



FIRINNE TRUST

REVIEW OF THE REPORTS OF THE
AUDITOR-GENERAL
OF
ZIMBABWE
(2015 to 2021)

May2023

Contents

1. INTRODUCTION	3
2. EXECUTIVE SUMMARY.....	3
3. APPROACH TO THE REVIEW	6
4. KEY TERMINOLOGY USED BY THE OAG IN CARRYING OUT ASSESSMENTS.....	7
5. MINISTRIES (APPROPRIATION ACCOUNTS, FINANCE ACCOUNTS, REVENUE STATEMENTS AND FUND ACCOUNTS).....	8
6. LOCAL GOVERNMENT.....	14
7. PARASTATALS	20
8. OAG SPECIAL REPORTS	26
9. CONCLUSIONS.....	31

1. INTRODUCTION

The role of the Office of the Auditor General of Zimbabwe (the “OAG”) is to assist Parliament in its role of overseeing state revenues and expenditure. To that end, under Zimbabwean law, the OAG is charged with auditing the accounts, financial systems, and management of all departments, institutions, and agencies of government, including all provincial and metropolitan councils and local authorities and state enterprises.

OAG reports regularly expose financial mismanagement and malpractice within Zimbabwean institutions. The effects of such mismanagement and malpractice on society can be significant, including:

- undermining the Rule of Law;
- contributing to the continuation of ineffective government;
- fuelling polarisation;
- leading to a lack of overall state support to the most vulnerable; and
- creating and maintaining fertile ground for illicit cartel activity.

It is hoped that the analysis in this Report will shine a light on serious issues identified by the OAG, and will as a result contribute to a deeper understanding of both state failure and state capture in key performance areas.

2. EXECUTIVE SUMMARY

Following on from some preliminary scoping work carried out in 2022 on a limited number of OAG reports for FY2020, in early 2023 a review was carried out of all publicly-available reports produced by the OAG for the years 2015 to 2021 (the “review period” or the “period under review”) covering Ministries, Local Authorities and state enterprises (also known as “Parastatals”). The object of the review was to determine to what extent themes of poor governance, mismanagement or financial irregularities were repeated across the population of authorities that had been subject to audit or review by the OAG during that period.

2.1. Overall Finding 1 – Poor governance

OAG reports across the entire population of authorities under review showed repeated, serious and sustained failures of basic governance in Ministries, Local Authorities and Parastatals throughout the review period. In each year reviewed, a significant proportion (often over 50%) of the recommendations made by the OAG related to governance.

On a number of occasions, the OAG drew attention to its concerns about both the proportion of audit findings that related to failures in governance, as well as the serious impacts and (in some cases) systemic nature of the failings identified. The OAG’s findings included:

- failures by the Government to appoint personnel to key posts such as Boards or executive positions, in some cases for many years, leading to a lack of effective direction or oversight of the authorities concerned;

- failures by management bodies charged with governance to meet to discharge their obligations, whether regularly or (in some cases) at all during the course of an audit year, again contributing to a lack of oversight and control; and
- financial irregularities, which arose in some cases because expenditure was incurred outside the remit of the body concerned, and in others because procurement processes were not followed, or expenditure could not be evidenced by proper records.

While the OAG's findings are not generally couched in terms of the magnitude of the risk, these basic failings, along with others set out in more detail in this report, undoubtedly exposed many authorities to significant risk of delivery failure, mismanagement, fraud and corruption.

2.2. *Overall Finding 2 – Weak or non-existent financial controls*

Coupled with poor governance, the OAG routinely found that authorities had weak or (in many cases) almost entirely non-existent financial controls. The weak control environment appeared pervasive in relation to local authorities and common in relation to Ministries and Parastatals. The OAG's findings included:

- funds being spent before the requisite approvals had been obtained;
- payments being made without supporting documentation;
- basic failures in accounting treatment (including failures to consolidate accounts of subsidiaries, and properly to book revenue and expenses, assets and liabilities);
- discrepancies (which were sometimes of high value) between accounting records held on electronic systems and the underlying information on which those records were based;
- failures to maintain adequate accounting policies and procedures, often over a number of years (though, this may also have been indicative of poor governance);
- the fact that a number of Parastatals may have been technically insolvent at the time of audit; and
- failures to segregate duties of officials charged with financial management, with the result that there may not have been appropriate oversight of their activities.

It is highly likely that pervasive weaknesses in financial controls will have contributed significantly to exposing the authorities concerned to serious risks of fraud, mismanagement and corruption.

2.3. *Overall Finding 3 – Repeated instances of goods or services not being provided*

The OAG found examples right across the review period of authorities procuring goods which were subsequently not delivered in a timely manner, or at all. In some cases, goods purchased several years beforehand had still not been delivered at the time of the OAG's audit. The OAG generally did not make findings as to the extent to which the root cause was poor record keeping, poor governance and controls, or fraud or other corrupt activity,

although in the context of the other findings of this review some mix of all of those root causes seems plausible.

2.4. Overall Finding 4 – Poor financial record keeping

Another area where the findings of the OAG appeared pervasive across many authorities reviewed arose in relation to the repeated instances (right across the period under review) of poor record keeping – particularly in relation to financial records. This was particularly acute in relation to local authorities and parastatals across the review period, and manifested in a number of different ways, for example:

- failures to record basic details about the allocation of funds or the provision of services; and
- failures to maintain supporting documentation evidencing expenditure committed.

Poor financial record keeping meant in a significant number of instances that the OAG was unable to conclude audits in a timely manner (in many cases, audits were outstanding for a number of years). Record keeping failures also likely hampered the OAG's ability to reach sound conclusions as to the risks to which the authorities concerned were subject.

2.5. Overall Finding 5 – Instances of fraud and corruption

A corollary of the findings made above concerning weaknesses in governance, financial controls and record keeping is that the risk of authorities right across Zimbabwe falling victim to fraud and corruption is significant and, effectively, unmitigated.

The OAG's function is to audit authorities in Zimbabwe. The investigation of fraud or corruption generally requires the application of specialised forensic investigative resource and the review of large volumes of documentary evidence. It is not part of the OAG's function to undertake such investigations.

Nevertheless, during its audits the OAG found a number of instances of fraud or potential corruption across the review period. It also identified significant weaknesses in controls in a large proportion of the authorities it reviewed that exposed the authorities concerned to substantial risks of fraud or corruption.

2.6. Overall Finding 6 – Pervasive failures in relation to interactions with the OAG

A repeated failure on the part of many authorities audited by the OAG was a failure to provide records, accounts or financial statements to the OAG for the purposes of its audit. This was repeated across the period under review, and in some cases across a number of years. It resulted in the OAG routinely having to carry out audits well after (and in some cases many years after) the financial year to which they related.

The quality of any audit process relies heavily on the accuracy and completeness of information provided to the auditor for the purposes of their audit work. While the OAG is always careful in its reports to thank the accounting officers of the authorities it has audited, the failure by a number of authorities to provide the OAG with the information required undoubtedly caused significant difficulties for the OAG in carrying out its functions in the period under review.

Additionally, this review notes that that were repeated failures to implement a large proportion of prior year audit actions for each year in which statistics are available, across Ministries, Local Authorities and Parastatals (sometimes over a number of years). Taken together this is highly suggestive of an organisational culture which does not hold officials accountable for ensuring that improvements recommended by the OAG are put into effect in practice.

The breadth of the failure to provide information across the period under review, coupled with an (often absent) failure to implement OAG recommendations, carries with it a real risk of undermining the OAG audit process as a whole.

