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**REPORT OF THE**

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**PUBLIC ACCOUNTS COMMITTEE REPORT  
ON  
NON-COMPLIANCE WITH REGARDS TO SUBMISSION OF FINANCIAL  
STATEMENTS TO THE AUDITOR GENERAL BY SOME STATE-OWNED  
ENTERPRISES AND PARASTATALS  
(SUB COMMITTEE ON STATE-OWNED ENTERPRISES AND  
PARASTATALS)**

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**FOURTH SESSION – NINETH PARLIAMENT**

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*Presented to Parliament in May, 2022.*

[S.C. ..., 2022]

On Thursday, 7 October 2021, Mr. Speaker announced that all Committees of the Third Session would continue to operate as previously constituted until such time that new Committees are appointed by the Committee on Standing Rules and Orders.

The Public Accounts Committee constituted the following Members at the time of inquiry:

Hon. Bushu

Hon. Bvute

Hon. Chikwama

Hon. B. Dube

Hon. Dutiro

Hon. Masuku

Hon. Mbondiah

Hon. Mliswa

Hon. Mpariwa

Hon. Mushoriwa

Hon. Mutodi

Hon. Nduna

Hon. Nkani

Hon. Dr. M. Nyashanu

Hon. Nyokanhete

Hon. Raidza

Hon. Rwodzi

Hon. Sansole

Hon. Sanyatwe

Hon. G. Sithole

Hon. S. Sithole

Following the granting of authority by Mr. Speaker on 29 July, 2021, for the Public Accounts Committee, the following Sub-Committees were established with the Members allocated to the Sub-Committees as indicated below:

**Sub-Committee on Central Government Accounts**

Hon. Bushu  
Hon. Bvute  
Hon. B. Dube  
Hon. Masuku  
Hon. Mbondiah  
Hon. Dr. Mutodi  
Hon. Nkani

**Sub-Committee on State Owned Enterprises and Parastatals**

Hon. Chikwama  
Hon. Mliswa  
Hon. Mpariwa  
Hon. Mushoriwa  
Hon. Dr. Nyashanu  
Hon. Sansole  
Hon. Sanyatwe

**Sub-Committee on Local Authorities' Accounts**

Hon. Dutiro  
Hon. Nduna  
Hon. Nyokanhete  
Hon. Raidza  
Hon. Rwodzi  
Hon. G. Sithole  
Hon. S. Sithole

**Hon. B. Dube – Chairperson**

**Terms of Reference of the Public Accounts Committee -**

Standing Order No. 17:

*“There must be a Committee on Public Accounts, for the examination of the sums granted by Parliament to meet the public expenditure and of such other accounts laid before Parliament as the committee may think fit.”*

## 1. INTRODUCTION

Pursuant to the presentation of the 2019 Auditor General's report to Parliament, the Public Accounts Committee resolved to analyse the report on State Enterprises and Parastatals found. The report noted that 34 entities had not submitted their accounts in clear violation of Section 308 of the Constitution and Section 35(6) of the Public Finance Management Act (PFMA). In executing its mandate, the Committee resolved to invite these State-owned enterprises and parastatals for oral evidence meetings to appreciate the reasons for their failure to submit their financial statements for audit.

## 2. Objectives

The Committee was guided by the following goals;

- to appreciate the reasons for failure of state-owned enterprises to meet the requirements of Section 35(6) of the Public Finance Management Act which states that  
*Every accounting officer of a Ministry shall-*
  - (a) keep or cause to be kept proper records of accounts; and*
  - (b) submit financial statements within sixty days of the end of the financial year*
    - to-*
      - i. the Auditor-General for audit; and*
      - ii. the Accountant-General for consolidation*
- to establish the dates of submission of financial statements by State-owned entities and parastatals who had their accounts in arrears.

