# REPORT

# of the

# Auditor-General

# for the

# FINANCIAL YEAR ENDED DECEMBER 31, 2019

# on

# APPROPRIATION ACCOUNTS AND FUND ACCOUNTS

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*Presented to Parliament of Zimbabwe 2021*

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Office of the Auditor-General of Zimbabwe
48. George Silundika
Avenue Cnr. S. V. Muzenda
Street, Harare, Zimbabwe

The Hon. Professor. M. Ncube
Minister of Finance and Economic Development
New Government Complex
Samora Machel Avenue
Harare

Dear Sir,

I hereby submit my Report on the audit of Appropriation Accounts and Fund Accounts of Zimbabwe for the year ended December 31, 2019 in terms of Section 309 (2) of the Constitution of Zimbabwe read together with Section 10 (1) of the Audit Office Act [*Chapter 22:18*].

Yours faithfully,

M. CHIRI,
AUDITOR-GENERAL.

HARARE
April 30, 2021.

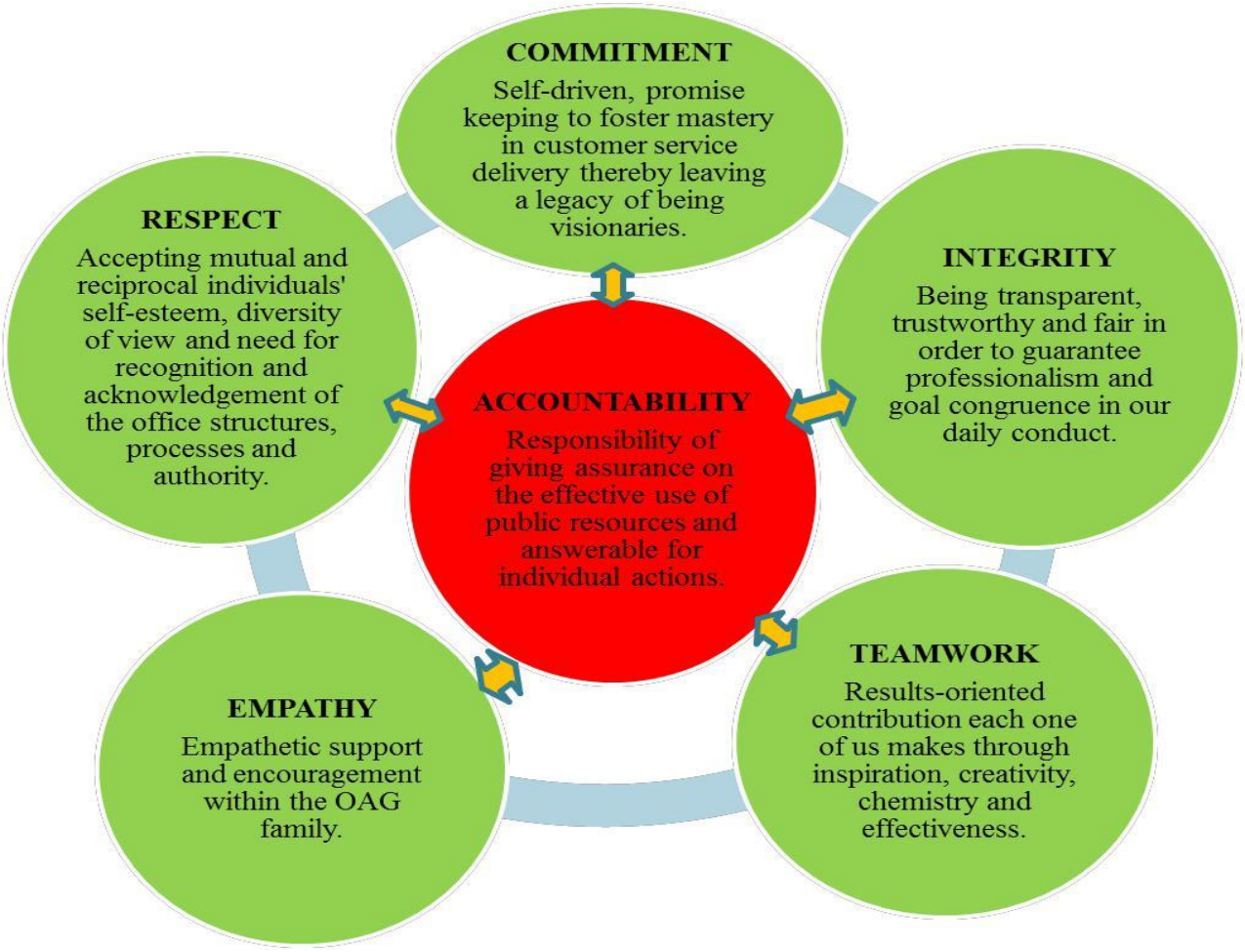
**OAG VISION**

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

**OAG MISSION**

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

## OAG VALUES



**LIST OF ACRONYMS**

| | |
|---|---|
| AFROSAI-E | African Organisation of English speaking Supreme Audit Institutions |
| AU | African Union |
| AUWES | African Union Wildlife Economy Summit |
| BI | Business Intelligence |
| BCP | Business Continuity Plan |
| CMED | Central Mechanical Equipment Department |
| COMESA | Common Market for Eastern and Southern Africa |
| COVID 19 | Corona Virus Disease of 2019 |
| CPD | Continuous Professional Development |
| CRF | Consolidated Revenue Fund |
| CRM | Customer Relationship Management |
| DRP | Disaster Recovery Plan |
| ERP | Enterprise Resource Planning |
| FA | Financial Accounting |
| GAAP | Generally Accepted Accounting Practice |
| GMB | Grain Marketing Board |
| GRVs | Goods Receipt Vouchers |
| IAS | International Accounting Standards |
| IPSAS | International Public Sector Accounting Standards |
| IDBZ | Infrastructure Development Bank of Zimbabwe |
| ISSAIs | International Standards of Supreme Audit Institutions |
| IT | Information Technology |
| MM | Materials Management |
| MSMEs | Micro, Small and Medium Enterprises |
| MoFED | Ministry of Finance and Economic Development |
| MOU | Memorandum of Understanding |
| NAP | National Action Plan |
| OAG | Office of the Auditor-General |
| OPC | Office of the President and Cabinet |
| OVC | Orphans and Vulnerable Children |
| PAAB | Public Accountants and Auditors Board |
| PFMA | Public Finance Management Act |
| PFMS | Public Finance Management System |
| PGH | Parirenyatwa Group of Hospitals |
| PMG | Paymaster's General Account |
| PMU | Procurement Management Unit |
| POS | Point of Sale |
| PSC | Public Service Commission |
| RBM | Results Based Management |
| SAP | Systems Application Products in Data Processing |
| SD | Sales and Distribution |
| SLA | Service Level Agreement |
| SME | Small and Medium Enterprises |
| SMEDCO | Small and Medium Enterprises Development Corporation |
| Sub-PMG | Sub-Paymaster General's Account |
| SOE | State Owned Enterprises |
| SPB | State Procurement Board |
| SPOC | Special Procurement Oversight Committee |
| SSB | Salary Service Bureau |
| TD | Temporary Deposit |
| UN | United Nations |

| | |
|---|---|
| UNWTO | United Nations World Tourism Organisation |
| URs | Unallocated Reserves |
| ZBC | Zimbabwe Broadcasting Services |
| ZGC | Zimbabwe Gender Commission |
| ZIFTESSA | Zimbabwe Film and Television School of Southern Africa |
| ZIMRA | Zimbabwe Revenue Authority |
| ZRP | Zimbabwe Republic Police |

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# FOREWORD

## 1 SUBMISSION OF ANNUAL REPORT

In terms of Section 309 (2) of the Constitution of Zimbabwe Amendment (No. 20) Act 2013 and Section 10 of the Audit Office Act [*Chapter 22:18*] I am required, after examining the public accounts of Zimbabwe submitted to me in terms of Section 35 (6) and (7) of the Public Finance Management Act [*Chapter 22:19*] and signing a certificate recording the results of such examination, to prepare and submit to the Minister of Finance and Economic Development, not later than June 30 of each year, a report of my examination and audit of the public accounts of Zimbabwe.

During this same period, I produced another report covering arrear accounts that were not included in my report for the financial year ended December 31, 2018.

### DELAY IN REPORT SUBMISSION

The global pandemic – Covid 19 made it practically impossible to meet the statutory deadline of June 30, 2020. The pandemic caused a lot of disruptions to business operations for both the auditee and the auditor due to policies and measures taken by Government to fight the spread of the coronavirus. Such measures included among others, lockdowns, curfews, social distancing, wearing of masks, constant washing of hands and downsizing of operations by all institutions. Resultantly there were short working hours, delays in getting responses to audit queries, in some instances no responses came through resulting in limitation of scope, and remote work arrangements which affected progress of audits. Virtual meetings became the order of the day to get the work done. The completion of audits was also affected by the fact that Central Government operations are not yet fully computerised hence physical presence and physical review of documents was necessary.

## 2 MANDATE OF THE AUDITOR-GENERAL

My duties as set out in the Constitution of Zimbabwe Amendment (No. 20) Act 2013 and amplified in the Audit Office Act [*Chapter 22:18*] are: -

- to audit the accounts, financial systems and financial management of all departments, institutions and agencies of government, all provincial and metropolitan councils and all local authorities;
- at the request of government, to carry out special audits of the accounts of any statutory body or government–controlled entity;
- to satisfy myself that the receipt and disbursement of public monies has been made in accordance with proper authority and has been correctly accounted for and that all reasonable precautions have been taken to safeguard State property; and
- to carry out Value for Money audits, which entail the examination into the economy, efficiency and effectiveness with which those entrusted with financial and material resources have utilized them in carrying out their mandates.

## 3 BASIS OF PREPARATION OF PUBLIC ACCOUNTS

Management of public funds is governed primarily by the Constitution and provisions of the Public Finance Management Act [*Chapter 22:19*]. Central Government uses cash accounting basis for Appropriation Accounts and accruals accounting for Fund Accounts. Treasury has adopted the International Public Sector Accounting Standards (IPSAS) as its reporting framework for Central Government which should be fully implemented by 2025 according to the implementation road map. The Public Accountants and Auditors Board (PAAB) has the responsibility to set such standards, in terms of section 44 (2) of the Public Accountants and Auditors Act.

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

My statutory audit is discharged by a programme of test checks and examinations which are applied in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). The checks are intended to provide an overall assurance of the general accuracy of the accounting transactions and not to disclose each and every error.

I conducted audits at Head Offices of Ministries and made very few out of Harare visits to outstations. I was only able to visit 138 (0.05%) stations as compared to 549 (14%) in the previous financial year 2018. This was mainly due to the inadequacy of financial resources, fuel and the outbreak of Covid 19. Details of the stations visited are on **Annexure A**. Resources permitting coupled with the eradication of the coronavirus, I would like to increase the number of outstations visits as most Ministries and government departments have decentralized and some stations have never been visited for years.

I also carried out Value for Money Audits on the following areas and the reports are tabled separately by the respective Ministers:

**i.** Support of Micro, Small and Medium Enterprises (MSMEs) by SMEDCO.

**ii.** Monitoring of the Quality of Goods Being Imported by Ministry of Industry and Commerce.

**iii.** Management of Occupational Health and Safety in Mining Operations by Ministry of Mines and Mining Development.

**iv.** Management of Sewer Systems by Local Authorities.

## 5 STAFF LEVELS, MOVEMENTS, TRAINING AND DEVELOPMENT

**Annexure B** shows the staff establishment and movements during 2019. However, I continue to lose qualified and experienced staff due to uncompetitive conditions of service. Despite the

setbacks, my Office has continued with its training and development programmes, and to date it is accredited to train Articled Clerks and ACCA students.

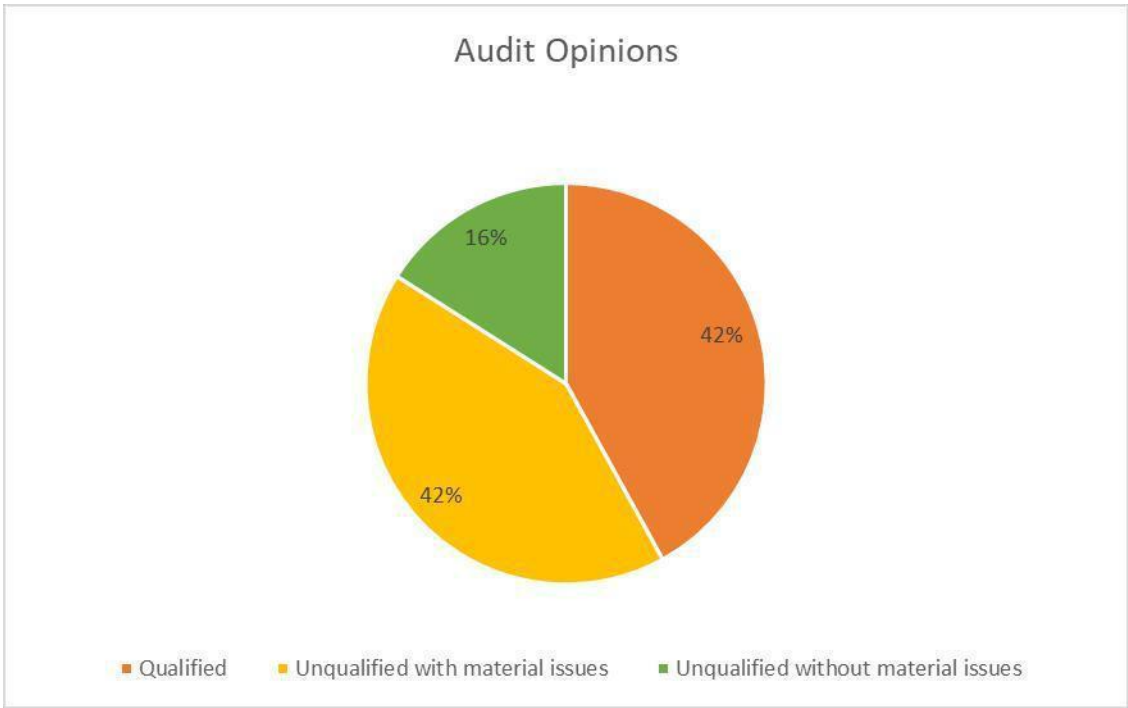
My Office with the assistance of the African Organisation of English speaking Supreme Audit Institutions (AFROSAI-E), Donor and Development Partners has done a number of training on Leadership and Management programmes. My staff continue to attend Continuous Professional Development (CPDs) in order to keep them abreast with new developments in the audit profession.

## 6. CERTIFICATION OF PUBLIC ACCOUNTS

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

### AUDIT OPINION

Thirty-one (31) Appropriation Accounts and Seven (7) Fund Accounts are included in this report. The audit opinions for the accounts are shown in the pie chart below:



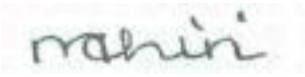

**Annexure C** shows opinion per account. The financial statements are to be consolidated into one report by the Accountant-General in terms of section 35 (12) of the Public Finance Management Act [*Chapter 22:19*].

Seventy-seven (77) arrear accounts were also audited made up of fifteen (15) revenue and finance statements and sixty-two (62) fund accounts and these are in my separate report on “Revenue and Finance Statements and Fund Accounts in Arrear as at December 31, 2019”.

**ACKNOWLEDGEMENTS**

I wish to acknowledge efforts rendered by all the Accounting Officers, Receivers of Revenue, cooperating partners and other stakeholders that made it possible for me to submit my Reports produced during very difficult and trying times of the global COVID 19 pandemic.

My special thanks and gratitude goes to my staff who demonstrated a high level of dedication, commitment to duty and support in the production of my reports during such challenging times.



HARARE

April 30, 2021.

M. CHIRI,
AUDITOR-GENERAL.

# EXECUTIVE SUMMARY

This report covers mainly Appropriation Accounts and a few Fund Accounts highlighting the key audit findings and recommendations. Those charged with governance in the various institutions should pay urgent attention to matters raised, so as to improve accountability and transparency.

## 1 GOVERNANCE ISSUES

### 1.1 Unauthorised Excess Expenditure

During the year under review, Treasury incurred unauthorised excess expenditure amounting to $6 806 340 654 as a result of Unallocated Reserve transfers made to line Ministries amounting to $7 386 995 654. This exceeded the approved budget of $580 655 000 in contravention of Section 305 (5) of the Constitution of Zimbabwe. Treasury as the manager of the public purse did not adhere to legal provisions on the sanctioning of excess expenditure by Parliament.

Furthermore, I noted some variances between the schedule of Unallocated Reserve Transfers from Treasury and the received transfer schedules of the same from the individual line Ministries and the variances needed to be reconciled. I raised this issue in my prior year reports and the matter is recurring. **See Annexure D**

### 1.2 Payroll Reconciliations

Treasury Circular B/1/88 dated June 5, 2018 requested Directors of Finance of line Ministries to perform monthly reconciliations of billed amounts by Salary Services Bureau (SSB) against employment cost expenditure shown in PFMS ledgers. Most Ministries could not produce evidence to show that monthly reconciliations were being done in compliance with the Treasury Circular. Pay sheet reconciliations are meant to authenticate whether people paid are bona fide employees of the Ministry. **See Annexure E**

### 1.3 Direct Payments

As reported in my 2018 report, the Ministry of Finance continued to process various payments to suppliers of goods and services on behalf of Ministries without adequate supporting documentation. Resultantly, some Ministries were disputing the figures for payment made on their behalf. For example, for the Ministry of Public Service Labour and Social Welfare the journal vouchers supporting direct payments amounting to $1 411 090 were not availed for audit inspection and neither did the Ministry provide creditors reconciliations to show the status of the creditors after the direct payments had been done.

### 1.4 Appropriation Account Expenditure Variances

I noted with concern expenditure variances between the figures reported in the Appropriation Account by a number of Ministries and those in the System Application Programme (SAP), the computerized system used to process Government transactions.