It is to the OAG's credit that – despite those challenges – the OAG was still able to provide audit opinions and valuable feedback and recommendations for nearly all the authorities whose operations it reviewed.

2.7. Overall Finding 7 – Special Reports

In addition to the annual audits carried out by the OAG, this review considered two special reports carried out by the OAG, relating to the response to Cyclone Idai and the Covid19 pandemic.

While the reports reflected the urgent or emergency nature of the Governmental response required to two external events which had a significant impact on Zimbabweans, they nevertheless revealed a similar pattern of weak governance, poor financial controls and record keeping that characterised the OAG's findings in the annual audit process.

3. APPROACH TO THE REVIEW

3.1. The terms of reference

Following on from some preliminary scoping work carried out in 2022 on a limited number of OAG reports for FY2020, in early 2023 a review was carried out of all publicly-available reports produced by the OAG for the years 2015 to 2021.

The object of the review was to consider the extent to which the OAG reports over that period showed:

- patterns of budget allocations and distribution;
- violation of laws and procedures;
- wasteful expenditure;
- unauthorised transfers of funds;
- excess expenditure;
- payments made for goods not delivered;
- overstated expenditure; and
- fraudulent expenditure.

OAG reports are split into three broad categories:

- Government Ministries and Funds (effectively Central Government);
- Local Government; and
- Parastatals (which can be broadly defined as state-run enterprises).

All available OAG reports in each category between for the years between 2015 and 2021 were considered in producing this Report.

3.2. *The approach*

A small team undertook a desk-based review of the in-scope reports with reference to the criteria set out above. This involved the team reviewing approximately 5,000 pages of OAG reports in aggregate. A summary table was produced, into which team members inserted preliminary findings and observations. That table formed the basis of preparation of this report.

4. KEY TERMINOLOGY USED BY THE OAG IN CARRYING OUT ASSESSMENTS

4.1. *Introduction*

In the detailed sections that follow, this report sets out some key findings made by the OAG in a number of different areas. The OAG uses specific terminology in its reports to enable readers to understand the its findings. Some of that terminology is explained in this section.

4.2. *Qualification of Audit Opinions*

In reporting on the audits across Zimbabwean government entities, the OAG uses the following terminology to describe the outcome of the audits it has carried out, namely:

- an **unqualified opinion** is “...a clean opinion, meaning that the financial transactions by and large were recorded properly and are in agreement with underlying accounting records”;
- a **qualified opinion** means that “...although by and large the financial transactions are recorded and are deemed to be in agreement with the underlying records, there may be cases where the Auditor-General is unsatisfied with the veracity of certain expenditures, which in [his] view may not be significant. Hence, except for such unsupported expenditure, the accounts reflect by and large a true and fair situation”;
- an **adverse opinion** means that “...although the financial transactions are recorded and there are books of accounts, the Auditor-General may be unsatisfied with the veracity of significant amounts of expenditure. Consequently, the Auditor-General cannot give a clean or unqualified opinion; and gives an adverse opinion”; and
- a **disclaimer of opinion** is “...serious and means that there was no basis upon which the Auditor-General can satisfactorily undertake an audit because the accounting records are unreliable; there are no verifiable supporting documentation and explanations for

transactions. Consequently, the Auditor-General can neither give a qualified nor an adverse opinion; and gives a disclaimer.”¹

4.3. *Implementation of prior year findings*

As part of the audit process, the OAG will generally make recommendations where it has identified circumstances that could give rise to a material risk of a control failure or of non-compliance with the law or accounting standards. These recommendations are often important in the sense that they provide a clear signpost to the recipient of the audit report as to how they ought to deal with the risk identified.

The OAG will, as part of the subsequent year’s audit process, test the extent to which the audit recommendations made in prior years are:

- **Complete** – they have been implemented to the OAG’s satisfaction;
- **Partly (or Partially) complete** – while not complete, steps are being taken to implement the recommendation; or
- **Not Addressed** - no action has been taken to implement the recommendation.

5. **MINISTRIES (APPROPRIATION ACCOUNTS, FINANCE ACCOUNTS, REVENUE STATEMENTS AND FUND ACCOUNTS)**

5.1. *Introduction*

A review was carried out of all OAG reports produced in relation to appropriation accounts, finance accounts, revenue statements and fund accounts for the years 2015 to 2021. Each report covers a number of Ministries and associated funds within the Zimbabwean Government and, as such, deals with a variety of different areas of Zimbabwean government policy and service delivery.

In that context, this report draws out a number of key themes, which are illustrated with examples drawn from different Ministries.

5.2. *Qualification of audit opinions*

In relation to Ministries and Funds, the proportion of accounts receiving an “unqualified” rating has tended (with the exception of the years 2017 and 2018) to increase over the period under review:

¹ All text in italics taken from OAG Website FAQ, “*What do the various audit opinions mean?*” (see: <https://www.auditorgeneral.gov.zw/audit-information/audit-info-faq?limit=10&start=0>)

Year	Audit Opinions (percentage)			
	Unqualified	Qualified	Adverse	Disclaimer
2015	38%	44%	10%	8%
2016	49%	42%	3%	6%
2017	47%	42%	1%	10%
2018 ²	40%	44%	11%	5%
2019 ³	57%	32%	9%	2%
2020	62%	34%	2%	2%
2021	74%	22%	0%	4%

There is potentially some comfort to be derived from the fact that, over the time period under review, the proportion of unqualified audit opinions provided by the OAG in respect of Ministries and Funds appears to be increasing. This would seem to suggest that standards in those organisations are improving. Even so, the proportion of audit opinions that are qualified, adverse, or in respect of which the OAG has issued a disclaimer still remains relatively significant: even in the best year reviewed in this project (namely, 2021) the OAG was unable to provide an unqualified opinion to over a quarter of the accounts or funds audited.

5.3. Repeated failures to implement audit recommendations

One theme which emerges consistently from OAG reports is the significant number of audit recommendations which remain incomplete, in some cases years after the audit to which they relate. The OAG reports on the progress being made against prior year audit recommendations in its report for the subsequent year. For Ministries and Funds during each of the years reviewed, the proportion of outstanding audit recommendations was as follows:

Year	Percentage of Prior Year Recommendations		
	Complete	Partly Addressed	Not Addressed
2015 ⁴			
2016	48%	12%	40%
2017 ⁵			

² The statistics published by the OAG for 2018 suggest that there were 115 opinions issued. However, the amalgamated statistics for audit opinions in the Annexures for the OAG's report for that year appear only to total 112. This report therefore uses 112 as the base number on which to calculate percentages.

³ For 2019 the OAG issued two reports: the first relating to Appropriation and Fund Accounts; the second relating to Revenue and Finance Statements and Fund Accounts in Arrears. The statistics in this table amalgamate the opinions from both reports.

⁴ Aggregated statistics for 2014 actions are not available in the 2015 report

⁵ Figures for 2016 actions were not included in the report for 2017.

2018	25%	20%	55%
2019	26%	25%	49%
2020	28%	17%	55%
2021	39%	12%	49%

The OAG routinely identifies serious risks in many of the Ministries and Funds it audits. It makes specific and deliverable recommendations aimed at remediating those risks. In four out of the five years surveyed, **no action** had been taken to implement approximately half of the recommendations made by the OAG in prior years.

For example, in the 2021 Report for Ministries and Funds, the OAG identified that a single audit action, relating to the non-delivery of two motor vehicles to the Ministry of Youth, Sports, Arts and Recreation had not been addressed for over four years.

