

REPORT

of the



Auditor-General

for the

FINANCIAL YEAR ENDED DECEMBER 31, 2015

ON

**APPROPRIATION ACCOUNTS, FINANCE
ACCOUNTS, REVENUE STATEMENTS AND
FUND ACCOUNTS**

Presented to Parliament of Zimbabwe

2016

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of Zimbabwe
48, George Silundika Avenue
Cnr. S. V. Muzenda Street,
Harare, Zimbabwe

The Hon. Mr. P. Chinamasa
Minister of Finance and Economic Development
New Government Complex
Samora Machel Avenue
Harare

Dear Sir

I hereby submit my Report on the audit of Appropriation Accounts, Finance Accounts, Revenue Statements and Fund Accounts of Zimbabwe in terms of Section 309 (2) of the Constitution of Zimbabwe read together with Section 10 (1) of the Audit Office Act [*Chapter 22:18*], for the year ended December 31, 2015.

Yours faithfully

M. CHIRI,
AUDITOR-GENERAL.

HARARE
June 15, 2016.



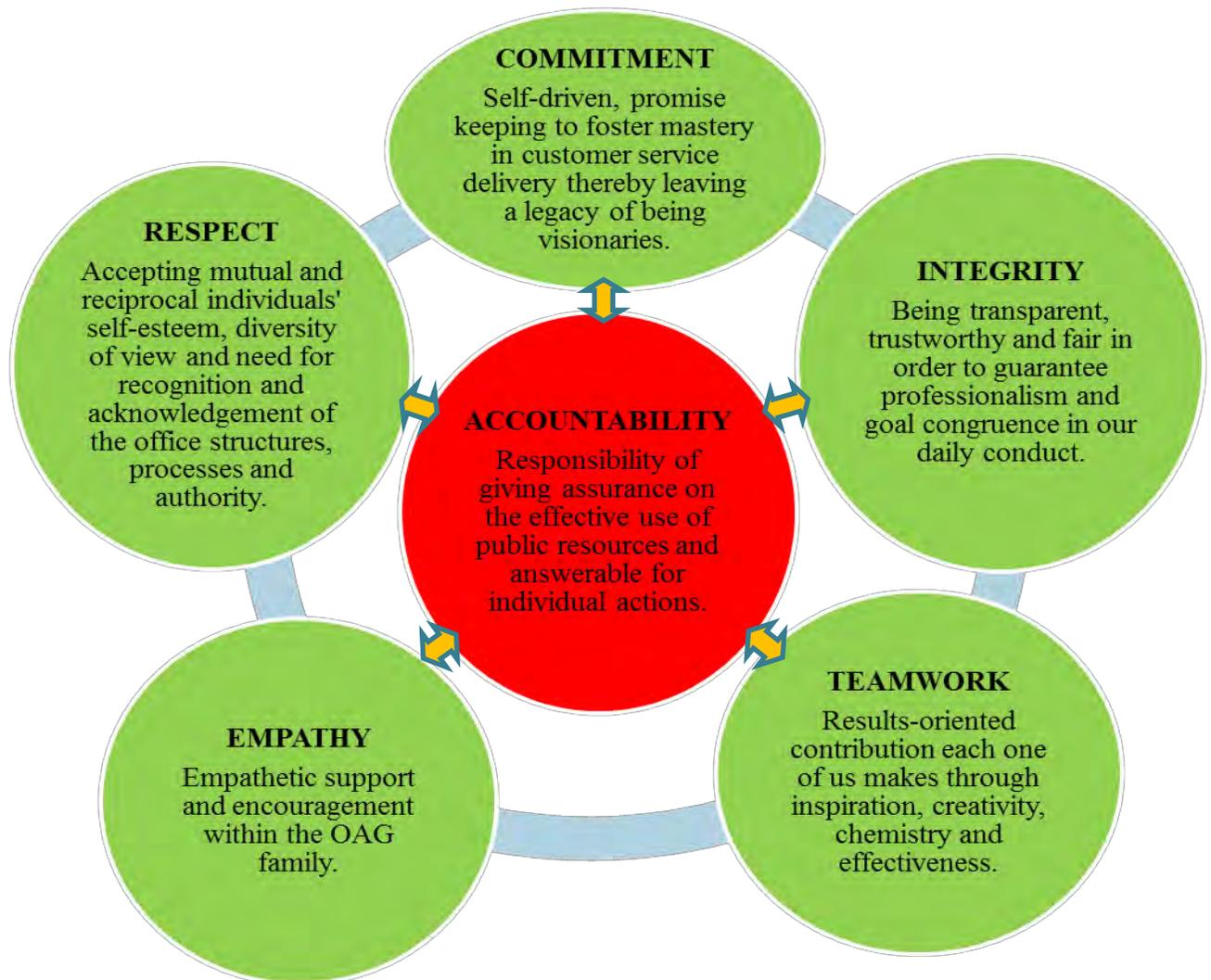
OAG VISION

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

OAG MISSION

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

OAG VALUES



LIST OF ACRONYMS

1. AUSC - African Union Sports Council
2. AfDB - African Development Bank
3. AFROSAI-E - African Organisation of Supreme Audit Institutions for English speaking countries.
4. BBR - Beitbridge-Bulawayo Railway
5. CAAZ - Civil Aviation Authority of Zimbabwe
6. CBZ - Commercial Bank of Zimbabwe
7. CCS - Central Computing Services
8. COPAC - Constitution Parliamentary Select Committee
9. CPMZ - Campania Do Pipeline Mozambique-Zimbabwe
10. CVR - Central Vehicle Registry
11. DDF - District Development Fund
12. DIPA - Departmental Integrated Performance Agreement
13. DMFAS - Debt Management and Financial Analysis System
14. DMO - Debt Management Office
15. EU - European Union
16. GAAP - Generally Accepted Accounting Principles
17. GRN - Goods Received Note
18. IAS - International Accounting Standard
19. ICG - Independent Colleges Guarantee Fund
20. IDBZ - Infrastructure Development Bank of Zimbabwe
21. IDC - Industrial Development Corporation

22. IMPI - Information and Media Panel of Inquiry
23. MIPA - Ministerial Integrated Performance Agreement
24. NOCZIM - National Oil Company of Zimbabwe
25. NOIC - National Oil Infrastructure Company
26. NRZ- National Railways of Zimbabwe
27. OAG - Office of the Auditor-General
28. OFID - Opec Fund for International Development
29. PAC - Public Accounts Committee
30. PFMS - Public Finance Management System
31. PMG - Paymaster General Account
32. POSB - People's Own Savings Bank
33. PSC - Public Service Commission
34. PSIP - Public Sector Investment Programmes
35. RBM - Results Based Management
36. RBZ - Reserve Bank of Zimbabwe
37. RTGS - Real Time Gross Settlement
38. SADC - Southern African Development Community
39. SAP - Systems Application Programme
40. SEDCO - Small and Medium Enterprises Development Corporation
41. SOE - State Owned Enterprises
42. SPB - State Procurement Board
43. SSB - Salary Service Bureau

44. T&S - Travelling and Subsistence
45. UNCTAD - United Nations Conference on Trade and Development
46. UNDP - United Nations Development Programme
47. UNWTO - United Nations World Tourism Organisation
48. VAT - Value Added Tax
49. VID - Vehicle Inspection Department
50. ZEC - Zimbabwe Electoral Commission
51. ZEPARU - Zimbabwe Economic Policy and Research Unit
52. ZERA - Zimbabwe Energy Regulatory Authority
53. ZESA - Zimbabwe Electricity Supply Authority
54. ZIA - Zimbabwe Investment Authority
55. ZIMASSET - Zimbabwe Agenda for Sustainable Socio-Economic Transformation
56. ZIMRA - Zimbabwe Revenue Authority
57. ZINARA - Zimbabwe National Roads Administration
58. ZINWA - Zimbabwe Water Authority
59. ZISCO - Zimbabwe Steel Company
60. ZMDC - Zimbabwe Mining Development Corporation
61. ZRP - Zimbabwe Republic Police
62. ZTA - Zimbabwe Tourism Authority

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GENERAL REPORT AND EXECUTIVE SUMMARY

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GENERAL REPORT

1 SUBMISSION OF ANNUAL REPORT

In terms of Section 309 (2) of the Constitution of Zimbabwe and Section 10 of the Audit Office Act [*Chapter 22:18*], I am required, after examining the public accounts of Zimbabwe submitted to me in terms of Section 35 (6) and (7) of the Public Finance Management Act [*Chapter 22:19*] and signing a certificate recording the results of such examination, to prepare and submit to the Minister of Finance, not later than June 30 of each year, a report of my examination and audit of the public accounts of Zimbabwe.

In terms of Section 35 (12) of the Public Finance Management Act [*Chapter 22:19*] the Minister of Finance is responsible for submission to the House of Assembly audited consolidated financial statements.

The Constitution of Zimbabwe requires that all fees, taxes and other revenues of the State of Zimbabwe from whatever source arising (not being monies that are payable by or under an act of Parliament into some other fund established for a specific purpose or may, by or under an act of Parliament be retained by the authority) shall be paid into and form one Consolidated Revenue Fund. The administration and control over the Fund is exercised by the Treasury under the provisions of Section 17 of the Public Finance Management Act [*Chapter 22:19*].

2 DUTIES OF THE AUDITOR-GENERAL

My duties as set out in the Constitution of Zimbabwe and amplified in the Audit Office Act [*Chapter 22:18*] are:-

- to examine, audit and report on accounts of all persons entrusted with public monies or State property,
- to satisfy myself that the receipt and disbursement of public monies has been made in accordance with proper authority and has been correctly accounted for and that all reasonable precautions have been taken to safeguard State property,
- to carry out Value for Money audits, which entail the examination into the economy, efficiency and effectiveness with which those entrusted with financial and material resources have utilized them in carrying out their mandates.

3 BASIS OF PREPARATION OF PUBLIC ACCOUNTS

Management of public funds is governed primarily by the provisions of the Public Finance Management Act [*Chapter 22:19*]. Central Government uses cash accounting basis for Appropriation Accounts and partly accruals accounting for Fund Accounts. The reporting framework for State Enterprises and Parastatals is International Financial Reporting Standards (IFRS) and Local Authorities are moving to International Public Sector Accounting Standards (IPSAS). The IPSAS are based on the IFRS and are issued by the IPSAS Board for use by public sector entities.

4 CONDUCT OF THE AUDIT AND GENERAL STATE OF THE PUBLIC ACCOUNTS

My statutory audit is discharged by a programme of test checks and examinations which are applied in conformity with the generally accepted auditing standards. The checks are intended to provide an overall assurance of the general accuracy of the accounting transactions and not to disclose each and every error.

I conducted audits at Head Offices of Ministries as well as visits to outstations. Results of the audit of Provincial and District stations are included in my findings in this report. In 2015 I visited 498 stations as compared to 268 in 2014 that is an increase of 186%. Details of the stations visited are on Annexure A.

I observed some notable improvements by some Ministries in the implementation of audit recommendations that I proffered in 2014. However, there is still room for improvement. Out of the 80 audited Fund Accounts, 68 (85%) compared to 83% in 2014 had material audit findings warranting management's attention (9 adverse, 9 disclaimer, 34 qualified 16 unqualified with material issues and 12 without material issues.) Annexure D has more details. The Appropriation Accounts for the Ministry of Agriculture, Mechanization and Irrigation Development and Public Service Commission were not included as the audits were still in progress at the time of finalizing this report. Also the Accounting Officer for the Ministry of Finance and Economic Development was still to sign the following accounts which are included in this report: Appropriation Account, Statement of Public Debt, State Assets Disposal Fund, Statement of Contingent Liabilities and Summary of Consolidated Revenue Fund.

My Office continued to contract to private auditors the audit of some State Enterprises, Parastatals and Local Authorities in terms of Section 9 of the Audit Office Act [*Chapter 22:18*] because of low staff levels in the Office. Annexure B shows the staff position during 2015. I will take over the audit of contracted audits as and when the staff situation improves.

5 TRAINING AND STAFF DEVELOPMENT

Staff training and development remained as one of the key objectives of my Office. With the assistance of the African Organisation of Supreme Audit Institutions for English speaking countries (AFROSAI-E) to which Zimbabwe is a member, Donor community, Public Service Commission and other stakeholders, a number of training programmes were attended by my staff in order to keep them updated with the developments taking place in the audit profession. The training programmes attended are on Annexure C.

6 CERTIFICATION OF PUBLIC ACCOUNTS

I certify that I have examined the public accounts of Zimbabwe in accordance with the Constitution of Zimbabwe, the Audit Office Act [*Chapter 22:18*] and the Public Finance Management Act [*Chapter 22:19*].

AUDIT OPINION

The audit opinion on Appropriation Accounts, Fund Accounts, Finance Statements and Revenue Statements varied from account to account. Annexure D shows the opinion per each account. The financial statements are to be consolidated into one report by the Accountant General.

ACKNOWLEDGEMENTS

I wish to recognize the importance of the part played by all the Accounting Officers and Receivers of Revenue which made it possible for me to submit my Report for the year under review.

Members of my staff deserve special mention for their dedication and support in the production of my reports. The future appears to bring challenges which can be overcome only with a motivated and committed staff if I am to carry out my mandate.

HARARE

June 15, 2016.

M. CHIRI,

AUDITOR-GENERAL.

EXECUTIVE SUMMARY

This section of the report provides a summary of the major audit findings that were found common in most central Government Ministries and Departments. These issues call for urgent attention and action for redress by those responsible for Governance, in order to improve transparency and accountability in the public sector. The issues are summarised as follows:

1 GOVERNANCE ISSUES

1.1 Maintenance of Accounting Records

Maintenance of accounting records remained a challenge in some of the Ministries. They did not maintain proper accounting and assets records such as ledgers to record revenue and expenditure, immovable property registers, motor vehicles registers, fuel and other assets registers.

In some cases, accounting records were being maintained on manual systems which have weaker internal controls instead of computerised systems. As a result revenue collection systems were weak resulting in loss of revenue because of leakages.

1.2 Fraudulent Activities

Due to weak internal controls, some Fund Accounts lost at least a total amount of \$179 144 to fraudulent activities perpetrated by employees.

1.3 Reconciliation of Accounting Records

There were differences between expenditure amounts reflected by the PFMS system and that of the Sub-Paymaster General Accounts for seven Ministries totaling \$ 70 932 805 (**Annexure G**). The Ministries did not produce reconciliation statements showing the sources of differences. As a result, I was unable to rely on the total expenditure figures disclosed in the Appropriation Accounts of those Ministries.

The closing bank balance of the Summary of Transactions on the Main Exchequer Account under the Ministry of Finance and Economic Development and the Exchequer sub-accounts had a variance of \$3 257 347 as at December 31 2013 that was not explained.

1.4 Transfer of Funds from Fund Accounts

Some Ministries transferred a total amount of \$12 084 785 (**Annexure H**) from Fund accounts under their administration to meet expenditure of parent Ministries without the authority of Treasury as required by the constitutions of the Funds. In most cases the objectives for which the Funds were established were not achieved.

1.5 Suspense Account Balances in Fund Accounts

At least thirteen Fund accounts administered by Ministries had suspense accounts figures in the financial statements totalling \$8 184 055. **(Annexure I)**. As a result, I could not rely on the financial statements for accuracy and correctness.

1.6 Outstanding Payments to Suppliers of Goods and Services

Some Ministries failed to pay a total amount of \$53 511 409 **(Annexure J)** for goods and services received which is not in compliance with standing instructions that require Ministries to pay suppliers promptly when goods and services are received. The expenditures were not charged to the votes of those Ministries in the period of commitment resulting in understatement of expenditure figures. If suppliers are not paid promptly, the supply system is disturbed and Ministries incur cost overruns on contracts and litigation costs may end up being incurred.

1.7 Unsupported Expenditure

A number of Ministries and Funds incurred total expenditure of \$21 746 501 **(Annexure K)** that was not supported by source documents making it difficult to ascertain whether the expenditure was properly incurred to constitute a proper charge on public funds. I was unable to validate whether the expenditure was a proper charge against the votes of these Ministries.

1.8 Use of Fund Bank Accounts as Collateral Security

Some Ministries used monies in the bank accounts of Fund accounts under their administration as collateral security for loans issued to private individuals. As a result, the Funds whose bank accounts were used as collateral security were exposed to risk of losing a total amount of \$1 551 523 as the loan beneficiaries were struggling to repay the loans.

1.9 Budgetary Control

Some Ministries did not exercise adequate budgetary control on Fund accounts under their administration resulting in eight Fund accounts incurring excess expenditure over income or expenditure exceeding budgeted income by a total amount of \$10 256 876 **(Annexure L)**.

2 PROCUREMENT

2.1 Violation of Procurement Regulations

Some Ministries and Departments failed to follow procurement regulations resulting in procurement of goods and services out of tender totalling \$2 644 485 in violation of procurement regulations.

3 REVENUE COLLECTION AND DEBT RECOVERY

3.1 Amounts not collected from Debtors

Due to lack of efficient accounting systems and inadequate effort, at least thirty two Ministries and Departments failed to collect amounts due from clients and employees totaling \$48 871 240 (**Annexure M**). The bulk of the amount has remained uncollected for long periods ranging from 1 to 6 years. I am concerned that some of the amounts may not be collected. There were no proper dunning systems in place to enable Ministries to effectively recover amounts outstanding from debtors. If these amounts are collected, they could go a long way in funding other Government activities.

4 IMPLEMENTATION OF PRIOR YEARS AUDIT RECOMMENDATIONS

I noticed some improvement in implementation of prior year audit recommendations by some of the Ministries. Some internal control systems were improved by way of moving from manual to computerized systems.

5 COMMENT ON MANAGEMENT OF PUBLIC RESOURCES TO ACHIEVE NATIONAL OBJECTIVES

There is need to strengthen internal control systems of public entities to safeguard public resources and channel the same to priority areas of development and service delivery. The systems should be developed to enable institutions that have surplus resources to channel the same to areas of need and optimize on the resources that are available.

There was also need for Government to be innovative to explore methods of generating revenue and reduce pressure on the fiscus. Government assets such as motor vehicles, equipment and buildings should be efficiently and economically managed to reduce costs. There is need to strengthen procurement systems by making them more robust, efficient and more transparent.

**APPROPRIATION ACCOUNTS, FUND ACCOUNTS,
FINANCE ACCOUNTS AND REVENUE STATEMENTS**

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VOTE 1.– OFFICE OF THE PRESIDENT AND CABINET

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Office of the President and Cabinet for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Office of the President and Cabinet as at December 31, 2015.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Audit Committee

Finding

The provisions of the Public Finance Management Act [*Chapter 22:19*] section 84 (i) and (ii) requires that every Ministry shall establish an audit committee that periodically reviews internal controls, including the scope of the internal audit programme, and the internal audit findings, and to recommend appropriate action to be taken by the responsible authorities. However, the Office did not have an Audit Committee during the year under review.

Risk/Implication

Absence of an Audit Committee may compromise the effectiveness of the internal controls and that of the Internal Audit function. Further, audit issues may remain unresolved for long periods of time.

Recommendation

The office should endeavour to have an Audit Committee constituted.

Management Response

Please be advised that Audit Committees are not yet in place in all Government Ministries as Treasury is still working on the framework. Treasury is yet to advice on how the framework should be implemented in line with the Public Financial Management Act.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Outstanding Travelling and Subsistence Allowance

Finding

I noted that an amount of \$12 805 for Foreign Travel and Subsistence allowance issued to one of the officers on March 13, 2015 for a trip to India, has been long outstanding, with no evidence that the advance was ever acquitted. This was contrary to Treasury Instruction 1504 which stipulates that advances should be cleared immediately upon return from official travel by the member so advanced. Treasury Instruction 1505 also directs that any outstanding advance should be deducted from the member's salary until the whole advance is cleared. The non-recovery can be attributed to lack of robust dunning procedures.

Risk/Implication

The advance could be construed as a soft loan and the funds might not have been used for the intended purposes if no acquittal nor recovery is done.

Recommendation

The office should ensure that the outstanding amount is cleared and robust dunning procedures are adopted.

Management Response

The Officer was discharged from service on May 31, 2015 before she had accounted for the Travelling and Subsistence advance. We have been trying to contact her so that she could bring a copy of her passport without success. We will submit information as soon as she has been located.

DISTRICT DEVELOPMENT FUND 2013

OBJECTIVE OF THE FUND

The main objective of this Fund is to develop Communal Land and such other development areas as may be declared by the Minister. The Fund's budget is approved by Parliament.

I have audited the financial statements of the District Development Fund for the year ended December 31, 2013.

Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the District Development Fund as at December 31, 2013.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Disclosure of Assets

Finding

As reported in the previous years, the Fund did not carry out a revaluation nor engage a professional valuer to determine the values of land and buildings, plant and machinery, aeroplanes and other equipment belonging to the Fund that existed prior to the adoption of the multi-currency system. Additionally, expenditure amounting to \$2 742 301 spent on maintenance of plant and equipment was disclosed in the financial statements whilst the historical value of assets totalling \$602 029 disclosed in the form of a note could not be relied upon, as the assets were not fully disclosed. This was in breach of tenets of good accounting practice.

Risk/Implication

Failure to fully disclose the Fund's assets could result in losses and misuse of public resources. This would adversely affect service delivery.

Recommendation

The management should ensure that all assets under the Fund have been re-valued to the USA dollar to ensure full disclosure in the books and financial statements.

Management Response

Audit is advised that the revaluation of DDF assets is an issue beyond management's control. The exercise requires \$1.2m and Treasury has been advised accordingly.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Rentals

Findings

A sample of rental collections carried out revealed that outstanding rentals amounting to \$32 632 were excluded from the debtors figure of \$261 338 and from other income figure of \$1 312 833. This rendered the financial statements submitted for audit unreliable. My further examination of records revealed that the Fund was not consistently recovering rentals from tenants comprised of government employees, private tenants and churches.

The anomaly was attributed to the failure to produce annual housing returns reconciliations, lack of accountability and lack of supervisory checks. This was in contravention of Treasury Instructions 0100-0104 which stipulates that receivers of revenue shall ensure that full proper accounts are kept of transactions for which they are responsible for and shall apply appropriate independent system of internal check and control in respect of revenues.

Risks/Implications

Financial statements for the District Development Fund were materially misstated and this could potentially mislead the users.

The Department might lose potential revenue because of failure to collect rentals. The longer it takes to recover, the more difficult it would be to recover.

Recommendation

The department should step up efforts to recover rentals from defaulters, since the debtors are sitting tenants.

Management Response

Most of the returns from provinces included debtors who had paid direct to the Head Office either by direct transfer into the bank or cash payments at Head

office. Head Office acknowledges that this error was caused by non-submission of revenue received by Head Office on behalf of stations, back to stations to allow them to reconcile their records before they can confirm if one is a debtor or not. At Head Office such funds would be in the uncleared deposits account pending investigation.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Sustainability of Services

Finding

As reported in the previous audits, the Fund as at December 31, 2013 had negative net current liabilities of \$1 571 159 (2012: \$2 672 102) implying that it was unable to discharge its liabilities in its normal course of business. There was significant deterioration in the value of assets used to generate revenue as expenditure on maintenance of assets exceeded the book value of assets. During the year under review, maintenance of plant and equipment stood at \$2 742 301 whilst the book value of assets was \$602 029. The current ratio for the Fund stood at 0.25:1 (\$521 004: \$2 092 163) against a general benchmark of 2:1 implying that the Fund had no working capital and was not able to meet its current obligations i.e. paying sundry creditors whose balance stood at \$2 040 185 as at the Balance Sheet date. This was an indication that the Fund might fail to fully carry out its mandate.

Risk/Implication

The Fund will not be able to pay its creditors and this may create a bad image for itself as well as for the Government when it faces litigation. This may also imply that the Fund is not managing its resources efficiently, effectively and economically.

Recommendation

The Fund should manage its resources efficiently, effectively and economically, and not merely rely on Treasury to fund its operations.

Management Response

The Fund operates on the basis of an approved budget supposedly to be financed by Treasury and ZINARA. Operational plans are thus based on the approved budget. While in theory operations are supposed to be responding to cash releases by either Treasury or ZINARA, the assumption is not feasible practically, because

of the nature of the operations, particularly Roads Construction and Borehole Drilling which require technical completion of assignments once started. As a result the technical completion in some instances can only be achieved through delayed payment to suppliers in anticipation of releases within the budget period, from Treasury or ZINARA. Effort is always made to advise both Treasury and ZINARA of the commitments and naturally expect Treasury or ZINARA to pay during the budget period. If Treasury or ZINARA fails to honour their commitment then, technically outstanding liabilities have to be disclosed in the Balance Sheet.

Therefore, working capital management is not solely the function of DDF but rather a function of various players who cannot be directly controlled by DDF management.

As DDF, strategies have also been put in place to reduce the liabilities through the “Internal Hire of Equipment-Force Account” so as to generate revenue to clear off the creditors. Evidence of reduction in liabilities due to management initiatives can be seen in subsequent years.

2 PROCUREMENT

2.1 Value for Money

Findings

The Fund paid various vendors for materials supplied for projects carried out in different Provinces. However, I noted that the vendors were inflating the prices thereby over charging the Fund and a potential loss of \$319 921 was observed. Refer to Table 1 for some of the examples:

Table I

Date	Product	Voucher	Supplier	Amount Paid	Competitor Supplier on Comparative Schedule	Competitor prices as verified by Audit	Amount Prejudiced
10/04/13	7x4ft graders	472468	DKM Trading	\$4 363	Arthur Gardening	\$1 295	\$3 068
6/12/13	20XPvc pipes 110mm	474339	Locomotive Trading	\$4 996	Bhola Hardware	\$225	\$4 771

24/07/13	60x50mm x3m GI pipes	476581	Dolitoool	\$9 991	Farm & City	\$5 400	\$4 591
10/01/13	50x63mm pvc pipes class 6	471743	Yellow Lions Hardware	\$9 994	PG Building Supplies	\$1 850	\$8 144
10/07/13	4x34" rear tractor tyres	476706	DKM Trading	\$8 096	Dunlop	\$4 516	\$3 580

I also observed that the division in need of services was the one which would source for quotations and prepare the competitive schedule hence there was no segregation of duties between sourcing quotations and preparing comparative schedules. This resulted possibly in quotations from reputable companies being manipulated to appear as if they were charging exorbitant prices. This was in order to justify buying from companies whose prices were extremely exorbitant. Refer to Table II.

Table II

Date	Product	Voucher No	Supplier	Amount Paid	Competitor Supplier, as quoted on the comparative schedule	Alleged price supposedly quoted by the competitor on the comparative schedule	Actual competitors price verified by Audit
20/04/13	7X4ft grader blades	4772468	DKM Trading	\$4 363	Arthur Garden Engineers	\$4 589	\$1 295
6/12/13	20xpvc pipes 110mm	474339	Locomotive Trading	\$4 996	Bhola Hardware	\$5 037	\$225
10/07/13	4x34' rear	476706	DKM Trading	\$8 096	Dunlop Tyres	\$8 188	\$4 516

	tractor tyres						
24/07/ 13	60x50m mx3m GI pipes	476581	Dolitoool	\$9 991	Farm and City	\$10 350	\$5 400
1001/ 13	50x63m m pvc pipe (class 6	471743	Yellow lions Hardware	\$9 992	PG Building Suppliers	\$10 063	\$1 850
26/09/ 13	40x110 mm pvc pipes	475398	Poftshare	\$982	PG Building Supplies	\$11 408	\$9 262

Further, two companies namely Dolitoool Products and Flosquip Marketing Pvt Ltd had the same Directors but at the same time using different company names and submitting quotations of the same product thereby defeating competition. This therefore was contrary to the principle of buying to the best advantage.

Risk/Implication

The entity may fail to manage its resources efficiently resulting in fruitless expenditure and cash flow problems.

Recommendation

Management of the Fund should carry out further investigations on the purchasing of overpriced goods and take appropriate action.

Management Response

The observation has been noted.

Audit is advised that DDF depends on the approved list of suppliers from the State Procurement Board for the selection of prospective suppliers for its various procurements. The assumption is that SPB has a set criteria and will have applied due diligence in approving respective suppliers to be working with Government Departments.

However, management cannot deny nor confirm the allegations by audit unless audit assist in the following ways, so that management can verify and take the necessary corrective action.

- a) The pricing regime used by audit in their analysis i.e. whether it was a cash price or credit price. At the time the Fund would procure on requisition which would be paid as and when Treasury released the necessary disbursements, hence would be considered as credit price and not cash price.
- b) Suppliers on the approved list of suppliers are provided by the SPB who were used by Audit to come with alternative average price.
- c) Copies of the scanned quotations as alleged by audit.

The above information will enable management to analyse each and every transaction that was quoted by audit as they will be verifying audit findings.

Evaluation of Management Response

It's within the entity interest to carry out further independent investigations in order to protect public resources and put closure to the issue. Table 11 above has the details of the vouchers.

2.2 Tender Limits

Findings

The Fund engaged suppliers of borehole and irrigation reticulation material for both Irrigation and Borehole Drilling projects. The two projects were funded under the Public Sector Investment Projects (PSIP). However, a sample of nine transactions totalling \$94 109 showed that the Fund awarded contracts that exceeded the stipulated State Procurement Board (SPB) regulations threshold of \$10 000 for competitive quotations instead of adopting the informal tender procedures in line with the State Procurement Board circular No. 1 of 2012. Below are the tabulated amounts:

DATE	PROJECT	SUPPLIER	AMOUNT \$
11/02/13	Borehole Rehabilitation	Yellow Lion	11 284
21/03/13	Borehole Rehabilitation	Dolitoool Products	13 187
22/05/13	Kutama Irrigation	Dolitoool Products	10 002
30/07/13	Borehole Rehabilitation	Nilgris Marketing	19 800
08/07/13	Kutama Irrigation	Twin Con. Industrial	10 005
05/08/13	Kutama Irrigation	Mild Engineering	19 826
25/11/13	Borehole Rehabilitation	Twin Con. Industrial	10 005
TOTAL			\$94 109

Risk/Implication

The Fund may be prejudiced and as a result may not get value for money.

Recommendation

The Fund management should observe State Procurement Board regulations when conducting its procurement.

Management Response

The observations have been noted. Audit is looking at a collection of procurements that were done over a period of time as opposed to a once off procurement which is regulated by the SPB circular No. 1 of 2012.

It must be noted that owing to punctuated release of drawdowns by Treasury, the Fund in some cases has to approach approved suppliers on the SPB list to supply on credit as and when it is necessary and within the three competitive quotation limit of \$10 000 per product and per supplier. When Treasury eventually releases cash and as the Fund will now be paying the various suppliers who will have supplied on the basis of a requisition, they are then consolidated and obviously may then exceed \$10 000 in total.

Evaluation of Management Response

Regulations set by the Board should be adhered to and for any deviation from the requirements, a waiver, should be obtained first from that Board. Take note that the Fund has no authority to buy goods on credit terms especially when there are no funds to cover the expenditure.

2.3 Creditors

Finding

The Fund was being sued by Tenda Transport Pvt Ltd for non-payment for services provided to the tune of \$520 000 on May 03, 2012 for various roads construction projects in Manicaland Province. There was no evidence availed to indicate that a formal tender was awarded to the Transporter, in breach of Section 8 of the Procurement Regulations 2002 read in conjunction with the SPB circular No. of 1 of 2012 which indicates that goods or services above \$300 000 should be acquired through formal tender procedures.

Further, the Fund received a total amount of \$3 895 000 from both Treasury and ZINARA for roads and bridges maintenance during the period under review but it failed to settle the outstanding bill of \$520 000 for the Transporter. The Fund continued to award new orders to other suppliers despite having a legal dispute for non-payment pending in the courts, contrary to good accounting practices. Legal

expenses amounting to \$7 560 had been incurred on this case as at the time of concluding the audit in August 2014.

Two other earth moving companies were owed a total of \$500 350 during the period under review, casting doubt on whether the Department was exercising good financial management practices and good corporate governance.

Risk/Implication

This may tarnish the image of the organisation in particular and the government in general when the entity is sued for failure to pay its bills. The company that would have offered services is seriously prejudiced by non-payment.

Recommendation

The Fund officials should exercise due diligence in the application of resources at their disposal.

Management Response

The debts were incurred in 2012 when DDF had no sufficient equipment to implement the 2012 PSIP budget of \$7 000 000. The contractors were engaged on the assumption that Treasury was going to release the full budget and would be paid as and when the budget was released.

Evaluation of Management Response

The Fund should operate within its means and apply good financial management principles in order not to over commit the Treasury.

3 REVENUE COLLECTION AND DEBT RECOVERY

3.1 Long Outstanding Staff Debtors

Finding

According to the age analysis report dated December 31, 2013, \$130 163 of the \$159 010 total outstanding debtors were over one hundred and eighty (180) days old. This represented 82% of the total staff debtors figure. Therefore, the dunning procedures that were being adopted by the Department were highly ineffective. This is contrary to Treasury Instruction 1504 which stipulates that the Accounting Officers are responsible for the recovery of all advances made by them and for ensuring that conditions of the advances are complied with.

Risk/Implication

This has an effect of tying up resources in debtors and it creates cash flow problems for the organisation.

Recommendation

Management should implement a robust debt collection system.

Management Response

DDF had made an effort to recover the above mentioned outstanding debts. We have advised the auditors of the progress we have made as well as promises from respective debtors. The reason for not immediately handing over debtors to debt collectors was that we noted some progress in terms of repayments and commitment.

4 EMPLOYMENT COSTS

4.1 Transport Allowances

Finding

I observed that officials at Deputy Director level who were issued with motor vehicles for both official and personal use were also being given transport allowances resulting in double dipping. The motor vehicles were taken home for overnight and used during weekends by the same officials and no log books were completed, therefore, being used as personal issue vehicles. This was contrary to the provisions of Public Service Circular 1 of 2012 paragraph 3.2 which stipulates that a member who has been issued with a personal vehicle shall not be entitled to a transport allowance.

Risk/Implication

It results in overburdening the Fund through fruitless expenditure.

Recommendation

The Accounting Officer should institute recovery mechanisms to ensure that the Fund is reimbursed the total amount paid irregularly to the officials.

Management Response

The observation has been noted.

Audit is advised that the nature of the duties performed by the Deputy Directors observed by the Audit requires that they use the vehicle continuously and almost on permanent basis. There are also other employees who are junior to the Deputy Directors and because of the nature of their duties they also use the Fund's vehicles continuously and permanently but at the same time getting Transport allowance.

It is therefore, the nature of DDF operations that inevitably make some category of DDF staff attached to some vehicles on permanent basis. Transport allowances is part and parcel of the package that was promised to Deputy Directors by the Trustee. If management is to remove it then their take home pay will be less than their juniors who are also allocated vehicles on the same basis as the Deputy Directors.

Evaluation of Management Response

Please take note that the Public Service Commission from time to time issues circulars that binds all members unless a specific waiver is given by the Commission. Therefore, the Public Service Circular 1 of 2012 applies to all grades not only Deputy Directors as it clearly stipulates that a member who has been issued with a vehicle shall not be entitled to a transport allowance.

The entity should approach PSC with the issues and in the meantime, recoveries should be instituted for officers who are double dipping.

5 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

5.1 Internal Audit Reports

A compressor was collected by the Deputy Director Plant and Equipment from Binga District DDF premises on March 14, 2009 destined for Head Office in Harare. It was issued out on Stores Issue Voucher (SIV) number 395504 for repairs in Harare. The equipment did not reach the intended destination. The Deputy Director denied ever collecting the compressor but acknowledged having facilitated transport to ferry it to Bulawayo for repairs.

A Renault tractor registration 605-182F from Nkayi District was also issued with SIV 097543 for transfer to Head Office and there was no evidence to support that the tractor ever reached Head Office.

Nissan UG 780 Tipper registration 369-822v was involved in an accident on July 08, 2000 in Binga. A claim file was opened with file number 655/08/2000. However, the file could not be located during the time of audit and the extent of the damage could not be ascertained to verify repairs that had been effected on the vehicle.

A Matabeleland South Komatsu motorized Grader with registration number 634-682W was sent for repairs at D.A.P Diesel and Electrical Engineering Company in Bulawayo on April 20, 2005. After the repairs D.A.P Diesel Electrical Engineering Company hired out the Grader without authority from DDF to Shepco, Lovetech Contractors and Attachards (Pvt) Ltd who paid a total amount of \$49 185 for using the grader.

The Internal Audit was making follow ups on the above cases, but however no boards of enquiries had been held.

5.2 Procurement

The Department purchased a variety of accessories of earth moving equipment from different suppliers to the tune of \$49 688. The goods were neither recorded as goods received nor supported with goods received vouchers. This was as a result of a general disregard of internal controls.

There was therefore no sufficient evidence to support that the goods were delivered to Central Stores, contrary to good purchasing practices.

The 10x210 litre drums of engine oil valued at \$9 030 and the 10 pairs of 4ft and 5ft grader blades valued at \$9 800 out of the total worth \$49 688 were verified as supplied to the District Development Fund Dema Base Camp.

The Fund was still to provide evidence that the remaining items valued at \$30 858 were supplied to the base camps out of a total worth \$49 688.

5.3 Payments

Audit noted that two senior officials exceeded their prescribed monthly cell phone and telephone allowances on different occasions. Out of a total allocation allowance of \$900, the two officials' allowances totalled \$3 900 thereby resulting in an overpayment of \$3 000. This was due to management's failure to adhere to rules and regulations as provided for in Treasury Circular 1 of 2010 on cell phone and telephone allowances.

The observation had not been addressed.

DISTRICT DEVELOPMENT FUND ACCOUNT 2014

OBJECTIVE OF THE FUND

The objective of the Fund is to develop Communal Land and such other development areas as may be declared by the Minister. The Fund's budget is approved by Parliament.

I have audited the financial statements of the District Development Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the District Development Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Maintenance of Plant and Equipment

Finding

I noted that the financial statements disclosed an amount of \$1 607 237 as the expenditure for maintenance of Plant and Equipment. An analysis of the ledger for Plant and Equipment, revealed that 73% of the above disclosed expenditure amounting to \$1 166 176 constituted fuel payments and the remaining balance of \$441 061 related to the actual maintenance of Plant and Equipment costs. This resulted in overstating the maintenance of plant and equipment expenditure by \$1 166 176. Therefore, I could not place reliance on the financial statements submitted for audit. This was caused by failure to properly classify and disclose the expenditure, which was contrary to good accounting practices.

Risk/Implication

Improper disclosure of expenditure may mislead users of financial statements resulting in wrong financial decisions being made and inefficient utilisation of organisational resources.

Recommendation

The Fund should classify its expenditure allocations correctly to enable proper disclosure of financial statements in line with good accounting principles.

Management Response

The reason for this classification is to allow monitoring of such expenditure with the intention of recovering the same through a reimbursement system that is practiced within DDF. The recoveries are disclosed in the financial statements as Revenue for Hire of Transport and Equipment. Because of the nature of DDF operations which are Plant and Equipment intensive, Fuel and Lubricants is a major component in the maintenance of the same. It is therefore not an improper disclosure of the expenditure component as assumed by audit, but rather a proper charge as it allows the application of the reimbursement system within the Fund.

Evaluation of Management Response

The response is addressing the internal arrangement being applied by the District Development Fund for the convenience of their operations and the disclosure of the component on the financial statements does not truthfully address the external stakeholders' expectations in terms of the actual expenditure for the maintenance of Plant and Equipment excluding the fuel that was procured. Furthermore, administration fuel costs are also being catered for under this item. There is a disregard of accounting principles.

1.2 Donations

Finding

I noted that the assets donated to the Fund were not disclosed at fair value as at the time of acquiring them hence they were not incorporated in the final assets balance of \$769 203 appearing in the financial statements. This therefore meant that the assets figure disclosed in the financial statement was understated thereby distorting the financial statements.

Risk/Implication

Non-disclosure of donations value might result in understating the assets figure so disclosed.

Recommendation

Donations should be disclosed at fair value as at the time of receiving the donations and the same value should be disclosed in the financial statements.

Management Response

The donated assets are recorded in the DDF assets register just like purchased assets since they equally belong to DDF.

Evaluation of Management Response

It is contrary to good accounting practices. Donations are to be disclosed at fair value at the time of acquiring them. Therefore the assets balance of \$769 203 being shown in the financial statements remains understated.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Falcon Aircraft Operations

Finding

An analysis of the Falcon Aircraft business venture revealed that the business made significant losses in the financial years 2013 and 2014. This was caused by ineffective budgetary control methods to monitor expenditure levels, contrary to Public Finance Management Act [Chapter 22:19] Section 44(b) (ii) which states that the Accounting Officer should prevent irregular, fruitless and wasteful expenditure, and that public entities are to invest in viable projects or businesses to safeguard public funds. The schedule below refers:

YEAR	REVENUE \$	EXPENDITURE \$	PROFIT (LOSS) \$
2013	97 579	503 865	(406 286)
2014	66 699	212 032	(145 333)
TOTAL	\$164 278	\$715 897	(\$551 619)

Risk/Implication

Funds needed for core activities like roads maintenance and tillage are diverted to prop up loss making ventures like the Falcon Aircraft Business.

Recommendation

There is need to relook at the operations of the venture so that it can be self-sustaining as some costs are being met by the Appropriation Account and others are met by the Fund.

Management Response

Falcon Air within DDF operation is taken as a strategic business unit established through taking advantage of the existing DDF infrastructure in the form of human as well as the aircrafts, to raise additional resources to supplement Treasury Draw- Downs. However, the unit is operated on the basis of viability with all direct cost being self-financing by revenue from the project.

It must be emphasized that the investment decision is based on the potential of the project to generate cash-inflows than the profitability basis because other costs which are of a fixed nature get financed by Government e.g. pilots salaries, rents and administration staff salaries with or without the business unit.

Evaluation of Management Response

Even though the venture is being subsidised by the state in form of salary payments for pilots and staff members and rental payments it is still making a huge loss. As it is, the venture is depending on funds generated by other business units hence the need to improve its operations.

1.2 Motor Vehicles

Findings

As highlighted in my previous audit, four vehicles belonging to the fund were involved in various road accidents. However, there was no evidence provided for audit purposes to indicate that boards of inquiry were held in respect of these accidents. This was contrary to the provisions of the Public Finance Management Act [Chapter 22:19], Section 12(1) which stipulates that if it comes to the notice of an accounting officer that there is any deficiency in destruction of or damage to state property he or she shall cause an investigation to be held into circumstances of such deficiency, destruction or damage as the case may be.

Risk/Implication

Without the boards of inquiries the full facts pertaining to the cases would not be established in order to take corrective measures.

Recommendations

Boards of Inquiry should be convened in order to establish the full facts and make the necessary recoveries.

Management Responses

Boards of Inquiries are now in progress.

1.3 Fuel Management

Finding

As observed in my previous audit the Fund did not have a fuel management policy document that spells out monthly allocations to their Senior Management as part of their conditions of service, hence there was no clear distinction between the fuel used by Senior Managers for their personal use and the fuel used for the official business of the Fund according to the fuel register. Furthermore, managers above or equivalent to the Director grade were not given transport allowances on the understanding that they were issued with official vehicles and were therefore, entitled to a monthly fuel allocation for private use in line with the Public Service circular number 1 of 2012 paragraph 3.1, which stipulates that each member will be entitled to an allocation of fuel per month for official and personal use, determined and allocated by Heads of Ministries. The member shall be allocated extra fuel for business trips.

Risk/Implication

Without a clear policy on the allocation of fuel, transparency and accountability would not be achieved.

Recommendation

The Fund management should come up with a fuel policy that clearly distinguishes between fuel allocation for official use from conditions of service allocation.

Management Response

Audit is advised that the Fund now has a fuel management policy that now guides the Fund on distinguishing between Business fuels from Private utilization.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Traveling and Subsistence

Finding

The dunning procedures that were being adopted by the Fund were highly ineffective. As highlighted in the previous audit as at December 31, 2014, \$192 808 of the \$365 112 total outstanding debtors were staff debtors. This represents 53% of the debtors

figure presented in the financial statements. This is contrary to Treasury Instruction 1504 which stipulates that Accounting Officers' are responsible for the recovery of all advances made by them and for ensuring that conditions of the advances are complied with. The contributory factor for non recovery was internal control lapses within the organisation.

Risk/Implication

This has an effect of tying up resources in debtors and it creates cash flow problems for the organisation.

Recommendation

Management should implement a robust debt collection system for both internal and external debtors.

Management Response

By the time of audit, most members of staff had not cleared their advances as they were in the process of compiling their respective claims. Audit is advised that most members have since cleared their respective advances and every effort is being made to ensure that advances are cleared on time.

3 EMPLOYMENT COSTS

3.1 Payment of Salaries

Finding

I noted that one of the employees EC No. 7501256N absconded in May 31, 2010 and he continued receiving his salaries and allowances until February 2014, prejudicing the Fund of \$18 228 in the process. The matter was reported to the Head Office on June 20, 2013 by the Provincial Coordinator; Mashonaland Central Province indicating that the Province was receiving the ex-member's payslips when he had already been transferred to Mashonaland West Province. In reality he never reported for duty in Mashonaland West Province. Upon notification in June 2013, Head Office did not act on the matter until February 2014.

However, there was no evidence available indicating that disciplinary action was instituted against the officer/s who was/were negligent and neither was a board of inquiry instituted. This was contrary to the provisions of the Public Finance Management Act [*Chapter 22:19*] section 44 sub-section (e) (iii) which states that "An Accounting authority for a public entity shall take effective and appropriate

disciplinary steps against any employee of the public entity who incurs or permits irregular expenditure or fruitless and wasteful expenditure”.

Risk/Implication

The risk is that the Fund could be paying salaries to non-existing employees thereby incurring irregular expenditure or fruitless and wasteful expenditure.

Recommendation

The Accounting Officer should investigate the matter of negligence. A recovery mechanisms should be put in place to ensure that the Fund is reimbursed the total amount paid irregularly to the member who had left the service.

Management Response

Sometime in 2010 a driller whose home station was Mashonaland Central, was moved from Mashonaland Central to work on some assignments in the authority. Unfortunately then, immediate boss for the member was charged for another case of misconduct and discharged from service before the issue of the driller’s absence was discovered. The matter of the driller was reported to Police IRNo.031857 who are investigating and so far indications are that the member is still at large and it is suspected that he is in South Africa.

We have handed over the matter to the DDF lawyers who are pursuing the civil side of the case with the intention of recovering the salaries and allowances which were paid that were not due to him.

Evaluation of Management Response

The Fund should put in place a mechanism to monitor the movement of their staff. An investigation must be instituted regarding the above finding in order to establish the control weakness within the system that was taken advantage of and at the same time address the anomaly.

4 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

4.1 Results Based Management

Finding

I noted that out of the Fund’s total expenditure of \$21 772 145, \$17 295 731 was directed towards Salaries, Wages and Allowances whilst the balance of \$4 476 414 was directed towards operations. This meant that 80% of the Fund’s expenditure was

consumed by employment costs leaving only 20% to finance operations. Therefore, the Fund was left with little resources going towards operations. This compromised service delivery and casts doubt on the Fund's ability to achieve its set objectives under the Results Based Management system. This is also contrary to District Development Fund Act 29:06 section 3 which states that "The objects to which the Fund may be applied shall be the development of Communal Land and development areas."

Risk/Implication

There is likelihood that the workforce could be idle and weighing heavily on the budget for salaries, wages and allowances.

Recommendation

The Fund should come up with revenue generating programs in order to improve on service delivery and help the Fund achieve its mandate.

Management Response

The observation is noted. However, audit is advised that the concern raised as was highlighted by the Ministry of Finance during the Minister's 2015 budget presentation is also a DDF concern. Every effort is being made to address the concern at both national level as well as organizational level.

5 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEARS RECOMMENDATIONS

5.1 Asset Disclosure

As reported in the previous years, the Fund did not carry out a revaluation nor engage a professional valuer to determine the values of land and buildings, plant and machinery, aircraft and other equipment belonging to the Fund that existed prior to the adoption of the multi-currency. In addition, expenditure amounting to \$2 742 301 spent on maintenance of plant and equipment was disclosed in the financial statements whilst the historical value of assets totalling to \$602 029 disclosed in the form of a note could not be relied upon, as assets were not fully disclosed. This was in breach of tenets of good accounting practice.

As at the time of audit, the revaluation exercise had not yet been carried out.

5.2 Payments

It was reported in my previous audit that two senior officials exceeded their prescribed monthly cell phone and telephone allowances on different occasions. Out of a total allocation allowance of \$900, the two officials' allowances totalled \$3 900 thereby resulting in an overpayment of \$3 000. This was due to management's failure to adhere to rules and regulations as provided for in Treasury Circular 1 of 2010 on cell phone and telephone allowances.

At the time of audit no action had been initiated.

5.3 Internal Audit Reports

According to the Internal Audit Report, a compressor was collected by the Deputy Director Plant and Equipment from Binga District DDF premises on March 14, 2009 destined for Head Office in Harare. It was issued out on Stores Issue Voucher number 395504 for repairs in Harare. The equipment did not reach the intended destination and its whereabouts were unknown. The Deputy Director denied ever collecting the compressor but acknowledged having facilitated transport to ferry it to Bulawayo for repairs.

Also according to the internal audit report, a Matabeleland South Komatsu motorized Grader with registration number 634-682W was sent for repairs at D.A.P Diesel and Electrical Engineering Company in Bulawayo on April 20, 2005. After the repairs D.A.P Diesel Electrical Engineering Company hired out the Grader without authority from DDF to Shepco, Lovetech Contractors and Attachards (Pvt) Ltd who paid for its services a total amount of \$49 185.

The issues had not been resolved as at the time of concluding the audit.

VOTE 2.- PARLIAMENT OF ZIMBABWE

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for Parliament of Zimbabwe for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account present fairly, in all material respects, the financial position and performance of the Parliament of Zimbabwe as at December 31, 2015.

Basis of Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Sub-Paymaster General's Account

Findings

The Sub-Paymaster General's Account (Sub-PMG) is the bank account used for paying all expenditure and the Public Finance Management System (PFMS) is a computerized system used by Government for processing transactions. Under normal circumstances the expenditure paid through the Sub-PMG account should agree with expenditure processed in the PFMS system. There was a difference of \$174 323 between expenditure amount reflected by the PFMS system report of \$24 127 100 and that of the Sub-PMG account of \$23 952 777. I could not, therefore place reliance on the amount of expenditure disclosed in the accounts in the absence of reconciliation showing the make-up of the differences.

There were no receipts collected to support direct payments amounting to \$3 397 881 paid by Treasury to service providers on behalf of Parliament of Zimbabwe.

In its letters of clearance of arrears to the service providers, Treasury gave an instruction to Parliament of Zimbabwe to obtain confirmation of direct payments made to the suppliers. However, there was no indication that this was done. Therefore, the payments made could not be validated.

Risks/Implications

Failure to reconcile the PFMS system expenditure report and Sub-PMG account may result in errors going undetected.

If suppliers do not acknowledge payments, dual payments might occur and authenticity of expenditure might be questionable.

Recommendations

Parliament of Zimbabwe should reconcile the two records to ensure that expenditure figures reflected by PFMS system report and Sub-PMG are always in agreement.

Parliament of Zimbabwe should always obtain receipts from suppliers whenever direct payments are effected by Treasury to ensure that double payments do not occur. Also a receipt will act as a written acknowledgment that a payment has been received.

Management Response

The Parliament of Zimbabwe has identified a batch that was processed and reversed at the bank. The transaction was not captured in the PFMS system to reflect the corrected position on our Appropriation account. We are therefore currently seeking authority from The Accountant-General for the system to be opened in the 13th period for adjustments for the 2015 financial year.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Policy Priority Areas

Finding

Audit noted that Parliament of Zimbabwe had funds allocated to some of its priority areas but transferred the funds to domestic and foreign travel expenses among others. Thus, Parliament of Zimbabwe did not utilize bidded funds on the priority areas.

Risk/Implication

If policy priority areas are not implemented Parliament of Zimbabwe will not achieve its mandate.

Recommendation

Parliament of Zimbabwe should stick to its plans so that funds are used for priority areas.

Management Response

The observation is noted. This is as a result of the control of budget release to Parliament by Treasury. By mid-year there were budget lines that were almost exhausted while others still had huge positive balances. Treasury instructed Parliament of Zimbabwe to re-direct budgets from PSIP and programmes (Women Parliamentary Caucus Committee and Constituency Information Centres). Parliament of Zimbabwe effected virements that were then approved and loaded into PFMS by Treasury.

1.2 Motor Vehicle Loan Scheme

Finding

Completion of Loan Agreement Forms

According to the Parliament of Zimbabwe Vehicle Revolving Fund Constitution clause 6 (a), expenditure of the Fund shall consist of the disbursements of approved loans on the terms and conditions specified in the loan agreement. Parliament of Zimbabwe did not cause nine (9) Members of Parliament who took delivery of loan vehicles valued at \$315 000 to sign loan agreement forms during the period 2014 and 2015.

Recalled Members of Parliament

The vehicle loan agreement form clause 6.1 (ii) stipulates that, in the event that the borrower commits any breach of the terms and conditions of the agreement or should he/she cease to be a Member of Parliament either through imprisonment or disqualification, the lender shall exercise the following rights:

- a. To demand pay of and to be paid by the borrower, the full balance of the loan and of any other sums payable under the agreement, together with any expenses incurred by the lender in recovering payment of moneys due.
- b. To terminate the agreement and take possession of the vehicle.

Audit noted that 26 members of Parliament were recalled by their respective parties in 2015 after they had taken delivery of vehicles worth \$910 000 but there was no evidence of any action having been taken by Parliament to demand payment of the outstanding loan amounts or demand back the vehicles from the recalled members.

Risks/Implications

Parliament of Zimbabwe might fail to enforce the terms of the agreement in the event of future legal disputes.

Delays to recover vehicle loans in whatever manner may result in Parliament of Zimbabwe failing to recover the loans.

Recommendations

Parliament of Zimbabwe should ensure that all members who took delivery of vehicles under the Parliament of Zimbabwe Vehicle Revolving Fund sign loan agreement forms to confirm the obligations of each part.

Parliament of Zimbabwe should expedite the recovery of outstanding loans in terms of the loan agreement so that the Vehicle Revolving Fund becomes self-sustaining.

Management Response

Completion of Agreement Forms

Parliament acknowledges the oversight concerning the eight Members who did not fully complete loan agreement forms. Parliament is engaging the Members to rectify the error.

Recalled Members of Parliament

The observation is acknowledged that there was a delay in notifying the recalled Members of their obligation to extinguish the motor vehicle loans. The delay was occasioned by the fact that the former Members were contesting their recall from Parliament, this needed us to verify what the former Members were owed by Parliament and the duty payable to ZIMRA. The process to effect the recovery commenced in 2015 and the final letters of demand were sent to members in February 2016.

2 MANAGEMENT OF ASSETS

2.1 Library Books

Finding

According to the lost/damaged books procedure manual if a borrower does not return the borrowed books 3 months after the due date, Parliament of Zimbabwe should

cause an amount equal to the value of the unreturned books to be garnished from the officer's or member's salary.

My audit revealed that Parliament of Zimbabwe did not make progress in recovering books borrowed by officers/members as per the requirement of the lost/damaged books procedure manual. The books had been outstanding for a period ranging from 7 to 15 years as at the time of audit on April 8, 2016. Also Internal Audit report dated July 31, 2015 raised the issue of non-recovery of lost and overdue books.

Risk/Implication

There is a risk that the borrowed books might not be recovered.

Recommendation

Parliament of Zimbabwe should effect deductions from officers/members who are still in service or serving members as per the requirement of the lost/damaged books procedure manual. For the officers/members who would have left the service or ceased to be senators or members of Parliament, Parliament should recover the cost of books from their terminal benefits or engage the services of the Attorney General's Office.

Management Response

The observations by the auditors are noted. The raising of surcharges against Members of Parliament or Members of staff for all long overdue books is done through the Finance Department and is guided by Parliament of Zimbabwe Recovery of Lost/Damaged Books Procedure REF: PARLZIM/LIB 4.2.4/12WP. Parliament acknowledges the need to expeditiously follow up all outstanding books and to raise surcharges where the responsible Member of Parliament or Member of Staff has lost the book. Measures have been put in place to ensure there is no recurrence. As part of the efforts to recover costs of lost books the last list of outstanding books was submitted to Finance Department on January 29, 2016 to effect deductions.

3 REVENUE COLLECTION AND DEBT RECOVERY

3.1 Receipts and Disbursements

Finding

There were differences in revenue figure reflected on Parliament of Zimbabwe's SAP revenue report of \$113 550, Sub-Exchequer bank statement of \$47 988 and Receipts and Disbursements Return /Statement of Revenue Received of \$63 453. I therefore could not substantiate the correct amount of revenue received by Parliament of Zimbabwe during the year ended December 31, 2015.

Risk/Implication

Revenue figure for 2015 might have been over or under stated.

Recommendation

Parliament of Zimbabwe should reconcile the figures and disclose in the books of accounts the correct revenue amount collected in 2015.

Management Response

The observations by the Auditors are noted. The SAP recorded revenue received of US\$113 550 is inclusive of prior year amounts meant to update the Exchequer Account. The amount for prior year is US\$63 567 leaving a balance of US\$49 583 for the 2015 financial year.

Evaluation of Management Response

The difference between the amount banked of \$47 988 and the amount of \$63 453 reflected in the Receipts and Disbursements Return remained unexplained.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Sub-PMG Account

The difference of \$8 026 between the expenditure reflected by the SAP expenditure report of \$31 470 256 and the Sub-PMG account expenditure of \$31 462 230 had not been reconciled.

4.2 Internal Audit Function

The internal audit department is still being manned by one auditor (Director of Audit) as reported in the previous audits. My audit noted that although efforts were being made by Parliament of Zimbabwe to have more internal auditors recruited, the issue was still to be addressed by Treasury.

4.3 Audit Committee

Parliament committed itself to setting up an Audit Committee by 30th October, 2015 but as at the date of current audit on April 26, 2016 the committee was not yet in place due to resource challenges.

4.4 Non recovery of Advance Foreign Travel Expenses

Out of \$33 949 outstanding foreign travel advances reported in the previous report as not recovered from Parliament officers and members, Parliament of Zimbabwe made significant progress and managed to recover \$29 815 during the course of 2015 with \$4 134 still outstanding from members of Parliament as at December 31, 2015.

4.5 Employment Costs

Parliament of Zimbabwe was now reconciling variances in monthly salary payments as per audit's 2014 recommendation. Documented evidence to support month on month salary fluctuations which occurred during 2015 was availed for audit review.

VOTE 3.- PUBLIC SERVICE, LABOUR AND SOCIAL WELFARE

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Public Service, Labour and Social Welfare for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Public Service, Labour and Social Welfare as at December 31, 2015.

However, below are material issues that were noted during the audit:

1 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

1.1 Basic Education Assistance Module (BEAM)

Findings

The Basic Education Assistance Module (BEAM) was established to provide fee waivers for eligible primary and secondary school children for tuition, examination fees and applicable levies. The Ministry of Public Service, Labour and Social Welfare is responsible for its implementation through making disbursements to schools. During the year under review, Treasury released \$7 000 000 for the programme. Despite arrears amounting to \$39 000 000 as at December 31, 2015, the Ministry used \$419 968 to meet expenditure not related to BEAM objectives.

Risk/Implication

BEAM may fail to meet its objectives if its resources are utilised for expenditures other than advancing the education of the disadvantaged.

Recommendations

The Ministry should ensure that expenditure incurred is in line with the provisions of section two (2) of the BEAM Operational Manual.

Management Response

It is acknowledged that a total of \$239 250 was used to finance staff hampers as per Ministry Policy and Secretary's approval. Ideally this cost should have been

met from institutional provisions but unfortunately Treasury did not release the requisite funding over the period. This payment was done using the 10% Administration provision which is outlined in the BEAM manual.

Evaluation of Management Response

The 10% that the Ministry is basing this expenditure on appears remote from the administration of BEAM.

2 GOVERNANCE ISSUES

2.1 Transfer of Funds from Fund Accounts to Main Appropriation Account

Findings

In my 2014 audit report, I made mention that the Ministry owed various Funds under its administration. At the beginning of the year the balance stood at \$310 651. During the year, expenditure amounting to \$548 974 was met from the Funds' resources, while \$186 948 was reimbursed resulting in a closing outstanding balance of \$672 677 at year end. This expenditure was met outside the Public Finance Management System (PFMS). My concern is that this may result in Fund Accounts failing to meet their objectives. The table below refers.

Name of Fund	Balance Brought Forward 01.01.2015	Advance 2015	Repayment 2015	Outstanding Balance 31.12.2015
Disabled Persons Fund	108 801	191 795	49 974	250 622
National Rehabilitation Centre Welfare Fund	17 602	–	–	17 602
Child Welfare Fund	5 355	–	–	5 355
National Drought Fund	21 022	–	–	21 022
Public Assistance	–	164 032	–	164 032
Older Persons Fund	–	50 526	–	50 525
Public Service Training Loan Fund	32 488	140 590	57 324	115 654
Public Service Amenities Fund	125 383	2 031	79 551	47 864
Total	\$310 651	\$548 974	\$186 948	\$672 677

I also observed that there was a lot of movement of money between the Ministry and the various Fund Accounts. The Ministry pays grants to the Funds and later on borrows the same money which it subsequently reimburses upon receipt of Treasury releases. This criss-cross of funds does not promote effective budgetary control and fiscal discipline.

Risk/Implication

The practice of borrowing money from Funds cripples operations of the same.

Recommendation

The Accounting Officer, as the responsible authority, should ensure that the amounts involved are refunded to the respective Funds and stop borrowing funds that will never be reimbursed as Treasury is struggling to release resources to Ministries.

Management Response

The observation is acknowledged. The Ministry is determined to make reimbursements when Treasury releases funds.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS**2.1 Failure to reconcile direct payments with SAP records.**

The Ministry confirmed all direct payments made by Treasury on its behalf.

The variance of \$102 573 reported in my 2014 audit report has not been reconciled.

NATIONAL DROUGHT FUND 2014

OBJECTIVES OF THE FUND

The purpose of the Fund is to alleviate the effects of drought and other natural hazards adversely influencing food security and to promote the development of food production designed to counteract drought and or purposes incidental thereto.

I have audited the financial statements of the National Drought Fund for the year ended December 31, 2014.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Drought Fund as at December 31, 2014 and its performance for the year then ended.

However, below is a material issue that was noted during the audit:

1 GOVERNANCE ISSUES

1.1 Advances to Parent Ministry

Finding

In my 2013 report, I observed that the Fund advanced \$13 859 to its parent Ministry. The problem persisted in 2014 with the Fund advancing a further \$1 400 to the parent Ministry, bringing the total amount owed to \$21 022. At the time of concluding the audit, the amount had not been recovered.

Risk/Implication

The practice of lending money to fund the Ministry activities would cripple its operations.

Recommendation

The Ministry should ensure that the resources of the Fund are channeled towards meeting the objectives of the Fund and that the Fund is reimbursed.

Management Response

The observation is noted and agreed. The shortcoming of borrowing from the Fund is acknowledged but this arose due to financial difficulties being experienced by the Ministry. However, advances will be repaid once Treasury avails budgetary support.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Failure by Districts to Submit Annual Returns Acquitting Funds Received

The outstanding acquittals of funds advanced to districts in 2013 were availed for audit inspection. However, I noted that out of a total amount of \$36 000 received by the districts, a balance of \$1 335 had not been acquitted at the time of concluding the audit.

NATIONAL HEROES' DEPENDANTS ASSISTANCE FUND 2014

OBJECTIVE OF THE FUND

The purpose of the Fund is to provide assistance to designated national heroes' dependents.

I have audited the financial statements of the National Heroes Dependents Fund for the year ended December 31, 2014.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Heroes' Dependents Assistance Fund as at December 31, 2014 and its performance for the period then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Internal Controls

Finding

Section 49(1) (a) of the Public Finance Management Act [*Chapter 22:19*] provides that the accounting authority for a public entity shall keep full records of the financial affairs of the public entity. However, the Fund's ledgers were being maintained on Microsoft Excel spreadsheet, which did not have adequate security controls. The matter was previously raised in the management letter referenced I/69/690/13 dated October 16, 2014.

Risk/Implication

The use of Microsoft Excel spreadsheet may result in financial records being manipulated because Microsoft Excel has weak controls.

Recommendation

The Ministry should consider printing the ledgers periodically, having them stamped, signed by the relevant authorities and kept in a secure place so as to minimise the risk of manipulation of financial information.

Management Response

Whilst it is appreciated that an Accounting Software Package is secured for the Fund, resource constraints are restricting the Ministry to use the Excel which does not have any financial requirements. When resources permit, a secure accounting package would be secured.

1.2 Board Composition and Board Meetings

Finding

As previously stated in my 2013 report, the Fund operated with a Board whose tenure of office expired in 2006. This was contrary to Section 4(4) of the National Heroes' Dependents Assistance Act No. 13 of 1984 which provides that a member of the National Heroes' Dependents Assistance Board shall hold office for such a period not exceeding five years, and on such terms and conditions as may be fixed by the President at the time of his/her appointment.

Risk/Implication

Decisions made by a Board whose tenure of office has expired would not be legally binding when challenged.

Recommendation

New Board members to the National Heroes' Dependents Assistance Board should be appointed to run the affairs of the Fund in compliance with the provisions of Part II section 4(4) of the National Heroes' Dependents Assistance Act No. 13 of 1984.

Management Response

The Ministry has initiated the process of constituting a new Board that will oversee the operations of the Fund.

OLDER PERSONS FUND 2014

OBJECTIVE OF THE FUND

The purpose of the Fund is to provide social welfare assistance to destitute or indigent older persons through promotion of programmes on health and education among destitute or indigent older persons, provision of facilities for developing skills in older persons at homes, projects aimed at promoting the well-being, welfare, care and protection of older persons, and assisting any person who wishes to establish, operate and maintain any service or facility that is aimed at advancing the well-being, welfare, care and protection of older persons.

I have audited the financial statements for the Older Persons Fund for the year ended December 31, 2014.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Older Persons Fund as at December 31, 2014 and its performance for the year then ended.

However, below are material issues that were noted during the audit:

1 GOVERNANCE ISSUES

1.1 Board Allowances

Finding

The Fund was established in 2012, in terms of the Older Persons Act [*Chapter 17:11*] and became operational in 2014 after receiving funding from Treasury. In November, the Fund received the only disbursement amounting to \$15 000 for its operations. I am concerned that \$6 970 (40%) of the money received went towards payment of Board members fees that were made up of monthly board fees and sitting allowances. The monthly board fees amounting to \$5 070 paid were backdated to July 2014. Reasons for backdating monthly Board fees when the Fund was not active were not given. There was no evidence that much was done towards the fulfilment of the Fund's objectives as indicated by the expenditure of the Fund.

Risk/Implication

Without prioritizing the Fund's core business, it will be difficult to achieve its objectives.

Recommendation

The Ministry should ensure that the resources received are channelled towards achieving the objective of the Fund.

Management Response

The Ministry did not respond to the audit finding.

1.2 Administration of the Fund

Finding

Treasury Instruction 0706 provides for Accounting Officers to issue detailed written instructions governing the conduct of financial business and the control of all public moneys and the property for which they are responsible. Contrary to this provision, instructions pertaining to the Fund were not availed for audit inspection.

Risk/Implication

Without specific instructions, operations of the Fund will not be adequately directed and controlled and officers may adopt unauthorised practices which may hinder the achievement of the Fund's mandate.

Recommendation

Accounting Officer's Instructions should be issued to facilitate smooth operation of the Fund. This would enable uniformity in the execution and recording of transactions, serve as a training tool for officers thereby reducing processing errors.

Management Response

The observation is noted and agreed. The Ministry is in the process of drafting detailed written instructions governing the conduct of financial business, the control of all public moneys and property pertaining to the Fund.

PUBLIC SERVICE TRAINING CENTRES AMENITIES FUND 2014

OBJECTIVE OF THE FUND

The purpose of the Fund is to provide funding for the provision and maintenance of Public Service Training Centres as well as to provide cost recovery courses to Government Departments, Parastatals and Non-Governmental Organizations.

I have audited the financial statements of the Public Service Training Centres Amenities Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Training Centres Amenities Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Management of Debtors

Finding

The Fund disclosed in its financial statements, a figure of \$32 892 as trade debtors. This figure excluded debtors from training centres. Audit of Domboshava and Highlands Training Centres revealed that trade debtors amounting to \$213 527 were outstanding as at December 31, 2014. I was not able to quantify the total amount of debtors outstanding from all the training centres as there were no records of debtors from training centres at Head Office. Consequently, the debtors figure disclosed in the financial statements was misstated.

Risk/Implication

Failure to disclose debtors meant that assets of the Fund were understated.

Recommendation

The Fund should include in its accounting records, all debts due to the Fund.

Management Response

The observation is noted. Recommendations are now being implemented. As from the 1st of August 2015, the sub-collector schedule will include debtors figure.

At the moment, we are left with three Training Centres for the exercise we are doing of updating our records.

1.2 Suspense Account

Finding

The financial statements disclosed a suspense account balance of \$47 308 that remained uncleared as at December 31, 2014. The presence of a suspense account would affect the credibility of the financial information disclosed in the financial statements.

Risk/Implication

Failure to investigate and clear the suspense account balance may lead to misstatement of financial statements.

Recommendation

The suspense account balance of \$47 308 should be investigated and cleared.

Management Response

The Ministry noted that the Suspense Account remained on the Financial Statements for the third year in succession but with different figures. A look at the list of transactions in the Suspense Account showed that most of the transactions are for the year ended 2014. The Ministry has encouraged the Training Centres to educate their clients that once they have transferred money to the account, they should forward copies of the transfer to the Training Centre for receipting. The Ministry is also sending outstanding amounts on the bank statement after reconciliation each month to Training Centres to verify if there are outstanding direct payments which they did not receipt. We have since visited some training centres and introduced the dunning system in order to improve on debtors' management.

HOWEVER, the following is another material issue noted during the audit:

1.3 Advances to Parent Ministry

Finding

My examination of the Fund's records revealed that in 2013 the Fund had an outstanding advance to its Parent Ministry amounting to \$99 180 in respect of payments to suppliers on procurement of goods and services, for the sustenance of the main Appropriation account activities in violation of the provisions of the Fund's

Constitution. The same problem persisted in 2014 when the Fund continued to advance a further \$26 203 to the parent Ministry bringing the total to \$125 383 as at December 31, 2014.

Risk/Implication

The practice of borrowing funds from Public Service Training Centres Amenities Fund cripples operations of the same and may result in the Fund failing to achieve its intended objectives as financial resources get tied up in advances.

Recommendation

The Accounting Officer, as the responsible authority, should ensure that the amount involved is refunded to the Public Service Training Centres Amenities Fund and desist from advancing funds to the parent Ministry that may not be reimbursed as Treasury is struggling to release resources to Ministries.

Management Response

The Ministry borrowed funds from the Fund to finance critical operations as there were low Treasury releases in the hope of reimbursing the Fund. The amount borrowed during the year ended December 31, 2014 was \$106 984 with a total of \$80 781 being reimbursed leaving a balance of \$26 203. Efforts to reimburse were made but at the time of reporting, Treasury had not released enough funds resulting in us failing to reimburse the whole amount. The Ministry is committed to reimburse the Fund as soon as Treasury releases reasonable financial resources.

PUBLIC SERVICE TRAINING LOAN FUND 2014

OBJECTIVE OF THE FUND

The purpose of the Fund is to provide loans at interest rates up to a maximum determined from time to time by the Secretary for Public Service, Labour and Social Welfare with the approval of the Ministry of Finance, to enable civil servants and officers of Parliament to obtain such qualifications as may be prescribed by the Public Service Commission; or to grant loans for the purchase of text books and tuition equipment necessary for attendance at College/Institute or any other Training School for technical, managerial and professional for which it is an integral part of a State Training Scheme.