The reported expenditure should be in agreement with what is reflected in the system as all payments are supposed to be processed through the PFMS. Where there is a variance, a reconciliation should be made to establish the cause. In most instances reconciliations were not done thus making it difficult to validate the correct expenditure for the year. **See Annexure F**

### 1.5 Long Outstanding Revenue

In my Report for the year ended December 31, 2018, I highlighted that revenue from Departmental Surcharges, Treasury Orders, Penalties and Fines dating as far back as 2009 remained uncollected. The cumulative effect of such non collections is prejudicing the State. I pointed out that this was in contravention of Treasury Instruction 0501 which stipulates that officers responsible for collecting debts shall take adequate steps to collect any sums due to the Government on due date and shall on no account allow a debt to become extinguished through lapse of time. I noted that the Ministries debt recovery system was ineffective. Furthermore, there was no evidence submitted showing the efforts by the Ministries to recover the long outstanding debts. The outstanding revenue amounted to ZWL$444 579 472. **See Annexure G.**

In the Ministry of Agriculture, there was no credible database for the beneficiaries of the Land Reform Programme to support the outstanding revenue of $145 404 199 disclosed in the outstanding revenue return. Therefore, I could not verify the accuracy and completeness of the return. Furthermore, some farms allocated to the beneficiaries had not been valued by the valuation section of the Ministry to ascertain the value payable by the farmer for farm improvements such as dams, barns, farm building and access roads. This implies that outstanding revenue may have been misstated.

### 1.6 Unsupported Expenditure

The Ministry of Health and Child Care could not avail supporting documents for payments worth $2 911 172 made to various suppliers of goods and services. The payment vouchers had no invoices and or receipts confirming receipt of the amounts paid. This was contrary to the provisions of section 81 of the Public Finance Management Act [*Chapter 22:19*] which require all source documents to be obtained and attached to vouchers.

I noted with concern that there was no evidence on how funds transferred from Ministry of Transport and Infrastructural Development to Infrastructural Development Bank of Zimbabwe (IDBZ) during 2019 amounting to $657 500 000 were utilized as only 2 out of 85 projects were completed. Furthermore, there was no system in place to track on how funds transferred to IDBZ by the Ministry were supposed to be accounted for.

The Ministry of Home Affairs, through the Department of National Archives made payments amounting to $170 552 that were not supported by requests, receipts and goods received vouchers as proof that the recorded transactions really occurred. I could therefore, not satisfy myself whether the expenditure was a proper charge to

the vote. This is *c*contrary to the provisions of Section 59 (15) of the Treasury Instruction 2019, which states that payments should be adequately supported.

### 1.7 Risk Management

A number of Ministries did not have an updated risk register and no formal risk assessments were done to cover key processes in the year under review and come up with mitigation measures for the identified risks as required by Section 162 (1) Public Finance Management (Treasury Instructions), 2019.

In addition, some Ministries did not have documented and approved risk management policies and tools to identify and mitigate possible risks in their operations. This goes against the tenets of good corporate governance which requires a documented and approved risk management policy.

### 1.8 Audit Committees

The Public Finance Management Act (PFMA) *[Chapter 22:19]* requires the setting up of audit committees in government ministries to provide oversight on the financial reporting, the audit processes, to oversee on the institution's system of internal controls and compliance with laws and regulations.

I observed that in some Ministries, there was no evidence that the Audit Committees existed nor were functional. In some instances, they only existed on paper, as there was no evidence of minutes or reports of meetings showing that the committees ever met to deliberate on the Ministry's affairs. Thus the committees are not carrying out their oversight functions on the financial reporting processes and reviewing internal controls, including the scope of the internal audit programmes and making recommendations on the appropriate actions that need to be taken.

## 2 PROCUREMENT OF GOODS AND SERVICES

### 2.1 Acquisition of Fixed Capital Assets

Full compliance with the Public Procurement and Disposal of Public Assets Act [*Chapter 22:19*] is still a challenge in a number of Ministries. In many instances, direct purchases did not have written justifications for choosing the sole supplier. In other cases, the Procurement Management Unit (PMU) is yet to be set up.

### 2.2 Acquittal of Payments

The Ministry of Primary and Secondary Education made disbursements to Provincial Offices amounting to $14 417 440 to cater for the needs of Provincial and District Offices. The Ministry Head Office did not obtain source documents such as procurement committee minutes, competitive quotations, requisitions, invoices, receipts and goods received notes from Provincial Offices that had received financial disbursements to make sure that procurement was done in accordance with the provisions of Section 81 (2) (b) (iii) of the

Public Finance Management Act [*Chapter 22:19*] read in conjunction with Treasury Instruction 59 (14) (a-e).

## 2.3 Non- Delivery of Motor Vehicles

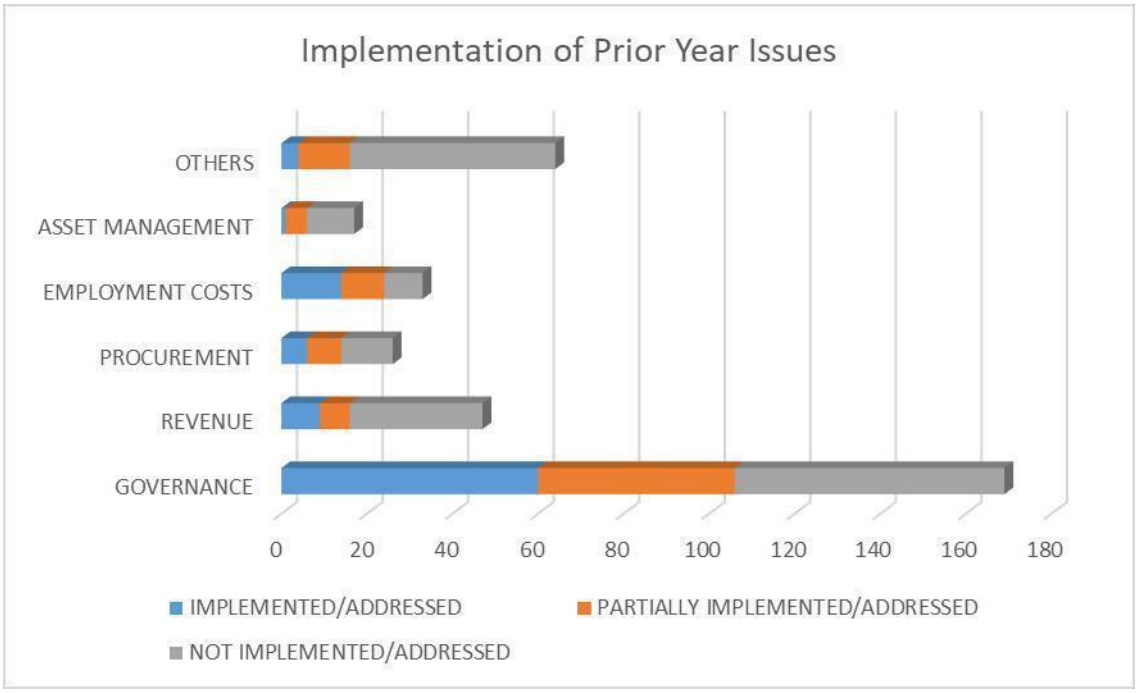
I noted with concern non delivery of motor vehicles that were purchased by the Ministry of Youth, Sport, Arts and Recreation. The Ministry purchased fourteen motor vehicles in December 2017 valued at $617 863 from Cannon Motors (Pvt) Ltd T/A AMC Nissan. However two Nissan NP 300 single cab motor vehicles were not delivered to the Ministry. Consequently, this has negatively impacted the Ministry in carrying out its mandate as there is a shortage of motor vehicles.

## 3 GENDER POLICY AND SUPPORTING STRUCTURES

My Office carried out an audit on gender mainstreaming in government Ministries and this included looking at policies, programmes, projects and/or provision of services, structures, proceedings and budgets. My audit revealed that some Ministries do not have gender policies. Some have the policy in draft form but do not have the pre-requisite gender committees to coordinate awareness and other activities. Sustainable Development Goal number 5 requires urgent action to eliminate the many root causes of discrimination that still curtail women's rights in work places.

## 4 IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATIONS

I would want to acknowledge the Ministries which have taken steps to implement my recommendations details of which are highlighted in my 2018 Report of the Auditor-General on Appropriation Accounts, Finance and Revenue Statements and Fund Accounts. Out of 356 recommendations I made 94 were fully implemented, 88 were partly implemented and 174 were not implemented. Details of the extent of implementation are graphically shown below:



## 5 COMMENT ON HEALTH

### DELIVERY Health Care

My analysis of the Ministry of Health and Child Care's 2019 budget consumption report showed that the Ministry had budgeted $155 464 000 for implementation of key programmes including the procurement of ambulances, provision of water at referral centres like Sally Mugabe Hospital, medical equipment and refurbishment of health institutions. However, I noted that only $2 137 277 (1%) was utilised on construction works of four provincial hospitals. The other key programmes were not carried out due to non-release of funds by Treasury, thus the Ministry was unable to fulfil its mandate of providing health care services to the Zimbabwean nation.

# APPROPRIATION ACCOUNTS

# AND

# FUND ACCOUNTS

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## VOTE 1. - OFFICE OF THE PRESIDENT AND CABINET

## APPROPRIATION ACCOUNT 2019

### Mandate of the Office

The Office of the President and Cabinet (OPC) is the lead Office of the State that is charged with the responsibility of coordination, supervision, and guiding the formulation, implementation, monitoring and evaluation of Government policies, programmes and projects for economic growth, sustainable development, and better livelihoods for the people.

### Opinion

I have audited the Appropriation Account for the Office of the President and Cabinet for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted /Supplementary Funds | Unallocated Reserve | Total Allocated | Expenditure | Net Under spending |
|---|---|---|---|---|
| $854 265 000 | $1 058 746 378 | $1 913 011 378 | $1 801 054 088 | $111 957 290 |
| **Constitutional and Statutory Appropriation** | | | | |
| $630 000 | - | $630 000 | $617 834 | $12 166 |

In my opinion, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Office of the President and Cabinet as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

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

## 1 GOVERNANCE ISSUES

### 1.1 Gender Policy and Supporting Structures

#### Finding

My Office carried out an audit on gender equality in the Office of the President and Cabinet (OPC), this included looking at their policies, programmes, projects and/or provision of services, structures, proceedings and budgets. The Office did not have a gender committee to coordinate awareness and other activities. Sustainable Development Goal number 5 requires urgent action to eliminate the many root causes of discrimination that still curtail women's rights in work places.

**Risk/Implication**

Absence of a gender committee within OPC may result in the failure to eliminate root causes of gender discrimination and inequality if any within the Office.

**Recommendation**

OPC should appoint a gender committee that supports gender equality.

**Management Response**

**The Office is in the process of coming up with the Gender Specific Committees and representatives which will be drawn from all departments.**

**The Office is currently liaising with the Ministry of Women Affairs, Community, Small and Medium Enterprises Development to come up with the Office Gender Policy.**

**The gender responsive budget was provided for, however not much progress was done and no funds were released for gender specific issues.**

## 2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 2.1 Risk Management Policy

The Office of the President and Cabinet (OPC) did not have a documented and approved risk management policy in the prior year (2018). The OPC has since written to Treasury who indicated that they were coming up with risk management guidelines for Ministries.

## VOTE 2.- PARLIAMENT OF ZIMBABWE

## APPROPRIATION ACCOUNT 2019

### Mandate of Parliament of Zimbabwe

The Parliament of Zimbabwe has a constitutional mandate to enact laws for peace, order and good governance in Zimbabwe. It is also responsible for executive oversight as well as having a representative role for the electorate.

### Qualified Opinion

I have audited the Appropriation Account for the Parliament of Zimbabwe for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers | Total | Expenditure | Net Under/(Over) spending |
|---|---|---|---|---|
| $263 937 000 | $94 520 812 | $358 457 812 | $219 985 997 | $138 471 815 |
| **Constitutional and Statutory Appropriation** | | | | |
| $229 000 | - | $229 000 | $586 950 | ($357 950) |

In my opinion, except for the possible effects of the matters described in the basis for Qualified Opinion section, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Parliament of Zimbabwe as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Reconciliation of Expenditure**

**Figures Finding**

For the second year in succession I noted that there were variances in expenditure figures disclosed in the Sub-Paymaster General's Account (Sub-PMG) and the funds management report in the Public Finance Management System (PFMS). The PFMS report had a total expenditure of $220 572 947 whilst the Sub-PMG had total expenditure of $173 515 670 resulting in a variance of $47 057 275. There was no evidence of existence of a control system that ensures timely investigation and resolution of the variances by relevant officials.

**Risks/Implication**

Failure to conduct timely investigations of variances may result in misstatement of the financial statements.

**Recommendation**

Management should put in place a mechanism that ensures timely investigations and resolution of variances.

**Management Response**

**The reconciliation of variance in expenditure figures is work in progress which is to be completed by November 30, 2020.**

**(ii) Salary Reconciliations**

**Finding**

Salary Services Bureau (SSB) records for employment costs had a total of $29 762 918 whilst PFMS ledgers had a total amount of $27 967 054 resulting in a variance of $1 795 864 that was not reconciled. Treasury Circular B/1/88 dated June 5, 2018 requested Directors of Finance of line Ministries to perform monthly reconciliations of billed amounts by SSB against employment cost expenditure shown in PFMS ledgers. No evidence was produced to show that monthly reconciliations were being done in compliance with the Treasury Circular.

**Risks/Implications**

Salaries may be paid for services not rendered.

The employment costs reported for the financial year under review may be misstated.

**Recommendations**

Employment costs billed by SSB should be reconciled monthly against expenditure figures shown in the PFMS ledgers.

Management should put in place a proper supervision mechanism to ensure that employment costs billed by SSB are reconciled monthly against the employment cost figures shown in the PFMS ledgers.

**Management Response**

**The finding is agreed to. Management commits to ensure that the billed amounts by SSB and employment cost figures shown in the PFMS ledgers are reconciled on a monthly basis.**

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

**1 MANAGEMENT OF**

**ASSETS 1.1Asset Registers**

**Finding**

There was no evidence that a manual Master Assets Register was maintained by the entity contrary to the provisions of section 100 (1) of the Public Finance Management (Treasury

Instructions), 2019. I observed that Parliament of Zimbabwe maintained its Master Assets Register on Microsoft Excel which is susceptible to unauthorised changes. Therefore, the accuracy of Asset certificate submitted for audit could not be confirmed.

**Risk/Implication**

Unauthorised changes may be made to a Microsoft Excel assets register.

**Recommendations**

A manual Master Assets Register should be maintained.

Monitoring and supervision should be done to ensure that an up to date Master Assets Register is maintained.

**Management Response**

**An assets count for the financial year ended December 31, 2019 was conducted and an updated Master Assets Register was produced. The Master Assets Register which is on Microsoft Excel was updated.**

**Evaluation of Management Response**

*The Microsoft Excel Master Assets Register availed at the time of audit was not updated.*

**1.2 Acquisition and Distribution of Fuel**

**Finding**

A sample of fuel documents reviewed revealed that, 11 400 litres of diesel and 11 200 litres of petrol fuel were disbursed to chief whips in 2019. The fuel documents were not indicating the serial numbers of the coupons and the dates when the fuel coupons were issued contrary to section 104 (1) of the Public Finance Management (Treasury Instructions), 2019. This was caused by inadequate review of records by an independent senior official.

**Risk/Implication**

Incomplete record keeping may compromise accountability of public resources.

**Recommendation**

Management should regularly review the fuel registers so that information provided is complete.

**Management Response**

**The finding has been noted. Serial numbers will be indicated on receipt and date of issue to the receipts commencing November 9, 2020.**

## 2 GENDER ISSUES

### 2.1 Gender Responsive Budgeting

#### Findings

Gender-responsive budgeting is a government planning, programming, and budgeting process that contributes to advancing gender equality and fulfilling women's rights in particular**.**

According to Appropriation Act for 2019, a total of $390 000 was set aside for gender responsive activities. However, there was no evidence of follow up with Treasury to release the funds. Furthermore, there was no evidence of submission of the gender sensitive targets and plans for 2019 to Treasury. This was contrary to the requirements of Treasury Budget Call letter of 2018 on Gender Responsive Budgeting.

#### Risks/Implications

The entity may fail to achieve gender equality targets if follow ups with Treasury to release funds are not done.

There may be risk that Treasury may not release budgeted funds if Gender responsive targets and plans are not submitted.

#### Recommendations

Written follow ups should be made with Treasury to release budgeted funds.

Management should submit targets and plans regarding gender to Treasury in compliance with the regulations.

#### Management Response

**Recommendations to follow up with the Treasury on gender related budget releases, submission of targets and plans has been noted.**

## 3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 3.1Unreconciled Expenditure Amounts

Progress had been made in reconciling the variance of $945 916 between the Sub Paymaster General's Account and Public Finance Management System expenditure figure for 2018. However, $472 888 was still to be reconciled.

## VOTE 3.- PUBLIC SERVICE, LABOUR AND SOCIAL WELFARE

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The mandate and purpose of the Ministry of Public Service, Labour and Social Welfare is to promote fair labour practices, enhance labour productivity, access to decent jobs and promotion of efficient, effective and accountable public service as well as comprehensive social protection system.

### Opinion

I have audited the Appropriation Account for the Ministry of Public Service, Labour and Social Welfare for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Supplementary Estimates | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net Under/ (Over) spending |
|---|---|---|---|---|---|
| $81 385 000 | $928 674 000 | $704 579 | **$1 010 763 579** | $449 810 129 | **$560 953 450** |
| **Constitutional and Statutory Appropriation** | | | | | |
| $150 000 | - | - | **$150 000** | $218 294 | **($68 294)** |

In my opinion, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Public Service, Labour and Social Welfare for the year ended December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

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

## 1 GOVERNANCE ISSUES

### 1.1 Risk Management

#### Finding

The Ministry did not have an updated risk register and no formal risk assessments were done to cover key processes in the year under review. Section 162 (1) of the Public Finance Management (Treasury Instructions), 2019 states that Accounting Officers shall carry out a risk assessment of their Ministries' operations on an annual basis and take deliberate steps to identify, quantify, assess and come up with mitigation measures for the risks identified.