Given the serious nature of many of the failings identified by the OAG in repeated audits over a number of years, the fact that neither Ministries nor Funds appear to be prioritising the remediation of those failings is particularly concerning, and serves as a further likely indicator of a general failure of governance and accountability within those bodies.

5.4. Significant failures in governance in every year reviewed

A theme highlighted by the OAG in the reporting periods for 2020 and 2021 was the number of governance-related findings as a proportion of the OAG's overall findings for that year. The OAG provided statistics in reports relating to those years, as follows:

Year	No of governance findings	Governance findings (%)
2020 ⁶	~100 out of ~200	50%
2021	97 out of 150	64.6%

The fact that well over 50% of the OAG's findings are categorised as governance-related is suggestive of a systemic failure in governance across Zimbabwean central government as a whole.

Examples of failures in governance pointed out by the OAG, which appear throughout all the reports issued for the years 2015-2021, include:

- **Failures to appoint members to key decision-making bodies, or failures by such bodies to meet as required.**

These findings evidence a basic failure in structural governance that gives rise to substantial risk of a lack of oversight. For example, in the 2021 Report, the OAG found that:

- the Budget Committee in the Ministry of Energy and Power Development did not meet at all during the financial year. It was supposed to meet monthly. The OAG

⁶ The OAG did not provide exact figures in its 2020 report. Rather, it provided a bar chart from which the estimated figures have been derived.

found that the result was that expenditure was not therefore monitored (as it should have been pursuant to Treasury circulars) throughout the year. The management response accepted this finding, noting “*Programme managers...did not quite appreciate the concept of programme-based budgeting so much that when called for meetings they did not attend...*”; and

- the National Prosecuting Authority had operated without a Board since 2020, and without an Audit Committee since January 2020. The effect of this would have been that there was in reality little or no oversight or governance of the overall operation of the Authority or of spending decisions.

- **Outstanding payments to suppliers for goods and services**

The OAG also found that governance failings also manifested themselves in scenarios where the Ministry or Fund concerned did not make payment to suppliers for goods and services ordered. In 2015, this occurred in respect of number of Ministries, to the amount of ZIM\$53,511,409. This resulted in an understatement of expenditure figures, meaning that the accounts could not be relied upon. It also gave rise to a risk of litigation. Similar findings were made in 2016 and 2017.

- **Financial transactions outside the remit of the organisation concerned, or failing to follow appropriate governance**

There are a number of instances of the OAG making findings concerning financial transactions which were not within the remit of the organisation concerned, or which failed to follow appropriate governance. For example, in 2016 Ministries and Fund accounts advanced loans worth ZIM\$91.8m to private and state enterprises without signing loan agreements. This exposed the Government in cases of the entities defaulting on repayments.

The OAG also found that such lending was frequently also contrary to the objectives of the Funds concerned, whose constitutions made no provision for any power on the part of the Fund to lend money.

5.5. *Weak or non-existent financial controls*

Throughout the period under review, the OAG found that Ministries and Funds demonstrated inadequate (and in some cases completely lacking) financial controls, which allowed for a range of issues to arise across nearly all Ministries and Funds reviewed. Particularly serious examples included:

- in 2015, the OAG found that a number of Ministries used monies in the bank accounts of Fund accounts under their purview as collateral security for loans issued to private individuals;
- transfers from the Summary of Transactions on the Exchequer Account for the years 2017 and 2018 reflected loan repayments amounting to ZIM\$2.03bn that were neither supported with Accountant-General’s warrants nor Paymaster-General’s warrants contrary to section 23(3) of the Public Finance Management Act. In addition, the

Statement of Public Debt documented loan repayments of ZIM\$1.8bn, resulting in a variance of ZIM\$227.5m that was not reconciled;

- in 2019, there was an unreconciled variance of ZIM\$1.4bn between the Main Exchequer Account and the Statement of Receipts and Disbursements;
- in 2021, the Ministry of Finance and Economic experienced variances across all categories of financial information (opening balances, expenditure, amounts recovered, accounting adjustments and closing balances) totalling ZIM\$7.9bn;
- in 2021, the Exchequer Account (which is to be used for receiving funds only) was used to make payments of ZIM\$6.1bn, and (among others) US\$26.7m. No documents supporting those payments (which should in any event have been made from the Paymaster General Account) were provided to the OAG;
- in 2021, there was a variance between what was deposited to the Exchequer account by the Receivers of Revenue, and the amount actually in the account of ZIM\$5.2bn. There appeared to be more in the account than records showed had been deposited. No explanation was provided to the OAG as to why this had occurred, or where the funds had come from; and
- in 2021, payments of nearly ZIM\$2.2bn were made to the National Oil Infrastructure Company by the Ministry of Finance on behalf of the Ministry of Energy without invoices or statements being authorised by Ministry of Energy before payment was made. No budget was made for the ledger items, and no confirmation was provided that the release of funds was from unallocated reserve. The OAG identified that there was a risk of a supplier being paid for services that had not actually been rendered.

5.6. *Significant payments out without adequate supporting documentation*

Throughout the period under review, the OAG consistently found payments being made (often of a high value) without adequate supporting documentation. For example, in 2021, the OAG found (among other things) that:

- over ZIM\$8.88bn was paid out of the Paymaster General's account without proper warrants. The OAG observed that:

“Absence of warrants defeats the purpose of budget monitoring and management and unauthorised expenditure might have been incurred.”

The management response to the finding appears to have been inadequate, noting simply that the warrants were prepared after approval, but that Treasury was still awaiting condonation of excess expenditure;

- the Department of Veterans Affairs made a single payment for multiple car rentals through “Synergy Harare Car Rental” for ZIM\$3.07m for various services that did not have invoices. When an invoices were provided for audit, they totalled ZIM\$1.03m, leaving a

variance of ZIM\$2.04m that could not be explained (though management insisted in its response that the appropriate invoices had subsequently been found; and

- the Public Service Transport Management Fund purchased 356 tyres (at a cost of ZIM\$5.03m) even though it does not own motor vehicles. The Fund suggested it had purchased for the Public Service Commission's vehicles, though OAG found it was, "*not clear why so many tyres were required in one go.*"

5.7. *Basic failures in accounting record keeping*

There were multiple examples throughout the period under review of basic failures in accounting record keeping, which made it all but impossible for the OAG to determine the financial position of the Ministries and Funds under review. For example:

- in 2017, the OAG found that the Infrastructure Development Bank of Zimbabwe failed formally to communicate with multiple ministries as to deposits made to it. A sum of ZIM\$20.6m was deposited into IDBZ for projects but only ZIM\$2.1m was confirmed utilized by IDBZ. The OAG was not able to determine with certainty how much money was received and disbursed through IDBZ due to information not being available;
- in 2019, the Registrar-General Retention Fund failed to maintain proper accounting records, such as ledgers, to support total expenditure of ZIM\$25.3m and income of ZIM\$50.8m. Furthermore, the Fund failed to make three hundred and eighty-seven (387) used receipt books available for audit inspection; and
- in 2021, the OAG found that the Ministry of Finance and Economic Development did not have records to support arrears of interest, other charges and penalty interest amounting to nearly ZIM\$2bn.

5.8. *Failures to report or to provide information*

The OAG found multiple instances of failures to provide audit information (in many cases, leading to the OAG being unable to complete the audit), or of incorrect information being supplied to the audit team. For example, in 2017:

- the financial statements that were initially submitted for audit by the School Services Fund had notable variances. The financial statements were resubmitted but adjustments made to the financial statements were not supported by journals, explanations, or supporting documents from the affected Schools, Districts and Provinces; and
- a number of Funds failed to comply with the statutory deadline for submission of financial statements. The National Housing Fund submitted its financial statements on a date that was 17 months after the statutory deadline, and this delay rendered the information irrelevant for economic decision-making purposes. This was the fourth year in a row in which this failure occurred.