## 3. Methodology

3.1 The Committee resolved to invite for oral evidence sessions, due to Covid 19 restrictions, the meetings were conducted virtually over a period of three weeks. The following entities were called in for oral evidence session;

- Courier Connect
- Medical Laboratory and Clinical Scientists Council of Zimbabwe
- Mining Promotion Corporation
- National Handicrafts Centre
- National Libraries and Documentation Centre
- National Museums and Monuments of Zimbabwe
- New Ziana

- Nurses Council of Zimbabwe
- ZARNET Private Limited
- Zimbabwe Broadcasting Corporation
- Zimbabwe Media Commission
- Zimbabwe Electoral Commission
- Zimbabwe National Statistics Agency
- Zimbabwe Posts Properties
- Zimbabwe Posts
- Zimbabwe Schools Examination Council
- Zimbabwe Youth Council

#### **4. Committee Findings**

##### **4.1 Covid 19 Pandemic**

**4.1.1** Most State-owned Enterprises submitted that the outbreak of the Covid 19 pandemic affected them in submitting financial statements in time as required by the PFMA. The lockdown restrictions of March 2020 made it difficult for entities to fully function. Some of the agencies did not have infrastructure to enable social distancing and also equipment to enable staff to work offsite resulting in loss of valuable working days. Nurses Council of Zimbabwe closed their offices because of the pandemic. ZARNET, also submitted that the onset of Covid-19 pandemic in March 2020 saw a series of lockdown restrictions including the reduction of working hours which was sometimes getting to a minimum level of 10% of the manning levels thereby causing delays of finalising financial statements.

**4.1.2** Covid-19 derailed the audit process for ZIMPOST and its subsidiaries after their system crashed. It was expected that by June, 2020 all the outstanding audits for 2017 and 2018 would have been done and by the third quarter 2020, they would be current in terms of financial statements as well as audits. The company chairperson promised to have completed the 2017 and 2018 audits by October 2021. Once done, the company would proceed to 2019 and 2020 audits. Courier Connect was working on being compliant by the first quarter 2022. The draft 2019 and 2020 financial statements were sent to the Office of the Auditor-General.

**4.1.3** Furthermore, the Covid-19 pandemic also hindered the office of the Auditor General to visit entities for audit. Entities such as Zimbabwe Schools Examination Council (ZIMSEC) had already submitted their accounts but because of Covid-19 the Auditor General could not finalise audits. ZIMSEC produced evidence that they had complied with the submission of financial statements.

**4.1.4** For 2019 financial statements, Zimbabwe Media Commission was advised by the Auditor General to have 2019 unaudited financial statements signed by the Permanent Secretary before submission to the Auditor General. The 2019 statements were completed in 2020 and the Permanent Secretary has signed the draft. However, the Auditor General deferred the audit of the financial statements due to covid 19. Statutory Accounts have not been concluded due to the covid 19 Pandemic.

**4.1.5** Medical Laboratory and Clinical Scientists Council of Zimbabwe explained that Covid 19 lockdown restrictions was one of the reasons which contributed to its failure to meet the requirements of the Public Finance Management Act. The Council indicated that it used to outsource accounting services because of their size. It appointed an Accounting Officer in March, 2020 and that coincided with the first covid 19 lockdown. They further expressed that when the lockdown was eased, travelling was restricted to only those who were considered as essential service providers. Council employees do not directly work with patients so they were not considered as such. Therefore, the parent Ministry did not extend travel documents to Council staff.

## **4.2 Inadequate Staff**

**4.2.1** The majority of the State-owned enterprises who appeared before the Committee complained about staff shortages and poor remuneration. The Nurses Council of Zimbabwe has had a serious staffing shortage dating back to 2014. The Accounts department in the Council was manned by 3 officers, a book keeper, an accountant and the finance and administrative executive. Zarnet had a staff establishment of 32 employees and the current staffing at the time of submission had only 8.

**4.2.2** Zarnet in its submissions indicated that their salaries were uncompetitive leading to skills flight and brain drain. Because of these operational challenges the entity restructured the Finance and Administration Department in 2016, thereby reducing the staff complement from 6 to 2. The entity operated without a substantive Chief Executive Officer from 2015 to 2017. The Chief Executive Officer was only appointed in February 2018 and that is when the organisation was able to clear the backlog from 2015.

**4.2.3** National Libraries and Documentation Centre submitted that they did not have an accountant and its books of accounts were done by a mere librarian which the Auditor General stated was not correct.