Accounting Officers are also required to maintain complete records and related documents on the risks identified which are updated, monitored and reviewed on a regular basis.

**Risk/Implication**

Absence of effective risk management processes may expose the Ministry to numerous risks which could negatively impact on its performance.

**Recommendation**

The Ministry should institute effective risk management processes to safeguard government funds and assets.

**Management Response**

**The Ministry came up with the Fraud Risk Management Policy in 2016. However, due to budgetary constraints, the Policy has not been reviewed. It is now envisaged that the Policy can be reviewed in the first half of 2021.**

### 1.2 Information Technology Policy and Strategic Plan

**Finding**

I observed that the Ministry did not have an Information Technology (IT) Department or Unit. The IT personnel available were from the National Action Plan (NAP) programme. The Ministry could not avail the following due to absence of the IT department:

- IT policy
- IT strategic plan that supports business requirements.

In addition, the Ministry did not have the IT strategic committee and IT steering committee.

**Risks/Implications**

Absence of an IT Strategic Committee, IT Steering Committee and IT strategic plan that supports business requirements may result in the Ministry failing to uphold the principle of efficiency and economical use of IT resources.

Absence of an IT policy within the Ministry may result in challenges in safeguarding IT resources.

**Recommendation**

The Ministry should formulate the IT Policy and appoint IT Strategic and Steering Committees to effectively manage its IT resources.

**Management Response**

**It is acknowledged that the Ministry does not have IT personnel who are Ministry employees. However, the Ministry uses IT personnel who have been seconded to render these services to the Ministry under the National Action Plan for orphans and Vulnerable Children (NAP for OVC III). The officers are used throughout the Ministry on all matters to do with Information Technology.**

**Cognisant of the foregoing, a new department for Information Technology has been created and appointments will be made in 2021 when the requisite Treasury concurrence has been granted. Once the department becomes functional, the Ministry will be in a position to develop an IT Policy and an IT Strategic Plan to support business requirements.**

### 1.3 Audit Committee

#### Finding

There was no evidence provided to audit to show that the audit committee held any meetings during the year under review. The committee did not deliberate on issues raised by the internal audit department during the year under review. The only meeting held by the audit committee was during the previous year on November 22, 2018. Section 84 (3) (b) of the Public Finance Management Act (PFMA) [*Chapter 22:19*] requires the audit committee to meet at least twice a year.

#### Risk/Implication

The oversight role of reviewing financial statements, internal controls, audit reports and implementation of audit findings and recommendations may be compromised if the audit committee does not meet regularly.

#### Recommendation

The audit committee should meet at least twice a year in conformance with the requirements of Section 84 (3) (b) of the Public Finance Management Act (PFMA) [*Chapter 22:19*] in order to promote good corporate governance at the Ministry.

#### Management Response

**The observation is noted. In future the Audit Committee will meet at least twice per year in terms of Section 84 (3) (b) of the Public Finance Management Act [*Chapter 22:19*].**

## 2 EXPENDITURE CONTROL

### 2.1 Direct Payments

#### Finding

The Ministry did not avail for audit inspection the journal vouchers supporting direct payments amounting to $1 411 090 neither did the Ministry provide creditors reconciliations to show the status of the creditors after the direct payments had been done. Section 8 (i) (a) of the Audit Office Act [*Chapter 22:18*] stipulates that I shall be entitled to receive without undue delay information that I may require to discharge my duties.

**Risk/Implication**

In the absence of the supporting documents for the direct payments, it was difficult to ascertain the accuracy and completeness of the direct payments accounted for in the appropriation account.

**Recommendation**

The Ministry should avail for my examination journal vouchers, creditors reconciliations and all the supporting documents acquitting the direct payments.

**Management Response**

**Management is still to respond.**

## 2.2 Sub- Paymaster General's Account

**Findings**

Section 61(1) of the Public Finance Management (Treasury Instructions), 2019 provides that the Director of Finance shall submit, to the Accountant-General on or before the seventh working day of each month, a reconciliation of the Sub Paymaster General's Account for their respective ministry, covering the previous month's transactions.

Further, the Ministry submitted a Sub Paymaster General's Account which did not follow the format prescribed in the Treasury Circular No.1 of 2019.

**Risks/Implications**

Without a reconciliation, errors may go undetected and this may result in the misstatement of expenditure disclosed in the Appropriation Account.

When information is not presented in the prescribed formats, it may be difficult for users to analyse and understand the same.

**Recommendations**

The Ministry should ensure that a Sub Paymaster General's account reconciliation is done in accordance with requirements of the Public Finance Management (Treasury Instructions), 2019 and submitted for audit inspection.

The Ministry should also ensure that it prepares a Sub Paymaster General Account return which adheres to the formats as prescribed in the Treasury Circulars.

**Management Response**

**Management is still to respond.**

## 3 REVENUE COLLECTION AND DEBT MANAGEMENT

### 3.1 Suspense Accounts

**Finding**

I noted that departmental surcharges, disallowances and treasury orders with balances of $11 323, $72 798 and $3 059 respectively were still outstanding at the time of concluding my audit in January 2021. Some of the outstanding amounts were dating back as far as 2011. There was no evidence submitted to me showing the efforts by the Ministry to recover the long outstanding debts.

Further, the Ministry did not provide satisfactory information on the steps being taken to recover the outstanding amounts on the returns submitted for audit.

**Risk/Implication**

Long outstanding debts may not be recoverable which might deprive the state of the much needed revenue inflows.

**Recommendations**

The Ministry should constantly make follow ups and put in place robust debt recovery mechanisms to ensure that outstanding balances are recovered timeously.

The Ministry should also ensure that information that sufficiently demonstrates the action being taken to recover the outstanding amounts is provided on the returns submitted for audit.

**Management Response**

**Management is still to respond.**

## CHILDREN ON THE STREETS FUND 2019

### Objective of the Fund

The main purpose of the Fund is to protect and rehabilitate the children living in and / or working on the streets.

### Opinion

I have audited the financial statements of Children On the Streets Fund for the Ministry of Public Service, Labour and Social Welfare. These financial statements comprise the statement of financial position as at December 31, 2019, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

**Statement of Comprehensive Income**

| **Item** | **$** |
|---|---|
| Income | 50 000 |
| Expenditure | 49 884 |
| **Surplus** | **$116** |

**Statement of Financial Position**

| **Item** | **Assets $** | **Liabilities $** |
|---|---|---|
| Accumulated Fund | - | 116 |
| Current Assets | 116 | - |
| **Total** | **$116** | **$116** |

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during the audit:

## 1 GOVERNANCE ISSUES

### 1.1 Preparation of Budget

#### Finding

I observed that the Ministry did not avail the Fund's budget for audit inspection in contravention of section 117 (1) of the Public Finance Management (Treasury Instructions), 2019 which bestows a responsibility on the Accounting Officer to prepare and submit to Treasury an annual budget for every Fund within the Ministry.

**Risk/Implication**

In the absence of a budget, efficient allocation and utilisation of resources would not be achieved.

**Recommendation**

The Ministry should prepare a budget for the Fund every year for submission to Treasury for approval in order to promote efficient utilisation of resources.

**Management Response**

**Management is still to respond.**

## 1.2 Accounting Controls

**Finding**

An inspection of the Fund's books of accounts revealed that there was no evidence of periodical checks by senior officers responsible for the Fund as a control measure to mitigate against risks of errors and fraud. This violated section 29 (4) (a) of the Public Finance Management (Treasury Instructions), 2019 that requires the Director of Finance to run an accounts office on a daily basis.

**Risk/Implications**

Lack of independent, periodic checks of the books exposes the Fund to weak internal controls and possible errors and fraud that may go undetected.

**Recommendation**

The books of accounts of the Fund should be periodically checked by senior officers in order to maintain effective controls.

**Management Response**

**Management is still to respond.**

## COMMUNITY RECOVERY FUND 2019

### Objective of the Fund

The purpose of the Fund is to rebuild livelihoods of disadvantaged communities in rural and peri-urban parts of Zimbabwe, as part of the recovery process.

### Opinion

I have audited the financial statements of the Community Recovery Fund for the Ministry of Public Service, Labour and Social Welfare. These financial statements comprise the statement of financial position as at December 31, 2019, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

**Statement of Comprehensive Income**

| **Item** | **$** |
|---|---|
| Income | 50 050 |
| Expenditure | 417 |
| **Surplus** | **$49 633** |

**Statement of Financial Position**

| **Item** | **Assets $** | **Liabilities $** |
|---|---|---|
| Accumulated Fund | - | 49 633 |
| Liabilities | - | 200 |
| Current Assets | 49 833 | - |
| **Total** | **$49 833** | **$49 833** |

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during the audit:

## 1 GOVERNANCE ISSUES

### 1.1 Absence of Constitution of the Fund

### Finding

The Community Recovery Fund operated without an approved constitution to regulate its affairs during the year. According to section 18 (2) of the Public Finance Management Act [*Chapter 22:19*], it is a requirement that a Statutory fund should draw up a constitution to guide and regulate its affairs.

**Risks/Implications**

In the absence of an approved constitution, there is no legal basis for the Fund to be operational and this has an impact on accountability.

The Fund may fail to fulfil its intended mandate and could easily be manipulated as a result of a lack of guidelines.

**Recommendation**

The Ministry should prioritise the drawing up and approval of the Fund's constitution.

**Management Response**

**The Community Recovery Fund came into being in the year 2006 premised on a pilot programme which had been undertaken by the World Bank. When the World Bank project ended, the government took over, thus creating the Community Recovery Fund. In view of the above, the Fund did not have a constitution as all its activities are based on a programme manual. As in all previous cases with respect to this Fund account, the transactions were based on the programme manual.**

**Evaluation of Management Response**

*The programme manual provided to audit is not a legal document and cannot be used as legal basis for operation of the Fund.*

### 1.2 Non-Utilisation of Funds

**Finding**

The Fund received $50 000 from the Appropriation Account in August 2019. The money was not utilised during the year, save for bank charges amounting to $418. There was no evidence that the Ministry had initiated appropriate measures to ensure that the funds were channelled towards their intended purpose, resulting in non-fulfilment of the Fund's objectives.

**Risk/Implication**

Failure to utilise moneys released to the Fund will have a negative impact both on the intended objectives and the government as the money will be lying idle in a bank account.

**Recommendation**

The Ministry should make initiatives to ensure that monies released to the Fund are utilised for the intended purpose and that the money does not remain idle in a bank account.

**Management Response**

**Management is still to respond.**

## YVONNE EUSTASIE PARFITT HOMES FOR THE AGED FUND 2019

### Objective of the Fund

The purpose of the Fund is to provide funds for establishing a home for the aged African people and to provide interest-free loans to assist voluntary organisations in establishing or maintaining home for the aged Africans.

### Opinion

I have audited the financial statements of Yvonne Eustasie Parfitt Homes for the Aged Fund for the Ministry of Public Service, Labour and Social Welfare. These financial statements comprise the statement of financial position as at December 31, 2019, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

**Statement of Comprehensive Income**

| **Item** | **$** |
|---|---|
| Income | 57 260 |
| Expenditure | 60 |
| **Surplus** | **$57 200** |

**Statement of Financial Position**

| **Item** | **Assets $** | **Liabilities $** |
|---|---|---|
| Non-current | 61 800 | - |
| Accumulated Fund | - | 61 800 |
| **Total** | **$61 800** | **$61 800** |

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during the audit:

## 1 EMPHASIS OF MATTER

### 1.1 Sustainability of Services

#### Finding

I draw your attention to the fact the Fund has not received any dividends on its investment of 30 000 shares held in Windmill (Pvt) Ltd for several years as the company did not declare any dividends in those years. The Fund last received a dividend in 2010. This condition indicates the existence of a material uncertainty that may cast doubt on the Fund's ability to offer its services to homes for the aged Africans.

**Risk/Implication**

Without alternative source of funding other than dividends, the activities of the Fund would not be carried out and the Fund may fail to achieve its objectives of establishing or maintaining homes for the aged Africans.

**Recommendation**

Alternative sources of income should be identified for the continuity of the operations of the Fund.

**Management Response**

**I take note of the finding, audit is advised that the Fund has 30 000 shares held in Windmill Pvt Ltd, and these shares were bequeathed to the Fund in a will. It is the prerogative of the directors of the company to declare dividends and they have not done so in a number of years.**

**The Ministry therefore cannot do anything outside the will of the testator.**

**1.2 Administration of the Fund**

**Finding**

For two years in succession, I reported that the Fund operated without an Accounting Officers' instructions for the administration of the Fund. This persisted in the year under review as the Ministry did not issue a detailed Accounting Officers' Instructions as per the requirement of paragraph 4 (a) of the Fund's Constitution.

**Risks/Implication**

Without the Accounting Officer's Instructions there is no guidance on how the Fund's operations would be managed.

**Recommendation**

The Ministry should issue Accounting Officer's Instructions for the effective administration of the Fund.

**Management Response**

**I acknowledge that the Fund does not have detailed Accounting Officer's instructions. Work will be undertaken to ensure that a draft will be in place before the end of the year**

## VOTE 4.- DEFENCE AND WAR VETERANS

## DEFENCE PROCUREMENT FUND 2018

### Objective of the Fund

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

### Qualified Opinion

I have audited the financial statements of the Defence Procurement Fund for the Ministry of Defence and War Veterans Affairs. These financial statements comprise the statement of financial position as at December 31, 2018, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information

Below is a summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

### Statement of Comprehensive Income

| **Item** | **$** |
|---|---|
| Income | 64 887 |
| Expenditure | 1 680 113 |
| **Deficit** | **($1 615 226)** |

### Statement of Financial Position

| **Item** | **Assets $** | **Liabilities $** |
|---|---|---|
| Accumulated Fund | - | 181 259 |
| Current | 181 259 | - |
| **Total** | **$181 259** | **$181 259** |

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of the Defence Procurement Fund as at December 31, 2018, its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Revenue and**

### Expenditure Finding

The Fund did not maintain proper books of accounts contrary to the provisions of Section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:19*] which stipulates that receivers and collectors of revenue should have adequate systems in place for the proper

management of public funds and maintenance of proper books of accounts. As a result, I noted the following:

The auction of scrap metal reports showed that the Fund received revenue of $127 000 from a public auction held at OSD Msasa, Harare on January 24, 2018. There was no other record for this transaction in the books of the Fund. No receipt of the amount was provided for audit showing amounts realised from the auction. The financial statements submitted for audit did not show any Accounts Receivables and the collection did not reflect in the bank account of the Fund.

An examination of the Fund's statement of cash flows revealed that the Fund had a cash inflow of $5 028 797 as government grant. The statement of comprehensive income however indicated that nothing was received from the government. I also noted that there was a cash outflow of $4 212 616 as 'handling fees' but the expense was not in the statement of comprehensive income resulting in an understatement of expenditure. I could not determine whether the income or expenditure of the Fund was accurately recorded and properly classified.

As a result, I was unable to verify the completeness and accuracy of the balances disclosed in the financial statements.

**Risks/Implications**

If ledger accounts are not maintained, financial transactions may not be fully recorded which could lead to inaccurate information being disclosed in the financial statements.

The Fund may lose revenue through misappropriation if proper procedures of receipting and banking are not being followed.

**Recommendations**

The Fund should ensure that all expenditure incurred is posted to the financial statements so that they present fairly the state of affairs of the Fund.

There should be adequate controls at each revenue collection point.

**Management Response**

**Management is still to respond.**

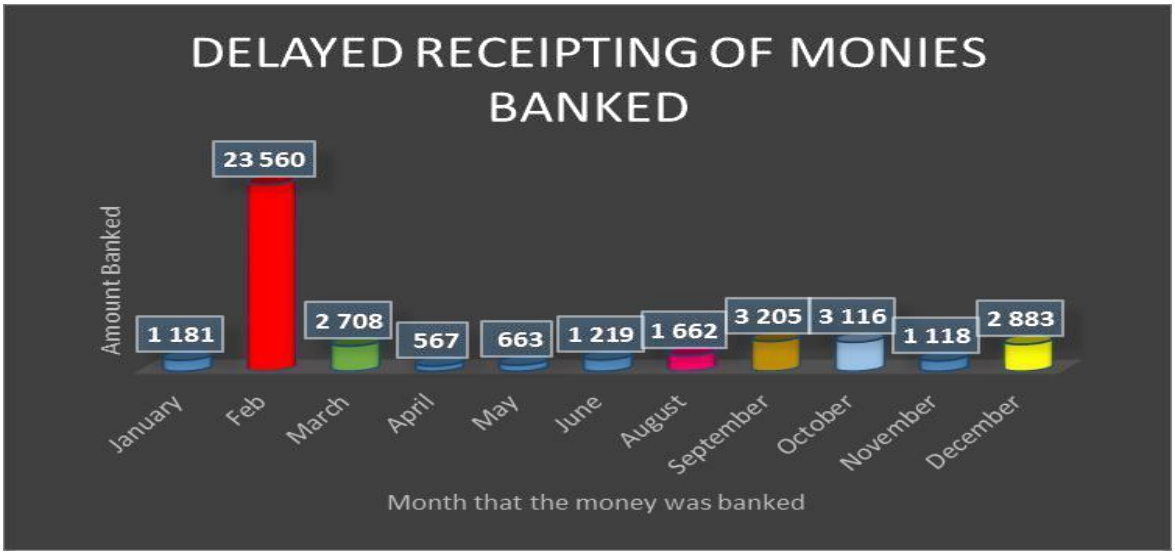
However**,** below are other material issues noted during the audit:

## 1 GOVERNANCE ISSUES

### 1.1 Receipting of revenue

**Finding**

I noted from a sample of transactions examined that revenue of $41 882 was receipted on December 31, 2018 despite the fact that deposits had been made earlier into the Fund's Bank Account, reflecting delays in receipting. This was contrary to the provisions of Treasury Instruction 0414 which states that where a payment is made by a direct deposit to an official banking account, the actual date of the deposit shall be recorded on the receipt. The delays in receipting were as follows:




**Risk/Implication**

Failure to follow proper procedures in receipting may result in misappropriation of funds through theft or fraud as the cash deposited throughout the year will only be accounted at the end of the year.