In addition, in 2021:

- the Public Service Commission submitted no less than four different sets of accounts for review by the OAG. Following repeated errors found by the OAG in reviewing the accounts, the Commission explained that this was because junior officials had signed off the accounts without any senior oversight or quality assurance. While the OAG found that overall the Commission’s accounts were (in the end) acceptable, it was clearly concerned that basic governance and sign off procedures were not being followed in relation to the information submitted to it;
- no audit could be carried out into the Small and Medium Size Enterprises Revolving Fund (which has assets of approximately ZIM\$65.8m) at all because the records relating to the financial year had apparently been lost in a move of the Fund between departments. This was notwithstanding the existence of a Circular issued by the Treasury (Circular No. 8 of 2018) which provides for procedures where offices are being transferred between ministries; and
- the Ministry of Primary and Secondary Education failed to prepare an annual report, meaning that it was not possible for the OAG and Parliament to determine level of performance of the Ministry or its programmes.

6. LOCAL GOVERNMENT

6.1. Introduction

The OAG is also responsible for auditing the financial statements of a number of Zimbabwean local government authorities, ranging from City Councils to Rural District Councils. These are collectively referred to in this report as “local government” or “local authorities”.

A review was carried out of all OAG reports produced in relation to local government for the years 2015 to 2021. Each report covers a significant number of local government authorities.

In that context, this report draws out a number of key themes, which are illustrated with examples drawn from different local authorities.

6.2. Qualification of audit opinions

As is the case for Ministries and Funds, the OAG has been required to qualify, or find adverse a large proportion of audit opinions for local government during the period under review, as follows:

Year	Audit Opinions (percentage)			
	Unqualified	Qualified	Adverse	Disclaimer
2021	0%	17%	77%	6%

It appears that, prior to the end of 2021, the OAG did not publicly report its audit opinions in respect of local government. Reports pre-dating 2021 contain only a summary of the issues found in the audit. It is very concerning that not a single council or local authority audited for FY 2021 received an unqualified audit. The high proportion of adverse opinions issued by the OAG in 2021 strongly suggests a near-complete failure of risk management and controls within Zimbabwean local authorities.

6.3. Failures to implement audit recommendations

Similarly to the finding above, in relation to local government there appear to be failures to implement audit recommendations made by the OAG. As is the case with other audits, the OAG has begun to provide annual statistics on the proportion of prior year recommendations that are complete, partially complete or not addressed.

For local government the OAG uses slightly different terminology to other reports. Instead of “partly addressed”, the OAG added additional categories of (i) “being followed up (audits in progress)”, and (ii) “yet to be followed up because financial statements had not been submitted”.

For local government, the OAG’s available statistics were as follows:

Year	Percentage of Prior Year Recommendations			
	Complete	Yet to be followed up	Followed up	Not Addressed
2021	6%	57%	21%	16%

The report in is the only one in which the OAG published figures relating to outstanding recommendations for local government. The fact that only 6% of recommendations made in the prior year had been completed suggests a serious failure of governance and control, coupled with a lack of accountability for delivery of audit outcomes, within local authorities. It is likely that statistics for years prior to 2021 are not available due to the large number of local authorities that failed to accounts or financial statements for audit in those years.

6.4. Significant failures in governance in every year reviewed

A regular theme highlighted by the OAG in the reporting periods reviewed was the significant number of governance failings within local government. Statistics for the number of governance findings made by the OAG are as follows:

Year	Percentage of Governance findings
2015	~68%
2016	66%
2017	49%
2018	67%
2019	55%
2020	42%
2021	53%

The fact that, for the majority of years under review, the OAG had identified well over 50% of findings as relating to governance is a clear indication of the level of concern the OAG has as to the state of governance across Zimbabwean local authorities as a whole. For example, in the 2021 report, the OAG noted:

“The 2021 annual report had governance issues that I have perennially reported on and these include absence of key policies, non-compliance with laws and other regulatory provisions, poor contract management and mismanagement of assets.”

Examples of failures in governance pointed out by the OAG, which appear throughout all the reports issued for the years 2015-2021, include:

- **Failures to have key policies, procedures or operating manuals in place.**

Throughout the period under review, the OAG found that local authorities did not have key policies, procedures or operating manuals in place, including:

- in 2018, the OAG found that Chitungwiza Municipality had no risk management policy, nor any approved accounting policy or procedure documents. Redcliff Municipality was missing critical policies, including IT and asset management, leading to inconsistent treatment of transactions and operational issues; and
- in 2019, Gweru City Council was found to be operating without key policies, such as risk management, recruitment and selection and housing policies. Chitungwiza Municipality (among others) still had no risk management policy, despite a recommendation having made in this regard by the OAG in the previous year.

The lack of policies and procedures results in weaknesses in the overall control environment in the organisation concerned which can lead to fraud and other irregularities going unchecked (see below).

- **Irregularities in financial records**

Throughout the period under review, the OAG found instances of irregularities in financial records, including:

- The OAG's 2015 report notes that Harare City Council's financial statements were not reconciled. A comparison of the overdrawn position under management's financial statements and the bank overdraft balance indicated a variance of ZIM\$200.8m;
- the 2019 report notes that Tongogara Rural District Council entered into an arrangement with a land developer for the development of 1322 residential stands at Raylands Estate. As part of the agreement, the Council agreed to pay the developer for the services with 50% of the developed stands. There was no evidence of the basis or economic rationale under which this arrangement was made and no supporting documentation; and
- the OAG's 2021 report notes that Mutare City Council had an unreconciled shortfall of ZWL\$21m on revenue from business license fees. The OAG also noted that the Council had given a 20% discount on invoicing for businesses that intended to pay in foreign currency, contrary to a Council resolution. Additionally, the Council did not maintain individual accounts and reconciliations of payments to invoices.

- **Unexplained purchasing decisions**

The OAG reports for the period under review identified multiple instances of purchases being made where goods were not subsequently received, or where the rationale underlying the purchase itself could not be satisfactorily explained. Examples included:

- in the report for 2019, the OAG identified that Bindura Municipality paid US\$90,850 towards the acquisition of a front-end-loader in December 2018 but the piece of equipment had not been delivered at the time of audit in October 2020; and
- similarly, in 2019 the OAG remarked on the fact that Masvingo City Council had a number of motor vehicles with registration books on file that could not be physically verified. In addition, there were some motor vehicles, which were not recorded in the fixed assets register.

6.5. *Failure to prepare accounts*

The OAG Reports indicate a failure on the part of local authorities to prepare accounts for certain parts of the period under review. For example, the 2018 report notes that:

- in 2017, one third of authorities had not prepared financial statements;
- in 2018 over 75% of authorities did not have financial statements prepared. In that year, only 3 out of 92 had completed statements available for review; and
- one council was still to submit accounts as far back as 2014.

The figures had scarcely improved during the 2020 reporting cycle. In its 2020 report, the OAG noted that 55% of local authorities failing to submit accounts. And in 2021, only 23% of local authorities had submitted accounts as at 31 May 2022.

While local authority operations had undoubtedly been severely impacted during the COVID-19 pandemic, the figures quoted in the OAG's 2020 and 2021 reports are not out of line with reports from previous years. As a result, while the OAG noted that "*the audit engagements were hampered by the COVID-19 pandemic challenges,*" it is not clear that the pandemic alone offers a justification for the failure by a substantial proportion of local authorities to provide financial statements on time, or at all.