I have audited the financial statements of the Public Service Training Loan Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Public Service Training Loan Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Management of Loan Debtors

Finding

In my 2013 report I mentioned that the loan debtors' account was characterised by numerous anomalies that included; double submission of deduction schedules to the Salary Service Bureau (SSB), multiple accounting of receipts in individual ledgers and over recovery and non-recovery of loans. The problems persisted in 2014. Based on a sample of 144 transactions with a value of \$60 385, the figure of accounts receivable amounting to \$504 397 disclosed in the financial statements could be misstated by \$59 563. This was caused by the Ministry failing to carry out reconciliations of individual debtors' ledgers and making adjustments as necessary. As a result, I could not ascertain the completeness and accuracy of the figure for loan debtors disclosed in the financial statements.

Risk/Implication

Failure to carry out reconciliations of individual debtors' ledgers and making adjustments as necessary would result in misstatements of financial information.

Overdue accounts would not be identified on time for recovery action to be taken thereby increasing cases of irrecoverable debtors.

Recommendation

Debtors' reconciliations should be done to ensure that errors are identified and corrected on time and employees should be adequately trained in the use of pastel to minimise errors.

Management Response

The observation is noted and agreed. The transactions which are referred to were a result of corrections of errors which were noted in 2013. The errors were mostly corrected as at December 31, 2014 when we verified individual ledger loan accounts. The non-recovery of loans is a result of employees who leave employment in different Ministries. The balance will be deducted from their pensions but as you are aware it will take at least a year for one to get their pension.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Advance to Parent Ministry

Finding

I observed that the Fund issued an advance to its Parent Ministry amounting to \$38 969 in violation of the provisions of the Fund's Constitution which states that expenditure of the Fund shall be payment in respect of transactions which the Trustee considers as a proper charge against the Fund. Of this amount, \$6 481 was reimbursed leaving an outstanding balance of \$32 488 as at December 31, 2014.

Risk/Implication

The objectives of the Fund would not be fully achieved if resources are used to fund activities outside its Constitution and this would also expose the public funds to misuse.

Recommendation

The Accounting Officer, as the responsible authority, should ensure that the amount involved is refunded to the Training Loan Fund and desist from lending funds that will never be recovered as Treasury is struggling to release resources to Ministries.

Management Response

The observation is noted. The borrowings were mainly for tuition fees for members of staff under the Ministries educational assistance. The Ministry has since reimbursed an amount of \$5 612. The balance will be reimbursed as soon as we receive releases from Treasury.

1.2 Administration of the Fund

Finding

In my 2013 report, I observed that the Fund operated without Accounting Procedure's Manual/Accounting Officer's Instruction in violation of Treasury Instruction 0706 which states that these be issued. The problem persisted in 2014 with the Fund managers doing very little to address the situation.

Risk/Implication

Without the Accounting Officer's Instruction, there is no guidance on how the Fund operations should be carried out.

Recommendation

The Fund should issue Accounting Officer's Instructions as required by Treasury Instruction 0706 to give direction in the operations of the Fund.

Management Response

Management response had not been received at the time of finalising the report.

1.3 Operating without a Budget

Finding

Section 46 of the Public Finance Management Act [*Chapter 22:19*] states that the accounting authority for every designated corporate body shall submit to the Accounting Officer of the appropriate Ministry and to the Accountant-General, at least thirty days (or such greater period agreed by the appropriate Ministry with the Accountant-General) before the start of its financial year, a projection of revenue, expenditure and borrowings for that financial year in the prescribed format; and an annual corporate plan in the prescribed format covering the affairs of that designated corporate body, including its subsidiaries, for the following three financial years, and such plan shall include targets, outputs and outcomes. Contrary to these provisions, the Fund could not avail such plans and projections for my examination. This weakness was also observed in my 2013 report.

Risk/Implication

Operating without a budget would result in misuse of resources thereby compromising on service delivery.

Recommendation

The Fund should adhere to the requirements of Section 46 (a) and (b) of the Public Finance Management Act [*Chapter 22:19*] that requires it to prepare budgets.

Management Response

Management response had not been received at the time of finalising the report.

VOTE 4.- DEFENCE 2015

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Defence for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Defence as at December 31, 2015.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Set Offs/Direct Payments

Finding

For the third year running, an amount of \$25 949 785 was directly paid/ set off by Treasury to service providers on behalf of the Ministry. Treasury advised that confirmation of payments be made from each respective service provider. However, an amount of \$4 879 774 had not been confirmed as at May 23, 2015. Therefore, I could not confirm whether the direct payments made by Treasury were paid against existing debts, and that the Ministry accounts were subsequently credited with the same amounts.

Risk/Implication

In the absence of confirmation of payments from respective service providers, it will be difficult to monitor the debts the Ministry owes to service providers. Errors made by both parties will not be detected.

Recommendation

The Ministry should obtain confirmation in the form of receipts from each respective service provider as evidence of payments made.

1.2 Assets Register

Finding

The Ministry did not maintain an assets register. A book with no entries was submitted for audit as an asset register. This was contrary to the provisions of Appendix I (Methods of control) of the Treasury Instructions which states that the Accounting

Officer should maintain records of all assets. Therefore, I was not able to confirm that assets had been properly accounted for during the year.

Risk/Implication

Failure to maintain an assets register exposes state property to abuse and misappropriation without detection.

Recommendation

The Ministry should maintain an assets register capturing all relevant details such as serial/asset number, type/model of assets and location.

Management Response

The observation is noted. The assets register is still being updated.

1.3 Absence of an Audit Committee

Finding

The Ministry has not set up an audit committee as required by Section 84 of the Public Finance Management Act [*Chapter 22:19*]. As a result, there was no independent assurance and advice on risk management, internal control, financial statements, compliance requirements, internal audit, external audit, and other relevant functions including review of an entity's governance arrangement and performance framework.

Risk/Implication

In the absence of an audit committee, the internal control systems of the Ministry may not be adequately evaluated and reviewed.

Recommendation

The Ministry should establish an audit committee so that the control environments are enhanced in line with statutory regulations.

Management Response

The Ministry is yet to get guidance from Treasury on the appointment of the committee. Consultations will continue until a committee is appointed.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Outstanding Revenue

Finding

I noted with concern that the Ministry had outstanding revenue amounting to \$2 088 079 as at December 31, 2015. This could be as a result of an ineffective debt recovery system. This was contrary to the provisions of Treasury Instruction 0501 which states that steps should be taken to collect dues to the Government. There was no evidence of regular follow-ups on outstanding debts to reduce the outstanding revenue.

Risk/Implication

The Ministry may fail to recover the entire outstanding amount thereby prejudicing the Government of the much needed funds. Government operations may be greatly affected because of shortage of funds.

Recommendation

The Ministry should make efforts to recover the outstanding revenue and come up with a payment plan to enable the defaulting debtors to pay.

Management Response

There has been challenges in the recovery of outstanding revenue, however, efforts will be made to speed up the process.

3 PROCUREMENT

3.1 Fuel

Finding

On January 16, 2015 the Ministry received an amount of \$1 947 401 from the Ministry of Finance and Economic Development for fuels, oils and lubricants. The Ministry made a payment of the same amount to Sakunda Private Limited for the procurement of fuel on January 20, 2015 without following tender procedures. This was in contravention to Statutory Instrument 171 of 2002 read in conjunction with the Procurement (Amendment) Regulations, 2012 (No. 17) which required that goods and services above \$300 000 be done by formal tenders. I could not verify the quantity of the purchased fuel as there was no supporting documentation in the form of purchase requisition, purchase order and the goods received voucher. The fuel could also not be verified as the purchase was not recorded in the register.

Risk/Implication

Failure to follow laid down procurement regulations may result in uneconomic buying.

Recommendation

The Ministry should be guided by the Procurement Act [*Chapter 22:14*], Statutory Instrument 171 of 2002, Procurement (Amendment) Regulations and the State Procurement Board Circulars.

Management Response

The expenditure was liquidation of a debt to Sakunda Private Limited. The investigation on whether the fuel was received is still underway.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Departmental Assets Certificate

The 2014 Departmental Assets Certificate for the Ministry was submitted during my 2015 audit.

4.2 Direct Payments

The Ministry failed to avail for audit the receipts confirming direct payments made by Treasury on behalf of the Ministry to service providers. The payments amounted to \$26 713 099.

4.3 Risk Management Policy

A risk management policy is now in place.

DEFENCE PROCUREMENT FUND 2014

OBJECTIVE OF THE FUND

The Fund was established for the supply of equipment to, or the construction or erection of buildings or structures for the Defence Forces and to provide for matters incidental to or connected with the foregoing.

I have audited the financial statements of the Defence Procurement Fund for the year ended December 31, 2014.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position and performance of the Defence Procurement Fund as at December 31, 2014.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Lack of Accounting Officer's Instructions

Finding

The Fund operated without Accounting Officer's Instructions which would provide proper guidance and direction on the logical flow of transactions specific to the Fund. This was contrary to the provisions of Treasury Instruction 0706 which stipulate that the Accounting Officer should issue detailed instructions governing the conduct of financial business and control of public monies and property for which they are responsible.

Risk/Implication

Without specific instructions on the operations of the Fund, officers may adopt unauthorised practices which would hinder the achievement of the Fund's mandate.

Recommendation

Accounting Officer's Instructions should be issued to facilitate smooth operations of the Fund. This would enable uniformity in the execution and recording of transactions, serve as a training tool for officers thereby reducing processing errors.

Management Response

The observation has been noted. Accounting Officer's Instructions specific to the Fund will be put in place and issued.

1.2 Maintenance of Records

Finding

Contrary to the provisions of Section 10 of the Defence Procurement Act [*Chapter 11:03*] which stipulates that proper records in relation to the Fund should be kept, the Fund did not maintain ledgers. As a result, financial statements were prepared from the cashbook and bank statements. Therefore, I could not place reliance on the financial information disclosed in the financial statements.

Risk/Implication

Without adequate books of accounts, financial transactions may not be fully recorded and disclosed. This may lead to inaccurate information being disclosed in the financial statements.

Recommendation

Adequate books of accounts should be maintained to ensure that all financial transactions are recorded and disclosed. The books of accounts will enable the Fund to produce and disclose accurate financial information.

Management Response

The observation has been noted.

1.3 Budgetary Control

Finding

As raised in my 2013 audit report, the Fund did not prepare a budget as a tool for controlling and monitoring the allocation of financial resources as required by Section 47 of the Public Finance Management Act [*Chapter 22:19*]. As a result, the Fund had cash amounting to \$50 377 that was in the bank at year end which could have been used for fulfilling objectives of the Fund.

Risks/Implications

Without a budget, it will be difficult to plan, coordinate and control the Fund's activities and resources in order to ensure efficient service delivery.

The Fund is losing income from interests on investments by not investing surplus funds.

Recommendation

A budget should be prepared as it enables the monitoring and accountability of the Funds' resources.

Management Response

The observation has been noted. A budget will be prepared in the next accounting period.

VOTE 5.- FINANCE AND ECONOMIC DEVELOPMENT

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account of the Ministry of Finance and Economic Development for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Finance and Economic Development as at December 31, 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Excess Expenditure

Finding

The Constitutional and Statutory Appropriations had excess expenditure amounting to \$31 853 415. The excess payments related to service of debt and repayment of loans. This was due to less budget provision for repayments of loans and servicing of debt. However, the excess was not covered by a Ministerial warrant as provided for under section 58 of the Public Finance Management Act [*Chapter 22:19*] which authorizes the Minister to repay State Loans and related expenses and charges from the Consolidated Revenue Fund.

Risk/Implication

Incurring unauthorized excess expenditure may result in irregular utilization of public financial resources.

Recommendation

Treasury should seek appropriate authority before incurring expenditure.

Management Response

A warrant for the expenditure was issued and was availed to audit.

Evaluation of Management Response

A Ministerial warrant for \$14 000 000 was issued on 22 April 2016, more than three months after the financial year end. The warrant however, reduced the initial excess expenditure of \$45 853 415 to \$31 853 415 which remained unauthorised.

1.2 Public Finance Management System: Systems Application Products License Fees

Finding

The Government of Zimbabwe entered into a Systems Applications Products (SAP) license and maintenance agreement with Systems Applications Products (Southern Africa) (Proprietary) Limited. The Government of Zimbabwe was expected to pay monthly installments of USD \$500 000.

I was not able to ascertain the total amount paid to Systems Applications Products (Southern Africa) (Proprietary) Limited in relation to license fees. Payment vouchers availed for audit inspection had a total amount of \$3 000 000. The SAP General Ledger account had \$1 850 000 leaving \$1 400 000 not accounted for in the Public Finance Management System (PFMS). It would appear that some invoices that were paid outside the system were not disclosed in the Appropriation account submitted for audit. I further noted that monthly reconciliations were not carried out prior to processing of payments. In some cases invoices paid in the PFMS were different from those disclosed on vouchers availed by Treasury.

Risks/Implications

There is risk of dual payments if reconciliations are not performed prior to processing of payments.

The financial statements may be misstated as payments made outside the PFMS were not reported.

Recommendation

All payments processed outside the PFMS should be uploaded onto the system to ensure all expenditure is properly accounted for and reconciliations should be done.

Management Response

During the 2015 financial year, only two payments were processed through the Ministry's Sub-PMG account i.e. \$200 000 on January 30, 2015 and \$500 000 on 8 April 2015. The rest of the payments were processed as direct payments by

Treasury. Total payments made to SAP were \$2 350 000. \$1 850 000 was captured into the PFMS and Appropriation account. Documents for another payment of \$500 000 were only availed to the Ministry by Treasury on May 11, 2016. The Appropriation Account has been adjusted to include the \$500 000 which had not been included.

Evaluation of Management Response

Supporting documents availed by the Ministry during the audit revealed payments made outside the system and not included in the Appropriation account amounting to \$1 400 000. These may not be the only payments made outside the system.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Public Financial Assets

Findings

The take on balance for the 2015 financial year was \$1 199 475 125 whilst the closing balance from the previous year was \$48 857 482 giving a variance of \$1 150 617 643. I noted that new investments from African Development Bank, International Monetary Fund, World Bank-IBRP, World Bank -IFC and the Preferential Trade Area (PTA) Bank were introduced. The variances in the opening balances were as a result of failure to record investments in the financial asset register by the Ministry as they occurred.

I also noted that the Ministry did not have an investment policy which gives guidance on how investments and dividends should be monitored and controlled. This was contrary to provisions of the Treasury Instruction 2106 which states that an investment plan shall be formulated and recorded for future reference. Management could have overlooked the need to have an investment plan in place.

Risks/Implications

If investments are not recorded timeously material errors may occur.

Uneconomic investment decisions might be made in the absence of an investment plan.

Recommendations

The Ministry should maintain an up to date public financial assets register.

An investment policy must be put in place which gives guidance on how investments and dividends should be monitored and controlled.

Management Response

The Ministry has prepared a revised 2015 return, taking on the opening balance amount of \$48 857 482 and placing payments made before 2015 financial year under the adjustment column.

Evaluation of Management Response

The Ministry did not address the issue of an investment policy which is not in place.

1.2 Cash Management

Finding

During the year 2015 the Ministry withdrew cash amounting to \$1 227 613 from its Sub-Paymaster General's Account for payment to suppliers of goods and services. Use of cash is risky and is discouraged in favour of cheques or bank transfers. An examination of the Cash register revealed that on a number of occasions some of the cash withdrawn was retained for later use as petty cash, as the Ministry did not have a petty cash float in place. It was cited that the cash withdrawals were meant to meet urgent payments.

On April 24, 2015, \$3 000 was withdrawn for the purpose of paying DSTV account but was returned in full on May 4, 2015. The following is a table with amounts withdrawn for use as petty cash excluding cash used immediately after withdrawal.

Amounts withdrawn for use as petty cash excluding cash used immediately after withdrawal

Date	Amount Withdrawn (\$)	Cash on Hand Before Withdrawal (\$)	Amount Disbursed (\$)	Balance Disbursed at later Dates (\$)
06/02/2015	21 500	313	13 909	7 278
04/03/2015	39 000	2 197	25 591	11 214
15/04/2015	37 570	592	35 051	1 927
19/05/2015	50 401	2 009	42 969	5 423
07/08/2015	40 305	11 127	18 157	11 021
21/08/2015	120 000	11 387	50 118	58 495
30/09/2015	82 980	17 505	58 036	7 439
30/11/2015	158 000	398	3 697	153 905
Total	\$549 756	\$45 528	\$247 528	\$256 702

Although the Ministry handled substantial amounts of cash, there was no evidence that a senior person reviewed and checked the cash register as well as reconciled cash on hand against the cash register balances. Treasury Instruction 0432 states that a senior person should regularly check the cash register.

Risk/Implication

Handling of high volumes of cash may provide an opportunity for theft/misappropriation of public funds.

Recommendations

The Ministry should move away from handling bulk cash transactions.

The Ministry should ensure that on a daily basis an independent person reconciles cash on hand with the cash register balance.

The Ministry should process most payments through the government accounting system (Public Finance Management System) to promote transparency and accountability.

Management Response

The audit observation on the need to limit cash withdrawals is appreciated. Currently the Ministry does not operate a petty cash imprest float and this

presents challenges in meeting daily expenditures to run the Ministry, as there are always activities going on in the Ministry. The Ministry applied for and was granted Treasury authority to open a petty cash imprest float.

1.3 Laptop and Cellphone Register

Finding

An asset verification exercise carried out from March 29 to March 31 2016 revealed that out of 151 laptops recorded in the master asset register only 66 were availed for physical verification. A total of 82 laptops were not availed for my physical verification. During this exercise three laptops with serial numbers 5CB2503RL2, 5CB2503RLW and 2CE0390NV and a cellphone with serial number 358303062155037 were verbally reported by the responsible officials to have been lost although there were no police reports or reports to the Accounting Officer to support this as required by Treasury Instructions 2300 and 2301.

Furthermore, the asset register for laptops was not updated to show reallocations, current owners, damaged and returned laptops.

Risks/Implications

There is risk that state assets may be converted to personal use.

Failure to report and investigate lost assets may result in losses that may not be identified timeously.

Laptops may be lost without trace if the register is not regularly updated to show movements.

Recommendations

Management should ensure that Ministry officials avail laptops and cellphones for audit verification in compliance with Section 8 (1) (a) of the Audit Office *[Chapter 22:18]* which empowers the auditor to have access to information without undue delay.

An investigation on the assets reported lost should be carried and remedial action taken in compliance with Treasury Instructions.

The Ministry should conduct regular physical asset checks to confirm their existence. The Ministry should carry out regular checks on the register to ensure that it is updated.

Management Response

Management response had not been received at the time of finalising the report.

1.4 Payments through the Exchequer Account

Finding

During the year 2015 Treasury made payments amounting to \$177 026 454 through the Main Exchequer Account instead of the Paymaster General's Account. This was not in compliance with government accounting procedures which stipulate that receipts should be made into the Exchequer Account as the receiving arm of the Consolidated Revenue Fund whilst payments are met from the Paymaster General's Account which is the paying arm of the Consolidated Revenue Fund. Failure by the Ministry to comply with best practice led to direct payments being made from the Main Exchequer Account.

Risk/Implication

There is high risk of processing irregular transactions if procedures are not followed.

Recommendation

All government expenditure should be met from the Paymaster General's Account.

Management Response

Management response was still outstanding at the time of concluding the audit.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

There was an improvement in the implementation of prior year recommendations as outlined below:

2.1 Direct Payments

Treasury made direct payments to ZIMRA and service providers during 2015. At times the payments were not supported by invoices and receipts acknowledging receipt of payment.

2.2 Expenditure Reversals

The Accountant-General, monitored and ensured that unfunded batches were reversed during the thirteenth period. The expenditure was charged on the subsequent budgets.

2.3 Misappropriation of Funds

Seven officers were dismissed effective February 1, 2016.

2.4 Use of cash before banking

The Ministry has since stopped this practice.

2.5 Documentation of systems by the Accountant General's Office

A new set of Treasury Instructions has been drafted and will be finalised after feedback from all stake holders.

2.6 Revaluation of Assets

The Ministry advised that the issue of valuation will become relevant if the Government adopts IPSAS and the accruals basis of accounting.

2.7 Internal Audit

Three internal audit reports were submitted, two for the appropriation account and one for CRF.

2.8 Contracts for Security and Cleaning Services

Security contract is now in place. Rangers Security Co-operatives contract was terminated.

FINANCE ACCOUNTS

STATEMENT OF CONTINGENT LIABILITIES 2013

BACKGROUND INFORMATION

Contingent Liabilities are loans advanced to Parastatal bodies, Local Authorities, Statutory Funds and Private companies by external lenders under the guarantee from the Government of Zimbabwe. The power to guarantee rests with the Minister of Finance and Economic Development in terms of the Public Finance Management Act [*Chapter 22:19*]. The Statement of Contingent Liabilities is prepared by the Accountant General. It is a consolidation of the contingent liabilities returns of line Ministries. Its main purpose is to inform the public through Parliament of Parastatal bodies, Local Authorities, Statutory Funds and Private companies borrowings which the Government of Zimbabwe has guaranteed.

I have audited the Statement of Contingent Liabilities for the Ministry of Finance and Economic Development for the year ended December 31, 2013.

Opinion

In my opinion, because of the significance of the matters mentioned in the Basis for Adverse Opinion paragraphs, the financial statements do not present fairly the financial position of the Statement of Contingent Liabilities for the year ended December 31, 2013.

Basis for Adverse Opinion

1 GOVERNANCE ISSUES

1.1 Differences between Opening Balances and Prior Year Closing Balances

Finding

For the second year running, the audited closing balance of \$1 270 419 360 was amended to \$1 640 856 085 without providing necessary documentary evidence or explanations. The undocumented adjustment was \$370 436 725.

Risk/Implication

The Consolidated Contingent Liabilities return may be misstated.

Recommendation

The Ministry should avail documents in order to justify changes in the closing and opening balances

Management Response

Management response had not been received at the time of finalising the report.

1.2 Record Keeping

Finding

The Ministry failed to maintain a guarantees register in contravention of Treasury Instruction 2101 which requires every officer responsible for the custody of securities to maintain a register showing the relevant details. I raised the same issue in my 2011 report. I also made a follow-up on the same issue during the 2012 financial year. In the absence of a register for Contingent Liabilities and sound record keeping system, I could not place reliance on the balances disclosed in the schedule of Contingent Liabilities.

Risk/Implication

The financial statements produced may not show a true position of the guarantees if proper records are not being maintained.

Recommendation

The Ministry should maintain a guarantees register in accordance with Treasury Instruction 2101.

Management Response

Management response had not been received at the time of finalising the report.

1.3 Differences between the Treasury Return and Audited Returns from Line Ministries.

Finding

I observed that there were differences between the balances shown on the audited returns from Line Ministries and those captured on Statement of Contingent Liabilities submitted by Treasury. Closing balances had a net difference of \$18 356 939. There

was no evidence of reconciliations done to explain the differences. This was in violation of Section 37 of the Public Finance Management Act [*Chapter 22:19*] which requires financial statements to be prepared in compliance with generally accepted accounting practice.

Risk/Implication

The Schedule of Contingent Liabilities might have errors and/or omissions resulting in the misstatement of the Contingent Liabilities of the State.

Recommendation

Treasury should liaise with Line Ministries to ensure that proper and accurate returns are prepared and reconciliations are done where differences exist.

Management Response

Management response had not been received at the time of finalising the report.

1.4 Debt Repayments

Finding

The return submitted for audit showed that \$90 000 000 was paid in respect of a loan from the Lybian Arab Bank during the year under review. This differed with the amount of \$9 000 000 that was disclosed in the Debt Redemption Fund (Ministry of Energy and Power Development). The Ministry of Energy and Power Development had a net contingent liabilities balance worth \$33 500 000 while the Treasury return had a negative balance of \$48 500 000. Supervisory control weaknesses on work produced by staff both at Treasury and line Ministries and failure to reconcile balances reflected on both returns as well as inadequate maintenance of records could have contributed to the anomalies. The Public Finance Management Act [*Chapter 22:19*] section 37 requires financial statements to be prepared in compliance with generally accepted accounting practice.

Risk/Implication

The return may be misstated and could mislead users of the financial statements.

Recommendation

Treasury should ensure that registers are maintained and that returns submitted for audit have been checked and reconciled where variances exist.

Management Response

Management response had not been received at the time of finalising the report.

1.5 Called up Loans

Finding

The process of debt assumption on called up loans has not yet been implemented resulting in the inclusion of called up loans amounting to \$396 011 901 (2012 : \$572 295 320, 2011: \$303 556 585) on the return submitted for audit and this had an effect of distorting the balance of Contingent Liabilities for the year under review.

The Ministry of Finance attributed a reduction of \$174 529 761 to loan repayments. However, there was no documentary evidence to show that the balance of \$1 753 658 was repaid or was assumed as a loan by the Government.

Risk/Implication

The financial statements may mislead decision makers and members of the public.

Recommendation

The Ministry should identify and initiate the process of debt assumption so that all called-up loans with guarantees are assumed by government. Treasury should urgently engage Parastatals whose loans have been called-up by lenders with a view of coming up with the most appropriate course of action.

Management Response

Management did not respond to this observation.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Inadequate Disclosures

Finding

Treasury did not disclose the purpose and beneficiaries (debtors) in respect of some loans amounting to \$205 245 390 disclosed on the return submitted for audit contrary

to the provisions of paragraph 11.2 of Audit Circular No 1 of 2013 which gives guidance on the format to be used in preparing the return for Contingent Liabilities. Supervisory control weaknesses contributed to this anomaly.

Risk/Implication

Non-disclosure of relevant information might reduce the usefulness of the return.

Recommendation

Treasury should comply with Audit Circular No 1 of each year which requires that all relevant information be disclosed so as to enhance the usefulness of the financial information.

Management Response

Management response had not been received at the time of finalising the report.

2 PROGRESS ON THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Difference between current year opening balances and prior year closing balances

The same observation was made for the year under review which means that the anomaly is still to be rectified.

2.2 Called up Loans

The process for the conversion of expired contingent liabilities into National Debt is not yet complete.

STATEMENT OF PUBLIC DEBT 2013

BACKGROUND INFORMATION

Accounts are maintained of all Public debt represented by loans made to the State. The outstanding balances of all loans are reduced from time to time by repayments and by nominal value of stocks purchased and cancelled by the Debt Redemption Fund and through operations of the Sinking Fund's trustees.

I have audited the financial statements of the Public Debt for the year ended December 31, 2013.

Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of the Statement of Public Debt as at December 31, 2013.

Basis for Adverse Opinion

1 GOVERNANCE ISSUES

1.1 Discrepancies on the Opening Balances

Finding

There were variances between the audited closing balance as at December 31, 2012 and the take-on balances as at January 1, 2013. The closing balance as at December 31, 2012 was \$4 356 009 718 whereas the take-on balance as at January 1, 2013 was \$4 530 971 670 resulting in a variance of \$174 961 952. In view of the fact that the statement was prepared after the completion of a validation exercise which was meant to establish the correct balances of loans and interest charged as at December 31, 2013, I am concerned at the recurrence of this issue as I raised it in my 2012 financial year end audit report. Lack of supervision of staff as evidenced by the non-checking of the return by a senior person could have contributed to the anomaly. The following table refers:

Discrepancies on the Current Year Opening and Prior Year Closing Balances

Details	Closing balance as at Dec 31, 2012 (\$)	Opening balance as at Jan 01, 2013 (\$)	Discrepancies (\$)
External loans	4 356 009 718	4 447 562 922	91 553 204
Domestic loans	-	83 408 748	83 408 748
Totals	\$4 356 009 718	\$4 530 971 670	\$174 961 952

Risk/Implication

The Statement of Public Debt may be materially misstated as variances were not reconciled.

Recommendations

The Ministry should ensure that the opening and closing balances are the same and any adjustments should be supported by documentary evidence.

If there are any differences in the take on balances, they should be reflected on the adjustment column.

Regular checks should be done by a senior person in order to minimise errors and/or omissions on the Statement of Public Debt.

Adjustments should be processed through journal vouchers and explained through a note to the statement.

Management Responses

There were errors in the closing and opening balances due to the following reasons:

Summation Errors on both the Submitted Statement of Public Debt for 2012 and 2013.

Different Opening and Closing Balances on some of the Loans.

Some loans appeared in the closing balances for 2012 but were not captured in the opening balances for 2013 as they are guaranteed loans and are not supposed to be part of public debt.

Some loans had been omitted in the 2012 balances which were supposed to be part of the public debt.

Some loans had been captured on the Statement of Public Debt by error.

Lack of Expertise in the Back Office and Understaffing.

However capacity building with help from Africa Development Bank, World Bank and IMF using the back office experts was done. Some vacancies within the back office were filled.

Evaluation of Management Response

The corrective measures taken by the Ministry have not been outlined.

1.2 Variations on Debt Repayments between Treasury and the Debt Management Office (DMO)

Findings

Contrary to the Public Finance Management Act, Chapter 22:19 section 72 (2) which stipulates that correct information on loans repaid during the year; and the total amount of loans outstanding at the end of the year have to be disclosed, no reconciliations explaining differences in loan repayments were done and the books of accounts were not being checked by a senior person. Treasury and the Debt Management Office (DMO) reported different balances for debt repayments during the year under review.

The total loan repayments reflected in the Constitutional and Statutory Appropriations, Treasury schedule and the Statement of Public Debt were at variance. The Constitutional and Statutory Appropriations had repayments of \$260 217 522 whilst Treasury schedule of payments had \$284 709 295, the Debt Management Financial Analysis System report had \$139 862 619 and the Statement of Public Debt had a balance of \$126 571 173. The different balances were also not reconciled.

The total repayments of external loans as per Debt Management Financial Analysis System report were \$139 862 619 whereas the Treasury records had \$110 727 231 and the Statement of Public Debt disclosed a balance of \$58 879 621. The different balances were not reconciled.

The total repayments of domestic loans as per the Treasury schedule was \$172 756 389 and the Statement of Public Debt had an amount of \$67 691 552. The different balances were not reconciled.

Risk/Implication

The statement may be materially misstated and may mislead the users.

Recommendations

A senior person should check the Statement before it is submitted for audit.

Reconciliations of the different records should be done regularly to eliminate errors which may result in misstatements of the financial statements.

Management Response

Monthly reconciliations are now being done to reconcile payments made and to improve on the coordination between the Debt Management Office and relevant departments. Effective coordination committees which constitute all relevant stakeholders have been put in place.

1.3 Erroneous Balances

Finding

The Statement of Public debt submitted for audit reflected inaccurate total balances. External loans were disclosed as \$4 695 185 599 instead of \$4 685 570 310 and domestic loans had a closing balance of \$361 658 779 instead of \$317 395 214 as per submitted Statement and audited balances. The differences led to a total variance of \$53 878 854 as shown in the table below. The errors could have been due to wrong formulae used in producing the statement and weak supervisory controls.

Incorrect total figures in the Statement of Public Debt

Details	Incorrect figures in the Statement \$	Figures after correcting formulae \$	Variances \$
Closing Balances			
External	4 695 185 599	4 685 570 310	9 615 289
Domestic	361 658 779	317 395 214	44 263 565
Totals	\$5 056 844 378	\$5 002 965 524	\$53 878 854

Risk/Implication

Weak supervisory controls may result in errors not being detected. This leads to inaccurate financial statements being produced and these may mislead users of the financial statements.

Recommendations

The Ministry should ensure that monthly reconciliations are carried out so that accurate records are maintained.

A senior official should constantly check and supervise the work of subordinates to avoid errors and omissions.

Management Response

Reconciliations are now being done on a monthly basis to improve on the coordination between the Debt Management Office and all the relevant departments. Effective coordination committees have been put in place to facilitate effective communication.

Evaluation of Management Response

The response submitted did not address the finding raised and the Ministry did not re-submit a correct Statement of Public Debt.

1.4 Varying Amounts on Treasury Bills Issuances

Finding

The value of Treasury bills issued during the 2013 financial year amounting to \$301 678 018 did not agree with the balance of \$154 623 795 disclosed in the Public Finance Management System (PFMS) ledger and the value reflected on the Treasury bills issuance letters of \$176 678 018. This could have been caused by failure to perform monthly reconciliations and also weak supervisory controls.

Risks/Implications

Errors, fraud and omissions might not be detected if monthly reconciliations are not carried out.

Financial statements may be materially misstated.

Recommendations

The Ministry should ensure that accurate records are maintained at all times.

Supervision and reconciliations should be done on a continuous basis.

Management Response

Reconciliations are now being done on a monthly basis to improve on the coordination between the Debt Management Office and all the relevant departments. Effective coordination committees have been put in place to facilitate effective communication.

Evaluation of Management Response

The Ministry did not submit a corrected Statement of Public Debt.

1.5 Scope Limitation

Finding

The Ministry did not avail a legal document allowing it to convert Statutory Reserves amounting to \$83 408 748 from various banking institutions into domestic public debt. This limited my scope for the audit. Therefore I could not place reliance on the figures disclosed on the Statement for Public Debt.

Risk/Implication

The Statement of Public Debt might be misstated if adequate validation of the figures is not done.

Recommendation

The Ministry should avail documents in order to support balances that appear in the Statement of Public Debt.

Management Response

The observation noted. The Reserve Bank Debt Assumption Act is now in place which allows government to take over the RBZ debt.

1.6 Adjustments Arising from Non-Settlement of Debt

Finding

The Statement of Public Debt disclosed adjustments arising from non-settlement of debt amounting to \$296 887 009. These were penalty charges and were not supported by any documentation and it was not clear how the Debt Office computed these figures. I therefore could not validate the figure. The following table refers:

Penalty charges for non-settlement of external debts

Details	Amount(\$)
Total penalty on principal amount	69 503 447
Total penalty on interest	66 203 489
Total penalty interest	161 180 073
Total penalty charges	\$296 887 009

Risks/Implications

The Statement of Public Debt may be materially misstated.

There is also risk that penalties may end up exceeding the original loan amounts due to non-servicing of debts

Recommendation

The Ministry should ensure that all adjustments are supported by documentary evidence to ensure that they are approved and justified.

Management Response

Penalties charged on non-settlement of maturities of principal and normal interest are computed outside of the Debt Management and Financial Analysis system. They are computed on a spread sheet using supporting documents provided by creditors as read with the loan contracts.

Evaluation of Management Response

The Ministry should avail for audit the supporting documentation on adjustments arising from non-settlement of debt.

HOWEVER, below are other material issues noted during the audit.

1 GOVERNANCE ISSUES

1.1 Absence of a Documented Procedures Manual for the Debt Management Office

Finding

The Debt Management Office (DMO) operated without documented procedures manual which outlines the rules, regulations and processes that govern it; to ensure compliance with laws, regulations and promote consistency, safety and best practices.

Risk/Implication

The absence of a documented procedures manual makes it difficult to effectively administer the Debt Office and to implement controls that protect public resources.

Recommendation

The Debt Management Office should draw up a procedures manual to guide the operations of the Debt Office.

Management Response

With the assistance of UNCTAD and African Development Bank, DMFAS local procedures and Back Office procedures manuals were drafted and are currently being finalised.

The Middle Office procedures manual will be drafted and finalised by the constituted committees which involve all stakeholders.

Front Office procedures manual will be drafted and finalised by the constituted committees which involve all stakeholders.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Incomplete Debt Data Validation and Reconciliation Exercise.

Debt data validation and reconciliations were still in progress.

2.2 Limitation of Audit Scope

During the year under review, loan agreements were availed.

2.3 Different Closing and Opening Balances

No positive progress was noted during the year under review. The reported issues recurred.

2.4 Delays in Filling Vacant Posts for the Debt Management Office

The issue remained outstanding due to freeze in recruitment by the Public Service Commission.

2.5 Debt Management Financial Analysis System (DMFAS)

There was no positive progress noted during the year under review.

REVENUE STATEMENTS

SCHEDULE OF OUTSTANDING REVENUE 2013

BACKGROUND INFORMATION

The Schedule of Outstanding Revenue is a consolidation of all revenue due to the State, which remains unpaid at the end of the financial year. Outstanding revenue is any revenue which has remained uncollected as at the end of each fiscal year. It constitutes outstanding revenue from taxes, interests, profits, dividends, rentals, fees, departmental surcharges, Treasury orders, Public Service surcharges, orders and fines, pension contributions, refunds of miscellaneous vote payments (RMVP) and miscellaneous receipts from votes, and proceeds from sale of State properties.

I have audited the Schedule of Outstanding Revenue for the Ministry of Finance and Economic Development for the year ended December 31, 2013.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified opinion paragraph below, the financial statements present fairly, in all material respects, the financial position of the Schedule of Outstanding Revenue as at December 31, 2013.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Understated Income Tax Assessments

Finding

The Outstanding Revenue return from the Zimbabwe Revenue (ZIMRA), as at December 31, 2013 had a Qualified Opinion. ZIMRA did not process through the Public Finance Management System income tax assessments and tax returns which were submitted in currencies other than the United States dollar as the system was under configuration. The Schedule of Outstanding Revenue was therefore materially understated since ZIMRA contributed 96.5% of all outstanding revenue reported as at December 31, 2013.

Risk/Implication

Some taxpayers were not assessed resulting in loss of revenue. The Schedule of Outstanding Revenue was misstated.

Recommendation

ZIMRA should ensure that the income tax returns submitted in currencies other than United States Dollar are assessed and updated once the SAP assessing program has been configured.

Management Response

Management response had not been received at the time of finalising the report.

HOWEVER, below are other material issues noted during the audit:

1 REVENUE COLLECTION AND RECOVERY

1.1 Increase in Outstanding Revenue -Zimbabwe Revenue Authority

Finding

Outstanding revenue increased by 22% from \$508 224 725 to \$620 147 541 in the year under review. This amount was owed to Zimbabwe Revenue Authority (ZIMRA) by its clients who were facing financial difficulties due to the harsh economic environment.

Risk/Implication

There is risk that ZIMRA may fail to collect outstanding revenue due to the challenging economic environment.

Recommendation

Treasury should liaise with ZIMRA to devise strategies for recovering outstanding revenue and at the same time ensure that the struggling companies are not forced to go under liquidation.

Management Response

Management response had not been received at the time of finalising the report.

1.2 Discrepancies between the Treasury Return and Audited Returns from Line Ministries

Finding

There were discrepancies with a net value of \$632 551 between the Treasury return and (18) eighteen audited returns from Line Ministries. The Public Finance Management System (PFMS) used by Central Government in recording outstanding revenue indicated that revenue is accrued once a debt has been raised. The receivers of revenue might have misinterpreted the financial information and failed to disclose debtors accurately.

Risk/Implication

The Consolidated return may be materially misstated. The PFMS program for Outstanding Revenue had configuration weaknesses that affect the accuracy of reports.

Recommendation

Treasury should ensure that the Project Office which is responsible for management of the Public Finance Management System designs a program that accurately reports all outstanding revenue.

Management Response

Management response had not been received at the time of finalising the report.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Revenue Collection and Recovery by the Zimbabwe Revenue Authority

Outstanding revenue figure increased from \$508 224 725 in 2012 to \$620 147 541 in 2013.

2.2 Differences between the Treasury Return and audited Returns from Line Ministries

The outstanding returns were not availed for audit examination.

SCHEDULE OF REVENUE RECEIVED 2013

BACKGROUND INFORMATION

The Schedule of Revenue Received reflects the amounts collected by receivers of revenue by way of taxes, duties, fees and other income.

I have audited the Schedule of Revenue Received for the Ministry of Finance and Economic Development for the year ended December 31, 2013.

Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Schedule of Revenue Received as at December 31, 2013.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND RECOVERY

1.1 Misstatement of Revenue Received

Finding

The revenue disclosed by Ministries/Departments was \$3 564 080 308 whereas Treasury reported revenue amounting to \$3 746 726 313 resulting in a variance of \$182 646 005. Furthermore, total revenue from Public Finance Management System (PFMS) reports was \$3 744 827 406. Under normal circumstances, PFMS revenue balances, Treasury balances and Ministry/Department balances should agree. The variances had not been reconciled at the time the audit was finalised. There were no monthly reconciliations carried out between the Ministries/ Departments figures, Treasury and the PFMS revenue figures throughout the year.

Risk/Implication

Failure to reconcile revenue figures may result in misstatement of Revenue Received as errors and omissions may not be detected.

Recommendation

Treasury should reconcile revenue received figures with those from line Ministries to ensure that accurate figures are reported.

Treasury, through its department of Government Accounting Services (GAS), should impress on those responsible for the compilation of revenue received returns at line Ministries to use SAP system when receipting revenue and to extract revenue figures from the system. Any manual receipts should be uploaded into the system.

Management Response

The Ministry did not respond to the audit finding.

1.2 Consolidated Line Ministry Revenue Returns

Findings

Some Ministries submitted individual sub-vote revenue returns without consolidating returns for the whole Ministry. In most cases not all revenue from all sub-votes were reported on. For example, the Ministry of Agriculture submitted for audit, returns of four out of ten other sub-votes namely, Administration and General, Agricultural Technical and Extension Services, Veterinary Technical Services and Tsetse Control. This resulted in the exclusion of revenue received returns from sub-votes of Crops and Livestock Research, Veterinary Field Services, Agriculture Engineering and Mechanization Services, Irrigation Development, Livestock Production and Development and Research Services Division.

The Ministry of Public Service submitted for audit returns of two out of five other sub votes namely, Salary Services Bureau and Training Centers. This also resulted in the exclusion of revenue received returns from sub-votes of Pensions Office, Social Services and Civil Service Commission. The Ministry of Finance and Economic Development did not take steps to enforce the submission of outstanding returns to ensure that the Revenue Received is accurately reported.

The revenue return for the Ministry of Defence was not submitted for audit contrary to provisions of section 35(b) of the Public Finance Management Act [*Chapter 22:19*] as read together with Audit Circular Number 1 of each year. This was notwithstanding the fact that the PFMS report for the same Ministry had a total revenue received of \$969 071. There was no explanation given.

Risk/Implication

Revenue received may be understated due to omissions.

Recommendation

Treasury should insist that line ministries with sub votes submit consolidated revenue returns so as to ensure completeness of revenue reported.

Management Response

Management response had not been received at the time of finalising the report.

HOWEVER, below are other material issues noted during the audit:

1 CLASSIFICATION OF REVENUE

1.1 Unclassified Revenue

Finding

Ministries of Constitutional and Parliamentary Affairs and that of Local Government, Public Works and National Housing submitted returns with unclassified revenue amounting to \$3 305 351 as shown in the following table. Lack of training on proper classification of government accounting may have contributed to this development. Revenue received should always be classified into relevant revenue heads to enhance transparency.

Unclassified Revenue

Ministry	Description	Amount (\$)
Constitutional & Parliamentary Affairs	None	13 724
Public Works	None	3 291 627
TOTAL		\$3 305 151

Risk/Implication

If revenue received is misallocated, decision makers may make assumptions based on wrong financial information.

Recommendation

Treasury should impress on line ministries to allocate revenue to correct revenue heads for accountability purposes.

Management Response

Management response had not been received at the time of finalising the report.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

- 2.1 Non-submission of Treasury explanations for the main variations between the receipts and sums estimated.

Treasury explanations for the main variations between the receipts and sums estimated for some revenue items were not meaningful enough to identify causes for variances, signifying poor revenue monitoring which should have been carried out on a periodical basis to validate whether revenue performance was in accordance with the budgeted estimates.

Treasury provided comprehensive explanations for the main variations between the receipts and sums estimated for the financial year ended December 31, 2013.

SUMMARY OF TRANSACTIONS OF THE CONSOLIDATED REVENUE FUND 2013

BACKGROUND INFORMATION

The Consolidated Revenue Fund account is an account into which all Government revenue is deposited and from which all Government expenditure is met. It is made up of the Exchequer (receiving arm) and Paymaster-General's (paying arm) accounts.

The Summary of Transactions of the Consolidated Revenue Fund (CRF) shows revenue that Ministries/Departments collect as per Revenue Received return and the expenditure incurred as per the Summary of Appropriation account. The CRF also shows how the Government deficit was financed either by domestic or international borrowing.

I have audited the Summary of Transactions of the Consolidated Revenue Fund for the year ended December 31, 2013.

Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly in all material respects, the financial position of the Summary of Transactions of the Consolidated Revenue Fund for the year ended December 31, 2013.

Basis for Adverse Opinion

1 GOVERNANCE ISSUES

1.1 Accounting Officer's Instruction/Procedure's Manual for the Consolidated Revenue Fund (CRF) and unreliable balances on the return.

Findings

Treasury did not have an Accounting Officers Instruction/Procedures' Manual for the preparation and administration of the CRF and maintenance of the financial records. Consequently, there were no Treasury main ledgers and sub-control accounts for the purpose of preparing financial statements. This was in contravention of Section 6 of the Public Finance Management Act (*Chapter 22:19*) which assigns Treasury the responsibility to properly manage and control public resources.

The Consolidated Revenue Fund is made up of balances extracted from Revenue and Finance Statements namely; Schedule of Revenue Received, Statement of Public

Financial Assets, Summary of Appropriation Accounts, Exchequer Account and Statement of Public Debt. All statements that feed into the CRF were qualified as follows: Schedule of Revenue Received had a qualified opinion; the Statement of Public Debt and Statement of Public Financial Assets had an adverse opinion. Twenty one Appropriation Accounts had qualified opinion and one Appropriation Account had a disclaimer of opinion. In view of material misstatements in these feeder returns, the Summary of Transactions of the Consolidated Revenue Fund as a whole is unreliable, inaccurate and does not give a true and fair view of the statement as at December 31, 2013.

Risks/Implications

The absence of documented procedures makes it difficult to effectively administer the CRF and to implement controls that safeguard public resources. There may also be challenges in preparation of reliable financial statements.

As most of the returns that feed into the CRF were qualified, the Summary may be materially misstated.

Recommendations

Treasury should document accounting systems which would give guidance on how transactions for the CRF should be processed and guidance on the preparation of the financial statements.

Treasury should prepare accurate revenue and finance statements to enhance reliability.

Management Response

Treasury is in the process of reviewing Treasury Instructions. After the review, the Accounting Officer's Instructions will be derived from the new Treasury Instructions.

1.2 Debt Repayments

Finding

I could not validate the correctness of the debt repayment figure of \$191 967 492 disclosed in the Summary of Transactions of the Consolidated Revenue Fund. The Consolidated Revenue Fund statement reflected total debt repayments of

\$191 967 492 whilst the Public Debt Statement had \$127 100 489 giving a variance of \$64 867 003. The variances could be a result of poor record keeping as the debt records are maintained by different departments.

Risk/Implication

Debt repayment figures may be inaccurate and could result in the misstatement of financial statements.

Recommendation

Debt repayment records should be maintained and kept by one office which will be a reference point for all repayment issues or an integrated debt accounting system should be put in place to enhance the quality of financial information.

Management Response

Management response had not been received at the time of finalising the report.

1.3 Prepayment Account

Finding

The Prepayment Account take-on balance of \$89 652 038 reported by the Ministry differed from the closing balance of \$28 239 585 as at December 31, 2012. This resulted in a variance of \$61 412 449 which was not reconciled.

Risk/Implication

The Summary may be materially misstated.

Recommendation

Treasury should produce documentary evidence to support the adjustment of prior year closing balances.

Management Response

The opening balance was \$89 652 037 and the closing balance was \$86 835 434. The net movement of the suspense account was \$2 816 603. The CRF has been adjusted accordingly.

Evaluation of Management Response

Treasury did not avail evidence supporting adjustments of prior year closing balances from \$28 239 585 to \$89 652 038. It did also not avail supporting documents for the net prepayment figure of \$2 816 603.

1.4 Lending and Equity

Finding

The Statement of Public Financial Assets had loan recoveries amounting to \$8 026 212 whereas the CRF had recoveries amounting to \$7 260 000. This resulted in a variance of \$766 212. Under normal circumstances, the loan recoveries figure should be one and the same. The variance could have been as a result of poor record keeping and the failure to reconcile the balances shown on the related statements.

Risk/Implication

The differences between the balances reflected on the CRF and the Statement of Public Financial Assets as at December 31, 2013 imply that accounting records may be incomplete and therefore unreliable and this may result in financial statements being materially misstated.

Recommendation

Treasury should improve on record keeping by maintaining an up to date Public Financial Assets register and other relevant records.

Management Response

The variance on loan recoveries was caused by an omission on the Consolidated Revenue Fund of loan repayments of \$200 000 from Sedco and \$566 212 receipts from Local Authorities.

Evaluation of Management Report

Treasury did not submit documentary evidence to support the figure for loan repayment of \$200 000 by Sedco and receipts from Local Authorities amounting to \$566 212 and the financial statements remained uncorrected.

1.5 Expenditure

Finding

Total appropriation expenditure of \$4 182 557 526 was at variance with the figure of \$4 058 286 875 on the Summary of Transactions of the Consolidated Revenue Fund. The Summary was understated by a net amount of \$124 270 651.

Risk/Implication

The financial statements might be materially misstated.

Recommendation

The Ministry should ensure that transactions are correct, and work of subordinates should be supervised to minimise errors and omissions.

Management Response

Some adjustments were made and the new balance for goods and services is \$2 742 890 240. This however leaves a difference of \$37 359 881.

Transfer payments on Consolidated Revenue Fund only relates to Current Transfers and interest payments whereas that of audited Appropriation Accounts has a total of Current and Capital transfers.

Capital transfers amounting to \$273 573 039 are accounted for as capital expenditure on the Consolidated Revenue Fund.

Evaluation of Management Response

The explanations provided do not reconcile the differences noted between the CRF and the Summary of Appropriation Account and documentary evidence was not submitted.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Domestic Borrowings

Finding

Total inflows from Treasury bills issuance as per the Public Finance Management System General Ledger - 809000 were \$154 623 795 while the figure used to calculate

the net movement for Treasury bills in the CRF was \$169 500 000. This gave a variance of \$14 876 205 resulting in the net movement figure for Treasury bills being overstated.

Risk/Implication

The Summary of Transactions of the Consolidated Revenue Fund may be misstated.

Recommendation

Treasury should maintain an accurate register for Treasury bills and should record transactions as they occur.

Management Response

An amount of \$169 500 000 was borrowed through issuing Treasury bills during the 2013 financial year. The amount captured in SAP had errors and will be corrected to reflect the proper position.

2.2 Suspense Accounts (Net Balance): Outstanding National Development Fund Advances

Finding

The CRF disclosed outstanding advances from the National Development Fund (NDF) of \$10 300 000 instead of \$15 010 131. This resulted in the understatement of the outstanding advances by \$4 710 131.

Risk/Implication

The Summary of Transactions of the Consolidated Revenue Fund may be misstated.

Recommendation

Treasury should properly record all CRF transactions.

Management Response

The inflows of \$600 000, \$2 160 000, \$4 500 000, were treated as repayments of loan from GMB not as advances from NDF. The \$1 000 000, \$2 000 000, \$2 600 000, \$2 700 000 and \$2 000 000 are the ones treated as NDF advances. However, the \$3 300 000 was omitted in net advance balances from NDF.

The amount of \$750 131 was receipted to set off earlier payment made from the CRF to the Afrexim Bank for ZETREF payments so there was no effect because it came as outflow and inflow thereby cancelling-off.

Evaluation of Management Response

Documentary evidence to support the figure of omitted advances is still to be availed.

HOWEVER, below are other material issues noted during the audit:

3 GOVERNANCE ISSUES

3.1 Multiple Suspense Accounts

Finding

I noted that the CRF had multiple suspense accounts with balances ranging from \$515 to \$64 002 154 as at December 31, 2013. Suspense balances should be investigated and cleared timely.

Risk/Implication

The multiple suspense accounts indicates that accounting records are unreliable and the Summary of Transactions of the Consolidated Revenue Fund may be materially misstated.

Recommendation

The suspense accounts should be investigated and cleared timeously.

Management Response

Suspense accounts are temporary holding accounts. There is a need to relook at the returns representing suspense accounts because SAP allocates every payment to an expenditure or personal account.

4 REVENUE COLLECTION AND DEBT RECOVERY

4.1 Outstanding Temporary Deposits – Diplomatic Missions

Finding

Audited returns from Ministry of Foreign Affairs had a balance of \$2 518 033 whereas the CRF return reflected a total of \$592 393 resulting in a variance of \$1 925 640. The statement may have been prepared without taking into account the balances from Ministry of Foreign Affairs.

Risk/Implication

The movement in the suspense account may be materially misstated.

Recommendations

Treasury should design a system that generates reliable financial information.

Treasury should carry out monthly reconciliations. All variances should be investigated and corrective action taken.

Management Response

Treasury has realised the need to improve its accounting for receipts and payments for foreign missions. Payments relating to salaries are now done by SSB and other payments which are still being sent to foreign missions through Ministry of Foreign Affairs will be reconfigured in order to make the accounts more understandable.

4.2 Consolidated Accounts Policy Temporary Deposits- Account 100010

Finding

A Temporary Deposit account number 100010 was being used to process direct payments, salary transactions and correction of errors in the Public Finance Management System. However, as at December 31, 2013 the account had a closing balance of \$28 875 048 which had not been cleared. The breakdown of that balance was not availed.

Risks/Implications

There is a high possibility of loss of audit trail when payments are processed through the CRF.

Processing payments through the CRF does not promote transparency in the usage of public resources.

Recommendation

Treasury should provide the breakdown of the transactions making up the uncleared balance of \$28 875 048.

Management Response

The temporary deposit account was debited with payments that were made to Zimra on behalf of service providers. After making the payments, Treasury would then debit the relevant Ministry's expenditure ledger account and credit the temporary deposit account.

Evaluation of Management Response

The breakdown of the suspense account balance is still to be provided.

4.3 Board Fees from Civil Servants Appointed into Boards of Corporate bodies

Finding

There were no Board fees remitted into the Consolidated Revenue Fund (CRF) from civil servants appointed as Board members in Public Sector and other statutory bodies. The members were double dipping as they attended meetings during working hours and were being paid their normal salaries. This is contrary to provisions of Section 16(2) of the Public Finance Management Act which requires that revenue due to the State should be paid into the CRF. Failure to pay Board fees into the CRF may have been due to Treasury oversight.

Risk/implication

The State was prejudiced of potential revenue by the non-collection of Board fees from civil servants who were Board members of statutory bodies.

Recommendation

Treasury should recover board fees from members who benefitted unduly.

Management Response

Ministries did not receipt any revenue for Board fees and Treasury is in the process of clarifying if Treasury Instruction 1126 also applies to board fees paid to public servants by business entities where government has a shareholding. After getting clarification Ministries will be guided accordingly.

4.4 Recovery of Loans to Designated Corporate Bodies

Finding

I observed that loans issued to designated bodies in previous financial years remained outstanding contrary to provisions of section 64(1) of the Public Finance Management Act [*Chapter 22:19*] which requires that loans issued be recovered fully within a period not exceeding three hundred and sixty days.

Section 64 (2) of the Public Finance Management Act [*Chapter 22:19*] requires the aggregate amount of loans made to all designated bodies remaining unpaid at any given time not to exceed US \$500 000.

Risk/implication

Designated bodies may default in making repayments as a result of huge debts created by loans advanced to them.

Recommendation

Treasury should observe stipulated limits set in the Public Finance Management Act.

Management Response

Payments made to Corporate bodies were done in terms of section 17 (2) of the PFM Act [*Chapter 22:19*]. The money was appropriated for the purpose of lending to the corporate bodies.

Evaluation of Management Response

Treasury did not address the issue of recovery of the loans advanced.

5 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

5.1 Unconstitutional Retention of Revenue

The opinion of the Attorney –General’s Office was sought and the issue was cleared.

5.2 Unreliable balances on the Consolidated Revenue Fund (CRF)

Corrective action was not taken as there was no improvement during the year under review.

5.3 Uncleared Suspense Account

Although the suspense account was cleared documents supporting the clearance were not availed for audit, casting doubt on the authenticity of the clearance.

5.4 Cash in Transit

Documentary evidence supporting the existence of the cash in transit was not availed for my verification.

5.5 Non Existence of a Back-Up Plan and Recovery Policy

There is no back-up plan and recovery policy.

5.6 Unreliable figure for the Service of Public Debt

There was no improvement as the problem recurred during the year under review.

SUMMARY OF TRANSACTIONS ON THE EXCHEQUER ACCOUNT 2013

BACKGROUND INFORMATION

This is the account where all revenues, as described in section 22 of the Public Finance Management Act [*Chapter 22:19*] are deposited. It is one of the accounts making up the Consolidated Revenue Fund. The Act lays down the procedures to be followed when securing the release of moneys there from. Issues from the Exchequer Account are transferred directly to the Paymaster General's Account from which account all payments are made in respect of services and transactions sanctioned by Parliament.

I have audited the Summary of Transactions on the Exchequer Account for the Ministry of Finance and Economic Development for the year ended December 31, 2013.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Summary of Transactions on the Exchequer Account as at December 31, 2013.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Direct Payments from the Main Exchequer Account

Finding

I observed that at times Treasury made direct payments from the Main Exchequer without first transferring the funds to the Paymaster-General's Account (PMG). I was unable to validate the authenticity of the payments made on behalf of line Ministries. Expenditure from line Ministries amounted to \$4 182 557 526 which was \$134 861 797 more than funds transferred to the PMG of \$4 047 695 729. The source of funds used to finance the extra expenditure was not disclosed.

Risk/Implication

If payments are made from the Main Exchequer Account, there may be loss of an audit trail. Proper accountability of public financial resources is compromised.

Recommendation

Funds should be transferred to sub-Paymaster-General's Accounts of line Ministries and Treasury should desist from making direct payments from the Main-Exchequer's Account.

Management Response

Management response had not been received at the time of finalising the report.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Exchequer Account Closing Balance

Finding

The Ministry reported that the closing bank balance of the Summary of Transactions on the Exchequer Account was \$1 431 126 whereas the total of the Main Exchequer and the Exchequer sub-accounts disclosed under note 1 to the Summary and also supported by bank certificates was \$4 688 473. This resulted in the closing balance on the Summary of Transactions on the Exchequer Account being understated by \$3 257 347. There was no satisfactory explanation given and no effort was made to reconcile the figures.

Furthermore, an amount of \$1 038 611 which was used to balance-off the accounts in the 2012 financial statements remained outstanding and was included in the opening balance for the year under review.

Risk/Implication

The Summary of the transaction on the Exchequer Account may be materially misstated and this renders it inaccurate and unreliable. It may also mislead users of the financial statements.

Recommendation

The Ministry should investigate the difference and take corrective action to address the variances in the accounting records.

Management Response

The figure has been corrected to \$4 688 739 by considering the IDBZ investment figure of \$3 051 194 and \$206 524 which had been excluded initially. An amount of \$1 038 611 in 2012 was for balances with RBZ bank as at December 31, 2012.

Evaluation of Management Response

Treasury re-submitted adjusted financial statements with an IDBZ investment account figure of \$3 045 889. The adjustments resulted in a difference of \$211 717 between the closing financial statement figure of \$4 477 022 and \$4 688 739 disclosed in the notes to the financial statements.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATIONS

- 2.1 The auditee did not provide reconciliations of the figures giving rise to the variances
- 2.2 No documentary evidence was provided to support the exchange rate gains of \$20 099 796. The two balances were not reconciled.

STATE ASSETS DISPOSAL FUND ACCOUNT 2009 TO 2013

BACKGROUND INFORMATION

The Fund was established in terms of Section 18 of the Public Finance Management Act [*Chapter 22:19*]. The purpose of the Fund is to receive proceeds generated from the sale of State assets and to apply proceeds towards procurement, replacement of assets and maintaining of usable State assets.

I have audited the financial statements for the State Assets Disposal Fund account for the years 2009 to 2013.

Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I was not able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion. Accordingly, I do not express an opinion on Financial Statements of State Assets Disposal Fund Account for the years 2009 to 2013.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Accounting Records

Finding

For the period 2009 to 2013, the cash book and ledgers for the Fund were maintained on excel spread sheets and updated from entries extracted from the bank statements instead of original source documents. I was unable to verify whether all income was accounted for in the absence of all Boards of Survey and bid documents. This was contrary to provisions of section 35(6) of the Public Finance Management Act [*Chapter 22:19*] which states that, every Accounting Officer of a Ministry shall keep or cause to be kept proper records of account.

Risks/Implications

Failure to maintain proper books of accounts may result in failure to produce accurate financial statements.

Disclosure and accountability of public resources may be undermined if accounting records are not maintained.

Recommendations

The administrators of the Fund should maintain proper books of accounts to improve accountability and transparency in the management of public resources.

Ministries and the Fund managers should maintain records of assets disposed of through auctions.

Management Response

Management did not respond to this audit observation.

1.2 Auction of Motor Vehicles

Finding

The draft Accounting Officer's Instructions in place did not provide guidance on how line Ministries were supposed to carry out the auctioning of motor vehicles, that is, who was supposed to authorise the reserve price, transfer of ownership to buyers and how the proceeds were to be distributed to needy Ministries. The management committee which was supposed to formulate policies affecting the day to day operations of the Fund, manage and approve the expenditure and income of the Fund, and keep the Accounting Officer informed of key issues affecting the Fund, did not meet during the years 2009 to 2013.

Risk/Implication

Without clear guidelines in place, it is difficult to establish whether all proceeds from assets disposed of were accounted for. Auction proceeds may be subject to manipulation if there are no guidelines on the roles of line Ministries and management of the Fund.

Recommendation

The administrators of the Fund should put in place a comprehensive documented clear system on how Ministries should handle assets disposals and how proceeds should be distributed to needy Ministries. The procedures' manual should cover the role of the auctioneers and how their commission and other expenditures should be treated.

Management Response

Management response had not been received at the time of finalising the report.

1.3 Accounts Payable

An agreement between Ministry of Finance and the Head of Economic Cooperation and Food Security on May 13, 2011 stated that eight former employees were to be paid their terminal benefits out of auction proceeds of 14 motor vehicles. Terminal benefits for the former employees of Economic Cooperation and Food Security (ECFS) programme were processed through the Fund's bank account. This continued through the years 2011 to 2013. The Fund's Constitution does not provide for such transactions and therefore the transactions were ultra vires.

I observed that an additional officer not on the approved list was paid terminal benefits amounting to \$20 619 during the year 2011. The 2011 financial statements disclosed terminal benefits owing amounting to \$20 260. The recipients who were owed the \$20 260 were not disclosed. Furthermore, the payment instructions for the terminal benefits to the bank were in Euros while the Fund's bank account was a United States dollar account. The fund officials failed to provide reconciliations for the amounts paid and amounts owing to former employees of Economic Cooperation and Food Security programme.

The 2012 financial statements reflected unpaid terminal benefits amounting to \$31 948. The names of former employees and amounts owed to them were not disclosed and neither was a reconciliation availed for my verification. This was due to the lack of a sound financial recording system and an inactive management committee. Furthermore, vehicle auction proceeds intended for terminal benefits amounting to \$2 312 were used to fund foreign trips for the Ministry's officials.

There were no transactions indicating how the \$31 948 outstanding terminal benefits were cleared in 2013. Payment(s) amounting to \$14 145 reflected as terminal benefits were not supported by any documentation. Consequently, I was unable to verify the validity of the expenditure.

Risks/Implications

The use of the Fund's bank account for processing the terminal benefits may make it difficult to differentiate legitimate expenditure chargeable to the Fund.

Auction proceeds may be misappropriated if there is co-mingling of unauthorized income.

Recommendations

Only income generated from sale of State assets should be deposited into the Fund's bank account and payments should be for procurement, replacement and maintenance of usable State assets.

The Fund management should investigate how an extra person was paid when she was not on the approved list. The amount of \$2 312 used to fund foreign trips should be re-imbursed to the Fund. Details of the 2012 outstanding terminal benefits of \$31 948 should be availed for audit examination.

Management Response

Management response had not been received at the time of finalising the report.

1.4 Understatement of Income and Expenditure of the Fund

Findings

The expenditure of \$1 100 incurred on advertising and \$520 for commission paid to an auctioneer in respect of an auction which was conducted on December 18, 2009 was not disclosed in the Financial Statements for 2009. This was as a result of the Fund's income being reported net of advertising and commission costs as these were deducted by the auctioneer before remittances were done.

The total expenditure for hiring of recovery trucks and commission paid to auctioneers amounting to \$16 573 was not disclosed in the 2010 financial statements. This was as a result of the Fund's income being reported net of these costs as they were deducted by the auctioneers before remittances were made.

An expenditure amount of \$3 716 incurred by the Fund in respect of towing fees for moving vehicles from districts to central points for an auction conducted on November 30, 2012 was not disclosed in the financial statements of the Fund. This was as a result of the Fund's failure to observe the accruals concept which requires transactions to be accounted for in the year they are incurred. The amount was outstanding at December 31, 2012.

In 2013 I noted that total income of \$19 400 realised from vehicle auctions conducted by three auctioneers was neither disclosed nor was it deposited in the Fund's bank account. This was a result of failure by Fund managers to follow-up on proceeds raised during vehicle auctions as they had no data base on authorised sales.

Risk/Implication

The income and expenditure of the Fund may be understated hence the financial statements may be materially misstated.

Recommendations

The Fund should disclose all the income and expenditure in the financial statements to enhance transparency and accountability.

The income of \$19 400 that was not disclosed nor deposited in the Fund's bank account should be investigated and recovered.

Management Response

Management response had not been received at the time of finalising the report.

1.5 Overstatement of Expenditure of the Fund

Finding

Expenditure amounting to \$3 716 incurred by the Fund in respect of towing fees for moving vehicles from districts to central points, for an auction conducted on November 30, 2012 was disclosed in 2013 financial statements. This was as a result of the Fund's failure to observe the accruals concept which requires transactions to be accounted for in the financial period of the transaction.

Risk/Implication

The Fund's expenditure was overstated.

Recommendation

The accruals concept should be applied to income or expenditure balances that remain outstanding at year end.

Management Response

Management response had not been received at the time of finalising the report.

1.6 Mandate of the Fund

Finding

During the period 2009 to 2013, I observed that the Fund did not apply proceeds generated from sale of State assets towards procurement, replacement of assets and maintaining usable State assets as mandated. Proceeds were lying idle in the Fund's Bank Account and as at December 31, 2013 the account balance was \$357 818. This was due to the absence of a management committee to oversee operations of the Fund and lack of policy guidelines.

Risk/Implication

The auction proceeds were exposed to risk of fraud and misappropriation due to lack of policy guidance.

Recommendation

The auction proceeds should be used in line with the mandate of Fund.

Management Response

Management response had not been received at the time of finalising the report.

1.7 Adjustments to Opening Balances

Findings

The 2013 financial statements reflected an amount of \$14 000 as an adjustment to the 2012 financial comparative income balance. The income adjustment was disclosed as proceeds from auction of European Union (EU) vehicles. The proceeds from EU vehicle auctions were meant to finance terminal benefits of retired EU staff members. Proceeds from EU vehicle auctions should not have formed part of the income of Fund as that was not provided for in the Fund's Constitution.

Furthermore, the comparative figure for the Accumulated Fund for the 2012 financial year was overstated by \$20 260. This had the effect of overstating the opening accumulated figure for the year 2013 by the same amount. The adjustment was not supported by documentary evidence or valid explanation.

Risk/Implication

The financial statements may be materially misstated resulting in users of financial information making inappropriate decisions.

Recommendation

Adjustments should be adequately supported and disclosed in line with best practice. Only authorised income should be processed through the Fund's bank account.

Management Response

There were no management responses.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Late Submission of Financial Statements

Finding

The financial statements for the years 2009 to 2013 were all submitted for audit on October 29, 2014. The statutory deadline for the submission of financial statements to the Auditor-General is March 31, of each year. No satisfactory explanation was given for the delay. Section 35(4) of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with Audit Circular number 1 of each year requires that accounts be submitted three months after the end of the financial year.

Risk/Implication

Late submission of financial statements reduces the usefulness and relevancy of financial information.

Recommendation

The Ministry should ensure that financial statements are submitted for audit on or before March 31, of each year.

Management Response

Management response had not been received at the time of finalising the report.

1.2 Management Committee of the Fund

Finding

The Fund did not have a management committee to provide policy guidance in the running of its affairs. Section 4(a) of the fund's Constitution mandates the Secretary to appoint a Management Committee responsible for the day to day running of the Fund.

Risk/Implication

Failure to appoint a Management Committee exposes the Fund to poor governance, fraud and impropriety.

Recommendation

The Ministry should put in place a Management Committee to enhance accountability and transparency of the Fund.

Management Response

Management response had not been received at the time of finalising the report.

1.3 Reconciliations

Finding

Monthly bank reconciliations which aid in regular monitoring of cash flows and early detection of errors and fraud were not being prepared. The non-maintenance of a cashbook contributed to the anomaly. This was in contravention of good accounting practice and provisions of section 12(2) of the draft Accounting Officer's Instructions of the Fund which require bank reconciliation statements to be done on a monthly basis.

Risk/Implication

Failure to maintain a cashbook and prepare monthly bank reconciliations may result in errors, omissions and fraud going through without detection.

Recommendation

The Fund should maintain books of accounts in line with good accounting practice and it should carry out monthly reconciliations.

Management Response

Management response had not been received at the time of finalising the report.

1.4 Cash and Bank Management

Finding

The bank statement had cash deposits amounting to \$62 891 deposited on various dates during the year 2013. I could not verify which Ministries disposed of assets and what type of assets were disposed of during that year as there were no supporting documents and proper accounting records.

Risk/Implication

Auction proceeds for the year 2013 may be understated.

Recommendation

Treasury should maintain adequate and proper records for auction proceeds.

Management Response

Management response had not been received at the time of finalising the report.

1.5 Fund's Constitution

Finding

Since 2009 up to 2013 the Fund has been operating without an approved Constitution. This was in violation of Section 18 (4) of the Public Finance Management Act [*Chapter 22:19*] which states that, 'Where a constitution has been drawn up, the Minister shall lay a copy of that constitution, before the House of Assembly on one of the ten days on which the House of Assembly sits next after that constitution was drawn up.'

Risk/Implication

The Fund might be operating illegally.

Recommendation

The fund's constitution should be tabled before the House of Assembly.

Management Response

Management response had not been received at the time of finalising the report.

1.6 Failure to Perform Regular Internal Audits

Finding

Internal audit did not carry out audit of the Fund during the year 2010 to 2013 as mandated by the Public Finance Management Act [Chapter 22:19], Section 80(2)-(4) which states, among other things that, internal auditors are to monitor the financial administration and procedures of the Fund to ensure that proper accounting and bookkeeping transactions and procedures are carried out and accounting records are maintained.

Risk/Implication

There may be delays in bringing to the attention of the Accounting Officer weak internal controls resulting in fraudulent activities.

Recommendation

Regular internal audits should be performed and reports submitted to the Accounting Officer and the Auditor-General as provided for in the Public Finance Management Act to ensure that internal controls are operating efficiently and effectively.

Management Response

Management response had not been received at the time of finalising the report.

1.7 Job Descriptions

Finding

Audit observed that there were no job descriptions for the staff members running the day to day operations of the Fund since its establishment in 2009. It is good human resources practice to assign job responsibilities/duties to staff members to ensure smooth running of the Fund.

Risk/Implication

Lack of job descriptions may result in poor internal controls that expose State resources to fraudulent activities.

Recommendation

Job descriptions should be crafted to enhance transparency and accountability in the management of public resources.

Management Response

Management response had not been received at the time of finalising the report.

2 PROCUREMENT

2.1 Auctioneering Service Agreement

Finding

The service agreements between the Fund and the auctioneers who conducted auctions during 2009 to 2013 were not made available for my examination. Treasury Instruction 0915 requires all contracts likely to involve commitment of substantial sums of money to be put in writing.

Risk/Implication

If service level agreements are not in place public resources may be open to arbitrary decisions resulting in losses. Verbal agreements are difficult to enforce.

Recommendation

The Fund managers should maintain proper records and every agreement should be reduced to writing. The terms and conditions should be followed religiously.

Management Response

Management response had not been received at the time of finalising the report.

PUBLIC FINANCE MANAGEMENT SYSTEM (PFMS) 2015

The Public Finance Management System (PFMS) is an Enterprise Resource Planning System which processes financial transactions and produces reports for all the ministries. It was implemented in 1999.