**4.2.4** ZBC also complained of staff turnover in the finance section due to poor working conditions. There was also a retrenchment exercise in 2014 which affected the finance department significantly and the preparation of financial statements.

**4.2.5** National Handicrafts Centre stated that the organisation was operating with 4 staff members that is the Acting General Manager who is the former buyer, the sales person, driver and a general hand.

**4.2.6** Post Properties explained that the reason why they failed or delayed in submitting the 2019 accounts included staff shortages. They indicated that management was on suspension from July to October, 2019 due to some internal investigation that was conducted by the parent company. In February 2020, the then Acting General Manager of the company also left and this was also followed by massive resignation of staff especially in the Finance Department and the list included the accountant who left in November 2019. The entity was left with limited staff who were mainly seconded from the ZIMPOST group, who took long to understand the system and to bring the accounts up to date. These changes brought some challenges that delayed the finalisation of the 2019 financial statements.

### **4.3 Unavailability of Board of Directors**



**4.3.1** Some of the State-owned Enterprises have been operating without Boards of directors. At the time of submission, the Nurses Council of Zimbabwe had been operating without a Board of Directors for 14 months. The Zimbabwe Media Commission (ZMC) explained that 2018 was the same year when it was considered as a separate vote in the budget. ZMC did not have a Board of Commissioners from February 2015 to October 2020. Thus, there were no reports of the Chairperson to Parliament through the Minister as required. The CEO further explained that the Commission reported monthly and quarterly financial statements frequently to the Accountant General, Procurement Authority of Zimbabwe, the Auditor General and to the Minister.

**4.3.2** The Mining Promotion Corporation also submitted that they failed to submit their audited statements in time because in 2019, the Corporation did not have a substantive Board and was reporting to the Permanent Secretary for the Ministry of Mines and Mining Development. Subsequently, a Board was appointed in mid-June, 2020 and the Board was immediately seized with the matter of putting accounting books in order.

**4.3.3** The Zimbabwe Youth Council explained that they did not have a Board of Directors since 2016 and financial statements were being submitted through their parent Ministry. Zimbabwe Youth Council's 2018-2019 accounts have been submitted through their Ministry. The entity explained that measures to put up the Board of directors is in place.

#### **4.4 Hyperinflation accounting**

**4.4.1** State-owned Enterprises blamed the hyperinflationary accounting in their delay in submitting their financial statements. The Chief Elections Officer of the Zimbabwe Electoral Commission (ZEC) informed the Committee that the institution prepares its financial statements using the International Financial Standard. He further explained that ZEC had never missed the deadline of submission before. The CEO explained that in 2020 the institution wrote to the Auditor General seeking procedure necessitated by the need for the production of inflation adjusted financial statements as per the Public Accountants and Auditors Board (PAAB) announcement of January 2019.

**4.4.2** ZIMSTAT also submitted to the Committee that the hyper-inflation accounting was responsible for their delay in submitting financial statements. According to ZIMSTAT, the

adoption of International Financial Accounting Standard 29 (IAS 29) which deals with financial reporting in hyperinflationary economies resulted in an increase in workload since two sets of financial statements needed to be prepared, that is the historical cost and the inflation adjusted one. Prior to this period, only historical financial statements were prepared. Zimbabwe Media Commission had further attributed their delay in submitting financial accounts to the need to report accounts in a hyperinflation economy.

#### **4.5 System related issues**

**4.5.1** ZIMPOST and its subsidiaries, that is, Courier Connect and Post Properties explained that the reason for failure to submit financial statements was due to the crash of their internal system. ZIMPOST expressed that since its inception, it had been producing audited financial statements until 2016. The company together with the Group company, lost all the accounting data due to a system crash on 15 December 2017. Following the crash, ZIMPOST Group notified the Office of the Auditor-General in a letter dated 30<sup>th</sup> January, 2018 and the auditor Deloitte and Touche in a letter dated 30<sup>th</sup> January, 2018. Investigations were made as to why and how the system crashed. After the crash, efforts were made to restore the lost data. Online backup failed to restore the lost data. Offline external backup managed to restore information up to August 2016 thereby retarding the audit process. The company had to recover the information from physical files and had to first upload the information into the accounting system. The company has since restored all the data and is now current in terms of capturing of information. The auditors concluded the signing off of the 2016 audits in January 2020 and they were currently auditing 2017 and 2018 concurrently.