6.6. *Weak or non-existent financial controls*

OAG reports throughout the period under review indicate serious instances of weak or non-existent financial controls which, as set out above, would have exposed the authorities concerned to risks of fraud or corruption, or might otherwise have led to losses which need not have been incurred. Examples included:

- in the 2018 report the OAG found that Mutare City Council did not bank intact all cash collected. In addition the council was unable to provide a breakdown of ZIM\$1.1m written off as part of a discount promotion;
- also in the 2018 report, the OAG found that the Ruwa Local Board could not account for fuel coupons accounting for 8,860 litres of diesel fuel and 3,125 litres of petrol;

- Bubi Rural District Council had no value added tax or employee tax returns at all for the reporting year 2018;
- in 2019, Hurungwe District Council failed to segregate duties of officials responsible for financial controls. For example, a cashier was responsible for receipting daily payments, counting the cash, performing daily reconciliations, making bank deposits and posting accounting transactions – concentrating so many duties in the hands of one official increased the risk of fraud and errors;
- during the reporting year 2019, Gweru City Council had received ZIM\$4.4m to establish a sinking fund for the amortisation of loans. No such fund had been created and no repayments had been made;
- also during 2019, Harare City Council had not consolidated the performance of its subsidiary company, Sunshine Holdings, into its accounts; and
- in 2019, Mwzeni Rural District Council had entered into an agreement to write off a debt amounting to ZIM\$1.6m. The Council’s lawyers were unaware of the agreement, and had advised that the Council was claiming over ZIM\$300,000 in connected pending legal proceedings, in relation to which they had assessed the chances of success as being high. There was no Ministry approval of, or Council resolution supporting, the write off of the debt;
- in 2021, the OAG Reported that Redcliff Municipality did not appropriately segregate the duties of officials. The procurement officer was responsible on the procurement and distribution of fuel. Fuel was distributed through the Trek card system which was administered by procurement officer. In addition, the procurement officer had the ability to move fuel from one card to another without either cardholder’s knowledge.

6.7. Instances of fraud or potential corruption

While the OAG’s remit is not to investigate potential fraud or corruption, several reports note significant instances of both fraud and corruption (or the risk of such), mainly derived from weak or non-existent financial or operational controls. Examples included:

- in the 2015 report, the OAG noted that Gweru City Council had entered into a number of transactions with a local company belonging to a Councillor. These were not disclosed in the financial statements;
- similarly in the 2015 report, the OAG found instances where donations had been made to Harare City Council, but no records of those donations appeared in the accounting records, and were not included in the Council’s financial statements;
- the OAG report for 2018 notes that fraud may have taken place arising out of a cattle fattening arrangement between Harare City Council and Sunshine Holdings (which the Council owns). Sunshine Holdings brought 249 cattle for fattening but subsequently collected 401 cattle. There was no evidence to support that Sunshine Holdings had been authorised to collect the extra 152 cattle. This issue was further compounded by the

fact that inter-company and related party transactions had not been disclosed. There therefore appears to have been financial loss arising from fraudulent activity. There were further issues with falsification of cattle records of births and deaths and lack of authorisation of cattle sales leading to further risks of fraud and financial loss;

- the OAG report for 2019 found that Gweru City Council had ignored Circular No.1/2011 prohibiting selling housing stands at concessionary rates to Councillors, and had offered and sold housing stands at 40% discounts to Councillors;
- in 2019, Masvingo City Council's ledger clerks had amending privileges within an IT system, creating a loophole which allowed the manipulation of daily receipts in the receipting menu. The Council lost at least ZIM\$78,000 due to fraud perpetrated by two clerks during that year;
- the OAG report for 2019 also notes that Chinhoyi Municipality had entered into an irregular contract for traffic management system services, including collection of revenue from parking and bus terminus fees. There was no control or cap on the expenditure incurred by the service provider, a lack of audited accounts, inconsistent reporting of revenue, and collection of fees in US\$ which were remitted to the Council only in ZIM\$;
- in 2020, the OAG remarked on the allocation by two local councils of housing stands to multiple members of the same families on the same day;
- similarly, in 2020 the OAG found that Bulawayo City Council had documented donations relating to healthcare provision totalling over US\$1.7m, but could not evidence from whom those donations had been received, as donations were provided directly to the healthcare institutions concerned; and
- the OAG report for 2021 notes that Matobo Rural District Council had sent two vehicles for repair to a local company in 2007, and that these had not been returned some 14 years later.

6.8. Basic accounting record keeping failures

Throughout the period under review, the OAG found multiple instances across many authorities of basic failures to keep records of financial transactions, including:

- in the OAG's 2019 report, it was noted that Shurugwi Town Council provided no documentary evidence to support expenditure of two Ford ranger vehicles valued at US\$79,000;
- the same year, the OAG identified that Gweru City Council had no record of all housing stands sold, the purchase price, the identity of the beneficiary, the amounts paid to date and the outstanding balance on each stand – the OAG's audit showed that stands worth ZIM\$1.7m were sold; however, the amount could not be traced to the financial statements;

- in its 2021 report, the OAG identified that Chegutu Municipality was unable to provide the disaggregated values of its investment properties worth ZIM\$41.3m; and
- Harare City Council had unverifiable trade and other payables amounting to USD\$105.5m for the year ended December 31, 2018.

7. PARASTATALS

7.1. Introduction

In the Zimbabwean context, parastatals cover a broad range of economic activity carried on by the State, from public infrastructure such as railways, to more industrial activity such as mining and other extractive industries.

A review was carried out of all OAG reports produced in relation to parastatals from 2015 to 2021. Each report covers a large number of parastatal organisations. Despite the broad swathe of economic activity that parastatals carry out in Zimbabwe, there were nevertheless a range of common factors or themes from the OAG reports reviewed. These are set out below.

7.2. Qualification of audit opinions

As is the case for Ministries and Funds, the OAG has been required to qualify, or find adverse a significant proportion of audit opinions for parastatals throughout the period under review, as follows:

Year	Audit Opinions (percentage)			
	Unqualified	Qualified	Adverse	Disclaimer
2015	87%	11%	0%	2%
2016	79%	13%	4%	4%
2017	85%	13%	1%	1%
2018	58%	10%	31%	1%
2019	10%	3%	86%	1%
2020	3%	25%	69%	3%
2021	9%	37%	51%	3%

As a result of the backlog in audit work occasioned by the failure of many parastatals to provide accounts for a number of years, a number of parastatals had multiple audit findings in the years 2019-2021.

Additionally, it appears from the OAG reports for 2018 onwards that the sudden increase in adverse findings arose, to use the OAG's words, as a result of "...Statutory Instrument 33 of 2019 (SI 33), which, prescribed parity between the US dollar and local currency as at and up to the effective date of 22 February 2019. SI 33 also prescribed the manner in which certain balances in the financial statements were to be treated as a consequence of the recognition of the RTGS\$ as currency in Zimbabwe. The requirements of SI 33 of 2019 precluded public

entities from complying with International Accounting Standard 21 “The effects of changes in foreign exchange rates” (IAS 21).”⁷

This appears to have resulted in a substantial increase in the OAG issuing either adverse opinions or qualified opinions for parastatals in the period after 2018.

7.3. Repeated failures to implement audit recommendations

Similarly to the findings above, in relation to parastatals there appear to be repeated failures to implement audit recommendations made by the OAG. As is the case with other audits, the OAG provides annual statistics on the proportion of prior year recommendations that are complete, partially complete or not addressed.