The Ministry of Finance is responsible for the system and the Accountant General is the head of PFMS while the Deputy Account General is the Project Manager. The infrastructure of the system is managed by the Ministry of Information Communication Technology. The following modules have been implemented:

- Financial Accounting (FI) – for external reporting
- Materials Management (MM)- for procurement
- Sales and Distribution (SD) – for receipting
- Customer Relationship Manager (CRM) – for managing online services.

OBJECTIVE OF THE PUBLIC FINANCE MANAGEMENT SYSTEM (PFMS)

The objective of the PFMS is to process the financial transactions, produce reports and financial statements for all the Ministries and Government departments

An audit was conducted to determine the effectiveness of general information technology controls for the Public Finance Management System. The audit also aimed at ascertaining as to whether application controls were implemented and operating effectively.

I have audited the financial General and Applications Controls of the Public Finance Management System for the year ended December 31, 2015.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Upload of Assets

Findings

Upload of assets refers to the capturing of assets into the Systems Applications Products in data processing (SAP) system to maintain a register of assets. Assets acquired by the Ministries and government departments are created in the SAP system when purchase orders are raised. Audit sought assurance that registers of assets maintained in the SAP system were complete and accurate.

At the time of the audit, March 2016, out of a sample of sixteen (16) ministries examined, thirteen (13) ministries could not display registers of assets in the SAP system as they were still effecting reversals of purchase documents after Treasury could not make payments during the financial year ending December 31, 2015. As a result of these reversals, year-end cut off procedures which enable the registers of assets to be displayed could not be done. Outlined below is a sample of ministries which could not display their registers at the time of audit:

Company Code	Ministry Description
U003	Public Service, Labour and Social Welfare
U004	Defence
U005	Finance and Economic Development
U008	Industry and Commerce
U012	Transport and Infrastructural Development
U013	Foreign Affairs
U015	Health and Child Care
U018	Youth, Indigenisation and Economic Empowerment
U019	Home Affairs
U022	Environment, Water and Climate
U023	Energy and Power Development
U024	Small and Medium Enterprises and Co-operative Development
U038	Judicial Services Commission

Whilst the Assets Registers for the ministry of Local Government, Public Works and National Housing, Women’s Affairs, Gender and Community Development and Information Communication Technology, Postal and Courier Services could be displayed in the system, the registers of these ministries could not be relied upon due to grouping of assets. Some assets such as vehicles and computers were grouped and recorded in the register as one (1) asset with one (1) asset number. In addition, serial numbers and locations of laptops, desktops and printers were not recorded in the SAP registers. Furthermore, records for buildings under construction were not accurate as a new asset was being recorded in the system whenever funds for the construction of such assets were received from Treasury. As a result, one building would be recorded in the SAP system more than once with different asset numbers depending on the number of releases of funds received from Treasury.

Risks/Implications

Assets might go missing without trail if registers are not properly maintained.

In addition, completeness and accuracy of registers becomes compromised if transactions for previous period continue to be processed after the end of the financial year.

Failure to uniquely identify assets through recording of asset numbers and serial numbers makes it difficult reconcile registers to physical assets.

Grouping of assets under one asset number and creating one asset more than once affects the integrity of registers.

Opening the system after year end affects the year-end procedures which should be done in SAP thereby resulting in loss of integrity of records.

Recommendations

There is need to ensure that ministries adhere to year-end procedures to avoid processing of transactions after cut off periods.

Ministries should ensure that assets are uniquely identifiable by asset numbers, serial numbers and locations.

An asset should be created once in the SAP system to avoid duplication in the registers maintained by the ministries.

Management Response

The audit concern has been noted and a circular would be issued to all ministries specifying transactional and non-transactional periods to be adhered to.

As regards to multiplicity of asset numbers for one structure under construction, The Ministry is going to issue a system message with a note on how users should proceed in the accumulation of costs. This is being necessitated by the budgetary constraint otherwise, a full ledged classroom type of informing users need to be carried out.

Evaluation of Management Response

There was no comment on what the Project Office intends to do in order to ensure that complete and accurate records are maintained and that details such as serial and asset numbers would be provided by Ministries.

1.2 Posting to Closed Financial Years

Finding

Expenditure incurred by ministries is posted to general ledgers in the Public Finance Management System. The expenditure ledgers for previous financial years for fourteen (14) ministries were opened after applying to Treasury to enable ministries to post transactions after financial statements had been audited. This was contrary to the standard 13th period of one month after the end of the financial year.

The adjustments which were made after completion of the audits had not been subjected to audit as they were not communicated to my Office. These adjustments resulted in having variances between the audited expenditure figures and the expenditure in the Public Finance Management System.

I further observed that the 13th period which is meant for effecting adjustments remained open in some instances up to four (4) months after the end of a financial year, thereby enabling posting of transactions after financial statements were submitted for audit. Additional periods for effecting adjustments were period 14 to 16. I further observed that Treasury advised ministries to reverse expenditure incurred in 2015 after resources to pay for these goods and services were not available. In addition, the system was configured to combine expenditure and commitments hence reversals of commitments affected the actual expenditure figures in the general ledgers.

Risks/ Implications

Unauthorised expenditure may be posted if closed periods are opened for processing transactions after the audit.

Expenditure reported in the Appropriation Accounts of ministries may be understated or overstated if the thirteenth (13th) period continues to be opened after the audit.

The integrity of data may be affected if expenditure and commitments are included in the actual expenditure figures.

Recommendations

The thirteenth (13th) period needs to be fixed to one month after the end of a financial year to avoid processing of expenditure after financial statements have been prepared and submitted for audit.

Guidance on what constitutes the 13th to the 16th period should be given to all ministries.

There is need to engage the developers of the system to resolve the issue of combined commitments and expenditure.

Management Response

We have taken note of your concern and will issue a circular to ministries specifying transactional and non-transactional periods to be adhered to.

As for the separation of commitments and expenditure according to the cash basis of accounting, we will engage a consultant to assist in this regard.

1.3 Audit Management Module

Finding

The Audit Management Module is used to record user activities in the SAP application system in audit logs. The Audit Management Module was not enabled within the SAP application system. This issue was raised again in my 2014 report, but at the time of concluding the audit it had not been addressed.

Risk/Implication

Possible violation or violation attempts may not be detected in a timely manner if user activities and their nature are not recorded.

Recommendation

There is need to enable the Audit Management Module and there after train users.

Management Response

The audit concern has been noted. As was commented and agreed in the previous audit report of 2014/2015 and presentations made to the Public Accounts Committee (PAC) in March 2016 by the Secretary of Finance and Economic Development, we acknowledged that audit log for workstation have not been activated due to low storage space on existing hardware. The issue will be addressed when new servers being procured under the AFDB facility arrive.

1.4 Public Financial Assets

Finding

The Loans Management Module in SAP which caters for Public Financial Assets had not been implemented at the time of audit. Expenditure for Lending and Equity only appeared in the system when payments were made by ministries to Parastatals. Repayments of loans were accounted for in manual registers. In addition, registers for Public Financial Assets were not maintained in the system.

Risk/Implication

The completeness and reliability of Public Financial Assets may be compromised if computerised records are not maintained.

Recommendation

There is need to automate records for Public Financial Assets.

Management Response

The audit concern in automating loans given to government institutions is noted. However, a circular has been drafted requesting ministries to introduce all loans given to various institutions in the PFMS as a stop gap measure in the automation of loans.

1.5 Service Level Agreements

A Service level agreement is a documented agreement between a service provider and the customer(s) that defines minimum performance targets for a service and how they will be measured.

State Owned Enterprises such as the Zimbabwe Investment Authority (ZIA), Deeds and Companies Registry, Chitungwiza Hospital and State Procurement Board were sharing infrastructure with the Public Finance Management System without a service level agreement.

In addition, these entities were not paying for the services they were getting from the Project Office.

Risk/Implication

Monitoring achievement of service levels becomes compromised if service level agreements are not established, documented and signed.

Bringing on board additional users to the PFMS infrastructure might affect the capacity of existing resources and might affect the system's response time.

Other entities might be benefiting at the expense of the Ministry of Finance and Economic Development which pays huge sums of money for annual licences.

Recommendation

There is need to ensure that service level agreements are established, documented, signed and monitored.

The Ministry should consider establishing modalities for parastatals to pay for services rendered to them to enhance upgrades and maintenance of equipment and payment of licence fees.

Management Response

The recommendation to have service level agreements with various institutions receiving system technical and business services on the PFMS platform is acknowledged. The Ministry is committed to have a draft copy of the Service Level Agreement by end of October 2016.

Evaluation of Management Response

The Ministry did not comment on payment for use of the PFMS infrastructure by the mentioned State Owned Enterprises. The increase in the number of users has an effect on the capacity of servers and licences.

1.6 Profile Assignment

Finding

Profile assignment refers to the allocation of permissions to SAP users to enable them to gain access to system resources. However, forty nine (49) accounts personnel in line ministries were allocated profiles which enabled them to perform audit and administrative activities which were beyond their job descriptions. The users had access to the transaction codes SPRO, SCC4, RZ10, RZ11, SM 69, SNUM and SNRO as outlined below:

USERS ALLOCATED PROFILES OUTSIDE BUSINESS NEED		PROFILE ALLOCATED	IRREGULARITY
NUMBER OF USERS	BUSINESS ROLE		
10	Parking and posting Creation of purchase requisitions and purchase orders Payment run Receipting	SPRO – Sap Project Reference Object (system configurations)	Profile should be allocated to system administrators
10	Parking and posting Creation of purchase requisitions and purchase orders Payment run Receipting	SCC4- Production Client administration	Profile should be allocated to system administrators
5	Parking and posting Creation of purchase requisitions and purchase orders Payment run Receipting	SNUM and SNRO – Changes to critical number range drivers and objects	Profile should be allocated to system administrators
8	Parking and posting Creation of purchase requisitions and purchase orders Payment run Receipting	RZ10 – Application Server Parameters	Profile should be allocated to system administrators
8	Parking and posting Creation of purchase requisitions and purchase orders Payment run Receipting	RZ11 – Application Server Parameters	Profile should be allocated to system administrators
8	Parking and posting Creation of purchase requisitions and purchase orders Payment run Receipting	SM 69 – Maintain external commands	Profile should be allocated to system administrators
49			

Furthermore, user 3014047M, a consultant in the Project Office had powers to create and change profiles; transport or activate profiles into production, assign profiles to users, lock and/or delete changes to user master records.

Risk/Implication

Unauthorised changes may be effected to the system if users are granted excessive access rights.

Recommendation

There is need to check user profiles on a regular basis and to ensure that critical profiles are allocated to appropriate personnel in line with their job descriptions.

Management Response

The observation is agreed to. All users who had parking responsibilities did not have parking roles in the system but had audit roles. The user group identification was not changed when new roles were assigned to them. The Ministry is in the process of changing the user group status to reflect correct role assignment. For example user 0036623G has user group ‘Parking’.

Users with posting roles were assigned audit role in addition to their posting roles. In order for future reports to reflect correct information, the audit role will be removed from users who are not auditors. All the transaction codes SPRO, SCC4, RZ10, RZ11, SM 69, SNUM and SNRO are only found in the audit role and not in the parking or posting roles.

The Ministry acknowledges that one of the Project Office consultant had access to a number of areas which translates to full authorization during the time of audit. This was due to inadequacy of personnel in the office. However, this profile would be amended to ensure controls are in place.

1.7 System Availability and Network Monitoring

Finding

System availability is the probability that a system will work as required when required to perform the intended task or activity.

System monitoring entails periodical assessment of security and information threats and vulnerabilities and communicating them through security logs (audit trails) for continuous process improvements.

According to the Ministry’s Departmental Integrated Performance Agreement (DIPA) which is the Ministry’s plan, the system should be functional 98% of the time (System uptime).

However, the Central Computing Services (CCS) had not been able to maintain the 98% uptime as stated in the Result Based (RBM) documents. Network status reports as at April 2016 indicated Mutare as being the most affected by network

unavailability, with eight (8) Ministries being on down status since 2015. Other towns affected by network unavailability were Gweru with five (5) areas, Chinhoyi one (1) and Bulawayo one (1).

Risk/Implication

Transactions may be processed outside the system resulting in delayed updating of records and reports if the network is not available.

Recommendation

There is need to promptly attend to network problems and to ensure that the 98% up time is maintained.

Management Response

The absence of the 98% network availability is acknowledged. This is attributable to the economic challenges the country is currently experiencing. However, efforts are being made to ensure that with the little financial and human resource available, at the centre (Central Computing Services) connectivity is maintained at 98% up time.

The Ministry has appealed to cooperating partners to finance connectivity gadgets to ensure continued system availability even during odd times.

1.8 SAP Maintenance Fees

Finding

I noted that there were outstanding SAP maintenance support fees of 3.904 million Euros since 2014. In addition, \$2 195 612 in respect of maintenance fees was outstanding as at December 17, 2015.

The 2016 Budget showed an allocation of \$2 000 000 which fell short of the current amount being owed.

Risk/Implication

Failure to pay outstanding maintenance support fees may result in support and latest upgrades to the system being withheld by SAP Germany, leading to difficulties in resolving system patches when support is required.

Security vulnerabilities may also be exploited if the system does not have latest upgrades, leading to unauthorised access to confidential information.

Recommendation

Adequate funds should be availed to clear outstanding maintenance support fees to enable continuous support and latest upgrades.

Management Response

The risk involved is acknowledged. Efforts are being made to clear all outstanding SAP maintenance fees. The current economic environment has contributed in the reduction of financial resources for such purpose.

VOTE 7.- INDUSTRY AND COMMERCE

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Industry and Commerce for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Industry and Commerce as at December 31, 2015.

Basis for Qualified Opinion

1 MANAGEMENT OF THE IMPLEMENTATION OF GOVERNMENT PROGRAMMES

1.1 Milano-Expo Contract

Findings

Zimbabwe accepted an invitation from the Italian Government to participate at the Milano-Expo 2015, a universal exhibition organised by the Government of Italy. It was held on the theme 'Feeding the Planet, Energy for Life' and dealt with the right to healthy, safe and sufficient nutrition for the entire planet, environmental, social and economic sustainability of the food chain as well as the safeguarding of food taste and culture.

The Ministry awarded a contract for US\$56 952 (€50,400) on May 6, 2015, for kitchen management services and catering of food and beverage to Jihad El Badaoui (Jihad) for the Milano-Expo. The contract was made without following the tender procedures in contravention of the Procurement Regulations, Statutory Instrument 171 of 2002. I was not satisfied that the Ministry got fair value from the contract.

I also noted that the revenue received return that was submitted for audit indicated that revenue amounting to US\$49 980 (€36 740) was realised from sales at the Milano-Expo. However, the Ministry did not avail any supporting documentation in the form of receipts, cashbooks or registers for sales made and expenditure incurred in Italy on this program. Consequently, I was unable to establish with certainty the completeness and accuracy of the total expenditure incurred and revenue realised from the program.

Furthermore, I could not establish whether Jihad El Badaoui (Jihad) participated in the sharing of proceeds from sales at the Milano-Expo.

Risks/Implications

Without following the tender procedures, the service provider could inflate prices because of lack of competition causing a drain on Ministry resources.

Transparency and accountability on the utilization of financial resources during the program may be compromised if complete records of the activities of the program are not maintained. This may result in loss of revenue and misappropriation of funds.

Recommendations

Procurement procedures should always be followed when engaging contractors for goods or services to ensure value for money.

Receivers of revenue should ensure that full and proper books of accounts are kept and that the revenue collection system is strengthened.

Expenditure incurred should be adequately supported to ensure accountability for public funds.

Management Response

Commercial activities at the Milano- Expo 2015 were assigned at an area not exceeding 20% of the total covered exhibition space and operations were to adhere strictly to the rules and regulations as given by the Expo organisers and Italian laws. Management of the kitchen was to be done by a caterer who had to obtain formal authorisation from the Italian Health Authorities and was to directly manage the logistics of the food storage in to Expo site. Obtaining a formal authorisation required the caterer to obtain SCIA-Certification for the beginning of the activity and this procedure was compulsory according to the Italian law.

The Ministry through our Embassy in Italy could not find a Zimbabwean caterer based in Italy and engaging a local caterer to operate for the duration of the Exposition proved difficult due to the requirements of the Italian regulations. Hence the Embassy assisted in identifying the Italian caterer who was then engaged. It is at this stage that the Legal Officer was involved in the drafting of the contract which was required to facilitate payment to the Business Partner to enable him to commence full time operations at the Zimbabwean Pavilion and procurement process was followed.

The Ministry notes that the contract was not amended to include revenue sharing. However, the payment of €50 400 for the period 1 May to 31 October 2015 was for services rendered at the Zimbabwean Pavilion. The issue of sharing of revenue was just incidental and to be determined by the outcome of the project given that the thrust was exhibition and testing to promote Zimbabwean food and products into the international markets and image building.

With regards to receipts, these were retained by the Business Partner for the payment of taxes to Italian Government in accordance with the Italian Tax Regulations. The Ministry will request for copies of till receipts from the Business Partner to support the amount received by the Ministry from the kitchen services.

HOWEVER, below are other material issues noted during the audit:

1 PROCUREMENT

1.1 Fuel Management

Findings

For the second year running, I noted a laxity in fuel management. On March 10, 2015, a payment of \$4 998 was made for the purchase of 3 660 litres of diesel from Redan Petroleum and on August 17, 2015, a payment of \$9 996 was also made for the purchase of 7 460 litres of diesel. No record of these purchases was made in the fuel register although the bank statement showed that the money had been transferred into the supplier's account on March 19 and August 24, 2015 respectively.

This was in violation of Treasury Instruction 1208 which states that payments required for goods not received at the time payment is made should be recorded in a register. Entries in this register should be cleared when the goods are received and the register should be examined at least once a month.

Furthermore, there was no evidence that the fuel was received by the Ministry as receipts from suppliers were not produced for audit Examination. Follow ups on progress of the requisition were not done. I therefore, could not confirm whether the fuel had been received and used for the purposes intended by the Ministry.

Risk/Implication

Failure to account for payments made and collection of goods purchased may result in loss or misappropriation of public funds.

Recommendation

The Ministry should maintain a register for payments made in advance, in line with Treasury Instruction 1208 to ensure that goods purchased are accounted for.

The Ministry should make a follow up on the payments made to ensure accountability of the fuel purchased.

Management Response

The observation is noted. The issue is now under investigation.

2.1 Audit Committee

Findings

The Ministry is commended for taking steps to establish an audit committee. However, the Committee was made up of Ministry's employees. The composition of the committee was not fully compliant to the requirements of Section 84 of the Public Finance Management Act [*Chapter 22:19*] which stipulates that the majority of members should not be persons employed in the Ministry and the chairperson should not be a member of the Public Service employed in the Ministry. Therefore, the independence of the audit committee was compromised resulting in conflict of interest as management was carrying out both day to day activities and the roles of the committee.

Risk/Implication

In the absence of an independent audit committee, the internal control, governance and risk assessment processes of the Ministry may not be adequately evaluated and reviewed.

Recommendation

The Ministry should ensure that the composition of the audit committee is as per the requirements of the Public Finance Management Act [*Chapter 22:19*], so that the control environments are enhanced in line with statutory regulations.

Management Response

The existing Audit Committee was put in place as a stop gap measure to help and follow up on implementation of audit recommendations. However, the Ministry will ensure compliance to requirements of the Public Finance Management Act and seek guidance from Treasury in the event that payment of sitting allowances will be required.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Direct Payments

Reconciliations with the service providers were carried out and supporting documents in form of receipts and confirmation letters of payments were obtained. Documents used to introduce the set offs in the systems have been identified.

3.2 Public Financial Assets

The on lending agreements between the Ministry and the Zimbabwe Steel Company (ZISCO) and Industrial Development Corporation (IDC) were signed.

3.3 Audit Committee

The Ministry now has a committee although the composition is not as per the requirements of Section 84 of the Public Finance Management Act [*Chapter 22:19*]. This has been raised in the report.

3.4 Risk Management Policy

The Ministry now has an approved Risk Management Policy.

STANDARDS DEVELOPMENT FUND 2014

OBJECTIVE OF THE FUND

The Fund was established for the development and promotion of standardisation and quality control of commodities and services.

I have audited the financial statements of the Standards Development Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position and the results of operations of the Standards Development Fund as at December 31, 2014.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND RECOVERY

1.1 Debtors

Finding

An analysis of the outstanding debtors revealed that the Fund's debt recovery process was slow and erratic. The Fund did not take effective recovery action in violation of Treasury Instruction 0501 which stipulates that officers responsible for collecting debts should take adequate steps to collect any sums due to the Government on due date and should not allow a debt to become extinguished through lapse of time. No evidence was produced to show that the defaulters were being engaged frequently to recover outstanding levies amounting to \$677 122.

Included in the figure of levy debtors of \$677 122 was a total amount of \$676 306 (99.8%) that had been outstanding for more than two years, with some balances back dating to 2009.

Risks/Implications

The Fund may lose substantial amounts of money if management does not take effective recovery action on debts.

The figure of levy debtors disclosed in the financial statements could be overstated if an allowance is not created to recognise the potential loss that could arise as a result of irrecoverable debts.

Recommendations

The Fund should adhere to Treasury Instruction 0501 to ensure effective debt recovery of long outstanding amounts.

An allowance for bad debts should be created in respect of specific receivables to ensure prudent financial reporting.

Management Response

The Fund has been engaging the Civil Division for debt collection but efforts have not been positive due to the prevailing economic condition where companies are scaling down operations and failing to pay workers. However, the Fund will liaise with the clients and negotiate a payment plan to ensure recovery of outstanding funds.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Investments

Finding

Section 13 (2) of the Standards Development Fund Act [*Chapter 14:19*] states that any excess funds not immediately required for the purposes of the Fund may be invested in a manner approved by the Minister. Contrary to this provision, there was no evidence that the Ministry had taken steps to invest surplus funds of \$2 028 086 that were in the bank during the year. Consequently, the Fund did not earn any income in the form of interest on investments.

Risk/Implication

The Fund could be losing a substantial amount of income in the form of interests on investments by not investing surplus funds.

Recommendation

The Fund should consider investing surplus funds to generate additional income as per the Standards Development Act [*Chapter 14:19*].

Management Response

The Fund will seek Treasury authority annually on the position of investments. However, Treasury may recall funds to cover pressing Government activities due to liquidity constraints, hence the Fund has not invested surplus funds.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Client Database and Levy Income

The Fund acquired a computer software during the year known as the Standard Development Fund levy System which comprises of a client database. A client database is now in place.

2.2 Unidentified Deposits

Audit recommendation was implemented as most unidentified deposits had been cleared by November 30, 2015.

TRADE MEASURES FUND 2014

OBJECTIVE OF THE FUND

The Fund was established for the development and maintenance of legal metrology services provided to industry and commerce in terms of the Trade Measures Act [*Chapter 14:23*], and to ensure conformity of such services to standards and requirements prescribed by International Standard Bodies.

I have audited the financial statements of the Trade Measures Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Trade Measures Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Maintenance of Financial Records

Finding

The Fund did not maintain a ledger for revenue. The revenue figure disclosed in the financial statements was obtained from receipt books and sub-collectors schedules. The ledgers are where account balances disclosed in the financial statements would be extracted. This was in contravention of Section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:19*] which stipulates that proper books of accounts should be kept. Therefore, I was unable to verify the accuracy of the revenue figure disclosed in the financial statements.

Furthermore, the financial statements disclosed a suspense account figure of \$6 994 which remained uncleared as at November 19, 2015. As a result, I was not able to establish whether the financial statements were free from material misstatements.

Risk/Implication

Without adequate books of accounts, financial transactions may not be fully recorded and disclosed. This may lead to inaccurate information being disclosed in the financial statements.

Recommendations

The Fund should maintain a ledger to ensure that all revenue transactions are fully recorded and disclosed. The ledger will enable the Fund to produce and disclose accurate financial information.

The suspense account should be investigated and cleared.

Management Response

The observation is noted and the Ministry will ensure that ledgers are maintained. The variance will be investigated and reconciled as recommended.

HOWEVER, below are other material issues noted during the audit:

1 PROCUREMENT

1.1 Goods and Services not Delivered

Finding

In my 2013 report, I raised concern over delays by the Fund in receiving goods and services from suppliers who would have been paid substantial amounts of money as deposit. The problem persisted in 2014 with the Fund officials not following up on outstanding orders. Applied Weighing Scales failed to meet delivery, installation and commission dates of four (4) weigh bridges in Harare, Gweru, Mutare and Masvingo with a total cost of \$496 340. The work was supposed to have been completed by September 30, 2014. As at September 14, 2015, the weigh bridges had not been delivered despite the fact that a deposit of \$312 694 was paid in March 2013.

Risks/Implications

Failure to follow-up undelivered equipment and taking appropriate action against the supplier may lead to wasteful expenditure, and this may impinge on service delivery by the Fund.

State funds are exposed to misappropriation.

Recommendation

The Fund should make follow-ups with the supplier on the outstanding equipment and appropriate action should be taken against such contractors.

Management Response

The Ministry tried to resolve the issue of outstanding delivery and installation of the four weighbridges amicably but Applied Weighing Scale Company has failed to deliver despite promises to do so within the set deadline. The Ministry is in the process of engaging the Attorney General's Civil Division to institute legal proceedings for breach of contract claiming amount paid together with interest thereof.

Evaluation of Management Response

Recent follow ups with the Fund have confirmed that the issue is still outstanding. As at November 19, 2015, no evidence had been produced to show that legal action had been instituted to recover the deposit amount.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Absence of Accounting Officer's Instructions

The Fund is now operating with a draft copy that is still awaiting approval. The issue has been included in the management letter.

2.2 Debtors

The Fund implemented the recommendations as most of the outstanding debtors were cleared during the year 2015.

**VOTE 8.- AGRICULTURE, MECHANISATION AND IRRIGATION
DEPARTMENT**

AGRICULTURAL REVOLVING FUND 2013

OBJECTIVE OF THE FUND

The objective of the Fund is to provide additional resources to the Ministry's sub-votes to enable them to supplement their operations with regards to the maintenance and improvement of essential equipment, purchase of drugs and consumables required to improve the level and quality of departmental service.

I have audited the financial statements of the Agricultural Revolving Fund for the year ended December 31, 2013.

Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion. Accordingly, I do not express an opinion on the Agricultural Revolving Fund financial statements for the year ended December 31, 2013.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Financial Statements

Finding

The financial statements for Mazowe Veterinary College, Mlezu Agricultural College, Henderson Research Institute, Gwebi Agricultural College and Kushinga Phikelela Agricultural College for the year ended December 31, 2013 which were submitted for audit inspection were prepared from the cashbook instead of ledger accounts. This was contrary to provisions of Section 37 of the Public Finance Management Act [*Chapter 22:19*] which provides that the financial statements required to be prepared in terms of this Act shall be prepared in accordance with Generally Accepted Accounting Practice (GAAP).

Risk/Implication

Financial statements were prepared on a cash basis instead of accruals, therefore figures disclosed might be misstated.

Recommendation

The Ministry should ensure that all stations maintain ledger accounts.

Management Response

The observation is noted. Ledgers are now being used by all institutes.

1.2 Unauthorized Loan Agreement at Kushinga Phikelela Agricultural College

Finding

The Institute entered into a loan agreement with CBZ Bank Limited for an amount of \$150 000 which was disbursed to students in training to undertake various projects. However, the borrowing facility was not provided for in the Constitution of the Fund and I was not provided with authority for the Institute to enter into such a huge financial obligation.

Risk/Implication

The loan will cost the Institute in the event that students fail to service the loan.

Recommendation

Management should ensure that all financial commitments are in line with the Agricultural Revolving Fund's Constitution and all borrowings should be covered by competent authority.

Management Response

Students enrolled at Kushinga Phikelela National Farmer Training College for the Diploma in Commercial Farming are required to undertake commercial projects. In 2000, the Ministry of Agriculture, Mechanisation and Irrigation Development facilitated through the Accounting Officer, a facility at ZB Bank for these trainees to access a loan to undertake their commercial projects. After the dollarization, the college did not regularise the loan facility with the Ministry since this had been done in 2000. However the college has since requested a

written authority from the Accounting Officer to continue operating the loan facility with CBZ Bank.

1.3 Payment of Rentals for Officers

Finding

Section 26 (a) of Statutory Instrument 1 of 2000, provides that where a member of staff is required to transfer in the interest of the Public Service, and accommodation is not provided on transfer to the member, his family or both are required to live in a hotel or any rented accommodation temporarily, proved meals and accommodation shall be at the full rate for the first thirty days, at half rate for the next thirty days and thereafter at the member's expense unless otherwise directed by the Commission with the concurrence of the Minister responsible for Finance. Contrary to the above provision, the Department of Plant and Quarantine Mazowe paid rentals for the Plant Inspectors at its various offices around the country from January to July 2013 amounting to \$44 331 and ZAR92 750.

The payments were by way of Real Time Gross Settlement System (RTGS) from the Plant and Quarantine Mazowe Revolving Fund Bank Account to the individual members's bank accounts. The payments were considered irregular in that the Plant Inspectors were at their respective working stations and on their normal course of duty. The members were still getting housing allowances on their salaries and no proof of the subsequent rent payment to the landlords was produced for my examination. Consequently, the amounts disbursed were irregular and a violation of Section 26 (a) of Statutory Instrument Number 1 of 2000.

Risk/Implication

Public funds may be abused or misappropriated.

Recommendation

The Ministry must ensure that the rentals are recovered from the concerned officers.

Management Response

The Institute ceased payment of rental accommodation for its Plant Health Inspectors with effect from August 01, 2013 as rightfully noted in the audit report. The said payments could not be abruptly stopped to avoid legal implications as there was need to give notice to land owners or landlords prior to implementation of the same. We intend to seek condonation for expenditure already incurred.

1.4 Fraudulent Payments for Goods and Services

Finding

According to an Internal Audit Report dated August 4, 2014 and referenced DVFS/PVOMSE 2013/02 payments amounting to \$46 502 were made purporting to pay various suppliers in respect of goods and services and the payments did not reach the purported suppliers and no goods or services were received by the Fund. Furthermore, goods and services which could have been supplied for \$46 045 by reputable companies were bought from briefcase companies at \$120 091 resulting in wasteful expenditure amounting to \$74 046. I was concerned that no meaningful effort had been made by management to recover the amounts overpaid at the time of concluding this audit in April 2015.

Risk/Implication

Public funds might have been misappropriated through connivance between members of staff and suppliers.

Recommendation

The Ministry should institute recovery action and disciplinary procedures should be preferred against the officers concerned.

Management Response

The Board was set up to handle the matter. Disciplinary measures will be taken accordingly.

1.5 Consolidation of Balances Stated in Other Currencies

Finding

The Plant and Quarantine Mazowe station had been collecting revenue in South African Rand, Botswana Pula and United States Dollar since the inception of the multi-currency system. I was not provided with evidence on how the following amounts collected and paid in the other two currencies were accounted for in the consolidated financial statements for the year ended December 31, 2013 given that the reporting currency was the United States Dollar.

CURRENCY	INCOME	EXPENDITURE
South African Rand	ZAR1 608 944	ZAR1 598 255
Botswana Pula	BWP24 944	0

Risk/Implication

Financial statements might be misstated.

Recommendation

The Ministry must ensure that revenue collected and expenditure incurred in other currencies is converted into the reporting currency at the point of consolidation.

Management Response

The other currencies are now being converted to the reporting currency on transaction date.

1.6 Cash Withdrawals not Acquitted (Animal Management and Health Centres)

Finding

Cash withdrawals amounting to \$17 402 could not be accounted for since there were no documents to support the acquittals from Mashonaland East Province. Internal Audit Report DVFS/PVOMSE/2013/02 dated August 4, 2014 refers. I am concerned that at the time of concluding the audit in April 2015, the matter remained unresolved.

Risk/Implication

Public funds may be misappropriated.

Recommendation

The Ministry should ensure that all cash withdrawals are properly acquitted.

Management Response

The Ministry is sending a team to investigate and initiate recovery of public moneys misappropriated.

1.7 Maintenance of Accounting Records

Finding

Mashonaland East Province was not maintaining two cash books for Mashonaland East Animal Management and Health Centres Sub-Project Bank Accounts which were essential records in funds management. Internal Audit Report dated August 4, 2014 DVFS/PVOMSE/2013/02 refers. This led to the accountant not acquitting cash withdrawals amounting to \$234 870. I am concerned that at the time of concluding the audit in April 2015, the matter remained unresolved.

Risk/Implication

Public funds may be misappropriated.

Recommendation

The Ministry should ensure that cash books are maintained for the Fund and cash withdrawals acquitted.

Management Response

The Ministry is sending a team to investigate and initiate recovery of Public money misappropriated.

The cashbooks are now being maintained.

1.8 Suspense Account

Finding

I could not rely on the financial statements for the year ended December 31, 2013 because an amount of \$115 427 disclosed in the Balance Sheet as Suspense Account was not explained satisfactorily.

Risk/Implication

Fraud or errors may go undetected.

Recommendation

The Ministry should investigate the make-up of the suspense account balance of \$115 427 in the financial statements.

Management Response

The observation is noted. The suspense account balance was cleared in 2014.

1.9 Debtors and Creditors

Finding

Due to the absence of a debtors' management policy and billing system, debtors for students' outstanding tuition fees for Mlezu Agricultural College amounting to \$24 234 for the 2013 academic year and creditors in respect of advance payments for tuition fees for the 2014 academic year amounting to \$18 605 were not disclosed in the financial statements for the financial year ended December 31, 2013. Furthermore, the fees that was paid in advance was included in the income for the financial year ended December 31, 2013.

Risk/Implication

The debtors and creditors figures may not be accurately disclosed in the financial statements.

Recommendation

The College should ensure that debtors' management policy and billing systems are put in place and ensure that all debtors and creditors billed are accounted for under the proper revenue subheads.

Management Response

The observation is noted. Debtors' management system is now in place and proper accounting relating to accruals is now being implemented.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Misappropriation of Revenue (Animal Management and Health Centres)

Finding

According to an Internal Audit Report DVFS/PVOMSE 2013/02 dated August 4, 2014, the Fund lost revenue amounting to \$27 860 when 5 572 fake stock cards were sold by 13 officers in Mashonaland East Province during the financial year under review. The 5 572 fake stock cards represented only 14% of the cards in Mashonaland East that represented 41% of the total 95 613 stock owners. Furthermore, cash

collected by thirty-three officers amounting to \$31 211 from the same province could not be accounted for as per the same Internal Audit Report. I am concerned that at the time of concluding the audit, neither recoveries had been made from the concerned officers nor disciplinary action preferred against them.

Risk/Implication

The Fund might have been prejudiced of revenue through misappropriation.

Recommendation

The Ministry should ensure that disciplinary action is taken against the perpetrators of the financial misconducts in compliance with the Sections 86 to 88 of the Public Finance Management Act [*Chapter 22:19*].

Management Response

The Board of Inquiry was set up to look into the issue.

2.2 Misappropriation of Revenue by Meat Graders (Internal audit report)

Finding

The Fund lost revenue amounting to \$27 015 which was misappropriated during the period January 1, 2013 up to April 2014 by four meat graders. The four officers provided livestock grading services on behalf of the Fund, collected and receipted revenue and converted the cash to personal use instead of banking the same in the Fund's account. This was revealed in an Internal Audit Report dated June 4, 2014 referenced LPD/HO/2014/01. I am concerned that at the time of concluding the audit, neither recoveries had been made from the concerned officers nor disciplinary action preferred against them.

Risk/implication

The Fund may lose revenue through misappropriation.

Recommendation

The Ministry should ensure that there are adequate controls at each revenue collection point, of the Fund's various stations.

Management Response

The Board of Inquiry was set up to look into the issue.

3 MANAGEMENT OF ASSETS

3.1 Biological Assets at Matopos Research Station

Finding

An inventory count of the biological assets carried out in September 2014 at Matopos Research Station revealed that various biological assets were not disclosed in the financial statements for the year ended December 31, 2013. The table below shows details of the undisclosed biological assets:

Biological Assets	Quantity
Cattle	3 102
Donkeys	47
Goats	252
Sheep	179

Furthermore, 1 381 cattle and 13 donkeys could not be accounted for. As a result, I was not satisfied that all the biological assets were accurately disclosed in the financial statements for the year under review.

Risk/Implication

The figures for biological assets in the financial statements might be misstated.

Recommendation

The Ministry should ensure that all livestock is fairly valued and properly disclosed in the financial statements for informed decision making.

Management Response

It is important to note that not all biological assets belong to the Fund. Certain items remain under research until or unless donated to the Fund. At this point in time the biological assets will then be taken on board as per disclosure requirements.

Evaluation of Management Response

During the stock count the custodians indicated that all biological assets belonged to the Fund hence there was no separation.

3.2 Biological Assets at Animal Management and Health Centre

Finding

I was not availed with supporting information in relation to biological assets valued at \$870 715 which were disclosed in the Statement of Financial Position as at December 31, 2013. This was in violation of Section 7 (6) of the Agricultural Revolving Fund's Accounting Officer's Manual which provides that "The Accountant shall carry out a physical count of both livestock and trading stocks at least once per month and report to Head Office. Where discrepancies are noted, these should be investigated and corrective action taken". As a result, I was unable to determine whether the financial statements submitted for consolidation represented a true and fair view of the operations of the Fund for the financial year under review.

Risk/implication

Users of financial statements may make incorrect decisions based on inaccurate financial statements.

Recommendation

The Ministry should ensure that the relevant livestock reconciliation statements for the financial year ended December 31, 2013 and market values used to value the biological assets are availed for audit examination in line with Section 7 (6) of the Agricultural Revolving Fund's Accounting Officer's Manual.

Management Response

The observation is noted. The guiding principles will be rigidly followed in future periods.

3.3 Non-Current Assets (Mlezu Agricultural College)

Finding

Non-current assets amounting to \$19 470 which were acquired during the year under review were not disclosed in the financial statements for the financial year ended December 31, 2013.

Risk/Implication

Total value of Non-current assets may not be disclosed at carrying amounts.

Recommendation

The Ministry should ensure that all non-current assets acquired during the year are accounted for and disclosed in the financial statements.

Management Response

Corrective action will be taken in future in line with standards in use at the reporting period.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Veterinary Drugs

Finding

An inventory count of drugs at Matebeleland South Provincial Office-Veterinary Field Services revealed that the Office had the following quantities of expired drugs which were being sold to farmers.

Table: Expired drugs

Details	Quantity
Tetnil 100ml 20%	4 402
Tetnil 100ml 10%	5 218
Alamycin 100ml	22

Risk/Implication

Having large quantities of drugs expiring is wasteful of resources. Furthermore selling expired drugs could be harmful to animals.

Recommendation

Stock control should be properly exercised to ensure that drugs do not expire while on shelves.

Expired drugs should be boarded and properly disposed of.

Management Response

The Ministry is going to collect all expired drugs from provinces, board them at a central place at Head Office and then destroy them.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Cash not Accounted for

Finding

A reconciliation of cash banked and cash collected for students fees at Rio Tinto Agricultural College during a cash count held on September 10, 2014 revealed that an amount of \$6 987 could not be accounted for and no satisfactory explanation was given.

Risk/Implication

Cash might have been stolen or misappropriated.

Recommendation

A special investigation must be carried out to determine the extent of the prejudice to the College and disciplinary action preferred against those involved.

The cash unaccounted for should be recovered.

Management Response

Disciplinary action was taken after the investigation into the missing cash.

VOTE 9.- MINES AND MINING DEVELOPMENT

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Mines and Mining Development for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the basis for Qualified Opinion paragraph, the Appropriation Account and supporting returns fairly, present in all material respects, the financial position and performance of the Ministry of Mines and Mining Development as at December 31, 2015.

Basis for Qualified Opinion

GOVERNANCE ISSUES

1 Lack of Computerised Mining Titles System

Finding

For the third year in succession, the Ministry has failed to computerise the Mining Titles System resulting in the continued use of a manual system. If the system was computerised, the Ministry would be in a position to determine the amount of revenue receivable from clients in a given financial year. Revenue collected by the Ministry during the year under review amounted to \$14 081 211 (2014: \$22 233 930) that is a decrease of \$8 152 719 (36.67%) [2014: \$19 698 298 (47%)]. I am concerned about the decreasing trend of revenue collections.

Risk/Implication

If the Ministry's Mining Titles System is not computerised, the internal control system for collecting revenue remains weak. The Ministry may lose revenue due to leakages.

Recommendation

The Ministry should urgently put in place a computerised Mining Titles System, to improve the internal control system on revenue collection since the matter has been outstanding for the past fifteen years.

Management Response

The Ministry is currently in the process of computerising the system.

2 REVENUE COLLECTION AND RECOVERY

2.1 Outstanding Revenue

Finding

Although the Ministry submitted a nil return in respect of Outstanding Revenue for audit, it was noted that at Masvingo Mining Directorate which is only one provincial office, a total amount of \$1 823 320 was owing from clients in the form of mining and inspection fees.

Risk/ Implication

Lack of information on revenue due to the Ministry results in understatement of revenue due to the Ministry and without such information, recoveries may not be done.

Recommendation

The Ministry should properly maintain revenue records and disclose all the revenue owing from the miners on the Outstanding Revenue return that is submitted annually for audit.

Management Response

The audit observation is noted. Meanwhile, letters to all provinces have been sent for the compilation of debtors using manual records. The situation will improve after we have computerised.

3 MANAGEMENT OF ASSETS

3.1 Dividends Received

Finding

The Ministry received dividends totalling \$1 300 690 from its investments with Zimbabwe Mining Development Corporation (ZMDC). However, the Ministry did not provide the basis on which the amount paid as dividends to the Ministry was arrived at.

Risk/Implication

If the value of investments or loans made by the Ministry to entities is not disclosed, dividends or interests receivable could be understated without the Ministry noticing it. The Ministry may lose revenue due from investments.

Recommendation

The Ministry should work with Treasury to establish the value of investments in Zimbabwe Mining Development Corporation and bring the investment on charge in the records and be in a position to determine the value of the investments.

Management Response

The ZMDC shares are not traded publicly and as such it is not possible to value the carrying amount of the Investment. The company produces financial statements that are audited by the Audit Office. However, the Ministry stands guided by the Government position and the valuation method to be adopted.

Evaluation of Management Response

Dividend payments should be based on value of investments so that in cases where dividends are paid, the amount can be accurately determined.

HOWEVER, below are other material issues noted during the audit:

1 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Findings

Out of five issues mentioned in my previous report, the Ministry managed to address two through implementing auditors' recommendations. The following issues remained outstanding:

- i) Failure to clear Travelling and Subsistence advances.
- ii) Unsupported Expenditure.
- iii) Outstanding Revenue due to failure by the Ministry to computerise the Mining Titles' System.

MINING INDUSTRY LOAN FUND 2014

OBJECTIVE OF THE FUND

The Fund was established to assist the mining industry and promote the production of minerals in such a manner as the Minister of Mines and Mining Development, in consultation with the Minister of Finance shall from time to time determine.

I have audited the financial statements of the Mining Industry Loan Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of the Mining Industry Loan Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Budgetary Control

Finding

Section 47 (1) of the Public Finance Management Act [*Chapter 22:19*] requires a public entity to prepare and submit a budget for revenue and expenditure and an annual plan for approval by the appropriate Minister. In contravention to this regulation, the Fund incurred excess expenditure over income totaling \$21 532 (2013: \$113 415). I am concerned with the Fund Administrators' failure to put in place a budgetary control system that would have maintained expenditure within the budgetary framework.

Risk/Implication

If the Fund continues to operate without a budget, this may result in lack of financial discipline and wasteful expenditure.

Recommendation

The Fund should put in place a budgetary system in order to ensure financial discipline and avoid unplanned expenditure.

Management Response

The audit observation is noted. The 2015 budget has already been approved.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Slow Recovery of Debtors

Finding

The debtors for plant hire continued to default on payments and the amount outstanding in the debtors account totaled \$260 332 (2013: \$262 650) showing a recovery of \$2 318. The age analysis of the outstanding balance is as detailed below:

Year	Balance (\$)
2011	28 368
2012	108 378
2013	102 633
2014	20 953
Total	\$260 332

Risk/Implication

Failure to take recovery action on debtors may result in the Fund losing track of its debtors due to changes in location of the hired mining equipment. The Fund's liquidity position and its ability to sustain operations could be adversely affected by increase in bad debts.

Recommendation

The Ministry should make efforts to recover all the outstanding debts so that other small scale miners could also get access to the mining equipment.

Management Response

The audit observation is noted and agreed. We have written several letters of demand and our last option is to hand them over to the Civil Division of the Attorney-General's Office.

HOWEVER, the following are other material issues noted during the audit:

1 MANAGEMENT OF ASSETS

1.1 Non Utilization of Mining Equipment

Finding

The Fund purchased compressors for distribution to miners in 2011. Eight compressors valued at \$29 979 meant for hiring out to small scale miners, have been lying idle since they were purchased. I am concerned with the Ministry's failure to lease out the mining equipment to miners.

Risk/Implication

The equipment may end up being converted to personal use or lost if it remains as redundant stock. The Fund may fail to recoup the cost invested in such equipment if it is not leased out to miners. The Fund might not be able to execute its mandate as its working capital would be tied up in idle equipment.

Recommendation

The Fund should ensure that all equipment is put to full use upon receiving it from suppliers. The Fund should also ensure that all mining equipment is leased out to miners to prevent deterioration due to obsolescence and in order to recoup the amount invested in the mining equipment.

Management Response

The audit observation is noted and agreed. The equipment has since been sent to eight provincial service centres. The delay in distributing it to service centres was caused by the Ministry which needed to test the machines for performance.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Mining Equipment not yet Supplied

The Fund Administrators had not yet received mining equipment amounting to \$216 768 from a supplier which had not delivered the correct quality since July 2012 when the equipment was purchased.

MINES AND MINING DEVELOPMENT FUND 2014

OBJECTIVE OF THE FUND

The Fund was established to support and sustain the operations of the computerized mining titles system, the development of the mining industry through provision of services for the growth of the sector and the necessary capacity for the sustainable management of the computerized mining titles systems including other professional and technical services provided by the Ministry of Mines and Mining Development.

I have audited the financial statements of the Mines and Mining Development Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of the Mines and Mining Development Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Lack of Budgetary System

Finding

In contravention of Section 47 (1) of the Public Finance Management Act [*Chapter 22:19*], read in conjunction with Section 6 (1) of Accounting Officer's Instructions, the Fund operated without a budget resulting in excess of expenditure over income amounting to \$1 917 095 being incurred. I am concerned that the same observation has recurred for the second year in succession.

Risk/Implication

If an accounting system is not based on a budgetary system, excess or wasteful expenditure may be incurred due to absence of control mechanisms and lack of financial discipline.

Recommendation

The Administrators of the Fund should make use of a budgetary system in order to control expenditure and ensure that resources are used according to plan.

Management Response

The audit observation is acknowledged. The 2014 financial statements had no budget but for 2015 financial statements, a budget had been provided for. The 2015 budget for Mines and Mining Development Fund has already been approved by Treasury through the 2015 Estimates of Expenditure.

2 Unauthorised Expenditure

Finding

The Administrators of the Fund paid a total of \$119 000 relating to Zimbabwe Mining Development Corporation (ZMDC) legal expenses, contrary to the provisions of the Fund's Constitution. In addition, the payment was incurred without Treasury authority since the legal expenses were for private companies in Chiadzwa being represented by ZMDC. I am concerned with the Administrators' failure to get the necessary authority from Treasury before the expenditure was incurred. Table below shows the composition of unauthorized expenditure incurred without Treasury authority:-

Voucher No	Details	Amount \$
1322C/14	Eubelius	13 000
1322D/14	Advocate Groatjans	26 000
100/14	Ranch hold Chungu Advocates	30 000
1061/14	Mutamangira and Associates	50 000
Total		\$119 000

Risk/Implication

The Fund may fail to achieve its main objective of computerization of mining titles system if resources are channeled towards unauthorised expenditure.

Recommendation

The administrators of the Fund should ensure that Fund's resources are channeled towards meeting the objective of the Fund.

Management Response

The audit observation is noted and agreed with. The amount was paid to lawyers who defended the confiscation of the Zimbabwe diamonds in Belgium by lawyers who represented the former white commercial farmers who had not received compensation for improvements on their farms which were compulsorily acquired during the land reform process. The issue was very urgent that it was going to be a long process to obtain Treasury authority.

Evaluation of Management Response

Although the payment to lawyers was a national cause, the Ministry should have approached Treasury to regularise the payment.

3 PROCUREMENT

3.1 Unsupported Expenditure

Finding

In violation of Section 81(b) (iii) of the Public Finance Management Act [*Chapter 22:19*] and for the second year in succession, expenditure totaling \$746 299 (2013: \$296 180) was incurred without sufficient supporting source documents such as receipts, three competitive quotations, acquittals and goods received notes. Consequently, I was not able to establish whether the expenditure formed a proper charge to the Fund. I am concerned with the Ministry's failure to implement audit recommendations.

Risk/Implication

Irregular or fraudulent payments could be made if supporting documents are not obtained to support payments.

Recommendation

Management should ensure that all payments are fully supported by relevant supporting documents to prevent the processing of fraudulent or irregular payments. The requirements of Section 81(b) (iii) of the Public Finance Management Act [*Chapter 22:19*] should be adhered to when making payments for goods and services.

Management Response

The audit observation is acknowledged. Corrective measures have been taken as all transactions are now being supported by sufficient and appropriate documentation.

4 EMPLOYMENT COSTS

4.1 Unauthorised Employment Allowances

Finding

Public Service Commission Circular Number 1 of 2011 read in conjunction with Statutory Instrument 1 of 2000, stipulate allowances payable to members of the Civil Service. Contrary to these regulations, management of the Fund paid allowances not provided for totaling \$265 500 (2013: \$125 665) in the form of stipend, contingent and overtime allowances without seeking relevant authority from Treasury or the Public Service Commission. I am concerned with the continued violation of the provisions of the said regulations.

Risk/Implication

The payment of unauthorized allowances may result in misappropriation of funds or fraud, which may deter the achievement of the Fund's objectives.

Recommendation

The Administrators of the Fund should adhere to the requirements of the relevant circulars and regulations when making decisions on payment of allowances. The payment of allowances not covered by the relevant regulations should only be made after authority has been sought from Treasury or the Public Service Commission. Recovery action should be instituted from all staff members who benefitted from such unauthorized allowances.

Management Response

The audit observation is noted and agreed. However, payments for respective allowances were made using the Accounting Officer's authority. In future Treasury authority will be sought.

Evaluation of Management Response

The payments were not made under competent authority as the Accounting Officer has no authority over such payments hence recoveries should be made.

5 MANAGEMENT OF ASSETS

5.1 Diesel Motor Vehicles Drawing Petrol Fuel

Finding

Examination of the Fund's fuel register showed that a total of 33 040 litres of petrol fuel valued at \$49 560 was drawn by various diesel motor vehicles during the year under review. Audit was not availed with satisfactory explanations as to why diesel motor vehicles drew petrol fuel, despite the fact that diesel stocks were available according to records examined by audit.

Risk/Implication

If diesel motor vehicles are allowed to use petrol fuel coupons, there is a risk that fuel coupons could be converted to cash.

Recommendation

Management of the Fund should ensure that motor vehicles draw the correct fuel and avoid conversion of fuel coupons as this practice could result in misappropriation of funds.

Management Response

The audit observation is noted and agreed. The Ministry's fleet is composed of petrol and diesel powered motor vehicles with the latter being majority. There were situations where diesel fuel ran out while there were stocks of petrol. In order to avoid being grounded through artificial shortage, the petrol fuel was then issued against diesel vehicles. The diesel vehicles would be filled with diesel at the pump.

Evaluation of Management Response

The response could not suffice as petrol fuel was issued to diesel vehicles while there were sufficient stocks of diesel that could have been drawn by the diesel motor vehicles. It can be deduced that there was no proper planning in the procurement of

fuel resources as the practice of diesel motor vehicles drawing petrol fuel was evenly distributed during the year.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Management of Cash

Finding

For a second year running, the Fund made cash withdrawals totaling \$1 262 945 (2013:\$1 200 806) for payments to suppliers of goods and services instead of using bank transfers or cheques. This was contrary to the provisions of section 9 of the Accounting Officer's Instructions which make it mandatory for all payments to be made using transfers or cheques. In addition, wasteful and fruitless expenditure amounting to \$12 644 was incurred in the form of bank charges as a result of the cash withdrawals which could have been reduced had payments been processed through bank cheques or transfers.

Risk/Implication

Cash is highly susceptible to misappropriation or fraud if large sums of money are handled. Cash withdrawals attract high bank charges and it is a more expensive method for payments than cheques or bank transfers.

Recommendation

The Ministry should ensure that the provisions of section 9 of the Accounting Officer's Instructions are adhered to as prescribed and ensure that all payments are done using electronic transfers or bank cheques.

Management Response

The audit observation is noted and reasons for using cash transactions are as follows:

- (a) The Ministry is a technical one with regulatory functions for the mining sector as a whole.**
- (b) A lot of accidents are happening in the mining industry which require immediate Ministerial intervention. These mines range from small, medium and large scale scattered all over the country where banking institutions are not available.**

- (c) In this regard, payments of Travel and Subsistence allowances by way of bank transfers will deter timeous reaction as some banks' lead time can be 2 to 3 days before money is accessible, hence the need to make cash withdrawals
- (d) Foreign travel allowances also require cash withdrawals as most Cabinet authorities are received late for action.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Out of five issues raised in my previous year report, the Fund failed to implement three audit recommendations and these issues recurred in the current year under review.

2.1 Lack of Budgetary System

The Fund did not put in place a budgetary control system as excess expenditure amounting to \$4 417 095 was incurred without a budget.

2.2 Unsupported Expenditure

This was not resolved as expenditure amounting to \$746 229 was incurred without obtaining adequate supporting source documents during the year under review.

2.3 Cash Management System

The Fund continued to withdraw cash to make payments instead of using bank transfers or cheques as recommended by the audit.

SPECIAL GOLD UNIT FUND 2014

OBJECTIVE OF THE FUND

The Fund was established to mobilise and manage financial, human and material resources for the purpose of curbing mineral leakages, particularly gold.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Special Gold Unit Fund as at December 31, 2014 and its financial performance for the year then ended.

However, below are material issues found during the audit:

1 MANAGEMENT OF ASSETS

1.2 Motor Vehicles without Registration Books

Finding

The Ministry of Home Affairs imported twenty-three motor vehicles from Japan in May 2008, on behalf of the Ministry of Mines and Mining Development for use by members of the Special Gold Unit Fund. At the time of concluding the audit on June 3, 2015, the motor vehicles had not been registered with the Central Vehicle Registry of Zimbabwe. There was no explanation from the Fund administrators for the failure to register the motor vehicles.

Risk / Implication

If motor vehicles are not registered with Central Vehicle Registry, it may be difficult to account for them. The assets can also be converted to personal use without trace.

Recommendation

The motor vehicles should be registered with the Central Vehicle Registry without further delay.

Management Response

The audit observation is noted. The motor vehicles are now being registered.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Finding

In my report for the year ended December 31, 2013, I observed on the following issues which recurred in the financial year under review.

- Anomalies in the processing of Travelling and Subsistence advances.
- The processing of payments using cash instead of using cheques or bank transfers.
- Lack of Accounting Officer's Instructions.

VOTE 10.- ENVIRONMENT, WATER AND CLIMATE

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Environment, Water and Climate for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account present fairly, in all respects, the financial position and performance of the Ministry of Environment, Water and Climate for the year ended December 31, 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Budgetary Control

Finding

In contravention of section 299 (1) (c) of the Constitution of Zimbabwe read in conjunction with section 19 (3) of the Public Finance Management Act [*Chapter 22:19*] the Appropriation Account of the Ministry reflected a net unauthorised excess expenditure of \$11 909 412 resulting from the reversal of an amount initially transferred from an Unallocated Reserve totalling \$40 759 480 by Treasury. The reversal was communicated on March 30, 2016 which was three months after the end of the financial year and after the expenditure had already been incurred.

Risk/Implication

Lack of proper direction from Treasury and delays by the same in communication of reversals of transfers from Unallocated Reserve resulted in the Ministry portraying an image indicative of lack of budgetary control.

Recommendation

The Ministry should maintain dialogue with Treasury to ensure that the latter does not communicate reversals of authorities to spend late after the expenditure has been incurred.

Management Response

The observation is noted and agreed. Whilst the observation is valid, the budget review is beyond the Ministry's control as this is done by Ministry of Finance which has the overall decision on the national budget.

1.2 Outstanding Amounts to Suppliers of Goods and Services

Finding

Contrary to the provisions of section 19 of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with Treasury Instruction 1204, the Ministry did not make payments to suppliers of goods and services totaling \$1 878 022 after the expenditure was committed and incurred. I am concerned that some of the outstanding amounts date back to 2013 financial year.

Risk/Implication

If suppliers of goods and services are not paid promptly in terms of regulations, the supply chain is disturbed as suppliers may withhold further supplies of goods and services. The amount of expenditure that is disclosed in the Appropriation Account is understated or distorted. The Ministry may incur cost overruns due to penalties.

Recommendation

The Ministry should pay suppliers of goods and services promptly in the financial year to which the expenditure relates in compliance with financial regulations and avoid accumulation of liabilities.

Management Response

The observation is noted and agreed. The Accounting Officer of the Ministry has undertaken to improve on the issue. These liabilities have been accumulating as a result of inadequate budget support by Treasury from prior years.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Late Submission of Returns

Finding

Contrary to Public Finance Management Act [*Chapter 22:19*] section 35 (6) (b) (i) read in conjunction with Audit Circular Number 1 of 2016, the Ministry failed to submit the Statements of Revenue Received, Receipts and Disbursements and the Sub Paymaster General Account on time. The statements were submitted on April 7, 2016 which was 40 days after the statutory deadline of February 29, 2016.

Risk/Implication

If returns are submitted late for audit, it could be indicative of lack of proper accountability. The audit process is also delayed.

Recommendation

The Ministry should ensure that statutory returns are submitted for audit within the timeframe stated in standing instructions.

Management Response

The observation is noted and agreed. The Accounting Officer has undertaken to rectify the issue. Corrective measures have been taken to ensure that in future returns are submitted for audit within the statutory deadlines.

1.2 Audit Committee

Finding

In contravention of section 84(i), of the Public Finance Management Act [*Chapter 22:19*], for the sixth year in succession, there has not been significant effort made by the Ministry to establish an Audit Committee.

Risk/Implication

The absence of an Audit Committee compromises issues of good corporate governance and effectiveness of the internal audit function.

Recommendation

Efforts should be made by the Ministry to establish an Audit Committee in compliance with Public Finance Management Act [*Chapter 22:19*] section 84 (i) in order to improve on corporate governance.

Management Response

The observation is noted and agreed. The Ministry will consult Treasury on the establishment of an Audit Committee.

2 MANAGEMENT OF ASSETS

2.1 Departmental Assets

Finding

In violation of the Treasury Instructions 2001 to 2004, the Ministry's assets register was not updated to include twelve (12) motor vehicles and four (4) motor cycles registered at the Central Vehicle Registry. The motor vehicles and motor cycles were also not disclosed in the Departmental Asset certificate submitted for audit.

Risk/Implication

The assets may be lost or converted to personal use without detection by authorities if the assets register is not properly maintained.

Recommendation

The Ministry should expedite the updating of the assets register in order to enhance internal control systems and improve accountability over assets.

Management Response

The observation is noted and agreed. The Accounting Officer will request the Internal Audit to conduct investigations on the motor vehicles issue.

3 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMME

3.1 Zimbabwe Agenda for Sustainable and Social Economic Transformation (ZIMASSET)/Result Based Management

Finding

The Ministry of Environment, Water and Climate falls under the clusters of Food Security and Nutrition, Infrastructure and Utilities and Social Services. The Ministry is responsible for environmental management, climate change mitigation programs and water resources planning and management.

In the year under review, the Ministry's total expenditure was \$99 640 412 for which an amount of \$88 196 670 (89%) was directed towards capital expenditure for dam construction at Semwa and Tokwe Murkosi in Masvingo Province. The expenditure was also directed towards rehabilitation of outlet works for the Osborn Dam in Manicaland, construction of water pipelines from Mutshabezi to Mzingwani in Matabeleland South Province and Winimbe dam to Marondera in Mashonaland East Province. It was also expended on rehabilitation of water supply and upgrading of Beitbridge, Victoria Falls and Luphani. The other expenditure was directed towards Mutange relocation of displaced community and ZINWA borehole drilling.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Cleared Issues

- a. Unsupported Expenditure
- b. Maintenance of Assets Records

Outstanding Issues

- a. Audit Committee-

The audit committee is not yet in place.

- b. Asset Records

Furniture taken by the former Minister of Water Resources, Development and Management had not yet been recovered.

LAKE KARIBA FISHERIES AND RESEARCH INSTITUTE 2015

OBJECTIVE OF THE FUND

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

I have audited the financial statements of Lake Kariba Fisheries Research Institute for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lake Kariba Fisheries Research Institute Fund as at December 31, 2015 and its financial performance for the year then ended.

However, below are material issues note during the audit:

1 GOVERNANCE ISSUES

1.1 Budget approval

Finding

The Public Finance Management Act [*Chapter 22:19*] section 47 (1) requires public entities to submit their budgets to their parent Ministry for approval. However, I did not obtain evidence to show that the Institute's budget for the year ended December 31, 2015 had been approved by the management committee as well as by the parent Ministry.

Risk/Implication

There is no basis to evaluate and monitor actual expenditure.

Recommendation

The Institute should ensure that its budget is approved by the parent Ministry.

Management response

The budget was sent to Head Office for onward transmission to the Parent Ministry

1.2 Oversight Role

Finding

The Institute's oversight role is done by a Committee of management. The Corporate Governance framework for state enterprises requires that a committee should sit at least four times per year. It is also a requirement for such a committee to have subcommittees.

However During the year under review the committee met only once, furthermore, the committee did not have sub-committees.

Risk/Implication

There may be lack of oversight on the Company given its size and operations.

There may be a policy formulation vacuum.

Recommendation

The committee should increase the number of meetings and put in place sub-committees as required by the corporate governance framework.

Management Response

Audit observation noted. The committee did not meet as scheduled because it was difficult to convene the required quorum as members were mostly busy with other issues. Also the Parent Ministry representative was not in place following the re-assignment of the sitting member. There has since been nominated a member and meetings will be convened as scheduled.

1.3 Institute's Constitution

Finding

The Fund's Constitution in place has not been aligned to the enacting legislation. There have been no amendments to incorporate various changes in legislation.

Risk/Implication

Inconsistencies in executing the institute's mandate may arise as the Constitution may no longer be relevant.

Recommendation

The Fund should liaise with the management committee so that they initiate the alignment to ensure that organisational and operational changes are incorporated.

Management Response

Audit observation noted. The constitution will be reviewed in 2016 financial year.

1.4 Insurance of Assets

Finding

The Institute's movable and immovable assets such as buildings, motor vehicles and computers which amounted to \$718 858 as at December 31, 2015 were not insured.

Risk/Implication

Financial loss in the event of circumstances such as theft or fire may occur with no recovery or compensation being obtained.

Recommendation

The Institute should insure its assets.

Management Response

Audit observation noted. The main constraint has been that of unfavourable cash flow conditions being faced. However, assets of high value will be considered for insurance, as and when cash flow permits.

2 EMPLOYMENT COSTS

2.1 Cellphone Allowances

Finding

According to the Income Tax Act [*Chapter 23:06*] all benefits that accrue to an employee should go through the payroll for tax purposes. However, I noted that members of senior management were receiving cellphone allowances which were not going through the payroll for tax purposes during the period under review.

Risk/Implication

Penalties and interest for non-compliance with the Income Tax Act [*Chapter 23:06*] may be levied.

Recommendation

The Institute should ensure that all benefits are authorized and taxed as per Income Tax Act [*Chapter 23:06*].

Management Response

The audit observation is noted. The allowance is for business purposes hence it is an expense to the institute.

2.2 Fringe Benefits

Finding

The Institute provided accommodation to its employees and paid the same employees housing allowances. The accommodation provided to the employees is regarded as a fringe benefit that should be taxed in terms of the Income Tax Act [*Chapter 23:06*]. However, I noted that the accommodation benefit was not processed through the payroll and hence was not taxed.

Risk/Implication

Financial loss due to penalties and interest for non-compliance to the Income Tax Act [*Chapter 23:06*].

Recommendation

Management should ensure that all employee benefits, allowances and advantages are taxed in accordance with the legislation.

Management Response

The Authority as a whole provides accommodation to staff members due to the location of many of its stations that lie in the parks. The allowance is as a result of the salaries structure of the Authority and is meant to cushion employees.

METEOROLOGICAL SERVICES FUND 2013-2014

OBJECTIVE OF THE FUND

The Fund was established to facilitate the provision of weather related services and products and to undertake projects that enable the smooth running of the Meteorological Services operations. The Fund also provides additional funding for importation of equipment and raw materials not available in Zimbabwe.

I have audited the financial statements of Meteorological Services Fund for the years ended December 31, 2013 and 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Meteorological Services Fund as at December 31, 2013 and 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Unsupported Payments

Finding

Contrary to the requirements of Treasury Instructions 1201, 1205 and 1216 read in conjunction with section, 81 (b) (iii) of the Public Finance Management Act [*Chapter 22:19*], the administrators of the fund processed payments for goods worth \$6 916 without supporting source documents such as competitive quotations, invoices and receipts. Consequently, I was not satisfied whether such payments formed a proper charge to the Fund.

Risk/Implication

Funds may be exposed to misappropriation if expenditure incurred is not supported by original source documents.

Recommendation

The Ministry should strengthen its internal controls to safeguard public resources and ensure that all payments are properly supported by source documents.

Management Response

The observation has been noted and the recommendation has been taken into account.

1.2 Suspense Account

Finding

Due to failure by the administrators of the Fund to do reconciliations and lack of proper supervision, examination of the financial statements revealed a suspense account balance of \$2 138 (2013: \$3 102) which the Ministry failed to explain. Consequently, I was unable to determine the accuracy of figures disclosed in the financial statements.

Risk/Implication

If financial statements are materially misstated, reliability of the financial information could be compromised and its accuracy is put to doubt.

Recommendation

Management of the Fund should investigate the suspense account figure of \$2 138 and make necessary adjustments to ensure that the financial statements are fairly and correctly stated.

Reconciliations and supervision should be periodically done to ensure that errors are timeously identified and corrected.

Management Response

The observation is noted. The suspense balance arose because of contributions amounting to \$2 000 made to the World Meteorological Services in December 2014. The funds were presented to the bank for payment but were rejected and returned to the Ministry in January 2015. The other balance of \$138 was still being investigated.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Trade Debtors

Finding

As noted in the previous year audit, the Ministry's debt recovery system remained ineffective. Revenue due from Airline Operators remained uncollected and the cumulative amount of such non collections prejudiced the Fund. The outstanding amount in the debtors records totalled \$1 406 526 (2013: \$1 181 846) which represents 89% of the total assets of the Fund. I am concerned with the ineffectiveness of the debt recovery system.

Risk/Implication

Failure to recover amounts outstanding in the debtors account could lead to loss of revenue as the Ministry may end up failing to recover the amounts. The liquidity position of the Fund is negatively affected.

Recommendation

The Department should employ strategies to collect the amounts owing from debtors to ensure that the debt recovery system is effective.

Management Response

The observation is noted. The debtors who owe the Ministry the bulk of the money are Air Zimbabwe and South African Airways. We cannot recover anything from Air Zimbabwe at the moment. As regards South African Airways, all efforts are being made to recover the amount owed as the issue is now being handled by our lawyers.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Annual Budgets

Finding

For the second year running, due to non-adherence to internal controls, the Ministry operated the Fund without a budget in contravention of Section 47 of the Public

Finance Management Act [*Chapter 22:19*]. I was not satisfied whether the expenditure was properly incurred.

Risk/Implication

Funds could be exposed to misappropriation if expenditure is incurred without following proper budgetary procedures.

Recommendation

The Fund administrators should prepare a budget so that expenditure is incurred according to planned activities.

Management Response

The observation is noted. Preparation of annual budgets will be done towards each year end as evidenced by 2015 budget which is included in the blue book.

2 PROCUREMENT

2.1 Purchase of Equipment not Delivered

Finding

Contrary to Section 44 (iii) of the Public Finance Management Act [*Chapter 22:19*] which requires cost-effectiveness when procuring goods and services, the Ministry purchased a generator worth €474 600 and paid an amount of \$100 000 (€72 241) in 2006 using the Fund's resources to Meteo France International. Due to lack of follow ups to ensure delivery and specific performance, the generator had not been delivered as at the time of completing the audit on June 19, 2015.

Risk/Implication

The Supplier may fail to deliver the generator which could lead to loss of resources. The purpose for which the generator was intended would not be served.

Recommendation

The Ministry should follow up the matter and ensure that the supplier delivers the generator.

Management Response

The Director of Finance in the Ministry has been notified of this issue through a written correspondence and all the necessary steps are being taken to clear the outstanding balance.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The Fund managed to address two issues and failed to address five as outlined below:

Addressed Issues

- a. Travelling and Subsistence
- b. Internal Audit

Issues Not Addressed

- a. Unsupported Expenditure

There was no improvement on this aspect. The issue of unsupported expenditure was also reported in the year under review.

- b. Suspense Balance

There was a delay in the clearance of the suspense account balance relating to the 2013 financial period. The suspense account was not yet cleared by time of completing the audit for the 2014 financial year. The issue recurred during the year under review.

- c. Cash Payments

The Fund still regularly makes payments to suppliers using cash instead of bank transfers. The issue of cash payments was not yet resolved.

- d. Procurement

The issue has not been resolved. Management has not implemented the audit recommendations

- e. Annual Budgets

The Fund operated without an annual budget for the year under review.

NATIONAL CO-ORDINATING UNIT FUND 2014

OBJECTIVE OF THE FUND

The National Coordinating Unit Fund was established in terms of the Public Finance Management Act [Chapter 22:19]. Government recognised the urgency of a coordinated water and sanitation sector and established an inter-ministerial committee on water and sanitation under the chairmanship of the Minister of Environment, Water and Climate.

I have audited the National Coordinating Unit Fund Account administered by the Ministry of Environment, Water and Climate for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements presents fairly in all respects, the results of operations of the National Coordinating Unit as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Unsupported Expenditure

Finding

In contravention of Section 81 (2) (b) (iii) of the Public Finance Management Act [Chapter 22:19] read in conjunction with Treasury Instruction 1216, the expenditure of the Fund totalling \$6 988 was not adequately supported by source documents such as payment vouchers, receipts and any proof of payment. Consequently, I was unable to determine whether the expenditure was properly incurred.

Risk/Implication

If payments are processed without source documents, it may be difficult to determine their legitimacy. Improper activities may also be committed and funds could be misappropriated.

Recommendation

The Ministry should process payments when all relevant source documents are in place to avoid incurring unsupported expenditure.

Management Response

The observation is noted.

Some of the documents regarding acquittals were not attached to the requests and effort is being made that every request be supported by relevant acquittals, checked and signed by the accounting staff members. In addition, distance covered must relate to the amount of fuel requested.

RHODES MATOPOS ESTATE FUND 2015

OBJECTIVE OF THE FUND

Rhodes Matopos Estate Fund was incorporated in Zimbabwe by an Act of Parliament, Rhodes Estates Act [*Chapter 20:14*]. The functions of the Fund are to control, manage and maintain national parks, botanical reserves and botanical gardens, sanctuaries, safari areas and recreational parks.

I have audited the financial statements of Rhodes Matopos Estate Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Rhodes Matopos Estate Fund as at December 31, 2015 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Value Added Tax

Finding

The Fund did not submit Value Added Tax (VAT) returns or remit VAT to the Tax Authority in violation of the VAT Act [*Chapter 23:12*] which states that VAT returns should be submitted and VAT collected remitted by the 25th of each month. As at December 31, 2015 the Fund had a VAT liability amounting to \$50 149.

Risk/Implication

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

Recommendation

The Fund should submit VAT returns and remit VAT collected to the Tax Authority in compliance to the VAT Act [*Chapter 23:12*].