**Recommendation**

The Fund should adhere to Treasury Instruction 0414 by making sure that all bank deposits are receipted timeously.

**Management Response**

**Management is still to respond.**

## NATIONAL HEROES DEPENDANTS ASSISTANCE FUND 2018

### Objective of the Fund

The Fund was established for the purpose of providing assistance to designated national heroes' dependants.

### Opinion

I have audited the financial statements of the National Heroes' Dependants Assistance Fund for the Ministry of Defence and War Veterans Affairs. These financial statements comprise the statement of financial position as at December 31, 2018, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of Statement of Comprehensive Income and Statement of Financial Position for the year:

**Statement of Comprehensive Income**

| **Item** | **$** |
|---|---|
| Income | 80 000 |
| Expenditure | 26 129 |
| **Surplus** | **$53 871** |

**Statement of Financial Position**

| **Item** | **Assets $** | **Liabilities $** |
|---|---|---|
| Accumulated Fund | - | 19 349 |
| Current | 59 349 | 40 000 |
| **Total** | **$59 349** | **$59 349** |

In my opinion, the financial statements present fairly, in all material respects the financial position of the National Heroes' Dependants Assistance Fund as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practices (GAAP).

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

## 1 GOVERNANCE ISSUES

### 1.1Board

#### Findings

The Fund has been operating without a Board since the dissolution of the previous Board in 2006. The major responsibilities of the Board include maintenance of a register for heroes and their dependents as well as examination of claims made by registered dependents to determine the form and amount of assistance to be rendered. This was in violation of the provisions of sections (4) and (9) of the National Heroes Act [*Chapter 10:16*] which stipulate the establishment of a National Heroes' Dependents' Assistance Board.

As a result, the Fund was operating without a register for national heroes and their dependents. This made it difficult to determine if the Fund was fulfilling its objective of providing for the designation of national heroes and the rendering of State assistance to dependants of such heroes.

Furthermore, contrary to the provisions of Section 22 of the National Heroes' Dependents Assistance Act [*Chapter 10:16*] which highlight that proper books of accounts and records should be kept to ensure proper accountability, there were no accounts payable ledgers relating to national heroes' dependents and none were accounted for in the financial statements. I could not ascertain whether all dependents who were supposed to receive assistance had received the same.

**Risks/Implications**

The absence of a Board may compromise the performance of the Fund which would impact on its service delivery.

It may be difficult to effectively monitor the disbursements of assistance to dependents when there is no register for national heroes and their dependents.

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

**Recommendations**

The Ministry should ensure that the Board is constituted so that national heroes and their dependents are well represented.

The Fund should maintain a register for all national heroes and their dependents to ensure that all beneficiaries get assistance and enable the Fund to fulfil its mandate.

The Fund should ensure that proper books of accounts are maintained so that all financial transactions are recorded and disclosed.

**Management Response**

**The observation is noted. We have taken some measures and the board is being set up.**

**The observation is acknowledged. Management is in the process of creating the register for widows and dependents of national heroes.**

### 1.2 Liabilities

**Finding**

When the Fund was transferred to the Ministry of Defence and War Veterans Affairs in 2016 it had liabilities amounting to $40 000 for cash advanced to it by the Disabled Persons Fund. At the end of the year on December 31, 2018, the Fund had a closing bank balance of $59 000 which could have been applied to liquidate the debt. However, this amount still had not been paid by July 31, 2019.

**Risks/Implication**

Non clearance of liabilities may result in the Disabled Persons Fund failing to meet its own constitutional mandate.

**Recommendation**

The Accounting officer should ensure that this amount is refunded to the Disabled Persons Fund.

**Management Response**

**The observation is acknowledged and the department of War Veterans will refund the liability of $40 000 to the Disability Fund as soon as the money is availed to us by Treasury.**

### 1.3 Absence of Accounting Officer's Instructions

**Finding**

The Fund was operating without Accounting Officer's Instructions which should provide proper guidance and direction on the logical flow of transactions. This is contrary to the provisions of Treasury Instructions 0706 which requires accounting officers to issue detailed written instructions governing the conduct of financial business and the control of all public moneys and the property for which they are responsible.

**Risk/Implication**

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

**Recommendation**

Accounting Officer's Instructions should be issued to facilitate smooth operations of the Fund. This would enable uniformity in the execution and recording of transactions.

**Management Response**

**The observation is noted and management is in the process of coming up with the Accounting Officer's Manual.**

## WAR VETERANS FUND 2018

### Objective of the Fund

The Fund was established for the purpose of rendering financial assistance to war veterans and their dependents in terms of the War Veterans Act [*Chapter 11:15*]. The assistance may be in the form of loans or grants to finance income generating projects, funeral expenses, manpower development and physical, mental or social rehabilitation of war veterans.

### Qualified Opinion

I have audited the financial statements of War Veterans Fund for the Ministry of Defence and War Veterans Affairs. The financial statements comprise the statement of financial position as at December 31, 2018, statement of profit or loss and other comprehensive income, statement of cash flows for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory information.

Below is a summary of statement of comprehensive income and statement of financial position for the year:

**Statement of Comprehensive Income**

| **Item** | **$** |
|---|---|
| Income | **30 922 000** |
| Expenditure | **32 160 552** |
| **Deficit** | **($1 238 552)** |

**Statement of Financial Position**

| **Item** | **Assets $** | **Liabilities $** |
|---|---|---|
| Non-Current | 2 402 764 | - |
| Accumulated Fund | - | (6 040 269) |
| Current | 3 525 396 | 11 968 429 |
| **Total** | **$5 928 160** | **$5 928 160** |

In my opinion, except for the effects of the matter described in the Basis for qualified opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the War Veterans Fund as at December 31, 2018, its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

### (i) Maintenance of Financial Records

### Finding

The financial statements disclosed a suspense account balance of $613 310 which had not been cleared as at November 19, 2019. As a result, I was not able to establish that the financial statements were free from material misstatements.

There were variances between expenditure balances disclosed in the ledger and balances reported in the financial statements. The variances were not reconciled. Resultantly, I was unable to ascertain the correct expenditure figures incurred by the Fund.

The general ledger balances differed with the financial statement balances and some items had no entry at all in the ledger as shown below:

| General ledger Account | Financial statement balances $ | General Ledger balances $ | Difference $ |
|---|---|---|---|
| Grant | 30 922 000 | - | **30 922 000** |
| Funeral assistance | 1 705 665 | 1 509 115 | **196 550** |
| Education assistance | 25 087 440 | 22 623 875 | **2 463 565** |
| Health assistance | 1 786 158 | 1 120 427 | **665 731** |
| Administration expenses | 3 550 710 | 4 449 381 | **3 101 329** |
| Property, plant and equipment | 1 503 287 | - | **1 503 287** |
| Investment | 256 168 | - | **256 168** |
| Accounts payable | 11 938 429 | - | **11 938 429** |

**Risks/Implications**

The financial statements may reflect a misleading financial position which may affect decisions by the stakeholders.

Errors may go undetected if supervision by seniors is not carried out regularly.

**Recommendations**

Financial statements should be prepared using information from the general ledger with adjustments explained in notes to the accounts.

Management should check work performed by subordinates for accuracy and completeness. This would enable the Fund to monitor the work of subordinates to avoid unwarranted errors and omissions.

**Management Response**

**The observation is acknowledged. Corrective measures will be taken to adjust the cash book and the ledgers. Proper checking of all books of accounts will be done to avoid errors.**

However, below are other material issues noted during audit:

## 1 PROCUREMENT

### 1.1 Competitive Bidding

**Findings**

The Fund procured goods and services amounting to $122 829 without using the competitive bidding method. According to Section 30 of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*], the competitive bidding method is the normal

method of procurement to be employed by entities, unless circumstances demand other methods. Contrary to the provisions of the Act, the Fund procured from various companies without any justification for not using the competitive bidding process, yet the Act provides that the reasons for employing other methods should be recorded by the procuring entity. The table below shows suppliers for goods and services which were procured against the dictates of the Act.

| **Date** | **Supplier** | **Amount $** |
|---|---|---|
| 10/05/2018 | LED Travel and Tours | 100 000 |
| 15/05/2018 | Allyme Investments | 8 559 |
| 15/05/2018 | Nicview Investments | 6 990 |
| 15/05/2018 | Nordship Investments | 4 800 |
| 05/12/2018 | Lenbran Investments | 2 480 |
| **Total** | | **$122 829** |

Furthermore, the Fund did not source for competitive quotations for the procurement of ten (10) laptop computers valued at USD$14 999. As a result, I could not ascertain whether the procurement of laptops was economically done.

**Risk/Implication**

Failure to comply with procurement procedures and regulations may expose funds to misappropriation, underhand deals and uneconomic buying.

**Recommendation**

The Fund should follow standing procurement procedures and regulations to avoid uneconomic buying, wasteful expenditure and underhand dealings.

**Management Response**

**The department was given a short notice for the preparation of the Indaba hence some goods were acquired without following procurement procedures.**

## 2 GOVERNANCE ISSUE

### 2. 1The Fund's

**Mandate Finding**

Sections 5 and 6 of the War Veterans Act [*Chapter 11:15*] require the Fund to provide assistance to war veterans and their dependents with regards to education, funeral, health, self-help projects and other incidental expenditure. The Fund had a closing bank balance of $4 138 706, while liabilities amounted to $11 938 429 made up of outstanding funeral, education and health assistance. The Fund did not pay its creditors on time although there was money in the bank. This may have affected the beneficiaries negatively as they could not access the respective services. As a result, the Fund's execution of its constitutional mandate may be compromised.

**Risk/Implication**

War Veterans and their dependents may be deprived of their constitutional right to health, education and funeral assistance due to delays in payment of assistance.

**Recommendation**

The Fund should prioritize the payment of benefits of the veterans of the liberation struggle as the money maintained in the bank may lose value as a result of high inflation while the benefits due to veterans remain outstanding.

**Management Response**

**The problem is emanating from Treasury which is not giving us funding on time. Processes will be expedited to pay liabilities as soon as Treasury provides funding.**

**Evaluation of Management Response**

*While it is acknowledged that Treasury was delaying in providing funding, the Fund had a significant bank balance at year end which could have been used to pay part of the amounts owed to beneficiaries.*

## 3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 3.1 Supporting Documentation

The outstanding documents were provided for audit. The documents were for education, health and funeral assistance.

### 3.2 Accounts Payable

The issue was resolved as the journal vouchers to address the issue were effected.

## VOTE 5. - FINANCE AND ECONOMIC DEVELOPMENT

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry is responsible for the formulation of macro-economic policies and national development programmes and plans, mobilization, allocation, management and accounting for public resources.

### Opinion

I have audited the Appropriation Account for the Ministry of Finance and Economic Development for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve transfers | Unallocated Reserve transfers to Ministries | Total | Expenditure | Net Under/(Over) spending |
|---|---|---|---|---|---|
| $1 103 938 000 | $201 772 849 | ($7 386 995 654) | ($6 081 284 805) | $702 645 223 | ($6 783 930 028) |
| **Constitutional and Statutory Appropriation** | | | | | |
| $2 902 414 000 | - | - | $2 902 414 000 | $1 922 876 975 | $979 537 025 |

In my opinion, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Finance and Economic Development as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Report on Other Legal and Regulatory Requirements

In my opinion, except for the possible effects of the matters described below the Appropriation account has, in all material respects, been prepared in compliance with the disclosure requirements of the Public Finance Management Act [*Chapter 22:19*], the Appropriation Act [2019] and other relevant Statutory Instruments.

### (i) Unauthorised Excess Expenditure

### Finding

As previously reported in the prior years, Treasury continued to incur unauthorised excess expenditure on the budget. In 2019 excess expenditure of $6 806 340 654 which arose from Unallocated Reserve transfers made to line Ministries amounting to $7 386 995 654 that exceeded the approved budget of $580 655 000 in contravention of Section 305 (5) of the Constitution of Zimbabwe Amendment (No. 20) Act, 2013.

**Recommendation**

Treasury should seek condonation from Parliament to regularize the total excess expenditure of $6 806 340 654 and in future strive to adhere to approved budget expenditure estimates, and on instances where need arises, to approach Parliament for a Supplementary budget.

**Management Response**

**Treasury takes note of the observation wherein an excess of ZWL$6.8 billion transfers were made from the Unallocated Reserve.**

**Please note, the additional expenditures accommodated were inescapable and these included additional salaries to most line Ministries which proved inadequate due to cost of living adjustments and cushioning allowances awarded to civil servants and pensioners, subsidies that were introduced that had not been budgeted for e.g. roller meal, support towards presidential input support schemes and the importation of grain. Additionally, the spike in inflation and changes in the exchange rate led to the increase in the costs of general Government operations.**

**Treasury is in the process of seeking condonation of the excess expenditure which will be submitted to Parliament within the set time frame as indicated in terms of Section 307(2) of the Constitution of Zimbabwe Amendment (No. 20) Act, 2013.**

**Going forward, Treasury is putting in place mechanisms which will ensure observance of a hard budgetary constraints and a circular is to be issued indicating to all Accounting Officers that there is no room for additional resources outside the already approved resource envelope by Parliament.**

## 1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 1.1 Unallocated Reserves

It was observed that Ministries did not confirm receipt of transfers amounting to $3 738 254. No confirmations or receipt of transfers were availed to the audit team during the course of the year 2019 audit.

### 1.2 Servicing and Repayment of Public Debt

The issue was not addressed since Treasury could not avail source documents to support expenditure of $1 970 093 271 incurred on service and repayment of public debt.

### 1.3 Revolving Agricultural Inputs Program

Treasury entered into two contracts with a private lender for the financing of the 2018 winter wheat season worth $58 582 500 and $353 732 600 under the Special Maize and Soya Beans program for 2018/2019 summer season. The issue was not addressed as Treasury was not able to submit reconciliations of crop inputs values to loan amounts.

### 1.4 Retention Funds

On the issue of Retention funds appropriated by Parliament to Ministries amounting to $412 566 000, Treasury had not yet given detailed guidelines to Ministries on how they should account for the funds.

### 1.5 Public Finance Management System (PFMS)

The Ministry accumulated outstanding annual and maintenance fees amounting to EUR 5 044 062 and ZAR 318 675 in respect of invoices raised by the PFMS service provider. Action had been taken by the Ministry to settle the outstanding payments. A total payment of EUR 4 097 017 was made during the year.

## PUBLIC FINANCE MANAGEMENT SYSTEM 2019

### BACKGROUND INFORMATION

The Public Finance Management System (PFMS) is an Enterprise Resource Planning (ERP) system which processes financial transactions and produces reports for all the ministries.

The Ministry of Finance is responsible for the system and the Accountant-General is the head of the PFMS while the Director is the Project Manager. The Infrastructure of the system is managed by the Ministry of Information, Communication Technology, and Cyber Security. The following modules have been implemented:

a) Financial Accounting (FI)-for external reporting
b) Materials Management (MM)-for procurement
c) Sales and Distribution (SD)-for receipting
d) Customer Relationship Management (CRM)- for managing online services
e) Business Intelligence (BI) - for reporting
f) Business Planning and Consolidation - for budgeting.
g) Grants Management Module - for management of donor funds.

### OBJECTIVE OF THE PUBLIC FINANCE MANAGEMENT SYSTEM

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

I conducted an audit to determine the effectiveness of general information technology controls for the PFMS. The audit also aimed at ascertaining the implementation and operating effectiveness of application controls.

I have audited the General and Application Controls of the Public Finance Management System for the period ended December 31, 2019.

Below are the material issues noted:

### GOVERNANCE OF ENTERPRISE IT

#### 1.1 IT Steering Committee

**Finding**

An IT Steering Committee is composed of an entity's senior management. It is charged with the responsibility to oversee information technology strategic planning, oversee major IT investments and ensure that the IT function is resourced.

There was no evidence of the existence of an IT Steering Committee at the Ministry of Finance and Economic Development.

**Risks/Implications**

Certain IT related concerns that senior management or the board should attend to in a timely manner may be left out or may not be attended to altogether.

Costly schedule overrun on IT related projects due to lack of oversight.

**Recommendation**

There is need for the Ministry to establish a formal IT steering committee which meets frequently to monitor IT related issues and review projects under implementation.

**Management Response**

**The Ministry will reconstitute a formal IT Steering Committee.**

**Evaluation of Management Response**

*The Ministry did not define the timelines for constituting the IT Steering Committee*

### 1.2 Service Level Agreements (SLA)

**Finding**

A Service level agreement is a contract entered between an entity and its vendors that documents service expectations, metrics for assessing performance and penalties for failing to meet service expectations.

No Service Level Agreement (SLA) and/ contract with suppliers and partners for both software and hardware was availed for audit.

**Risk/Implication**

The absence of Service Level Agreements may result in suppliers and partners not being held responsible or accountable for their service obligations to the business with regards to software and hardware supplied. This may result in business experiencing increased downtime.

**Recommendation**

Management need to ensure that formal Service Level Agreements (SLAs) are in place between the organisation and suppliers/partners for both hardware and software.

**Management Response**

**We take note of the need to have Service Level Agreements with suppliers of hardware and software. We will ensure that the SLAs in place are renewed to be current.**

### 1.3 IT Risk Management

**Finding**

IT risk management is the structure and framework instituted by management to manage the risks that come with the ownership, involvement, operation, influence, adoption and use of IT in an organisation.

There was no evidence of sound IT Risk Management framework and structure as no Risk Management Plan and IT Risk register were availed for audit.

**Risk/Implication**

It might be difficult for management to identify, assess, and respond to critical IT risks in the absence of a sound IT Risk Management framework.

**Recommendation**

Management should ensure that a formal IT risk management plan is in place and formal risk management activities are done to identify, analyze, and mitigate and monitor IT risks.