For parastatals the OAG has added an additional category of “being followed up”. It is not altogether clear what this means in practice, although it is assumed that this equates to recommendations where work has begun in order to deal with the recommendation, and the OAG has followed up on it, but that work has not yet borne a great deal of fruit. It is not, therefore, clear to what extent such recommendations would otherwise normally have fallen to be categorised as “Not addressed”.

For parastatals, the OAG’s available statistics are as follows:

Year	Percentage of Prior Year Recommendations			
	Complete	Partly Addressed	Followed up	Not Addressed
2020 ⁸	43%	9%	39%	9%
2021	17%	15%	55%	13%

The OAG does not appear to report figures for outstanding recommendations in respect of parastatals in the period before 2019. It is not altogether clear why this is the case, given that figures are (for example) available for Ministries and Funds. It may arise as a result of the fact that, for the period to 2018, a large number of parastatals had failed to produce their accounts on time (often for some years), with the result that the OAG could not complete its audit work in respect of them in a timely fashion, or at all.

7.4. Significant failures in governance in every year reviewed

A regular theme highlighted by the OAG in the reporting periods reviewed was the significant number of governance failings within parastatals. The OAG appears to have concentrated on governance issues in respect of parastatals throughout the time period under review.

Statistics for the number of governance findings made by the OAG across the time period are as follows:

Year	Number of governance findings	Percentage of Governance findings
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⁷ See: <http://www.auditorgeneral.gov.zw/downloads/category/2-parastatals?download=20:ag-report-2018-on-state-enterprises-and-parastatals> , page vi

⁸ The OAG reported on 2019 figures (which ought to have been reported on in the 2020 report) in the 2021 report.

2019	53 out of 69	77%
2020	120 out of 146	82%
2021	81 out of 114	71%

Given that parastatals are active in nearly all areas of the Zimbabwean economy, including industries at a high risk of corruption, it is particularly alarming that so many of the OAG's findings relate to substantial failures in governance.

Examples of failures in governance pointed out by the OAG, which appear throughout all the reports issued for the years 2015 - 2021, include:

- **Failures to appoint members to key decision-making bodies, or failures by such bodies to meet as required.**

As is the case with Ministries, these findings evidence a basic failure in structural governance that gives rise to a substantial risk of a lack of oversight. For example, the OAG found that:

- Transmedia Corporation (Private) Limited did not have a board of directors during the FY 2017;
- during the 2018 financial year, the National Railways of Zimbabwe was without a Finance Director and a Chief Internal Auditor;
- in its 2021 report, 4 out of 8 board positions in the Securities and Exchange Commission of Zimbabwe were vacant during the year of assessment, apparently due to a failure by the relevant Ministry to fill the board positions timeously;
- a number of vacant posts in the Mining Promotion Corporation – namely, Chief Executive Officer, Human Resources and Administration Manager, Internal Auditor and Chief Accountant – had still not been filled by the end of 2021, despite the issue having been identified in prior year audits;
- as at the end of 2021, the Parirenyatwa Group of Hospitals had been operating without board since 2019; and
- the Lotteries and Gaming Fund had four unfilled vacancies on the board, and no board meetings were held during the year under review.

- **Procurement failures**

A range of procurement failures are apparent from the OAG reports across the period under review. In the main, these relate to goods or services being procured which – once paid for – are not delivered (or are in any event subject to serious delays).

Examples include:

- in its 2018 report, the OAG reported that the Zimbabwe Electrification Transmission and Distribution Company has not taken delivery of transformers nine years after making a payment of US\$4.9m to Pito Investments. The same contractor was also

paid in advance an amount of US\$561,935 by the Zimbabwe Power Company (ZPC) in 2016 and did not deliver;

- in a similar vein, the OAG identified that the Zimbabwe Power Company (ZPC) - paid ZIM\$196,000 in 2016 to York International for gas that – by the end of 2018 – had still not been received;
- the Grain Marketing Board made an advance payment for maize worth ZIM\$1m 2016, which by the end of 2018 had not been delivered;
- when auditing the financial statements of the Zimbabwe Power Company (Private) Limited in 2018, the OAG identified a list of 10 different goods and services that the Company prepaid for but had not (by the time of the audit) received, with some prepayments being more than 6 years prior to the audit. The aggregate value of outstanding goods was over US\$1.2m; and
- the Zimbabwe Manpower Development Fund paid ZIM\$22.9m for the procurement of 8 vehicles in 2020. However, by March 2021 the supplier had only delivered four out of the contracted 8 vehicles.

The OAG also found various breaches of procurement regulations, including failures to obtain quotations for work to be carried out, and contracts being signed after the delivery of goods and services.

• Difficulties in recovering debts due

Throughout the period under review, the OAG identified a range of parastatals who had large outstanding sums due from debtors which they were effectively unable to recover – leading in many instances to significant financial implications for the parastatal concerned. Examples include:

- in 2018 the OAG reported that the Civil Aviation Authority of Zimbabwe was having difficulty recovering outstanding trade receivables amounting to US\$56m (78% of which were owed to the Authority by related parties);
- the OAG found that the Zimbabwe Electricity Transmission and Distribution Company had debtors amounting to SIM\$2.2bn as at December 31, 2019. The debtors age analysis revealed that 45% of the Company debtors were aged 90 days or more; and
- in its 2021 report, the OAG found that the Sally Mugabe Central Hospital effectively had no procedures for recovering outstanding debts, resulting in long-outstanding receivables.

7.5. Some parastatals may not have been going concerns at the point of audit

The OAG found that, over the time period under review, some parastatal bodies (which should be generators of their own revenue) appeared to be technically insolvent in that their liabilities greatly outweighed their assets such that – when coupled with other accounting and

control failures – the OAG was unable to conclude that the bodies concerned remained a going concern at the time of the audit. Examples included:

- for the financial year 2014, Air Zimbabwe (Private) Limited incurred a loss before tax of US\$27.7m, and as of that date its current liabilities exceeded its current assets by US\$231.8m;
- in its 2018 report, the OAG found that the National Railways of Zimbabwe had a negative working capital position of ZIM\$ 3.2bn;
- also in the 2018 report, the OAG found that Net*One Cellular (Private) Limited's current liabilities exceeded its current assets by ZIM\$59,381,639;
- in addition, Road Motor Services (RMS) (Private) Limited incurred a net loss of US\$2.3m at the end of the 2017 financial year, and the Company's total liabilities exceeded its total assets by US\$19.6m;
- the Zimbabwe Electrification Transmission and Distribution Company's current liabilities exceeded its current assets by US\$802.8m, as at the end of the 2018 reporting year;
- in 2021 the OAG's report identified that the Zimbabwe National Road Administration showed a net loss of ZIM\$3.2bn; and
- also in the 2021 report, Telone (Private) Limited incurred losses of ZIM\$6.7bn.