Management Response

The observation has been noted. Delays in the submission of VAT remittances were due to cash flow constraints. The Fund will submit VAT returns to ZIMRA and engage ZIMRA for a viable payment plan with regard to the payment of outstanding VAT by June 30, 2016.

1.2 Committee Fees

Finding

The Fund did not subject committee member fees to withholding tax in violation of the Income Tax Act [*Chapter 23:06*] which states that fees earned by committee members should be subjected to 20% withholding tax.

Risk/Implication

Financial loss through penalties and interest for non-compliance with the Income Tax Act [*Chapter 23:06*].

Recommendation

Management should ensure that committee member fees are subjected to withholding tax in compliance to the Income Tax Act [*Chapter 23:06*].

Management Response

The audit observation is noted. The Fund will ensure that all committee fees payable to board members are subject to withholding tax and will remit tax withheld to ZIMRA within the stipulated period from the date of payment.

1.3 Budget Approval

Finding

The Fund had no approved budget for the year ended December 31, 2015 in violation of the Public Finance Management Act [*Chapter 22:19*] section 47 (1) which requires public entities to submit their budgets to their parent Ministry for approval.

Risk/Implication

There may be no basis to evaluate and monitor actual expenditure.

Recommendation

The Fund should ensure that its budget is approved by the parent Ministry.

Management Response

The Fund prepared a Budget which was approved by the Board and submitted to Ministry of Environment, Water and Climate. Unfortunately the budget was never returned from the Ministry owing to mix up of documents. Efforts are being made to locate the budgets. The Fund will continue following up the position of missing budgets.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Trade and Other Receivables

Finding

The Fund did not send out first and final reminders to its debtors nor did it hand over overdue debtors to the Zimbabwe Parks and Wildlife Management Authority's Legal Section in violation of the Zimbabwe Parks and Wildlife Management Authority's Debtors Policy and Procedures Manual Section 23.5.3. As a result \$757 581 constituting 93% of the Funds' debtors were overdue and were in excess of 120 days.

Risk/Implication

Government may end up losing when the debts become irrecoverable. Funds tied up in overdue debtors could have been used to finance the Fund's operations.

Recommendation

The Fund should comply with the requirements of the Debtors Policy and Procedures Manual Section 23.5.3.

Management Response

The observation has been noted. The Fund did not issue demand letters to debtors as it was in the process of following up all debtors to establish their actual position. After completing the exercise, a provision for bad debts was determined for all those debts whose collection was doubtful. The Fund will proceed by issuing letters of demand and handing them over to the Legal Department

2.2 Lease Agreements

Finding

The Fund had no lease agreements with some of the lessees occupying its land. The table below contains details of lessees who had no lease agreements or who had lease agreements who were denominated in the Zimbabwean dollar;

Account number	Lessee	Lease rental charged per annum (\$)	Lease term	Comment
102	Telecel	3 600	-	No contract in file
109	Netone	3 600	2012-2022	Contract not signed
110	Rowalan park	8 000	2012-2017	Contract not signed
108	Ministry of Agriculture	12 000	1978-2028	Lease agreement denominated in the Zimbabwean dollars
103	REPS	500	1978-2028	Lease agreement denominated in Zimbabwean dollars

Risk/Implication

Financial loss as a result of irregularities in lease administration.

Recommendation

Lease agreements should be put in place for all leases.

Management Response

The observation has been noted. On Transceiver bases the authority is in the process of standardizing their leases. On lease denominated in Zimbabwe dollars, the Authority reviewed all its lease fees into US dollars since dollarization. However the addendums are still being worked on. A follow up with the relevant section will be done by June 30, 2016.

3 PROCUREMENT

3.1 Suppliers List

Finding

The Fund had no approved suppliers list in violation of the Zimbabwe Parks and Wildlife Management Authority's Accounting and Internal Control Policies and Procedure Manual Section 11.4.1 (iii) which states that goods and services amounting to US\$10 000 or less should be procured through the sourcing of three comparative quotations from a list of approved suppliers. The suppliers list presented for my inspection was not signed as proof of authorization.

Risk/Implication

Non-compliance with the Zimbabwe Parks and Wildlife Management Authority's Accounting and Internal Control Policies and Procedure Manual. Financial loss as a result of weak controls over the procurement of goods and services.

Recommendation

An approved suppliers list should be put in place.

Management Response

The audit observation is noted. The list of approved suppliers is reviewed annually and approved by the Fund's Committee. However, the Committee was dissolved before signing the list of approved suppliers. An updated list of approved suppliers will be presented to the Fund's Committee for the 2016 financial period by June 30, 2016.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year audit recommendations and found that the Fund made some progress and there was room for improvement in respect of the following recommendations:

4.1 Strategic Plan

The Fund was still using the Authority's strategic plan.

4.2 **Insurance of Assets**

The Fund had not insured its high value assets. However insurance quotations and evaluation reports were available. Progress had also been made on the recommendations made by the insurance companies of buying new fire extinguishers and servicing the old ones.

RHODES NYANGA ESTATE FUND 2015

OBJECTIVE OF THE FUND

Rhodes Nyanga Estate Fund (the Fund) is an organisation which was established in Zimbabwe by an Act of Parliament, Rhodes Estate Fund Act [*Chapter 20:14*]. It is mainly engaged in the operation of sustainable conservation. Other activities of the Fund include trout fish farming.

I have audited the financial statements of Rhodes Nyanga Estate Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Rhodes Nyanga Estate Fund as at December 31, 2015, and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Committee Fees

Finding

The Fund did not subject Committee member fees to withholding tax in violation of the Income Tax Act [*Chapter 23:06*] which states that fees earned by committee members should be subjected to 20% withholding tax. During the year the Fund incurred committee fees and sitting allowances amounting to US\$9 829.

Risk/Implication

Financial loss through penalties and interest for non-compliance with the Income Tax Act [*Chapter 23:06*].

Recommendation

Management should ensure that committee member fees are subjected to withholding tax in compliance to the Income Tax Act [*Chapter 23:06*].

Management Response

Withholding taxes will be calculated on committee fees with immediate effect.

1.2 Budget Approval

Finding

The Fund had no approved budget for the year ended December 31, 2015 in violation of the Public Finance Management Act [*Chapter 22:19*] section 47 (1) which requires public entities to submit their budgets to their parent Ministry for approval.

Risk/Implication

The Fund may incur unauthorised expenditure.

Recommendation

The Fund should ensure that its budget is approved by the parent Ministry.

Management Response

The budget was submitted to the Parent Ministry for approval, however the later did not return the budget.

SECRETARY'S FUND 2014

OBJECTIVE OF THE FUND

The objective of the Fund shall be to encourage research in, and develop or conserve wild life (including fish, national parks, botanical gardens, sanctuaries, safari areas, recreational parks and natural resources) which the Ministry of Environment, Water and Climate or any of its departments may be entitled to administer.

I have audited the financial statements of Secretary's Fund for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Secretary's Fund as at December 31, 2014.

Basis for Qualified Opinion

1 PROCUREMENT

Finding

In violation of Section 5 (1) of the Procurement Regulations of 2002 read in conjunction with Treasury Instruction 1005 (3), the Ministry incurred expenditure amounting to \$12 767 without obtaining competitive quotations, comparative schedules and procurement minutes. I was unable to determine whether the procurement was done to the best economic advantage of the Fund.

Risk/Implication

Failure to follow laid down procurement regulations may result in uneconomic buying as goods and services may not be purchased from the most competitive suppliers.

Recommendation

Management should ensure that the procurement of goods and services is done in compliance with Treasury Instructions to ensure that public resources are put to best use.

Management Response

The expenditure is supported but there are no competitive quotations as the event was conceived, arranged and executed in an urgent manner. Given the urgency of the job, there was no time for competitive quotations to be sourced.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Travelling and Subsistence Advances

Finding

Contrary to the requirements of Treasury Instructions 1504, the Ministry's officials received advances totaling \$10 511 which were not cleared upon return to home station. In addition, the Fund administrators did not record the balance in the debtor's records in violation of Treasury Instruction 1505. I was unable to determine whether officials undertook the trips for which advances were given.

Risk/Implication

The Ministry may end up failing to clear or recover the outstanding amounts if acquittals are not done within thirty days of officers' return to the home station.

Recommendation

The Ministry should maintain proper and complete records for debtors and increase the rate of recovery for the outstanding amounts in compliance with Treasury Instructions 1504 and 1505.

Management Response

The observation is noted and agreed with. Corrective measures will be taken to address the issue.

WATER FUND 2014

OBJECTIVE OF THE FUND

The Fund was established for the purpose of providing for the development and utilisation of the water resources of Zimbabwe; establishment of powers and procedures of catchment councils and sub-catchment councils, grant of permits for the use of water, control of the use of water when water is in short supply, acquisition of servitudes in respect of water, protection of environment and the prevention and control of water pollution, approval of combined water schemes, matters relating to dam works, to repeal the Water Fund Act [*Chapter 20:22*] and to provide for matters incidental thereto or connected with the foregoing.

I have audited the Water Fund Account of the Ministry of Environment, Water and Climate for the six months period ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects, the results of operations of the Water Fund Account for the six months period ended December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Budgetary Control

Finding

In contravention of Section 47 of the Public Finance Management Act [*Chapter 22:19*], read in conjunction with Section 40 (a)-(d) and Section 43 (a) of the Zimbabwe National Water Authority Act [*Chapter 20:25*], the Fund operated without an approved budget for the period under review. In addition, an amount of \$32 670 (87%) of the total expenditure was spent on foreign travel expenses.

Risk/Implication

Funds may be exposed to misappropriation if expenditure is incurred without an approved budget.

Recommendation

The Ministry should ensure that proper budgetary procedures are followed and an approved budget should be the basis of incurring expenditure at the beginning of each year.

Management Response

The transfer of Water Fund from Zimbabwe National Water Authority (ZINWA) to this Ministry was done with effect from July 1, 2014. Before the takeover, the water levy was accounted for in the Zimbabwe National Water Authority (ZINWA)'s financial statements just as any other revenue item. At the Ministry, the Fund is used as more of an emergence Fund on water related issues, such as borehole drilling and other water related requirements.

Evaluation of Management Response

The observation still stands. The Fund should prepare a budget that is approved at the beginning of each year to come up with a plan on how resources should be utilised. An investigation must be instituted regarding the expenditure of \$32 670 (87%) made on foreign travelling and subsistence allowances and eliminate the control weakness within the system that was taken advantage of.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Travelling and Subsistence Advances not Cleared

Finding

Contrary to Treasury Instruction 1505, the Ministry paid advances for foreign travel and subsistence amounting to \$2 074 to Ministry officials. The Ministry officials failed to acquit the advances upon returning to the home station. Up to the time of concluding the audit on June 10, 2015, the total amount was still outstanding.

Risk/Implication

Funds may be misappropriated if acquittals are not done within 30 days of the official's return to home station. The Ministry may be deprived of funding other operations.

Recommendation

The Ministry should put more effort to ensure acquittals for advances are cleared within one month of the officers' return to their home station.

Management Response

Claims to fully support the disbursed funds in relation to foreign travel undertaken were requested from the officers concerned. Acquittals were being done.

Evaluation of Management Response

At the time of concluding the audit, the amounts had not been cleared.

VOTE 11.- MINISTRY OF TRANSPORT AND INFRASTRUCTURAL DEVELOPMENT

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Transport and Infrastructural Development for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account fairly presents in all material respects the financial position and performance of the Ministry of Transport and Infrastructural Development for the year ended December 31, 2015.

However, below are material issues noted during the audit.

1 GOVERNANCE ISSUES

1.1 Expenditure Incurred on Behalf of the Ministry by Statutory Funds

Finding

The Ministry did not disclose payments that were made on its behalf by Statutory Funds to directly settle its obligations for goods and services during the period under review. Over the years I have noted that some expenditure for the Ministry's Head Office was charged to New Number Plate Revolving Fund and Traffic and Legislation Fund without providing a detailed disclosure of assistance received.

Risk/Implication

Failure to provide detailed disclosure is contrary to best practice.

Recommendation

The Ministry should disclose total external assistance paid by Statutory Funds to directly settle its obligations or purchase goods and services on its behalf.

Management Response

During the year under review the Appropriation account and the Funds had separate budgets which were approved as per blue book and the expenditure incurred was as per budget. However, Treasury directed that Funds to the tune of \$200 000 and \$700 000 be transferred from the Number Plate Fund and new

Limpopo Bridge into the Consolidated Revenue Fund and the directive was complied with.

1.2 Public Financial Assets

Finding

The return for Public Financial Assets submitted for audit was not in the recommended format, as it excluded columns such as balances as at January 1, 2015, expenditure for the year, recoveries, adjustments and closing balances as at December 31, 2015.

My attempt to get confirmations of loans and investments from Parastatal bodies and entities under the Ministry did not yield positive results as only three out of eight entities responded. I could not therefore establish whether the balance of \$97 078 183 disclosed represented correct net amounts of loans and investments outstanding as at December 31, 2015.

Implication

Failure to disclose all transactions for loans and investments does not promote transparency and accountability.

The value of Public Financial Assets may be materially misstated in the absence of confirmations from Parastatals and related entities.

Recommendation

The Ministry should submit the return in the recommended format.

The parent Ministry should instruct its Parastatals and related entities to submit confirmations of investments held.

Management Response

The Public Financial Assets return has been adjusted in line with the required format as per Auditors' advice. The balance disclosed of US\$97 078 183 was extracted from the Public Financial Management System.

All the Ministry's eight Parastatals responded to the Auditors request for confirmations of balances for the year 2015.

Evaluation of Management Response

The Ministry should liaise with all its Parastatals and get accurate balances of Public Financial Assets before compiling the return.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Revenue Collecting Stations.

Finding

Out of twenty-seven (27) revenue collecting stations, fifteen (15) were not connected to the Public Finance Management System (PFMS), while users at five (5) stations which had PFMS running, had no profiles and needed training. At six stations, PFMS was down and receipting was done manually. Therefore, most of the transactions from outstations were being processed at the Ministry's Head Office. Due to high volumes of transactions and delays by outstations in submitting sub-collectors schedules to Head Office the posting of revenue information was behind by several weeks. I observed that there were variances, between the receipts in the PFM system and the cash reflected in the bank accounts throughout the year.

Implication/Risk

Manual revenue receipting exposes public funds to fraud and errors.

Recommendation

All revenue collecting stations should be connected to PFMS to enhance accountability in revenue collection.

Management Response

Our Information Technology Department is currently carrying out scoping and mapping activities in order to come up with the bill of quantities and cost of other materials for stations which are not on PFMS. The exercise is likely to be completed by October 2016.

Training of Officers will be arranged with the Project Office and it is our intention that it be conducted by July 2016. The Ministry will immediately request Project Office to provide profiles to users at the five stations mentioned.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Unvouched and Misallocation of Expenditure

We take heed that any movement of funds from one project to the other should be viremented accordingly. This enhances project costing and financial reporting.

3.2 Suspected Fraud

The matter was reported to the Zimbabwe Republic Police. The VID Depot Manager advised that the accused was on the run. The Police were continuing with their investigations.

3.3 Telephone Usage

The installation of a telephone PABX system had resulted in the decline of telephone expenditure. The average telephone bill for head office prior to the installation of a PABX was \$1 467 per month. The average bill was now \$649 per month, an average reduction of 56%.

3.4 Master Assets Register

There was improvement on this area during the year under review, as the register was updated and the certificates submitted complied with the requirements of Treasury Instruction 2004.

3.5 Department of Roads Unpaid Invoices

There was not much progress as clearance of the outstanding balance was negatively affected by liquidity constraints.

DEPARTMENT OF ROADS FUND 2013

OBJECTIVE OF THE FUND

The Department of Roads Fund (DRF) was established in terms of Section 25 of the Roads Act [*Chapter 13:18*] as read with the Public Finance Management Act [*Chapter 22:19*]. Its mandate is to provide financing for road development, rehabilitation and maintenance works.

I have audited the financial statements for the Department of Roads Fund for the year ended December 31, 2013.

Opinion

In my opinion the financial statements fairly present, in all material respects, the financial position of the Department of Roads Fund for the year ended December 31, 2013 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Disbursements Received from Zimbabwe National Roads Authority

Finding

The Zimbabwe National Roads Authority (ZINARA) confirmed disbursements of \$11 800 882 for maintenance of roads. However, the financial statements for the Department of Roads Fund reflected income amounting to \$10 363 302 attributed to ZINARA, resulting in a variance of \$1 437 580. I later confirmed that, of the variance mentioned, \$936 870 was in respect of direct payments made to contractors by ZINARA, leaving a balance of \$500 710 unaccounted for. The Fund did not conduct monthly income reconciliations during the year under review.

Risk/Implication

In the absence of adequate records and reconciliations, income received may not be properly accounted for.

Recommendation

The Ministry should carry out monthly reconciliations of income received from ZINARA in order to detect and correct errors of commission and omission. The

imbalance of \$500 710 should be investigated to ensure that all money received from ZINARA is properly accounted for.

ZINARA should be advised to inform Fund managers about all disbursements released to Provincial Road Engineers to ensure accountability of public resources.

Management Response

Disbursements from ZINARA were \$10 363 302 as shown in our bank statement. We noted that ZINARA was paying directly to suppliers on behalf of the Department of Roads. The Accounting Officer wrote a minute instructing ZINARA to stop that payment arrangement.

Evaluation of Management Response

The Ministry took a commendable step to stop ZINARA from making direct payments on behalf of the Department of Roads Fund. They need to go a step further and reconcile the income disbursed to all the Provincial Road Engineers.

2 EMPLOYMENT COSTS

2.1 Salaries and Wages

Finding

For the fourth year in succession, the Fund continued to pay bonuses to contract workers, violating section C, part 3 of the contract signed between the Fund and the workers, which stipulates that no bonuses would be paid. Furthermore, there was no authority from the Public Service Commission to support payment of bonuses amounting to \$97 630.

Risk/Implication

Payment of bonuses without the requisite authority constitutes an improper charge against public funds and budget overruns may occur.

Recommendation

The Fund should regularize the payment of bonuses made to the casual workers.

Management Response

The process to rectify the issue is already underway with the Public Service Commission. The Department's head office cannot operate efficiently without these contract workers.

Evaluation of Management Response

The audit concern is not about whether or not the Department of Roads should have casual workers, but it is about failure to follow procedures before spending public funds.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Absence of an Accounting Officer's Manual

The fund has an Accounting Officer's Manual, signed by the Accounting Officer, although it is yet to be approved by Treasury. The manual is generic, so it does not address some specific transactions processed by the Fund.

3.2 Poor Maintenance of Accounting Records

There was an improvement during 2013 as, expenditure ledgers were maintained and payment vouchers were numbered.

DEPARTMENT OF ROADS FUND 2014

OBJECTIVE OF THE FUND

The Department of Roads Fund (DRF) was established in terms of Section 25 of the Roads Act [*Chapter 13:18*] as read with the Public Finance Management Act [*Chapter 22:19*]. Its mandate is to provide financing for road development, rehabilitation and maintenance works.

I have audited the financial statements for the Department of Roads Fund for the year ended December 31, 2014.

Opinion

In my opinion the financial statements fairly present, in all material respects, the financial position of the Department of Roads Fund for the year ended December 31, 2013 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Reconciliation of Zinara Receipts.

Finding

There was a difference of \$2 201 660 between the disbursements figure disclosed in the financial statements of \$ 11 610 945 and the figure as per the submitted Zinara Schedule of \$9 409 285. No reconciliation was provided showing how the difference arose. I therefore could not confirm the correct revenue figure for the year.

Risk/Implication

In the absence of a reconciliation of balances from various accounting records, revenue may be misstated and errors may go undetected.

Recommendation

The Ministry should carry out monthly reconciliations of disbursements received from Zinara in all Provinces to detect errors of commission and omission.

Management Response

Reconciliations are carried out on a monthly basis. The fund disclosed \$11 610 945 as opposed to \$ 9 409 285 since ZINARA did not disclose the difference of \$2 201 660, being Roads Access Fees disbursed into the Roads Fund.

Evaluation of Management Response

Records examined indicate that Roads Access Fees amounted to \$ 1913 818 and not \$ 2 201 660.

2 EMPLOYMENT COSTS

2.1 Salaries and Wages

Finding

Due to failure by management to check on the work being carried out by their subordinates, the Wages and Salaries figure disclosed in the financial statements of \$3 024 639, was understated by \$620 623. Audit was made to understand that this was due to an omission of wages and salaries for Mashonaland East and Central provinces for 2014.

Risk/Implication

Omitting salaries and wages expenditure may compromise the reliability of the figures disclosed in the financial statements.

Recommendation

The Fund management should always check and ensure that correct accounts are submitted for audit. Also all expenditure incurred or accrued should be captured in the year in which it is incurred.

Management Response

The observation is noted. Outstanding wages were as a result of non-release of funds by ZINARA

Evaluation of Management Response

The issue was not about outstanding wages and salaries but the omission of \$620 623 in the financial statements.

3 PROCUREMENT

Finding

The Department of Roads Fund purchased a binder material called “eco-roads soil stabilizer,” meant to strengthen dust roads, at a cost of \$320 000 from a private company, without floating a formal tender. This was contrary to requirements of Statutory Instrument 161 of 2008-Procurement (amended) regulations number 16, which stipulates that purchases of at least \$300 000 should be done through a formal tender.

Risk/Implication

Failure to follow proper procurement procedures may result in the fund incurring nugatory expenditure.

Recommendation

The Department of Roads Fund should adhere to procurement regulations, and should be guided by SI 161 of 2008 Procurement (amended) regulations number 16, which give guidance on when to float a formal or informal tender.

Management Response

The observation has been noted. The procurement of the binder material was done without following the tender procedures, this was purely an oversight on our part and is sincerely regretted.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Salaries and Wages- Payment of Bonuses

The Fund management did not pay any bonuses to its contract workers.

NEW LIMPOPO BRIDGE FUND 2014

OBJECTIVE OF THE FUND

The Fund was established to finance the maintenance, rehabilitation of old and new Limpopo Bridges, and the roads linking to the Bridges on the Zimbabwean side.

I have audited the New Limpopo Bridge Fund for the Ministry of Transport and Infrastructural Development for the four months period ended December 31, 2014.

Opinion

In my opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements fairly present, in all material respects the results of operations of the New Limpopo Bridge Fund for the four months period ended December 31, 2014.

Basis for Qualified Opinion

1 REVENUE COLLECTION

1.1 Revenue Collected

Finding

Good accounting practice requires that once revenue has been received it has to be recognized in the year in which it accrues. The Fund's revenue was understated by ZAR21 577 326, collected during the months of November and December 2014. The revenue was neither disclosed in the financial statements, nor was it recorded in the cash book. The Fund management alleged that it was left out from the financial statement because the bank had not converted the amount to United States Dollars.

I could not satisfy myself that the figure of \$3 241 168 represented all the revenue which was collected by ZINARA. ZINARA was authorised to levy, collect for the benefit of the Beitbridge Bridge Fund the tolls on vehicles using Limpopo Bridge in terms of Statutory Instrument 100 of 2014, and Beitbridge (Tolling) Regulations, 2014. The Fund relied on the bank statements and deposit slips supplied by ZINARA to come up with the revenue figure. There were no copies of receipts and monthly summary of revenue collected, which would have enabled the Fund to carry out independent reconciliations against the bank statements. Consequently, the revenue collected of \$3 241 168 could not be independently confirmed in the absence of receipts and monthly summary of revenue collected.

Risk/Implication

Failure to account for all revenue collected and accrued may result in material misstatement of financial statements.

Revenue can be misappropriated if receipts and monthly returns are not submitted by the collecting agent for verification.

Recommendation

All revenue collected should be recorded in the books of accounts, as soon as it has been receipted.

Management of the Fund should engage ZINARA to submit copies of receipts and monthly summary of revenue collected.

Management Response

The standing agreement is that the bank is to convert and transfer the funds in the ZAR Account to USD Account on a monthly basis. In this case the bank did not effect the conversions and transfers as per agreement, however, the conversion and transfers was effected on 5th February 2015. A journal voucher has been passed to introduce the revenue into the 2014 financial statements.

The monthly revenue returns from 17th June 2014 to 31st December 2014 were requested from ZINARA but we only got deposits slips from October 2014 to date. Returns for collections done from when the account was opened to date are still to be availed to the department. The department will continue to engage ZINARA in an effort to obtain the returns and also make quarterly visits to examine revenue records at the bridge.

Evaluation of Management Response

The omission of revenue resulted from failing to carry out monthly reconciliation as opposed to the bank failing to convert and transfer funds in the ZAR to USD account.

The correcting journal vouchers, were subsequently submitted for my examination and the Rands were converted and swept to the US dollar bank account in 2015.

1.2 Maintenance of Accounting Records

Finding

Treasury Instruction 0432 requires that monthly bank reconciliations should be carried out between the duplicate copies of receipts, bank deposit slips and bank statements. The management of the Fund did not carry out monthly bank reconciliations. Entries

from the bank statements were used to update the cashbook, hence compromising the reliability, integrity and accuracy of the financial statements.

Risk/Implication

Failure to perform bank reconciliations with the cash book may result in errors and omissions going undetected.

Recommendation

The management of the Fund should adhere to the requirements of Treasury Instruction 0432, by ensuring that bank reconciliations are carried out every month.

Management Response

Bank reconciliation statements are carried out monthly as required.

Evaluation of Management Response

These were not submitted for my audit examination.

1.3 Contract with ZINARA to act as Collection Agent

Finding

I observed that ZINARA was collecting toll fees on behalf of the New Limpopo Bridge Fund, this was evidenced by a letter dated August 16, 2014 directing ZINARA to deposit revenue collected into the Fund's bank account. I was not provided with a contract between ZINARA and New Limpopo Bridge Fund with terms and conditions under which ZINARA was appointed a collection agent. I had sight of a minute written by the Accounting Officer advising ZINARA that out of the toll fees collected, it could retain 20%.

I further observed that the Fund did not have custody of receipts together with summary of monthly revenue collected on its behalf by ZINARA, to enable it to independently verify the collections deposited in its bank account.

Risk/Implication

Without a written contract it becomes difficult to determine the terms and conditions under which both parties must perform.

Recommendation

The Ministry should formulate a binding contract so that terms and conditions of performance are clearly stated.

Management Response

The Accounting Officer directed ZINARA to collect New Limpopo Bridge revenue and transfer the funds into its bank account on a daily basis. This was in terms of Statutory Instrument 147 of 2013 (No. 5). In as far as the returns are concerned ZINARA has an Accounting Officer who is required to submit returns to Treasury and the Auditor-General. ZINARA is submitting returns in the form of deposit slips.

Evaluation of Management Response

The Statutory Instrument 147 of 2013, number 5, was submitted, however, authority to pay ZINARA 20% retention fees was not availed contrary to Treasury Instruction 0111 and deposit slips are not returns.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Unsupported Payments

Finding

Treasury Instruction 1216 requires that a payment voucher should be supported by appropriate audit evidence. The Fund spent \$1 000 000 for road works, however, no expenditure returns were submitted to support the payments. Salaries for contract workers amounting to \$32 948 were also not supported by pay sheets.

Risk/Implication

Making payments without supporting documents exposes public funds to abuse and fraud.

Recommendation

All payments must be supported by documentary evidence as required by Treasury Instruction 1216.

Management Response

The payment vouchers have since been provided by the relevant Provincial Offices who maintain the records for the projects.

2.3 Accumulated Fund

Finding

The source of the Accumulated Fund figure of \$722 562 reflected in the Income and Expenditure could not be validated as it was extracted from a bank statement and was not supported by source documents. The Accumulated Fund balance of \$2 654 009 reflected in the Balance Sheet is therefore unreliable.

Risk/ Implication

Inaccurate amounts may be introduced into the Financial Statements.

Recommendation

All figures shown on the bank statement should be supported by relevant and reliable audit evidence.

Management Response

The accumulated fund figure of USD 722 562 was derived from June 2014 to August 31, 2014 receipts.

Evaluation of Management Response

The information given was in the form of a bank statement which cannot be considered adequate and the deposit slips were in the name of ZINARA BBG tolling account and not the Fund.

NEW VEHICLE SECURITY REGISTRATION NUMBER PLATE REVOLVING FUND 2013

OBJECTIVE OF THE FUND

The Fund was established to import blank registration plates of the specifications stipulated in the vehicle registration and licensing regulations and incidental materials, for the production of vehicle registration number plates, and to sell plates to vehicle owners.

I have audited the financial statements of the New Vehicle Security Registration Number Plate Revolving Fund for the year ended December 31, 2013.

Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not fairly present the financial position of the New Vehicle Security Registration Number Plate Revolving Fund as at December 31, 2013 and its financial performance for the year then ended.

Basis for Adverse Opinion

1 GOVERNANCE ISSUES

1.1 Sale of Number Plates

Finding

The Fund did not maintain individual ledger accounts for sales realised by 32 agencies. Furthermore, some agencies did not submit monthly sales returns together with bank deposit slips to aid in reconciling the sales figure. According to monthly sales returns from agencies, some number plates were cancelled, however, the Fund's management did not provide a schedule of the returns inwards for cancelled number plates. I could not therefore establish whether the sales figure of \$16 275 058 disclosed in the financial statements was accurate.

Risk/Implication

Failure to carry out monthly reconciliations can result in fraudulent transactions and errors going through the system without detection. The income from sale of number plates may be misstated.

Recommendation

The management of the Fund should always ensure that reconciliations are regularly carried out so that mistakes, omissions and errors are timeously corrected.

Management Response

Agencies have been made aware of the new requirement. Our sales figure was derived from reconciliations of monthly returns, end of year stocktake and bank reconciliations.

Effectively there are no returns inwards since cancelled plates are finally sold at Central Vehicle Registry.

Evaluation of Management Response

Management should provide a return inwards schedule for all cancelled number plates sold at Central Vehicle Registry.

1.2 Inventory

Finding

The Fund did not have detailed stock take procedures to provide guidance to officers during the exercise. The Fund had a checklist that was not comprehensive enough to highlight condition, quantity and value of inventory on hand. There was no consolidated report on the outcome of the stock take exercise conducted at year end. I was not invited to witness the stock take conducted at year end contrary to best practice that requires the auditor to attend physical inventory counting, testing and confirmation of the performance of management's counting procedures. I therefore could not confirm whether, the inventory disclosed in the financial statement with a value of \$3 273 246 was a true reflection of the inventory count.

Risk/Implication

Values of closing inventory may be manipulated in the absence of comprehensive stocktake procedures.

Recommendation

The management of the Fund should draw up comprehensive stock take procedures to enable staff conducting stock-take exercises to be guided accordingly. The Fund management should invite auditors to witness the year end stock take exercise to enhance transparency.

Management Response

Stock take procedures are in place and a copy was given to the auditors. Management feel that these procedures are adequate and sufficient to guide officers when undertaking stocktake exercises every quarter up to the year end.

Evaluation of Management Response

The checklist was not comprehensive enough to highlight the condition, quantity and value of the inventory.

1.3 Suspense Account

Finding

The Fund did not clear the suspense account of \$3 560 631 (2012: \$3 536 136) disclosed in the financial statements. The suspense account has been outstanding since 2011. There was no evidence that the Fund had taken measures to either investigate or clear the suspense account. Its existence may imply that the financial statements are not reliable.

Risk/Implication

A suspense account may be an indication that the financial statements are unreliable.

Recommendation

Management of the Fund should double its effort to clear the suspense account.

Management Response

The suspense account originates from closing stocks figures that were introduced in 2010-2012 financial statements. No valuation of raw materials and finished stock was undertaken for stocks that were purchased prior to the adoption of the multi-currency regime. The suspense account figure is mainly made up of value that was placed on closing stock for raw materials and finished goods.

1.4 Long Term Advances to Air Zimbabwe

Finding

For the second year running, the Fund made payments to some of Air Zimbabwe service providers, without obtaining prior Treasury authority. The payments were treated as long term loans, although there were no interest charges raised. This was contrary to the provisions of the Fund's Constitution. The accumulated payments amounted to \$22 909 504 (2012: \$19 875 976) as at December 31, 2013. I noted with concern that all the loan agreements were not signed by Air Zimbabwe and no repayments had been received to date.

Risk/Implication

The Fund may fail to achieve its objectives if its revenue is used to fund other entities which are not in line with its constitution.

Recommendation

The Fund should not apply its resources to activities that are not specified in its Constitution.

Management Response

Air Zimbabwe has been facing viability challenges requiring urgent financial assistance from Government. Negotiations with Treasury were successful and thereafter Treasury approval has been sought and granted.

Evaluation of Management Response

At the time of concluding the audit the Treasury authority had not been availed.

1.5 Payment Vouchers not Adequately Supported

Finding

The Fund paid an amount of \$555 572 which was not supported by invoices. Cash withdrawals amounting to \$88 593 were made without the Chief accountant's approval and supporting payment vouchers. The Fund's management did not compile payment vouchers when processing payments for wages and salaries totaling \$174 517. Furthermore, payments amounting to \$292 462 were made on behalf of the Ministry's Head Office without, payment vouchers nor invoices. Without adequate

documentation, I could not satisfy myself whether the transactions were proper charges against the Fund.

Risk/Implication

Failure to apply internal controls may result in misappropriation of funds and/or create environment for fraudulent activities.

Recommendation

The management of the Fund should ensure that all payments vouchers are properly supported by source documents and appropriate authority should be obtained before payments are made.

Management Response

The observation is noted. Corrective measures will be taken.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Notes to the Accounts

Finding

The accounts submitted for audit were not accompanied by explanatory notes on items like Loans to Air Zimbabwe and the stock valuation policy in use. Notes to the accounts provide information about accounting policies that assist readers in understanding the Fund's financial statements. Best accounting practice requires that for the sake of clarity explanatory notes should be provided on complex transactions.

Implications/Risk

In the absence of explanatory notes to the accounts the integrity of the financial statements may be compromised.

Recommendation

The management of the Fund should comply with the best practice in order to enhance the understandability of the accounts.

Management Response

Observation has been noted, in future these will be provided.

2 PROCUREMENT

2.1 Acquisition of Assets

Finding

The Fund purchased assets worth \$302 960 during 2013 that had not been budgeted for. The assets purchased were shredders, printers, scales and filing cabinets. I observed that management failed to follow the approved budget in that it bought 7 scales valued at \$9 429, which have been lying idle ever since they were purchased. This comprised nugatory expenditure as the scales were procured when the Fund clearly had no intention of using them.

Risk/Implication

Failure to follow budgetary and monitoring processes may result in wasteful expenditure.

Recommendation

The Fund should manage its resources in line with approved budgets in order to conserve its resources.

Management Response

Assets bought became a necessity after the 2013 budget since it was realised that all number plate's surrendered need to be shredded and to be weighed before the scrap is sold.

Evaluation of Management Response

Management did not provide an explanation on the reasons why the shredder and scales had been lying idle for the past two years.

2.2 Purchase of Motor Vehicles

Finding

The Fund sought and was granted authority to purchase 3 vehicles valued at \$128 179. However the vehicles were later issued as personal vehicles to Directors at the Ministry's Head Office. Before the vehicles were handed over to the Directors \$33 894 was spent in putting on extras, such as radios, sport lights, bull bars. Subsequently, the Ministry sought authority from Public Service Commission to

convert the vehicles to personal issue vehicles. The Public Service Commission had not responded to the Ministry's request at the time of finalising this report.

Risk/Implication

The resources of the Fund were applied towards expenditure that was not provided for by the Constitution of the Fund.

Recommendation

The Ministry should use resources of the Fund to fulfil Fund objectives and not circumvent processes.

Management Response

The vehicles stated under this observation are used by 3 directors since the directors have not been issued with service vehicles since October 2013. The Human Resources Department is making a follow up for PSC response.

The Accounting officer has authorised the use of these vehicles as personal issue vehicles.

Evaluation of Management Response

At the time of concluding the audit, PSC had not responded to the Ministry's request.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Closing Value of Raw Materials \$3 636 160

The Fund contributes 60% of the purchase price of raw materials, its agent Southern Region Trading Company (SRTC) has full custody of raw material.

The take on balance of \$866 543 was corrected.

There were no regular stocktakes for raw materials kept at Southern Region Trading Company (SRTC) during 2013.

THE NEW VEHICLE SECURITY REGISTRATION NUMBER PLATE REVOLVING FUND 2014

OBJECTIVE OF THE FUND

The Fund was established to import blank registration plates of the specifications stipulated in the vehicle registration and licensing regulations and incidental materials, for the production of vehicle registration number plates, and to sell plates to vehicle owners.

I have audited the Financial Statements of The New Vehicle Security Registration Number Plate Revolving Fund for the year ended December 31, 2014.

Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of the New Vehicle Security Registration Number Plate Revolving Fund as at December 31, 2014 and its financial performance for the year then ended.

Basis for Adverse Opinion

1 GOVERNANCE ISSUES

1.1 Maintenance of Accounting Records

Findings

Section 44 (1) (a) of the Public Finance Management Act [*Chapter 22:19*] states that the accounting authority for a public entity shall ensure that the public entity establishes and maintains effective, efficient and transparent systems of financial and risk management and internal controls. The Fund used Excel spreadsheet to maintain its records instead of a reliable accounting package.

There was no consistency in the recording of manual and excel ledgers, resulting in eight manual ledger records reflecting a total of \$2 457 581, which was not posted on the excel ledger accounts, while sixteen excel ledger accounts had expenditure amounting to \$2 093 206, which was not posted to the manual ledgers. Fourteen ledger accounts which were maintained in both manual and excel ledger accounts, albeit separately, had variances amounting to \$1 930 756.

Risks/Implications

Lack of consistency in recording financial transactions may result in materially misstated financial statements.

Non Reconciling of the manual and excel records could result in failure to detect errors, fraud and mispostings.

Recommendations

The management of the Fund should put in place a credible accounting system to enhance reliability of the Fund's financial statements.

Where variances arise reconciliations should be carried out.

Management Response

The observation has been noted. We are in the process of reconciling the manual and excel ledgers. The excel ledgers are the ones with the figures that were correct and posted to the financial statements.

Evaluation of Management Response

The Fund management should come up with a reliable accounting system that produces credible financial information.

1.2 Suspense Account

Finding

The Fund did not clear the suspense account of \$3 560 631 (2013: \$3 536 136) included in the financial statements. The suspense account has been outstanding since 2011. There was no evidence that the Fund had taken measures to either investigate the amount.

Risk/Implication

A suspense account may be an indication that the financial statements are not reliable.

Recommendation

Management of the Fund should double its effort to clear the suspense account.

Management Response

The suspense account originates from closing stocks figures that were introduced in 2010-2012 financial statements. No valuation of raw materials and finished stock was undertaken for stocks that were purchased prior to the adoption of the

multi-currency regime. The suspense account figure is mainly made up of value that was placed on closing stock for raw materials and finished goods.

Evaluation of Management Response

The explanation given does not address the issue of clearing the account.

1.3 Payments on Behalf of the Parent Ministry

Finding

I noted that during the year under review the Fund made a number of payments amounting to \$813 555 (2012:\$616 948) on behalf of its parent Ministry. The payments were for procurement of fuel, travelling and subsistence allowances and procurement of assets. This was in contravention of the Fund's Constitution which states that income should be applied towards financing costs of production and distribution of vehicle number plates. These payments were not disclosed as accounts receivables in the financial statements.

Risk/Implications

The Fund may fail to achieve its mandate if funds are not channelled towards authorised expenditures.

There is a risk that the parent Ministry may not reimburse the Fund.

Recommendation

The Fund should utilise its income to finance expenditure that is specified in its Constitution and all payments made on behalf of its parent Ministry should be recovered.

Management Response

The observation is noted. There was a misclassification of Central Vehicle Registry Administration expenditure, which was disclosed as Head Office Appropriation.

According to the Constitution, the Fund cannot be alienated from the Minister, Permanent Secretary and Directors since they are the Principals and Managers of the Fund.

Evaluation of Management Response

The misallocation claim does not appear genuine, as expenditure reported on was validated.

Procedures should be followed to ensure proper accountability and compliance with the standing laws and regulations. The Fund's Principals and Managers should utilise the Fund's finances for the purposes intended.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Trade Receivables

Findings

I could not ascertain the existence, accuracy and completeness of trade receivables totaling \$1 201 012. The Fund did not maintain detailed individual debtor records. Therefore, there were no debtor reconciliations carried throughout the year.

One agent contracted by the Fund understated sales for the month of July 2014 by \$46 493 thereby under remitting revenue by the same amount. Consequently, net sales and trade receivables were understated by the same amount.

Risk/Implication

The financial statements may be materially misstated.

Recommendations

Management of the Fund should maintain up to date debtors' records. Monthly reconciliations should be carried out.

The Fund should advise the agent who under declared the sales figure to remit the balance.

Management Response

Individual debtor's records are being maintained to facilitate updating of debtors control ledgers.

During the audit period CVR noted the absence of these funds and efforts were implemented to recoup the arrears. This has seen the agent transferring an amount of \$66 129 in 2015, as a way of clearing their arrears.

2.2 Sales

Findings

The Fund did not update its cash book, perform monthly sales and bank reconciliations, on sales returns submitted by its agents. The sales figure of \$10 955 517 disclosed in the accounts was extracted from returns from agents such as Zimra \$7 377 830, Zimpost \$3 411 967, Municipalities \$165 720. However, the Fund did not ensure that receipts were submitted together with monthly sales returns by the agents, which were not supported by receipts.

Out of 13 agents sampled, I observed a variance of \$157 858 between sales figures on the sales reconciliation certificate compiled by the Fund against the monthly returns submitted by agents. This cast doubt on the accuracy of the total sales figure of \$17 473 239 (2013: \$16 275 058) disclosed in the Financial Statements.

Risk/Implication

If there are weak internal control systems in the recording and reconciliation of sales, fraud may occur without detection.

Recommendation

The Fund management should perform monthly sales and bank reconciliations. It should instruct its agents to submit receipts for sales made on a monthly basis.

Management Response

The observation is noted. Collection of receipt books from selling agents issued with CVR receipt books is being implemented to compliment the current system whereby sales were being derived from monthly returns, cash deposits and bank statements.

The observation is noted. Investigation will be carried out on the variance and journal entries will be done to correct the errors if any.

Evaluation of Management Response

The Fund should come up with a reliable system of recording, monitoring and reconciling its sales.

HOWEVER, below are the other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Long-term Investments - Air Zimbabwe

Finding

During the year under review, the Fund advanced \$7 578 660 (2013: \$22 909 5040) to Air Zimbabwe as a loan to pay for its operational expenses. However, Air Zimbabwe has not been able to make any repayment towards the reduction of the debt, since it started receiving loans. Out of the \$7 578 660 advanced to Air Zimbabwe, \$3 748 394 was made without prior Treasury approval as required by section 4 (e) of the Fund's Constitution.

Risk/Implication

The accumulation of the Air Zimbabwe debt poses a financial burden to the Fund and may negatively affect its operations.

Recommendation

The Fund's management should avoid straying from its core business.

Treasury approval should be sought as provided for in the Constitution of the Fund.

Management's Response

Loan agreements for the monies advanced to the airline are in place. The Airline is facing viability challenges hence finding it difficult to repay the loan. Contractual agreements were done and appropriately separated from the payment vouchers submitted to External Audit. Respective authorisations are filed in the Contractual Agreements box.

Evaluation of the Management Response

Management did not avail Treasury authority for the loan amounting to \$3 748 394.

1.2 Administration of the Fund

Finding

The New Number Plate Revolving Fund Constitution Section 3 (a) states that the Fund shall be administered by a Management Committee appointed by the Accounting

Officer which, shall be responsible for the day-to-day running of the Fund. The Fund has been operating without a Management Committee since its inception.

Implication/Risk

In the absence of a clearly defined Management Committee providing guidance to the Fund, decisions taken by management may not be very independent.

Recommendation

The Accounting Officer should put in place a Management Committee as required by Section 3 (a) of the Fund's Constitution.

Management Response

The observation is noted. Management will be scheduling meetings in future.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Payment Vouchers not Adequately Supported

During the year under review payment vouchers were adequately supported.

2.2 Notes to the Accounts

The notes were submitted together with the 2014 financial statements.

TRAFFIC AND LEGISLATION FUND 2012 - 2014

OBJECTIVE OF THE FUND

The Fund was established to provide additional resources for the registration, licensing, inspection and weighing of motor vehicles, survey of vessels, driver testing and certification, examination of vessel handling competency and certification, licensing of public service vehicles/vessels and processing and enforcement of transport legislation.

I have audited the financial statements of the Traffic and Legislation Fund for the financial years ended December 31, 2012; 2013 and 2014.

Opinion

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly the financial position of the Traffic and Legislation Fund for the financial years ended December 31, 2012 to 2014.

Basis for Adverse Opinion

1 GOVERNANCE ISSUES

1.1 Computerised Accounting System

Finding

The Fund purchased a computerised accounting software (Pastel) to ensure that reliable financial statements were produced and that the organization's information was protected. However, I observed that the Fund did not have an approved Information Technology security policy. The Ministry has an Information Technology Department, which was not involved in the administration and maintenance of the accounting software. The Chief Accountant acted as the system administrator, thus, exposing the financial information to manipulation, as there was no segregation of duties.

Although the computerised system was introduced in 2011 it was not being fully utilized as most of the financial information was not uploaded onto the system. As a result revenue information was still on manual system.

Risks/Implications

Failure to have one accounting system in place may result in the misstatements and errors in the financial statements.

If the Fund does not have an Information Technology security policy this may result in the production of unreliable financial statements and security of information being compromised.

Recommendations

The Fund should utilize fully the computerised accounting package to ensure completeness and accuracy of financial information.

The Fund should come up with an Information Technology security policy.

Management should also engage the services of the Ministry's Information Technology Department to administer its accounting software.

Management Response

The Pastel accounting software being used by the Fund allows for the Chief Accountant to be the Administrator. Our internal IT staff were not trained on how to use or administer the software, as a result the Chief Accountant is also acting as the administrator.

Evaluation of Management Response

The administration of the accounting software should be handed over to the IT Department to ensure that there is segregation of duties.

1.2 Suspense Account

Finding

The Fund's Balance Sheet had suspense figure of \$2 569 197 (2013: \$2 548 991). I could not verify the source of this figure as supporting ledger accounts have not been maintained since 2009, when the initial suspense account balance of \$2 499 758 was introduced into the financial statements. There has been no meaningful effort to investigate and clear the suspense account.

Risk/Implication

The presence of an unreconciled amount in the Income Statement compromises financial statements.

Failure to investigate the suspense account may lead to errors going undetected and may affect the integrity of the financial statements.

Recommendation

The management of Fund should investigate the origin of the entries posted to the suspense account before writing off the amount.

Management Response

The observation has been noted, a reconciliation has since been carried out and journal entries effected to clear the suspense figure of \$2 569 197.

Evaluation of Management Response

A thorough investigation should be carried out before writing off the suspense account. The Ministry should seek guidance from the Accountant General to resolve this matter.

1.3 Construction Works

Finding

I could not establish whether payments for construction works amounting to \$182 301 (2013: \$43 146), were a proper charge to public funds. The payments were charged to hiring of equipment ledger account and payments made to three Provincial Road Engineers. There were no payment vouchers compiled, neither were invoices, competitive quotations and certificates of completion availed for my examination.

I could not establish whether expenditure valued at \$929 851 disclosed in the 2012 financial statements represented a fair value of projects, that were completed or under construction, in the absence of work progress certificates. The projects undertaken at various Vehicle Inspection Depots included construction of some Hillstarts and office blocks.

Risk/Implication

Making payments without adequate supporting documents exposes public funds to fraud as fictitious payments may be made if there are weak internal controls.

Recommendation

The Fund should ensure that all payments are supported by invoices, quotations and certificates of completion as required by Treasury Instruction 1205.

Management Response

Observation has been noted. Consultations are already underway with the intention of introducing the Certificates for work in progress and certificate of completion.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Revenue Received

Finding

I could not place reliance on the revenue figure of \$5 346 014 (2013: \$5 158 177) disclosed in the financial statements, because the Cash Book was updated using entries from the bank statements, instead of using amounts from actual receipts together with related sub-collectors schedules from all Depots. As a result, there were differences between, figures shown in the financial statements and those in the ledgers accounts. Revenue ledgers had a total income of \$5 579 872 while, the financial statements had a figure of \$5 346 014, giving a difference of \$233 858, which was not reconciled. The variance for the previous year was \$251 085.

Risk/Implication

The use of bank statements as the source revenue collection may result in omission of revenue receipted thereby affecting the integrity of the financial statements.

Recommendation

The Cash book should be updated using receipts and the sub-collectors schedule from depots.

Management Response

The Ministry has been facing challenges of receiving sub collectors schedules from its 33 revenue collecting centres vis-a-vis expenditure which is only administered at Head Office. We have provided workings which show how the sales figure was arrived at.

Evaluation of Management Response

The workings provided show that the figures were obtained from the bank statements only and not from receipts.

HOWEVER, below are the other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Travelling and Subsistence Advances

Finding

I noted that the Fund's debt recovery system was not effective. Advances Travelling and Subsistence Allowances issued to staff members were not being acquitted within the stipulated period of 30 days as required by Treasury Instructions 1505. This resulted in an increase of outstanding advances by 94% to \$352 081 (2013: \$181 357) for the year under review. The Fund did not put in place mechanisms to recover outstanding advances.

Risk/Implication

Long outstanding debts may become irrecoverable due to passage of time.

Recommendation

The Fund management should ensure that advances are cleared within 30 days as required by Treasury Instruction 1505.

Management Response

Advances were made after the previous one had been accounted for as per Treasury Instructions. Information on the advances ledger is maintained on the individual ledger which is equivalent to an advance register proposed by the auditor.

Evaluation of Management Response

The auditee did not provide audit evidence how the previous advances had been accounted for. No response was provided on the non-recovery long outstanding advances.

1.2 Administration of the Fund

Finding

The Traffic and Legislation Fund Constitution Sec 3 (a) states that the Fund shall be administered by a Management Committee appointed by the Accounting Officer which, shall be responsible for the day-to-day running of the Fund. However, the Accounting Officer's Instructions did not have a provision for the appointment of a Management Committee resulting in the Fund being run without guidance from the committee.

Risk/Implication

In the absence of a Management Committee the Fund may lack policy direction, thus negatively affecting its ability to deliver on its mandate.

Recommendation

The Accounting Officer should put in place a Management Committee in order to provide policy direction to the Fund.

Management Response

According to Section 3.2 of the Accounting Officers Manual, the composition of the management is clearly stated.

Evaluation of Management Response

Management did not respond on why the management committee was not in place.

1.3 Long Outstanding Staff Debtors

Finding

The management of Fund did not put in place an effective debt recovery system as required by Treasury Instruction 0501, which state that officers responsible for collecting debts shall take adequate steps to collect any sums due to the Government

on due date and shall on no account allow debt to be extinguished through passage of time. However, the Fund staff debtors increased from \$181 357 in 2013 to \$352 081 in 2014. The debts were in respect of Travelling and Subsistence allowances given to Ministry and Fund officials. Some debts date back to more than twelve months.

Risk/Implication

Outstanding staff debts may become irrecoverable through the passage of time.

Recommendation

The Fund should to put in place an effective debt recovery systems as required by Treasury Instruction 0501.

Management Response

Noted. Corrective measures will be taken to recover the outstanding amounts.

Evaluation of Management Response

The staff debtors actually increased in 2014 implying that the recovery measures were not effective.

1.4 Procurement of Fuel on behalf of the Ministry

Finding

During the year under review the Fund purchased fuel coupons with a value of \$707 921 (2013: \$953 757). The fuel coupons were issued to Vehicle Inspection Depots and the parent Ministry. I observed that part of the fuel expenditure amounting to \$227 840 was paid without compiling payment vouchers.

Risk/Implication

The Fund may fail to meet its objectives if its resources are diverted to pay for goods and services on behalf of its parent Ministry.

There is high risk of fraud as the Fund and the Ministry's accounting systems are not integrated.

Recommendation

The Fund should use its resources to meet fund activities mandated by its constitution.

Management Response

Management response had not been received at the time of finalising the report.

1.5 Advances to Treasury

Finding

In 2009 the Fund advanced \$888 678 to Treasury for the purchase of vehicle spare parts. This amount has been appearing in the Fund's Balance Sheet as an Advance since then. There was no evidence of follow up to ensure that the advance is recovered.

Risk/Implication

The delay in recovering the advance may adversely affect the operations of the Fund.

Recommendation

The Fund should follow up with Treasury with a view of clearing the advance.

Management Response

Treasury directed the payment of \$888 678 for VVIPs vehicle spares. The transaction should have been expensed and not treated as an advance to Treasury. The correct classification has been effected through a journal entry.

Evaluation of Management Response

As at the time of concluding the audit no journal entry had been effected.

2 MANAGEMENT OF ASSETS

2.1 Maintenance of Asset Register

Finding

Despite my previous recommendations, the Ministry did not maintain a separate asset register for the Fund's assets. This was contrary to the provisions of section 10 of the Accounting Officers' instructions which states that the assets acquired by the Traffic and Legislation Fund must be recorded in an asset register clearly marked with the name of Fund. As a result, I could not independently identify and verify the assets belonging to the Traffic and Legislation Fund from those of the Ministry.

Risk/Implication

Failure to record assets in separate registers may result in failure to identify and account for assets belonging to the Fund.

Recommendation

The Fund should maintain a separate asset register so that its assets can be properly identified and accounted for.

Management Response

The asset register is now in place where all the assets of the Fund are recorded.

Evaluation of Management Response

The asset register was not made available for audit examination.

2.2 Depreciation

Finding

The Fund did not maintain ledger accounts for Depreciation. The rates applied in the calculation of depreciation were different from those provided in the Accounting Officer's Instructions resulting in a net understatement in the 2013 financial statements of depreciation by \$77 676.

Risk/Implication

Failure to apply correct depreciation rates may result in the distortion of asset values leading to incorrect policy decisions.

Recommendation

The auditee should adhere to rates specified in the Accounting Officer's Instruction, adjustments should be based on policy change.

Management Response

Management response had not been received at the time of finalising the report.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Vehicles and Mobile Equipment

The correct figure was now been incorporated in the accounts.

4.2 Cash and Cash Equivalentents

In 2014 the cash at Agribank was included.

VOTE 12.- FOREIGN AFFAIRS

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Foreign Affairs for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Appropriation Account present fairly, in all material respects the financial position and performance for the Ministry of Foreign Affairs as at December 31, 2015.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Revenue Collected at Missions

Finding

Statutory Instrument No 76 (4) (1) and (2) of 2013 states that Diplomatic missions may subject to the exchange control restrictions, directives given from time to time by the Ministry of Foreign Affairs in consultation with the Accountant General, retain or remit to Foreign Affairs Head Office such monies at the end of each calendar month, unless, the Ministry in consultation with the Accountant General decides otherwise. On the last day of every month, Head Office shall tabulate the amounts received for onward transmission to the relevant Ministry or Government Department.

Contrary to the above, the Ministry of Foreign Affairs, retained and utilised revenue collected amounting to \$2 660 584, of which \$1 170 117 was for the Department of Home Affairs and \$1 490 468 was miscellaneous income for the Ministry. There was no authority granted from the Accountant General to retain and utilise the revenue at source. In addition no returns were submitted to Ministry of Finance detailing amounts received on behalf of each Ministry or Department in the manner described in the Statutory Instrument.

Risk/Implication

Use of revenue without Treasury approval does not promote transparency and accountability of public funds and it does not also promote equitable allocation of resources.

Recommendation

The Ministry should adhere to the provisions of Statutory Instrument 76 of 2013 so that areas funded, if approved by Treasury are clearly stated.

Management Response

The observation is noted. Revenue collected at Missions cannot be transferred to Zimbabwe because of exchange control restrictions in host countries. The Ministry acknowledges having used some of the revenue collected to pay for urgent Mission running expenses due to low budget support (five months out of twelve) from Treasury.

Given the above we regret that prior Treasury authority was not sought to allow the respective embassies to utilize the revenue in conformity with Statutory Instrument No 76 (4) (2) of 2013. The Ministry will in future provide monthly revenue returns to Treasury.

HOWEVER, below are other material issues noted during the audit:

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Receipts and Disbursements

Finding

The receipts reflected on the return for Receipts and Disbursements and those shown on the PFMS Exchequer Account should ordinarily agree. Where this is not the case, a reconciliation should be done to identify the variances. Contrary to the above, the receipts and disbursements return for Head Office submitted for my examination reflected an amount of \$9 551 823 whilst the total amount on the PFMS Exchequer Account was \$10 241 617 as at December 31, 2015 giving a variance of \$689 793, which was not reconciled.

The Revenue disclosed by the Ministry's Head Office was \$328 884 while the Cashbook Account Number 113906 reflected an amount of \$346 480. There was a difference of \$17 596 between the two figures and no reconciliation was provided.

Risk/Implication

Receipts and Disbursements return may be materially misstated and without reconciliations, it is difficult to establish whether all receipts were properly accounted for.

Recommendation

The Ministry should provide reconciliations for both variances.

Management Response

The debtor creation function had challenges during the period under review; system engineers from CCS have been working to fix it and we are waiting for an update of progress they have made so far. As a result, debtor payments for some of the months during the year under review were omitted from the PFMS Exchequer printout. The debit side of account 113503 in the PFMS reflects US\$10 241 617 representing all items receipted in the system regardless of whether they were reversed or deleted as well as PFMS errors. The individual documents that were reversed, deleted or duplicated are being identified with assistance and guidance from the Projects Office.

Evaluation of Management Response

The reconciliation provided had an uncleared balance of \$544 937.

1.2 Suspected Misappropriation of Authentication Fees

Finding

Internal Audit reported a case of alleged fraud, involving authentication fees. Preliminary findings by Internal Audit revealed that authentication fees amounting to \$58 890 were allegedly misappropriated by some officers at Head Office. At the time of concluding the audit, the matter was still under internal audit investigation.

Risk/Implication

Weak internal control systems may create opportunity for fraud.

Recommendation

The Ministry to advice on the outcome of its investigation.

Management Response

The matter is still under internal investigation. It has since been reported to the Police who are carrying out their own independent investigations. The three suspected officers have been served with misconduct charges

2 EMPLOYMENT COSTS

2.1 Employment Costs Variances

Finding

Section 36(1) (b) of the Public Finance Management Act [*Chapter 22:19*] as read with Treasury Instruction 709(a) states that the financial statements should show accurately the expenditure for each vote. However, the total wage bill for the Ministry for the year (excluding the December 2015 salaries) amounted to \$1 508 267 while the figure disclosed as employment costs in the Appropriation Account was \$1 362 262. This resulted in a difference of \$146 005 which was not reconciled.

Risk/Implication

The Employment costs figure may be misstated.

Recommendation

The Ministry should reconcile the salary payments and clear all variances identified.

Management Response

The difference between the total wage bill and the disclosed amount in the appropriation account is noted and this has been reconciled. The variance arose as a result of March 2015 wage bill not provided by Treasury and January and November 2015 disallowances and surcharges.

Evaluation of Management Response.

No breakdown of the total composition for January and November 2015 disallowances and surcharges was provided on the submitted reconciliation.

2.2 Outstanding Salary Advances

Finding

Long outstanding salary advances amounted to \$189 086. Some of them have been outstanding for more than two years. In addition, advances amounting to \$62 603 that were included on the Return for Salary advances were not recorded in the Advances Register. This was contrary to Treasury instruction 1504 which states that Accounting officers are responsible for the recovery of all advances made by them.

Risk/Implication

Chances of recovering long outstanding salary advances diminish with lapse of time.

There is a high risk of failing to recover salary advances if they are not recorded in the register.

Recommendation

The Ministry should adhere to Treasury Instruction 1504 and ensure that advances are reimbursed as soon as the officer is on pay sheet.

The Ministry should submit to SSB deduction schedules for all members who have outstanding salary advances.

An up to date register for salary advances should be maintained.

Management Response

Long outstanding salary advances resulted from the fact that the same officers who owe the advances to the Ministry are also owed much more money in form of salary arrears. Salary advances which appeared on the Return have since been entered in the advances register. The recommendations made by Audit will be applied.

Evaluation of Management Response

The Ministry should recover all outstanding salary advances and not plan to do a set off.

3 GOVERNANCE

3.1 Medical Aid Refunds-Diplomatic Missions

Finding

The Ministry of Foreign Affairs Service Manual Part IX Paragraph 19 states that Government shall use the Premier Service Medical Aid Society (PSMAS) guidelines in assessing the medical claims submitted by members. I observed that refunds for some medical aid claim forms were not being signed and stamped by a medical practitioner who would have offered the services. The following missions had irregular claims Zim-Washington Mission had \$1 704, Zim-Geneva Mission 10 025 Francs and Zim-Beijing Mission 32 228 Yuan. I was unable to establish whether reimbursements were made for valid expenditure.

Risk/Implication

Ineligible claims may be reimbursed if unsigned and unstamped claims are processed.

Recommendation

Medical refunds should be made upon the production of medical claim forms that have been signed and stamped by a Medical Practitioner.

Management Response

The observation is noted. In most countries doctors refuse to sign medical forms for foreign medical insurance companies for fear of legal consequences which may arise especially where English is not the official language. Some embassies have advised that doctors refuse to attend to clients who insist that they need their medical forms signed and stamped as it is against their practice.

Meanwhile embassies are advised to approach various doctors/clinics/hospitals with a view to establishing working relationship which will result in doctors accepting to sign/stamp our medical claim forms

Evaluation of Management Response

There was no indication of which Missions have challenges with medical forms since some Missions were complying.

3.2 Lease Agreements on Rented Properties

Finding

Treasury Instructions 1216 (a) (b), states that before forwarding a cash voucher for payment or a journal voucher for adjustment an officer initiating the transaction shall satisfy himself that the claim is a proper charge against public funds, and is according to regulation, tariff or agreement or is alternatively fair and reasonable. Contrary to my previous recommendations, payments were either made in absence of lease agreements, expired lease agreements and/or lease agreements which were not translated to English. In the absence of valid lease agreements, I could not ascertain if the rental payments for Zim-Cape Town Consulate amounting to R937 550; Zim-Moscow US\$210 853; Zim-Washington \$17 741; Zim-Beijing 48 472Yuan, and Zim-Johannesburg Consulate R1 428 530 constituted proper charge against public funds and were according to regulation, tariff or agreement or were alternatively fair and reasonable.

Risk/Implication

In the absence of lease agreements payments may be made for non-existing leases and may not be fair and reasonable.

Recommendation

The Heads of Mission should ensure that all leases agreements are valid and in cases where they are in foreign language a translation copy should be attached to all payment vouchers for accountability purposes.

Management Response

Lease agreements are available and ready for inspection. It is regretted that the same were not attached to the payment vouchers. It should be pointed that most landlords from none English speaking countries refuse to sign translated versions of the lease agreements resulting in our Missions sending untranslated documents only, to Head Office. The Ministry endeavors to improve on provision of legible and translated documents

Evaluation of Management Response

The lease agreements in question are still to be forwarded to my Office.

3.3 Understatement of Expenditure

Finding

Treasury Instruction 0709 states that a senior accountant shall arrange for the preparation of the appropriation account and shall ensure the accuracy of the accounts. The figure for financial transactions of \$80 496 in the appropriation account was less than the total value of payments made. From the sampled vouchers for five months, bank charges and legal fees amounted to \$116 026, which were more than the disclosed amount by \$35 530.

The figure of \$61 330 for fuels, oils and lubricants disclosed in the appropriation account was less than the total value of US\$138 172 being payment vouchers sampled for fuel purchased during the year under review.

Risk/Implication

The expenditure for financial transactions was under stated.

Recommendation

All expenditure incurred should be disclosed in the Appropriation Account to enhance transparency and accountability.

Management Response

The observation is noted. The budget allocated to the Financial Transactions budget item was not sufficient to cover the bank charges for the year. A virement should have been applied for, to cover for the excess expenditure on that particular expenditure item. The oversight is regretted.

The variance on fuel is noted. The variance was caused by some fuel expenditure which was charged to other general ledgers (GLs) after realising that the fuel sub-vote had been exhausted. The Ministry had funds in other GLs and approached Treasury for release cut in the second quarter of 2015. The funds in the said GLs were provided under the SADC Programme. Treasury was not willing to do the release cut hence the Ministry ended up charging the fuel expenditure to GLs with funds.

Evaluation of Management Response

I was not availed with the respective ledgers to which some fuel expenditure was charged to enable me to verify the same.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Mission Expenditure

There was an improvement during the year under review.

4.2 Usage of Revenue Generated at Missions

The Ministry utilised the revenue collected at missions during the year under review.

The Ministry acknowledged that the situation was still the same during the year under review. The Ministry did not receive enough funding from Treasury and ended up using revenue as was the case in the previous years.

4.4 Johannesburg Consulate-Bank Reconciliation Statement

There was no material change during the year under review. The 2012 deposits still appeared on the 2015 bank statements.

VOTE 13.- LOCAL GOVERNMENT, PUBLIC WORKS AND NATIONAL HOUSING

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Local Government, Public Works and National Housing for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Local Government, Public Works and National Housing as at December 31, 2015.

Basis for Qualified Opinion

1 PROCUREMENT

1.1 Direct Payments

Finding

In contravention of Section 81 (b) (iii) of the Public Finance Management Act [*Chapter 22:19*], the Ministry did not avail for audit inspection supporting documents with respect to payments amounting to \$2 304 541 which were made by Treasury directly to service providers on behalf of the Ministry. Therefore, I could not satisfy myself whether the payments made represented a proper charge to the vote. This was caused by inadequate record maintenance. I reported on the same issue in the previous year's audit report.

Risk/Implication

Misapplication of public resources may have gone undetected.

Recommendation

The Ministry should ensure that all payments of public money are adequately supported by vouchers or proof of payment in accordance with Section 81 (b) (iii) of the Public Finance Management Act [*Chapter 22:19*].

Management Response

The supporting documents on direct payments could not be located at the time of audit. Searching for the documents is currently in progress.

2 GOVERNANCE ISSUES

2.1 Loan to Beitbridge Town Council

Finding

Section 3 of the Public Finance Management Act [*Chapter 22:19*] requires transparency, accountability and sound management of revenues, expenditure, assets and liabilities of Ministries. However, I observed that a loan amounting to \$800 000 disbursed by the Ministry to Beitbridge Town Council during the financial year under review could not be acknowledged and accounted for by town council. This limited the scope of my audit since I could not ascertain whether or not public resources had actually reached the intended destination and utilized for the benefit of ratepayers. This was caused by lack of coordination between the Ministry and Beitbridge Town Council.

Risk/Implication

Lack of effective internal controls may result in financial prejudice.

Recommendation

The Ministry should set up a Board of enquiry to investigate the circumstances relating to the loan amount of \$800 000 earmarked for the development of Beitbridge Town Council.

Management Response

The funds were not collected by the Local Authority and are still locked in Infrastructure Development Bank of Zimbabwe (IDBZ). A letter has been written to IDBZ on the position of the funds transferred. In addition, investigations are underway to establish whether ZB bank was part of commercial banks used by IDBZ at the time of transfer of the funds.

2.2 Management of Resources

Finding

Contrary to the requirements of Treasury Instruction 0700 and prudent financial management, the Ministry deposited \$400 000 for Bulilima Rural District Council in a Met Bank account at a time when the Bank was facing liquidity challenges resulting in the whole amount being locked- up. Hence, I could not satisfy myself whether the Ministry had taken due diligence to safeguard public financial resources. This was caused by inadequate financial planning and control mechanisms.

Risk/Implication

Lack of financial prudence may result in loss of public funds.

Recommendation

The Ministry should put in place sound financial management systems to mitigate the exposure of public funds against market risk.

Management Response

The Ministry used banking details which were in the Public Finance Management System (PFMS) to effect the disbursement. The observation is however noted. Currently, steps are being taken to recover the funds and good progress has been made with a promise to be given land in Harare. Valuation of that land is in progress.

HOWEVER, below are other material issues noted during the audit:

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Revenue Records

Finding

I observed that the Public Finance Management system reflected Outstanding Revenue balance for rentals as \$8 198 653 while the Outstanding Revenue Return submitted for audit had a balance of \$8 571 903 resulting in a variance of \$373 250. Of concern is that the Ministry did not reconcile the two varying accounting records in contravention of the requirements of Treasury Instruction 0103. This was caused by inadequate supervision of subordinates.

Risk/Implication

The outstanding revenue may be materially misstated leading to wrong decision making by policy makers.

Recommendation

The Ministry should regularly reconcile the Public Finance Management System records with the Outstanding Revenue return.

Management Response

The difference of \$373 250 is due to inadequate records maintenance at district level. The other reason is that we have been unable to capture all the debtors of the Ministry due to lack of adequate information to capture them into the system for instance we do not have lease agreements for some tenants at provincial offices.

1.2 Revenue Received

Finding

Contrary to Treasury Instruction 0103, the Ministry did not reconcile the Public Finance Management System report which showed total Revenue Received of \$6 498 748 to the Revenue Received Return submitted for audit which had a balance of \$7 442 794 resulting in a variance amounting to \$944 046. This was caused by lack of adherence to accounting regulations.

Risk/Implication

The Revenue Received may be materially misstated leading to wrong decision making by policy makers.

Recommendation

The Ministry should periodically reconcile the Public Finance Management System reports with the Revenue Received return in accordance with the requirements of Treasury Instruction 0103 and investigate any differences.

Management Response

The difference of \$944 046 is mainly because of cut off periods. Year-end receipts are not actioned in their respective period or the 13th period. With this in mind

we would observe the difference as the previous year's receipts are captured into the system in the following year. Meanwhile revenue reconciliations are done on a monthly basis.

Evaluation of Management Response

Although reconciliations were now being done on a monthly basis, the observation stands since the variance of \$944 046 had not yet been reconciled at the time of concluding the audit.

2 GOVERNANCE ISSUES

2.1 Loan Guidelines

Finding

Treasury Instruction 0706 requires Accounting Officers to issue detailed written instructions governing the conduct of financial business and the control of all public moneys and the property for which they are responsible within the framework of these Instructions.

Contrary to the requirements of Treasury Instruction 0706. The Ministry did not formulate guidelines on how to account for loan funds channelled through Infrastructure Development Bank of Zimbabwe (IDBZ). This limited the scope of my audit since I could not verify whether loans issued to Local Authorities had been used for the intended purposes. This was caused by oversight on the part of management.

Risk/Implication

Lack of direction on accounting treatment of complex transactions may lead to improper accountability of public funds.

Recommendation

The Ministry should issue out instructions with the approval of Treasury to govern accountability of loans disbursed to Local Authorities through IDBZ.

Management Response

The observation has been noted. The Ministry has a draft copy of the Accounting Officers Instructions in place. Its drafting was necessitated by the realization of such gaps.

Evaluation of Management Response

The Ministry should avail for audit inspection an approved Accounting Officer's Instructions.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Lack of Supporting Documents on Direct Payments

The recommendation was still to be implemented since the Ministry had not managed to obtain the required documentation from Treasury.

3.2 Ineffective Revenue Collection System

The recommendation had not yet been implemented as evidenced by the recurrence of the issue of arrear rentals during the financial year under review.

3.3 Rent Board Receipts not deposited in the Sub-Exchequer Account

The Ministry took satisfactory remedial action and deposited an amount of \$5 943 into the Sub-Exchequer Account.

3.4 Long Outstanding Loans to Local Authorities (Lending and Equity)

The recommendation had not yet been implemented. My audit examination revealed that there were no loan recoveries for the year under review as the balance of loans owed by Municipalities to the Ministry amounting to \$13 919 973 as at December 31, 2014 remained static at the time of concluding the current audit.

CIVIL SERVICE HOUSING LOAN FUND 2013

OBJECTIVE OF THE FUND

The purpose of the Fund is to provide funding for all eligible civil servants towards land purchase construction /completion of house, house extensions, house purchase and mortgage relief of first house.

I have audited the financial statements of the Civil Service Housing Loan Fund for the year ended December 31, 2013.