**Management Response**

**The IT Risk Management Plan was not in place. We will ensure that we put something in place by end of the fourth quarter of 2020.**

### 1.4 Incident Management Planning

**Finding**

An incident management plan documents how an organisation will return to normal operations following an unplanned event.

An incident management plan was not availed by the Ministry of Finance and Economic Development.

**Risk/Implication**

Failure to manage incidents could lead to IT disasters thereby resulting in loss of PFMS services.

**Recommendation**

Management should ensure that a formal Incident Management Plan is in place to deal with incidents before they escalate to IT disasters.

**Management Response**

**We admit that the Incident Management Plan is not in place. However, we will ensure that we put in place a draft Incident Management Plan by end of the fourth quarter of 2020.**

## 2 BUSINESS CONTINUITY AND DISASTER RECOVERY

### PLANNING 2.1 IT Disaster Recovery Planning

**Finding**

The IT Disaster Recovery Plan documents a structured approach on how an organisation can resume operations in the event of a major disruption to its processes. The PFM system is used to process transactions for Central Government.

The IT Disaster Recovery Plan was not availed for audit.

**Risk/Implication**

Failure to restore IT operations or restore IT operations on time in the event of a disaster.

**Recommendation**

Management has to ensure that there is an IT Disaster Recovery Plan as an integral part of the Business Continuity Plan (BCP).

**Management Response**

**We are in the process of finalizing the Disaster Recovery Plan for IT and the Business Continuity Plan. We hope to complete it by the end of third Quarter of 2020.**

### 2.2 Backup Planning and Backup Procedures

**Finding**

Formally documented Backup Plan and Backup Procedures were not availed for audit.

**Risk/Implication**

Lack of backups could lead to failure to restore systems in the event of a disaster.

**Recommendation**

Management should ensure that sound backup plan and backup procedures are in place.

**Management Response**

**We are in the process of reviewing the backup plan and procedures. These will be availed in the last quarter of 2020.**

## 3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 3.1 IT security Policy

The observation was partially resolved. PFMS users had not signed Acknowledgement Forms and the issue of user awareness training had not been addressed.

### 3.2 Posting Financial Transactions to Closed Financial Years

The recommendation was not implemented.

### 3.3 Register of Assets

The audit issue raised had not been resolved.

## VOTE 7. - INDUSTRY AND COMMERCE

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The mandate of the Ministry is to facilitate and promote the development of sustainable, innovative, inclusive and globally competitive industrial and commercial enterprises for economic growth.

### Opinion

I have audited the Appropriation Account for the Ministry of Industry and Commerce for the financial year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted /Supplementary Funds | Unallocated Reserve | Total Allocated | Expenditure | Net Under spending |
|---|---|---|---|---|
| $154 148 000 | $322 702 802 | $476 850 802 | $318 887 039 | $157 693 763 |

In my opinion, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Industry and Commerce as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

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

## 1 GOVERNANCE

### ISSUES 1.1 Risk Assessment

### Findings

The Ministry's Risk Management Policy in place was not updated to include Departments of Economic Empowerment and Investment Promotion and Special Economic Zones that were merged with the Ministry in the year 2018. Section 44 (1) (a) (i) of the Public Finance Management Act [*Chapter 22:19*] states that an accounting authority for a public entity shall ensure that the public entity establishes and maintains effective, efficient and transparent systems of financial and risk management and internal controls.

Furthermore, the Ministry did not have a Disaster Recovery Plan (DRP) to enable it to continue offering critical services in the event of disruption and to survive a disastrous interruption of services.

### Risks/Implications

The existing risk mitigation controls may be inefficient and ineffective thereby impacting negatively on the operations of the Ministry.

The Ministry may fail to offer services in the event of a disaster.

**Recommendation**

The Ministry should adhere to the requirements of Section 44 (1) (a) (i) of the Public Finance Management Act [*Chapter 22:19*] by aligning its Risk Management Policy with the new departments.

**Management Responses**

**Adequate training is required for the Ministry to fully carryout and implement risk assessment. However, a number of controls in terms of security have been implemented but are not fully functional due to national disasters.**

**A copy of the Information Communication Technology (ICT) Policy was availed to auditors. The disaster recovery plan is still not available. The Ministry's ICT Section carried out a needs assessment and the effectiveness of the existing systems was concluded. The plan to protect data and infrastructure is expected to be finalised in 2020.**

**Evaluation of Management Response**

*No response was given by management on measures being taken to update the Risk Management Policy.*

**1.2 Audit Committee**

**Findings**

There were no minutes of meetings or reports presented to show that the Audit Committee met in 2019. As a result, the committee did not carry out its oversight functions on the financial reporting processes and implementation of internal audit recommendations. Section 84 (2) (a) of the Public Finance Management Act [*Chapter 22:19*], states that the responsibility of the Audit Committee is to review internal controls, including the scope of the internal audit programme, and the internal audit findings and to recommend appropriate action.

The internal audit department did not prepare an audit plan for the year under review. According to the Internal Audit Charter, internal audit department must develop a flexible annual audit plan using an appropriate risk –based methodology, including any risks or control concerns identified by management and submit that plan to the Audit Committee for review and approval. No reason was given as to why Internal Audit did not prepare an audit plan as stipulated by the Charter.

**Risks/Implications**

Failure to conduct meetings may result in deficiencies in internal controls not being timeously addressed.

In the absence of an audit plan there is likelihood of inefficient utilisation of resources.

**Recommendations**

The Audit Committee should play its oversight role on the audit processes, by holding meetings on a regular basis as required by Section 84 (2) (a) of the Public Finance Management Act [*Chapter 22:19*].

The Ministry should prepare audit plans for efficient utilisation of resources.

**Management Responses**

**The Audit Committee meetings were not held during 2019 because the board was not properly constituted.**

**With regards to the audit work plans the observation has been noted and corrective measures will be taken to address the issue.**

## 2 REVENUE COLLECTION AND DEBT MANAGEMENT

### 2.1 Outstanding Advances Including Disallowances

**Finding**

The Ministry had outstanding advances of USD$5 948 comprising of foreign travel as at December 31, 2019. The Ministry had not yet instituted recovery measures on the outstanding amounts. Section 49 (2) of the Public Finance Management (Treasury Instructions), 2019 states that Officers responsible for collecting debts shall take adequate steps to collect any sums due to the Government on due date and shall on no account allow a debt to become extinguished through lapse of time.

**Risk/Implication**

The Ministry may incur financial losses due to debts that get extinguished through lapse of time.

**Recommendation**

The Ministry must take adequate steps to collect any sums due to the Government as required by Section 49 (2) of the Public Finance Management (Treasury Instructions), 2019.

**Management Response**

**The Ministry is consulting Treasury on how to recover the amounts owed as they were incurred when USD was part of the multicurrency in use at the time.**

## 3 PROCUREMENT

### 3.1 Acquisition of Fixed Capital Assets

**Finding**

The Ministry purchased office furniture worth $163 464 without obtaining competitive quotations. The comparative schedule used for the direct purchase did not have written justifications for choosing the sole supplier. Section 30 (2) of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*] states that when a method of procurement

other than competitive bidding is used, the procuring entity shall include in the record of the procurement proceedings a written justification for the decision to utilise the procurement method, including the grounds for taking that decision.

**Risk/Implication**

Procurement may not be done to the best advantage when public procurement regulations are not followed.

**Recommendation**

The Ministry should adhere to the provisions of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*] when procuring so as to enhance service delivery.

**Management Response**

**The direct purchase of furniture amounting to $163 464 was made on the basis that the company was able to manufacture bespoke furniture. The decision was made on the assurance that the company had capacity to source the special raw materials required to produce the furniture.**

**Evaluation of Management Response**

*The minutes of the procurement committee and other documents availed to auditors, did not indicate that the furniture was bespoke and required special raw materials.*

## 4 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 4.1 Unallocated Reserves (UR)

UR amount of $3 162 496 meant for CAPS Holdings had not been uploaded in the Public Finance Management System (PFMS) as at May 06, 2019. The Ministry accounted for the expenditure in their Appropriation Account without confirming whether CAPS had received the money. The UR amount was not uploaded onto the PFMS due to lack of documents.

### 4.2 Supporting Documentation

Payments amounting to $99 200 were not appropriately and sufficiently supported by receipts and goods receipt vouchers (GRVs). I could not substantiate whether the transactions involving these payments were a proper charge to the Ministry. The Ministry was still investigating the observation.

### 4.3 Advances to Parent Ministry

As at December 31, 2018 the Ministry owed Standards Development Fund $63 946. The borrowed funds increased the Ministry's budgeted funds, without seeking Parliament's approval. The Ministry repaid the outstanding balance in 2019.

### 4.4 Sub-Paymaster General's Account

The Sub-Paymaster General's Account, Batch 973 totaling $40 651 was processed twice. I could not obtain the corporate payment report for the batch to determine the payees as it was purported that the Paynet had crushed. As a result, I could not confirm if the dual payments were refunded by the respective suppliers. Measures have been put in place to recover the amounts from service providers.

### 4.5 Maintenance of Utility Bills Register

The Ministry did not maintain a register for utility bills as a result, reconciliations for direct payments made amounting to $230 000 were not performed. I could not confirm with accuracy the completeness of the amounts outstanding at year end. The registers are now being maintained, copies have been availed to auditors.

### 4.6 Investment in Olivine Industries

The Public Financial Assets Return submitted for audit indicated that the Ministry paid $3 382 000 to Olivine Industries as an investment. There were no supporting documents to confirm the authenticity of the investment in the form of share certificate and information on the return from investment that was to be gained by the Ministry on behalf of Government. The share certificates and other relevant information were under the custody of Ministry of Finance.

## VOTE 8.- LANDS, AGRICULTURE, WATER, CLIMATE AND RURAL RESETTLEMENT

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The mandate of the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement is to ensure food security in the country and agriculture produce for the manufacturing sector, through facilitating a sustainable and viable agricultural sector by providing new materials for the rest of the economy. It carries out this mandate by providing administrative, technical, advisory, research and regulatory services to the sector. It is also mandated to promote equitable distribution of land and provision of security of tenure.

### Opinion

I have audited the Appropriation Account for the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve/ Supplementary | Total Allocated | Expenditure | Net Under Spending |
|---|---|---|---|---|
| $1 020 522 000 | $6 514 066 911 | $7 534 618 911 | $5 966 456 930 | $1 555 171 981 |

In my opinion, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Lands, Agriculture, Water, Climate and Rural Resettlement as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

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

*PROGRAMME I: POLICY AND ADMINISTRATION*

## 1 GOVERNANCE ISSUES

### 1.1 Statement of Contingent Liabilities

#### Finding

The Ministry had net Contingent liabilities of $65 570 786 emanating from guarantees to parastatals and state enterprise loans as at January 1, 2019. An adjustment of the same amount was done for the year under review bringing the closing net contingent liabilities to nil as at December 31, 2019. However, documents to support the movement were not availed for audit.

#### Risk/Implication

The Statement of Contingent Liabilities might be misstated.

**Recommendation**

The Ministry should fully support with documentary evidence the adjustments made on the return during the year under review.

**Management Response**

**The observation is noted. The issue was raised in 2017 and responded in 2018. No guidance was received from Treasury. Meanwhile the Ministry is convinced that the transactions need to be removed from the return. It has to be noted that the Ministry may not issue any loan guarantees either on its own behalf or for its Parastatals. Issuance of Government guarantees is an exclusive function of Treasury.**

**Evaluation of Management Response**

*In terms of section 155 (1) of the Public Finance Management (Treasury Instructions), 2019 the Ministry is required to prepare an annual return on the Statement of Contingent Liabilities***.** *The reporting requirement is not affected by the fact that the Issuance of government guarantees is an exclusive function of Treasury. It will be difficult to conduct audit trails to validate the movement of the opening balance from $65 570 786 to a nil closing balance.*

*PROGRAMME VII: LAND RESETTLEMENT & SECURITY OF TENURE*

## 2 REVENUE COLLECTION AND DEBT MANAGEMENT

### 2.1 Outstanding Revenue

**Findings**

Contrary to Section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:19*], which requires the Accounting Officer to keep or cause to be kept proper records of account, there was no credible database for the beneficiaries of the land reform programme to support the outstanding revenue amount of $145 404 199 disclosed in the outstanding revenue return. I could not therefore, verify the accuracy and completeness of the return.

Furthermore, some farms allocated to the beneficiaries had not been valued by the valuation section of the Department to ascertain the value payable by the farmer for farm improvements such as dams, bans, farm building and access roads, implying that outstanding revenue may have been misstated.

**Risk/Implication**

The outstanding revenue return might be materially misstated in the absence of completeness of revenue records.

**Recommendations**

The Department of Land Resettlement and Security of Tenure should come up with a comprehensive consolidated database for beneficiaries of land reform which should form the basis of revenue computation in compliance with Section 35 (6) (a) of the Public Finance Management Act [*Chapter 22:*19].

Furthermore, the Department should value all farm improvements on farms allocated to beneficiaries so that they may pay the correct amounts.

**Management Response**

**The observation is noted. The database for A2 allocations is available but changes happen as some offer letters are withdrawn and others downsized. The Zimbabwe Land Commission is doing a comprehensive land audit which will give us the final data for the uploading of the information onto the database. Phase 1 of the land audit has been done and the Zimbabwe Lands Commission will provide the Department with the details to upload onto the database.**

**The Department has no Accountants at District levels so as to reach all farmers. Accountants from Head Office and Provincial Offices do revenue collection trips in Districts as and when the resources are available. Most farms have been valued, however, the process is ongoing as there are reports that need to be produced and Compensation Committee meetings will be held to determine values for billing purposes.**

**Evaluation of Management Response**

*The database for A2 farmers referred to was not availed to audit.*

## 3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 3.1 Direct Payment

The issue of direct payments amounting to $847 954 752 for which the Ministry did not provide supporting documents was not resolved as no supporting documentation was availed to authenticate the figure.

### 3.2 Overstatement of Expenditure

The issue of overstated expenditure in respect of the acquisition of fixed capital by an amount of $18 250 042 was not resolved as no adjustments were done to the 2018 Appropriation Account.

### 3.3 Salary Reconciliations

The recommendation on monthly salary reconciliations which were not being performed resulting in an unreconciled difference of $1 656 966 was implemented. There was some improvement on the issue of salary reconciliations and the Ministry has engaged Salary Service Bureau to create allocation codes for each Sub-Program.

### 3.4 Results Based Management - Irrigation Rehabilitation

The issue of developing and maintaining ten thousand hectares (10 000ha) of the smallholder irrigation schemes was resolved in 2019 as the department managed to achieve set targets of 13 000 hectares.

### 3.5 Results Based Management - Land Management

The observation on land allocation was resolved. However, the issue on issuance of ninety-nine (99) year lease, A1 permits and A2 farms was not resolved as the department was still affected by depleted staff compliment in 2019.

### 3.6 Results Based Management - International Boundary Reaffirmation

My finding on Surveyor General Department which did not meet the planned Zimbabwe's international boundaries reaffirmation with its neighbours was not resolved. The Ministry indicated that this was due to resource constraints.

### 3.7 Results Based Management - Township and Farm Surveys

The observation concerning the department of Surveyor General's planned farms and townships surveys was not resolved and the public was now opting for private land surveyors.

### 3.8 Repayment of loans under the Pedstock Facility Phase 1

The issue on the non-recovery from eighty (80) beneficiaries of irrigation equipment under the Pedstock Facility Phase 1 who owed the State a cumulative amount of $10 815 940 was partially resolved as some farmers are paying through the Grain Marketing Board (GMB) stop orders facility.

### 3.9 Special Maize Production Programme under Sakunda Facility

The issue on non-recovery of loans amounting to $16 302 021 made to two hundred and thirty-three (233) beneficiaries during the 2017 financial year for the rehabilitation of irrigation infrastructure under the USD 18 000 000 Sakunda Holdings Facility Phase 1 was not resolved as the department was still waiting for term sheets from Treasury.

### 3.10 Receipts and Disbursements

The issue on differences in revenue figures reflected under total receipts extracted from the SAP report of $ 2 789 313 and Receipts and Disbursements Return of $ 3 626 090 was not resolved.

### 3.11 Advance Payments for Motor Vehicles

There was no improvement on the issue of four (4) undelivered motor vehicles worth $207 540 by Solution Motors.

### 3.12 Plant and Equipment

There was no improvement on the issue of plant and equipment as delivery of the outstanding plant and equipment had not yet been done.

### 3.13 Handling of Government Assets

The issue of stock takes handover and asset recording from other Ministries which it was merged with, namely Lands and Rural Resettlement and Water and Climate was resolved.

### 3.14 Vehicle Registration

No progress had been made on the issue I reported that nine (9) motor vehicle registration books were missing from the respective motor vehicle files and as well as three (3) Toyota Land Cruiser Prados that were not registered.

## VOTE 9.- MINES AND MINING DEVELOPMENT

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The mandate is to formulate policies that ensure sustainable mining and marketing of mineral resources for the socio-economic well-being of the country's citizens, regulate all mining operations by ensuring that all mining activities comply with statutory regulations, ensure mineral beneficiation and value addition before export.

### Opinion

I have audited the Appropriation Account for the Ministry of Mines and Mining Development for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve/ Supplementary | Total Allocated | Expenditure | Net Under spending |
|---|---|---|---|---|
| $15 445 000 | $26 600 000 | $41 645 000 | $35 120 607 | $6 524 393 |

In my opinion, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Mines and Mining Development for the year ended December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

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

## 1 REVENUE COLLECTION AND DEBT

## RECOVERY 1.1 Outstanding Revenue

### Finding

For the second year in succession I have to report that the outstanding revenue continued to increase. In 2018 it was $192 462 309 up from $10 956 134 and as at December 31, 2019 it had increased by $65 465 100 to $257 927 409. I am concerned that no efforts have been made to collect the outstanding revenue and some of the debts go back as far as 2009.

### Risks/Implications

The funds might lose value in the long run.

The Ministry is losing out on potential revenue which might end up being written off after some time.

**Recommendations**

The Ministry needs to intensify revenue collection mechanisms to ensure that money due to the State is collected.