7.6. Weak or non-existent financial controls

Right across the period under review, the OAG found repeated examples of poor or non-existent financial controls which gave rise to the risk of significant losses being made by parastatals in nearly all industries. Examples included:

- in 2018 the OAG's report identified that Petrotrade (Private) Limited made donations amounting to \$152,644 which was in excess of the approved budget of \$50 000. \$71,000 of this was advanced to the Parent Ministry for budgetary support;
- also in 2018, the OAG found that the National Social Security Authority invested Treasury Bills amounting to \$20m with Metbank during the year despite the fact that the Authority's own Risk and Management Department had recommended against this investment. Metbank had a nil trading limit due to the fact that its risk of default was high and it was deemed to be financially weak. The Authority further placed \$62.3m million worth of Treasury Bills with Metbank;
- in 2019 the OAG found that some parastatals were paying board allowances that had not been approved by the minister while others grossed up board fees and also paid board members sitting allowances for attending workshops, for example:
 - the former Chairperson of the Zimbabwe Parks and Wildlife Management Authority was paid ZIM\$3,500 board allowances in advance in 2017 for services he was due

to provide in 2018. The Board was terminated in February 2018 before the end of its tenure. This advance payment had not been recovered by the end of 2018;

- the Minerals Marketing Corporation of Zimbabwe paid board fees at rates that exceeded the approved rates;
- the National Oil Infrastructure Company of Zimbabwe grossed up Board fees and allowances to cover the 20% withholding tax on directors' fees and allowances. In addition, the board members were also receiving fuel and airtime allowances. There was no evidence that any of these expenses were approved by the relevant Minister;
- in 2020, the OAG found that the National Biotechnology Authority had paid an employee who resigned on October 30, 2020 an excess cash-in-lieu of leave amount. In addition, a payment for Covid-19 allowance for November and December 2020 was paid after the employee had resigned from employment in October. This was not detected by the internal control systems;
- during 2019 and 2020, the Bulawayo office of the Zimbabwe National Road Administration processed a range of payments before they had been formally approved;
- in 2021 the OAG found that the Zimbabwe Revenue Authority had not allocated of US\$1.6bn to client accounts, such that some clients continued to accrue penalties after having paid their tax bills; and
- in reviewing the statements of Hotspeck Enterprises (Private) Limited for the financial year 2020, the OAG found that the Company was not accounting for transactions properly, as invoices were being duplicated and processed twice in its general ledger.

7.7. Basic accounting record keeping failures

As with other areas of Zimbabwean government and administration, OAG reports highlighted a substantial number of failures to keep basic accounting records on the part of parastatals right across the review period, including:

- in its 2019 report, the OAG found that the National Railways of Zimbabwe could provide no supporting documentation for ZIM\$293.9m of loan liabilities;
- in its 2021 report, the OAG noted that Allied Timbers Zimbabwe (Private) Limited could provide no supporting documents in relation to a cost of sales adjustment of ZIM\$2.4m;
- in the same report, the OAG noted that the Pharmacists Council of Zimbabwe was not accounting for transactions properly, as expenses were being duplicated and processed twice in the general ledger. There was also no evidence that value added tax returns were being filed; and

- similarly, Mpilo Central Hospital could not provide supporting documents for various entries in the financial statements, including donations totalling ZIM\$174.3m, trade payables of ZIM\$34.8m, and property and equipment and prepayments of ZIM\$3.9m.

7.8. Instances of potential fraud or corruption

As set out above, the OAG's remit is not to investigate potential fraud or corruption. However, the OAG found instances of both fraud and corruption (or the risk of such), mainly derived from weak or non-existent financial or operational controls, across nearly all the years under review. Examples included:

- in 2015, the OAG reported that the Zimbabwe Tourism Authority had engaged in extensive unauthorised and irregular expenditure, including (i) an interest free loan of US\$20,000 to a board member, (ii) a monthly fuel allocation to executive directors of US\$2,000 a month (equivalent to 13,158 kilometres of driving a month) and (iii) expenses that were unrelated to the business of the authority such as donations of sewing machines (US\$4,950), donations of maize seed (US\$11,000), campaign material (US\$6,000), donations to a wedding (US\$50,000), Holiday expenses (US\$5,000) and a Birthday dinner (USD10,000);
- during the 2018 review of the Zimbabwe Anti-Corruption Commission the OAG noted that there were no supporting documents provided to validate expenditure and payables amounting to US\$762,654 and US\$254,476 presented in the financial statements;
- the Mining Promotion Corporation provided no supporting documentation for expenditure totalling ZIM\$2.4m;
- in 2019, the OAG found discrepancies in relation to Mpilo Central Hospital between the physical quantity of inventory (i.e. stock) counted and the records of inventory. Quantities that were confirmed were less than what was in the records leaving a variance of inventory worth ZIM\$3.4bn which management had not investigated; and
- in 2019, the OAG found that the Parirenyatwa Group of Hospitals lost ZIM\$878,784 due to fraudulent processing of cash for personal use. The fraud scheme involved an employee making unauthorised debit card payments from the bank account to various entities for his own benefit.

8. OAG SPECIAL REPORTS

8.1. Introduction

In addition to the general reports produced each year (for which see above) the following special reports produced by the OAG were reviewed for this project:

- Special Audit Report of The Auditor-General on the Disaster Preparedness and Distribution of Cyclone Idai Donations in Manicaland and Masvingo Provinces (2020) (the "Idai Report"); and

- Special Audit Report of the Auditor–general on The Covid19 Pandemic Financial Management and Utilisation of Public Resources in the Country’s Provinces (2021) (the “Covid Report”).

These special reports respond to particular events arising in Zimbabwe and were undertaken by the OAG outside the ordinary annual audit cycle. The sections below draw out some specific themes arising in each report.

8.2. *Special Audit Report of The Auditor–General on the Disaster Preparedness and Distribution of Cyclone Idai Donations in Manicaland and Masvingo Provinces*

The Idai Report was prepared in the aftermath of Cyclone Idai, which took place from 4 March 2019 to 21 March 2019, and caused widespread damage to life and property throughout Mozambique, Zimbabwe and Malawi. Following the cyclone, the OAG carried out a special review into disaster preparedness and the distribution of donations in Manicaland, which was one of the Zimbabwean provinces most affected by the storm.

The OAG concluded that the Civil Protection Organisation was ill-prepared to deal with a disaster of the magnitude Cyclone Idai, and that Manicaland Province, Chimanimani, Chipinge, Masvingo, Zaka and Gutu Districts did not have, or had not updated, disaster management plans, contrary to the requirements of the Civil Protection Act.

In relation to the distribution of donations, the OAG found:

• **There were governance challenges across the disaster response**

There was an absence of standard operating procedures to be deployed in the event of a natural disaster, and instances of weak internal controls (e.g. at the Provincial Office). This led to the potential for donations being held up, or mismanaged such that they may not have been received by those most in need. For example:

- there was often no needs assessment made on dispatch of donations, risking donations being sent to the wrong recipients or organisations;
- a lack of governance and controls meant that in a number of cases, donations expired while in storage (for example 33,403kg of goods at Machongwe Forward Distribution Centre expired before they could be sent out), or expired items were distributed in error; and
- mismanagement of medical supplies also led to various stock items being received at Chimanimani District Pharmacy not being received at the hospital, where they were needed.

In addition, the OAG found that the Civil Protection Committee did not have the overall authority to distribute donations that were brought by development partners, leading to discrepancies in approach taken by development partners.

Finally, inadequate coordination and liaison between the Ministries of Local Government, Public Works and National Housing and Finance and Economic

Development resulted in the slow release of donated funds. The OAG found that this may have led to delays in distributing funds to the places where they were required.

- **Recordkeeping and financial controls were weak, leading to the potential for waste and theft**

The OAG also found that the overall standard of recordkeeping was poor across the disaster response, leading to risks of waste, theft and mismanagement. For example:

- subcommittees did not have a standard reporting format or framework, leading to challenges with audit;
- the lack of proper records for relief items and lack of uniformity in accounting for donations meant no audit trail of donations. This led to eleven pilferage cases reported in Chimanimani and Chipinge which had been purportedly done by individuals who were charged with responsibility to bring relief items to affected persons
- distances travelled by some vehicles were not commensurate with fuel drawn (as low as 1.3km per litre) or there was no record of amount of fuel drawn;
- Bikita Minerals donated 2,400 bags of cement to the Bikita District Civil Protection Committee which were never received, as well as 800 litres of diesel of which only 400 litres were recorded as received;
- there was absence of supervision in the processing of expenditure. The Civil Protection Unit for Manicaland Province processed payments amounting to RTGS\$1.4m for goods and services without adequate supporting documents; and
- the Provincial Civil Protection Planning Committee did not communicate the criteria to be used to allocate stands/houses to Internally Displaced Persons (IDPs) who were either landlords or tenants prior to the cyclone disaster.