#### **4.6 Introduction of new currencies**

**4.6.1** ZIMSTAT explained that the reason why it had not submitted the 2019 accounts was due to the introduction of the new currencies. The Agency uses multiple currencies in its transactions and Sage Pastel Evolution System Version 7 database for accounting. The system did not have the foreign currency module to enable multiple currency conversions to the reporting currency. Thus, conversions were done in excel spreadsheets which took time.

#### **4.7 Audit Fees**

**4.7.1** New Ziana complained about hefty audit fees they were charged. They explained that when they submitted their financial statements to the Auditors, they were charged US \$4 300 for the service which the organisation did not have. They submitted that New Ziana was to a greater extent supported by the fiscus in terms of the salary grant and was required to fend for its self for operations and other financial obligations. They indicated that in the year under review, the entity received ZWL \$777 694 from Treasury, of which \$728 960 was meant for staff salaries. The balance for \$48 734 was used to augment financing for operations, mainly the production of the newspapers.

## **5.0 Observations**

- 5.1** Most State-owned enterprises do not have adequate ICT infrastructure that is needed considering that the Government was embracing e-Governance in its operations model in the Covid-19 era.
- 5.2** Some State- owned enterprises like ZIMPOST do not have sufficient backup systems.
- 5.3** The Auditor General’s office is not fully capacitated in terms of ICT infrastructure. Many SOEs had completed their audits but the Auditor General’s office was taking long to go through them.
- 5.4** Skills flight and brain drain of skilled workers has resulted in shortages of key personnel in the Accounts department of State-owned enterprises due to poor remuneration and working conditions.
- 5.5** Delays by Ministers to appoint Boards in time, such as the Zimbabwe Youth Council and the Zimbabwe Nurses Council, is a threat to good corporate governance and might negatively influence the direction to be taken by state owned entities.
- 5.6** Legacy issues to do with prior period errors on financial statements has resulted in delays in the finalisation of Annual financial statements for state owned entities such as the Zimbabwe Broadcasting Services (ZBC). In this context, 2016 financial statements were signed off in 2019 and the 2017 audit report was finalised and signed off in 2020.
- 5.7** The hyperinflation accounting environment in the country has coupled with lack of key personnel has created accounting delays in submitting financial statements. The adoption of International Accounting Standard 29 (IAS 29) which deals with financial reporting in hyperinflationary economies resulted in an increase in workload since two sets of financial statements were prepared, the historical cost and the inflation adjusted one.

**5.8** The use of multicurrency in the country was making it hard for some organisations to record the actual amount as their accounting systems that is Sage Pastel Evolution System Version 7 database for accounting did not have the foreign currency module to enable multiple currency conversions to the reporting currency.

**5.9** Hefty audit fees were being charged by some auditors to analyse financial statements in the case of New Ziana who were asked to pay US\$4 300 whilst it is an entity that is supported by the national fiscus in terms of the salary grant and also required to fend for its self for operations and other financial obligations.

## **6.0 Recommendations**

**6.1** In line with the IT modernisation and the threat of covid 19, it imperative that State-owned Enterprises invest in technology-based gadgets so that people can work offsite by December 2023.

**6.2** There is need for enhanced data protection and storage backup in all State-owned Enterprises to avoid a situation of losing data when systems collapse by October 2022.

**6.3** Where the Auditor General's Office fails to conduct audits due to covid 19 restrictions, this should be brought to the attention of the Committee so that the entities do not bear the blame for the delay

**6.4** Parent Ministries must ensure that Boards of Directors for State-owned Enterprises are in place at all times and are executing their duties accordingly.

In conclusion, the Committee observed that state-owned enterprises were affected by various factors that include the covid 19 pandemic, shortage of staff and the delay in appointment of board of directors in the submission of financial statements. The Committee anticipates that the entities will comply with the Public Finance Management Act and that the recommendations of this report will be implemented.