its statutory obligations of auditing public entities in Zimbabwe with particular reference to the fiscal year ended 31 December 2020.

All strategies put in place by the Office to manage the pandemic are premised on the understanding that the safety and health of people are a top priority.

Having considered the probable impact of the COVID-19 pandemic on the Office and all its key stakeholders, management concluded that the preparation of financial statements on the going concern basis was appropriate as stated in note 13.

14 Events after reporting date

In May 2021, the Government of Zimbabwe communicated its decision for certain State-owned entities including this Office to change their accounting frameworks to the International Public Sector Accounting Standards (IPSASs). That change entails re-statement of the Office`s IFRS-based financial position as stated herein to IPSAS-based financial position as at 1 January 2021.

As a result of that change, from 2021 going forward, the Office`s financial statements will be based on the IPSAS accounting framework.

Office of the Auditor-General

Notes to the financial statements

For the year ended December 31, 2020

15 **Inflation Adjusted**

Property and equipment

Description	Furniture and Fittings ZWL$	Computer Equipment ZWL$	Office Equipment ZWL$	Motor Vehicles ZWL$	Total ZWL$
At December 31, 2020					
Cost	12,803,983	14,002,086	7,778,879	35,585,952	**70,170,900**
Accumulated depreciation	(4,030,992)	(7,779,815)	(2,552,506)	(9,970,475)	**(24,333,789)**
Net book value	**8,772,991**	**6,222,271**	**5,226,373**	**25,615,476**	**45,837,111**
Year ended December 31, 2020					
Opening net book value	8,092,126	2,786,966	5,546,034	11,439,397	**27,864,522**
Additions	1,516,361	6,392,839	-	20,502,871	**28,412,071**
Depreciation charge for the year	(835,496)	(2,957,534)	(319,661)	(6,326,792)	**(10,439,482)**
Closing net book value	**8,772,991**	**6,222,271**	**5,226,373**	**25,615,476**	**45,837,111**
At December 31, 2019					
Cost	11,287,622	7,609,247	7,778,879	15,083,081	**41,758,829**
Accumulated depreciation	(3,195,497)	(4,822,281)	(2,232,845)	(3,643,684)	**(13,894,307)**
Net book value	**8,092,126**	**2,786,966**	**5,546,034**	**11,439,397**	**27,864,522**
Year ended December 31, 2019					
Opening net book value	2,361,804	1,496,890	3,427,755	3,104,969	**10,391,418**
Additions	6,232,286	1,492,584	2,316,229	8,800,400	**18,841,499**
Depreciation charge for the year	(501,964)	(202,508)	(197,951)	(465,972)	**(1,368,395)**
Closing net book value	**8,092,126**	**2,786,966**	**5,546,034**	**11,439,397**	**27,864,522**

-

Notes to the financial statements

For the year ended December 31, 2020

Historical cost
Property and equipment

Description	Furniture and Fittings ZWL$	Computer Equipment ZWL$	Office Equipment ZWL$	Motor Vehicles ZWL$	Total ZWL$
At December 31, 2020					
Cost	1,919,054	2,445,262	711,939	8,017,409	**13,093,664**
Accumulated depreciation	(394,556)	(869,617)	(188,321)	(1,626,925)	**(3,079,419)**
Net book value	**1,524,498**	**1,575,645**	**523,618**	**6,390,484**	**10,014,245**
Year ended December 31, 2020					
Opening net book value	1,361,015	341,051	594,812	1,967,669	**4,264,547**
Additions	349,562	1,893,288	-	5,831,900	**8,074,750**
Depreciation charge for the year	(186,079)	(658,694)	(71,194)	(1,409,085)	**(2,325,052)**
Closing net book value	**1,524,498**	**1,575,645**	**523,618**	**6,390,484**	**10,014,245**
At December 31, 2019					
Cost	1,569,492	551,974	711,939	2,185,509	**5,018,914**
Accumulated depreciation	(208,477)	(210,923)	(117,127)	(217,840)	**(754,367)**
Net book value	**1,361,015**	**341,051**	**594,812**	**1,967,669**	**4,264,547**
Year ended December 31, 2019					
Opening net book value	84,774	53,729	123,035	111,449	**372,987**
Additions	1,388,037	332,424	515,864	1,960,000	**4,196,325**
Depreciation charge for the year	(111,796)	(45,102)	(44,087)	(103,780)	**(304,765)**
Closing net book value	**1,361,015**	**341,051**	**594,812**	**1,967,669**	**4,264,547**

OFFICE OF THE AUDITOR-GENERAL
Burroughs House
48 G. Silundika Avenue corner S. V. Muzenda
Box CY143
Causeway
Harare

www.auditorgeneral.gov.zw