Long outstanding debts could be referred to the Government debt collectors.

**Management Response**

**The Ministry is implementing the use it or lose it policy where the certificate holder is compelled to use it or risk the certificate and mining rights being forfeited and given to another potential miner.**

**Evaluation of Management Response**

*Even with that strategy, the revenue still remains outstanding. This goes to confirm that the Ministry is not doing anything to recover the amounts due.*

## 2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 2.1 Reconciliation of the Sub Paymaster –General's Account

The recommendation to reconcile the difference between the Sub Paymaster–General's Account and Public Financial Management System figures had not been done.

### 2.2 Risk Management Policy

The Ministry had not yet finalised the risk management policy which had remained in draft form for the past three years.

## VOTE 10.- MINISTRY OF ENVIRONMENT, TOURISM AND HOSPITALITY INDUSTRY

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry is responsible for developing, coordinating, and monitoring implementation of policies and programmes for environment, tourism, climate change and meteorology that promote sustainable economic development.

### Qualified Opinion

I have audited the Appropriation Account for the Ministry of Environment, Tourism and Hospitality Industry for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net Under spending |
|---|---|---|---|---|
| $119 406 000 | $13 170 900 | $132 576 900 | $130 171 088 | $2 405 812 |

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Environment, Tourism and Hospitality Industry as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Unreconciled expenditure amounts**

#### Finding

The total expenditure of $130 052 892 incurred through the bank (Sub-PMG and Nostro Accounts) did not agree with the expenditure of $130 171 088 disclosed in the Appropriation Account. Thus, there was a variance of $118 196. The Ministry could not provide the breakdown of the balance of $118 196 at the time of concluding the audit on November 18, 2020. Therefore, I could not place reliance on the amount of expenditure disclosed in the accounts in the absence of a reconciliation showing the make-up of the $118 196.

#### Risk/Implication

If the total expenditure reflected in the Appropriation Account and the Sub-PMG do not agree and with no reconciliation the reported amounts might have been misstated.

#### Recommendation

The Ministry should always investigate the variances so that the reported expenditure shows a true and fair view of what transpired.

**Management Response**

**The Ministry is still underway to breakdown the ZWL$118 196. The imbalance came as a result of the way the payments were processed for foreign currency transactions. Firstly, the foreign currency payment transactions were processed in local currency (ZWL$). The expenditures were charged to Appropriation Account and payments were made from the NOSTRO Account a different bank that did not link directly with the Appropriation Account. The Appropriation Account links with the Sub PMG Bank Account from which local currency payments were made. The foreign currency transactions were processed using the prevailing exchange rate.**

**The use of different exchange rate upon paying foreign currency also contributed to the imbalance. However, the Ministry is working to unravel intricacies of system Configured Accounts involved during the time payments were made hence the establishment of the imbalance.**

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

## 1 GOVERNANCE ISSUES

### 1.1 Misallocation of Expenditure

**Finding**

The Ministry was given by Treasury an amount of $5 200 900 for the African Union Wildlife Economy Summit (AUWES) which was held from June 23 to 26, 2019. From the money that was not utilised for the Summit of $475 889 the Ministry incurred expenditure on assets of $160 920, Domestic travel (Travel and Subsistence Allowance (T and S) $59 340 and other programmes $255 629. The expenditure of $475 889 was included under AUWES expenditure instead of being posted to the respective expenditure heads.

This resulted in the understatement of respective line item expenditures contrary to the provisions of section 54 (1) of the Public Finance Management (Treasury Instructions), 2019 which requires that all expenditure on voted services should be classified under the appropriate sub-heads and items as shown in the estimates, and as directed by the Treasury.

**Risk/Implication**

Misallocation of expenditure may result in understating of other expenditure heads.

**Recommendation**

The Ministry should classify expenditure according to the respective expenditure heads in order to safeguard against misstatements.

**Management Response**

**The Ministry was given ZWL$5 200 900 for hosting the African Union Wildlife Summit which was held in Victoria Falls in June 2019. After having paid all expenses incurred during the AU/UN Wildlife Summit the ZWL$5 200 900 was not exhausted. The remaining balance was used to finance the tourism development activities and other Ministry's requirements and the entire amount was fully accounted for.**

**Evaluation of Management Response**

*The expenditure was supposed to be posted to the appropriate expenditure sub heads.*

**1.2 Expenditure not processed through the Appropriation Account Cost Centre**

**Finding**

The Ministry requested $13 000 000 from the Ministry of Finance and Economic Development on July 18, 2019 for the Forestry Commission Re-Afforestation Fund. The Ministry of Finance and Economic Development transferred the amount of $13 000 000 into the Sub paymaster general (Sub-PMG) account of the Ministry of Environment, Tourism and Hospitality on September 20, 2019. The Ministry of Environment, Tourism and Hospitality eventually transferred the $13 000 000 direct from the Sub-PMG account to the Re-Afforestation Fund account on October 15, 2019 without processing it through the Public Financial Management System (PFMS) Appropriation Account cost centre. This resulted in the understatement of total expenditure by $13 000 000 as per the Appropriation Account PFMS report.

**Risk/Implication**

There is a risk that Appropriation expenditure might not be properly accounted for when all transactions are not processed through the Appropriation Cost centre.

**Recommendation**

The Ministry should process all transactions through the Appropriate Cost centre in order to mitigate against risks of omitting some transactions in the reported financial statements.

**Management Response**

**The budget was released in the Fund Account and the transactions for vendor payment were performed through the Fund Account. The amount was processed in the system under the Forestry Commission Afforestation Fund cost centre. However, Treasury transferred the cash direct to the Sub-PMG Bank Account instead of the Fund Account. The amounts transferred to the Sub PMG Bank Account links with the payments processed through Appropriation Account only. The batch processing cleared payment transactions are processed through the Appropriation Account. The $13 000 000 could not be cleared through batch processing since the Fund cost centre did not link with the Sub PMG bank account. However, the amount was processed, payment made and was fully accounted for.**

**Evaluation of Management Response**

*All amounts transferred to the Ministry's Sub-PMG Account should be processed through the appropriate cost centres in order to enhance proper accountability for expenditure.*

## 2 EMPLOYMENT COSTS

### 2.1 Variances on Employment Costs

**Finding**

My audit noted that there was a difference of $207 102 on employment costs between the total confirmed by SSB and the total from pay sheets from SSB. The details are as follows:

| | |
|---|---|
| Total employment costs as per SSB confirmations | $2 326 481 |
| Total employment costs as per pay sheets | $2 119 379 |
| **Variance** | **$207 102** |

**Risk/Implication**

The Ministry's total employment costs may have been misstated as the two records are not reconciling.

**Recommendation**

The Ministry should investigate the source of the difference and reconcile the employment costs so that total amount reflected in the Appropriation Account is corrected.

**Management Response**

**The Ministry recently received the reconciled wage bill amounting to $2 226 428 for the financial year 2019 from Salary Service Bureau (SSB). Therefore, the variance is $107 048 as shown below:**

| | |
|---|---|
| **Total employment costs as per SSB confirmations Total employment costs as per pay sheets Variance** | **$2 226 428**<br>**$2 119 379**<br>**$107 049** |

**The variance is for the bills which were not received by the Ministry. However, we have requested pay sheets which were not received by the Ministry from SSB.**

**Evaluation of Management Response**

*Pay sheet reconciliations should be done monthly to authenticate whether people paid are bona fide employees of the Ministry.*

## 3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 3.1 Payments without Adequate Supporting Documents

The issues were partially resolved as the outstanding amount of $209 603 was reduced by a figure of $195 295 leaving a balance of $13 769.

### 3.2 Current Transfers

The $3 329 266 which was not supported by the budget remained unresolved.

### 3.3 Foreign Missions Expenditure

The position remained the same as at the day of audit. However, the Ministry made a request to Treasury on January 29, 2019 and a follow up on February 27, 2020 to open the prior periods.

### 3.4 Audit Committee

The issue of an inactive audit committee had been partially resolved as the Audit Committee met once on December 19, 2019.

### 3.5 Employment Costs

The condition remains the same of an Officer who continued working after retirement age without regularization. However, the Ministry sought guidance from the Public Service Commission (PSC) on May 21, 2019 and was still waiting for guidance as at the time of concluding the audit.

### 3.6 Leave Pending Redeployment

The issue of an Officer who was placed on leave pending redeployment with full salary and benefits with effect from April 9, 2018 was resolved and the Ministry informed the officer to commence duty on July 11, 2019.

### 3.7 Domestic and Outbound Tourism Survey programme

The outstanding amount was acquitted leaving a balance of $54 810. However, The Ministry stated that it will continue to engage ZimStats.

### 3.8 Acquittal of Foreign Missions Expenditure

The outstanding acquittals have been received. However, the Ministry awaits the opening of prior year periods in order to clear the expenditures in the SAP system.

### 3.9 UNWTO Campaigns

The financial statements were submitted on December 24, 2018 for audit purpose.

### 3.10 Foreign Missions

The tourism attachés activity reports on tourism promotion were not availed for audit examination.

### 3.11 Risk Assessment

The Ministry came up with a risk register on February 20, 2020.

## VOTE 11.- TRANSPORT AND INFRASTRUCTURAL DEVELOPMENT

### APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The mandate of the Ministry is to develop integrated transport infrastructure networks and services that facilitate smooth, safe and secure movement of goods, services and persons.

### Qualified Opinion

I have audited the Appropriation Account for the Ministry of Transport and Infrastructural Development for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve/ Supplementary | Total Allocated | Expenditure | Net Under spending |
|---|---|---|---|---|
| $399 182 000 | $833 820 388 | $1 233 002 388 | $970 006 564 | $262 995 824 |

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Transport and Infrastructural Development as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Employment Costs**

### Finding

The Ministry reported total employment costs in the Appropriation Account as $13 422 238 whilst the return from the Salary Services Bureau (SSB) reflected a total of $17 868 413. The variance of $4 446 175 remained unreconciled as at the date of this report.

### Risk/Implication

Expenditure on compensation of employees may be understated which may result in misstatements in the Appropriation Account.

### Recommendation

The Ministry should reconcile the variance and make the necessary adjustments.

**Management Response**

**According to the Ministry's records and the 2019 monthly wage bills received from SSB, there is no variance.**

**Evaluation of Management Response**

*The consolidated end of year printout from SSB had a total of $17 868 413 hence the Ministry still has to liaise with SSB and clear the variance.*

**(ii) Unallocated Reserve Transfers**

**Finding**

The Ministry disclosed Unallocated Reserve Transfers amounting to $72 525 388 during 2019 whilst Treasury had an amount of $102 611 984, resulting in a difference of $30 086 596. This variance remained unreconciled by the time this audit was concluded. This was in violation of section 16 (a) and (e) of the Public Finance Management (Treasury Instructions), 2019 which demands transparency/accountability in financial matters and clear reporting by responsible managers.

**Risk/Implication**

There could be understatement of figures disclosed in the Appropriation Account.

**Recommendation**

The Ministry should engage Treasury in order to reconcile the Unallocated Reserve Transfer figures before compiling the Ministry's year-end Appropriation Account.

**Management Response**

**The Ministry recorded and disclosed all funds released by Treasury accompanied with release letters clearly marked transfer from Unallocated reserve or transfer from Vote 5. The Ministry will engage Treasury in an effort to obtain the release letters that contain the difference of $30 086 596.**

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

## 1 GOVERNANCE ISSUES

### 1.1 Expenditure on Acquisition of Fixed Capital Assets

**Findings**

Contrary to section 29 (4) (b) of the Public Finance Management (Treasury Instructions), 2019, there was no supporting evidence to show how the funds which were transferred to Infrastructural Development Bank of Zimbabwe (IDBZ) during 2019 amounting to $657 500 000 were utilized. Only two (2) out of 85 projects were completed. There was no system in place on how funds transferred to IDBZ by the Ministry were supposed to be accounted for and monitored.

**Risk/Implication**

There is a risk of underutilization or misappropriation of public funds.

**Recommendation**

The Ministry should put in place systems that would facilitate the accountability of the funds transferred to IDBZ. The system should also enable the monitoring and evaluation of the progress made on the projects.

**Management Response**

**The expenditure was reported under the Ministry's Appropriation Account according to cash accounting system that is currently used in Government the whole amount was transferred /paid to IDBZ.**

**The actual payments made to various contractors and suppliers can be accessed from IDBZ as these were the managers of the projects. In addition, the Ministry maintains commitment registers for each project which can also be accessed from provinces. However, this arrangement has since been terminated by Treasury as in 2020 IDBZ was no longer managing projects.**

**Projects that the department embarked on were guided by the allocations from Ministry of Finance and Economic Development (MoFED). The allocations were partially disbursed while we were working on the planned sections as a result works were suspended before surfacing. Had the allocations been disbursed in their totality, then the sections where works were done would have been completed substantially.**

**Evaluation of Management Response**

*The Ministry's provincial offices should furnish Head Office with information pertaining to payments made per project for reconciliation purposes. It remains the Ministry's duty to limit the number of projects to be undertaken in each financial year.*

**1.2 Construction/Maintenance Contracts**

**Findings**

Contrary to Sections 80 (3) and 81 (4) of the Public Finance Management Act [*Chapter 22:19*], contract agreements for the companies which were engaged to construct and maintain roads, were not availed for audit examination. The total contract sum for a sample of 5 contractors, was $1 333 510 479. Also, contrary to section 81 (3) and (5) of the Public Finance Management (Treasury Instructions), 2019 no evidence was availed for the payments of performance security deposits from the contractors.

**Risks/Implications**

Those charged with governance might find it difficult to evaluate specific performance of the projects in the absence of signed contracts.

The Ministry might face litigation charges which would require the signed contracts to be availed.

**Recommendations**

The Ministry should have copies of the contracts to enable evaluation of project performance and for reference in case of lawsuit.

The Ministry should avail information as and when requested by auditors in line with the requirements of the Public Finance Management Act [*Chapter 22:19*].

Performance security deposits should be collected from the contractors in the event that it had not been collected.

**Management Response**

**According to the Directorates of Procurement Management Unit and Quantity Surveyor the contracts in question are available.**

**Evaluation of Management Response**

*The contracts were not availed for audit by the time the audit was concluded. The contracts should be availed for audit inspection. The issue of security deposits has not been responded to.*

## 2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 2.1 Paymaster- General's Account Expenditure

The recommendation to reconcile the difference of $125 860 163 between the Sub Paymaster-General's Account and Public Financial Management System figures was partly addressed since $119 353 785 was reconciled leaving an unreconciled variance of $6 506 378.

### 2.2 Funding Assistance to Air Zimbabwe, Civil Aviation Authority of Zimbabwe and Central Mechanical Engineering Department

The reported variance in amounts disbursed to the three institutions amounting to $52 142 369 had been accounted for.

### 2.3 Actual Project Expenditure Funding

The audit finding was not addressed as the Ministry did not provide the actual expenditure that was incurred on the various projects.

### 2.4 Transfers of Funds from Project Accounts

The Ministry continued to transfer funds between projects citing that there were funding challenges which prompted them to make virements between projects.

### 2.5 Project Implementation

There was no improvement in the implementation of projects as only 2 out of the 85 projects were completed during the year under review.

## 2.6 Revenue Collecting Stations

The audit finding was partly addressed as the consumables needed for network connectivity were supplied to the depots and the Central Computing Services Department is yet to connect the network.

## 2.7 Point of Sale (POS) Transactions

The Ministry implemented the recommendation as Point of Sale reconciliations are now being done.

## 2.8 Expenditure from Retention Funds

The expenditure amounting to $12 232 709 which was disclosed in the Appropriation Act, 2018 for Retention Funds was reported in the respective Funds' financial statements.

## 2.9 Unsupported Project Expenditure

The Ministry had not yet submitted the supporting documentation for project expenditure valued at $212 250 and a return for hire of Plant and Equipment expenditure valued at $698 927 and goods received vouchers valued at $229 575 citing that IDBZ could not avail the information.

## 2.10 Agency Agreement (2017)

The Ministry had not yet submitted a copy of the agency agreement with IDBZ indicating that the agreement was done with Ministry of Finance and Economic Development.

## 2.11 Transfer of Harare – Bulawayo Construction Funds to other Road Projects (2017)

I reported diversion of funds meant for the above-mentioned project to other road construction projects such as the new Parliament road, Chegutu – Chinhoyi – Slurry and Mupfure Bridge. The recommendation was implemented as proper procedures are now being followed in moving materials from one project to another

## 2.12 Creditors' Reconciliations

The creditors' reconciliations for invoices valued at $158 576 had still not been done.

## DEPARTMENT OF ROADS FUND 2018

### Objective of the Fund

The objective of the Fund is to provide financing of road development, rehabilitation and maintenance works.

### Qualified Opinion

I have audited the financial statements of the Department of Roads Fund of the Ministry of Transport and Infrastructural Development for the year ended December 31, 2018.

Below is a summary of the statement of comprehensive income and statement of financial position for the year:

**Statement of Comprehensive Income**

| **Item** | **$** |
|---|---|
| Income | 110 675 346 |
| Expenditure | 54 834 327 |
| **Surplus** | **$55 841 019** |

**Statement of Financial Position**

| **Item** | **Assets $** | **Liabilities $** |
|---|---|---|
| Accumulated Fund | | 52 305 347 |
| Non-Current | 2 152 110 | - |
| Current | 51 465 062 | 1 311 825 |
| **Total** | **$53 617 172** | **$53 617 172** |

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Department of Roads Fund as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Accounts Payable**

**Finding**

There were no ledgers or control accounts to support the creditors figure of $1 311 825 which was disclosed in the financial statements. Therefore, I could not rely on the creditors figure disclosed in the financial statements.

**Risk/Implication**

There is a risk that errors and omissions may go unnoticed hence the accounts payable amount may be materially misstated.

**Recommendation**

The Department should maintain creditors control and ledger accounts.