Opinion

In my opinion, except for the possible effects of the matters described in the basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Civil Service Housing Loan Fund as at December 31, 2013.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Administration of the Fund

Finding

Section 4 (d) of the Civil Service Housing Loan Fund Guidelines requires the Ministry of Local Government, Public Works and National Housing to monitor and evaluate the Civil Service Housing Loan Fund scheme periodically. However, the Fund did not avail for audit inspection proof of mechanisms put in place to ensure that housing loans were utilised to achieve the intended purpose. Therefore, I was not able to satisfy myself whether or not sufficient progress had been made towards the Government's goal of addressing housing backlogs as enshrined in the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) blue print.

Risk/Implication

It may be difficult to timely detect misapplication of loans by beneficiaries.

Recommendation

The Fund should formulate mechanisms to regularly monitor the processing of loan applications by Heads of Ministries/Government Agencies and usage of funds by

beneficiaries in compliance with Section 4 (d) of the Civil Service Housing Loan Fund Guidelines.

Management Response

Please take note that before any disbursement of funds to line Ministries and Government departments is done, the Accounting Officers as a requirement precedent to disbursement must submit together with the current list of qualifying applicants an inspection report on how the previous disbursement was utilized by the previously qualifying applicants in Ministries and departments.

As presently constituted, the Fund has no provision for the administration component as Treasury allocation/or recoveries are parceled out as loans to qualifying applicants from line Ministries and departments.

Going forward, we are proposing that 10-15% of the allocated funds/recoveries be used for administration purposes to allow Head Office, provincial and district teams to monitor use of the disbursed funds for efficiency and effectiveness, and to complement the efforts of the Accounting Officers.

Evaluation of Management Response

The observation should be maintained since the auditee did not avail for audit inspection evidence to show that the Fund operates sound monitoring and evaluation systems, with regard to loans disbursed through other line Ministries and Government Agencies.

1.2 Disbursement of Funds

Finding

The Fund's Constitution provides that the objects of the Fund shall be to provide funding for all eligible civil servants towards land purchase, construction or completion of house, house extensions, house purchase and mortgage relief of first house. Contrary to the above provision, an amount of \$1 867 367 meant for disbursement to beneficiaries was locked up in the Met Bank due to lack of proactive financial planning systems.

Risk/Implication

The goals and objectives of the Fund may not be achieved if financial resources earmarked for loan beneficiaries remain locked up in the bank.

Recommendation

The Fund should consider engaging management of Met bank in order to obtain release of the stated amount of \$1 867 367 and seek Treasury Authority to open another account with a financially stable banking institution.

Management Response

The figure in question was locked up in Met bank and could not be disbursed due to the bank's liquidity crisis.

Evaluation of Management Response

Although the Fund made an effort to recover the locked up amount of \$1 867 367, the debentures offered by Met Bank in lieu thereof were not readily convertible into liquid cash for disbursement to loan applicants.

1.3 Maintenance of Accounting Records

Finding

For the fourth year running, the Fund continued to prepare financial statements from the cash book and payment vouchers in contravention of Generally Accepted Accounting Practices (GAAP) stipulated in Section 37 of the Public Finance Management Act [Chapter 22:19]. I raised the same issue in my previous financial year management letter referenced I/69/1406/12 dated November 12, 2014. This was caused by delays in taking corrective action.

Risk/Implication

Transaction values disclosed in the financial statements may be materially distorted.

Recommendation

The Fund should ensure that complete accounting records are maintained in accordance with Section 37 of the Public Finance Management Act [Chapter 22:19].

Management Response

The observation is noted. We are working hard to ensure that the 2014 financial statements be produced from the system. Most of the general ledger accounts have been created and we are in the process of agreeing them with the debtor's accounts.

1.4 Submission of Accounts

Finding

For the fourth consecutive year, the Fund did not comply with the statutory deadline for submission of financial statements stipulated in Audit Circular No.1 of 2013. The Fund submitted its financial statements on August 5, 2015, which was sixteen (16) months after the prescribed date of March 31, 2014. This was caused by lack of supervision by management to ensure compliance with statutory deadlines.

Risk/Implication

Delays in the submission of financial statements will render the information irrelevant for economic decision making purposes.

Recommendation

The Fund management should ensure that financial statements are always prepared and submitted for audit on or before the statutory deadline of March 31 in accordance with Audit Circular No.1 of each year.

Management Response

The observation is concurred with. Due to the back log that was created at the inception of loan disbursements coupled with the need to fully make the Promun Accounting package functional, we were then caught up in this predicament. However, we are working hard to bring this to an end.

HOWEVER, below are other material issues noted during the audit:

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Accounts Receivable

Finding

Section 10 (1) of the Public Finance Management Act [*Chapter 22:19*] requires Accounting Officers to control and be accountable for all revenues and other public money received, held or disposed of, by or on account of any Ministry. In contravention of the above requirement, the Fund did not take adequate steps to recover an outstanding amount of \$68 577 from deceased loan beneficiaries as at December 31, 2013. This was caused by lack of robust debt collection mechanisms.

Risk/Implication

Outstanding amounts may become irrecoverable through passage of time.

Recommendation

The Fund should put in place effective revenue collection systems in compliance with the requirements of Section 10 (1) of the Public Finance Management Act [Chapter 22:19].

Management Response

The observation is noted. We engaged the Salary Service Bureau (SSB) and Pensions Department in August this year, but their position was that it is indeed not permissible for them to recover any debt from the deceased's estate. They however advised us to craft a loan agreement with a guarantor whom the Ministry should then track down in the event a loan beneficiary passes on which we have so far implemented.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Discrepancies on the Calculation of Interest on Loans

Checks have been done to ensure that errors are corrected.

2.2 Unsupported Expenditure

The issue has been resolved since contract employees are signing contracts and a schedule of wages is now being prepared together with the log book.

2.3 Non-availability of a Signed Copy of the Civil Service Housing Loan Fund Constitution and Accounting Officer's Manual

The Constitution of the Fund was yet to be tabled in Parliament by the Minister of Finance. The Accounting Officer's Manual will be compiled during the course of the

HOUSING AND GUARANTEE FUND 2014

OBJECTIVE OF THE FUND

The Housing and Guarantee Fund gives guarantees in respect of loans made by Building Societies and Finance Houses to approved applicants for the purchase or construction of dwellings; making loans for approved housing schemes; and acquiring and disposing of properties in terms of this Act.

I have audited the financial statements of the Housing and Guarantee Fund for the year ended December 31, 2014

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the results of operations of the Housing and Guarantee Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Unrecovered Advances

Finding

Section 5 (1) (b) of the Housing and Building Act [*Chapter 22:07*] stipulates that the Minister may advance moneys to any person for the purchase of land to construct a building for the accommodation of aged and handicapped persons.

However, in contravention of the aforementioned legislation, the Fund advanced a sum of \$21 400 during the financial year under review towards Zimbabwe International Trade Fair (ZITF) expenses which were not related to the purpose for which the Fund was established. This amount remained outstanding at the time of concluding the audit.

Risk/Implication

The Fund may fail to achieve its goals and objectives if financial resources are not channeled towards financing its core functions.

Recommendation

The Ministry should ensure that financial resources of the Fund are only advanced for purposes specified under Section 5 (1) (b) of the Housing and Building Act [Chapter22:07].

The Ministry should put in place mechanisms to recover the outstanding amount of \$21 400.

Management Response

The exercise is underway to seek reimbursement to the Fund. You will be updated accordingly. The delay in reimbursing is sincerely regretted.

1.2 Unrecovered Advances made to Exchequer Account

I observed that the Ministry did not put in place measures to recover loans advanced by the Fund to Appropriation Account amounting to \$71 328. This contravened the requirements of Treasury Instruction 0501 which requires Officers responsible for collecting debts to take adequate steps to collect any sums due to the Government on due date. This was caused by delays in obtaining Treasury releases.

Risk/Implication

Debts may become extinguished through lapse of time.

Recommendation

The Fund should make an effort to recover the outstanding amount of \$71 328 in accordance with Treasury Instruction 0501.

Management Response

The exercise is underway to seek reimbursement to the Fund.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Debt Management System

Finding

For the third year running, I observed that the Fund management did not take adequate steps to recover debts due to the fund totalling \$648 843 (2013: \$554 599) as at

December 31, 2014 in contravention of Section 10 (1) of the Public Finance Management Act [Chapter 22:19] which requires Accounting officers to control and be accountable for all revenues and other public money received, held or disposed of, by or on account of any Ministry. This was caused by an ineffective debt management system.

Risk/Implication

Outstanding amounts may become irrecoverable due to passage of time.

Recommendation

The Fund management should collect all revenue due to the Fund in accordance with the requirements of Section 10 (1) of the Public Finance Management Act [Chapter 22:19].

Management Response

The exercise is underway to get an updated figure to be reimbursed to the Fund.

Evaluation of Management Response

Ineffective revenue collection has the effect of derailing the planned purchase and construction of housing units by approved beneficiaries.

HOWEVER, below are other material issues noted during the audit:

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Unavailability of Property Register

A property register for Housing and Guarantee Fund in Midlands Province is now in place and has been updated.

3.2 Debt Management System

Monthly rentals and rent arrears for civil servants occupying HGF properties are now being collected under a stop order facility and other defaulters have been handed over to legal department for evictions and recovery of outstanding arrears.

3.3 Understatement of Debtors in Financial Statements

A journal voucher to correct the understatement was posted as the province initially declared only one(1) low density house as belonging to the Fund instead of two (2) as the other house occupied by the Provincial Medical Director (PMD) was being erroneously noted as a Government Pool (GP) house.

3.4 Cash at Bank Discrepancy

The discrepancy was as a result of deposits in transit not yet acknowledged by bank and this anomaly has since been reconciled as shown in the Fund's financial statements for the year ended December 31, 2014.

NATIONAL CIVIL PROTECTION FUND 2013

OBJECTIVE OF THE FUND

The Fund was established in terms of Section 29 of the Civil Protection Act [*Chapter 10:06*] to develop and promote civil protection in Zimbabwe.

I have audited the financial statements of the National Civil Protection Fund for the year ended December 31, 2013.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the results of operations of the National Civil Protection Fund as at December 31, 2013.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Submission of Financial Statements

Finding

The National Civil Protection Fund Financial statements for the year ended December 31, 2013 were submitted late for audit on May 20, 2015 which was fourteen (14) months after the statutory deadline of March 31, 2014 as stipulated in Section 35 (6) of the Public Finance Management Act [*Chapter 22:19*].

Risk/Implication

Weakness relating to matters of accountability may not be addressed early for improvement.

Recommendation

The Ministry should submit financial statements for audit on or before March 31 of each year as stipulated in the Public Finance Management Act [*Chapter 22:19*].

Management Response

There was no proper hand over-take over and the Officer was new but we have since made efforts to submit the accounts and we take note of the anomaly.

1.2 Payment Vouchers

Finding

I observed with concern that Ministry officials could not avail for audit inspection acquittals for fourteen (14) payment vouchers amounting to \$37 565. This was in contravention of Section 8 (1) (a) of the Audit Office Act [*Chapter 22:18*] which requires officers to provide without undue delay any explanations and information required by the Auditor-General to enable her to discharge her duties. This was caused by inadequate record maintenance.

Voucher Number	Amount (\$)
198/A	6 000
139	5 132
109/A	2 970
264	2 853
81	2 820
119	2 600
303	2 500
43	2 500
30	2 100
314	2 065
179	2 025
034A	2 000
36	2 000
Total	\$37 565

Risk/Implication

It may be difficult to establish whether expenditure incurred was a proper charge to the Fund.

Recommendation

The Ministry should avail for audit inspection acquittals and service level agreements for expenditure amounting to \$37 565 in accordance with Section 8 (1) (a) of the Audit Office Act [*Chapter 22:18*].

Management Response

The Ministry will request acquittals from respective Provincial Administrators and these documents will be forwarded for audit inspection.

HOWEVER, below are other material issues noted during the audit:

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Fuel Expenses

The Fund had not yet put in place internal controls to regulate usage of motor vehicles and fuel consumption. This was evidenced by the inability of responsible officials to avail log books for audit inspection. However, the Ministry assured audit that the department of Finance and Administration will second an Administration Officer to handle all issues pertaining to administrative duties.

NATIONAL CIVIL PROTECTION FUND 2014

OBJECTIVE OF THE FUND

The Fund was established in terms of Section 29 of the Civil Protection Act [*Chapter 10:06*] to develop and promote civil protection in Zimbabwe.

I have audited the financial statements of the National Civil Protection Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the results of operations and performance of the National Civil Protection Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Disclosure of Motor Vehicles

Finding

According to Section 35 (1) of the Civil Protection Act [*Chapter 10:06*], the custodian of the Fund is required to keep proper accounts and other records relating thereto. However, I observed that the Fund did not value and disclose sixteen (16) motor vehicles in the financial statements. This was caused by lack of adherence to proper accounting procedures during preparation of financial statements.

Risk/Implication

The financial statements may reflect a misleading financial position of the Fund.

Recommendation

The Ministry should ensure that all sixteen (16) motor vehicles are valued and disclosed in the Fund's financial statements.

Management Response

The observation is noted and we intend to engage the Central Mechanical Equipment Department to value our motor vehicles in all the provinces.

1.2 Disclosure of Donated Goods

Finding

In contravention of Section 37 of the Public Finance Management Act [Chapter 22:19] which requires Accounting Officers to prepare financial statements in accordance with Generally Accepted Accounting Practices (GAAP) the Fund did not disclose the value of goods donated towards disaster management in its Financial Statements. This was caused by the fact that goods donated were not properly valued.

Risk/Implication

Financial statements may be materially misstated.

Recommendation

The Ministry should ensure that all goods donated are disclosed in the financial statements

Management Response

The observation is noted and in future all donated goods will be disclosed in the financial statements.

1.3 Submission of Financial Statements

Finding

For the second year running, the National Civil Protection Fund Financial statements for the year ended December 31, 2014 were submitted late for audit on July 26, 2015 which was four months after the statutory deadline of March 31, 2015 as stipulated in Section 35 (6) of the Public Finance Management Act [Chapter 22:19].

Risk/Implication

Weakness relating to matters of accountability may not be addressed early for improvement

Recommendation

The Ministry should submit financial statements for audit on or before March 31 of each year as stipulated in the Public Finance Management Act [*Chapter 22:19*].

Management Response

There was no proper hand over-take over and the Officer was new but we have since made efforts to submit the accounts and we take note of the anomaly.

NATIONAL HOUSING FUND 2012

OBJECTIVE OF THE FUND

The main objective of the Fund is to assist with the development of housing schemes and ancillary services.

I have audited the financial statements of the National Housing Fund for the year ended December 31, 2012.

Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of National Housing Fund as at December 31, 2012.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Submission of Accounts

For the second consecutive year, the Fund did not comply with the statutory deadline for submission of financial statements. The Fund submitted its financial statements on April 10, 2015, that was twenty four (24) months after the statutory deadline of March 31, 2013. This was caused by inadequate supervision to ensure compliance with statutory deadlines.

Risk/Implication

Delays in the submission of financial statements will render the information irrelevant for economic decision making purposes.

Recommendation

Financial statements should be produced on time and submitted for audit within the statutory deadline to ensure that relevant decisions are made.

Management Response

The Fund has been experiencing some challenges with regards staffing issues especially at the sub-national level where most of the financial returns are

originated bearing in mind the national outlook of the Fund. It means that any snag be it at district level or provincial level will impact on the production of these financial statements. However, the matter is receiving attention with a view to permanently correct the perennial problem.

1.2 Infrastructure Development Bank of Zimbabwe (IDBZ) Housing Development Facility

Finding

Contrary to the requirements of the Memorandum of Agreement signed with the Infrastructure Development Bank of Zimbabwe, the Fund did not recognise expenditure incurred amounting to \$9 008 132 and revenue realised amounting to \$3 094 332 in the financial statements for the year ended December 31, 2012. I reported on this issue in my previous year (2011) management letter I/69/652/11 dated April 24, 2015. This was caused by lack of coordination between the bank and the Fund.

Risk/Implication

The Fund's financial statements may portray a misleading financial performance.

Recommendation

The Fund should make arrangements with IDBZ in order to obtain on a monthly basis schedules of revenue and expenditure for incorporation in the Fund's annual financial statements.

Management Response

The Memorandum of Agreement (MOA) referred to is unfortunately silent on whose responsibilities it is among the tripartite members tasked with keeping and reporting of the financials of the facility in terms of Section 27 of the Housing and Building Act [Chapter 22:07]. However, efforts will be made to re-align all the parties to the MOA to recognize each member's responsibilities in compliance with the said statutes.

1.3 Work In Progress

Finding

According to International Accounting Standards (IAS) 11 - Construction Contracts, the stage of completion of a construction project needs to be determined through

surveys of work performed or completion of a physical proportion of contract work. For the second consecutive year, I could not ascertain the accuracy and completeness of the current year work in progress figure of \$3 641 465 since the Fund could not avail the requisite valuation certificates for audit verification.

Risk/Implication

The financial statements may be misstated.

Recommendation

The Fund should properly value construction projects in accordance with the requirements of IAS 11 - Construction Contracts.

Management Response

It has been the practice that all ongoing direct labour projects will be measured by the amount of actual cost incurred at the end of the financial year. We have been considering this method as reasonable amongst a number of other acceptable methods.

Evaluation of Management Response

The accounting treatment applied did not result in an authentic reflection of work carried out on ongoing construction projects.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Property Files

Treasury Instruction 0103 requires Receivers of revenue to keep full and proper accounts. However, I observed that Wedza District Public Works Office submitted three (3) National Housing Fund (NHF) property files which had the following missing documentation; lease agreement, offer to purchase, sales agreement and internal audit verification. This limited the scope of my audit as I could not establish with certainty whether or not full purchase prices had been paid for these houses. In addition, the tenants were in default of paying their monthly rentals since the year 2010. This was caused by lack of supervision of work carried out by subordinates.

Risk/Implication

The Fund may be financially prejudiced if proper records are not maintained.

Recommendation

Wedza District Public Works Office should update NHF property files in accordance with Treasury Instruction 0103.

Management Response

Wedza District has been instructed to ensure that all relevant agreements with tenants are properly filed considering the long term nature of housing issues.

I also observed that Goromonzi District did not open and maintain property files and ledger cards for ten (10) houses under Garikai/Hlalani Kuhle phase one (1). This was in contravention of Treasury Instruction 0705 which requires every Accounting Officer administering a fund to ensure that proper accounts are kept of transactions for which he/she is responsible. This was caused by improper record maintenance.

Risk/Implication

It may be difficult to ascertain whether bonafide beneficiaries benefitted from the scheme if proper records are not maintained.

Recommendation

Goromonzi District Office should open and maintain individual property files and ledger cards in compliance with Treasury Instruction 0705.

Management Response

The observation is noted. Proper records will be maintained.

1.2 Property Register

Finding

Chipinge District did not avail for audit inspection a property register for all houses under the National Housing Fund. Therefore, I could not establish the exact number of houses constructed since inception of the housing projects. This was in violation of Treasury Instruction 0705 which requires every Accounting Officer to ensure that full and proper accounts are kept of the transactions for which he/she is responsible.

Risk/Implication

There is risk that some houses could have been converted or used for personal gain, thereby prejudicing the National Housing Fund of its income.

Recommendation

Chipinge District Public Works Office should open and maintain a property register and ledger cards for all National Housing Fund houses.

Management Response

The property register for all stands and respective beneficiaries is now in place, what is left is regularization of the beneficiaries whom we have recommended for the Secretary's approval.

1.3 Allocation of Stands

Finding

From a sample of Marondera Garikai/Hlalani Kuhle Phase two (2) property files inspected at Mashonaland East Provincial Public Works Office, I observed that stands were irregularly transferred, swapped and sold from one beneficiary to another under controversial circumstances in contravention of Sections 8, 13 and 18 of the lease agreement.

Secondly, Mashonaland East availed for audit inspection an incomplete property register for Marondera Garikai/Hlalani Kuhle Phase two (2) beneficiaries mainly due to ownership disputes on some of the contested stands which had not yet been resolved at the time of concluding the audit. Therefore, I could not satisfy myself whether a total of 1 033 estimated stands which were yet to be developed were properly recorded and disclosed in the financial statements for the year ended December 31, 2012.

Risk/Implication

It may be difficult to trace Government properties in the event of theft or destruction.

Recommendations

Mashonaland East Provincial Public Works Office should seek legal advice from the Ministry's legal department on the proper way of resolving ownership wrangles of stands under Marondera Garikai/Hlalani Kuhle phase two (2) project in order to safeguard the Ministry against potential litigation cases.

The Provincial Office should ensure that an updated property register for Garikai/Hlalani Kuhle phase two (2) beneficiaries in Marondera is produced upon completion of the regularization exercise.

Management Response

The observation is noted. The issue will be investigated.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Rent Debtors

Finding

Contrary to Treasury Instruction 0705, records maintained at Mashonaland East Provincial Office reflected a rent debtors figure of \$21 855 for Marondera in respect of the year ended December 31, 2012 which did not agree with the figure of \$45 888 disclosed in the financial statements submitted for audit. This resulted in an unexplained variance of \$24 033. Therefore, I could not confirm the correctness of the amount of uncollected rentals dating back to the year 2009 when multi-currency reforms were introduced. This was caused by inappropriate maintenance of accounting records.

I further observed that Marondera Provincial Office did not take adequate measures to collect annual fees of \$50 per stand from 1 033 undeveloped stands under Marondera Garikai/Hlalani Kuhle phase two (2) resulting in a total amount of \$51 650 remaining uncollected as at the end of the financial year under review.

Risks/Implications

The Fund may experience liquidity challenges if revenue is not collected timeously.

Outstanding rental collections may be extinguished through lapse of time.

Recommendations

The Provincial Public Works Officials should conduct monthly rent debtors' reconciliations in accordance with the requirements of Treasury Instruction 0705.

Mashonaland East Provincial Officials should put in place an effective revenue collection mechanism in accordance with Treasury Instruction 0501.

Management Response

Proper reconciliation will be made as it appears the Province was charging rental at \$10 instead of the gazetted \$15 for all the Garikai Housing Units.

2.2 Documentation

Finding

According to Section 8 (1) (a) of the Audit Office Act [*Chapter 22:18*], the Auditor-General has power to call upon an officer and shall be entitled to receive without undue delay from that officer, any explanations and information she or he may require in order to enable her or him to discharge her/his duties.

However, Matabeleland North Provincial Office upon request from the audit team could not avail for audit inspection the outstanding revenue return and ledger cards in respect of the year ended December 31, 2012. Therefore, I could not verify the completeness and accuracy of the Province's outstanding revenue figure of \$50 476 disclosed in the financial statements. This was caused by the fact that no proper handover-takeover procedures were done between the former Ministry of National Housing and Social Amenities and Ministry of Local Government, Public Works and National Housing.

Risk/Implication

Outstanding revenue may become irrecoverable through lapse of time.

Recommendation

Matabeleland North province should avail the outstanding revenue return and ledger cards for audit inspection.

Management Response

The observation is noted. Dunning letters were sent to all the tenants and a door to door exercise was carried out urging the defaulting tenants to clear rent arrears.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Non-Valuation of Properties Allocated under Pay-for-Your House and Garikai/Hlalani Kuhle Housing Scheme

Recommendation is still to be implemented.

3.2 Non-Disclosure of Transactions under the Memorandum of Agreement with the Infrastructure Development Bank of Zimbabwe (IDBZ)

Recommendation is still to be implemented.

3.3 Non- Disclosure of Properties in the Financial Statements

Recommendation is still to be implemented.

3.4 Non- Submission of Valuation Certificates

Recommendation is still to be implemented.

3.5 Unavailability of Property Registers

The Ministry is still in the process of updating the register.

3.6 Delays in Convening Boards of Enquiry

The Board of enquiry was still to be convened at the time of concluding the audit.

3.7 Wrong Classification of Properties in the Financial Statements

Properties were still wrongly classified as at the time of concluding the audit.

3.8 Improper Record Keeping

The Fund is still in the process of attending to the issue.

3.9 Illegal Sale and Transfer of Garikai/Hlalani Kuhle Stands

The Fund is still in the process of attending to the issue

3.10 Non-Payment of Monthly Rentals

The Fund has not yet put in place effective rental collection systems.

NATIONAL HOUSING FUND 2013

OBJECTIVE OF THE FUND

The main objective of the Fund is to assist with the development of housing schemes and ancillary services.

I have audited the financial statements of the National Housing Fund for the year ended December 31, 2013.

Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of National Housing Fund as at December 31, 2013.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Infrastructure Development Bank of Zimbabwe (IDBZ) Housing Development Facility

Finding

According to the Memorandum of Agreement signed between the Ministry and Infrastructure Development Bank of Zimbabwe, the Fund is required to provide budgeted funds for the construction of residential flats and servicing of residential stands. However, for the third consecutive year, the Fund did not include in the financial statements for the year ended December 31, 2013 expenditure incurred amounting to \$11 242 562 (2012: \$9 008 132) and revenue realized amounting to \$10 042 514 (2012: \$3 094 332). This was caused by lack of coordination between the bank and the Fund.

Risk/Implication

The Fund's financial statements may reflect a misleading financial performance.

Recommendation

The Fund should make arrangements with IDBZ in order to obtain on a monthly basis schedules of revenue and expenditure for incorporation in the Fund's annual financial statements.

Management Response

The Memorandum of Agreement referred to is unfortunately silent on whose responsibility it is among all the signatories that is the Ministry of Finance, IDBZ management and the Ministry of Local Government, Public Works and National Housing tasked with keeping and reporting of the financials of the facility in terms of Section 27 of the Housing and Building Act [Chapter 22:07]. However, efforts will be made to ensure that the dictates of the above statutes are fully observed.

1.2 Submission of Accounts

Finding

For the third consecutive year, the Fund did not comply with the statutory deadline for submission of financial statements. The Fund submitted its financial statements on December 09, 2015, that was twenty (20) months after the statutory deadline of March 31, 2014. This was caused by inadequate supervision to ensure compliance with statutory deadlines.

Risk/Implication

Delays in the submission of financial statements will render the information irrelevant for economic decision making purposes.

Recommendation

Financial statements should be produced on time and submitted for audit within the statutory deadline.

Management Response

The Fund has been experiencing some challenges with regard to staffing issues especially at the sub-national level where most of the financial returns are originated bearing in mind the national outlook of the Fund. It means that any snag be it at district level or provincial level will impact on the production of

these financial statements. However, the matter is receiving attention with a view to permanently correct the perennial problem.

1.3 Work In Progress

Finding

For the third year running, the Fund did not avail for audit inspection valuation certificates as proof of work performed to substantiate the work in progress figure of \$2 381 415 in contravention of International Accounting Standards (IAS) 11-Construction Contracts. This limited the scope of my audit, as I could not establish whether values incorporated in the financial statements with regard to the degree of completion of ongoing construction projects had been properly stated. This was caused by improper application of accounting procedures.

Risk/Implication

The financial statements may be misstated.

Recommendation

The Fund should properly value construction projects in accordance with the requirements of IAS 11 - Construction Contracts.

Management Response

It has been the practice that all ongoing direct labour projects will be measured by the amount of actual cost incurred at the end of the financial year. We have been considering this method as reasonable amongst a number of other acceptable methods.

Evaluation of Management Response

The observation stands since no reliance could be placed on the value of work on construction projects due to improper accounting treatment.

2 REVENUE COLLECTION AND RECOVERY

2.1 Sold Properties

Finding

I observed that forty-nine (49) NHF properties sold to beneficiaries in Chikomba District Northwood suburb under the Pay-For-Your house scheme did not have agreements of sale, lease agreements and certificates of settlement in violation of Section 2 (a) and 8 of the lease agreement which requires the lessee to have a valid lease agreement until the actual price of the house/ flat is determined and beneficiary given an offer to purchase. Therefore, I could not verify whether full purchase prices had been paid to the Government. This was caused by inadequate maintenance of records and also lack of guidance and direction by head office with regards to handling and management of the above-stated properties.

Risk/Implication

It may be difficult to establish ownership of the sold properties.

Recommendation

Head Office should investigate the legal status of the forty nine (49) sold properties and ensure that all individual property files contain adequate documentation in compliance with Sections 2 (a) and 8 of the lease agreement.

Management Response

The observation is noted. The records of the properties were being kept at the province.

HOWEVER, below is another material issue noted during the audit:

1 GOVERNANCE ISSUE

1.1 Disclosure of Properties

Finding

I observed that the Fund's financial statements for the year ended December 31, 2013 did not include four (4) houses under the National Housing Fund Pay-For-Your house scheme for Chimanimani District in contravention of Section 37 of the Public Finance Management Act [*Chapter 22:19*] which requires Accounting Officers to prepare

annual accounts in accordance with Generally Accepted Accounting Practices (GAAP). This was caused by lack of proper record maintenance.

I further observed that there were discrepancies in the number of properties disclosed in the Fund's financial statements for the year ended December 31, 2013 and those listed in the Beitbridge register as shown in the Table below:

Housing Scheme	Property Register	Valuation Report	Discrepancy
Garikai/Hlalani Kuhle	110	125	15
Redeployment	156	223	67

Risk/Implication

Distortions in the figure of non-current assets may mislead policy makers.

Recommendation

The Fund should fully disclose all its properties in the registers and financial statements in order to allow objective financial reporting.

Management Response

The observation is noted. The status of Chimanimani properties was not fully established during the property valuation exercise carried out in 2010 by the Department of Estates and Valuation. Necessary adjustments will be done.

RURAL SOCIAL AMENITIES DEVELOPMENT FUND 2014

OBJECTIVE OF THE FUND

The Fund was established in terms of Section 18 of the Public Finance Management Act [*Chapter 22:19*] to meet the capital cost of developing Social Amenities Infrastructure in Communal and Resettlement areas of Zimbabwe through Grants and Loans to eligible applicants and provision of funds for the development of Rural Infrastructure.

I have audited the financial statements of the Rural Social Amenities Development Fund for the year ended December 31, 2014.

Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Rural Social Amenities Development Fund as at December 31, 2014.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUE

1.1 Certificates of Bank Balance

Finding

Contrary to the requirements of Section 8 (1) (a) of the Audit Office Act [*Chapter 22:18*], Ministry officials could not avail for audit inspection certificates of bank balance for eight (8) provincial bank accounts. This limited the scope of my audit as I could not verify whether or not the cash at bank of \$3 650 as at December 31, 2014 was properly stated.

This was caused by the fact that no proper handover-takeover procedures were done between the former Ministry of National Housing and Social Amenities and Ministry of Local Government, Public Works and National Housing.

Risk/Implication

Public financial resources may not have been efficiently utilized to finance the goals and objectives of the Fund.

Recommendation

The Fund should avail for audit inspection year end certificates of bank balance for eight (8) provincial bank accounts in accordance with Section 8 (1) (a) of the Audit Office Act [*Chapter 22:18*].

Management Response

Access to certificates of bank balance for provincial accounts for the fund are being denied by banks since most of the accounts are in debit balance. The banks are requesting that the debits be offset before they issue the certificates.

Evaluation of Management Response

Without certificates of bank balance or confirmation from the banks, it was difficult to validate the cash at bank balance of \$3 650.

1.2 Payment Vouchers

Finding

Contrary to the requirements of Section 8 (1) (a) of the Audit Office Act [*Chapter 22:18*], Ministry officials could not avail for audit inspection payment vouchers and the relevant supporting documents for expenditure amounting to \$2 522. This limited the scope of my audit as I was not able to validate figures for expenditure incurred during the financial year under review. This was caused by inadequate maintenance of records.

Risk/Implication

The financial statements may portray a misleading financial position of the Fund.

Recommendation

The Fund should avail for audit inspection payment vouchers and relevant supporting documents in accordance with Section 8 (1) (a) of the Audit Office Act [*Chapter 22:18*].

Management Response

The observation is noted. Management undertook to carry out an investigation into the purchase of building materials worth \$2 522 in Matabeleland north

province and to ascertain whether those goods were actually utilised for the intended project.

STADIA REVOLVING FUND 2014

OBJECTIVE OF THE FUND

The objective of the Fund, as established, shall be the financing and maintenance of all Government owned stadia.

I have audited the financial statements of Stadia Revolving Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Stadia Revolving Fund as at December 31, 2014 and its financial performance for the year then ended.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Disclosure of Property Plant and Equipment

Finding

For the second year running, the Fund did not record and disclose Khumalo Hockey Stadium departmental assets amounting to \$9 240 in the Fund master asset register in contravention of Sections 14.4 and 20.1 of the Accounting Officer's Instructions. This was caused by improper maintenance of records.

Risk/Implication

The Fund's financial statements may reflect a misleading financial position.

Recommendation

The Ministry should ensure that all assets of the Fund are recorded in the master asset register and subsequently disclosed in the financial statements in accordance with requirements of Sections 14.4 and 20.1 of the Accounting Officer's Instructions.

Management Response

The observation is noted. The assets amounting to \$9 240 could not be disclosed in the Fund's financial statements as a result of the fact that the assets were not yet valued by the time the financial statements were prepared.

However, the valuation exercise has been completed and the assets will be disclosed in the 2015 financial statements.

HOWEVER, below are other issues noted during the audit:

1.2 Certificates of Completion on Contracted Work

Finding

I observed that the Fund paid an amount of \$43 801 for the maintenance of the B arena of the National Sports Stadium and \$9 257 for lawn planting during 2014 without supporting certificates of completion for work done. This contravened Treasury Instruction 1207 which requires that the final payment under a contract shall be supported by the certificate of a duly authorized officer to the effect that the terms of the contract have in every respect been satisfactorily carried out. This was caused by an oversight on the part of responsible personnel.

Risk/Implication

Without certificates of work done the Fund may make payments for sub-standard work or work not completed.

Recommendation

The Fund should comply with Treasury Instruction 1207 and ensure that all payments for services rendered are supported by certificates of work done.

Management Response

Blackdale Company entered into a running contract with the Ministry to maintain A, B, C sport Arenas and surrounding ground under the direction of the District Maintenance Officer for day to day and major maintenance works under the approval of the procurement and management committees. It is against this background that Blackdale on the observed instances carried out the work and District Maintenance Officer certified both amounts. The contractor will then be paid without a certificate because of the running contract.

Evaluation of Management Response

The observation stands, since the certificate or documentation to support that services were rendered was not availed for audit inspection.

1.3 Segregation of Duties

Finding

I observed that there was no segregation of duties in the Administration Office because the Administration Officer was doing everything on his own from requesting, receiving, recording fuel coupons and maintaining the coupon register of the Fund. This was in contravention of Treasury Instruction 2401 which requires Accounting Officers to ensure that there is segregation of duties in the roles of personnel in their department.

Risk/Implication

Public financial resources may be open to abuse if the Fund does not put in place sound internal controls systems.

Recommendation

The Fund should ensure that internal controls are put in place in accordance with the requirements of Treasury Instruction 2401.

Management Response

The observation is noted. The Administration Officer will now request coupons while the District Public Works Officer will enter and issue coupons in the register.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Excess of Expenditure over Income

The audit team noted an improvement in that there was an increase in revenue generation hence in the 2014 financial year there was more revenue compared to expenditure.

2.2 Non-Valuation of Assets

Representations by the Director Valuation and Estate Management confirmed that the assets had been valued and confirmed by the Provincial Works Director for the Bulawayo Metropolitan province. However, the values were yet to be incorporated into the financial statements.

2.3 Under-utilisation of Gymnastics Equipment

The Director Valuation and Estate Management stated that the equipment was now obsolete.

2.4 Non-maintenance of Physical Infrastructure

The audit team inspected Chitungwiza Aquatic Complex and noted that there were no improvements yet due to non-availability of funds.

2.5 Non-Commissioning of Borehole

The inspection of the borehole at Chitungwiza Aquatic Complex conducted by audit revealed that there was no water. Hence, there is no need for commissioning instead the borehole should be tested for impairment.

VOTE 14.- HEALTH AND CHILD CARE

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Health and Child Care for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Appropriation Account, present fairly, in all material respects, the financial position and performance of the Ministry of Health and Child Care as at December 31, 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Maintenance of Accounting Records

Finding

In violation of Treasury Instruction 1301, the Ministry failed to reconcile the Sub-Paymaster General's Account Return that reflected a total amount of \$45 469 720 as total payments made by the Ministry while the Public Finance Management System showed payments of \$39 798 348 resulting in a variance of \$5 671 372 that could not be explained. As a result the total expenditure balance disclosed in the Appropriation Account submitted for audit could not be relied upon as it may not be accurate.

The Ministry could not explain a total variance of \$221 996 between the balances on returns submitted for audit examination and the figures in the Public Finance Management System (PFMS). There were no reconciliation statements produced to explain the differences. The table below refers.

Name of Return	Return Balance (\$)	PFMS/Register Balance (\$)	Difference (\$)
Receipts and Disbursements- (113900)	30 805	(15 924)	46 729
Receipts and Disbursements (113500)	(13 355)	53 751	67 106
Gifts, Legacies and Donations	2 391 266	2 478 428	87 161
Total			\$221 996

Risk/Implication

If there are differences of figures in the accounting records, the accuracy of the total expenditure figure becomes doubtful. If reconciliations are not done, errors or fraud may not be detected.

Recommendation

The Ministry should carry out monthly reconciliations between balances of the Sub-Paymaster General's Account and the Public Finance Management System promptly so as to detect errors of commission or omission in time for correction.

The Ministry should reconcile the manual and the system balances to determine variances and make necessary adjustments.

Management Response

The observation is noted and agreed. The Ministry was in the process of configuring the Grants Management Module. As a result of the changes being done in the system, the Ministry was not able to process documents processed on or before March 17, 2015.

Because of the system challenges the Ministry was not able to process the outstanding amount in the PMG account. Further consultation with the Government consultant 23rd Century Systems has not been successful. The Ministry of Finance was also consulted about these challenges without success.

The Ministry is currently faced with a technical error on the PFMS which the Accountant General has failed to assist since March 15, 2015 to date. The Returns could not be produced from the system and the manual returns are different from those in the system.

1.2 Unsupported Expenditure

Findings

Contrary to the provisions of Section 81 (b) (iii) of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with Treasury Instruction 1216, the Ministry failed to produce receipts, invoices, statements and any proof of payment to support payments made by Treasury to service providers on behalf of the Ministry amounting to \$10 184 727 (2014: \$4 305 175) as detailed below. I made the same observation on page 229 of my report for the year ended December 31, 2014. I am concerned that the weakness has persisted without redress.

Supplier	Amount US\$
Zimbabwe National Family Planning Council	2 252 321
Tel one	564 797
BOC Gases	613 629
City of Harare	3 119 244
City of Bulawayo's	665 561
Laryscope Health Care	351 618
Various Suppliers	2 617 557
Total	\$10 184 727

According to Treasury records, direct payments made to service providers on behalf of the Ministry by Treasury totaled \$13 053 602 while the records of the Ministry reflected direct payments by Treasury amounting to \$13 744 977 resulting in a variance of \$691 375 that was not explained. The Ministry did not produce a reconciliation statement for the difference.

The Ministry made payments to Zimbabwe Transmission and Distribution Company (ZETDC) totaling \$3 472 000 instead of \$3 044 302 resulting in an overpayment of \$427 698 that should be recovered.

Risk/Implication

If payments are made to service providers without adequate supporting source documents, the expenditure may not be incurred for intended purposes and fraudulent payments may also be processed.

Overpayments may lead to wasteful and fruitless expenditure. Fraudulent activities may also be perpetrated.

Recommendations

All payments should be made on the basis of original source documents obtained from service providers and more so, for those that are paid by Treasury under an arrangement of setoff, receipts or proof of payments should be obtained.

The Ministry should make payments on the basis of valid invoices.

Management Response

The observation is noted and agreed. Some of the release letters for the set offs come late to the Ministry and this further delays the time to get confirmation letters from service providers such that by the time the audit was in place, the

Ministry was still in the process of gathering confirmations of direct payments from service providers. Fifty percent (50%) of the confirmation letters were released in January 2016.

Some Set offs are done by the Ministry of Finance with neither the Ministry of Health and Child Care nor the service providers being aware of such transactions especially for utilities hence the overpayments.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUE

1.1 Outstanding Amounts to Suppliers of Goods and Services

Finding

Contrary to the provisions of section 19 of the Public Finance Management Act [Chapter 22:19] read in conjunction with Treasury Instruction 1204, the Ministry did not make payments to suppliers of goods and services promptly totaling \$46 254 732 after the expenditure was committed and incurred. I am concerned that at the time of completing the audit, on May 13, 2016 the payments had not been made. Some of the outstanding amounts date as far back as 2012 financial year. The table below reflect the suppliers in question.

Institution	Amount (\$)
Central Hospitals	21 662 969
Provinces	19 538 350
Head Offices : Natpham	3 397 990
: Other	1 655 423
Total	\$46 254 732

Risk/Implication

If suppliers of goods and services are not paid on time, the supply chain is disturbed as suppliers may withhold further supplies which would impact negatively on people's lives. The expenditure may also be understated and cost overruns may be incurred due to penalties for breaches of contracts.

Recommendation

The Ministry should pay suppliers of goods and services on time in the financial year to which expenditure relates so that the supply chain is not disturbed and expenditure is not understated in the financial statements.

Management Response

The observation is noted and agreed. Treasury issued us with the release letter which was eventually reversed at year end without providing funds. Furthermore, the type and service being rendered by hospitals demand that we seek services from suppliers as there are times when we need to put the patient at the first priority.

1.2 Late and Non-Submission of Returns

Finding

Contrary to the provisions of Section 35 (6) (b) (i) of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with Audit Circular Number 1 of 2015, the Ministry failed to submit the Statement of Revenue Received, Receipts and Disbursements and Temporary Deposit on time. The returns were submitted on April 7, 2016 which was 40 days after the statutory deadline of February 29, 2016. The Compensatory and Ex-gratia payments return was not submitted for audit.

Risk/Implication

The delay in submission of returns could be indicative of lack of proper accountability. It could be difficult to verify the correctness, accuracy and completeness of figures disclosed in the financial statements, thereby delaying the audit process.

Recommendation

The Ministry should ensure that all the statutory returns are submitted within the time frame stated in the standing instructions.

Management Response

The observation is noted and agreed. Please note that the Ministry is currently faced with a technical error on PFMS which the Accountant General has failed to assist us from March 15, 2015 to date. The Returns could not be produced from the system and the manual returns are different from those on the system resulting in the delay.

2 MANAGEMENT OF ASSETS

2.1 Targeted Approach

Finding

Equipment purchased under the targeted approach at a cost of \$295 553, more than three (3) years ago was lying idle at Ngomahuru Institute for the mentally challenged. The equipment had not been installed and commissioned.

At Mutare Provincial Hospital various equipment purchased under the \$3 million dollar targeted approach facility had remained idle for over a period of 3 years. The equipment had also not been installed and commissioned.

Further to the above, the Ministry did not make payments to suppliers of equipment under the targeted approach totaling \$3 492 642 after the expenditure was committed and incurred.

Risk/Implication

If the equipment is not installed and put to use, the equipment may get worn out and become obsolete before it is used. The purpose for which the equipment was purchased may not be achieved.

If suppliers of equipment that was purchased are not paid urgently this could lead to litigation costs.

Recommendations

The Ministry should make an effort to ensure that the equipment purchased under targeted approach is installed and put to use so that the purpose for which the equipment was purchased is achieved.

Payments outstanding to suppliers of equipment purchased under targeted approach should be made without further delay.

Management Response

Ngomahuru Laundry Equipment

The observation is noted and agreed. Preparatory works for the installation of laundry equipment at Ngomahuru Hospital has been done. After failing to get

cooperation from Public Works the Provincial Director's Office has decided to engage a private contractor to do the connection.

Mutare Provincial Hospital

Laundry equipment

This equipment was initially meant for Masvingo Provincial hospital. The equipment is steam driven, whereas Masvingo hospital does not have boilers, then it was transferred to Mutare hospital where there are boilers. Unfortunately the boilers at Mutare Provincial hospital were condemned by the Ministry of Local Government. Considering the challenge of limited fiscal space, it is not possible to replace the boiler earlier. Meanwhile the Ministry is exploring the option of taking the equipment to institutions with functional boilers like Harare and Mpilo Central Hospitals.

3 PROGRESS IN THE IMPLIMENTATION OF PRIOR YEAR RECOMMENDATIONS

Out of the nine audit findings reported in the previous year, the Ministry managed to address one of the issues raised but did not fully address the majority of the issues raised. It partially addressed four of them and failed to address four as outlined below:

Issues Partially Addressed Issues:

- Disallowances
- Departmental Surcharges
- Temporary Deposit
- Harare Central Hospital Employees' Residential Premises,

Issues not Addressed

- Sub-Paymaster General's Account
- Public Sector Investment Projects
- Unsupported Expenditure
- Results Based Management.

HEALTH SERVICES FUND 2013-2014

OBJECTIVE OF THE FUND

This Fund was established for the purpose of collecting and administering hospital fees to supplement the health budget, both recurrent and capital for the development and maintenance of Health Services, programmes and related activities as may be approved from time to time by the Health and Child Care in consultation with Treasury.

I have audited the financial statements for the Health Services Fund Account for the Ministry of Health and Child Care for the years ended December 31, 2013 and 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Health Services Fund as at December 31, 2014.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Recovery of Debtors

Finding

For the third year in succession, it has been observed that the debtors figure has accumulated to \$20 174 649 (2013: \$15 068 702) translating to 98% of the total assets of the Fund. I am concerned that the recovery rate on debtors has continued to be insignificant adversely affecting the liquidity position of the Fund.

Risk / Implication

Revenue may be lost if outstanding debtors are not timeously recovered, thereby negatively affecting the liquidity position of the Fund.

Recommendation

Efforts should be made by administrators of health institutions to recover and make follow-ups on outstanding debts in order to improve the liquidity position of the fund.

Management Response

The observation has been noted. According to policy, no patients should be denied treatment. Currently write offs will be done at all health institutions through Head Office authority. However, we have engaged debt collectors to make follow ups.

2 GOVERNANCE ISSUES

2.1 Irregular Expenditure

Finding

Due to lack of clear policy direction, administrators at Masvingo Provincial Medical Director's Office incurred a total expenditure of \$57 411 in respect of rented accommodation for doctors. The expenditure was incurred without the authority of the Accounting Officer and Treasury concurrence. According to section 4 (10) of the Health Services Fund Manual, such expenditure should have been incurred with the Accounting Officer's authority who would also be required to seek and obtain Treasury concurrence. There was no evidence that such authority was obtained before the expenditure was incurred.

Furthermore, the Ministry was not consistent on payment of accommodation allowances to doctors, as other Medical Director's Offices that were visited were not paying such an allowance.

Risk / Implication

Wasteful expenditure may be incurred if allowances are paid without competent authority.

Recommendation

The Ministry should put a standard policy in place and ensure that payment of allowances to employees is properly authorized.

Management Response

The observation is noted and agreed. The Fund will make an effort to regularise payment of such allowances. In some areas it is difficult to attract doctors if accommodation cost is not met by the Ministry. The benefits are used so as to attract specialist doctors.

2.2 Account Balances

Finding

Due to poor maintenance of accounting records and lack of a co-ordinated approach by the Head Office and Provincial Medical Director's Offices, the 2013 financial statements submitted for audit reflected a total net imbalance of \$226 263 between the Head Office and two Provincial Hospitals as indicated below:

Name of Hospital	Component	Ledger Balance (\$)	Financial Statement Balance (\$)	Variance (\$)
Chinhoyi Provincial hospital	Employment cost	273 532	266 416	(7 116)
Gweru Provincial hospital	Medical Supplies & services	121 616	247 076	125 460
Gweru Provincial hospital	Institutional provisions	109 630	146 024	36 394
Gweru Provincial hospital	Utilities and Other service charges	54 524	102 776	48 252
Gweru Provincial hospital	Fuel, oils and lubricants	64 106	87 379	23 273
Total		\$623 408	\$849 671	\$226 263

Risk/Implication

The accounts may be materially misstated if accounting records are poorly maintained resulting in unreliable financial statements being prepared and submitted for audit.

Recommendation

The Ministry should ensure that the preparation of financial statements is done in accordance with procedures outlined in the Financial and Accounting Procedures Manual of the Fund to minimise errors and omissions.

Management Response

The variances have been noted, and reconciliations to establish the causes are being done and corrective measures would be implemented.

2.3 Suspense Account

Finding

Examination of financial statements revealed a suspense account balance of \$52 419 (2013: \$6 910) that was not explained. Consequently, I was unable to determine whether the figures disclosed in the financial statements were correctly and accurately stated.

Risk / Implication

The existence of a suspense account balance in the financial statements puts the correctness and accuracy of financial statements in doubt. Financial statements could be materially misstated.

Recommendation

Management of the Fund should investigate the suspense account balance and determine its origins and make necessary adjustments.

Reconciliations should be done regularly in order to detect errors and correct them.

Management Response

The observation is noted. Necessary adjustments will be made to the financial statements and accounting records.

2.3 State of Accounting Records

Finding

In violation of Section 11.5 of the Health Services Fund Financial and Accounting Procedures Manual, some health institutions such as Karoi District Hospital, Chinhoyi Provincial Hospital and Masvingo Provincial Medical Director's Office did not maintain ledger accounts. I was unable to determine the accuracy of revenue and expenditure figures disclosed in the financial statements submitted for audit.

Risk / Implication

If ledger accounts are not maintained, it will be difficult to prepare accurate financial statements.

Recommendation

The Fund administrators should maintain ledger accounts for health institutions in compliance with the Health Service Fund Financial and Accounting Procedures Manual and best practice.

Management Response

The observation is noted. Efforts will be made to enforce maintenance of ledger accounts by health institutions.

2.4 Unsupported Expenditure

Finding

In violation of the provisions of Section 81 (b) (iii) of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with Section 8.1 of the Health Services Fund Financial and Accounting Procedures Manual, the Fund administrators made payments amounting to \$304 693 (2013: \$77 404) that were not supported by source documents such as procurement committee meeting minutes, three competitive quotations, requisitions, invoices, receipts and goods received notes. Consequently, I was unable to determine whether the expenditure was properly incurred for the intended purpose. Below are stations that did not support their expenditure.

Station	Amount
	\$
Kwekwe District Hospital	154 900
Masvingo Provincial Hospital	46 805
Masvingo DHE	24 650
Mutare Provincial Hospital	19 060
Mutare DHE	18 915
Mashonaland West PMD	11 428
Chinhoyi Provincial Hospital	9 699
Karoi District Hospital	7 704
Shurugwi District Hospital	6 884
Kariba District Hospital	2 401
Chivi District Hospital	2 247
	\$304 693

Risk / Implication

If payments are processed without adequate source documents, fraudulent transactions may occur without detection and the practice also leads to wasteful expenditure.

Recommendation

Management should ensure that payment vouchers are supported by adequate source documents, to prevent the processing of fraudulent transactions and incurring of wasteful expenditure.

Management Response

The observation has been noted. In future all payments that are processed would be adequately supported by source documents.

2.5 Fuel Management

Finding

Due to weaknesses in the internal control system in the management of fuel, some institutions failed to account for fuel totalling 32 280 litres valued at \$41 048 as detailed in the table below:

Name of Health Institution	Quantity Litres	Amount \$
Mashonaland West Provincial Medical Director's Office	4 525 diesel	5 881
Mashonaland Central Provincial Medical Director's Office	8 715 diesel 2 375 petrol	10 109 3 159
Matabeleland North Provincial Medical Director's Office	1 740 diesel	2 262
Midlands Provincial Medical Director's Office	4 580 diesel 3 645 petrol	5 954 4 739
Tsholotsho District Hospital	1 180 diesel.	1 534
Gweru District Hospital	3 160 diesel	4 108
Chivi District Health Executive	2 360 diesel	3 302
Total	32 280 litres	\$41 048

Risk/Implication

If fuel received from suppliers is not recorded in the registers, it may be difficult to account for, resulting in some of the fuel being abused.

Recommendation

Management of health institutions should ensure that all fuel received from suppliers is recorded in the registers on receipt and issues should also be recorded. There was need to conduct physical stock checks on fuel stock regularly.

Management Response

The observation is noted and agreed. Appropriate action will be taken to avoid the risk.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Medicines Management

Finding

Section 3 (2) b of the Public Health Act [*Chapter 15:09*] stipulates that the functions of the Ministry responsible for health shall be to promote the public health, prevention, limitation or suppression of infectious and contagious diseases. I noted with concern the unavailability and poor management of vital, essential and necessary medicines which are critical to service delivery by the Ministry. This was due to poor prioritisation and weak internal controls on medicines management. The details are given in table below:

Name of Hospital	Observation
Kwekwe District Hospital	Failure to account for 80boxes 10x2ml Promecethazine injection vials
Gweru Provincial Hospital	Vital and essential medicines out of stock
Tsholotsho District Hospital	Operating without vital and essential medicines
Chinhoyi Provincial Hospital	Unqualified staff dispensing medicines
Bindura Provincial Hospital	No standard unit of measurement in recording and issuing of medicines

Risks/ Implication

Service delivery may be compromised if health institutions are operating without essential medicines. Weak internal controls may also result in medicines pilferages.

Recommendation

The Ministry should prioritise procurement of vital, essential and necessary medicines and sundries and tighten internal controls on the recording and maintenance of medicines through supervisory checks, regular stock counts and internal audits. A standard and consistent unit of measurement should be used when recording drugs in the appropriate registers. Adjustments should be properly supported by proper documentation.

Management Response

The error is acknowledged. However, the Fund is planning to standardise the stock card recording with the National Pharmaceutical units of measurement. The shortage of medicines is mainly a result of budgetary constraints

2 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

2.1 Service Delivery

Finding

Service delivery at Karoi District Hospital, Kariba District Hospital, Bindura Provincial Hospital and Tsholotsho District Hospital was greatly compromised, adversely affecting the achievement of the Ministry's functions as outlined in section 3 (2) (b) of the Public Health Act [Chapter 15:09]. The following were found to be factors adversely affecting service delivery at institutions:

- (a) Obsolete hospital equipment
- (b) Excessive electricity power cuts
- (c) Inadequate funding for the procurement of new equipment, medicines and facilities
- (c) Unavailability of alternative water sources.

Risk Implication

If health institutions are severely constrained in resources, service delivery would be adversely affected.

Recommendation

The Ministry should give priority to resources that are critical to service delivery even in circumstances of budgetary constraints.

Management Response

The Ministry of Health and Child Care is responsible for the purchase of new equipment at hospitals and the Ministry of Local Government, Public Works and National Housing is responsible for the installation and repairing of the equipment.

2.2 Health Service Delivery

Finding

Furthermore, during the 2013 financial year audit, poor health delivery was observed at Masvingo Provincial Hospital as cases of negligence by staff resulted in loss of lives. An examination of the hospital's misconduct register revealed that three midwiferies did not attend to a patient in the labour ward which resulted in the death of the newly born baby due to cold. Two registered nurses also neglected a patient who was critically ill who later died under the care of a nurse aid. This was in violation of the Constitution of Zimbabwe Amendment (No. 20) Act 2013 read in conjunction with the Health Services Regulation 2006, first schedule section 2 paragraphs 2 and 3.

Risk/Implication

Loss of life could occur if hospital operations are disrupted by power cuts.
Negligence by health personnel may result in loss of life.

Recommendations

The Ministry should ensure that the Chinhoyi Provincial Hospital has a dedicated electricity line to avoid excessive power cuts.

The Ministry should also consider the drilling of boreholes at Masvingo Provincial hospital as an alternative source of water at the institution.

There was need to tighten controls on supervision of staff to ensure that professional conduct and due care is practiced by all its employees when carrying out their duties and responsibilities to mitigate against loss of life.

Management Response

The Ministry acknowledges the dilapidated state of equipment and facilities which affects service delivery. However, the Ministry has always improvised in order to deliver with the limited resources or outsource the required services. Plans have been made to construct, replace and refurbish equipment and facilities.

Disciplinary action had already been taken on health workers who were found negligent and supervision had been tightened at Masvingo Provincial Hospital

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The Fund managed to address one (1) out of seven (7) material issues highlighted in the previous audit report as outlined below:

3.1 Revenue Collection and Recovery of Debtors

There was no improvement on this aspect as the issue of recovery of debtors is still outstanding.

4.1 Medicines Management

Management of medicines has not been addressed as evidenced by the absence of the availability of essential drugs, failure to account for some consignments of drugs and others.

4.2 Unreliable Accounting System

There was no improvement on the issue, as some institutions still failed to maintain ledgers.

4.3 Prior year Adjustments

The figure has increased from \$6 910 to \$52 419 in the year 2014.

4.3 Service Delivery

There was no improvement on the issues.

4.4 Unsupported Expenditure

This aspect is still to be addressed as evidenced by some payments that were processed without adequate supporting documents during the year

MEDICAL RESEARCH COUNCIL OF ZIMBABWE 2012- 2013

OBJECTIVE OF THE FUND

The Council was established to promote, direct, control and carry out research within Zimbabwe and for matters incidental thereto.

I have audited the financial statements of the Medical Research Council of Zimbabwe for the Ministry of Health and Child Care for the financial years ended December 31, 2012 and 2013.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Medical Research Council of Zimbabwe as at December 31, 2012 and 2013.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Unsupported Expenditure

Finding

In contravention of section 81(b) (iii) of the Public Finance Management Act [*Chapter 22:19*], the Ministry failed to produce for audit examination source documents such as invoices, receipts and goods received notes to support payments amounting to \$20 864 (2012: \$207 261). Consequently, I was unable to determine whether the expenditure formed a proper charge to the Council.

Risk/Implication

Failure to produce supporting documents for audit results in scope limitation on the audit process. Expenditure may not have been incurred for the intended purposes.

Recommendation

The Ministry should make an effort to locate the supporting documents and produce them for audit examination. There was need for the Ministry to investigate whether fraudulent activities were not committed.

Management Response

The observation has been noted and agreed. Source documents will be produced in future audits.

2 PROCUREMENT

2.1 Purchases out of Tender

Finding

In violation of Treasury Instruction 1005 read in conjunction with Statutory Instrument 161 of 2008 (Number 16) which requires purchases above \$10 000 to go through informal tender procedures, the Council purchased an Isuzu second hand motor vehicle model KB 300 for an amount of \$15 000 without going through informal tender procedures. Consequently, I was unable to satisfy myself whether the purchase was done to best advantage for the Council.

Risk/Implication

Failure to comply with procurement procedures and regulations may expose funds to misappropriation, underhand deals and uneconomic buying.

Recommendation

The Ministry should always follow laid down procurement procedures and regulations when purchasing goods and services from suppliers.

Management Response

The observation has been noted and agreed. It was an oversight the Fund's part and in future procurement procedures and regulations will be followed.

VOTE 15.- PRIMARY AND SECONDARY EDUCATION

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Primary and Secondary Education for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion paragraph, the Appropriation Account present fairly, in all material respects, the financial position and performance of the Ministry of Primary and Secondary Education as at December 31, 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Financial Statements

Finding

In my previous Audit Report, I highlighted that there was no evidence of reconciliations being done between the Public Finance Management System (PFMS) and the Ministry's figures obtained using the manual system. For the 2015 financial year, the Ministry failed to reconcile the expenditure figure of \$900 573 016 disclosed in the Public Finance Management System (PFMS) to the Treasury Release Print-out and the Ministry's Sub-Paymaster General's account (Sub-PMG). Expenditure as per Treasury Release Print-out was \$897 087 577, while expenditure as per Sub-PMG was \$890 320 423. The three records should show the same expenditure figure after reconciliations have been done.

Risk/Implication

Incorrect decisions may be made if unreconciled figures are disclosed in the financial statements.

Recommendation

The Ministry should endeavour to reconcile the figures from the three records to ensure that figures disclosed in the financial statements are reliable.

Management Response

The Ministry reconciled the figures in the Public Finance Management System (PFMS), Treasury Release Printout and the Sub-Paymaster General's Account and noted discrepancies which were referred to Treasury. The Ministry is holding consultative meetings with Government Accounting Services Officials from Ministry of Finance to investigate the discrepancies.

2 PROCUREMENT

2.1 Borrowing from Independent Colleges Guarantee Fund (ICGF)

In my previous Audit Report, I highlighted that the Ministry was using funds from the Independent Colleges Guarantee Fund (ICGF) to finance Appropriation activities without prior Treasury approval. Again, in the 2015 financial year, despite a provision having been made in the budget to utilise resources from Statutory Funds and other sources, the Ministry went on to take monies from the ICGF as at December 31, 2015 without Treasury approval. Records showed a cumulative figure of \$275 080. This was over and above the budgeted amount from Statutory Funds and other sources of \$29 527 600. This was evidence of poor budgetary control.

Risk/Implication

Utilisation of funds from the Independent Colleges Guarantee Fund without proper planning and authorisation from the Treasury, may result in the Fund failing to meet its objectives.

Recommendation

The Ministry should adequately plan so that funds from Statutory Funds are included in the budget that is approved by Parliament.

Management Response

In 2015 the Ministry has exercised restraint in borrowing funds from ICGF. While the accumulated funds borrowed from 2013 to 2015 is \$275 080, the amount borrowed in 2015 was \$43 611. The Ministry is processing refunds to ICGF from the fiscus to the tune of \$33 399 and \$8 696 has already been paid by UNICEF. The funds borrowed in 2015 will be refunded.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Budgetary Control

Finding

During the evaluation of the Ministry's internal controls, cases of cross virementing were observed on items detailed below. Under normal circumstances, no funds should be taken away from an item which would have received funds before.

Item	Original Budget (\$)	Virement Increase (\$)	Virement Decrease(\$)	Excess Expenditure (\$)
I.A.1 Basic Salaries	4 835 000	11 230 000	730 244	-
I.A.2 Housing Allowances	1 879 000	44 244	11 230 000	11 068 906
I.B.9 Foreign Travel Expenses	51 000	74 000	10 000	-
III.G.1 Grant support to secondary schools	1 000 000	290 000	200 609	-
Total	\$7 765 000	\$11 638 244	\$12 170 853	\$11 068 906

Furthermore, failure to follow proper virement procedures resulted in the Ministry incurring unauthorized excess expenditure amounting to US\$11 068 906 on item number I.A.2-Housing Allowances.

Risk/Implication

Cross virementing may result in unauthorized excess expenditure.

Recommendation

The Ministry should follow proper virement procedures to avoid unauthorised excess expenditure and also for effective budgetary control.

Management Response

Cross Virementing was as a result of inadequate funds initially allocated by Treasury to the Ministry. As early as March 2015 the Ministry was already virementing. Some expenditure items critical to the function of the Ministry were exhausted and it called for virementing and later in the year virements had to be done again to those expenditure items that had been viremented from.

Evaluation of Management Response

Under such circumstances virement cancellation should be applied

1.2 Expenditure Financed by Other Sources

Finding

In terms of the 2015 financial year's approved budget, the Ministry was allowed to finance its activities from the voted Funds, Statutory Funds and other sources. The Ministry incurred recurrent expenditure in 2015 that was financed by the vote and other sources. The Ministry was further required to account for funds it received from other sources during the year. A provision for such funds was included in the national budget. The provision for Statutory Fund assistance was \$27 727 600 whilst of other sources was \$1 800 000. However, the Ministry did not provide the figures for expenditure incurred from Statutory Funds and other sources used to augment Appropriation activities as required by Audit Circular number 1 of 2015.

Risk/Implication

Failure to disclose funds used to augment Appropriation activities may result in disclosure of misstated figures in the financial statements which would subsequently, affect the quality of decisions being made.

Recommendation

The Ministry should fully disclose all expenditure it incurred during the year funded by the Vote, Statutory Funds and other resources.

Management Response

The Ministry accounted for funds it received from other sources during the year as provided for in the national budget. In terms of Audit Circular Number 1 of 2015, the Ministry accounted for its statutory funds namely Independent Colleges Guarantee Fund, School Services Fund and the Education Materials Disbursement Fund through the submission of statutory returns which were submitted in March 2016.

According to Treasury, the \$1.8m was budgeted for as counterpart funds in anticipation of funds from OFID which however, did not materialise in 2015. Therefore, the \$1.8m was not released by Treasury. However, the funds are expected to be utilised this year 2016.

Evaluation of Management Response

The financial statements were submitted well after the conclusion of the Appropriation Account audit. The Ministry did not comply with the requirements of Audit Circular number 1 of 2015 which required the Ministry to submit a return on expenditure incurred to augment Appropriation Account operations.

2 EMPLOYMENT COSTS

2.1 Separation of Employment Costs for Primary, Infant and junior Education Sub-Votes

Finding

The Ministry failed to identify, separate and allocate employment cost for the Infant Department from Junior Education Department for the period January to December 2015, though the Infant Department is a separate Sub-vote which incurred expenditure totaling US\$1 014 799 during the year.

Risk/Implication

The figure disclosed on the Appropriation Account for primary education employment cost may be overstated and hence unreliable for decision making.

Recommendation

The Ministry should identify and disclose employment costs under appropriate sub-votes.

Management Response

The Ministry submitted ECD teacher details to SSB for separation of employment costs for infant and junior education last year.

2.2 Employee Damages

Finding

The Ministry owes an amount of US\$17 965 in damages to five employees who were improperly discharged from service. The courts ruled in favour of the employees after

the Ministry improperly terminated their contracts of employment. The Ministry did not reinstate the discharged employees as determined by the labour court. These amounts have been owed since August 2014.

The amounts are as shown in the table below:

Date	Case Ref	Member Details (EC Number)	Province	Damages US\$	Remarks
August 2013	LC/MS/12A/03	0840198H	Masvingo	13 110	Commission decision dated 18/06/2014 Payment pending
February 2014	LC/H/307/13	0820142H	Manicaland	1 974	Commission decision dated 23 July 2014
February 2014	LC/H/103/13	0320426W	Manicaland	842	No decision
March 2014	LC/MD/73/13	0191407A	Midlands	125	No decision
March 2014	LC/H/598/11	0199683W	Mashonaland Central	1 914	Commission decision dated 5 March 2014
Total				\$17 965	

Risk/Implication

The amount may be increased if the discharged employees decide to charge interest on the amounts owed since they have been outstanding for more than a year now.

Recommendation

The Ministry should settle the amounts owed to former employees as soon as funds are availed by Treasury in order to avoid accumulation of interest charges.

Management Response

The Ministry has since requested funds from Treasury to pay the damages to the affected teachers.

3 MANAGEMENT OF ASSETS

3.1 Boards of Survey

Findings

An inspection of the Ministry assets revealed that there were redundant assets piling for more than six months awaiting for Boards of Survey to be convened and subsequent disposal. In addition, no evidence to support the relevant action being taken by the Ministry to correct the situation before it gets out of hand was not availed for audit. This contravened Treasury Instruction 2006 which explains how redundant assets should be dealt with.

Furthermore, an analysis of the Ministry's Motor Vehicles Register revealed that a vehicle registration number LLD 885, civilian number ACG 8532 was involved in a road traffic accident on March 4, 2013. At the time of audit, the estimated cost of repair per CMED quotation was \$18 235. The vehicle was not yet fully repaired at the time of concluding my audit due to financial constraints. Of concern, was the time it has taken to finalise the matter.

Contrary to Treasury Instructions 2209 which details and lays out procedures regarding strong rooms, safe keys and spares and further to states that any loss of keys shall be reported immediately to the Accounting Officer and the Auditor General, the Ministry also failed to account for the Strong rooms and safe spare keys as shown below:

Safes and Strong Rooms whose keys were not properly accounted for:

ITEM	SECTION	REMARKS
Strong Room	Administration	No Spare key
Strong Room	Audit	No Spare key
Strong Room	Administration	No Spare key
Strong Room	Administration	Both copies of keys not accounted for
Safe	Accounts Revenue	No Spare key
Safe	Accounts Revenue	No Spare key
Safe	Registry	No Spare key
Strong Room	Administration	No Spare key
Strong Room	Honorable Minister	No Spare key
Strong Room	Administration	No Spare key
Safe	Discipline	No Spare Key
Strong Room	Human Resources	Open, both keys missing

Safe	Room2	No keys, locked.
Safe	Human Resources	No Spare Keys

The use of safe/ strong room shall be discontinued until the lock has been altered and new keys cut. Audit noted that these instructions were not adhered to.

Risk/Implication

Idle Assets could become obsolete.

Given the high cost of repair totalling \$18 235, the Ministry could fail to raise such funds and the vehicle may be forfeited by the garage to defray expenses.

Valuable assets may be stolen or lost.

Recommendations

The Ministry should expedite the convening of Boards of Survey and execute recommendations without delay.

A Board of Survey should be convened to determine the cause of the accident.

Replacement of locks for the affected safes and strong rooms should be given priority.

Management Response

The Accounting Officer has already approved a panel of the Board of Survey to dispose of the redundant assets. Due to limited funding by Treasury, the Ministry is failing to convene boards of Surveys annually. Efforts are being made to have the exercise done in 2016.

A Board of Inquiry was convened to look into the accident which recommended that a Treasury order be raised against the member.

The vehicle LLD 855 was sent to CMED for repairs totaling \$18 235. The panel beating was done at a cost of \$13 787 but we have not paid CMED. Also the vehicle is not yet on the road because of payment amounting to \$4 447 required by Autoworld to replace fuel injectors which hasn't been paid due to shortage of funds. The Ministry has since requested for release of funds from Ministry of Finance for this purpose which have not been released. In the interim, the Ministry has written to CMED to retrieve the vehicle from Autoworld to avoid incurring storage charges.

The spare keys are now available for audit inspection.

4 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

4.1 Public Sector Investment Programs (PSIP)

Finding

During the evaluation of internal controls of the Ministry in administering PSIP Projects, the following weakness were noted:

- (a) Mbizi High School project was one and half years (1½) behind schedule and as such the school had not yet opened as at the conclusion of my audit. The school project commenced in October 2013 and was targeted for completion in 2015.
- (b) The disbursement schedules and progress reports for all the projects were not availed for my audit and such could not ascertain the extent to which the funds released were applied.
- (c) Copies of contracts entered into between the Ministry of Primary and Secondary Education and contractors were not availed for audit verification.

Risk/Implication

Intended beneficiaries may not derive immediate benefits if the construction of the school is delayed.

There may be no audit trail to ascertain if the funds were not applied for the intended purpose.

Contracts for the supply of labour could be violated and completion dates may be missed if there are no records of binding contracts for work to be done.

Recommendation

The Ministry should avail all the information concerning construction works, acquittal of all funds and details of progress per project and target completion dates.

Management Response

In 2014 there was no release of funds for PSIP resulting in no activity at the site delaying the completion of the construction of Mbizi High School.

The contracts are now available for audit inspection.

5 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

5.1 Revenue Collection

The Ministry's revenue collection performance has not changed from the previous year's levels. The Ministry officials continue to site the unrealistic budgets set by Treasury officials in the white paper.

5.2 Assets Management

The Ministry has not implemented recommendations to ensure that all assets of the Ministry are recorded in the asset register. This is so because assets bought in 2014 worth \$42 697 were not yet recorded in the asset register as at December 31, 2015.

5.3 Management of Fuel

The situation regarding fuel management had changed significantly by the time of the conclusion of the audit as sound coupon withdrawal controls were in place as at December 31, 2015.

SCHOOL SERVICES FUND 2014

OBJECTIVE OF THE FUND

The Fund was established to facilitate the provision of quality education by providing resources for the procurement of learning and teaching materials and to finance other school services and related activities in the school system which may be approved by the Secretary in consultation with Treasury.

I have audited the School Services Fund Account for the Ministry of Primary and Secondary Education for the year ended December 21, 2014.

Opinion

In my opinion, because of the significance of matters described in the Basis for Adverse Opinion paragraph below, the consolidated financial statements do not present fairly the results of operations of the School Services Fund and its financial performance for the year ended December 31, 2014.

Basis for Adverse Opinion

1 GOVERNANCE ISSUES

1.1 Incomplete and Inaccurate Financial Statements

Findings

Audit noted that Tuition Levy figures recorded in the Income and Expenditure account and the notes submitted for audit were different for Mashonaland West, Mashonaland East, Masvingo, Midlands and Bulawayo provinces giving rise to a difference of \$1 137 516.

Audit also noted that the figure for Tuition Fees recorded in the Income and Expenditure account and the notes submitted for audit were different for Mashonaland West, Mashonaland East and Masvingo provinces giving rise to a difference of \$11 790.