8.3. Special Audit Report of the Auditor–general on The Covid19 Pandemic Financial Management and Utilisation of Public Resources in the Country’s Provinces

The Covid report was prepared by the OAG following the COVID-19 pandemic which affected countries around the world and led to governments in many countries taking action to protect the population, for example in the implementation of lockdowns, quarantine centres and mass-vaccination programmes.

In relation to Zimbabwe’s pandemic response, the OAG found:

- **Clear control weaknesses across the pandemic response**

The OAG identified a number of clear control weaknesses relating to the ordering, delivery, invoicing and payment processes for goods and services, including:

- COVID19 allowances in an amount of ZIM\$89m were paid to various recipients between May 2019 and December 2020. These allowances were processed by

Ministry of Public Service, Labour and Social Welfare Head Office. However, poor processes, including no feedback, follow up, reconciliations and improper coordination in identification and assessment of intended beneficiaries resulted in discrepancies in the records of amounts paid;

- there were significant delays and failings by the District Development Fund (DDF), which was tasked to drill boreholes and rehabilitate existing boreholes. average period for drilling and installation of pumps was given as 2 to 3 months. Out of the 48 boreholes that DDF had planned to drill in the six (6) provinces , 31 boreholes were drilled but were not functional as water pumps had not been installed. Eight (8) boreholes were not drilled, three (3) boreholes were drilled and water pumps installed, six (6) were dry holes as at December 12, 2020. An estimated total amount of ZIM\$6.7m was spent on the 38 non-functional boreholes;
- Covid19 fuel registers were not consistently and accurately maintained. The registers did not reflect the type of fuel which was drawn and the running balances were not correctly indicated. For example, the OAG identified that 5,880 litres of fuel were issued without documented approved requisitions in Masvingo, Mashonaland Central and Manicaland Provinces, and 1,954 litres of fuel utilised was not supported by evidence such as copies of vehicle log books in Manicaland Province;
- contracted work for Covid19 interventions was not effectively managed, and there was inadequate capacity assessment of contractors. This led to delays in vital work being completed. The OAG found that, for example, contracts worth ZIM\$4.3m and ZIM\$3.8m were awarded to one contractor who failed to fix and install medical gas equipment at Nyanga and Chipinge District Hospital Isolation Centres, within the required contract period of three (3) weeks.

• **Recordkeeping and financial controls were weak, leading to the potential for waste and theft**

The OAG identified a number of weaknesses in recordkeeping and financial controls. This increased the risk of waste, theft or mismanagement of resources and meant that Ministries, Departments and Agencies did not always have updated or reliable information to allow them to discharge their responsibilities. Examples cited by the OAG included:

- seven Ministries, Departments and Agencies in Manicaland, Mashonaland West and Matabeleland South paid Covid19 allowances totalling ZIM\$2.6m to members of staff reporting for duty during the national lockdown period covering April to July 2020 without legal authority;
- a total of ZIM\$4m was disbursed to urban food assistance beneficiaries in Midlands province between April and August 2020. The OAG was not provided with any

evidence of the required assessment of suitability, contrary to the requirements of Section 4(3) of Social Welfare Assistance Act;

- donations for plumbing materials, borehole fittings and accessories, food items, Personal Protective Equipment were not recorded or adequately accounted for, leading to risks of theft or mismanagement;
- at quarantine centres, the procurement process of food and other provisions at Provincial level was not supported by approved requisitions from the centres themselves. The requisitions should have indicated quantities of food required against the number of individuals at the centre. There was also no evidence of reconciliations being carried out into the cost of goods and services paid for by the Ministry of Public Service, Labour and Social Welfare Head Office with the actual goods and services received by each of the quarantine centres; and
- institutions that were being used as quarantine centres were charging administration fees to the Ministry of Public Service, Labour and Social Welfare. However, OAG found it difficult to reconcile the fees charged, due to a lack of appropriate recordkeeping (among other things) around the decisions to pay fees, guidelines on their make-up and the basis of their computation.

• **Failures to follow procurement requirements in the pandemic response**

The OAG identified a number of instances of failures to follow procurement requirements in respect of goods and services procured during the pandemic response. For example:

- the Ministry of Public Service, Labour and Social Welfare Head Office and Provincial Social Welfare Office did not develop a procurement plan to cater for goods procured on behalf of Quarantine Centres during the period April to December 2020 in contravention of the Public Procurement and Disposal of Public Assets Act;
- the Manicaland Provincial Works Office awarded tenders worth ZIM\$20.8m. The OAG found no evidence that the Provincial Project Management Unit complied with procurement requirements in a timely fashion;
- authorities failed to comply with procurement procedures such as: (i) sourcing of three (3) competitive quotes, (ii) providing justification for single sourcing, (iii) inviting interested bidders through press and comparative schedules outlining the selection criteria, and (iv) appointment of an Evaluation Committee. Examples of such failures included:
 - in relation to materials worth ZIM\$1.2m used in manufacturing sanitisers by Bindura University of Science Education;
 - materials to manufacture sanitisers and masks at National University of Science and Technology worth ZIM\$2.6m; and

- building and electrical material for the rehabilitation of Mvurwi Hospital valued at ZIM\$2.6m.

9. CONCLUSIONS

The intention underlying this report was to draw together a relatively disparate set of information contained in a large volume of OAG reporting over a number of years, in order to determine whether any common themes emerged. The terms of reference for this review sought information relating to a variety of failings, including:

- violations of law;
- wasteful expenditure;
- unauthorised transfers of funds;
- excess expenditure;
- payments made for goods not delivered;
- overstated expenditure; and
- fraudulent expenditure.

It is fair to say that all those types of failing appeared at various stages throughout the OAG's reports, throughout the period under review.

However, the detailed review of OAG reports revealed a number of overarching common themes which amount in effect to contributory root causes of instances of mismanagement, fraud and corruption across Zimbabwean authorities.

Failures in governance, weak or non-existent financial controls and (often absent) failures in record keeping are – to a greater or lesser extent – endemic across the authorities that the OAG has reviewed.

Were they to arise individually, such failures would have a serious adverse impact on any organisation. However, taken together they represent nothing less than a perfect storm which has a substantial adverse impact the effective operation of Zimbabwean government at all levels, on service delivery and – ultimately – on the lives of ordinary Zimbabweans.

The OAG reports are a valuable source of transparency about the operations of Zimbabwean government authorities at all levels. The fact that the OAG has – over a period of years – made such significant, adverse and repeated findings concerning public administration in Zimbabwe is simultaneously cause for concern and encouragement.

It is, of course, encouraging that the OAG appears willing and able to point out where (sometimes serious) failures of administration occur at all levels of Zimbabwean government.

But the concern remains that, despite the OAG having shone a light on these issues repeatedly throughout the period under review, significant weaknesses in governance, controls and record keeping remain effectively unresolved.

It is for the Parliament of Zimbabwe – to whom the OAG formally reports – to determine how it ought to respond to those findings, and to the repeated failure by all levels of Zimbabwean

public administration to implement the improvements that OAG has recommended for so many years.