**Management Response**

**The observation is noted. The Department is now using SAP system and we hope the system will assist us with the capturing of creditors.**

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

## 1 GOVERNANCE ISSUE

### 1.1 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

#### 1.1 Unsubstantiated Transactions in Ledgers

The recommendation on the reversals and rejections valued at $8 489 488 that had no corresponding entries on the credit side and, thus inflating inflows in the bank accounts was partially implemented as the journals for the administration expenses were made available and the source of revenue was provided except for adjustments on reversals and rejections which had not been done in the Pastel system.

#### 1.2 Unsupported Expenditure

The finding on unsupported expenditure amounting to $5 890 884 was addressed as the payment vouchers were submitted for audit.

#### 1.3 Consolidation of Expenditure Figures from the Provincial Offices

The audit finding on the variance of $6 769 541 between the figures in the financial statement and schedules from the provinces had not yet been addressed.

#### 1.4 Accounting for Prior Year Expenditure

The audit recommendation on the expenditure amounting to $935 533 relating to the 2015 and 2016 financial years that was included as expenditure in 2017 ledgers had not yet been implemented, as adjustments were not done to the Financial Statements.

#### 1.5 Maintenance of Accounting Records

The audit finding on the maintenance of ledgers for Accounts Payable, Assets, Staff Debtors, Depreciation and Provincial Bank accounts had not yet been addressed.

#### 1.6 Disclosure of Revenue

The audit recommendation on an unreconciled revenue variance of $9 171 460 was implemented, as journal vouchers were raised.

#### 1.7 Sustainability of Services

The financial status of the Fund had improved as it recorded a surplus of $55 841 016 for the year under review.

#### 1.8 Management of Cash at Bank

The audit recommendation on the need for the Fund to use its cash at bank to pay creditors was partially implemented as the accounts payable balance had reduced to $1 311 825 from $9 255 150 as at December 31, 2018.

### 1.9 Property, Plant and Equipment

The audit recommendation on the reconciliations that were not provided to explain the differences of $1 272 410 between the closing balances for Property, Plant and Equipment and the general ledger had not yet been implemented.

### 1.10 Construction of Weighbridge

The audit recommendation had not yet been implemented, as the reversal of expenditure of $213 892 that was supposed to be reported under Traffic and Legislation Fund had not yet been done.

### 1.11 Quality Test Reports

The audit recommendation was implemented, as materials are now being tested and reports done.

## VOTE 12.- FOREIGN AFFAIRS AND INTERNATIONAL TRADE

### APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry is mandated to promote, protect and safeguard the national interests, image and influence of the Republic of Zimbabwe in the regional and international arena and to protect the interests of Zimbabwean nationals abroad.

### Qualified Opinion

I have audited the Appropriation Account for the Ministry of Foreign Affairs and International Trade for the year ended December 31, 2019 and the notes to the Appropriation Account**.**

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Supplementary Budget | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net under-spending |
|---|---|---|---|---|---|
| $56 090 000 | $260 075 000 | $87 275 672 | $403 440 672 | $309 034 807 | $94 405 865 |

In my opinion, except for the effects of the matters described in the Basis for Qualified opinion section of my report, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Foreign Affairs and International Trade for the year ended December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Missions Expenditure Not Disclosed in the Appropriation Account**

The Ministry did not upload expenditure from missions onto the Public Finance Management System (PFMS) amounting to $71 760 790, US$ 277 493 and PULA 1 019 258. The expenditure was for the months of October to December 2019. Consequently, the expenditure figure disclosed in the Appropriation Account was understated by the same amount. The expenditure was in respect of employment costs, acquisition of fixed assets and other recurrent expenditure. Efforts to have the expenditure included in the PFMS were unsuccessful.

### Risk/Implication

Understating the Appropriation Account expenditure may be misleading to users of the same.

### Recommendation

All expenditure for missions should be posted and disclosed in the Appropriation Account to enhance accountability and transparency in the management of public funds.

### Management Response

**The observation is noted. Audit is advised that with regards to assets purchased at missions, the Ministry could not meet the requirements of Section 49 (2) of the Public Finance Management Act due to some technical challenges. The recently introduced**

**procurement procedure dictates that the acquisition and recording of assets should be done concurrently in the PFMS at the time they are purchased. However, since the Diplomatic Missions are not connected on the system the Ministry was therefore not able to upload assets that had already been purchased by Missions outside the system. The old system would allow the assets to be introduced into SAP system at Head office at a later date. The Ministry is engaging the responsible authorities for a solution to this challenge.**

**With regards to employment costs, audit is advised that the Ministry failed to upload missions' expenditure into the Public Finance Management System (PFMS). Due to financial constraints, some diplomatic missions failed to send their diplomatic bags on time before the accounting period closed. Consequently, this expenditure only remained captured on the payment vouchers but outside the SAP system. If financial resources could be availed on time, all missions would be able to send their diplomatic bags and the expenditure would be captured in the PFMS on time.**

**(ii) Outstanding Temporary**

**Deposits Findings**

The outstanding temporary deposit should always reflect a credit balance. However, the outstanding temporary deposit return submitted had credit entries amounting to $1 664 000 and debit entries amounting to $10 611 885. I was not able to substantiate these entries as neither the source documents and registers, nor the journals were availed for audit inspection.

I also noted that the format which was used on preparing the return submitted for audit by the Ministry did not conform to the format which is prescribed by section 52 (4) of the Public Finance Management (Treasury Instructions), 2019.

**Risk/Implication**

If temporary deposits records are not properly maintained and balances not properly disclosed, that may create opportunities for misappropriation of public funds.

**Recommendations**

Long outstanding temporary deposits should be reviewed and cleared as provided for in Treasury Instructions. No debits should be effected where there is no corresponding credit.

The Ministry should submit supporting journals as proof that the amounts debited to the Temporary Deposits account were transferred to the Sub –Exchequer Account.

The Ministry should submit a statement of temporary deposits in the format required by section 52 (4) of the Public Finance Management (Treasury Instructions), 2019.

**Management Response**

**The observation is noted. Temporary deposit account must have credit balances. Debit balances must be set off against corresponding credit balances before preparing the Temporary Deposit Return. However, this process could not be done because the source documents could not be found. The Ministry is reviewing long outstanding Temporary Deposits in order to clear them as per Treasury instructions.**

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

## 1 GOVERNANCE

### ISSUES 1.1 Audit Committee

#### Finding

I noted that the audit committee did not hold any meetings in the year under review, and I was not availed with minutes as evidence of any meetings having been held. The Audit Committee Framework (2017) states that an Audit Committee should hold at least four meetings in each year. The Framework further states that an Audit Committee should hold at least one meeting with the Auditor General in a year.

The scope of the Audit Committee is stated in section 84 of the Public Finance Management Act [*Chapter 22:19*]. However, the committee has not yet developed its terms of reference as required by section 4 (b) of the Audit Committee Framework of January 2017.

#### Risk/Implication

Deficiencies in governance of the entity and internal controls may not be addressed timeously and recommended appropriate action may not be implemented.

#### Recommendations

The Audit Committee should abide by the dictates of the Audit Committee framework and ensure that meetings are held in each year.

The Audit Committee should also develop the terms of reference as required by the same framework.

#### Management Response

**I take note of the finding. The Ministry's audit committee was set up in July 2019 and has not yet met as guidance from the Accountant General had not been availed in terms of an induction plan for audit committee members.**

**Pursuant to the above, the Accountant General organized a training workshop from 24-29 February 2020 to capacitate Audit Committee members, notably chairpersons and chief auditors.**

### 1.2 Internal Audit Department

#### Finding

The internal audit department did not have an approved audit plan and progress reports for the year under review. The Internal Audit Charter requires the Internal Audit to develop a flexible annual audit plan using an appropriate risk based methodology, including any risks or control concerns identified by management and submit that plan to the Accounting Officer for review and approval. Furthermore, I noted that the Internal Audit Charter for the ministry is still in draft form since 2013. I could not get an explanation on why it is taking so long to have an approved Internal Audit Charter.

**Risk/Implication**

In the absence of an approved Internal Audit Charter and internal audit annual plan, there is likelihood of inefficient utilisation of resources and the monitoring of progress in achieving the annual audit targets is hampered.

**Recommendation**

The Internal Audit department should prepare an Audit Plan and submit to the Accounting Officer for approval.

**Management Response**

**The observation is noted and audit is advised that on the issue of progress reports, the department used to produce quarterly reports which have now been superseded by the Results Based Management (RBM).**

**Evaluation of Management Response**

*Management's comments are noted. However, the Ministry did not avail the RBM quarterly reports for audit inspection, an issue which I have also raised in this report.*

**1.3 Risk Management Policy**

**Finding**

Section 44 (1) (a) (i) of the Public Finance Management Act [*Chapter 22:19*] states that an accounting authority for a public entity shall ensure that that public entity establishes and maintains effective, efficient and transparent systems of financial and risk management and internal controls. The Ministry did not have a documented and approved risk management policy that will help to identify and mitigate the possible risks in the operating and financial activities of the entity. As a result, risks may not be addressed and preventive measures may not be put in place.

**Risk/Implication**

The Ministry may not be able to come up with proper controls in response to emerging risks.

**Recommendation**

The Ministry should develop a Risk Management Policy which helps in identifying specific risks affecting its operations and specific controls to mitigate the risks, to ensure effective risk management and attainment of organisational goals.

**Management Response**

**The observation is noted. The Ministry will develop risk management policy in the 2021 financial year.**

## 1.4 Disaster Recovery Plan

### Finding

Section 44 (1) (a) (i) of the Public Finance Management Act [*Chapter 22:19*] requires an Accounting Authority for a public entity to establish and maintain an effective, efficient and transparent system of financial and risk management and internal control. The Ministry did not have a Disaster Recovery Plan to enable it to continue offering critical services in the event of disruption and to survive a disastrous interruption of services.

### Risk/Implication

Human capital records, data and assets can be lost in the event of a disaster.

### Recommendation

The Ministry should come up with a Disaster Recovery Plan to enable continuity of services in the event of a disaster.

### Management Response

**The observation is noted. The ministry will work on establishing and maintaining a disaster recovery plan to enable it to continue offering critical services in the event of disruption and to survive a disastrous interruption of services. The disaster recovery plan will not only prevent the loss of human capital, but also data and assets, which is of utmost importance to the Ministry.**

## 1.5 Monitoring of Operational Plans

### Finding

Section 50 of the Public Finance Management Act [*Chapter 22:19*] requires every public entity to adhere and implement the principles of sound corporate governance policies, procedures and practices. The Ministry developed its strategic plan (2019-2020) in line with the Results Based Management (RBM) system which is a basis for the budgetary framework. However, the Ministry did not have explicit standards and measure of performance as it did not prepare the Monitoring and Evaluation report and the Results Based Management quarterly reports, hence it was difficult to evaluate the extent to which the Ministry achieved the goals laid down in the plan and to monitor progress made towards the achievement of the same objectives.

### Risk/Implication

Absence of monitoring tools will compromise the achievement of the Ministry's objectives as it will be difficult to determine the resources commensurate with the remaining planned activities as well as determining areas for improvement.

### Recommendation

Proper monitoring tools should be in place to ensure effective implementation of the policies and programs.

**Management Response**

**The observation is noted. However, the Ministry will endeavor to prepare monitoring and evaluation plans in line with Result Based Management (RBM).**

## 2 MANAGEMENT OF REVENUE

### 2.1 Revenue Returns for Diplomatic Missions

**Finding**

I observed that the Ministry did not submit to the Ministry of Finance returns showing the monthly detailed revenue collected at its diplomatic missions of USD$1 460 076 which was received on behalf of other ministries or departments. In terms of Statutory Instrument 76 (4) (1) of 2013, the diplomatic missions are required to tabulate amounts received on behalf of other Ministries and Government departments and the returns should be forwarded to Head Office for onward transmission to Ministry of Finance.

**Risk/Implication**

Failure to submit revenue returns may result in lack of accountability and transparency in accounting for revenue.

**Recommendation**

The Ministry should adhere to the provisions of Statutory Instrument 76 (4) (1) of 2013 to ensure that revenue received at diplomatic missions is properly accounted for.

**Management Response**

**The observation is noted. The Ministry is in the process of preparing the revenue returns in retrospect. Movement of documents through the diplomatic bags had been difficult because of restricted movements due to Covid-19 lockdown. Missions have been instructed to send returns electronically.**

### 2.2 Chargeable Fees or Tariffs

**Finding**

The Ministry collected authentication fees at its head office amounting to $236 921 without a statutory instrument authorising the chargeable fees or tariffs. This was contrary to Section 42 (4) of the Public Finance Management (Treasury Instructions), 2019 which states that, “receivers of revenue shall supervise and enforce the punctual collection and disposal of revenue and other public moneys in accordance with the laws, regulations, instructions or agreements relating thereto”.

Furthermore, I was not furnished with white paper estimates of revenue for my review. This would have enabled me to determine whether revenue collected was in line with the estimates.

**Risks/Implications**

Collecting of authentication fees may be irregular as there is no gazetted statutory instrument for the fees charged.

If receivers of revenue collect unauthorised fees, fraud may be perpetrated and the public may be prejudiced.

Assessment of the efficiency in the collection of revenue may be compromised if there are no revenue estimates.

**Recommendations**

The Accounting Officer should engage Treasury and align the collection of authentication fees in accordance with the laws, regulations, instructions or agreements relating to collection of statutory fees.

The Ministry should prepare white paper estimates to guide proper planning, monitoring and review of revenue collection system.

**Management Response**

**I take note of the observation and advise that the Ministry has since engaged the Ministry's legal department which is mandated to authenticate documents with the view to establish the legal framework governing the collection of authentication fees.**

## 3 FOREIGN TRAVEL ADVANCES

**Findings**

A scrutiny of Ministry records revealed that some officers were advanced travel and subsistence allowances totalling US$194 414, before they had accounted for their previous advances. Section 65 (19) of the Public Finance Management (Treasury Instructions), 2019 states that, "no advance in respect of subsistence and transport expenses shall be made to an officer in any calendar month until such time as advances made in previous months have been accounted for to the appropriate accountant".

I further noted with concern that foreign and domestic travel advances amounting to US$617 859 and $6 564 respectively, were still outstanding at the time of conclusion of my audit on October 31, 2020. Some of the outstanding advances were dating back to April 2018. There was no evidence submitted to me showing the efforts by the Ministry to recover the long outstanding foreign travelling and subsistence advances.

**Risks/Implications**

Issuing of multiple advances to officers will affect the recovery or clearance of the same.

When recoveries are not instituted timeously, the public funds advanced to officers and due to the Ministry might end up being irrecoverable, thus prejudicing the State of its resources.

**Recommendations**

Management should adhere to the requirements of section 65 (19) of Public Finance Management (Treasury Instructions), 2019 and institute recovery of all the outstanding advances.

**Management Response**

**The delay affecting travel and subsistence advance recoveries was due to high staff turnover in the finance department. The department is working on all outstanding advances, where all travelling and subsistence (T & S) advance recoveries will be effected through stop orders.**

**Evaluation of Management Response**

*Management did not respond on the issue of multiple advances.*

## VOTE 13. - LOCAL GOVERNMENT, PUBLIC WORKS AND NATIONAL HOUSING

### APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry's mandate is to ensure that functional human settlements are promoted and sustained in all Urban Local Authorities backstopped by sound Local Governance and provision of quality well maintained Government infrastructure.

### Qualified Opinion

I have audited the Appropriation Account of the Ministry of Local Government, Public Works and National Housing for the financial year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers /Supplementary Estimate | Total Allocated | Expenditure | Net Under spending |
|---|---|---|---|---|
| $179 886 000 | $587 277 103 | **$767 163 103** | $692 704 625 | **$74 458 478** |
| **Constitutional and Statutory Appropriations** | | | | |
| **$310 000 000** | $400 602 000 | **$710 602 000** | $649 556 860 | **$61 045 140** |

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Local Government, Public Works and National Housing as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Employment Costs**

### Finding

The employment costs reported by the Ministry of Local Government, Public Works and National Housing amounted to $38 116 882 which did not agree with the Salary Service Bureau (SSB) payroll printout figure of $45 846 325 resulting in a variance of $7 729 443 which was not reconciled.

Further, monthly reconciliations were not performed between the SSB figures and the PFMS figures as required by Treasury Minute B/1/88. As a result, I could not confirm the accuracy of the employment costs figure disclosed in the financial statements.

**Risk/Implication**

Failure to perform monthly reconciliations may result in payments of salaries to fictitious employees and errors may go undetected. Thus, financial statements may be misstated.

**Recommendations**

The Ministry should engage Salary Service Bureau to find out the cause of the variances.

Furthermore, the Ministry should carry out monthly reconciliations between the figures in the PFM system, payment vouchers and the pay sheets. This enables early detection and correction of variances.

**Management Response**

**The Ministry is still investigating the difference between the Appropriation Account and Salary Service Bureau.**

**(ii) Direct Payments**

**Finding**

The Ministry of Finance made direct payments of $6 169 441 to various service providers on behalf of the Ministry during the year ended December 31, 2019. However, only payments amounting to $3 889 550 were in the Ministry's budget support on the PFMS. Resultantly, the difference of $2 279 941 had not been reconciled and I could not establish the nature of the services that were paid for as no documentary evidence in the form of receipts from the service providers was availed for my verification. There was also no proof that reconciliations had been done showing that the Ministry's debts had been reduced.

This was contrary to the provisions of Treasury Instructions 0905-0906 which require that all payments made are appropriately authorised, all transactions are accurate and complete and there is adequate supporting documentation.

**Risks/Implications**

Transparency in the utilisation of public resources may not be guaranteed as the expenditure figure disclosed in the Appropriation Account could have been misstated.

Double payments may be made to service providers if reconciliations for the direct payments made are not done.

**Recommendations**

The Ministry should ensure that all payments are made in accordance with proper authority in compliance with Treasury Instructions 0905-0906.

The Ministry should also liaise with the Ministry of Finance when preparing financial statements to confirm value of direct payments made on their behalf. In addition, the variance should be investigated so that the reported accounts show a true and fair view.