Rusununguko High School in Mashonaland East Province did not include revenue collected as practical subject fees amounting to \$34 705, thus understating the tuition fee figure by \$34 705.

Audit noted a variance of \$96 268 between the financial statements submitted by schools and the consolidated district and provincial accounts. The variances were

noted in various provinces for tuition income figure in respect of a number of districts namely Shamva, Centenary, Murewa, Goromonzi and Chikomba.

The financial statements submitted for audit were inaccurate as evidenced by the overstatement and understatement of Income in various schools visited. Eight out of twenty three schools visited had challenges in accounting for income in the financial statements as tabled below:

Name of School	Understatement of Income (US\$)	Overstatement of Income(US\$)
Chiwaridzo Primary School		\$4 448
Dudzai Primary School	\$1 108	
Kariba Heights Primary School	\$1 407	
Seke 6 High School	\$7 260	
Beitbridge Primary School	\$9 948	\$3 774
Zengeza 2 High School		\$7 745
Seke 3 High School	\$21 043	
Seke 1 High School	\$16 426	
Total	\$57 192	\$15 967

These inconsistencies were because the schools were using cash basis to account for income, instead of the accrual concept as prescribed by the School Services Fund Accounting Procedures Manual, Section 2, which states that, “The basis of accounting policy for the School Services Fund will be Accrual Accounting.”

Risk/Implication

The variances in the financial statements may render the accounts inaccurate.

Recommendation

The Ministry should investigate these variances so that they can be cleared. Also compliance with the basis of accrual accounting should be enforced to ensure consistency.

Management Response

The variances in Tuition levies in notes and income and expenditure for Mashonaland West, Mashonaland East, Midlands and Bulawayo have been noted and investigations will be made to clear the variances

Investigations will also be undertaken for differences in tuition fees amounts in notes and those in the income and expenditure for Mashonaland West, Mashonaland East and Masvingo.

Omission of a figure of \$34 705 for Rusununguko High School has been noted and corrective action will be taken.

The variance for tuition income figures has been noted for Shamva, Centenary, Murehwa, Goromonzi and Chikomba districts and will be corrected.

1.2 Use of Cash Basis of Accounting

Finding

The figure for Income was grossly understated by \$57 192. This was a result of using cash accounting which ignores all transactions not done using cash like school fees invoicing. Schools which were preparing financial statements for the year ended December 31, 2014 using cash basis concept include Seke 2 High, Kariba Heights Primary, Binga High, Beitbridge Primary. Financial statements prepared using cash basis resulted in failure to account for all debtors as the cash basis accounting framework does not include revenue not yet collected.

Risk/Implication

Application of wrong accounting principles lead to material misstatements of financial statements of the School Services Fund.

Recommendation

The Schools should apply the accrual accounting principle in compliance with the SSF manual Section 2, paragraph 1 which states that ‘the basis of accounting policy for the SSF will be Accrual Accounting’.

Management Response

District Accountants will be trained to ensure that all schools use the accrual concept of accounting for income.

1.3 Finance Committee Meetings

Findings

For the 2014 financial year Admiral Tait, Dotito High, Haig Park Primary and Seke 1 High schools failed to convene monthly Finance Committee Meetings. School Services Fund Accounting Procedures Manual section 3.5 (i) states that ‘Meetings must be held monthly during the school term’. The meetings are held to authorize the financial transactions to be carried out during the period and how they will be funded.

Furthermore there were, no School Development Association members present in the few meetings held. This was in violation of Section 3.3.2(i) of the School Services Fund (SSF) Accounting Procedures Manual which requires the Chairman and Treasurer of the SDC to attend such meetings.

Risk/Implication

There is risk that the schools may engage in transactions not deliberated on and authorised by the finance committees. Also absence of SDC numbers in meeting may result in the two Accounts funding the same activity if not well coordinated.

Recommendations

The finance committee meetings should be held monthly during a school term preferably early in the month to plan expenditures and payment of creditors as prescribed by section 3.5 of the School Services Fund Accounting Officers Manual.

It is further recommended that the SDC Chairperson and Treasurer be present when finance committee meetings are conducted to enhance coordination of programs funded under the SSF and the SDC.

Management Responses

The Schools had not responded to the audit finding at the time of concluding this report May 2016.

2 MANAGEMENT OF ASSETS

Finding

In my previous report, I highlighted that schools were disclosing assets at purchase value without allowing for depreciation as required by School Services Fund Accounting procedures manual. Again, for the year under review the challenge

persisted. Section 2 of the School Services Fund manual requires assets to be depreciated over the expected useful life of each category of assets.

The following schools ; Dotito High, Dudzai Primary, Houghton Park Primary, Kariba Heights Primary, Karoi High, Seke 7 Primary, Chinotimba Primary, Mount Cazalet Primary, Haig Park Primary, Zengeza 2 High, Seke 3 High and Roosevelt Girls High schools disclosed their assets at purchase values. However, Section 2 of the School Services Fund Accounting Procedure Manual requires that assets be depreciated based on the expected useful life of each category. Thus, the financial statements were overstated.

The asset registers for Admiral Tait, Dotito High, Seke 2 High, Haig Park Primary, Gwinyiro Primary and Ellis Robbins schools were not up to date. For those assets which were recorded, important information like date of acquisition, serial numbers and location was not captured. This was contrary to provisions of the SSF Accounting Procedures Manual section (11.4) (1), which states that, “Movable assets purchased by, or donated to the School Services Fund and their subsequent disposal must be recorded in this Register.”

Risk/Implication

Assets may be overstated in the financial statements leading to wrong decisions being made.

Assets may be converted to personal use or maybe exchanged for non-functional assets without being noticed if full details are not captured in the assets register.

Recommendation

The schools should depreciate the assets over expected useful life and disclose net book values in the balance sheet. This will help you in making replacement decisions.

Heads of schools should ensure that all Asset Registers are updated timeously and all important information of assets are captured in the Master Asset Register.

Management Response

A circular will be issued to guide schools on how to depreciate the School Services Fund Assets.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Presentation of Financial Statements

Finding

The 2014 School Services Fund financial statements submitted for audit for the following schools did not show comparative figures for the prior year:-

Admiral Tait, Dotito High, Dudzai Primary, Karoi High, Pfumo Primary, St Mary's Early Learning Centre, Warren Park 1 High, Seke 7 Primary, Seke 6 High, Gwinyiro Primary, Ellis Robbins, Zengeza 2 High, Seke 3 High, Seke 1 High and Roosevelt Girls High.

International Accounting Standards, IAS 1 requires that, "comparative information should be disclosed in respect of the previous period for all amounts reported in the financial statements, both on the face of the financial statements and in the notes, unless another Standard requires otherwise. Comparative information is provided for narrative and descriptive where it is relevant to understanding the financial statements of the current period. [IAS1.38]. It was also noted that there were no explanatory notes to the financial statements submitted for audit.

Risk/Implication

Without the comparative figures for the prior year and notes to the financial statements, it will be difficult to analyse the trend of the school's financial performance in relation to past periods.

Recommendation

The School Heads should ensure that final accounts for each current year are presented with previous year's comparative information to facilitate informed decision and full disclosure. Notes should always be provided to enhance understanding of the financial report.

Management Responses

The Schools had not responded to the audit finding at the time of concluding this report May 2016.

1.2 Debtors Management

Finding

Management of debtors' records proved to be a challenge at Dotito High, Dudzai Primary, Houghton Park Primary, Karoi High, Pfumo Primary, Seke 6 High, Mount Cazalet Primary, Gwinyiro Primary, Ellis Robbins and Seke 1 High schools. Variances were noted between debtors' records and debtors figures disclosed in the financial statements submitted for audit. The school authorities failed to satisfactorily explain why there were variances. Failure to properly maintain accounting records resulted in slow debt recovery by these schools. Furthermore, there was no evidence that effort to collect outstanding amounts was being made.

Risk/Implication

Incorrect figures in the financial statements will render them unreliable, thus leading to wrong decisions being made. Without accurate records it may be difficult to collect the debts.

Recommendation

The schools should submit financial statements with accurate debtors' figure so that reliance can be placed on them. A debtor's record management system must be put in place to ensure accuracy of records.

Management Response

The Schools had not responded to the audit finding at the time of concluding this report May 2016.

1.3 Classification of Expenditure

Findings

Chiwaridzo Primary, Dotito High and Karoi High schools did not have the general headings on the payment side of Cash book. The SSF Accounting Officer's Manual section 5.7 (iv) states that the payment side of the main cash book should have the general headings.

Expenditure heads in the cash book did not correspond to the expenditure items in the Statement of Comprehensive Income thereby making it difficult for audit to verify composition of such expenditure items.

Risk/Implication

Failure to properly classify expenditure in the Cash book may lead to lack of audit trail.

Recommendations

The payment side of the main cash book should have the general headings in line with provisions of School Services Fund Accounting Procedures manual.

Schools should record the payment voucher numbers sequentially in the cash book so that an audit trail may be established between the cash book payments and the payment vouchers.

Management Response

The misclassification of expenditure is noted and training of the school accountants is required to familiarize them with the new charts of accounts which most stations are not yet familiar with.

1.4 General Security and Maintenance of School Infrastructure

Finding

Warren Park 1 High, Lord Malvern High and Gwinyiro Primary Schools did not have firefighting equipment in all its classroom blocks and there were naked wires on electrical plugs in classrooms.

School hostels and other infrastructure at Binga High, Beitbridge Primary and Mount Cazalet Primary schools were in a dilapidated state. Doors to most hostels were either not there or they were not fixed properly to the doorframes. Ablution facilities had leaking taps and faulty flushing systems. Windows were broken and classrooms and hostels ceilings were falling.

Risks/Implications

The school risks losing educational material and infrastructure being damaged should a fire break out within the school premises.

Safety and hygiene of occupants of the hostel facilities and classrooms could be compromised by failure to maintain the infrastructure in a good state.

Recommendations

The school should cover all naked electrical wires and put on all school blocks firefighting equipment.

Repairs and maintenance of the school infrastructure should be done so as to minimise hazardous conditions to the pupils.

Management Responses

The Schools had not responded to the audit finding at the time of concluding this report May 2016.

1.5 Use of Cash to Pay Suppliers of Goods and Services

Finding

Chiwariidzo Primary school used cash to pay various suppliers of goods and services contrary to section 6 of the School Services Fund manual which requires use of the bank cheques or real time bank transfers to suppliers.

Risk/Implication

Payments not made through the bank could be cumbersome to trace in the absence of records of such transactions at the bank.

Recommendation

The school should pay for its goods and services using bank transfers rather than cash to avoid the risk of losing the cash to robbers. Further to that, the schools should adhere to the Fund's manual which requires schools to make payments using real time funds transfer system.

Management Response

The School had not responded to the audit finding at the time of concluding this report May 2016.

1.6 Rentals

Finding

It was observed that a number of staff who reside in 15 school houses at Binga High School were not paying rentals and utility bills to the schools as required. The school authorities indicated that relevant forms to facilitate the deductions from staff salaries were sent to SSB for processing but three staff members confirmed at the time of audit that no deductions were effected then. The school was supposed to remit an average of \$1 125 monthly or \$13 500 yearly to Treasury as rentals.

Risk/Implication

There is risk that the school may lose potential revenue due to non-payment of rentals and utility bills on time. Also there is risk that these arrears may be irrecoverable if they accumulate and become a significant figure.

Recommendation

The school should enforce collection of rentals/rates timeously from tenants and action should be taken against those who fail to pay since the rental/rates income is essential for maintenance and renovations of the school premises and the houses.

Management Response

The Schools had not responded to the audit finding at the time of concluding this report May 2016.

1.7 Human Resources

Finding

It was observed that the following schools Chiwaridzo Primary, Kariba Heights Primary and Seke 6 High schools did not have a qualified government bursar responsible for School Services Fund (SSF).

Risk/Implication

If unqualified personnel are engaged in the Accounts section, there is risk that they may fail to execute their duties professionally.

Recommendation

The Ministry should engage qualified accounting personnel in schools to improve the quality of financial management and financial statements produced.

Management Response

The ministry did not respond to the audit finding.

1.8 Cash Book Maintenance

Finding

The Cash books for Chiwaridzo Primary, Mount Cazalet, Haig Park Primary, Ellis Robbins and Kariba Heights Primary schools were not being regularly updated and bank reconciliations were not prepared in line with the School Services Fund Accounting Procedure manual section 5.7.1 (ii), which states that, “At the end of the day, the Bursar should enter all the receipts for the day in the cash book” and section 6.4.4 which says “At the end of every month, the School Bursar should prepare the Bank Reconciliation Statement.....”. Further, a bank reconciliation is a form of accounting control which compares the bank balance as per company’s accounting records with the balance stated in the bank statement. It is an important technique that ensures that all transactions processed are properly accounted for.

There was no evidence that the Cash books of St Mary’s Early Learning Centre and Seke 6 High schools were being checked by the school Heads. This was a violation of School Services Fund Accounting Officers’ Manual Section 6.6, which states that “The Head must personally check the Main Cash Book together with all relevant records, and certify it as being correct and sign and date the Main Cash Book as an indication that all entries for the month have been checked by him, monthly.”

Risks/Implications

Omissions of transactions in the cash book may arise if they are not entered soon after they occur. There is also risk that some transactions may be completely omitted from the accounting system if reconciliations are not done regularly.

When the cashbooks are not checked by the school Heads, there is risk that errors or fraud can be perpetrated without detection.

Recommendation

The cash books must be updated timeously in compliance with the School Services Fund manual. The schools should ensure that reconciliations are done regularly to minimise chances of omitting important accounting information in the records.

The cash book must be checked regularly and timeously to ensure that errors are minimised and in compliance with the School Services Fund manual.

Management Response

The Schools had not responded to the audit finding at the time of concluding this report May 2016.

1.9 Reporting

Finding

For the 2014 financial year, Seke 6 High, Warren Park 1 High and Lord Malvern High schools failed to prepare and submit the schedule of receipts and payments that should be prepared monthly. This is in violation of the school Services Fund Accounting Procedure Manual section 10.2.5 and 10.2.5 which states that these statements should be prepared monthly and posted to the main Cash Book.

Risk/ Implication

Failure to prepare and submit vital accounting information such as schedules of receipts and payments may result in serious control weaknesses normally triggered by limited monitoring of station activities by head office.

Recommendation

Monthly schedule of receipts and payments be submitted to head office by stations to enable remote monitoring of station operations.

Management Response

The Schools had not responded to the audit finding at the time of concluding this report May 2016.

1.10 Vouchers not Adequately Signed

Finding

Seke 2 High, Ellis Robbins High and Karoi High schools had payment vouchers which were not authorised by the relevant authorities. This was contrary to the requirements of Treasury Instruction 1216 which requires that before forwarding payments, vouchers should be certified correct and certified not previously paid as well as passed for payment.

Risk/Implication

There is risk that the payments may not be a proper charge to the fund if there is no independent person who checks before payments are done.

Recommendation

The schools should apply effective internal control systems checking and certifying vouchers to ensure that all payments are proper charges against public funds.

Management Responses

The Schools had not responded to the audit finding at the time of concluding this report May 2016.

1.11 Leasing of School Premises

Findings

At St Mary's Early Learning Centre it was noted that there were school classrooms being rented out to Excel College. However the rental income was being paid to Ministry of Public Works. Although the Ministry of Public Works is responsible for managing Government buildings, the lease agreement was entered between Ministry of Public Works and Excel College without the knowledge of St Mary's Early Learning Centre authorities.

Furthermore, Excel College is using the school's furniture, thus depriving the school authorities and pupils of use of that furniture. Some of the broken chairs and tables were not repaired because the school was not realising any income from the usage of the school furniture by Excel College.

Risk/Implication

Renting out school classrooms to external users at the expense of pupils may deprive the school in achieving its mandate of providing early learning to pupils.

Recommendations

The school authorities should apply to Public Works to repossess the classrooms being rented out to Excel College so that they utilize them for their expansion drive to enroll grade zero and grade one class. Also, it is recommended that the rentals should be paid to St Mary's Early Learning Centre so that the institution would be able to maintain the classrooms being used.

The school should make frantic efforts to recover all furniture being used by Excel College so that more pupils are enrolled at the school and charges should be levied for the whole period that the College has been using public assets for free

Management Response

The Schools had not responded to the audit finding at the time of concluding this report May 2016.

2 PROCUREMENT

Finding

I observed that procurement procedures were being violated as goods and services were being acquired without the approval of the school's finance/procurement committee at Dotito High and Lord Malvern schools. This was contrary to the provisions of the School Services Fund's manual section 3.4(a) which stipulate that the school's expenditure be authorised by the Finance Committee.

Furthermore, Admiral Tait, Chiwaridzo Primary, Dotito High, Warren Park High, Pfumo Primary, Binga High, Seke 3 High and Lord Malvern schools were not sourcing a minimum of three quotations. Purchases were made on the basis of only one quotation and in some cases buying decisions were made on the basis of quotations sought over the phone, which was in contravention of Procurement Regulations S.I 171 of 2002, part II, 5. (i), which says that the procuring entity shall obtain at least 3 competitive quotations from suppliers."

Risk/Implication

There is risk of loss of financial resources through uneconomic buying.

Recommendation

The schools should source at least three (3) quotations before acquiring goods/services. Also, all supporting documents including receipts and invoices must be attached to payment vouchers.

Management Response

The Schools had not responded to the audit finding at the time of concluding this report May 2016.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Out of the ten audit findings reported in the previous year, the Ministry addressed four of them and failed to address six of them as outlined below:

3.1 Incomplete Financial Statements

The Ministry submitted financial statements with inaccuracies again. It was observed that tuition figures obtained from provinces were substantially different from those reported in the financial statements submitted for audit. The difference amounted to \$1 137 516.

3.2 Budgeting

The Ministry did not implement the recommendation because it was observed that schools like Dotito High, Warren Park High and Haig Park Primary were still not preparing their budgets at the beginning of the year as required by the School Services Fund manual.

3.3 Finance Committee Meetings

The Ministry did not implement this recommendation in 2014 because schools like Admiral Tait, Seke 1 High and Haig Park primary were still not convening finance meetings monthly in terms of the School Services Fund manual.

3.4 Management of Assets

There was no implementation of recommendation made in 2013. This was observed after schools like Houghton Park primary, Karoi High, Mt Cazalet primary, Roosevelt High and Chinotimba primary were found using undepreciated asset values to prepare financial statements for the year ended December 31, 2014.

3.5 Procurement and Expenditure

The Ministry did not implement recommendations made in 2013 on this item. Schools like Pfumo primary, Lord Malvern High and Binga High were not sourcing a minimum of three quotations before paying for goods or services ordered.

3.6 Management of Debtors

The Ministry did not implement recommendations made in 2013. There were some schools which were found with incomplete records on debtors like Ellis Robbins High, Gwinyiro primary, Dudzai primary and Seke 1 High. These schools did not have credible debtors' management systems in place as at December 31, 2014.

VOTE 16.- HIGHER AND TERTIARY EDUCATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Higher and Tertiary Education, Science and Technology Development for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Higher and Tertiary Education, Science and Technology Development as at December 31, 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Sub- Paymaster General's Account

Finding

A review of the reconciliation of the Sub-Paymaster General's Account (Sub-PMG) submitted for audit revealed a variance of \$38 441 between the adjusted Sub-PMG's Account and the Appropriation Account figures. The former had a balance of \$191 170 024 while the latter had a balance of \$191 131 584. The expenditure per Sub-PMG's Account was more than the Appropriation Account expenditure. No satisfactory explanation or reconciliation was given for the variance.

Risk/ Implication

If variances are not reconciled properly, unauthorised payments may be made to the Ministry's bank account without correct procedures being taken.

Recommendation

The Ministry should reconcile the difference between the two figures in order to identify the actual cause of the variance of \$38 441.

The Ministry officials should comply with the requirements of section 308(2) of the Constitution of Zimbabwe Amendment No. (20) Act 2013 which requires every person who is responsible for the expenditure of public funds to safeguard the funds and ensure that they are spent only on legally authorised purposes and in legally authorised amounts.

Management Response

The observation has been noted. The Ministry is still working on the balance which has been reduced from \$38 441 to \$27 604. Please note that a General Ledger Account is a holding account that takes transactions from cash payments and journal transactions. Efforts to identify the causes of the variance will be continued.

1.2 Unsupported Expenditure

Finding

I was not provided with payment vouchers amounting to \$103 784 relating to Rental and Hire Expenses and Communication and Information Services. I could therefore, not satisfy myself that the transactions on these payment vouchers were executed in terms of Treasury Instructions 1200-1258.

Risk/ Implication

Improper expenditure may be processed if proper procurement procedures are not followed.

Recommendation

Management should ensure that all the requested information is availed for audit examination to enable the audit to be carried out as provided for in Section 309(2a) of the Constitution of Zimbabwe.

Management Response

Payment vouchers were raised by Treasury through the set off arrangement. The Ministry has since written letters to the Ministry of Finance requesting for copies of the vouchers.

1.3 The Statement of Receipts and Disbursements

Finding

The Ministry's Statement of Revenue Received reflected an amount of \$90 599 while the Statement of Receipts and Disbursements submitted for audit reflected collections worth \$80 460. There was no reconciliation of the two figures provided for my audit. The Statement of Receipts and Disbursements reflected total payments into the Exchequer Account of \$83 154. This implied that the variance between the total revenue collected and what was banked should have been cash on hand or in transit. This was not the case according to the reconciliation that was provided.

The closing balance as at December 31, 2014 was (\$555 515) but the opening balance for 2015 was \$3 833 and no explanation for the variance was given. The opening

balance of \$3 833 was not added or subtracted from collections and/or disbursements to get to the closing balance of \$6 662.

The statement was therefore, considered unreliable and not a true reflection of the transactions that occurred during the year under review.

Risk/ Implication

If revenue collected is not properly recorded, the Statement of Receipts and Disbursements may be misstated.

Recommendation

Management should ensure accuracy in the computation and proper disclosure on the returns.

Management Response

The total amount of \$90 5989 is inclusive of \$55 844 for surcharges raised during the year which has been reflected as part of revenue. A corrected return will be submitted.

According to our 2014 the Statement of Receipts and Disbursements our closing balance was nil not the \$555 515. Therefore, the Ministry could not consider the \$555 515 as our opening balance in 2015. The opening balance in 2015 of \$3 833 relates to unreceipted direct deposits received in December 2014 and were not receipted in the 13th period but were later receipted in January 2015. The correct revenue received amounted to \$83 153 not \$90 599. The Ministry is going to make the necessary correction to the return.

Evaluation of management Response

The 2014 return had collections worth \$103 983 while the payments to Exchequer amounted to \$659 499. Although the net effect amounted to \$555 515, the Ministry showed a nil balance. Thus the take on balance for 2015 should have been the closing balance for 2014.

1.4 Results Based Management Documents

Finding

While the Ministry's Integrated Performance Agreement (MIPA) and the Department Integrated Performance Agreements (DIPAs) for its departments were availed for audit examination, the Ministry did not fully comply with Audit Circular No.1 of 2015 as it failed to submit the respective Quarterly Performance and Monitoring Reports.

Furthermore, all the Agencies under the Ministry such as Universities, Teachers Colleges, Polytechnics and other institutions like the Zimbabwe Council for Higher

Education, Biotechnology Authority, Finealt and Verify Engineering did not submit their plans for the year. These institutions are the major players in the implementation of the Ministry's goals and objectives. Out of the Ministry's total expenditure of \$263 042 471, \$257 288 513 or 97.8% went to its institutions yet they failed to submit their plans for the year.

It is a requirement in terms of section 32 (2) of the Public Finance Management Act [*Chapter 22:19*] for the Ministry to submit financial statements with annual reports which should include reports on the activities, outputs and outcomes of the Ministry.

Risk/ Implication

If Results Based Management documents are not produced, it would not be possible to monitor and evaluate the performance of the Ministry and its agencies.

Recommendation

The Ministry should submit financial statements with annual reports as per requirement of section 32(2) of the Public Finance Management Act [*Chapter 22:19*].

Management Response

The program is coordinated by our Human Resources Department.

Evaluation of Management Response

The Human Resource Department is accountable to the Accounting Officer who should ensure that all relevant documents are availed for audit when required.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Misallocation of Expenditure

The Ministry was still misallocating expenditure as the issue was also raised in the current financial year.

AMENITIES FUND 2009-2010

OBJECTIVE OF THE FUND

The objective of the Fund is to provide students with facilities for sporting, social and cultural, sponsor education in subjects of a technical and cultural or intellectual nature, provide additional study aids for students. The Fund also provides salary advances for staff whose salaries are in arrears, canteen facilities for students and facilitate the production of learning aids.

I have audited the financial statements of the Amenities Fund for the financial years ended December 31, 2009 -2010.

Opinion

Because of the significance of the matter described in the Basis of Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Amenities Fund for the financial years ended December 31, 2009 and 2010.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Constitution of the Fund

Finding

As was reported in the 2009 financial year, the Fund was still operating without an approved Constitution since its inception in 1979. Up to the time of audit, the Constitution of this Fund had not been tabled in Parliament. No progress had been made in fulfilling this requirement.

Risk/Implication

The absence of an approved Constitution implies that there is no legal basis on which to assess the performance of the Fund.

Recommendation

The Ministry should ensure that all Fund accounts that fall under it have approved Constitutions in line with the requirements of the Public Finance Management Act.

Management Response

The observation has been noted. For the years 2009 and 2010 external audits were done concurrently in 2016. The Ministry is in the process of rectifying the formalisation of the Fund's constitution which is long overdue.

1.2 Submission of Financial Statements

Finding

The Fund's financial statements for 2009 and 2010 financial years, were submitted for audit on October 8, 2013, more than three years after the statutory deadline. This was contrary to Section 35(4) of the Public Finance Management Act [Chapter 22:19] which provides for the submission of the Fund's financial statements for audit to the Auditor-General within three months after the end of each financial year.

Risk/Implication

Failure to submit financial statements for audit on a timely basis may compromise decision making and accountability by those charged with governance.

Recommendation

The Ministry should ensure that its financial statements are submitted within the stipulated statutory deadline.

Management Response

The observation has been noted. The late submission of the Fund's financial statements was due to performance gaps by our officers. Delayed submission of financial statements led to delayed consolidation at the Head Office, also leading to delayed submission of the financial statements. The Public Service Commission has since been engaged to regrade Accountants in charge at our institutions in order to recruit, motivate and retain experienced staff for optimum performance.

1.3 Suspense Account

Finding

The financial statements had two different suspense account balances of \$356 921 (2009: \$114 521) in the Trial Balance and \$225 777 in the Statement of Financial Position. I could not therefore rely on the financial statements.

Risk/Implication

The financial statements could be materially misstated.

Recommendation

The Suspense Account should be investigated and adjusted accordingly.

Management Response

The observation has been noted. A suspense account was created while the imbalances were being investigated. The Ministry will continue with efforts to develop institutional Accountants in order to capacitate them to produce fair and reasonable financial statements. The Public Service Commission has since been engaged to regrade Accountants in charge at our institutions in order to recruit, motivate and retain experienced staff for optimum performance.

1.4 Maintenance of Financial Records

Finding

As was reported in the 2009 financial year, Colleges were not maintaining proper books of accounts. In some Institutions accounts were being prepared from the payment vouchers. Ledger accounts were not being maintained. This resulted in numerous variances between the aggregate financial statement balances and physical records. Consequently, I could not ascertain the correctness and fairness of revenue and expenditure disclosed in the financial statements submitted for audit which amounted to \$7 093 692 (2009: \$4 767 469) and \$6 301 245 (2009: \$3 841 635) respectively.

Income from students' fees was recognized on cash basis that is, at the point when cash was received instead of recognizing the revenue when invoices for fees due were raised resulting in failure to disclose debtors in the financial statements for the financial year under review. This was contrary to the accrual basis of accounting applicable to the operations of the Fund.

Risks/Implications

The financial statement could have been materially misstated. The balances in the consolidated financial statements were susceptible to errors and misstatements.

Recognising revenue on cash basis might have resulted in understating income, current assets and therefore distorting the accumulated fund. Furthermore, it would be difficult to determine how much money will be tied up in debtors at any given time.

Recommendations

The Ministry should ensure proper books of accounts are maintained, and accounting policies should be put in place to govern the operations of the Fund.

Furthermore, debtors' reconciliations should be done on a monthly basis.

Management Response

The observation has been noted. Some of our institutions were preparing their financial statements on cash accounting basis instead of accrual accounting basis.

The anomaly has been noted. The Ministry is going to make efforts to correct the anomaly and recognise debtors. All income shall be recognised on an accrual accounting basis hence forth. The Ministry will continue with efforts to develop institutional Accountants in order to capacitate them to produce fair and reasonable financial statements. The Public Service Commission has since been engaged to regrade Accountants in charge at our institutions in order to recruit, motivate and retain experienced staff for optimum performance.

1.5 Disclosure of Non-Current Assets

Finding

For the second year in succession, non-current assets of the Fund were not being disclosed in the financial statements. Acquisitions of non-current assets were expensed in the Statement of Comprehensive Income. The omission resulted in misstatement of the Fund's financial statements.

Risk/Implication

The state of affairs of the Fund at any given time may be misleading and accountability over non-current assets may be compromised if non-current assets are not disclosed in the financial statements.

Recommendation

Non-current assets should be disclosed in the financial statements to reflect a true and fair view of the activities of the Fund.

Management Response

The anomaly has been noted. Some of our institutional Accountants were preparing financial statements on cash basis instead of accrual accounting basis. Non-current assets will be disclosed appropriately. Going forward, we have

planned a staff development programme for our officers to produce fair and reasonable financial statements. The Public Service Commission has since been engaged to regrade Accountants in charge at our institutions in order to recruit, motivate and retain experienced staff for optimum performance.

NATIONAL EDUCATION AND TRAINING FUND 2013

OBJECTIVE OF THE FUND

The objective of the Fund is to provide grants and interest bearing loans to enable deserving students who are citizens of Zimbabwe and who are of well attested ability and proven diligence, to pursue course of studies leading to the acquisition of professional qualifications at local and foreign universities, teachers and agricultural colleges and other institutions of higher learning approved by the Secretary.

I have audited the financial statements of the National Education and Training Fund for the year ended December 31, 2013.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion paragraphs, the financial statements presents fairly, in all material respect, the results of operations of the National Education and Training Fund as at December 31, 2013.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Revenue Source

Finding

As was highlighted in my previous year's report, the Fund administrators improperly appropriated to the National Education and Training Fund amounts totaling \$421 308 (2012: \$532 059) instead of remitting the money to Treasury. The amount, which was comprised of refunds from various universities which had been funded from the Ministry's Appropriation Account to finance employment costs for those institutions, was accounted for under "Other Income."

Risk/Implication

The Fund's financial statements are misstated through inclusion of receipts which do not belong to the Fund.

Recommendation

The refunds should be investigated to establish the reasons behind and also to determine if all surpluses were remitted to Head Office. All the refunds held by the Fund should be remitted to Treasury.

Management Response

Funds disbursed to universities by Treasury to finance employment costs are paid out as grants and thus the excess of salaries and pension contributions returned to the Ministry were utilized given the minimal support from Treasury to finance day to day operations.

1.2 Cadetship Student Database

Finding

I was not provided with the database of all the beneficiaries of the scheme and the conditions under which the scheme was being operated. Disbursements were made on the basis of lists supplied by the universities and colleges. No acquittals were submitted for my examination. The Fund disbursed amounts totaling \$3 354 387 (2012: \$6 573 231) in respect of cadetship grants. I could therefore, not satisfy myself that the above amount was disbursed for the benefit of the deserving students. The matter was also raised in my previous year's report.

Risk/Implication

The Ministry may inadvertently pay ghost students if an independent record with relevant personal details of the students on cadetship is not maintained.

Recommendation

The Ministry should ensure that a student database for all students on cadetship is maintained and reconciliations done periodically.

Management Response

The database for students on cadetship is currently being prepared.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Interest Receivable

Finding

As was reported in my previous year's report, the Fund issued interest free loans to students, contrary to the provisions of the objectives of the Fund which require that it shall provide grants and interest bearing loans to deserving students and that the income of the Fund includes monies appropriated by Legislature for that purpose, interest and related charges. Loans issued out during the financial year under review amounted to \$39 322.

Risk/Implication

Issuing of interest free loans goes against the objectives of the Fund and this negatively impacts the revolving nature of the Fund given that there are transaction charges that have to be met.

Recommendation

Government Funded Scholarships should not be issued interest free. The Accounting Officer should determine the appropriate interest rate according to the Fund's constitution.

Management Response

The observation has been noted. The Ministry is working on policy document determining the interest rate on all student loans.

2.2 Debtors

Finding

Various amounts paid on behalf of students on scholarships at various foreign institutions were expensed in the Statement of Comprehensive Income under the fares and stipends item instead of being disclosed as debtors. This issue was raised again in my previous year's report.

Risk/Implication

The debtor's figure could be grossly understated and the financial statements may be misstated.

Recommendation

Government Funded Scholarships should not be accounted for under fares and stipends but instead should be accounted for separately by capitalising every loan issued.

Management Response

The observation has been noted. The Ministry had recognised payment of Government funded Scholarships together with fares and stipends. The anomaly has since been corrected. Scholarship debtors were created and fares and stipends remain expensed.

Evaluation of Management Response

While management has acknowledged that the anomaly has since been corrected, the position however, remained unchanged during the year under review,

3 PROCUREMENT

3.1 Other Expenses

Finding

The Fund paid an amount of \$20 781 as full fees, including fees and accommodation for 14 students at some local universities, contrary to the provisions of the Fund's constitution which provides that the expenditure of the Fund shall be approved loans and grants for tuition, stipends and fares. The payments were made as other expenditure. The authorisation for the payment of such fees was not produced for audit examination.

Risk/Implication

The Fund's core activities may suffer due to unauthorised expenditure and funds may be misappropriated.

Recommendation

The Ministry should adhere to the provisions of the constitution and pay expenditure which meet the objectives of the Fund.

Management Response

The observation has been noted. The Ministry paid non recoverable fees for disadvantaged students as approved by the then Head of Ministry

Evaluation of Management Response

The disadvantaged students are supposed to be assisted using cadetship funds.

TERTIARY EDUCATION AND TRAINING DEVELOPMENT FUND 2009 - 2010

OBJECTIVE OF THE FUND

The objective of the Fund is to collect and administer fees for the purposes of supplementing the Ministry of Higher and Tertiary Education, Science and Technology Development's budget (both capital and recurrent), for the development and maintenance of services, programmes and activities at tertiary institutions.

I have audited the financial statements of the Tertiary Education and Training Development Fund for the financial years ended December 31, 2009 and 2010.

Opinion

Because of the significance of matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Tertiary Education and Training Development Fund for the financial years ended December 31, 2009 and 2010.

Basis for Disclaimer of Opinion

1 GOVERNANCE ISSUES

1.1 Submission of Financial Statements

Finding

As was highlighted in my previous year's report, the Fund's financial statements for 2009 and 2010, were submitted for audit on September 13, and October 8, 2013 respectively, more than two years after the statutory deadline. This was contrary to Section 35(4) of the Public Finance Management Act [*Chapter 22:19*] that provides for the submission of the Fund's financial statements to the Auditor-General for audit within three months of the end of the financial year.

Risk/Implication

The absence of financial reports on a timely basis may compromise decision making and accountability by those charged with governance.

Recommendation

The Ministry should ensure that its financial statements are submitted for audit within the stipulated statutory deadline.

Management Response

The observation has been noted. The late submission of Fund financial statements was due to performance gaps by our officers. Delayed submission of financial statements led to delayed consolidation at the Head Office, also leading to delayed submission of the financial statements. The Public Service Commission has since been engaged to regrade Accountants in charge at our institutions in order to recruit, motivate and retain experienced staff for optimum performance.

1.2 Suspense Account

Finding

The Fund's financial statements had a suspense account balance of \$1 068 703 (2009: \$117 848) which was caused by poor maintenance of accounting records. The figure had not been cleared at the conclusion of the audit in June 2015. The issue was also reported on in my previous year's report.

Risk/Implication

The financial statements were materially misstated.

Recommendation

The difference should be investigated and adjusted accordingly.

Management Response

The observation has been noted. A suspense account was created while the imbalances were being investigated. The Ministry will continue with efforts to develop institutional Accountants in order to capacitate them to produce fair and reasonable financial statements. The Public Service Commission has since been engaged to regrade Accountants in charge at our institutions in order to recruit, motivate and retain experienced staff for optimum performance.

1.3 Maintenance of Financial Records

Finding

As was featured in the 2009 report, institutions were not maintaining ledgers as was evidenced by the absence of appropriate ledgers at the fourteen colleges visited. This was contrary to Section 5 paragraph 5.3 of the Fund's Financial and Accounting Procedures Manual which provides for the maintenance of the General Ledger to be used for posting entries from the Cash book, debtors control and creditors control and

journals of the Fund. As a result, I was not able to obtain appropriate and sufficient evidence to confirm the authenticity of figures disclosed in the financial statements.

Risk/Implication

Financial statements are susceptible to material misstatements due to omissions or double capturing of transactions.

Recommendation

The colleges should maintain the ledgers as required by the Fund's Financial and Accounting Procedures Manual.

Management Response

The observation has been noted. The Ministry has embarked on a training programme to develop Accountants at institutions. The Ministry initiated the auditing of the Fund as a way to establish the gaps that we already noted on institutional visits. For most institutions, the Fund had not been audited since 2009. During the year 2016 efforts will be made to computerise all Fund accounts in a bid to produce standard reports that are accurate. All our Funds are supposed to operate on an accrual accounting basis. Auditing of the Fund for the years 2009 and 2010 were done concurrently. The Public Service Commission has since been engaged to regrade Accountants in charge at our institutions in order to recruit, motivate and retain experienced staff for optimum performance.

1.4 Financial and Accounting Procedures Manual

Finding

The Fund's Financial and Accounting Procedures Manual produced in May 1999 had not been updated to account for the introduction of the multi-currency system introduced in 2009. It was against this background that the Financial and Accounting Procedures Manual in place became inadequate to deal with new variables brought about by the currency change. For example, monetary limits that were set in the Financial and Accounting Procedures Manual have become irrelevant. The issue was also raised in my previous year's report.

Risk/Implication

The Financial and Accounting Procedures Manual currently in use may be inadequate to cater for the changes brought about by the introduction of the multi-currency system. The procurement process may be prone to manipulation and bias.

Recommendation

The Ministry should review the current Accounting Procedures Manual in light of the changes within the Zimbabwean economy and staff trained on how to apply such procedures and policies. The Ministry should establish controls within the manuals to ensure that leakages associated with weak internal controls are avoided. Accounting policies should be put in place to govern the classification of assets, thresholds for capitalisation and depreciation.

Management Response

The observation has been noted. The Ministry uses the Fund's Financial and Accounting Procedures Manual concurrently with guidelines like the Public Finance Management (PFM) Act, Treasury Instructions, Accounting Officer's Instructions, Treasury Circulars and International Financial Reporting Standards (IFRS). Currently, Treasury is reviewing the PFM Act and Treasury Instructions. Thereafter, efforts will be made to review and amend the Fund's financial and accounting procedures manual.

1.5 Disclosure of Non-Current Assets

Finding

At institutional level, Non-current assets were only disclosed in the year of acquisition and were omitted in the subsequent year. There was no disclosure of Non-current assets in the consolidated Statement of Financial Position as at December 31, 2010 as these were written-off in the Statement of Comprehensive Income. Consequently, the financial statements were grossly misstated during the year under review. The issue also featured in my previous year's report.

Risk/Implication

Unavailability of clear policies may lead to presentation of unreliable financial information.

Recommendation

The Ministry should comply with policy guidelines, as stated on paragraph 4.7 of the Financial and Accounting Procedures Manual that fixed assets should be capitalised at the time of purchase and also depreciated using the straight line method based on the life-span of the asset.

Management Response

The anomaly has been noted. Some of our institutional Accountants were preparing financial statements on cash basis instead of the accrual accounting basis. Non-current assets will be disclosed appropriately. Going forward, we have planned a staff development programme for our officers to produce fair and reasonable financial statements. The Public Service Commission has since been engaged to regrade Accountants in charge at our institutions in order to recruit, motivate and retain experienced staff for optimum performance.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Debtors

Finding

For the financial years 2009 and 2010, income from students' fees was recognised when cash was received instead of recognising revenue when it was earned. The practice resulted in the non-disclosure of student debtors in the financial statements.

Risk/Implication

Recognizing revenue on cash basis might have resulted in the understatement of income, current assets and thereby distorting the accumulated fund. Furthermore, it would be difficult to determine how much money would be tied up in debtors at any given point in time.

Recommendation

A ledger account should be opened for each student, debited with amounts due at the beginning of each term and credited whenever a payment is made. Furthermore, debtors' reconciliations should be done on a monthly basis.

Management Response

The anomaly has been noted. The Ministry is going to make efforts to correct the anomaly and recognise debtors. All income shall be recognised on accrual basis hence forth. The Ministry will continue with efforts to develop institutional Accountants in order to capacitate them to produce fair and reasonable financial statements. The Public Service Commission has since been engaged to regrade Accountants in charge at our institutions in order to recruit, motivate and retain staff for optimum performance.

VOTE 17.- YOUTH, INDIGENISATION AND ECONOMIC EMPOWERMENT

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Youth, Indigenisation and Economic Empowerment for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of Ministry of Youth, Indigenisation and Economic Empowerment as at December 31, 2015.

However, below are material issues that were noted during the audit:

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Vocational Training Centres

Finding

From a sample of six Vocational Training Centres visited during the year 2015, I observed that no debtors' records were being maintained. This is in contravention of the requirements of Treasury Instruction 0501 which provides that Officers responsible for collecting debts shall take adequate steps to collect any sums due to the Government on due date and shall on no account allow a debt to become extinguished through lapse of time. There was no evidence that Centres issued out reminders and follow-up letters to recover outstanding debts.

Vocational Training Centres (VTCs) were charging \$250 per term per person for those attending training programmes. Out of the \$250 received from each student per term, \$10 was paid into the Exchequer Account and the balance of \$240 was retained and utilised at the VTCs. During the year under review, VTCs collected revenue amounting to \$2 133 260 and met expenditure amounting to \$2 069 495 out of the retained funds. There were no guidelines and procedures as to how the retained funds should be utilised.

Risk/Implication

The longer debts remain outstanding the more difficult it will be to recover them.

Without specific instructions on the operations of the Centres, officers may adopt inconsistent practices which may hinder the achievement of the VTCs' objectives.

Recommendation

Centres should make concerted efforts through issuing reminders and follow-up letters to ensure recovery of debts.

The Accounting Officer should issue Financial and Administrative Instructions governing the operations of the Vocational Training Centres. This would ensure uniformity in the execution and recording of transactions, serve as a training tool for officers thereby reducing processing errors and inconsistencies.

Management Response.

The observation has been acknowledged. In its Accounting Instructions for the Vocational Training Centres, the Ministry will include how management of debtors should be done. On June 2, 2016, there will be a meeting where all principals will be present and this issue is one of the agenda items.

The Ministry has since written to the Accountant-General on how to report on the revenue collection and use of retained funds. In our submission we had proposed that we report these transactions under the Youth Development and Employment Creation Fund. The Accountant-General however, had shown that it was not proper to include that expenditure in the Appropriation Account since the funds were not appropriated. In our follow up, it was said the response will be delivered soon.

1.2 Internal Creditors

Finding

An examination of Travelling and Subsistence registers revealed that the Ministry owed its employees allowances amounting to \$110 126 for both Foreign and Domestic travel. There was no evidence that effort was being done to pay employees what was due to them as some debts had remained static since 2014.

Risk/Implication

Failure by the Ministry to pay employees allowances due to them would negatively affect staff morale and thereby affecting service delivery.

Recommendation

Management should come up with a plan on how they intend to clear the outstanding allowances to its employees.

Management Response.

It is acknowledged that the Ministry owes its officers the amounts indicated. As soon as Treasury avails the funds, the officers will be reimbursed.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Direct Payments by Treasury

The Ministry now carries out reconciliations on payments made by Treasury.

2.2 Revenue Collection and Recovery

A comprehensive register of houses under Ministry administration is now in place.

YOUTH DEVELOPMENT AND EMPLOYMENT CREATION FUND 2014

OBJECTIVE OF THE FUND

The purpose of the Fund is to mobilise financial resources for on-lending to youth businesses, projects and youths intending to start income generating projects and businesses to empower and create employment for them.

I have audited the financial statements of the Youth Development and Employment Creation Fund for the year ended December 31, 2014.

Opinion

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, the financial position of the Youth Development and Employment Creation Fund as at December 31, 2014.

Basis for Adverse Opinion

1 GOVERNANCE ISSUES

1.1 Investments

Findings

Included in the investment figure of \$1 879 755 disclosed in the financial statements was an investment of \$1 693 556 held with the Commercial Bank of Zimbabwe (CBZ) that was used as collateral on loans issued to youths. By December 31, 2014, loans amounting to \$1 887 949 issued to beneficiaries had been declared irrecoverable by the Bank. Accordingly, the Bank was to recover the loans from those investments. The possible loss arising from the loan defaulters was not disclosed in the financial statement.

Also included in the investment figure, were investments amounting to \$186 199 held with Allied Bank that went into liquidation in January 2015. I was not able to establish how much the Fund would recover from the liquidator. There was also no evidence that investments were being monitored by management. No provision was created to cater for a possible loss arising as a result of the liquidation of the Bank.

Risks/Implications

State funds are exposed to misappropriation if guarantees are given without appropriate authority.

Failure to monitor investments held with financial institutions may expose State funds to misuse.

Recommendations

The Fund should liaise with Treasury to have the Youth Empowerment Facility (YEF) Guarantee Fund regularised.

All investments held with financial institutions should be monitored to ensure that the investments are performing well and that they are properly managed.

Management Response

The Ministry held a meeting with CBZ Bank in November 2015 and resolved that recalling of the Guarantee Fund be shelved for now to pave way for both the Ministry and CBZ bank to design mechanisms to recover the outstanding balances from the defaulting youths. The Bank is yet to make a formal response.

The Ministry received the initial payment of \$500 from Depositor's Protection Corporation in respect of Investments held with Allied Bank. The Ministry is now waiting for the final liquidation of Allied Bank's Account by the Master of High Court and the resultant receipts from its distribution.

Evaluation of Management Response

Even though the Ministry indicated that a resolution was reached where the recalling of the Guarantee Fund was to be shelved, there was no documentary evidence from the Bank that the said meeting was held.

1.2 Loans

Finding

Loans issued to youths amounting to \$531 165 and loans to Vocational Training Centres of \$43 811 were overdue by April 30, 2015. No allowance was created to recognize the potential loss that would arise as a result of irrecoverable loans.

Risk/Implication

The figure of loans disclosed in the financial statements could be misstated if the Fund does not create an allowance to recognise the potential loss that would arise as a result of irrecoverable loans.

Recommendation

An allowance should be created to recognise the potential loss that could arise as a result of irrecoverable loans.

Management Response

The observation is noted. The Ministry submitted a request to the Ministry of Finance for financial resources for the Monitoring and Evaluation exercise of the youth loans funded under the Youth Development and Employment Creation Fund. The Monitoring and Evaluation exercise will be focused at debt recovery. The budgetary request submitted to the Ministry of Finance was earmarked for two months that is May 2015 and June 2015. The initial monitoring and evaluation exercise is targeting four provinces namely Harare, Mashonaland Central, Mashonaland West and Mashonaland East. The other provinces will be undertaken when resources are availed.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Advances to Parent Ministry

Finding

In 2013 the Fund had an opening balance of \$130 105 as advance to its Parent Ministry in respect of payments to suppliers on procurement of goods and services to meet Appropriation activities. This was in violation of the provisions of the Fund's Constitution which states that the Fund's expenditure should be in line with its operations. The same problem persisted in 2014 with the Fund issuing a further advance of \$8 752 to the parent Ministry, bringing the total amount advanced to \$131 216. This amount remained outstanding as at December 31, 2015.

Risk/Implication

The practice of loaning financial resources to its Parent Ministry could cripple operations of the Fund and may result in the Fund failing to achieve its intended objectives, as financial resources will be tied up in advances.

Recommendation

The Accounting Officer, as the responsible authority, should ensure that the amount involved has been refunded to the Youth Development and Employment Creation Fund. The Fund's financial resources should be used to fulfil the objectives of the Fund.

Management Response

The Ministry had hoped that with releases from the Treasury the balance will be cleared. However, it has turned out that it will be difficult to reimburse and the Ministry is considering applying to Treasury for authority to write off the outstanding amounts.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Assets-Motor Vehicles: Failure to convene Board of Inquiries on accidents involving Fund vehicles.

Boards of Inquiry had now been convened.

VOTE 18. - HOME AFFAIRS

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Home Affairs for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Home Affairs as at December 31, 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Sub-Paymaster General's Account Reconciliations

Finding

Contrary to Treasury Instruction 1301 which requires that a reconciliation of the Paymaster-General's account for each Ministry, covering the previous month's transactions, be submitted to the Treasury on or before the seventh working day of each month, I noted that the Department of Administration and General was not carrying out monthly Sub-Paymaster General Reconciliations during the year under review. As a result, the Appropriation Account reflected total expenditure of \$7 098 624 whilst the Public Finance Management System (PFMS)'s Account reflected \$6 835 886 resulting in a difference of \$262 738.

I further noted that the total expenditure for the Ministry as per the PFM system was \$365 565 522, whilst the Appropriation Account had \$365 776 606 giving a difference of \$211 084.

Risk/Implication

Errors and omissions may go undetected if reconciliations are not done.

Recommendation

The Department should carry out monthly Sub-Paymaster General Reconciliations between the bank statement and the PFMS balances to enable the detection of errors and omissions.

Management Response

The monthly Sub-Paymaster General Account reconciliations will be done in order to timeously establish errors and omissions.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Direct Payments

Finding

I noted that there were no reconciliations made for Telone payments that had been made by Treasury amounting to \$1 645 828 on behalf of the Ministry. I was therefore, not able to ascertain if it was a proper charge to the public funds and that services were actually received.

Risk/Implication

Dual payments may be made if reconciliations on direct payments are not done

Recommendation

The Department should reconcile all direct payments made.

Management Response

Payments were done directly by Treasury and paid to offset their dues with ZIMRA. However, the Ministry continue to have challenges with Telone in that they bill onto a bulk account thereby rendering reconciliations difficult.

The problem would be solved once the installation of a new PABX system with in-built functionalities that controls usage through call monitoring and call restriction levels which is already underway, is completed.

2 EMPLOYMENT COSTS

2.1 Housing Allowances

Finding

I noted that fifteen (15) officers from the Registrar General Department with free Government accommodation were also paid housing allowances ranging from \$91 to \$129 per month. This amounts to double dipping. Table below refers.

No.	E.C number	Province	GP Number/ House number
1	3007319Z	Matabeleland South	2054/28/124 Mthwakazi, Filabusi
2	5800523Q	Matabeleland South	2138/14 DA's camp, Kezi
3	1587639T	Matabeleland South	2054/28/123 Mthwakazi, Filabusi
4	5800593R	Matabeleland South	9776/148 Mthwakazi, Filabusi
5	5845328R	Matabeleland South	9776/148 Mthwakazi, Filabusi
6	3994626J	Matabeleland South	9776/148 Mthwakazi, Filabusi
7	39371385X	Matabeleland North	GP2272/6
8	3015207Y	Matabeleland North	GP2272/3
9	3999308Y	Matabeleland North	7 Efusini
10	3965128W	Mashonaland East	244/3
11	4005895H	Manicaland	Old Agritex Training centre
12	4005701X	Manicaland	GP 5698
13	0120513R	Manicaland	6343
14	3998055L	Mashonaland Central	GP 5190/25
15	1898710P	Mashonaland Central	GR 100053

Risk/Implication

There may be loss of the much needed revenue through double dipping.

Recommendation

The Department should liaise with Ministry of Local Government, Public Works and National Housing to ensure that rental deductions are effected. Overpayments should be recovered too.

Management Response

The observation has been noted. The Department submits monthly rental returns for all Government houses under it every end of month to Head Office, Ministry

of Home Affairs. Measures are being taken to recover the rentals not paid to Ministry of Local Government, Public Works and National Housing.

3 REVENUE COLLECTION AND DEBT RECOVERY

3.1 Debt Collection

Findings

For the second year in succession, there was no evidence that the Ministry had referred third party outstanding balances amounting to \$392 990, dating back as far as 2009 to the Civil Division of the Attorney General's Office for debtors follow-up and recovery.

I further noted that there was no evidence of checking of records by a senior person on the third party register, receipt books as well as on the Receipts and Disbursement returns. This was contrary to Treasury Instruction 1709 which requires among other things that the accuracy of accounts should be checked. This was an indication of weak internal controls.

Risks/Implications

Potential revenue may be lost through bad debts if it takes long to follow up.

Errors or omissions might not be detected on time.

Recommendations

The Ministry should liaise with The Department of Civil Division of the Attorney General's Office for collection of debts.

The Department should enhance their internal control systems.

Management Response

The observation has been noted. The letters of demand were written as follow ups for payments. However, the responses have been slow in coming. Going forward the Ministry is due to do an age analysis and hand over to the Civil Division for assistance.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The Ministry did not implement audit recommendations in my management letters of the financial years ended December 31, 2012, 2013 and 2014. The Department of Administration and General still failed to carry out Sub-Paymaster General's Account Reconciliation and maintain Master Assets Register.

For the third year in succession, I have to report that the storage and preservation facilities at the National Archives of Zimbabwe were malfunctioning resulting in some records being damaged beyond repair due to corrosion. The situation was still the same in 2015. Furthermore, the recommendations by a board of survey which was convened on October 21, 2011 to decide on redundant and unserviceable assets were still not approved at the time of audit.

NATIONAL ARCHIVES RETENTION FUND 2014

OBJECTIVE OF THE FUND

The main objective of this Fund is to provide resources to vital archival exercises, staff training and welfare, sponsoring of services awards, provision of information and procurement of furniture and office equipment.

I have audited the financial statements of the National Archives Retention Fund for the year ended December 31, 2014

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position and performance of the National Archives Retention Fund for the year ended December 31, 2014.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Remittance of Revenue to Consolidated Revenue Fund

Finding

Contrary to the provision of Treasury Circular number 7 of 2010, which requires departments to initially remit all revenue collected to the Consolidated Revenue Fund, I noted that out of a total amount of \$9 364 collected, only \$1 883 was remitted to the Consolidated Revenue Fund thereby retaining \$7 481 which was way above the 10% threshold retention the department was entitled to.

Risk/Implication

Funds may be used for the purpose not intended if unauthorised amounts are retained by the fund.

Recommendation

The department should remit all the retention moneys that it receives to Treasury on monthly basis.

Management Response

The observation has been noted, the department will comply with the requirements of Treasury Circular 7 of 2010.

REGISTRAR GENERAL RETENTION FUND 2014

OBJECTIVE OF THE FUND

The main objective of this Fund is to provide additional resources for all vital registration exercises, staff training, staff welfare, awarding of merits and informational needs.

I have audited the financial statements of the Registrar General Retention Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Registrar General Retention Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Excess of Expenditure over Income

Finding

The Fund incurred excess expenditure over income amounting to \$3 421 495. This is contrary to Section 7.6 of the Registrar General Accounting Manual which requires the Fund to implement a commitment control system to ensure expenditure control.

Risk/Implication

The Fund may fail to achieve its objectives.

Recommendation

The Fund should monitor its expenditure closely in order to operate within its budget.

Management Response

The expenditure charged to the Statement of Comprehensive Income includes items such as depreciation which do not affect the flow of cash hence not constituting actual expenditure. Cash and cash equivalents brought forward from the previous financial year were also not considered.

Although depreciation is part of expenditure charged to the Statement of Comprehensive Income, the Ministry could not set aside the charge since it used cash budgeting.

The Ministry could not also set aside or budget the said amount for depreciation since it was struggling to raise adequate funds to finance the department. Currently the Ministry is solely depending on the fund because Treasury does not provide funds to the department. The Ministry had to forgo other programs because of financial constraints. With the economic environment we are operating in, it was impossible to set aside that amount since it would have resulted in not accomplishing most of our set targets.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Management of Security Items

Findings

Contrary to section 7 of the Registrar General Accounts Manual, which requires that the Provincial / District Registrar shall examine the security items registers once a week and sign or do month by month physical checks, there was no evidence of checking by the Gweru Provincial Registrar, Rushinga and Guruve District Registrar's Office of the registers during the period January 2014 to June 16, 2015.

Despite that section 8 of the Registrar General Department Accounts Manual requires among other things that the Provincial Registrar or Accountant's mandate is to set a board of inquiry and report the matter to the Police for investigations, I noted that no board of inquiry was done for 13 missing Birth and Deaths (BD6) forms at Lupane District Registry Office. The suspected officer absconded from duty after a Police report reference CR 29/02/2015 had been made and up until the date of audit the officer had not returned to work. Table below shows details of the missing BD 6 forms.

Range of serial numbers	Number of forms
164610-164612	3
415985-416000	6
154999	1
157090-157091	2
157098	1
Total	13

Risks/Implications

The security items might be prone to abuse by the officers.

Fraudulent use of the BD 6 forms could not be ruled out.

Recommendations

The Provincial Registrar should conduct the monthly checks of security items.

The Department should investigate on the whereabouts of the officer and set a board of inquiry to look into the matter.

Management Response

The observation has been noted, measures have already been put in place to ensure timely checking of books.

The observation on missing BD6 forms has been noted and the board of inquiry has been set.

2 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

2.1 Public Sector Investment Programme (PSIP)

Finding

The Lupane New Registrar General Offices were completed and handed over to the Ministry of Local Government, Public Works and National Housing on February 26, 2014 by the Contractor. However, as at the date of audit June 18, 2015 the Registrar General Department had not taken occupancy of the building.

Guruve and Kadoma District Registrar's offices were constructing office blocks however, construction work was stopped in 2013 and 2006 respectively. Major outstanding works at Guruve being electricity connection, ceiling and flooring. However, a physical inspection of the buildings revealed that, due to idleness, they were now deteriorating as evidenced by the leaking roofs and window frames that were falling off and grass was now growing around the building causing cracks on the walls as well as birds spoiling the painted walls.

Risk/Implication

There will be wastage of resources as some of the works will be redone if construction recommences.

Recommendations

The Registrar General should consider finishing off the buildings to avoid further deterioration.

The Department of the Registrar General should occupy the completed offices in order to stop payment of rentals.

Management Response

The observations has been noted. At Lupane the Registrar General had not yet taken occupancy of the office because there is no water and electricity which is a health hazard and the bill is yet to be settled by Public works.

At Guruve and Kadoma District offices, no funds have been released from Treasury for the past years.

ZIMBABWE REPUBLIC POLICE REVOLVING FUND 2014

OBJECTIVE OF THE FUND

The Fund was established to facilitate the provision of money to the Zimbabwe Republic Police for the effective and efficient administration of the Police, especially to lift the morale and well-being of members and officers.

I have audited the financial statements of the Zimbabwe Republic Police Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Zimbabwe Republic Police Revolving Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Excess expenditure over income

Finding

Contrary to the objective of the Public Finance Management Act [*Chapter 22:19*] section 3 which encourages on the need to secure transparency, accountability and sound management of revenues, expenditure, assets and liabilities, the Fund incurred excess of expenditure over income amounting to \$3 221 875. This was due to weak budgetary control measures.

Risk/Implication

The Fund may fail to sustain its operations in the foreseeable future if it continue to operating outside the budget.

Recommendation

The Department should enhance the monitoring and control of the budget to ensure that expenditure incurred is confined to the budgeted amount.

Management Response

The excess expenditure is a technical issue which occurred during preparation of financial statements at the end of the year 2013. None cash flow items on the face of the Statement of Comprehensive Income recorded as expenditure, which require disclosure in line with International Accounting Standards resulted in profit figures different from cash at bank. Such items include depreciation and other expenditure items which do not involve cash outflows. The cash for these items, which was still not yet expended, was then used in 2014 creating an artificial over expenditure. The situation will be rectified by preparing cash flow statements which show the actual cash movements and the cash balances.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Impounds Vehicle Registers

Finding

In contravention of paragraph 8 of the Memorandum for Vehicle Impounds, Traffic West and Bulawayo Traffic stations were not indicating in the disposal column of the register the action taken when a vehicle has been disposed. I was therefore not able to determine whether the impounded vehicles had paid the fines since they were not on the station at the time of audit.

Risk/Implication

Corruption might be encouraged due to this loophole.

Recommendations

Senior Officers should enforce the requirement to complete the register or one officer be assigned per day to update the register.

All impounded vehicles should produce a receipt/ticket on their way out since the gates are always manned.

Management Response

The observation has been noted. However, not all impounded vehicles end up paying fines as some are impounded for verifications while some are impounded for other departments such as Vehicle Inspection Department.

The organization will improve the general administration of the impounded vehicles and ensure that the disposal column in the register is endorsed appropriately.

1.2 Maintenance of Fuel Records

Findings

I could not verify the records for the fuel at Hwange Transport section due to the manner in which information had been presented. I failed to understand how the opening and closing balances were arrived at.

Also of concern at Hwange, Mashonaland West and Bulawayo Provincial Offices were the control weaknesses in the fueling of vehicles. There were no proper systems in place for drawing out fuel especially when it was put in drums. This was in contravention of Zimbabwe Republic Police Internal Memorandum RTM 40/14 dated March 19, 2014 which prohibits the use and storage of fuel in containers. It was further indicated that vehicles for senior officers did not require authorisations or requisitions.

Furthermore, Hwange District Office could not account for the source of 4×25 litres of fuel that was in their stores. There was also a transfer of 440 litres of diesel which was forfeited to the State from lost and found property in April 2014, which the district could not account for.

There was 620 litres (31×20litres) of fuel at Plumtree stores which was forfeited to the state without documentation of the makeup of that fuel as no register was maintained for the fuel which was forfeited to the State.

Risk/Implication

Fuel may be misappropriated if the Fund does not maintain proper accounting records.

Recommendations

A simple system should be introduced such that one can easily verify what was in stock, consumed and closing balance.

Accountability for fuel needs to be improved.

The ZRP should consider having requisitions for senior officers approved or limits set on the fuel that they are allowed to use per month.

Management Response

The observation on the maintenance of fuel records at Hwange Transtech, Mashonaland West and Bulawayo Provincial offices has been noted. The system has since been improved through the introduction of fuel registers.

Investigations are underway to establish the origins and the whereabouts of fuel at Hwange and Plumtree.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Banking of Funds

Finding

In contravention of Treasury Instruction 0454 which stipulates that public moneys should be deposited daily, I noted that there were delays in banking at Harare Central, Harare Traffic, Mabvuku Traffic, Borrowdale, Avondale, Chegutu Traffic, Sanyati, Gwanda Traffic, Karoi and Siyakobvu Police Stations. I raised the same issue in the management letter dated September 2, 2014.

Risk/Implication

Delays in banking of cash makes it susceptible to misappropriation or theft.

Recommendation

Cash should be banked timeously as required by the Treasury Instructions.

Management Response

The organization has been bound by Treasury Instruction 0454. However, it should be noted that some stations, like SIYAKOBVU where only one bus operates the route, are far (210 Km) from the banks hence the delay in banking.

In addition, bankings for stations in urban set-ups were at times affected by crucial security operations and national events.

The organisation will ensure that all stations adhere to the requirements of the Treasury Instructions in relation to banking.

2.2 Issuing of Multiple Fine Charges on One Ticket

Finding

Police officers are required to issue a ticket on each offence which must not exceed level three (\$20). However, I noted that Bulawayo Traffic West, Victoria Falls and Plumtree Traffic police stations were receipting more than one offence on one receipt resulting in fines being charged exceeding \$20 despite that the issue was raised in my prior year audit.

Risk/Implication

Combining of fines on same Z69J receipt makes the total fine exceeds level three which is outside the jurisdiction of the police for such a charge.

Recommendations

The Department should enforce the requirement to the officers on patrol.

The officers should indicate on the tickets the breakdown of the fines and offences.

Management Response

The audit observation has been noted. The position is that police should not accept fines exceeding level three (\$20) per each traffic offence, a position which the organisation is conversant with. The statutory requirement is silent on the number of offences/charges to be receipted on one admission of guilt form (Z69J receipt).

However, in the interest of reaching common ground, Police officers have been directed to adhere to the recommendations.

2.3 Charging of Spot Fines

Finding

Contrary to National Deposit Fines Schedule which requires that officers charge fines as prescribed therein, I noted that there were inconsistencies in charging of fines at Bulawayo Traffic West, Hwange, Beitbridge Urban, Victoria Falls, Chinhoyi, Karoi Central, Kadoma Central, and Chegutu Traffic Police Stations as the officers were receipting fines above or below the prescribed levels. I raised the same issue in my previous year's audit.

Risk/Implication

Service delivery and public confidence in the force is greatly compromised.

Recommendation

The Department should adhere to the Traffic fines schedule when receipting spot fines.

Management Response

The issue has been addressed through printing and distribution of 6 000 reference copies. Distribution to all police stations is in progress.

3 PROCUREMENT

3.1 Supporting documents to payment vouchers

Finding

Contrary to the Public Finance Management Act [*Chapter 22:19*] *Section 81 (2) (b) (iii)* which states that the payment vouchers must be sufficiently supported, I noted that the payments amounting to \$738 050 were made in 2014 but were received by the supplier in May 2015. This was caused by the weakness in internal controls.

Risk/Implication

Expenditure could be incurred for no services rendered.

Recommendation

When payments are made receipts should be obtained immediately or within reasonable time.

Management Response

All cited documents in the Management letter had relevant proforma invoices as attachments. However, soon after the payment process, there was some organisational redesign and transformation exercise that subsequently led to personnel reassignments in various sections of the force.

This arrangement did not spare the transport department and hence the delay in sourcing of actual receipts to confirm that the payment had gone through.

Administratively it has been agreed that the Administrators of the Fund will make a follow up with user departments for relevant receipts within a month from the date of payment.

3.2 Procurement of Vehicles outside the Budget

Finding

In contravention of Section 7 of the Accounting Officer's Instructions Manual on Budget and Budgetary control which requires among other things adherence to the budget, I noted that the Department procured 35 Motor Bikes, 1 Range Rover, 10 Mercedes Benz and a Toyota coaster which were not budgeted for.

Risk/Implication

The Fund may incur uncontrolled and wasteful expenditure if they continue to incur expenditure not budgeted for.

Recommendation

The Department should always operate within the budget.

Management Response

Priority shifted due to unforeseen events as a result of increased operational activities that forced the organisation to source for more vehicles than budgeted.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The board of survey for assets for the Hwange Traffic section was done.

VOTE 19.- JUSTICE, LEGAL AND PARLIAMENTARY AFFAIRS

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Justice, Legal and Parliamentary Affairs for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account present fairly, in all material respects the financial position and performance of the Ministry of Justice, Legal and Parliamentary Affairs as at December 31, 2015.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Outstanding Advances

Finding

In violation of Treasury Instruction 1505 the Ministry did not recover the amounts that remained outstanding in the advances account totalling \$511 224 (2014: \$507 829). Some of the amounts have become long outstanding dating as far back as 2010 financial year. The Ministry only managed to recover a total of \$4 150 (2014: \$31 059). I made the same observation on page 306 of my report for the year ended December 31, 2014.

Further to the above, as was the position in 2014 financial year, the Ministry's accounting records were not properly maintained and as a result, the Ministry failed to relate recoveries to specific accounting periods to which the advances were paid.

Risk / Implication

The ministry may fail to recover the long outstanding amounts if recovery action is not accelerated.

Recommendation

The Ministry should increase the rate of recovery particularly for those amounts that have been outstanding for a long time. Deductions should be resumed without any further delay.

Management Response

The observation has been noted. The Ministry has since started making recoveries. The Accounting Officer has authorised a minimum deduction of \$100 and a maximum of \$500 depending on the level of remuneration. This will greatly improve the amount being recovered, as in the month of April 2016, \$7 500 has been recovered and additional names have been submitted for recovery in May 2016.

1.2 Outstanding Cell Phone Debtors

Finding

In violation of Treasury Circular Number 1 of 2010 and Cabinet Circular Number 9 of 2010, the Ministry did not recover amounts outstanding in the Cell Phone debtors' account totalling \$142 823 (2014: \$128 379). I am concerned that balances are long outstanding dating as far back as 2011 financial year.

Risk/Implication

The Ministry may fail to recover amounts outstanding if some employees leave the Ministry before clearing the amounts.

Recommendation

The Ministry should expedite the recovery effort by ensuring that the outstanding debts are recovered in full as required by Treasury Circular Number 1 of 2010.

Management Response

Recovery action has been initiated effective April and May 2016. As for the age analysis, this has not been possible due to poor maintenance of records prior to 2015. However, with effect from 2015 financial year, ledgers have been maintained and records will enable the Ministry to produce an age analysis.

Evaluation of Management Response

The rate of recovery is very insignificant to the extent that it is more likely that the Ministry may end up not being able to recover all the outstanding amounts.

1.3 Outstanding Revenue

The returns for Treasury Orders, Penalties, Departmental Surcharges and Fines reflected total amount of \$228 230 as at December 31, 2015. Due to poor maintenance of accounting records, the Ministry was unable to relate the outstanding amounts to specific accounting periods to which the outstanding revenue relates.

Risk/Implication

The Ministry may fail to recover the advances as employees may retire or terminate employment before full recovery.

Recommendation

The Ministry should make effort to recover the outstanding revenue.

Management Response

The audit observation has been noted and accepted. The Ministry will abide by the audit recommendation.

2 GOVERNANCE ISSUES

2.1 Unsupported Expenditure

Finding

For the third year in succession, in violation of Section 81 (b) of the Public Finance Management Act [Chapter 22:19] read in conjunction with Treasury Instruction 1216, Treasury made payments to service providers totalling \$17 577 (2014: \$167 246) on behalf of the Ministry. The Ministry did not obtain receipts or any proof of payment to support the expenditure. Treasury directed that in all cases where payments are made to service providers on behalf of the Ministry, it is the responsibility of the Ministry to proceed and obtain receipts or any proof of payment to support the expenditure. I was unable to determine whether the expenditure amounting to \$17 577 was properly incurred.

Risk/Implication

If receipts or proof of payment are not obtained from the service providers for payments made by Treasury on behalf of the Ministry, dual payments may be processed.

Recommendation

In all cases where Treasury makes payments on behalf of the Ministry, receipts or proof of payment should be obtained and maintained. Unsupported transactions should be investigated to determine whether the expenditure was properly incurred.

Management Response

The observation has been noted. The payments in question relate to set-offs processed through the Ministry of Finance. Payments for NetOne, Africom and TelOne have been regularised whilst those for the Zimbabwe Prisons and Correctional Services (ZPCS) were not for services rendered. Audit should therefore follow up these set-offs with Treasury.

Evaluation of Management Response

As for Chivi Rural District Council, the payment was made but the local authority was not owed anything by ZPCS. Chinhoyi Municipality did not receive the payment. It is the responsibility of the Accounting Officer to follow up and investigate these cases for full accountability.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Submission of Returns

Finding

In violation of the provisions of section 35 of the Public Finance Management Act [Chapter 22:19] read in conjunction with Treasury Circular Number 1 of 2015, the Ministry submitted the Sub-Paymaster general's return on May 5, 2016 which was more than sixty days after the statutory deadline of February 28, 2016 and after audit had been completed. The Account is a key input to the production of the Appropriation Account.

Risk/Implication

If the Sub-Paymaster General is not produced for audit examination, it becomes doubtful whether transactions were properly processed or whether transactions were properly incurred.

Recommendation

Statutory returns should be submitted for audit examination within the time frame stated in standing instructions.

Management Response

The observation has been accepted. The delay in submission is regretted. The officer responsible for producing the return went for early maternity leave resulting in the preparation of the return being assigned to someone at a later stage.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Failure to clear outstanding cell phone allowances

The recommendation had not yet been implemented.

2.2 Failure to clear outstanding Travelling and Subsistence advances

The advance were still outstanding as at the conclusion of the audit.

2.3 Unsupported Expenditure

The issue of unsupported expenditure is still outstanding though there is some Improvement.

2.4 Outstanding Revenue

No progress has been done so far.

ATTORNEY GENERAL'S OFFICE ADMINISTRATION FUND 2014

OBJECTIVE OF THE FUND

The Fund was established for the purpose of providing resources to the Attorney-General's Office for the purpose of enhancing the effectiveness and efficiency of administration of justice.

I have audited the financial statements of the Attorney-General's Office Administration Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Attorney-General's Office Administration Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Unsupported expenditure

Finding

In violation of Treasury Instruction 1216 and for the second year in succession, management of the Fund made payments amounting to \$34 154 (2013: \$45 788) that were not supported by source documents such requisitions, competent authority, Procurement Committee meetings' minutes, competitive quotations and goods received notes. Consequently, I was unable to determine whether the expenditure formed a proper charge to the Fund.

Risk/Implication

If payments are not supported by the requisite source documents, fraudulent payments may be processed without detection. The requirements of Treasury Instruction 1216 were violated by failure to attach originating source documents to payment vouchers.

Recommendation

Payment vouchers should be supported by the necessary originating source documents, to prevent the processing of fraudulent transactions in accordance with the requirements of Treasury Instruction 1216.

Management Response

The observation has been noted and agreed to.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The issue of unsupported expenditure raised in the previous two successive financial reports persisted in the year under review. I am concerned by the failure of the management of the Fund to implement audit recommendations and address the matter.

DEEDS AND COMPANIES OFFICE FUND 2014

OBJECTIVE OF THE FUND

The Fund was established for the purpose of providing money to the Registrar of Deeds and Companies Office, for its effective and efficient administration.

I have audited the financial statements of the Deeds and Companies Office Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Deeds and Companies Office Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Budgetary Control

Finding

In contravention of Section 46 (a) of the Public Finance Management Act [*Chapter 22:19*], the administrators of the Fund incurred expenditure totalling \$1 051 498 in the year under review without Treasury having approved the budget.

Risk/Implication

The Fund could fail to adequately monitor and control its expenditure if it operates without an approved budget.

Recommendation

The administrators of the Fund should ensure that the Fund operates within a budget approved by Treasury. In addition, the Fund should monitor and control its expenditure and produce management reports in accordance with best practice.

Management Response

The observation has been noted. The Department had prepared a budget for the year ending December 31, 2014 and submitted it to the Head Office for onward submission to Ministry of Finance. However, besides complying with the required adjustments raised by the Ministry of Finance, who did not give us a written approval nor made our budget appear in the Blue Book. They advised us to continue operations whilst they were looking at the approval of our budget.

2 REVENUE COLLECTION AND DEBT RECOVERY

2.1 Loss of Revenue due to Fraudulent Activities

Finding

Due to continued existence of weaknesses in the internal control system for collection and recording revenue, the Fund lost an amount of at least \$12 025 (2013: 204 441) through fraudulent activities perpetrated by employees of the Office. The fraudulent activities were committed by examiners in the processing of certificates of incorporation by way of endorsing forged receipt numbers on those documents.

Risk/Implication

If key internal controls in the system of revenue collection are not strengthened, the Government would continue losing revenue through fraudulent activities.

Recommendation

The Administrators of the Fund should ensure that internal control systems in the collection, recording of revenue and processing of certificates of incorporation is strengthened to prevent the recurrence of fraudulent activities. The work of examiners and registrars should also be continuously monitored by management. Appropriate action should be taken against those who deliberately committed fraudulent activities in order to deter and safe guard Government financial resources.

Management Response

The observation has been noted. Thorough investigations shall be instituted and appropriate action taken to rectify the anomaly.

2.2 Receipting of Stamp Duty

Finding

Audit examination of records at the Bulawayo Regional Office revealed under-receipting of revenue for stamp duty collections totalling \$6 746. I am concerned by the continued losses of revenue due to weaknesses in the internal control systems.

Risk/Implication

The deliberate under-receipting of stamp duty could result in Government losing a lot of funds, if internal control systems on revenue collection are not strengthened.

Recommendation

The Administrators of the Fund should put in place controls that would safeguard against under-receipting of revenues.

Management Response

The audit observation has been noted. Issues raised are under investigations and respective law firms have been contacted and we are waiting for their responses.

3 PROCUREMENT

3.1 Supported Expenditure

Finding

In contravention of Section 81 (b) of the Public Finance Management Act [*Chapter 22: 19*], the administrators of the Fund made payments to suppliers for goods and services totalling \$126 004 that were not supported by some source documents such as receipts and passport photocopies on some payment vouchers examined by audit. Consequently, I was not able to determine whether the expenditure was a proper charge to the Fund.

Risk/Implication

Failure to maintain adequate supporting documentation for expenditure could result in errors or fraudulent payments being made.

Recommendation

The Administrators of the Fund should ensure that adequate supporting documentation is maintained and receipts should be attached to payment vouchers to support payments.

Management Response

The audit observation has been noted. In future, the Ministry will make sure that all relevant supporting documents are attached to all payment vouchers.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

There is an improvement as revenue collected during the year under review has significantly increased as compared with the previous year. The Fund is now computerised and the fraudulent activities had now reduced.

ZIMBABWE PRISONS AND CORRECTIONAL SERVICE RETENTION FUND 2014

OBJECTIVE OF THE FUND

The Fund's objective is to provide money to the Zimbabwe Prisons and Correctional Service to ensure the effective and efficient administration of the service. The Fund retains all the revenue generated by Zimbabwe Prisons and Correctional Service.

Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified opinion paragraph, the financial statements present fairly, in all materially respects, the results of operations of the Zimbabwe Prisons and Correctional Service Retention Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUE

1.1 Unauthorised Expenditure

Finding

For the third year in succession and in violation of Section 5 of the Fund's Constitution, management of the Fund incurred unauthorised expenditure totalling \$71 762: (2013: \$60 879) related to the Appropriation Account without Treasury authority. The expenditure was incurred on three items of the vote and included the following: medical services (\$43 083), foreign travel expenses (\$27 278) and gifts and donations (\$1 401). I am concerned with the continued violation of the Fund's Constitution.

Risk/Implication

It may be difficult for the Fund to achieve its objectives if the resources of the Fund are used to finance expenditure related to the Vote. Use of the Fund's resources for expenses not authorised by its Constitution without Treasury authority is tantamount to abuse of the resources of the Fund.

Recommendation

The resources of the Fund should not be used for purposes outside its mandate without Treasury authority as such action could affect the ability of the Fund to discharge its mandate effectively due to lack of resources.

Management Response

The audit observation has been noted. All expenditure for the Vote is met from the fiscus through the monthly target releases from Treasury. However, most of the time there will be nothing in the system to meet such expenditure, hence the use of the Fund's resources. Every effort was being made to restrict expenditure to the provisions of the Constitution of the Fund.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

The issue of unauthorised expenditure raised in the previous two successive reports persisted in the year under review. I am concerned by the failure of the management of the Fund to implement audit recommendations and address the matter.

VOTE 20.- INFORMATION, MEDIA AND BROADCASTING SERVICES

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Information, Media and Broadcasting Services for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Information, Media and Broadcasting Services for the year ended December 31, 2015.

HOWEVER, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Budget Formulation

Finding

During the year Ministries are called upon to present their Estimates of Expenditure to Treasury to ensure proper planning and allocation of budget provisions.

My audit revealed that Ministry of Information, Media and Broadcasting Services owed suppliers amounts dating as far back as 2010 for services rendered. These amounts were not provided for in the 2015 budget and were subsequently paid through virement action. Of note is the fixed and mobile telephone item which had a cumulative budget of \$285 000. However, total expenditure amounting to \$1 493 285 was incurred giving a variance of \$1 208 285 (424%). Of this expenditure, \$205 697 related to the current financial year and \$1 287 588 was to cover outstanding amounts from previous years. The excess was met from virement transfers mostly from the Capital transfers subhead.

Risk/Implication

Failure to plan and budget for expenditure may result in funds meant for other activities being diverted in order to meet the unplanned expenditure and hence prejudicing the activities of the affected items.

Recommendation

The Accounting Officer should ensure that expenditure is properly planned and budgeted for, taking into account amounts owing from previous years in order to avoid prejudicing current year activities of the Ministry.

Management Response

The Ministry has noted the Audit concerns with reservations regarding unplanned expenditure for the year 2015 which was provided for through virements. While it seems to be correct that the expenditure was not planned for, the auditee differs with that assumption. Firstly the Ministry prepared the 2015 budget which was ideal, complete and meaningful in its respect that was taking all commitments into consideration. It was when Treasury came in with a set of Expenditure Target (ET) and ring fenced targets that the Ministry was left vulnerable. Once a ceiling has been set for the Ministry then the Auditee fulfilled budgetary process which he has no ownership of the budget line items. The Auditee met the reality during the course of the year with no way of escaping save for the use of sanctioned virements. Whilst the figures seem to be huge the expenditure referred to is within the budget of the Ministry and the Accounting Officer has authority to do those virements as and when there is need.

2 EMPLOYMENT COSTS

2.1 Transport Allowances

Finding

According to PSC circular number 1 of 2012, paragraph 3.2, a member who has been issued with a personal issue motor vehicle shall not be entitled to transport allowance.

My audit noted that Ministry of Information, Media and Broadcasting Services paid transport allowances to 27 staff members who were allocated Ministry official motor vehicles. This translates to over expenditure of \$32 400 incurred by the Ministry per annum.

Risk/Implication

Double dipping will continue to occur if no action is taken to regularize the anomaly leading to wasteful expenditure.

Recommendation

The Accounting Officer should ensure that transport allowances are paid in line with the prevailing regulations to avoid double dipping.

A clear policy should be put in place regarding the use and repair of the vehicles.

Management response

The Ministry notes the audit observation regarding the issue of twenty seven officers who are in possession of pool motor vehicles whilst receiving transport allowance. However, the officers referred to are not in managerial grades and have no fuel allocation for the month and are only issued fuel upon an assignment. In these hard times where the government is struggling to support line Ministries through constant releases, even those senior officers who are entitled to fuel allocations are now resorting to use own resources to fuel their official vehicles. Officers who use pool vehicles only request fuel based on assignments at hand which can be provided if the Ministry has fuel in stock. These officers, however, resort to use their own resources to refuel government vehicles to fulfill some important assignments. In most cases these officers treat these pool vehicles as personal to the extent of meeting repair, servicing and refueling. It is common knowledge that government as the owner of the vehicles should service, replace worn out tyre(s), repair and refuel the vehicles but this is affected by the prevailing current economic situation.

In most cases it is not beneficial to the officers to drive these pool vehicles since they are old and have passed their useful life thereby becoming too costly to maintain and their fuel consumption is very high, but due to the nature of work, officers have no option.

Evaluation of Management Response

Whilst I acknowledge the response by the auditee, I have noted that the officers were using the motor vehicles on a daily basis throughout the year which amounts to officers being permanently allocated the vehicles defeating the concept of pool vehicle. Also, under the circumstances highlighted by the auditee in the response above that Officers use their personal resources to repair the vehicle, there is a possibility that cannibalisation of the vehicles may occur and it is against government regulations for any member to carry out repairs on Government vehicles. The Accounting Officer need to address the issues holistically.

2.2 Contract Employees

Finding

According to Treasury Instruction 1100, the establishment of a Ministry is limited to what has been approved by Public Service Commission with the concurrence of Treasury. It can not be varied without the specific or general approval of the two offices. The estimates of expenditure are also aligned. Audit noted that the Ministry employed 7 employees on contract since 2009 and this translates to more than 5 years on contract employment. Audit further noted that these employees were not reflected on the Ministry's organizational chart. The employees are made up of 4 guards and 3 caretakers.

Risk/Implication

The Ministry may increase the establishment without Public Service Commission authority and Treasury concurrence and also employees may be recruited where there are no vacant posts hence increase in the wage bill.

Recommendation

The Ministry should engage the Public Service Commission to have the employees included on the establishment if their services are very critical and are needed on a permanent basis. Also the Ministry should check whether responsibility for security and maintenance of the premises should not be taken care of by the Ministry of Local Government, Public Works and National Housing.

Management Response

The Ministry notes the audit concerns regarding the contract employees. The Ministry has engaged the Public Service Commission to have employees included on the organizational chart. The advice by the PSC to identify posts to convert to enable the creation of the six caretaker posts shall be carried out after we have received the New Establishment Control after the rationalization of posts which is expected in the shortest possible time.

3 PROCUREMENT

3.1 Outstanding Payments to Suppliers

Finding

According to Section 3.2 of the Accounting Procedures Manual (APM), all unpaid suppliers shall be recorded in a commitment register. Monthly creditors' reconciliations between supplier's statement and payments made should be timeously performed by a person independent of payment, ordering and receiving to facilitate detection of errors.

The Ministry does not have a commitment register where all unpaid suppliers are recorded. As at December 31 2015, several suppliers were owed for services and goods supplied some dating as far back as 2010. Some of the suppliers were paid through Direct Payments from Treasury. However, the Ministry has not been reconciling payments against invoices. Further, there has not been any evidence of attempts by Ministry officials to ensure suppliers even those which provide services on a monthly basis (e.g. Net One and Tel-one) submit monthly invoices for verification. Further review of documentation showed that officers of the Ministry were owed \$58 505 in Travelling and Subsistence allowances incurred mostly when attending national events. The Ministry has not been budgeting to repay this expenditure on Travelling and Subsistence refunds.

Risks/Implications

In the absence of reconciliations, dual payments to suppliers may be orchestrated.

Delays in effecting payments in one calendar year could result in unplanned expenditure and also affects the budget allocation for the subsequent year which may result in failure to meet planned programmes.

Staff members may become demotivated and their performance on such national events could be compromised.

Recommendation

All transactions with suppliers should be reconciled on a monthly basis and all unpaid suppliers should be recorded in a commitment register.

Efforts should be made to prioritize payment of Travelling and Subsistence refunds to officers to boost their morale.

Management Response

The auditor's concerns regarding the issue of commitment registers is noted. The Ministry will put this control in place. However, the reconciliations with suppliers are done timeously although there are no funds to settle the debts. The fact that we are carrying forward the debts is as a result of financial problems that the government is currently facing. Once the situation improves the Ministry will clear off the debts.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Audit Committee

The Ministry has noted the Audit concerns regarding the non-establishment of the Audit Committee. This seems to be a grey area to the Ministry as it was not clear as to who was responsible for putting the committee in place, whether it was the responsibility of the Ministry or the Public Service Commission's obligation. The PFM Act is not clear on who is responsible for putting the committee in place but is more pronouncing on the composition and role of the committee. More ground work will be done in consultation with the Public Service Commission and Treasury.

4.2 Results based Management (RBM)

The Ministry is working towards having one by year end.

4.3 Information and Media Panel of Inquiry (IMPI) funding.

The Ministry has engaged Ministry of Finance and Economic Development to regularise the issue of IMPI as recommended in your 2014 Audit Report and would be finalised after receipt of Treasury Directive.

4.4 Mobile and Fixed Phone Allowance

The Ministry has since written to Treasury on the matter and is awaiting their response.

VOTE 21.- SMALL AND MEDIUM ENTERPRISES AND CO-OPERATIVE DEVELOPMENT

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Small and Medium Enterprises and Co-operative Development for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account present fairly, in all material respects the financial position and performance of the Ministry of Small and Medium Enterprises and Co-operative Development for the year ended December 31, 2015.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Internal Audit

Findings

The Ministry did not have an Audit Committee or an External Oversight Committee to monitor and evaluate the functions of the Internal Audit department. This was contrary to Section 84 of the Public Finance Management Act [*Chapter 22.19*] which requires every Ministry to establish an Audit Committee. As a result the Internal Audit was reporting to the Accounting Officer.

For the second year in succession, no progress seems to have been made to finalise and approve the Internal Audit Charter. There is no evidence of monitoring and follow up for the finalisation of the Charter. Therefore the scope of work, authority and responsibilities of the Ministry's Internal Audit are not communicated to its stakeholders.

The Internal Audit also conducted a few audits related to the Appropriation Account. The risk assessment report number 1 of 2015 only covered motor vehicles maintenance and service when there are several Appropriation Account components that utilise financial resources. Furthermore, the Internal Audit focused its resources on the completion of assignments embarked during the year 2014. There was no evidence that the Internal Audit's work plan was reviewed and approved by an independent senior official to ensure that it covered relevant components and the appropriate audit period.

Risks/Implications

The independence of the Internal Audit may be compromised in the absence of an Audit Committee or External Oversight Committee.

The Internal Audit service delivery to its stakeholders may be compromised in the absence of an approved Internal Audit Charter.

Errors, control weaknesses in relation to personnel management, expenditure, revenue collecting and assets management may not be timeously addressed if Internal Audit is limited to one component and is focusing on audit of previous years activities.

Recommendations

The Ministry in consultation with the Ministry of Finance should put in place an Audit Committee or External Oversight Committee to monitor and evaluate the functions of Internal Audit to ensure the effectiveness and independence of Internal Audit.

A senior official should be allocated the responsibility to ensure that the draft Internal Audit Charter is finalised and approved.

The Internal Audit plan should be reviewed and approved by a senior independent official who should ensure that the audit coverage is in line with the budget allocation and also that the audit is focusing on the review of current year activities.

Management Response

The observation is noted and agreed. Efforts will be made during the year to ensure that an Audit Committee is put in place (whose persons are external to the Ministry). However challenges will be on payment of fees where one member is external to the Public Service.

With regard to the Internal Audit Charter, this has been further compromised by the departure of the Chief Internal Auditor who transferred to another ministry.

The observation that the scope of the Internal Audit work was limited is agreed to. The Acting Chief Internal Auditor has since been tasked to ensure that the Internal Audit Charter and the Audit Committee are in place by June 30, 2016.

2 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT PROGRAMMES

2.1 Results Based Management System; Departmental Quarterly Performance Reports

Findings

For the third year in succession, there was no supporting evidence like detailed records or databases to support the program outputs for the year under review. A review of the outputs for the Business Development Division revealed that:

- a. 44 415 small and medium entrepreneurs participated at the local exhibitions
- b. 50 linkages involving 406 small and medium entrepreneurs had been established
- c. 10 214 small and medium entrepreneurs were trained
- d. 11 354 small and medium entrepreneurs were relocated to appropriate infrastructure

Furthermore, there was no evidence that the authenticity of the outputs information was verified by a senior official.

My audit visit to Manicaland in October 2015 revealed that no records to support the program outputs were being maintained contrary to the response in my management letter reference SMED 2/25/2014 dated April 23, 2015, in which the Ministry indicated that the details of entrepreneurs were being maintained at the provinces.

Risk/Implication

Outputs may be intentionally misstated in the absence of detailed supporting records and databases.

Recommendations

Detailed records and databases for program outputs must be maintained both at provincial and head office level to ensure that accurate outputs are recorded.

The Ministry should verify the supporting documents for the output information before finalisation of the Departmental Quarterly Performance Reports.

Management Response

The observation is agreed to. Communication to all Provincial Heads will be done by June 30, 2016, to send copies of records that support program outputs to the Head office.

3 PROCUREMENT

3.1 Purchase Orders

Finding

I noted that the Ministry did not follow proper procurement procedures when it procured goods and services through Financial Accounting Module of the Public Financial Management System instead of procuring through the Materials Management module. As a result no purchase orders were raised. Out of a sample of thirty (30) transactions worth \$90 208, fourteen (14) transactions worth \$72 118 were

processed without issuing purchase orders. There was no evidence of regular review and supervision of the procurement process by a senior official to ensure that procurement is done through the correct module and that purchase orders are raised to support payment vouchers.

Risk/Implication

Processing of transactions in Financial Accounting Module instead of the Materials Management Module may result in lack of segregation of duties such that procurement errors may not be timely addressed.

Recommendations

A senior official should regularly review the procurement process to ensure that goods and services are procured through the Materials Management Module and that procurement regulations are adhered to.

A delegated official should pass for payment, vouchers that have adequate supporting documents which include purchase orders.

Management Response

The observation is agreed to. The Ministry has immediately instituted procurement of goods and services through the Materials Management module to ensure segregation of duties and that procurement regulations are adhered to.

4 REVENUE COLLECTION AND DEBT RECOVERY

4.1 Public Financial Assets

Finding

The Ministry disbursed \$150 000 to Small and Medium Enterprises Development Corporation (SMEDCO) during the year under review. However, for the sixth year in succession loan repayments were not made in line with the stipulated time frames set in the Memorandum of Understanding (MOU) signed between SMEDCO and the Ministry. The MOU states that repayments should be made between March 31 and September 30, of each year. No repayments were made in the year under review. Out of a total of \$4 395 000 loans disbursed to SMEDCO from 2009 to 2015 only \$1 520 000 had been repaid. There was no evidence that the Ministry engaged the SMEDCO Board of Directors to ensure that repayments are made as was indicated in your management response to my Audit Report for the financial year ended December 31, 2013 page 238.

Below is a table showing the movement of loans disbursed

Year	Amount Disbursed \$	Interest \$	Total Amount \$	Repayments \$	Outstanding Amount \$
2009	150 000	4 375	154 375	–	154 375
2010	2 000 000	71 841	2 071 841	–	2 071 841
2011	1 500 000	238 544	1 738 544	1 029 000	709 544
2012	200 000	268 789	468 789	91 000	377 789
2013	395 000	307 178	702 178	400 000	302 178
2014	–	312 641	312 641	–	312 641
2015	150 000	349 201	499 201	–	499 201
Total	\$4 395 000	\$ 1 552 569	\$5 947 569	\$1 520 000	\$4 427 569

Risk/Implication

The Ministry may fail to recover both the capital and interest amounts if follow ups are not done timeously.

Recommendation

The Ministry should ensure that it implements the debt recovery strategies agreed in the management letter of the year 2013. If these efforts prove fruitless you can approach the government Attorney General for assistance in debt recovery in accordance with Treasury Instruction 0509.

Management Response

Observation is noted. The Ministry wrote to SMEDCO on October 23, 2015 making follow ups on repayments and expressing its concerns regarding failure to honour the terms of the MOU. SMEDCO in their letter dated November 4, 2015 acknowledged receipt of the Ministry's letter and highlighted challenges SMEDCO faced as a Corporation. However, the Ministry stands by its stance that SMEDCO should honour the terms of the MOU. We also agree that approaching the government attorney for assistance in debt recovery would be the Ministry's option. This will be done in October 2016 if SMEDCO fails to honour the September 2016 repayment instalment.

Evaluation of Management Response

The Ministry did not engage SMEDCO board as highlighted in their previous management response to my Audit report of 2013.

5 EMPLOYMENT COSTS

5.1 Service Rendered by Provincial Accounting Assistants

Finding

My audit visit to the Ministry's Manicaland Provincial Office in October 2015 revealed that the Accounting Assistant with Employment Code Number 4005713K had not been carrying out any accounting duties from the time of her transfer in October 2014 from the Ministry of Youth Development, Indigenisation and Empowerment. Contrary to the requirements of her job description no accounting records were being maintained and no accounting duties were performed at Provincial Office level. As a result of the non-performance of relevant duties the Accounting Assistant's performance appraisal could not be rated.

Risk/Implication

The Ministry may incur employment costs for services not rendered.

Recommendations

The Ministry should consider preparation of regular departmental progress reports from the Provincial Accounting Assistants in order to identify and address areas of non-productivity.

The Ministry's Provincial heads should monitor the work done by the Accounting Assistants to ensure that there is maintenance of copies of all accounting records which are forwarded to the Head Office in compliance with the Accounting Assistant's job description.

Management Response

The observation is noted. The Ministry will ensure preparation of regular departmental reports from the Provincial Accounting Assistants in order to identify and address areas of non-productivity. Provincial Heads will also assist in ensuring maintenance of accounting records such as registers for fuel coupons and airtime vouchers, making returns on vehicle maintenance and monitoring the usage of fixed telephone charges. The Accounting Assistants will then forward such returns to Head Office on monthly basis. The Ministry has also engaged the

Public Service Commission to ensure that Accounting Assistants in the Provincial Offices who are not adequately utilised are redeployed by the end of June 2016.

5.2 Fuel Allocation

Findings

A total of twenty-four (24) officers were allocated fuel coupons monthly and among the recipients were the Chief Business Development Officers and a Personal Assistant who are not entitled to receive such a benefit in accordance with Public Service Circular Number one (1) of 2012. Of concern is that there is no written Accounting Officer's authority to allocate fuel to members of staff who are not entitled to such a benefit.

Furthermore, there is no evidence of independent review of the pay sheets by the Ministry officials to ensure that dual payment of benefits is not done. Five members of staff were allocated fuel amounting to 6 120 litres and at the same time an amount of \$4 000 in transport allowance was paid over a period of eight (8) months during the year under review. This is in violation of Public Service Circular Number one (1) of 2012 which stipulates that payment of transport allowance is not allowed for persons entitled to fuel allocation. The breakdown of the fuel and transport allowances is shown in the table below.

Employee Number	Code	Transport Allowance \$	Fuel Allocation Litres
1501773L		800	1240
0877483K		800	1720
0875586 Y		800	1240
0847752T		800	960
0796813 A		800	960
Total		\$4000	6120 litres

Risks/Implications

Allocation of fuel to unauthorised members of staff may result in increased fuel expenditure costs.

Failure to conduct independent reviews of the pay sheets may result in dual payment of benefits and unwarranted increase in expenditure costs.

Recommendations

Written authority should be sought for fuel allocation to members of staff not catered for under the Public Service Circular Number one (1) of 2012 in compliance with Treasury Instructions numbers 1102 and 1103 which stipulate that authority be obtained for any changes to remuneration or allowances.

A delegated official should conduct independent reviews and reconciliation of the pay sheets in order to identify dual payment of benefits and any anomalies and bring these to the attention of relevant authorities in the Ministry.

The Ministry should consider recovering the transport allowances where dual payments were made.

Management Response

Observation is noted. However, in June 2012, the Ministry effected the withdrawal of transport allowance and the Provincial Heads appealed with each advancing their reasons for wanting the reinstatement of transport allowance, despite being notified of the conditions applicable for the use of the Government vehicle for example those receiving transport allowance and being given fuel coupons should ensure that vehicles are parked at work after hours and during weekends. The affected people case by case are as highlighted in the table below:

Employee Code Number	Position	Transport Allowance	Litres in fuel	Remarks
1501773L	Business Development Officer (BDO) Mashonaland West	\$800	1240	Officer does not have a driver's licence. Fuel is for provincial work
0875586 Y	BDO Matebeleland North	\$800	1240	Officer does not have a driver's licence. Fuel is for provincial work
0847752T	BDO Mashonaland East	\$800	960	Fuel was for provincial work hence reduction in fuel allocation

0796813A	BDO Masvingo	\$800	960	Officer asked for reinstatement of transport allowance. Fuel is for Provincial work
0877483K	Personal Assistant to Honourable Minister	\$800	1720	Accounting Officer authorised use of own vehicle and Ministry to maintain and fuel the vehicle. Excess allocation is on Honourable Minister's duties

Evaluation of management response

The management response is silent on the Accounting Officer's authority to allocate fuel to staff members other than those covered under Public Service Circular Number 1 of 2012.

No proof was availed to show that the above mentioned officers were using the fuel allocations for official use only.

6 MANAGEMENT OF ASSETS

6.1 Records Maintenance

Findings

The Ministry's Master Assets Register was incomplete as 6 motor cycles and 13 motor vehicles listed below were not recorded. This is contrary to Treasury Instructions on Methods of control on other assets which requires maintenance of all control records for all departmental assets. There was no evidence of supervision and review of the Master Assets Register by a senior official.

In addition, the assets control officer revealed that volume 2 of the Master Assets Register was lost. However no evidence was availed to show that a report had been made to the Accounting Officer. As a result I could not determine with accuracy the assets which were not recorded

Furthermore, the Ministry's six Honda motor cycles were reported to have been transferred to provincial offices. However, no movable assets transfer advice or transfer voucher was availed for audit.

Risks/Implications

There may be loss of assets if assets records are not properly maintained.

Failure to review assets registers may result in incomplete records being maintained.

Recommendations

The Master Assets Register should be updated and all assets recorded.

Transfer vouchers should be raised whenever assets are transferred to provinces.

A delegated senior official should regularly review and monitor maintenance of the assets registers.

Management Response

The observation is acknowledged. These vehicles could have been recorded in the Ministry's Master Assets Register Volume 2 which could not be located at the time of audit. The custodian of the register had not reported that the register was missing. However all vehicles are also recorded in a separate vehicle assets register which is available for inspection. Should efforts to locate the Ministry's Assets Register volume 2 fail, the Ministry shall have to transfer the information from the soft copy to the hard copy manual register by August 2016.

7 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

7.1 Public Financial Assets

The Ministry did not engage SMEDCO Board on failure to adhere to the MOU which states that the loan repayments should be done by March 31 and September 30, of each year as indicated in their response to the 2013 financial year audit report.

7.2 Payment Reconciliations

The Ministry now has evidence of reconciliations for direct payments made to service providers on its behalf by Treasury.

7.3 Work Performance Monitoring Plans

The Ministry did not review its Work Performance Monitoring Plans in line with the availed resources.

SMALL AND MEDIUM ENTERPRISES REVOLVING FUND 2015

OBJECTIVE OF THE FUND

This Fund was established to provide interest bearing loans to Macro, Small and Medium Enterprises in order for these enterprises to make meaningful contribution to economic growth and development.

I have audited the Small and Medium Enterprises Revolving Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position and performance of the Small and Medium Enterprises Revolving Fund as at December 31, 2015.

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

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Lending and Equity

Finding

The Ministry was still to recover a total amount of \$4 395 000 disbursed to Small and Medium Enterprises Development Cooperation (SMEDCO) between the financial years 2009 to 2015. As a result the Small and Medium Enterprises Revolving Fund objectives were not being met. This issue was raised again in my 2011, 2012, 2013 and 2014 audit reports.

Risk/Implication

The Fund may be undercapitalised as a result of non-repayment of the loans.

Recommendation

The Ministry should make written follow ups to the Board of Directors of SMEDCO for timely repayments. Furthermore, the Ministry should consistently monitor the disbursement of the loans in compliance with Article 11 of the Memorandum of Understanding (MOU) in order to ensure that loans are disbursed to bona fide Entrepreneurs who have the ability to repay.

Management Response

The observation is agreed to. Senior Management have engaged the Chief Executive Officer of SMEDCO on several occasions to honor the terms of the MOU without success. In addition, management also wrote to the Honorable Minister on April 22, 2016 requesting her to engage the Board of Directors on the issue.

INDO-ZIMBABWE FUND 2015

OBJECTIVE OF THE FUND

This Fund was established to mobilise financial resources to finance Small and Medium Enterprises as well as to provide training to Small and Medium Enterprises (SMEs), youth and students.

I have audited the financial statements of Indo-Zimbabwe Fund for the year ended December 31, 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Indo-Zimbabwe Fund as at December 31, 2015 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Rental Payments

Findings

The Ministry is still to recover \$210 000 in rental payments at \$70 000 per annum for use of the Common Facility Centre from Small and Medium Enterprise Development Cooperation (SMEDCO) for the years 2011, 2012 and 2013 respectively. This was in contravention of Treasury Instruction 0501 which requires that officers responsible for collecting debts should take adequate steps to collect any sums due to government on the due date. This issue was raised again in my audit report for the 2014 financial year.

Furthermore, at the time of completion of the audit in May 2016 no official position had been taken to recover the outstanding rentals.

Risk/Implication

The Ministry may fail to recover the outstanding rental payments if they are not collected when due.

Recommendation

The Ministry should engage the SMEDCO Board Members on payment of the outstanding rentals.

Management Response

The observation has been noted. The Honourable Minister was engaged on the issue to give her direction on the recommendation that since SMEDCO was failing to pay rentals, the Ministry takes over the Common Facility Centre from SMEDCO. However, the Honourable Minister has not yet given her position.

1.2 Record Maintenance

Finding

Fees amounting to \$1700 were received for trainings conducted at the Bulawayo Indo-Zimbabwe Centre. There were no registration forms or registers of students trained as proof of trainings conducted. Therefore, I could not confirm the accuracy of the fees collected.

Risk/Implication

Failure to maintain appropriate training records may result in understatement of fees received.

Recommendation

Completed registration forms and student registers should be maintained at each Indo-Zimbabwe Centre as proof of services rendered.

Management Response

The observation is agreed to. All centres will be instructed to maintain such documentation by May 31, 2016.

1.3 Fees Charged

Finding

A total of \$3 350 was received from 35 students who were trained at negotiated fees at the Harare Institute of Technology Indo-Zimbabwe Centre. The negotiated fees which ranged from \$20 to \$200 were for Auto CAD, Basic CNC Technology, Pipe Extrusion Technology, Mould Designing and Manufacturing courses, though the approved fees structure ranges from \$100 to \$150. There was no evidence that the negotiated fees were approved by senior officials.

Risk/Implication

There may be a risk of loss of revenue as a result of unauthorised fees charges.

Recommendation

Authorisation should be sought for any variation from the approved fees structure.

Management Response

The observation has been noted. A new pricing system which takes into account the different needs of the clients and the prevailing economic environment will be put in place by June 30, 2016.

1.4 Receipting and Banking

Findings

The technician at the Plumtree Indo-Zimbabwe Fund Centre was using a counter book to receipt revenue. A total of \$174 had been receipted in the counter book in September 2015. There was no evidence of supervision and review of the receipting process. This was in violation of Treasury Instruction 0411 which requires that an officer upon receiving money in his official capacity, issue a receipt prescribed for the purpose, as appropriate.

Furthermore, the Business Development Officer at Chimanimani District was not conducting banking timeously for funds collected from the technician at the Chimanimani Indo-Zimbabwe Fund Centre. A total amount of \$263 was collected from the technician on June 2, 2015 however, the money was banked on June 15, 2015. This was contrary to Treasury Instruction 0454 which requires that except when authorised banking should be done daily or on the next banking day.

In addition, the Chimanimani District Office being a revenue collection Centre was keeping the money in a drawer.

Risks/Implications

The use of unofficial receipt books may result in misappropriation of funds.

Anomalies may remain undetected for long periods of time if there is inadequate monitoring of staff and review of records.

There may be risk of conversion to personal use if banking of revenue collected is not done timeously.

Recommendations

Monitoring and review of receipt books should be done on a regular basis in order to detect and rectify any anomalies timeously.

Receipt books should be dispatched to the centre to ensure compliance with Treasury Instruction 0411.

The Business Development Officer should collect revenue and bank it on the same day or next banking day in compliance to the requirements of Treasury Instruction 0454. In addition, a lockable safe or cashbox should be acquired for the office.

Management Response

The observation is agreed to. The Technician will be issued with a new receipt book on May 12, 2015. All centres will be instructed by May 31, 2016, to ensure that requests for new receipt books are done once the receipt book in use is three-quarter used.

The observation is also agreed to. A request to allow the Officer to hold cash for a week before banking is done due to the distance of the bank and the amount of cash collected will be made to Treasury by June 30, 2016.

A cash box will be purchased for the centre by July 31, 2016.

1.5 Security Items

Finding

According to the Stores Register at the Ministry's Head Office, receipt book number 553901-553950zz was issued to the technician at Magamba Vocational Training Indo-Zimbabwe Fund Centre. However, there was no evidence that the receipt book had been received by the technician. I could not verify with certainty if any revenue had been collected from use of Indo-Zimbabwe Fund assets at the Centre using the missing receipt book.

Risk/Implication

Revenue collected may be converted to personal use if the official receipt book is not located and used.

Recommendations

Investigations should be made to locate the official receipt book.

Issue vouchers should be completed and signed when issuing out receipt books for accountability purposes.

Management Response

The observation is agreed to. The receipt book number 553901-553950zz was issued to Mr Chikuku of Mutare on September 8, 2014. An investigation will be conducted to ascertain the whereabouts of this receipt book.

Evaluation of management response

The response is silent on when the investigation of the missing receipt book will commence.

2 MANAGEMENT OF ASSETS

2.1 Utilisation of assets

Finding

Assets worth \$325 614, \$124 024 and \$108 246 were received in April, May and August 2015 respectively for use at the Waterfalls India-Africa Incubation Centre. This comprised of Bakery plant, Processing plant for tomatoes and fruits among other equipment. At the time of the conclusion of the audit in May 2016, the assets were still not in use. Furthermore, there were no periodic reports on the implementation of the project as well as utilisation of the donation as stipulated in the Ministry of Finance and Economic Development minute A/125/1/23 dated August 26, 2015.

Risk/Implication

The Government of Zimbabwe may fail to meet its obligations in line with the memorandum of agreement signed with the Government of India if the project is not timeously implemented.

Recommendation

The Ministry's Technical Service department should regularly report on the project implementation.

Management Response

The observation is noted. The delay was due to lack of adequate budgetary support from Treasury to carry out renovations and power upgrades to the project site. The Ministry would continue to engage Treasury to release funds required to carry out renovations and power upgrades to the project site with the view of fully operationalising the Incubation Centre by December 31, 2016.

Evaluation of management response

The response is silent on compliance with Ministry of Finance and Economic Development's requirement of regular reports on project implementation.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Memorandum of Understanding

For four years in succession the Ministry was still to finalise its Memorandum of Understanding (MOU) with the Harare Institute of Technology (HIT) following disputes in the management and custody of assets among other things.

3.2 Periodic Assets Counts

The 33 assets located at HIT Indo-Zimbabwe Centre that were not recorded in the Master Assets Register had been recorded.

VOTE 22.- ENERGY AND POWER DEVELOPMENT

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Energy and Power Development for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account and supporting returns present fairly, in all material respects, the financial position and performance of the Ministry of Energy and Power Development as at December 31, 2015.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUE

1.1 Funding from other Sources

Findings

I noted that during the year the Ministry requested and received goods amounting to \$525 922 from Parastatals under its control, over and above the total expenditure of \$1 098 802 incurred in the Appropriation Account during the year under review. The goods were requested and received without Treasury Authority contrary to my previous year's advice that this practice compromises the Ministry's oversight role of monitoring performance of Parastatals in line with Government policies. Refer to table 1 below:

Table 1 – Goods sought from Parastatals

Name of Parastatals	Goods	Value(\$)
National Oil and Infrastructure Company	Fuel	110 000
Petrotrade	Fuel	57 080
Zimbabwe Electricity Supply Authority	Institutional Provisions, Stationary and Maintenance of Vehicles	126 167
Zimbabwe Energy Regulatory Authority	Institutional Provisions, Stationary and Maintenance of Vehicles	232 675
TOTAL		\$525 922

Risk/Implication

The Ministry might put strain on Parastatals who are already struggling and this compromises service delivery by the Parastatals.

Recommendation

The Ministry should lobby the Ministry of Finance for adequate funding instead of requesting for goods from Parastatals.

Management Response

Treasury has not been able to fund Government activities from the already constrained budgeted provisions. To this end the Ministry ends up requesting for assistance from the state enterprise for these activities to be carried out. The donations are disclosed at the end of the financial year and submitted with other returns.

2 EMPLOYMENT COSTS

2.1 Salaries and Allowances

Findings

The Principal Executive Assistants establishment was for four (4) officers and in post at the time of audit was six (6). Out of the six only four were rendering service to the Government whilst the other two have not been rendering service to the Government as from March 2015 up to the time of audit March 11, 2016 but remained on the Ministry's payroll. Audit noted that the two Principal Executives Assistants would come to the office at least once a month to sign off the pay sheets as required by the Public Service Commission.

Previously, the Public Service Commission directed that they be on paid leave pending redeployment with effect from March 15, 2015. Up to the time of audit, March 11, 2016, the two were still at home on the said paid leave with full salary and benefits comprising of gross salary, transport allowance and housing allowance. This therefore meant that the Ministry incurred fruitless and wasteful expenditure amounting to \$11 616 in salaries and allowances for the two Principal Executive Assistants.

The payments for services not rendered are contrary to provisions of Section 44 (1) (b) (ii) of the Public Finance Management Act [*Chapter 22:19*] which stipulates that accounting authorities shall take effective and appropriate steps to prevent irregular

expenditure, fruitless and wasteful expenditure, losses resulting from criminal conduct, and expenditure not complying with the operational policies of the public entity.

Risk/ Implication

The Ministry is paying for idle staff thereby causing an unjust burden on the fiscus.

Recommendation

The Ministry should engage the Public Service Commission and resolve the issue so as to prevent fruitless and wasteful expenditure.

Management Response

The two were not accommodated by the Honourable Minister. One of the officers was sent on leave per Public Service Commission (PSC) directive as from March 16, 2015. However several communications have been made with PSC for her to be transferred elsewhere in the Civil Service. The Ministry also wrote to PSC instructing them to remove the other one from the pay sheet.

3 REVENUE COLLECTION AND DEBT RECOVERY

3.1 Outstanding Revenue

Finding

For the second year in succession, the Outstanding Revenue return did not include an amount of \$2 863 312 being cumulative revenue collected from Companhia do Pipeline Mocambique Zimbabwe(CPMZ) rentals for the previous years which was deposited in the Noczim Debt Redemption Fund Account. The failure to include such a material amount was a result of the Ministry not properly budgeting for revenue from the rentals, coupled with lack of coordination with the Fund Agent (Petrotrade) who was responsible for maintaining the fund's accounting records. Such a practice is contrary to the dictates of Treasury Instructions 0101 and 0103 which require that revenue be collected and disposed of punctually as well as maintaining full and proper accounts for transactions which the Ministry is responsible of.

Risk/Implication

The return could mislead management in decision making if incorrect information is disclosed by understating revenue due. In addition to this, if outstanding revenue is not disclosed, it may remain uncollected.

Recommendation

The Ministry should seriously consider audit recommendations and the amount of \$2 863 312 should be claimed from the Noczim Debt Redemption Fund as the Ministry is appearing as a creditor in the books of the Fund as at December 31, 2015.

Management Response

The observation is noted. The matter will be rectified after August 2016 when the fund will have paid off some of its obligations.

3.2 Contingent Liabilities

Finding

For the third year in succession, long outstanding mature loan guarantees amounting to \$544 946 693 still appeared on the contingent liabilities return despite my previous audit recommendations that the Ministry should ensure processes were initiated to have them ratified by Parliament on behalf of Government and be considered as Public Debt. The matured loans date as far back as 2001.

Furthermore there was no evidence that a senior officer was checking the Contingent Liabilities Register contrary to the provisions of the Public Finance Management Act [*Chapter 22:19*] section 44 (c) which stipulates that the Accounting Officer is responsible for the management, including the safeguarding of the assets and revenue and expenditure and liabilities of the public entity.

Risks/Implications

Failure to properly disclose the contingent liabilities figures has an effect of understating the Government liabilities thereby giving a wrong impression of the country's indebtedness.

The failure to check the register by a senior officer can result in errors passing through the system undetected.

Recommendations

The Accounting Officer should ensure that adjustments for mature loans are done to rationalize proper disclosure of the state of affairs. Further the Ministry should seriously engage the Ministry of Finance so that the Contingent Liabilities can be considered as Public Debt.

A Senior Officer should check the Contingent Liabilities Register on a regular basis.

Management Response

Treasury is going to be engaged by the Ministry as the first step in the process of having the long outstanding liabilities considered or converted to Public Debt.

Evaluation of Management Response

The issue has been ongoing for a very long time and the Ministry has been assuring audit, year in year out that they are going to approach Treasury for ratification of the Contingent Liabilities.

3.2 Public Financial Assets - Maintenance of Records

Finding

I noted that the Ministry did not maintain separate independent accounting records for investments made through Parastatals which fall under its purview (Public Financial Assets). Instead reliance was placed on information submitted by the Parastatals when the Ministry compiled the return submitted for audit. An adjustment of \$7 913 800 to the current year's opening figure of \$58 700 785 was made but no satisfactory explanation was given for the adjustment except that it was a ZESA audited figure. In the absence of supporting documentation, I could not validate the adjustment and as a result, I could not place reliance on the balances shown on the return submitted for audit.

Furthermore, the interest accrued on Public Financial Assets of \$3 147 875 disclosed on the outstanding revenue return could not be reasonably relied on as a correct balance of the income due to Government in light of the foregoing. The attributable factor was poor maintenance of records.

Risk/Implication

There is risk that management could make erroneous decisions or fail to monitor investment performance based on the misleading information emanating from the inadequate records.

Recommendations

The Ministry should ensure that independent, proper and up to date accounting records for Public Financial Assets are maintained at all times and the \$7 913 800 adjustment figure should be explained.

The Ministry should engage Ministry of Finance in order to get verifiable records as they have the original balances.

Management Response

Registers are going to be opened by the Ministry to avoid total reliance on information from ZESA Holdings PVT LTD.

Evaluation of Management Response

Although the Ministry has assured me before that reliable registers are to be maintained nothing of substance has come out in as far as the maintenance of these records are concerned. Further the Ministry did not explain the \$7 913 800 adjustment figure appearing on the return. This constitute a lot of money and it needs to be investigated and rectified.

NOCZIM DEBT REDEMPTION FUND 2014 AND 2015

OBJECTIVE OF THE FUND

The Fund was established to finance the amortisation of debts owed by the National Oil Company of Zimbabwe from the proceeds of the Debt Redemption Levy.

I have audited the financial statements of the Noczim Debt Redemption Fund for the year ended December 31, 2014 and 2015.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Noczim Debt Redemption Fund as at December 31, 2014 and 2015 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Board Fees

Finding

I noted that board fees amounting to \$8 250 were paid to the Director Policy and Planning and the Deputy Director Petroleum in the Ministry of Energy and Power Development after the Constitution of the Fund had been tabled in Parliament. The Constitution of the Fund did not accommodate the creation nor the existence of a board. The functions of the previous board were now vested in the Management Committee. Therefore the payment of \$8 250 in board fees was in contravention of the Noczim Debt Redemption Fund's Constitution, Section 6, paragraph 6.1 and 6.2 which state that expenditure of the fund shall consist of Redemption of the NOCZIM debt and such other expenses as Treasury may approve.

The payment of the board fees was therefore an improper charge to the fund as there was no evidence of authorisation of such payments by Treasury.

Furthermore, there was no evidence in the form of minutes showing meetings convened by the board to deliberate on the Fund's operations during the year under review. Section 3, paragraph 3.2 of the Noczim Debt Redemption Fund Constitution states that the Secretary shall appoint a Management Committee that shall be responsible for the day to day running of the Fund.

Risk/Implication

Fruitless expenditure may be incurred.

Recommendation

The irregular expenditure incurred as board fees after the tabling of the Constitution should be reimbursed in full as this was not a proper charge to the fund.

The Accounting Officer should ensure that the management committee takes full responsibility for the operations of the fund as outlined in the Fund's Constitution.

Management Responses

Following the disbanding of Noczim, a decision was made not to wind up all of Noczim's activities in order to primarily give comfort to creditors. Noczim's debts were to be liquidated through the Debt Redemption Fund. This is progressively being done.

Two Directors, drawn from the Ministry, were appointed to manage residual affairs such as transfer of assets, human resource issue and legal matters of Noczim and the historical debt. This work would be additional to the job descriptions of the two officers. It was decided then that the two officers be granted fees/ an allowance equivalent to one Board sitting per quarter for the work they would do relating to NOCZIM. This was duly authorized by the then Minister in 2011 way before the current Constitution of the Debt Redemption Fund which was approved in 2014. The work the two did in 2014 is well recorded.

Evaluation of Management Response

The payment of board fees after the tabling of the Constitution on May 15, 2014 is unconstitutional. The members paid were full time employees on a salary and there was no need for them to be paid an allowance when the duties they were carrying out was done during working hours. Moreover such allowances paid over and above their normal salaries should be authorized by the Public Service Commission.

1.2 Withholding Tax on Board Fees

Finding

As highlighted in my previous audit, the Fund paid a total of \$7 663 to ZIMRA, being withholding tax on board fees payments for the years 2012, 2013 and 2014 without deducting the same from the gross board fees paid to the board members. This meant

that the board members were paid board fees without meeting the obligation to pay resultant withholding tax. As such the Fund incurred irregular expenditure which should have been met by the board members from their quarterly board fees earnings.

Risk/Implication

The expenditure of the Fund was overstated.

Recommendation

The Accounting Officer should recover the withholding tax paid by the Fund on behalf of the board members as the Fund was not obliged to meet the tax obligation on the board members' behalf.

Management Response

Management response had not been submitted at the time of finalizing the report.

1.3 Loans

Finding

As highlighted in my previous audit, the Fund was paying \$2.7 million a month from September 05, 2014 to extinguish a loan of \$67 million which was meant to fund Government operations. However, I was not furnished with the approval from Treasury that the Fund should meet the monthly repayments of \$2.7 million. This was contrary to the provisions of the Debt Redemption Fund Constitution Section 6 paragraph 6.1 and 6.2 which stipulates that the expenditure of the Fund shall consist of the Redemption of the NOCZIM Debt and such other expenses, as the Treasury may approve.

Risk/ Implication

The expenditure might not be a proper charge to the Fund.

Recommendation

Treasury approval for the monthly repayments of \$2.7 million from Noczim Debt Redemption Fund should be sought.

Management Response

Management response had not been submitted at the time of finalizing the report.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR RECOMMENDATIONS

2.1 Fund Administration

As of September 2015 all the records were moved to the Head Office and an accountant was appointed specifically for the Fund.

STRATEGIC FUEL RESERVE FUND 2014

OBJECTIVE OF THE FUND

The objectives of the Fund shall be to mitigate the impact of fuel shortage in the country through maintaining adequate stocks of fuel for the strategic reserve.

I have audited the financial statements of the Strategic Fuel Reserve Fund for the year ended December 31, 2014.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Strategic Fuel Reserve Fund for the year ended December 31, 2014 and its performance for the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Fund Administration

Finding

I highlighted in my previous years' audit that Petrotrade staff members who were assigned to handle the Fund's operations were not directly accountable to the Accounting Officer contrary to the Constitution of the Fund Section 3 which stipulates that the Secretary shall appoint a Management Committee that shall be responsible for day to day running of the Fund. The issue still remained unresolved.

Risk/Implication

The non-functionality of a management committee compromises the efficient management of the Fund and it causes unnecessary delays in decision making.

Recommendation

The Management Committee should be responsible for day to day running of the Fund.

Management Response

The Fund is administered by Petrotrade and National Oil Infrastructure Company (NOIC) staff since the two entities act as the Ministry's agents in the procurement and storage of strategic fuel. Though Petrotrade and NOIC staff are not directly accountable to the Accounting Officer, they are bound by the rules and regulations of the two entities which bind them not to disclose information about the fund's operations to third parties as embodied in their contracts of employment.

Evaluation of Management Response

The current arrangement should be synchronized with the provisions of the Fund's Constitution which is the legal document that outlines the operations of the Fund.

1.2 Fuel Stocks

Finding

As observed in the previous years' audit the issue of variance of 1 544 441 litres for diesel and a deficiency of 504 025 litres for petrol had still not been cleared. These variances could not be explained. The issue of failure to carry out monthly reconciliations of fuel by NOIC and non-submission of monthly returns to the parent Ministry had also not been addressed.

Risk/Implication

Strategic decisions based on inaccurate information might result in unproductive strategies being adopted. In addition fraudulent activities may occur when there are inadequate controls.

Recommendation

An investigation should be carried out by the Ministry to establish the causes of the surpluses and deficiencies of fuel. Furthermore, monthly fuel reconciliations should be prepared and submitted to the parent Ministry.

Management Response

The stock balance as per record need to be adjusted by 853 658 litres which was released on February 1, 2011.

Auditor's Evaluation of the Management's Response

The response is not addressing the issue. The auditee did not give an explanation on why that figure of 853 658 litres was omitted from the records in the first instance.

1.3 Undelivered Fuel

Finding

As observed in my previous years' audit the issue of undelivered fuel worth \$965 263 (1 096 890 litres) had not yet been cleared. Therefore, I am deeply concerned that the issue of undelivered fuel may never be finalised as it originated as far back as 2011.

Risk/Implication

The fund may be prejudiced of scarce financial resources required for use in the acquisition of strategic fuel stocks. The funds paid to the supplier may not be recovered.

Recommendation

The Ministry should expedite the conclusion of the matter and ensure that the fund is reimbursed the amount paid or alternatively the product so purchased is delivered.

Management Response

In respect to the fuel still to be delivered, litigation is already underway, with Petrotrade acting as Government's agent. The outstanding fuel was procured on the basis of a directive.

1.4 Accounting Officer's Instructions

Finding

As observed in my previous audit that the Fund still has no clearly documented accounting and administrative framework nor set standards or criteria outlining the logical flow of transactions related to strategic fuel acquisition and inventory management. No clear guidelines were set out regarding the pricing model to be implemented when stocks are withdrawn for resale on the market. There were no set criteria guiding re-order levels as well as clearly laid down conditions under which stocks were to be withdrawn from the reserves. The issue remained uncleared during

the year under review and I am also equally concerned that the issues I raised were not being taken seriously by management.

Risk/Implication

Without properly laid down procedures and policies documenting the systematic flow of transactions, the strategic levels required may not be accurately maintained at all times.

Recommendation

The Ministry should draw up a logical transaction accounting flow chart which clearly outlines the procedures and policies to be followed in managing the operations of the Fund in line with the Fund's constitution. This will provide clear and written guidelines to fund administrators' thereby promoting transparency and accountability.

Management Response

Zimbabwe Revenue Authority collects funds at ports of entry and forwards them to Petrotrade who in turn procures the fuel and puts it in strategic fuel reserves. NOIC is in charge of these strategic fuel reserves. When a draw down is to be done this will be done by the Minister of Energy and Power Development.

**VOTE 23.- WOMEN AFFAIRS, GENDER AND COMMUNITY
DEVELOPMENT**

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account and the supporting returns for the Ministry of Women Affairs, Gender and Community Development for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Women Affairs, Gender and Community Development as at December 31, 2015.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Advances from Statutory Funds

Finding

In contravention of Section 12.4 of Audit Circular No.1 of 2015 the Ministry did not furnish me with evidence of measures taken to repay a total sum of \$22 150 which was due and payable to the Women's Development Fund as at December 31, 2015. This may be attributed to inadequate financial management controls.

Risk/Implication

Reimbursement delays may derail the achievement of the Fund's intended goals and objectives.

Recommendation

The Ministry should reimburse the Women's Development Fund the amount due of \$22 150 to enable the Fund to execute its mandate.

Management Response

The bulk of the amount was later reversed for payment to the Fund towards the end of last year after Treasury failed to honor committed expenditure by line

Ministries. However, your comments have been noted and the Ministry is looking forward to reimburse the Fund as soon as Treasury avails funds.

2 PROCUREMENT

2.1 Direct Payments

Finding

I observed that Treasury's schedule of direct payments made on behalf of the Ministry during the financial year under review reflected a total amount of \$148 188 which did not agree with an amount of \$134 557 shown by the Ministry's records resulting in a variance of \$13 631. The variance remained uncleared at the time of concluding the audit. Therefore, I could not satisfy myself whether arrear clearances that were made to service providers actually constituted the value of services rendered to the Ministry. This was caused by lack of monthly creditors' reconciliations.

Risk/Implication

Payments may have been made for goods and services not delivered or rendered to the Ministry.

Recommendation

The Ministry should ensure that accounting records for direct payments are regularly reconciled with Treasury payment schedules.

Management Response

The Ministry will engage Treasury with a view of reconciling its direct payments figure of \$134 557 to the Treasury's figure of \$148 188.

3 MANAGEMENT OF ASSETS

3.1 Boards of Survey

Finding

Contrary to the requirements of Treasury Instruction 2006, the Ministry did not institute Boards of Survey for seven (7) non-runner vehicles.

Risk/Implication

If Boards of Survey are not conducted timeously, the condition of the government vehicles may deteriorate and cannibalisation of spare parts may take place.

Recommendation

Boards of Survey should be convened to consider the disposal of non-runner and redundant vehicles in compliance with Treasury Instruction 2006.

Management Response

A Chairperson for the Board has been nominated by the Secretary and Boards of Survey shall be convened soon to clear all outstanding cases.

3.2 Departmental Asset

Finding

Contrary to the requirements of Treasury Instruction 2005, the Ministry did not indicate in the asset register nor as attachment to the certificate whether there were any damaged and unserviceable assets and how they had been dealt with. In addition, the Ministry did not have an assessment report indicating the suitability of assets for departmental requirements in respect of both quantity and quality. This was caused by inadequate record keeping and lack of regular asset assessments by Ministry Officials.

Risk/Implication

State property may not be satisfactorily accounted for.

Recommendations

The compilation of the Ministry's departmental asset certificate should be compliant with the requirements of Treasury Instruction 2005.

The Ministry should also regularly conduct an assessment of the adequacy and suitability of assets for departmental requirements in respect of both quantity and quality and their general condition.

Management Response

The observation is noted. In future, the Ministry shall liaise with cooperating partners whenever they plan to have workshops in provinces in order to facilitate the transportation of Ministry officials who should do asset checks and assessments.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Deficiency in Internal Controls to regulate Rent and Hire expenses

The Ministry had made continued efforts with Ministry of Finance to obtain funds for office accommodation but the situation was being exacerbated by liquidity constraints.

4.2 Board of Inquiry

The Ministry was in the process of convening a Board of Inquiry in respect of a motor vehicle WAGCD 16 which was involved in an accident since they were facing challenges in obtaining a formal report of the accident.

4.3 Non-submission of Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) Compliant Results Based Management (RBM) documents

The Ministry has tasked the Director Finance and Administration to coordinate the implementation of RBM and oversee the distribution of Departmental Integrated Performance Agreements (DIPA), Work and Performance Monitoring Plans to Provinces and Districts.

4.4 Absence of an Audit Committee

The Ministry did not have an Audit Committee as further guidance was being sought from Treasury.

4.5 Under-resourcing of Internal Audit

The Internal Audit did not perform and finalise all its planned audits during the period under review due to resource limitations.

4.6 Lack of Risk Policy, Risk Register and Assessments

The draft Risky policy produced had been sent to Treasury for review.

4.7 Outstanding advances: Domestic Travelling and Subsistence

The deductions were effected on staff members' salaries. The copies of deductions made were availed to auditors.

4.8 Discrepancies between Travelling and Subsistence Advances and Payment Vouchers

The anomaly was rectified as members of staff had been encouraged to apply for subsistence allowance based on applicable rates and availability of funds.

4.9 Improper Accounting Treatment of Outstanding Travelling and Subsistence Advances

The observation had been corrected as advances returns were now being prepared taking into consideration balances brought forward from previous years.

4.10 Absence of a Service Contract on Procurement of Fuel, Oils and Lubricants

The anomaly was rectified since the Ministry was now carrying out comparative analyses of quotations before purchasing fuel coupons from different suppliers namely, Zuva Service Station, CMED and Redan Petroleum.

WOMEN'S DEVELOPMENT FUND 2014

OBJECTIVE OF THE FUND

The Fund was established to provide interest bearing loans to women groups, for developmental projects such as bakeries, uniform making, crafts, agriculture, mining, trading and training and enterprise programs.

I have audited the financial statements of the Women's Development Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Women's Development Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Outstanding Loans

Finding

The Fund granted credit loans to women's groups through a facility provided by the People's Own Savings Bank (POSB) in terms of the Memorandum of Understanding (MoU) signed between the Ministry and POSB. Article 2.3 of the MoU stipulates that in the event of default on repayment of loans by beneficiaries the Bank shall have a right to set off the outstanding loan balance against the Ministry's investment account held with the Bank.

In contravention of Treasury Instruction 0501, the Fund did not take adequate steps to recover outstanding loans amounting to \$976 547 which were due and payable as at December 31, 2014. This had the effect of hampering the revolving nature of the Fund thereby limiting the number of previously marginalised women who are supposed to be developed and empowered.

Risk/Implication

The Fund's investment account may incur a loss amounting to \$976 547 if POSB invokes the provisions of Article 2.3 of the MoU.

Recommendation

The Fund should put in place effective mechanisms to recover all non-performing loans.

Management response

The observation has been noted. However, the Ministry is in the process of putting effective mechanisms to collect outstanding loans like capacitating Ward Development Co-ordinators with motorbikes to make following up easier and intensifying monitoring and evaluation exercises. Fifty motorbikes were purchased as a start and this will be reviewed and continue to be supported with the aid of our Women's Development Fund Bankers, POSB. This is being done through fuel allocations specifically for this task.

For the second consecutive year, I observed with concern that the Fund incurred excess expenditure over income amounting to \$215 592 (2013: \$163 453). The main contributor to the excess expenditure was the impairment loss arising from the non-performing loans. This was contrary to the spirit of the Public Finance Management Act [*Chapter 22:19*] whose object is to secure transparency, accountability and sound management of revenues, expenditure, assets and liabilities of the Fund as espoused by Section 3.

Risk/Implication

The purpose for which the Fund was established may not be fulfilled due to improper financial management.

Recommendation

The Ministry should put in place mechanisms to regularly monitor and control the financial resources of the Fund in order to avoid the incurrence of excess expenditure.

Management Response

The technical excess over expenditure is due to the ballooning of non-performing loans hedged against our investment account. The Ministry has made efforts to liaise with the Portfolio Committee on Women Affairs, Gender and Community Development where the Accounting Officer got an undertaking from Parliamentarians who pledged to assist by following on beneficiaries in their respective constituencies. A plea was also lodged with Chiefs to assist to persuade beneficiaries in their areas of jurisdiction, to repay loans in the first quarter.

In an effort to recover the outstanding loans, through a loan facility provided by POSB the Ministry purchased 50 motorbikes for the Ward Development Coordinators to follow up on beneficiaries in arrears.

However, below is another material issue noted during the audit:

1 GOVERNANCE ISSUES

1.1 Unavailability of Accounting Officers Instructions for the Fund

Finding

According to Treasury Instruction 0706, Accounting Officers are required to issue detailed written instructions governing the conduct of financial business and the control of all public moneys and State property for which they are responsible.

I observed that the Ministry did not avail the Accounting Officers' Instructions in respect of the Women's Development Fund for audit inspection in contravention of Treasury Instruction 0706. This limited the scope of my audit as I could not ascertain whether the accounting records had been adequately maintained in adherence to the prescribed Accounting Officer's Instructions during the financial year under review.

Risk/Implication

Accounting records may not have been properly maintained.

Recommendation

The Ministry should prepare Accounting Officer's Instructions. These will guide officers in their work.

Management response

The observation has been noted. However, the Ministry submitted the Accounting Officer's Instruction on September 2, 2014. A follow up done with Treasury resulted in getting advice that they were working on a standard template. The Ministry will be in a position to give a target date to resubmit an amended copy, developed according to the forthcoming template, when the template is received.

2 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

2.1 Excess of Expenditure over Income

The Ministry has not improved as excess of expenditure over income increased by \$106 317 (65%) during the financial year under review as compared with the previous financial year.

2.2 Loans Advanced to Staff

Recovery was underway through Salary Services Bureau (SSB) stop order facility and some officers are paying cash directly to the Ministry.

2.3 Overstatement of Outstanding Loans

The Fund applied for and was granted a deduction code by Salary Service Bureau (SSB). Currently, all the loan recoveries are paid directly to the Fund.

2.4 Lack of Proper Books of Accounts

The Ministry purchased accounting software in order to alleviate this. However, the supplier of the software was preparing profiles and designing the user manual which will be used during training and indicated that this would be complete by August 15, 2015. Hence training of staff members on how to use the software would commence thereafter.

ZIMBABWE COMMUNITY DEVELOPMENT FUND 2014

OBJECTIVE OF THE FUND

The Zimbabwe Community Development Fund was set up to provide financial, technical, and managerial and any form of assistance to individuals or groups undertaking or intending to undertake income generating or economically viable projects.

I have audited the financial statements of the Zimbabwe Community Development Fund for the year ended December 31, 2014.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Zimbabwe Community Development Fund as at December 31, 2014 and its financial performance in the year then ended.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Income and Expenditure for Rodger Hawman Training Centre

Finding

For the second year running, I observed with concern that the Fund did not include and submit the income and expenditure account and balance sheet of Rodger Hawman Training Centre in the financial statements, in contravention of Section 7 of the Constitution of the Fund. This was caused by the fact that a Trust was running the affairs of Rodger Hawman Training Centre.

Risk/Implication

The financial statements may be misstated.

Recommendation

The Fund account should include and submit the income and expenditure account and balance sheet of Rodger Hawman in compliance with the requirements of Section 7 of the Constitution of the Fund.

Management Response

The Ministry has written to Ministry of Finance, Accountant General Department seeking authority to dissolve the Board of Trustee and adopt the new arrangement similar to other government training institutions. This condition would make it possible to include the expenses for consolidation. In a proactive approach, pursuant to getting authorization from Treasury the Ministry has opened accounts with ZB Bank for the two Centers.

1.2 Books of Accounts

Finding

Contrary to the requirements of Treasury Instruction 0705, the Fund did not maintain a manual cashbook and ledgers in which to record financial transactions. This was despite the fact that I raised the same matter in my prior year management letter referenced I/69/460/13. Although the Fund prepared financial statements from schedules maintained on microsoft excel spreadsheet, I could not place reliance on the accounts due to lack of data integrity.

Risk/Implication

Unauthorized changes may be made to financial information maintained on Microsoft excel schedules.

Recommendation

The Fund account should open and maintain a manual cashbook and ledger accounts in accordance with the requirements of Treasury Instruction 0705.

Management Response

The Ministry will purchase 32 line cashbooks as soon as the budget is availed in the month of July 2015. The Ministry will now be in a position to maintain manual records parallel to the excel records. Meanwhile, the Ministry will continue to run parallel systems until the adoption of the PFMS fund accounts module, which Ministry of Finance indicated its adoption in the near future. However, your comments have been noted and corrective measures are being instituted.

1.3 Separate Asset Register for the Fund

Finding

The Fund did not maintain a separate asset register which should reflect a record of all non-current assets under the ownership of the Fund in contravention of Treasury Instruction 0705. Therefore, I could not establish whether all State property had been accounted for and safeguarded from theft and misappropriation.

Risk/Implication

Assets may not have been fully recorded and disclosed in the financial statements.

Recommendation

The Fund should open and maintain a separate asset register in accordance with the requirements of Treasury Instruction 0705.

Management Response

The Ministry has begun transferring the Zimbabwe Community Development Fund assets into a separate asset register and the exercise will be through by August 7, 2015. The 2015 returns will comprise the master asset register and also the separate Fund asset register.

VOTE 24.- TOURISM AND HOSPITALITY INDUSTRY

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Tourism and Hospitality Industry for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account present fairly, in all material respects, the financial position of the Ministry of Tourism and Hospitality Industry as at December 31, 2015 and its financial performance for the year then ended.

However, below are material issues noted during the audit:

1 PROCUREMENT

1.1 Expenditure paid by the Zimbabwe Tourism Authority (ZTA)

Expenditure amounting to \$10 290 was paid by the Zimbabwe Tourism Authority on behalf of the Ministry. The Ministry cited liquidity challenges for failing to make payments from its own resources. There was no prior Treasury authority approving the arrangement between the Ministry and the Zimbabwe Tourism Authority.

Risk/Implication

Use of funds from the Authority to meet Ministry expenditure may result in ZTA failing to fulfill its mandate.

Recommendation

Funds for ZTA should be applied towards meeting its mandate and to promote transparency and accountability.

Management Response

The Ministry did not seek authority from Treasury to use funds from Zimbabwe Tourism Authority as it was guided by the Tourism Act [Chapter 14:20] section 29 (1) and (2) which states that the Zimbabwe Tourism Fund was established to develop the tourism industry. The management and control of this Fund is subject to the Act, vested in the Minister as trustee of the Fund.

Evaluation of Management Response

The Minister was given powers by the Act solely for the purposes specified therein. Expenditure incurred by the Ministry should be met from its voted funds.

2 GOVERNANCE ISSUES

2.1 Recording of Advances

Finding

The Zimbabwe Tourism Authority (ZTA) advanced Ministry officials \$57 621 towards foreign travel allowances. The Ministry did not have a cash register and therefore the advances were not recorded. The advances were issued by ZTA directly to the members undertaking the foreign trips. This was in contravention of Treasury Instruction 1504 which state that Accounting Officers shall ensure that efficient controls and accounting records are maintained in respect of all advances made.

Risks/Implications

There is risk of fraudulent transactions being processed in the absence of a cash register.

Travelling and Subsistence advances may not be cleared by officials on their return.

Borrowing money from ZTA may result in circumventing of government procedures which require cabinet authority before undertaking foreign trips.

Recommendations

The Ministry should comply with Government requirements in processing foreign travel allowances.

The Ministry should maintain a cash register through which all received cash is recorded.

Management Response

It has been the norm that advances from Zimbabwe Tourism Authority were handed over to the recipient despite the fact that the Ministry would have requested the advances formally. However, measures will be taken to correct the anomaly that all cash advances should be handed over to Finance Department for

recording before being issued to the respective individuals. The cash register has already been introduced to maintain and record all cash advances.

3 EMPLOYMENT COSTS

3.1 Transport and Fuel Allowance

Findings

Nine Officers were in receipt of both transport and fuel allowances. These Officers received transport allowance totalling \$10 800 and monthly fuel allocations throughout the year. Management did not implement provisions of paragraph 3(2) of the Public Service Commission Circular number 1 of 2012 which forbids civil servants in receipt of transport allowance from receiving fuel coupons.

Risk/Implication

There is risk of double dipping by the nine officers who were in receipt of both transport and fuel allowances. Recoveries should be effected.

Recommendation

The Ministry should adhere to the provisions of Public Service Commission Circular number 1 of 2012.

Management Response

The officers were being issued fuel coupons at the discretion of the Accounting Officer.

Evaluation of Management Response

The Accounting Officer is required to comply with the standing regulations.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS.

4.1 Assets Maintenance

The Ministry has not resolved the issue of registration books.

4.2 Idle Assets

The Ministry was in the process of transferring the idle assets to Mosi Oa Tunya Development Company (Pvt) Ltd which is a wholly owned government company under the Ministry.

4.3 Payment for United Nations World Tourism Organization (UNWTO)

The outstanding amount was reduced from \$400 347 to \$136 000 through set-offs

4.4 Services provided without a contract

The contract with Broadlands Network was terminated during 2015.

VOTE 25.- INFORMATION COMMUNICATION TECHNOLOGY, POSTAL AND COURIER SERVICES

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Information Communication Technology, Postal and Courier Services for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account present fairly, in all material respects the financial position and performance of the Ministry of Information Communication Technology, Postal and Courier Services as at December 31, 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Borrowings from State Owned Enterprises

Findings

A total amount of \$58 888 was borrowed from POTRAZ and Net One to meet various Ministry Appropriation expenses without Treasury approval. This expenditure was not included in the 2015 Appropriation figure as it was incurred outside the Public Finance Management System.

The Ministry got loans amounting to \$10 000 000, \$194 564 and \$95 000 from POTRAZ for the acquisition of Government's shareholding in Telecel Zimbabwe and purchasing of the Minister and Deputy Minister's vehicles respectively, without Treasury concurrence. These amounts were still outstanding as at the time the audit was concluded.

Risk/Implication

The Ministry may create unplanned debt if loans are not authorised by Treasury. Further the Ministry may fail to account for expenditure if some expenses are incurred outside the Public Finance Management System.

Recommendation

The Ministry should obtain Treasury approval prior to contracting debt from State Owned Enterprises. In addition, the Ministry should ensure that outstanding loans are properly accounted for.

Management Response

The observation has been noted. The 2015 expenditure figure of \$2 862 236 is understated by \$58 888 which is attributable to borrowings from SOEs.

Evaluation of Management Response

The Ministry did not provide documentary evidence to show that they were given Treasury Authority to borrow from State Owned Enterprises. Since the amount of \$58 888 relates to Appropriation expenses by the Ministry, the expenditure should be accounted for in the 2015 financial year. In addition, the Ministry did not provide documentary evidence on how it intends to account for the \$10 289 564 for the purchase of shareholding in Telecel Zimbabwe and the purchase of the Minister and Deputy Minister's vehicles.

2 PROCUREMENT

2.1 Direct Payments

Findings

Payments amounting to \$21 983 which were made by the Ministry of Finance to Amalgamated Motor Co-operation and Isoquant Investments Hygienic Cleaning Services on behalf of the Ministry, were not included in the 2015 Appropriation Account.

Contrary to Treasury advice dated April 30, 2015 in respect of set-offs, there was no proof of payments obtained for Direct Payments amounting to \$382 314 made to various suppliers.

Risks/Implications

The Ministry may fail to account for all its expenditure if set-offs figures are not part of the PFMS balances.

The set-offs may not be accounted for by the suppliers if proof of payment is not obtained.

Recommendations

The Ministry should ensure that all set-off are accounted for in the appropriate financial year.

The Ministry should also obtain proof of payment from suppliers for all set-offs done during the 2015 financial year.

Management Response

The set-offs transactions that you did not see in the system were just a plan to extinguish debts with vendor companies. However, because of the shortage of funds, the Ministry of Finance through its January Directive advised that all unfunded commitments be reversed and this includes the set-off amounts.

Evaluation of Management Response

Treasury minute A/26/1/9 dated April 30, 2015 advised the Ministry to include the set-offs of \$20 869 and \$1 114 respectively in the expenditure figure for 2015. The Ministry was also advised to regularise the above mentioned amounts through journal vouchers and obtain confirmation of payments from Isoquant Investments Hygienic Cleaning Services and Amalgamated Motor Co-operation respectively. However as at the time of my audit no corrective action had been taken.

Since written correspondences were received from Treasury regarding set-offs, any reversals pertaining to the same should be in written form and where no written correspondences are received no changes should be effected. The January Directive from Treasury stated above was not availed for audit inspection.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Audit Committee

Findings

Contrary to the provisions of Section 84 of the Public Finance Management Act [Chapter 22.19], the Ministry has not yet established an Audit Committee whose responsibilities should be to liaise with External Audit, supervise Internal Audit and review the annual accounts and internal controls.

Risk/Implication

In the absence of an Audit Committee, the internal control system of the Ministry may not be adequately evaluated and reviewed. Furthermore, the independence of the Internal Audit function may be compromised.

Recommendation

The Ministry should establish an Audit Committee so that the control environment is enhanced in line with statutory regulations.

Management Response

The audit finding regarding the establishment of an Audit Committee is noted. Please be advised that the Ministry is in the process of establishing one such Committee. It is hoped that the Audit Committee will have been put in place by December 31, 2016.

1.2 Risk Management Policy

Finding

Contrary to the requirements of Section 44 of the Public Finance Management Act [*Chapter 22:19*] which states that an effective, efficient and transparent system of risk management should be established and maintained, the Ministry did not have a documented and approved Risk Management Policy. As a result no risk assessment was carried out during the year under review.

Risk/Implication

Failure to formulate a Risk Management Policy may result in the Ministry not identifying and responding to material risk or threats effectively.

Recommendation

The Ministry should have a Risk Management Policy that will adequately and effectively mitigate risk exposures.

Management Response

The observation has been noted. The Ministry's Risk Management Policy is still in the drafting stage. Efforts are being made to ensure that this initiative is completed by December 2016.

2 PROCUREMENT

2.1 Misallocation of Expenditure

Findings

The Ministry charged expenditure amounting to \$9 804 for Administration and General Sub-Vote and \$20 400 for Central Computing Services (CCS) Sub-Vote to the General Ledger Accounts without following proper virement procedures.

Risk/Implication

State funds may be misappropriated if expenditure is incurred without following proper budgetary control procedures.

Recommendations

In cases where the Ministry anticipates excess expenditure or saving on certain items of the Vote, proper virement procedures should be followed to obtain authority before spending.

Management Response

The audit observation with respect to misallocation of expenditure is noted. Please be advised that proper virement procedures will in future be followed and that authority will be obtained before funds are spent.

2.2 Payments to Third Parties other than Service Provider

Findings

In certain instances, the Ministry made payments for goods and services to third parties, including employees, in contravention of good accounting practice and procurement regulations that require State Entities to procure goods and services from registered suppliers and vendors. This was contrary to Treasury Instructions 1210 which stipulates that payments should be made to third parties only under a proper legal authority which should be attached to the payment voucher. The payments were also made in contravention of Treasury Instruction 1220 which states that a Senior Accountant should ensure that the payee is the person entitled to payment before authorising the payment. The table below refers:

Table of Payments made to third parties

Document Number	Supplier to Whom Payment is due	Recipient of Payment on Behalf of Supplier	Description of Goods or Services	Amount \$
1900009654	Jack and Fields and Chartered Accountants	Silas Karambwe	Strategic Planning Facilitation	3 400
1900009902	Mugwisi Muchemwa	Goto Electricals	Plumbing services at CCS	1 805
1900009673	Gabi Francis	Goto Electricals	Plumbing Services at CCS	2 450
TOTAL				\$7 655

Risk/Implication

Funds may be misappropriated if good accounting and procurement practice is violated.

Recommendation

The Ministry should desist from paying suppliers through employee accounts or third party beneficiaries.

Management Response

The observation has been noted. The Ministry has since stopped making payments to third parties and as for now, the Ministry is only contracting vendors registered with Treasury.

2.3 Supporting Documents for Expenditure**Finding**

An advance payment of \$53 496 was made to Dixel for Oracle backup tapes on the basis of a pro-forma invoice. This is contrary to Treasury Instruction 0907 which states that no payment shall be made before it is properly due. No proof was attached as evidence that the consignment of backup tapes was later received by the Ministry.

Risks/Implications

The Ministry may pay for goods or services not received if payments are not based on actual invoices for services rendered or goods received.

Advance payments may result in making payments for goods which may not be delivered resulting in loss of government resources.

Recommendations

The Ministry should make payments based on actual invoices for services rendered or goods received.

Requirements of Treasury Instructions should be adhered to.

Management Response

The observation has been noted.

Evaluation of Management Response

No explanation has been provided as to why the advance payment of \$53 496 was made to Dexel without proof of a delivery note.

3 MANAGEMENT OF ASSETS

3.1 Board of Inquiry

Findings

An HP Laptop 4520s serial number 2CE018133Z and an iPad serial number DLXH66BADFJ3 allocated to the Legal Officer were stolen on May 02, 2012. Contrary to Treasury Instruction 2302, no Board of Inquiry had been convened by the Ministry as at the time of audit. However, the case had been reported to Police and under investigation with a case reference number of 1397906.

Risk/Implication

The Ministry may fail to recover value of assets, in cases of negligence if Boards of Inquiry are not convened when assets are lost or damaged.

Recommendation

The Ministry is encouraged to convene Boards of Inquiry promptly whenever assets have been lost or damaged by employees.

Management Response

The observation has been noted. The Board of Inquiry panel has been set for the stolen laptop and iPad and the findings and recommendations will be out by May 15, 2016.

Evaluation of Management Response

The Ministry did not provide evidence of the action to be taken and the timeframe the payment would be in order to recover the laptop.

4 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

4.1 Departmental Assets

The Departmental Assets Certificate for the 2014 Appropriation year was later submitted for audit.

4.2 Procurement

The corrective journals were not effected, allegedly due to lack of funds.

4.3 Contingent Liabilities

The Ministry addressed the issue. State Owned Enterprises had since availed some of the contracts and agreements thus proper accounting records on Contingent Liabilities were now being maintained.

4.4 Public Financial Assets

Correspondences had been written to Treasury on the issue with no responses. Audit was given copies of such correspondences.

VOTE 26.- LANDS AND RURAL RESETTLEMENT

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Lands and Rural Resettlement for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account presents fairly, in all material respects the financial position and performance of the Ministry of Lands and Rural Resettlement as at December 31, 2015.

Basis for Qualified Opinion

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 99 year Leases still Denominated in Zimbabwe Dollar

Finding

In my report for the financial year ended December 31, 2014 I made mention of my concern of 99 lease agreements still denominated in Zimbabwean Dollars and for the financial year under review no corrective action had been taken by the Ministry. The information obtained from the Ministry's Department of Acquisition and Land Information Management System indicated that a total of 112 (One hundred and twelve) farms had 99 year lease agreements still denominated in Zimbabwean Dollars. Only 4 (four), 99 year lease agreements had been converted to US\$ (United States Dollar) from the Zimbabwean Dollars. The table 1 below refers:

Table 1

Province	Number of 99 year leases
Manicaland	3
Mashonaland East	22
Mashonaland Central	19
Mashonaland West	50
Masvingo	10
Midlands	4
Matabeleland North	2
Matabeleland South	2
Total	112

Risk/Implication

The state may continue losing revenue.

Recommendation

The Ministry should ensure that all 99 year lease agreements still denominated in Zimbabwean Dollars are converted to US\$ in consultation with Treasury.

Management Response

The Ministry is waiting for a response from RBZ which was instructed by Treasury to avail the exchange rates. Several follow ups with RBZ were made by the Ministry.

1.2 Absence of Handover and Takeover Procedures on Assumption of Responsibility

Finding

I was concerned about the absence of handover and takeover procedures between the Ministry and Rural District Councils when the Ministry assumed the responsibility of collecting development levies following Cabinet approval effective from July 1, 2015. I was not availed with information of persons who are supposed to pay development levies and any amounts outstanding at the time the Ministry assumed the responsibility. I was therefore unable to determine whether all development levies due to local authorities were properly collected and accounted for during the period under review. In the absence of a database I was unable to determine whether all persons with outstanding development levies had been properly disclosed in the Ministry's outstanding revenue return for the financial year under review. This was in violation of Section 2.1.7 of the Secretary's Circular Number 1 of 2015 which states that, "Ministry's officials and Local Government officials should work together in data synchronization as they update debtors' database".

Risk/Implication

Development levies may not be properly accounted for.

Recommendation

The Ministry should ensure that a comprehensive database is put in place in respect of development levies.

Management Response

Development levy is collected from both A1 and A2 farmers. While the Ministry of Lands and Rural Resettlement has data on A2 farmers that for A1 farmers was compiled at District level by District Land Committees chaired by the District Administrator. At a meeting held with officials from the Ministry of Rural Development and Preservation of National Cultural Heritage it was agreed that Rural District Councils should submit to District Lands Officers the database of farmers (both A1 and A2) who were paying development levy to enable the Ministry of Lands and Rural Resettlement to compare this to the data held by the Ministry. This was not done. However the Ministry of Lands and

Rural Resettlement observed that data held by Rural District Councils could be defective in that councils were collecting development levy without verifying whether one is resettled properly or not. As a result A1 farmers settled on grazing areas could have been billed and paid development levy thereby authenticating their settlement. The Ministry of Lands and Rural Resettlement will collect development levy only from those settled on designated areas and those on grazing areas will have to be moved off. The same due diligence should be exercised in collecting development levy from A2 farmers to ensure that those whose offer letters were withdrawn do not make payment as a way to overturn the withdrawal of offer letters.

A follow-up will be made with the Ministry of Rural Development and Preservation of National Cultural Heritage for their database for referral purposes only.

1.3 Production of a Data Base of all Beneficiaries of the Land Reform

Finding

The Ministry failed to produce a database showing details of who was allocated what piece of land and the period of allocation. An interview with the Acting Provincial Chief Lands Officer and Provincial Lands Information Management System Officer during my visit to Matabeleland North Provincial Lands Office revealed that the provinces did not have up to date data bases for all the farmers in the provinces.

Risk/Implication

In the absence of an up to date database, the chances of double allocations are very high. Also some indigenous farmers who bought land may have their farms designated and end up being wrongly acquired. The Ministry also distributed quarantine farms owned by the Ministry of Agriculture Mechanisation and Irrigation Development in Mazowe and Mwenezi. These were Research Services farms used for the protection of the country's biological assets against diseases from imported animals.

Recommendation

The Ministry should establish and maintain a valid and reliable database of beneficiaries of land reform. Management through their Head Office should ensure that the Provinces have up to date databases.

Management Response

The Ministry has just finalised the development of a robust database for capturing beneficiaries of the land reform programme and also for billing amongst other purposes. The available data is being fine-tuned to conform to the system requirements for upload. Specifically 87 057 A1 beneficiaries have been verified against the Registrar General's database and 60 146 are ready for upload. Furthermore 8 983 A2 beneficiaries have also been verified and 7 222 are ready for upload into the computerised database system. The process of

beneficiary details verification is an on-going exercise for the different land categories. In addition 1 200 farms and 5 000 beneficiaries for Midlands and Manicaland are now stored in the system. Contracts creation and billing is the next stage.

1.4 Leases and Database for Mobile Telecommunications Companies with Base Stations

Finding

I observed that only one mobile telecommunication operator was paying lease rentals despite the fact that the country had three mobile telecommunication operators with base stations across the country. I was not availed with any lease agreements for these and I was concerned that the Ministry had no database for all base stations on rural land across the country and hence I was unable to determine whether all revenue for lease rentals were properly collected and accounted for.

Risk/Implication

All revenue due to the State may not be properly accounted for.

Recommendation

The Ministry must ensure that data about all base stations on rural land across the country is compiled, leases processed, the companies billed and all revenue due to the State recovered.

Management Response

The Ministry has drawn leases for base stations with Econet who have complied. Provinces notified Head Office of the existence of other base stations constructed by I and NetOne triggering an enquiry on how these were set up. The Ministry has held a meeting with Telecel officials who divulged that they entered into agreements with Rural District Councils and in some cases with beneficiaries of the land reform programme to set up base stations. Policy and procedure was spelt out that in resettlement areas leases are entered into with the Ministry and no one else. In communal areas Rural District Councils are authorised to enter into such lease arrangements. Leases will be drawn for base stations constructed by Telecel while discussions will be done with NetOne.

Evaluation of Management Response

Progress made is acknowledged. No lease agreements had been entered into with the other operators.

1.5 Uploading of the Debtors' Data into the SAP (System Application Products) System

Finding

Contrary to the provisions of Section 2.1.9 of the Secretary's Circular Number 1 of 2015 which stipulates that, "Resettlement Section at Head Office should upload the debtors' data into the SAP system to be used in order to pave way for billing, dunning and reporting by Finance Section", I observed with concern that nothing had been done for the financial year under review.

Risk/Implication

Accounting for revenue may be difficult in the absence of a proper accounting system.

Recommendation

The Ministry should ensure that all the provisions of Section 2.1.9 of the Secretary's Circular Number 1 of 2015 are complied with.

Management Response

Resettlement officers at Head Office were trained to use the SAP System. However the planning and resettlement data that we have needs to be verified first with current situation on the ground before it can be uploaded into SAP System. The data verification exercise has since commenced in Mashonaland Central Province. There is need to train District and Provincial officers because data entry into SAP System starts at District level.

We have requested provinces to submit verified Model A1 beneficiaries, and to date five provinces have complied.

The Resettlement Department is ready to upload the verified information.

Evaluation of Management Response

The debtors' data still had not been uploaded one year after the directive

1.6 Outstanding revenue

Finding

For the fourth year in succession, I could not rely on the outstanding revenue return for the financial year under review due to the absence of a comprehensive database for debtors for the Ministry's revenue heads. The Ministry failed to produce the database for the beneficiaries of the land reform programme. Due to the absence of the database and a billing system, reliance could therefore not be placed on the outstanding revenue figure of \$4 860 958.03 disclosed in the return submitted for audit. Furthermore, the Ministry failed to disclose survey fees to be recovered from the beneficiaries of the land reform

programme. I am concerned with the failure by the Ministry to follow up and recover the outstanding balance which stood at \$5 957 226.59 as at December 31, 2015. The outstanding revenue return did not include all people with outstanding land rentals for both A1 and A2 which were introduced during the period under review.

Risk/Implication

The Ministry may fail to collect all revenue due to the State.

Recommendation

The Ministry must ensure that a comprehensive database and billing system is put in place.

Management's response

The database of debtors for the different land categories is available for your verification. The Ministry has just finalised the development of a robust database for capturing beneficiaries of the land reform programme and also for billing amongst other purposes. The available data is being fine-tuned to conform to the system requirements for upload. Specifically 87 057 A1 beneficiaries have been verified against the Registrar General's database and 60 146 are ready for upload. Furthermore 8 983 A2 beneficiaries have also been verified and 7 222 are ready for upload into the computerised database system. The process of beneficiary details verification is an on-going exercise for the different land categories. In addition 1 200 farms and 5 000 beneficiaries for Midlands and Manicaland are now stored in the system. Contracts creation and billing is the next stage.

The database of debtors is available. The Ministry is working on ensuring that only data with integrity is uploaded into the E-Government (SAP) system. This is a process which requires collaborative approach between Head Office and provincial offices. To this end data verification for uploading into the computerised database platform is on-going. Because of the tortuous nature of the verification process only 30 contracts in the system are ready for billing. More contracts are going to be created as the verification process is speeded up.

Observation noted. Flexible Real Estate SAP Module being configured will complement reporting function, hence enhancing the completeness of outstanding revenue return.

Evaluation of Management Response

The outstanding revenue figure should still be verifiable even before uploading as the uploading is only transferring the same data from a manual record to a computerised one.

1.7 Collection of Revenue by Village Heads

Finding

A total of \$615 for land rentals was collected by village heads of Umguza District who were not Government employees and not duly appointed in terms of the provisions of Public Service Regulations, 2000 Statutory Instrument 1 of 2000 [Chapter 16:04]. Furthermore there were no receipts issued upon receipt of cash. This was a violation of Treasury Instruction 0411 which provides that, *“Subject to the provisions of Instruction Nos. 0410 and 0420 an officer shall, immediately upon receiving money in his official capacity, issue a receipt or license prescribed for the purpose, as appropriate. No receipt shall be issued for a cheque until the due date of such cheque. If the due date falls on a Sunday or a non-business day the payment shall be receipted and brought to account in the month relative to the date of the cheque even though the cheque may be deposited in the ensuing month”*.

Risk/Implication

It may be difficult to prefer disciplinary charges against the village heads and public funds may be misappropriated without recourse.

Recommendation

The Ministry should ensure that all revenue is collected by Government employees.

Management Response

The observation is noted. Recommendation is going to be implemented.

2 EMPLOYMENT COSTS

2.1 Payment of Rural Allowances

Finding

An examination of the establishment and pay sheets for the year under review from a sample of two (2) provinces that of Matabeleland North and Manicaland revealed that the district personnel were stationed in provincial offices instead of their respective district stations. The officers were getting rural allowances despite being stationed in Bulawayo and Mutare provincial offices respectively. As a result a total of \$1 437.72 was erroneously paid to these officers in the year under review.

Risk/Implication

Farmers may be deprived of the services they require.

The government may continue to pay rural allowances to employees living in urban environment.

Recommendation

A thorough investigation must be undertaken for the entire Ministry dating back to the year 2009 and those who were paid rural allowances but not staying in rural areas must have disallowances raised against them.

Management Response

The audit observation has been noted. The Public Service Commission through the Salary Service Bureau Agency has since been advised to create pay codes for each district. Please take note that effective from April 1, 2016 pay codes for each District are now in place. This approach is a departure from the previous scenario where all districts in the respective provinces had one pay code. This approach has since curtailed the risk highlighted in the audit observation.

In view of the above development, after noting that some members were undeservedly getting rural allowances, we effected cessation of rural allowances to the undeserving members in February 2016.

HOWEVER, below are material issues noted during the audit:

1 REVENUE COLLECTION AND DEBT RECOVERY

1.1 Depositing of Revenue into Exchequer Account

Finding

The Ministry deposited revenue amounting to \$35 154 into its Sub-Exchequer Account instead of the Ministry's holding account in violation of Treasury Circular dated 16 December 2015 titled, "*Authority for revenue retention at source for funds*" read together with the Ministry's Directive dated 24 December 2015 which provides that, "*In order to enhance efficiency and effectiveness in financial performance of Funds, Treasury hereby approves Funds to retain revenue generated at source for only a pre-agreed percentage of qualifying revenue collections as specified in the constitutions drawn up to regulate the operations of their respective Funds.*"

Treasury requests Accounting Officers to ensure that all revenue remaining after the Fund's authorised portion is strictly transferred to the Exchequer Account on the first working day of the month following the month in which the collections are effected". This measure was also designed to help the Ministry in disbursing revenue from development levies into accounts of Rural District Councils.

Risk/Implication

The Ministry's statutory Funds may be deprived of revenue and hence service delivery may be compromised.

Rural District Councils may be deprived of development levies.

Recommendation

The Ministry should ensure that all revenue collected is deposited into its holding account in line with the requirements of Treasury Circular dated 16 December 2015 read together with the Ministry's directive dated December 24, 2015.

Management Response

Observation is noted. This was attributed to late receipt of the Ministry's directive to deposit all revenue collected into the holding account by few provinces. Provinces received the directive on different dates despite the fact that the directive was despatched the same time. Revenue amounting to \$35 154 was deposited by provinces that received the directive late. However, the Ministry will recover its entitlement from Treasury.

2 GOVERNANCE ISSUES

2.1 Submission of Internal Audit Reports for the Financial Year under Review

Finding

The Ministry's Internal Audit Department carried out four audit assignments during the financial year under review. I was concerned that no internal audit reports were submitted to my Office, contrary to the provisions of Section 80 (5) of the Public Finance Management Act [Chapter 22:19] which provides that, *"Whenever an internal auditor has completed any internal audit programme, he or she shall prepare a report on the financial administration and accounting system in the Ministry or reporting unit to which he or she has been appointed, and may include in such report any instances of hindrance or obstruction he or she has encountered in the discharge of his or her duties, and shall transmit copies of such report to the accounting officer, the Treasury and the Auditor-General"*.

I was concerned that the Internal Audit Department did not carry out any audit of the Ministry's Head Office and the Department of the Surveyor-General (Harare), key cost centres of the Ministry, during the financial year under review.

Risk/Implication

Internal controls of the Ministry may be compromised.

Recommendation

The Ministry should ensure that all internal audit reports compiled by the internal audit department after an assignment are submitted to Treasury and the Office of the Auditor-General as per the provisions of Section 80 (5) of the Public Finance Management Act [Chapter 22:19].

Management Response

The Internal Audit reports have been submitted to the Permanent Secretary's Office to necessitate exit meeting and her final approval. However such exit meeting has been scheduled for Tuesday 10 May 10, 2016 in the Permanent Secretary's office at 1000 hours. I hope soon after the meeting reports will eventually be distributed accordingly.

Internal audit programme and Auditor-General's programme clashed during the beginning of the year for the Head Office audits. Internal audit decided to pave way for the Auditor-General to proceed with their mandate. Afterwards internal audit had to stick to agreed itinerary programme for provincial offices, whose audits were long overdue. Next time, internal audit promises to audit Head Office annually.

For Surveyor General's Office, internal audit programme was not approved by the Permanent Secretary's Office before a discussion was made with the Director of Finance and Administration and the Director of Human Resources.

Evaluation of Management Response

The observation still remains valid. Five months after year end none of the 2015 internal audit reports have been transmitted to the Treasury and the Auditor-General. I remain concerned that the internal control weaknesses highlighted in the reports could still not have been addressed.

2.2 Submission of 2015 Quarterly Performance Reports

Finding

The Ministry failed to avail Work and Performance Monitoring Plan and Quarterly Performance Reports for the financial year under review. This was in violation of Audit Circular No. 1 of 2015 Section 12.2 read in conjunction with Section 32 (3) (a) of the Public Finance Management Act [*Chapter 22:19*] which provides that the following documents which support the ministry's programmes, plans and achievements for the year 2015 should be submitted: Ministry Integrated Performance Agreement; Departmental Integrated Performance Agreement; Work and Performance Monitoring Plan; and Quarterly Performance Reports.

Risk/Implication

It may be difficult to ascertain whether resources allocated to the ministry were used for the intended purposes.

Recommendation

The Ministry should comply with Audit Circular No.1 of each year and Section 32 (3) (a) of the Public Finance Management Act [*Chapter 22:19*].

Management Response

There was staff movement in and out of the Ministry. The reports could not be accessed. However, the concerns have been noted and for the current year all documents required for the RBM are in place and the reports are also being done timeously.

3 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

3.1 Outstanding Revenue

The status quo still prevailed during the financial year under review. No database was yet in place. No survey fees were recovered during the period under review.

3.2 99 year Leases Denominated in Zimbabwean Dollars

Nothing changed during the period under review. During the period under review I observed that a total of 112 farms still had 99 year leases denominated in Zimbabwe Dollar and yet the country adopted the multi-currency system in February 2009.

3.3 Missing Parts on 11 Ministry Vehicles

The Ministry has since appointed a board of inquiry to look into the issue.

3.4 Absence of Monthly Reconciliations

Audit recommendations were implemented.

3.5 Dissolution of the Agricultural Land Settlement Board

The Ministry wrote to the Public Service Commission seeking for condonation on October 23, 2015 and no response had been received.

LANDS AND RESETTLEMENT FUND 2014

I have audited the financial statements for the Lands and Resettlement Fund for the nine months period ended December 31, 2014.

Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the Lands and Resettlement Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Disclosure of Non-current Assets and Depreciation Expense in the Financial Statements

Finding

The Lands and Resettlement Fund acquired assets amounting to \$11 350 during the nine months period ended December 31, 2014. These were expensed instead of being depreciated in line with Generally Accepted Accounting Practices. The Fund's Constitution did not specify the depreciation policy and the Ministry did not take reasonable actions to ensure that fair presentation would be achieved in the presentation of financial statements.

Risk/Implication

The financial statements may be misleading to users.

Recommendation

The Ministry must ensure that the assets acquired by the Lands and Resettlement Fund are depreciated.

Management Response

Observation noted. The Ministry is seeking Treasury's guidance as there is no standard accounting policy on depreciation of assets belonging to Funds. It is imperative to note that at this juncture, the Ministry is waiting for the depreciation policy which is currently being crafted by the Accountant General's office shall be used as a benchmark by all ministries in relation to Funds.

VOTE 29.- SPORT, ARTS AND CULTURE

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Sport, Arts and Culture for the year ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account and the supporting returns present fairly, in all material respects, the financial position and performance of the Ministry of Sport, Arts and Culture as at December 31, 2015.

However, below are material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Motor Vehicle registration

Finding

Motor vehicles transferred from Treasury and ZIMRA in August 2014 were still to be registered with the Central Vehicle Registry Office to show that the new owner is now the Ministry of Sport, Arts and Culture. It was further noted that the relevant transfer documents were yet to be processed and collected from ZIMRA. See the table below:

Make/Model	Type of body/Colour	Engine Number	Chassis/Frame No.
Honda CRV	CRV White	B20B3058785	JHCRO1750WC240590
Mitsubishi L300	Canter Truck White	4G63HT8064	MR438658
Hyundai Elantra	Elantra Grey	G4GRT121954	KMHKF31RPTJ281746
Toyota Mark 11	Mark 11	IG6526261	GX100-6046670
Toyota Vista	Vista Sedan	3S7832943	SV300039522
Volkswagen 45X-PASSAT	45X-PASSAT	AVF408522	WVWZZZ3BZ4P043387

Risk/Implication

There is risk that the ministry may not be able to claim ownership of the motor vehicles at some point in future if they are not registered in its name.

Recommendation

A follow up with ZIMRA on the matter should be done so that the vehicles in question are registered with Central Vehicle Registration, in the name of the Ministry.

Management Response

The observation has been noted. However, payment of \$160 per vehicle has not been made yet to CVR for the vehicles to be registered due to cash flow challenges. The payment will be processed upon availability of funding.

2 PROCUREMENT

2.1 Unpaid Accounts

Finding

Audit noted that the Ministry of Sport, Arts and Culture had outstanding payments amounting to US\$430 962 as at December 31, 2015. Documents availed for audit showed that Treasury had released funds through the Public Finance Management System (PFMS) and payments were processed. However no cash was deposited into the Ministry's Sub Paymaster General (PMG) account so that service providers owed could be given their dues.

Implication/Risk

There is risk of making inappropriate decisions premised on inaccurate expenditure figures for the Ministry.

Recommendation

Only payments which have been funded by Treasury should be processed in the Public Finance Management System (PFMS) so that accurate expenditure figures are shown.

Management Response

The documents will not show wrong expenditures since the Ministry reversed all unfunded expenditures so that it reflects a true picture of what transpired during the financial year under review.

2.2 Expenditure Vouching

Finding

The following payment vouchers were not properly supported in violation of the requirements of the Treasury Instruction Appendix II section 14 which requires a payment voucher to be properly supported with three quotations, certified correct and passed for payment by relevant authorities.

Date	Voucher Number	Amount (US\$)	Anomaly
No date	59/15	2 390	Not certified correct
20/04/15	119/15	1 500	Not certified correct
20/08/15	446/15	60 000	Not certified correct No supporting documents
20/08/15	447/15	1 656	Not passed for payment
21/08/15	449/15	300 000	Not passed for payment No attached documents
25/08/15	451/15	150 000	No supporting documents
Z01/09/15	452/15	118 000	No supporting documents
Total		\$633 546	

Implication/Risk

The Ministry may not buy to the best advantage if quotations are not sourced and compared and also that payments may be made without supporting documents.

Recommendation

All relevant supporting receipts and invoices should be attached to their respective payment vouchers to substantiate expenditure incurred and for accountability purposes.

Management Comments

The observation is noted and corrective action has been taken. Measures have also been reinforced to ensure non recurrence in future.

3 EMPLOYMENT COSTS

3.1 Human Resources-Manpower Development Leave

Finding

Audit noted that five (5) members of staff who were transferred from the Ministry of Primary and Secondary Education to Ministry of Sport, Arts and Culture were undertaking studies on unauthorised block release. Upon being transferred to Ministry of Sport, Arts and Culture the members did not apply for manpower development leave and continued with their studies. In terms of Section 40 of the Public Services Commission (PSC) Regulations 2000 as amended and read in conjunction with PSC Circular Number 2 of 2015 members should apply for manpower development leave before embarking on these studies.

Implication/ Risk

There is risk that members are paid for services not rendered resulting in wasteful expenditure.

Recommendation

The Ministry should urgently take disciplinary action against members who proceed on manpower development leave without authorisation.

Management Response

The ministry had appointed an investigation committee on November 4, 2015 to look into the issues of these members of staff. However the investigations could not be carried out because of financial and transport challenges.

Evaluation of Management Response

The Ministry should have carried out these investigations from Head Office because the staff members involved can be asked to write reports from wherever they are and explain why they proceeded on manpower development leave without the Accounting Officer's approval in terms of regulations. Some of these officers are based in Harare in which case investigations can be carried out without incurring any transport costs.

4 MANAGEMENT AND IMPLEMENTATION OF GOVERNMENT

4.1 Results Based Management/Programmes/Zimasset

Finding

Progress report availed for audit showed that after successfully hosting the 6th Edition of the African Union Sports Council (AUSC) Region 5 Under-20 Youth Games in Bulawayo between the 5th and the 14th of December 2014, the Ministry encountered challenges in paying service providers. At the time of concluding the audit the Ministry had nine litigation cases pending at the courts amounting to more than \$3 509 248. See the table below:

List of litigation cases

No.	The litigant	Brief Facts	Amount Claimed	Status
1.	LOC Admin Director	Was an Administration Director at the Local Organizing Committee (LOC) – was suspended for fraudulent activities	\$22 000	He lost an appeal at the Labor Court. An appeal has been lodged at the Supreme Court.
2.	T-Shirts supplier	Company supplied T-Shirts which were sub-standard and LOC rejected them	\$21 000	Still pending at the courts
3.	Mobile Equipment supplier	LOC purchased phone handsets and extensions	\$7 648	Pending at the courts
4.	Bedding and blankets supplier	Supplied LOC with bedding blankets and sheets	\$21 600	Pending but Company is willing to offset with tax liability.
5.	Supplier of cables	Electrical cables for the games village	No figures availed for independent verification	The company has taken the Ministry to court but no figures were availed for independent

				verification.
6.	Generator supplier	Supplied Generators but to date they have not been commissioned	\$14 000	Pending at the courts
8.	Supermarket chain	Supplied food stuffs	\$156 000	Pending but Company is willing to offset with tax liability
9.	Tertiary Institution	Architectural drawings for Game Village which was not built	\$3 250 000	Pending at the courts
10.	Supplier of food	Supplied food to delegates	\$17 000	Pending at the courts
Total			\$3 509 248	

The following were not met due to funding challenges:

- a) Nyanga Arts and Craft Centre, Chitungwiza Arts Centre and Mrewa Cultural Centre operated without Boards for the whole financial year. The Boards would give direction to the Centres, hence without them in place, no meaningful decisions were made to improve their operations.
- b) The Ministry also had planned to carry out property rights awareness programme and Anti-doping awareness workshops throughout the country but did not manage to do any.
- c) In the 2015 financial year, the Ministry did not achieve its target of training Technical and Administrative practitioners. A total of 2 743 practitioners had been targeted. There were no practitioners who were fully trained as at December 31, 2015.
- d) Under Poverty Eradication, seventy three (73) Community Sport, Arts and Culture Development and Promotion Programmes were to be held but due to funding challenges, this target was not achieved as no programmes were held.
- e) Out of the fifty (50) Skills and Entrepreneurship training in visual arts which were supposed to have been held, none were achieved.

Risk/Implication

There is risk that goals may not be achieved if funding is not provided.

Recommendation

The Ministry should come up with mitigatory strategies like entering into partnership with the private sector so that the funding gaps can be plugged and reduce reliance on Treasury.

Management Response

Treasury did not release the funds on time for the intended purposes.

5 PROGRESS IN THE IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

Out of the two audit findings reported in the previous year, the Ministry, partly addressed them and the following areas still need attention.

5.1 Procurement of Assets and Services

The Ministry was now procuring its assets directly and not through a third party which was IDBZ. The recommendation was therefore implemented. However, the asset register showing records of all assets purchased for the 2014 Youth Games has not yet been availed to me for audit inspection.

5.2 Payment Vouchers

Although the ministry was observing procurement procedures some gaps existed in the system as necessary documents such as quotations, receipts and invoices were not being consistently attached to payment vouchers.

VOTE 30.- MACRO-ECONOMIC PLANNING AND INVESTMENT PROMOTION

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account of the Macro-Economic Planning and Investment Promotion for the ten months ended December 31, 2015.

Opinion

In my opinion, the Appropriation Account presents fairly, in all material respects, the financial position and performance of the Ministry of Macro-Economic Planning and Investment Promotion as at December 31, 2015.

However, below are material issues noted during the audit:

1 PROCUREMENT

1.1 Informal Tender Procedures

Findings

The Ministry procured office furniture, computers and printers as well as other office equipment worth \$66 941, \$15 009 and \$3 928 respectively. The acquisition required Informal Tender procedures to be followed. However, there was no evidence that this was done. Instead, the acquisition of these assets was split to circumvent the procurement procedures contrary to the requirements of section 30 of the Procurement Act [*Chapter 22:14*] and Statutory Instrument 159 of October 12, 2012. This practice of splitting supplies was also in violation of Treasury Instruction 1005 (6) (b) which states that a supply or service shall not be subdivided in order to bring the total estimated value below informal tender threshold.

Section 6(3) of the Procurement Regulations states that the Ministry shall record his decision on the comparative schedule which shall be retained by the department for audit purposes and a copy shall be transmitted to the Board. Contrary to that, there was no evidence that the Ministry had transmitted to State Procurement Board its decisions on informal tenders that were processed during the year under review.

Risk/ Implication

Value for money may not be realised if procurement procedures are not followed as reputable suppliers would not have been afforded the chance to participate in the tendering process.

Recommendation

The Ministry should adhere to procurement procedures in terms of section 30 of the Procurement Act [*Chapter 22:14*] and Statutory Instrument 159 of October 12, 2012.

Management Response

The Accounting Officer's authority was sought for a direct purchase of office furniture at a total cost of \$26 528 from Adam Bede T/A Hunting Furniture without going through the informal tender process. A condonation was also granted by the State Procurement Board. The Ministry could not source other quotations since Adam Bede was the sole manufacturer of the furniture that met the Minister's specifications.

Evaluation of Management Response

The Ministry was fined \$900 for violating Tender procedures by the State Procurement Board. This was unbudgeted expenditure which the Ministry was required to pay for ignoring Tender procedures.

2 GOVERNANCE ISSUES

2.1 Virements –ZIMSTAT Debtors

Finding

The Ministry, on the instructions of the Ministry of Finance and Economic Development, transferred an amount of \$525 222, through a virement, from ZIMSTAT to other areas in the Ministry. This was despite the fact that ZIMSTAT owed 2012 Census Enumerators an amount of \$241 210. Failure to settle the debt was in violation of Treasury Instructions 0913 and 1204.

The virement that was effected by the Ministry transferred an amount of \$525 222 from ZIMSTAT although the Agency's saving was only \$348 095.

Risk/ Implication

Failure to settle debts timeously would expose Government to litigation.

Recommendation

The Ministry should ensure that Government obligations are timeously met to guard against litigation.

Management Response

The virements were made after the Ministry of Finance had directed us to do so. The instruction came (3) months after the reporting date. The virement had no effect on the ZIMSTAT debtors, it was only effected to clean up books. The Ministry of Finance has since been advised to make a reversal of the virement and effect it as a budget reallocation.

Evaluation of Management Response

The total amount of \$525 222 was transferred from ZIMSTAT whose saving was only \$348 095.

**VOTE 31.- WELFARE SERVICES FOR WAR VETERANS, WAR
COLLABORATORS, FORMER POLITICAL DETAINEES AND
RESTRICTEES**

APPROPRIATION ACCOUNT 2015

I have audited the Appropriation Account for the Ministry of Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restricttees for the year ended December 31, 2015.

Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Appropriation Account present fairly, in all material respects, the financial position and performance of the Ministry of Welfare Services for War Veterans, War Collaborators, Former Political Detainees and Restricttees as at December 31, 2015.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Management of Assets

Finding

I noted with concern that the Ministry did not maintain an asset register during the year under review. As a result, the Ministry failed to submit a departmental assets certificate as required by Treasury Instruction 2004 which states that the Accounting Officer should submit a certificate to show that assets have been physically compared against records, not later than two months after the close of each financial year. Therefore, I was not able to confirm that assets had been properly accounted for.

Risks/Implications

Failure to maintain an asset register might result in the Ministry not being fully accountable for its assets thereby exposing them to possible misuse and theft.

Without submitting a departmental asset certificate, assets could be lost, stolen, converted to personal use or interchanged without detection.

Recommendation

The asset register and the departmental asset certificate should be submitted for audit as per by the provisions of Treasury Instruction 2004. This will ensure full accountability of state assets.

Management Response

The Asset register is in the process of being compiled, so far the inventory sheets have been compiled.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Risk Management Policy

Finding

The Ministry did not have a documented and approved risk management policy. A risk management policy is a set of procedures and controls to identify and mitigate the possible risks in the operating and financial activities of the entity. As a result, there was no documented evidence to show that risk assessment processes were conducted by management.

Risk/Implication

Failure to formulate a risk management policy might result in the Ministry not identifying and responding to material risks or threats effectively.

Recommendation

The Ministry should have a risk management policy that will adequately and effectively mitigate risk exposures.

Management Response

The Ministry does not have a risk management policy, however some risks have been identified and measures have been put in place.

1.2 Procurement Committee

Finding

Section 14 of the Procurement Regulations requires each procuring entity to have a procurement committee selected by the Accounting Officer which should be responsible for the procurement of all goods and services. However, during the year under review, the Ministry operated without a Procurement Committee.

Risk/Implication

There may be lack of accountability in the procurement cycle of the Ministry due to the absence of an independent body that reviews all procurement transactions.

Recommendation

The Ministry should establish a Procurement committee as prescribed by the procurement regulations.

Management Response

The Procurement committee has since been established.

Evaluation of management response

No evidence was availed to substantiate the establishment of the committee.

WAR VETERANS FUND 2014

OBJECTIVE OF THE FUND

The Fund was established for the purpose of rendering financial assistance to war veterans and their dependents in terms of the War Veterans Act [Chapter 11:15]. The assistance may be in the form of loans or grants to finance income generating projects, funeral expenses, manpower development and physical, mental or social rehabilitation of war veterans.

I have audited the financial statements of the War Veterans Fund for the year ended December 31, 2014.

Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the results of operations of the War Veterans Fund as at December 31, 2014.

Basis for Qualified Opinion

1 GOVERNANCE ISSUES

1.1 Education Assistance

Finding

As previously reported in my 2013 report, the Fund submitted payment vouchers that did not have supporting documentation in the form of invoices from relevant schools to show that the amounts disbursed by the Fund as education assistance, were used for the intended purpose. This was contrary to the provisions of Treasury Instructions 1216 which require all payment vouchers to be supported by source documents such as invoices and competent authority. Furthermore, the Fund also did not provide a breakdown of the provincial expenditures which would enable verification of education assistance expended in each province. Consequently, I was not able to confirm the accuracy of the education assistance expenditure of \$15 351 909 disclosed in the financial statements, which constituted 85% of the total expenditure of the Fund.

Risk/Implication

The absence of adequate and relevant supporting documents exposes public funds to misappropriation.

Recommendation

The Fund should attach all the relevant documentation to support the education assistance expenditure to ensure that payments made are a proper charge to the Fund.

Management Response

The documents requested are found in provincial offices as they are sent back after being captured at Central Computing Services Department. Hence it's imperative to visit these offices where most detailed information is found. However, efforts will be made to provide a breakdown of the payments for each province.

HOWEVER, below are other material issues noted during the audit:

1 GOVERNANCE ISSUES

1.1 Lack of Accounting Officer's Instructions

Finding

The Fund operated without Accounting Officer's Instructions contrary to the provisions of Treasury Instruction 0706 and Section 26 of the War Veterans Act [*Chapter 11:15*] which stipulate that the Accounting Officer should issue detailed instructions governing the conduct of financial business and control of public monies and property for which they are responsible.

Risk/Implication

Without specific instructions, operations of the Fund will not be adequately directed and controlled and officers may adopt unauthorised practices which may hinder the achievement of the Fund's mandate.

Recommendation

Accounting Officer's Instructions should be issued to facilitate smooth operation of the Fund. This would enable uniformity in the execution and recording of transactions, serve as a training tool for officers thereby reducing processing errors.

Management Response

The Fund will try to come up with specific procedures and policies to enable smooth administration of the Fund.

1.2 Absence of a War Veterans Board

Finding

In my 2013 audit report, I raised concern on the Fund's failure to institute a War Veterans Board in terms of Section 11 of the War Veterans Act [*Chapter 11:15*] which states that the Board should be appointed by the Minister with the approval of the President. The situation remained unchanged in 2014 with the Fund operating without a Board. The Board's functions include ensuring that the actual war veterans or their dependants are assisted, address any challenges pertaining to assistance rendered to war veterans and supervise the general operations of the Fund.

Risk/Implication

Lack of an independent board to direct, manage and control operations may hinder the administration of the Fund. This may make it difficult for management to pass key decisions which require the independent opinion of board members.

Recommendation

The Accounting Officer should initiate the appointment of the War Veterans Board in compliance with Section 11 of the War Veterans Act [*Chapter 11:15*] to ensure sound corporate governance and provide adequate direction to the Fund.

Management Response

The Fund has held a meeting with the Minister to discuss on the necessity of instituting the Board as stated in the War Veterans Act [*Chapter 11:15*].

1.3 Maintenance of Accounting Records

Findings

Contrary to the provisions of Treasury Instruction 0705 which requires maintenance of proper books of accounts to ensure completeness and accuracy of financial information, the Fund did not maintain general ledgers and a breakdown of the administration expenses figure of \$1 316 422 could not be provided for audit. Therefore, I could not satisfy myself that the financial statements fairly presented the activities of the Fund.

Furthermore, payment vouchers were not properly numbered as evidenced by duplication of voucher numbers. As a result, it was difficult to ascertain whether all the payment vouchers had been accounted for.

Risks/Implications

In the absence of ledgers, financial transactions may not be fully recorded and this may result in inaccurate information being produced.

If payment voucher numbers are duplicated, some expenses may not be recorded and payment vouchers may go missing without detection.

Recommendations

The Fund should maintain ledgers as this will facilitate completeness and accuracy of financial information.

All payment vouchers should be properly numbered to reduce the risk of loss of financial information.

Management Response

The observation is noted. In future we will ensure that all payment vouchers are numbered properly. On the general ledger, individual transactions detailing dates, payee and amounts pertaining to funeral and health administration expenses are maintained on soft copy. Details about education expenses are voluminous such that it is impossible to maintain individual ledger transactions other than the pay net system bulk payment records.

1.4 Depreciation Policy

Finding

The Fund operated without a depreciation policy during the year under review. As a result, assets amounting to \$63 727 disclosed in the financial statements were overvalued as the effect of wear and tear was not taken into account. This was contrary to the provisions of IAS 16 which stipulate that each entity should determine the depreciation charges for all assets.

Risk/Implication

Assets would be improperly valued if depreciation is not charged on these assets at the end of every financial year.

Recommendation

The Fund should formulate a depreciation policy to enable the depreciation of non-current assets to prevent overstatement of assets in the financial statements and to adequately plan for their replacement.

Management Response

The Fund will try to come up with specific procedures and policies to enable smooth administration of the Fund.

ANNEXURE A

STATIONS VISITED DURING THE 2015 FINANCIAL YEAR

Name of Ministry	Number of Stations
Office of the President and Cabinet	41
Public Service, Labour and Social Welfare	10
Defence	4
Industry and Commerce	5
Agriculture, Mechanisation and Irrigation Development	69
Mines and Mining Development	38
Transport and Infrastructural Development	25
Local Government, Public Works and National Housing	37
Primary and Secondary Education	30
Health and Child Care	47
Primary and Secondary Education	30
Higher and Tertiary Education, Science and Technology Development	16
Home Affairs – ZRP	74
Youth, Indigenisation and Economic Empowerment	10
Energy and Power Development	50
Women's Affairs, Gender and Community Development	9
Lands and Rural Resettlement	3
TOTAL	498

ANNEXURE B

RESIGNATIONS AND NEW APPOINTMENTS IN THE YEAR 2015 COMPARED WITH 2014

	AUDIT STAFF	SUPPORT STAFF	TOTAL
In post as at January 2014	212	45	257
<u>Less</u> movement out	10	4	14
	202	41	243
<u>Add</u> Appointments	9	2	11
Total	211	43	254
In post as at January 2015	211	43	254
<u>Less</u> movement out	7	3	10
	204	40	244
<u>Add</u> Appointments	7	8	15
In post as at December 31, 2015	211	48	259

ANNEXURE B (continued)

AUDIT STAFF: DURATION OF EXPERIENCE IN THE VARIOUS GRADES AS AT DECEMBER 31, 2014

GRADE	TOTAL	LESS THAN 1 YR	1 YR	2 YRS	3 YRS	4 YRS	5 YRS	6 YRS	7 YRS	8 YRS	9 YRS	10 YRS	15 YRS.	20 YRS	23 YRS
Deputy Auditor General	3	NIL	NIL	NIL	NIL	2	1	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Directors of Audit	11	1	NIL	NIL	4	NIL	2	NIL	1	NIL	1	NIL	NIL	1	1
Deputy Directors of Audit	18	5	NIL	NIL	6	NIL	3	1	1	1	NIL	NIL	1	NIL	NIL
Principal Auditor	10	NIL	NIL	NIL	NIL	4	2	3	Nil	1	NIL	NIL	NIL	NIL	NIL
Senior Auditor	32	NIL	NIL	NIL	NIL	14	18	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Auditor	124	13	33	6	30	42	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Audit Assistant	12	NIL	NIL	NIL	NIL	NIL	6	3	2	NIL	NIL	NIL	1	NIL	NIL

ANNEXURE B (continued)

**AUDIT STAFF: DURATION OF EXPERIENCE IN THE VARIOUS GRADES AS AT
DECEMBER 31, 2015**

GRADE	TOTAL	LESS THAN 1 YR	1 YR	2 YRS	3 YRS	4 YRS	5 YRS	6 YRS	7 YRS	8 YRS	9 YRS	10 YRS	15 YRS.	21 YRS	24 YRS
Deputy Auditor General	3	NIL	NIL	NIL	NIL	NIL	2	1	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Directors of Audit	11	NIL	1	NIL	NIL	4	NIL	2	NIL	1	NIL	1	NIL	1	1
Deputy Directors of Audit	18	NIL	5	NIL	NIL	6	NIL	3	1	1	1	1	NIL	NIL	NIL
Principal Auditor	12	NIL	NIL	NIL	NIL	NIL	5	3	3	NIL	1	NIL	NIL	NIL	NIL
Senior Auditor	28	NIL	NIL	NIL	NIL	12	16	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Auditor	127	6	8	35	6	30	42	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Audit Assistant	12	NIL	NIL	NIL	NIL	NIL	6	3	2	NIL	NIL	NIL	1	NIL	NIL

ANNEXURE B (continued)

ESTABLISHMENT

Establishment and Officers in post

IN POST	AS AT 31.12.14		AS AT 31. 12.15	
	Authorised	In post	Authorized	In post
Auditor General	1	1	1	1
Manager Parastatals	1	0	1	0
Deputy Auditor General	3	3	3	3
Director Finance ,Human Resources and Administration	1	1	1	1
Director of Audit	11	11	11	11
Chief Accountant	1	1	1	1
Deputy Director of Audit	22	18	22	18
Deputy Director Human Resources	1	1	1	1
Systems manager	1	1	1	1
Audit Assistant /Auditor /Senior Auditor /Principal	229	178	229	179
Accountant/ Senior Accountant	4	4	4	4
Accounting Assistant	4	2	4	2
Senior Executive Assistant	15	3	15	4
Executive Assistant	5	1	5	1
Principal Executive Assistant	2	2	2	2
Records and Information Supervisor	1	1	1	1
Records and Information Assistant	5	5	5	5
Driver	2	2	2	2
Senior Office Orderly	2	1	2	1
Office Orderly	11	9	11	10
Administration Officer /Senior / Principal	2	1	2	2
Librarian	1	1	1	1
Human Resources Officer /Senior /Principal	2	1	2	2
Administration Assistant	2	1	2	2
Computer Technician	3	2	3	3
Human Resources Assistant	2	2	2	1
TOTAL	334	253	334	259

ANNEXURE C

TRAINING PROGRAMMES AND ACTIVITIES FOR THE YEAR 2015

COURSE / ACTIVITY	NUMBER OF PARTICIPANTS
Standards and Methodology Workshops	
International Financial Reporting Standards (IFRS) technical update	55
IFRS and Taxation update	6
Tax update	63
International Public Sector Accounting Standards (IPSAS) Certification	40
International Standards of Supreme Audit Institutions (ISSAI) 1701/ International Standards on Auditing 701 Communicating Key Audit Matters in the Independent Auditors Report	34
Supervision and file review for Regularity Audit Managers	39
Regularity Audit for Auditors	44
Stock take	40
Valuation Seminar	2
Forensic Auditing	2
Information Systems Audits Workshops	
Systems Application and Products (SAP) Financial Accounting module and workflow	33
SAP Sales and Distribution module and workflow	31
SAP Materials Management module and workflow	29
Communication workshops	
Report writing using the SAI/PAC toolkit	39
Induction workshops	
Induction for managers	15
Induction for new audit staff	12
Corporate Services workshops	
International Public Sector Accounting Standards (IPSAS)	2
Managing Tax Compliance	2
Assets Management	1
SAP Financial Accounting, Material Management, Sales and Distribution modules	6
Gender equality and empowerment of women in Zimbabwe	10
IPMZ 2016 Labour briefing	4
Personal Assistants (PAs) and Secretaries skills development	4
Defensive driving	2
CIS Annual Conference	2

ANNEXURE C (continued)

Feedback Sessions on Regional Workshops	
AFROSAI-E 9 th Technical Update	35
Regularity Audit E-Learning	30
3i ISSAIs	30
Regional and International workshops	
Global leadership Symposium of Auditor-Generals	2
AFROSAI-E Fraud and Forensic Audit for Regularity Auditors	2
AFROSAI-E Supervision and file review for Performance Audit Managers	2
AFROSAI-E Integrated Financial Management Information Systems	2
AFROSAI-E Audit of Performance Information	3
AFROSAI-E Performance Audit Modules 1-2	3
AFROSAI-E Performance Audit Module 3	3
AFROSAI-E Regularity Audit E-Learning Mentorship	2
AFROSAI-E Human Resources Annual update	3
AFROSAI-E IT Audit and Support Self Assessment	2
AFROSAI-E Communication	2
AFROSAI-E 10 th Technical Update	7
AFROSAI-E Regularity Audit Refresher	3
AFROSAI-E Performance Audit Refresher	2
INTOSAI Working Group on Environment Audit	2
INTOSAI Working Group on IT Audit	2
INTOSAI Development Initiative (IDI) Global Programme on Specialised Audits – Public Debt of Lending and Borrowing Frameworks	3
IDI Global Programme on Specialised Audits – IT Audit	3
SAI Performance Measurement Framework	2
Government of India Sponsored Performance Audit	1
Government of India Sponsored Audit of State Owned Enterprises	1
Government of India Sponsored Audit of Social Sector	2
Academic and Professional Courses – Office Sponsored	
Degree Programmes	2
Certified Public Accountant (CPA)	1
Association of Chartered Certified Accountants (ACCA)	19
Institute of Chartered Accountants of Zimbabwe	5
Attachment/ Experimental Training	4

ANNEXURE D

AUDIT OPINION PER ACCOUNT PUBLISHED

Vote No.	ACCOUNT	Opinion as at December 31, 2015	Opinion as at December 31, 2014
Appropriation and Fund Accounts			
1	Office of the President and Cabinet 2015 District Development Fund 2013 and 2014	Unqualified Qualified	Not Published Qualified
2	Parliament of Zimbabwe 2015	Qualified	Unqualified
3	Public Service, Labour and Social Welfare 2015 National Heroes` Dependants Assistance Fund 2014 Public Service Training Centres Amenities Fund 2014 Public Service Training Loan Fund 2014 Yvonne Eustasie Parfitt Homes for the Aged 2014	Unqualified Unqualified Qualified Qualified Unqualified	Qualified Unqualified Qualified Qualified Unqualified
4	Defence 2015 Defence Procurement Fund 2014	Unqualified Unqualified	Qualified Unqualified
5	Finance and Economic Development 2015 State Assets Disposal Fund 2009-2013 Schedule of Outstanding Revenue 2013 Schedule of Revenue Received 2013 Statement of Contingent Liabilities 2013 Statement of Public Debt 2013 Summary of Transaction on the Exchequer Account 2013 Summary of Transaction on the Consolidated Revenue Fund 2013.	Qualified Disclaimer Qualified Qualified Adverse Adverse Qualified Adverse	Disclaimer N/A Unqualified Qualified Disclaimer Disclaimer Adverse Adverse

ANNEXURE D (continued)

7	Industry and Commerce 2015 Standards Development Fund 2014 Trade Measures Fund 2010 - 2013	Qualified Qualified Qualified	Qualified Qualified Disclaimer
8	Agricultural, Mechanisation and Irrigation Development 2015 Agricultural Revolving Fund 2013	Not Published Disclaimer	Qualified Disclaimer
9	Mines and Mining Development 2015 Special Gold Unit Fund 2014 Mines Industrial Loan Fund 2014 Mines and Mining Development Fund 2014	Qualified Unqualified Qualified Qualified	Qualified Qualified Qualified Disclaimer
10	Environment, Water and Climate 2015 Lake Kariba Fisheries Research Institute 2015 Rhodes Matopos Estate Fund 2015 Rhodes Nyanga Estate Fund 2015 Meteorological Services Fund 2013 and 2014 National Coordinating Unit Fund 2014 Secretary's Fund 2014 Water Fund 2014	Qualified Unqualified Unqualified Unqualified Qualified Qualified Qualified Qualified	Qualified Unqualified Unqualified Unqualified Adverse N/A Unqualified N/A
11	Transport and Infrastructural Development 2015 New Limpopo Bridge Fund 2014 New Vehicle Security Registration Number Plate Revolving Fund 2013 and 2014	Unqualified Qualified Adverse	Qualified N/A Disclaimer
12	Foreign Affairs 2015	Qualified	Qualified

ANNEXURE D (continued)

13	Local Government, Public Works and National Housing 2015 Civil Service Housing Loan Fund 2013 Housing and Guarantee Fund 2014 National Civil Protection Fund 2013 and 2014 National Housing Fund 2012 and 2013 Stadia Revolving Fund 2014 Rural Social Amenities Development Fund 2014	Qualified Qualified Qualified Qualified Qualified Qualified Disclaimer	Qualified Disclaimer Qualified Unqualified Disclaimer Qualified Qualified
14	Health and Child Care 2015 Health Services Fund 2013 and 2014 Medical Research Council of Zimbabwe 2012 and 2013	Qualified Qualified Qualified	Qualified Disclaimer Adverse
15	Primary and Secondary Education 2015 School Service Fund 2014	Qualified Adverse	Qualified Adverse
16	Higher and Tertiary Education, Science and Technology Development 2015 Amenities Fund 2009 and 2010 National Education and Training Fund 2013 Tertiary Education and Training Development Fund 2009 and 2010	Qualified Disclaimer Qualified Disclaimer	Qualified N/A Disclaimer N/A
17	Youth, Indigenisation and Economic Empowerment 2015 Youth Development and Employment Creation Fund 2014	Unqualified Qualified	Unqualified Qualified

ANNEXURE D (continued)

18	Home Affairs 2015 National Archives Publications and Production Trust Fund 2014 Registrar General Retention Fund 2014 Immigration Services Fund 2014 Zimbabwe Republic Police Revolving Fund 2014 Courts Administration 2014	Qualified Unqualified Qualified Unqualified Qualified Unqualified	Qualified Qualified Unqualified Unqualified Unqualified Adverse
19	Justice, Legal and Parliamentary Affairs 2015 Attorney-General`s Office Administration Fund 2014 Deeds and Companies Office Fund 2014 Zimbabwe Prisons and Correctional Service Retention Fund 2014 Legal Aid Fund 2014	Qualified Qualified Qualified Qualified Unqualified	Unqualified Qualified Qualified Qualified Qualified
20	Information, Media and Broadcasting Services 2015	Unqualified	Unqualified
21	Small and Medium Enterprises and Cooperative Development 2015 Indo-Zimbabwe Fund 2015 Small and Medium Scale Enterprises Revolving Fund 2015	Unqualified Unqualified Unqualified	Unqualified Unqualified Qualified
22	Energy and Power Development 2015 Noczim Debt Redemption Fund 2014-2015 Pipeline and Rail Fund 2015 Strategic Fuel Reserve Fund 2014	Unqualified Unqualified Unqualified Unqualified	Unqualified Unqualified Unqualified Unqualified

ANNEXURE D (continued)

23	Women's Affairs, Gender and Community Development 2015 Women's Development Fund 2014 Zimbabwe Community Development Fund 2014	Unqualified Qualified Unqualified	Unqualified Unqualified Unqualified
24	Tourism and Hospitality Industry 2015	Unqualified	Qualified
25	Information Communication Technology, Postal and Courier Services 2015	Qualified	Unqualified
26	Lands and Rural Resettlement 2015 Lands and Resettlement Fund 2014	Unqualified Unqualified	Qualified N/A
27	Judicial Service Commission 2015 Courts Administration Fund 2014 Guardian's Fund 2014	Unqualified Unqualified Unqualified	Unqualified Unqualified Unqualified
28	Civil Service Commission 2015 Skills Retention Fund 2014 Public Service Transport Management Fund 2012 and 2013	Not Published Unqualified Unqualified	Unqualified Unqualified Unqualified
29	Sport, Arts and Culture 2015	Unqualified	Qualified
30	Macroeconomic Planning and Investment Promotion 2015	Qualified	Qualified
31	Welfare Services for War Veterans, War Collaborators, Former Detainees and Restricttees 2015 War Veterans Fund 2014	Unqualified Qualified	N/A Disclaimer

ANNEXURE D (continued)

SUMMARY OF AUDIT OPINIONS	
Total Appropriation Accounts	31
Total Appropriation Accounts not Published.....	3
Total Appropriation Accounts Audited	29
Adverse.....	0
Qualified.....	14
Unqualified, with other material issues.....	13
Unqualified, without other material issues.....	3
<hr/>	
Total Fund Accounts Audited	80
Adverse.....	9
Disclaimer	9
Qualified.....	34
Unqualified, with other material issues.....	16
Unqualified, without other material issues.....	12
<hr/>	
Total Consolidated Finance Accounts Audited.....	2
Adverse.....	2
<hr/>	
Total Consolidated Revenue	
Statements.....	4
Qualified.....	3
Adverse.....	1

ANNEXURE E

ACCOUNTS NOT SUBMITTED FOR AUDIT AS AT MAY 17, 2016

MINISTRY	YEAR
Finance and Economic Development	
Consolidated Revenue Fund	2014-2015
Contingent Liabilities	2015
Exchequer Account	2015
National Development Fund	2015
Outstanding Revenue	2015
Public debt	2015
Public Financial Assets	2015
Receipts and Disbursement	2015
Revenue Received	2015
Revenue Written-off	2015
Schedule of Revenue Received	2015
Senior Officers Housing Fund	2015
State Assets Disposal Fund	2015
Statement of Receipts and Disbursements	2015
Summary of Appropriation	2015
Agriculture, Mechanisation and Irrigation Development	
Agricultural Revolving Fund	2015
Environment, Water and Climate	
Meteorological Services Fund	2015
Secretary's Fund	2015
Small scale Funding Account	2015
Transport and Infrastructural Development	
Traffic and Legislation Fund	2015
New Vehicle Security Registration Number Plate Revolving Fund	2015

Local Government, Public Works and National Housing

Housing and Guarantee Fund	2015
National Housing Fund	2014-2015
Public Service Housing Loan Fund	2014-2015
Rural Social Amenities Fund	2015

Health and Child Care

Medical Research Council of Zimbabwe	2014-2015
Blair Research Trust Fund	2012-2015
Ingutsheni Hospital Occupational Therapy and Sheltered Employment Trust Fund	2014-2015
Ngomahuru Trust Fund	2011-2015

Higher and Tertiary Education

Amenities Fund	2015
Tertiary Education and Training Development Fund	2015

ANNEXURE F

AUDITS IN PROGRESS OR BEING FINALISED AS AT MAY 17, 2016

MINISTRY	YEAR
Office of the President and Cabinet	
District Development Fund	2015
Public Service, Labour and Social Welfare	
Children on the Streets	2015
Child Welfare Fund	2015
Disabled Persons Fund	2015
National Drought Fund	2015
National Heroes Dependents Fund	2015
National Rehabilitation Welfare Fund	2015
Older Persons Fund	2015
Public Service Training Centres Amenities Fund	2015
Public Service Training Loan Fund	2015
Yvonne Eustasie Parfitt Homes for the Aged	2015
Defence	
Defence Procurement Fund	2015
Finance and Economic Development	
Contingent Liabilities	2014
Exchequer Account	2014
National Development Fund	2014
Outstanding Revenue	2014
Public debt	2014
Public Financial Assets	2014
Receipts and Disbursement	2014
Revenue Received	2014
Revenue Written Off	2014
Schedule of Revenue Received	2014

Senior Officers Housing Fund	2014
State Assets Disposal Fund	2014
Statement of Public Debt	2014
Summary of Appropriation	2014
tate Enterprises and Restructuring Agency	2014

Industry and Commerce

Standards Development Fund	2015
Trade Measures	2015

Mines and Mining Development

Mines and Mining Development Fund	2015
Mining Industry Loan Fund	2015
Special Gold Unit Fund	2015

Transport and Infrastructure Development

New Vehicle Security Registration Number Plate Revolving Fund	2015
Traffic and Legislation Fund	2015

Environment, Water and Climate

National Coordination Unit (NCU)	2015
Water Fund	2015

Health and Child Care

Health Services Fund	2015
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Local Government, Public Works and National Housing

Government Pool Properties Retention Fund	2015
National Civil Protection Fund	2015
Stadia Revolving Fund	2015

Primary and Secondary Education

Educational Material Disbursement Fund	2015
Independence Guarantee Fund	2015
School Services fund	2015

Higher and Tertiary Education, Science and Technology Development

Amenities Fund	2011-2014
Industrial Training and Trade Testing Fund	2013-2014
Innovation and Commercialisation Fund	2014
National Education and Training Fund	2014
Tertiary Education and Training Development Fund	2011-2014

Youth, Indigenization & Economic Empowerment

Youth Development and Employment Creation Fund	2015
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Home Affairs

Immigration Services Fund	2015
National Archives Publications and Production Trust Fund	2015
National archives Retention Fund	2015
Registrar General Retention Fund	2015
Zimbabwe Republic Police Revolving Fund	2015

Justice, Legal and Parliamentary Affairs

Attorney-General's Office administration Fund	2015
Deeds and Companied Office Fund	2015
Legal Aid Fund	2015
National Prosecuting Authority Courts Administration Fund	2015
Zimbabwe Prisons and Correctional Service Fund	2015

Small and Medium Enterprise and Cooperative Development

Central Cooperative Fund	2015
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Energy and Power Development

Strategic Fuel Reserve Fund	2015
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Women Affairs, Gender and Community Development

Women's Development Fund	2015
Zimbabwe Community Development Fund	2015

Ministry of Lands and Rural Resettlement

Appropriation Account	2015
Land and Resettlement Fund	2014

Judicial Service Commission

Courts Administration Fund 2015

Guardian's fund 2015

**Welfare Services for War Veterans, War Collaborators,
Former Political Detainees and Restricttees**

War Veterans Fund 2015

ANNEXURE G

MINISTRIES WITH SUB-PMG ACCOUNT BALANCES NOT RECONCILING WITH THE PFMS BALANCE

Ministry	Variance
Parliament of Zimbabwe	174 323
Justice, Legal and Parliamentary Affairs	262 738
Primary and Secondary Educations	6 767 154
Finance and Economic Development – PFMS	2 195 612
Information Communication Technology, Postal and Courier Services	1 551 790
Sports, Arts and Culture	430 962
Health and Child Care	5 671 372
Ministry of Finance and Economic Development - Statement of Public Debt 2013	53 878 854
Total	\$70 932 805

ANNEXURE H

MINISTRIES THAT UTILISED FUNDS FROM PARASTATALS AND FUND ACCOUNTS

Ministry	Fund/Parastatal	Year	Amount \$	Total Amount \$
Ministry of Public Services Labour and Social Welfare	Disabled Persons Fund	2014	250 622	
“	National Rehabilitation Centre Welfare Fund	2014	17 602	
“	Child Welfare Fund	2014	5 355	
“	National Drought Fund	2014	21 022	
“	Public Assistance	2014	164 032	
“	Older Persons Fund	2014	50 525	
“	Public Service Training Loan Fund	2014	115 654	
“	Public Service Amenities Fund	2014	47 864	
				\$672 677
Ministry of Transport and Infrastructural Development	Number Plate Fund	2014	200 000	
“	New Limpopo Bridge Fund	2014	700 000	
				\$900 000
Ministry of Youth, Indigenisation and Economic Empowerment	Youth Development and Employment Creation Fund	2014	131 216	\$131 216
Ministry of Information Communication Technology, Postal and Courier Services	POTRAZ and Net One	2015	58 888	
“	POTRAZ	2014	10 289 564	
				\$10 348 452
Ministry of Tourism and Hospitality Industry	Zimbabwe Tourism Authority	2014	10 290	\$10 290
Ministry of Women’s Affairs, Gender and Community Development	Women’s Development Fund	2014	22 150	\$22 150
Grand Total			\$12 084 785	\$12 084 785

ANNEXURE I**SUSPENSE ACCOUNT BALANCES IN FUND ACCOUNTS**

Ministry/Fund	Amount \$
National Housing Fund 2012	360 046
Health Service Fund 2013	6 909
Amenities Fund 2009	114 521
Amenities Fund 2010	211 280
Tertiary Education and Training Development Fund 2009	117 848
Tertiary Education and Training Development Fund 2010	1 068 703
Public Service Training Centre's Amenities Fund 2014	47 308
Trade Measures Fund 2014	6 944
Agricultural Revolving Fund 2013	115 427
Meteorological Services Fund 2013	3 102
Meteorological Services Fund 2014	2 138
Traffic and Legislation Fund 2014	2 569 197
New Vehicle Security Registration Number 2014	3 560 631
Total	\$8 184 055

ANNEXURE J**OUTSTANDING PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES**

Ministry	Amount \$
Ministry of Environment, Water and Climate	1 878 022
Ministry of Health and Child Care	46 254 732
Ministry of Youth, Indigenisation and Economic Empowerment	110 126
Ministry of Home Affairs	1 090 165
Ministry of Finance and Economic Development – PFMS	2 195 612
Ministry of Information, Media and Broadcasting Services	1 551 790
Ministry of Sport, Arts and Culture	430 962
Total	\$53 511 409

ANNEXURE K

UNSUPPORTED EXPENDITURE

Ministry/Fund	Amount \$
Ministry of Defence 2015	4 879 774
Mines and Mining Development Fund 2014	746 299
Meteorological Service Fund 2014	6 916
National Coordinating Unit Fund 2014	6 988
Ministry of Local Government Public Works and National Housing 2015	2 304 541
Ministry of Health and Child Care 2015	10 184 727
Medical Research Fund 2013	20 862
Health Service Fund 2014	77 404
Zimbabwe Republic Police Revolving Fund 2014	738 050
Deeds and Companies Office Fund 2014	126 000
Ministry of Justice Legal and Parliamentary Affairs 2015	17 577
Ministry of Home Affairs 2015	1 645 628
Ministry of information communication technology postal and courier services 2015	53 496
Ministry of Sport, Arts and culture 2014	633 546
Health Services Fund 2014	304 693
Total	\$21 746 501

ANNEXURE L

ACCOUNTS THAT HAD EXCESS EXPENDITURE OVER INCOME

Fund Accounts	Amount \$
Mines and Mining Development Fund 2014	1 917 095
Mining Industry Loan Fund 2014	21 532
Registrar General Retention Fund 2014	3 421 495
Zimbabwe Republic Police Revolving Fund 2014	3 221 875
Zimbabwe Prison and Correctional Services Fund 2014	71 762
Deeds and Companies Office Fund 2014	1 051 498
District Development Fund 2014	551 619
Total	\$10 256 876

ANNEXURE M**AMOUNTS NOT COLLECTED FROM DEBTORS AS AT TIME OF AUDIT**

Ministry/Fund	Amount \$
Health Services Fund 2014	20 174 649
Mining Industry Loan Fund 2014	262 650
Meteorological Services Fund 2014	1 406 526
Rhodes Matopos Estate Fund 2014	757 581
Secretary's Fund 2014	10 511
Water Fund 2014	2 074
Civil Service Housing 2013	68 577
Housing and Guarantee Fund 2014	648 843
Ministry of Local Government - Loan to Beit Bridge Town Council	800 000
Ministry of Local Government – Funds Locked in a Bank Account	400 000
Ministry of Foreign Affairs- Advances Salaries 2015	189 086
Ministry of Local Government- Outstanding Rentals 2015	8 571 903
School Service Fund 2014	531 165
School Services Fund 2014	43 811
Standards Development Fund 2014	677122
Health Services Fund 2014	13 500
Ministry of Youth Indigenisation and Economic Empowerment 2015	142 823
Deeds and Companies Office Fund 2014	6 746
Ministry of Home Affairs – Advances 2015	511 224
Ministry of Home Affairs - Cell phone Debtors 2015	142 823
Ministry of Home Affairs – Other 2015	228 230
Ministry of Home Affairs - Owing from third parties 2015	392 990
Ministry of Information, Media and Broadcasting Services 2015	2 875 000
INDO ZIMBABWE Fund 2015	210 000
Ministry of Energy and Power Development 2015	2 863 321
Women Development Fund 2014	976 547
Ministry of Tourism and Hospitality Industry 2015	57 621
Office of the President and Cabinet 2015	12 805
District Development Fund 2014	365112
Parliament of Zimbabwe 2015	16 400
Public Service Training Loan Fund 2014	504 397
Ministry of Defence 2015	2 088 079
Public Service Training Centers and Amenities Fund 2014	213 527
Ministry of Justice – Advances 2015	511 224
Ministry of Justice - Cell phone Debtors 2015	142 823
Ministry of Justice – Other 2015	228 230
Ministry of Mines and Mining Development 2015	1 823 320
Total	\$48 871 240