**Management Response**

**The Observation is acknowledged. However, the noted variance of $2 279 971 is beyond the Ministry control. The Ministry hereby confirms that the Direct Payments figure of $3 889 550 in the PFMS is in line with the attached official list of direct payments that was communicated to the Ministry by Treasury.**

**The supporting documents for the Direct Payments for $3 889 550 are now available and ready for audit inspection.**

**Evaluation of Management Response**

*The supporting documents are still to be availed for audit.*

**(iii) Receipts and Disbursements**

**Finding**

The Receipts and Disbursements return submitted had an amount reflected as an adjustment figure of $12 592 094 which was neither explained nor supported. Further, no monthly reconciliations were done of cashbooks on the SAP system and the amounts deposited into the bank accounts. Treasury Circular No. 1 of 2020 stipulates that there should be appropriate explanatory notes for any variances between the figures in the cash book and the figure at the bank but these explanatory notes were also not provided.

**Risk/Implication**

There is a likelihood of the adjusted figure being used as a balancing item.

**Recommendations**

The Ministry should explain and submit supporting figures for the adjustment figure of $12 592 094.

Monthly reconciliations of cashbooks on the SAP system and the amounts deposited into the bank accounts should be carried out.

**Management Response**

**Receipts and Disbursements consist of revenue received by the Ministry and disbursed to Ministry of Finance. The amount of $12 592 094 is made up of receipts not captured into the system by December 31, 2019. The introduction of the new chart of accounts in January 2020 affected the capturing of receipts manually. The exercise of capturing the receipts has been affected by the COVID-19 pandemic and since the restrictions have been relaxed the exercise shall be done.**

However**,** below are other material issues noted during the audit:

# 1 GOVERNANCE ISSUES

## 1.1 State Lands Computerization

### Finding

The register for stands at the Ministry's department of State lands housed at Mukwati Building was not computerised. The Ministry was using a manual system to record all the State land allocated to various Land Developers and Local Authorities and this involved a lot of paperwork. Furthermore, the manual records were incomplete and outdated. This made it difficult to verify the debts owed by state land debtors.

### Risks/Implications

Financial statements may be misstated by the inaccurate figures disclosed as state land debtors.

A manual system to record all the state land is prone to human errors and manipulation and this may affect the accuracy of financial information.

### Recommendation

The Ministry should consider computerizing operations of the State land department and ensure that state land debtors' records are authentic and reliable.

### Management Response

**The observation is noted. The Ministry has revisited the finance section structure for state land and it is now being headed by a chief accountant. Meanwhile, creation of ledgers and computerisation of State land accounts office is in progress. This will ensure enhanced accountability on revenue collected and outstanding revenue.**

## 1.2 Audit Committee

### Finding

The Ministry appointed an Audit Committee to monitor its financial reporting, internal control systems, risk management systems and the internal and external audit functions as spelt out in the Public Finance Management Act [*Chapter 22:19*]. There was no evidence in the form of minutes of meetings or attendance register that the Audit Committee met and deliberated on its mandate. Section 84 (1) and (2) of the Public Finance Management Act [*Chapter 22:19*] requires every Ministry and government department to establish an Audit Committee to periodically review internal controls and also recommend appropriate action to be taken by the responsible authorities.

### Risks/Implications

Absence of an operational Audit Committee may compromise the effectiveness of the internal controls and that of the Internal and External Audit functions.

Further, audit issues may remain unresolved for long periods of time.

**Recommendation**

The Accounting Officer should make follow-ups on appointed members so that the Audit Committee starts functioning in order to add value to the Ministry.

**Management Response**

**The observation is noted. However, the Audit Committee held one meeting during the year under review and the minutes of the meeting were available for audit inspection.**

**Evaluation of Management Response**

*The minutes of the meeting are yet to be availed for audit.*

### 1.3 Risk Management Policy

**Findings**

The Ministry did not have a documented and approved risk management policy to assist management in mitigating against potential risk that may hamper its operations. No risk assessments were carried out during the year under review. A risk management policy would help the Ministry to mitigate risks and assist the entity to achieve its mandate.

**Risk/Implication**

Without a clearly documented and approved risk management policy, the Ministry is susceptible to numerous risks like fraud which could negatively impact on its performance.

**Recommendations**

The Accounting Officer should put in place a Risk Management Policy to guide the Ministry in its operations. Risk assessments should be carried out regularly and timeously in order to identify and take preventative measures on potential risks.

**Management Response**

**The Ministry has a draft Risk Management Policy in place.**

### 1.4 Devolution Expenditure

**Finding**

The Appropriation Account submitted for audit had expenditure amounting to $649 758 860 under Constitutional and Statutory Appropriations whilst the Consumed Budget as per the Public Finance Management System (PFMS) ledger revealed an amount of $649 556 860 resulting in an unexplained variance of $202 000. The accuracy of the figure reported could not be validated in the absence of a reconciliation.

This was contrary to the provisions of Section 53 of the Public Finance Management (Treasury Instructions), 2019 which requires that all payments made are appropriately authorised, all transactions are accurate and complete and there is adequate supporting documentation.

**Risk/Implication**

The Financial Statements could have been materially misstated.

**Recommendation**

The Ministry should reconcile the reported devolution expenditure with the PFMS figures.

**Management Response**

**The observation is acknowledged. The overstatement of expenditure by $202 000 was as a result of oversight on the exercise of reversal of unfunded expenditure for the financial year.**

## 2 PROCUREMENT OF GOODS AND SERVICES 2.1Procurement of Fuel Coupons

**Findings**

The Ministry decentralized procurement of fuel coupons to provincial offices. A sample of the payment vouchers for the fuel procurement from various provincial offices showed absence of sufficient supporting source documents in the form of receipts, procurement minutes, comparative schedules and goods received notes.

The fuel comprised of 26 431 litres of diesel and 15 699 litres of blend with a total value of $515 200. I could not establish whether such expenditure was properly incurred. This was contrary to the provisions of Section 53 of the Public Finance Management (Treasury Instructions), 2019 which requires all payments made to be appropriately authorised, all transactions to be accurate and complete and to ensure that there is adequate supporting documentation.

**Risk/Implication**

Payments could be made for goods and services not received and fraudulent transactions may be perpetrated if adequate supporting documents are not attached to payment vouchers.

**Recommendation**

The Ministry should ensure that officials receiving fuel coupons complete and sign the goods received notes as evidence of having received and inspected such goods as well as having checked against potential shortfalls.

**Management Response**

**Redan issues an invoice as acknowledgment of payment and issuance of coupons. The Ministry is in possession of some of the documents in the form of invoices/receipts and payment vouchers for audit inspection.**

**Evaluation of Management Response**

*There is still a risk since some of the invoices have not been availed.*

## 3 REVENUE COLLECTION AND DEBT

### MANAGEMENT 3.1 Revenue Statements

#### Findings

The Ministry submitted the Revenue Received return and the Outstanding Revenue return without following the prescribed format as follows:

The revenue received return submitted for audit did not have explanatory notes that are required for variances between estimated figures and actual figures for each revenue head.

The outstanding revenue return did not have any explanatory notes and did not show the period the balances had been outstanding or for how long the balances had been outstanding.

This was contrary to the provision of the Treasury Circular No. 1 of 2020 which provides that the returns should also have explanatory notes together with a summary that reflects the financial years in respect of which the outstanding balance relates.

#### Risks/Implications

Failure to submit returns in the prescribed formats may compromise accountability by the Ministry as the public financial resources may not be fully disclosed.

If the outstanding revenue return does not show the age analysis of the balances, it may be difficult to keep track of the period the amounts would have been outstanding.

#### Recommendation

The Ministry should submit all the returns in the correct format so as to enhance accountability and reliability of the financial information.

#### Management Response

**The observation has been noted. The Revenue Return has been revised accordingly and is available for audit inspection. The Ministry is currently engaging Twenty Third Century Pvt Ltd through the Phase II of E Government Project in coming up with a system that provides efficient accountability of State Land debtors.**

### 3.2 Outstanding Rent Receivable

#### Finding

There was a variance of $3 576 127 between outstanding rent receivable ledger balance and the Ministry's return. I could not verify the completeness and accuracy of the figures stated.

**Risk/Implication**

The outstanding revenue return may be materially misstated if the outstanding rent receivable return is not reconciled to the Ministry return.

**Recommendations**

The Ministry should maintain proper accounting records which form the basis for proper computation of outstanding revenue.

The Ministry should ensure that its financial records are reconciled.

**Management Response**

**The observation is acknowledged. The anomaly was as a result of increase in rentals backdated to November 2019. When the return was initiated the adjustment was yet to be effected hence the difference.**

## 4 PROGRESS MADE IN ADDRESSING PRIOR YEAR

**FINDINGS 4.1 Temporary Deposits**

The issue of the figure of $1 080 696 that was on the return submitted for audit that had no breakdown and the return that was not in the format prescribed by Treasury Instruction 1805 was resolved.

### 4.2 Appraisals of Local Authorities Heads

The Local Government Board did not conduct appraisals for Town Clerks for all the thirty-two (32) Urban Local Authorities during the year ended December 31, 2018. The issue was not resolved.

### 4.3 Management of State lands by the Ministry

The Ministry did not have a register of all designated State lands. The issue was partially resolved as the process was commenced.

### 4.4 Emergency Operational Centres and Safe Havens

The Ministry did not have Emergency Operational Centres in Districts and Provinces which can house trained experts in various specialties while they gather, co-ordinate and exchange notes in the event of a disaster. The issue is still being addressed.

## VOTE 14. - HEALTH AND CHILD CARE

### APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry's mandate is to provide the highest standards of health care services to all Zimbabweans in line with the Primary Health Care approach as set out in the National Health Strategy.

### Qualified Opinion

I have audited the Appropriation Account for the Ministry of Health and Child Care for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve | Total Allocated | Expenditure | Net Under Spending |
|---|---|---|---|---|
| $1 201 528 000 | $180 912 364 | $1 382 440 364 | $1 261 424 681 | $121 015 683 |

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Health and Child Care as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Transfers**

**Finding**

I noted variances amounting to $10 339 614 for current and capital transfers to voluntary organisations and central hospitals disclosed in the Appropriation Account and those confirmed as received by the respective institutions. Most amounts confirmed by the institutions were less than the amounts in the Appropriation Account. The variances were not reconciled and therefore, it was difficult to place reliance on amounts disclosed in the Appropriation Account submitted for audit. This was as a result of lack of coordination between the Ministry and the institutions. Current and capital transfers disclosed in the Appropriation Account should be in agreement with the institutions' records.

**Risks/Implications**

Given that institutions confirmed less amounts of grants received than what was reported, there is risk that the additional grants may not have been properly accounted for or applied for the intended use.

The Appropriation Account may be misstated as variances have not been traced to determine the correct transfer figure.

**Recommendation**

The Ministry should liaise with the various institutions and reconcile the variances so that necessary adjustments are made.

**Management Responses**

**Parirenyatwa Group of Hospitals (PGH): The Ministry concurs that $116 884 143 was disbursed to Parirenyatwa Group of Hospital as confirmed by the Hospital. However, the difference of $3 177 080 was as a result of payments made by the Ministry towards maternal health care, bedding and linen which were supported by GoZ funds and not from the Grant Aided Institutions budget. Thus $113 707 063 remains as PGH funding from the Grant Aided Institution budget as shown in the PFMS.**

**Evaluation of Management Response**

*The issue of Parirenyatwa Group of Hospitals has been resolved. However, the difference of $10 339 614 between the amount disclosed in the appropriation account and the amount confirmed to have been received by the health institutions is significant.*

**(ii) Unallocated Reserves (URs)**

**Finding**

According to the schedule from Treasury and the Unallocated Reserve letters provided for my inspection, the total URs transferred to the Ministry for the year 2019 amounted to $172 809 804. However, the Ministry's Appropriation Account showed total URs of $180 912 364 giving an unreconciled variance of $8 102 560. The Ministry did not maintain records of URs and requested the supporting letters from Treasury during the time of carrying out the audit in June 2020. I have been reporting about similar variances in my prior year reports and no efforts seem to be made to reconcile and clear the variances.

**Risk/Implication**

The Appropriation Account may be misstated and the correct picture about the budget allocations will be distorted.

**Recommendation**

The Ministry should reconcile its Unallocated Reserve Transfers with Treasury and establish the correct amount.

**Management Responses**

**The variances arose from some URs that Ministry of Finance had reversed but had not informed us. Upon follow up after this observation, Ministry of Finance then gave us their updated list of URs, long after the Appropriation Account had been submitted. Furthermore, what Ministry of Finance provided was in variance with what was uploaded onto the Public Finance Management System (PFMS). The UR amounts disclosed in the Appropriation Account are based on what was uploaded onto the PFMS.**

### (iii) Payroll Reconciliation

#### Findings

The Ministry's monthly payroll reconciliations between Salary Service Bureau (SSB) wage bill and the Public Finance Management System (PFMS) revealed variances that were not reconciled. The variances amounted to $2 838 593, $9 280 535 and $6 392 925 for the months of February, March and November respectively.

In addition, the submitted Appropriation Account had total employment costs paid through SSB amounting to $718 487 150 whilst the SSB report showed $725 884 471 resulting in an unreconciled variance of $7 397 321. Because of the variances noted, I was unable to ascertain the correct employment costs for the Ministry.

#### Risk/Implication

Failure to investigate variances may result in the Ministry not being able to detect ghost workers, misappropriations and/or fraudulent activities.

#### Recommendation

The Ministry should investigate and reconcile variances for employment costs on a monthly basis.

#### Management Response

**The Finance department approached HR department requesting for missing wage bills. HR got the response that SSB could not provide the Ministry with a list of these salaries.**

**For the past two years, we have approached SSB who refused to assist us and so we are finding it difficult to verify the figures that they give the Auditor-General. For the year 2020, the variances may recur as the Paymaster still refer us to the monthly wage bills as the only document which they can give us.**

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

## 1 GOVERNANCE ISSUES

### 1.1 Budget Implementation

#### Finding

My analysis of the Ministry's 2019 budget consumption report showed that the Ministry had budgeted $155 464 000 for implementation of key programmes including the procurement of ambulances, medical equipment and refurbishment of health institutions. However, I noted that only $2 137 277 (1%) was utilised on construction works for four provincial hospitals. The other key programmes were not carried out.

**Risks/Implications**

Failure to implement key programmes as budgeted and approved by Parliament may defeat the whole purpose of budgeting. Also, non-implementation of these key programmes may result in the Ministry failing to fulfil its mandate of providing health services to the nation.

**Recommendation**

The Ministry should strive to implement key programmes and continue to lobby for resources from Treasury.

**Management Response**

**Procurement of Ambulances was delayed and Treasury could not Release the funds. Treasury did not prioritise the procurement of office furniture and therefore the Ministry did not get any releases during 2019. Equipment could not be purchased in 2019 due to shortage of foreign currency and no new construction could be started in 2019 due to the inflationary environment.**

## 1.2 Unsupported Expenditure

**Findings**

The Head Office and three health institutions I visited could not avail supporting documents for some payments made to various suppliers of goods and services. I was availed with payment vouchers which had no invoices and or receipts confirming receipt of funds for payments amounting to $2 911 172. This was contrary to the provisions of section 81 of the Public Finance Management Act [*Chapter 22:19*] which requires all source documents to be obtained and attached to vouchers. As a result of this scope limitation, I could not verify if expenditure incurred was a correct charge against public funds.

**Risk/Implication**

Irregular or fraudulent payments may be processed if expenditure is not fully supported by source documents and payment confirmations.

**Recommendation**

The Ministry should obtain suppliers' invoices first before payments are done to ensure that charges levied and items being paid for are as required by the Ministry. When payment is subsequently done, evidence confirming receipt of money should be obtained and attached to the voucher.

**Management Response**

**The supporting documents will be availed.**

## 1.3 Suspense Accounts

**Finding**

The Ministry's Temporary Deposit (TD) Account remain un-cleared with a balance of $274 206 (2018: $244 801). The un-cleared Temporary Deposit Account continue to impair

the accuracy of other returns namely; Outstanding Departmental Surcharges, Outstanding Public Service Commission Penalties and Outstanding Disallowances. These returns have outstanding amounts dating back to the year 2010. Although some recoveries were made they could not be effected as they remain sitting in the Temporary Deposit Account. The Ministry cited the lack of source documents, posting errors and technicalities with the Public Finance Management System as reasons for the slow clearance of the Temporary Deposit Account.

**Risk/Implication**

Un-cleared and ever increasing balances of the suspense account results in errors and or fraudulent activities not being detected timeously.

**Recommendation**

The Ministry should expedite the process of clearing the TD Account.

**Management Responses**

**The use of the Temporary Deposit Account as at December 31, 2019, continued to be discouraged and the Ministry continued to receipt directly to individual accounts during the reporting year. Treasury Authority to clear some transactions from the first batch, is available. The first batch summary and Progress report as recommended and guided by Ministry of Finance and the Project team is also available.**

**The Ministry will try to seek for authority to write-off or clear prior years' transactions that date back from 2010 to 2014 since the cost of reconciliation, clearance of these transactions is very high, time consuming and also that the transactions are grossly affected by information gap with no source documents to support most of the entries.**

## 1.4 Creditors

**Findings**

According to the creditors' list submitted for audit, the Ministry's creditors as at December 31, 2019 amounted to $69 656 833 representing a 71% increase from $40 805 808 in 2018. Section 53 (14) of Public Finance Management (Treasury Instructions), 2019 states that Accounting Officers shall ensure that adequate arrangements are made within their Ministries to secure the presentation, within a reasonable time, of all claims payable through their offices in order to prevent arrear claims being made long after the services have been rendered.

I noted that adequate creditors' records were not maintained at the head office and at the three health institutions I visited (*Ngomahuru Psychiatric, Marondera and Masvingo Provincial Hospitals*). This was contrary to section 119 (2) of the Public Finance Management (Treasury Instructions), 2019 which stipulates that the Accounting Officers or officers delegated by them, shall ensure that full and proper accounts are kept of the transactions for which they are responsible.

One of the Ministry's creditor, National Pharmaceutical Company of Zimbabwe (Natpharm) confirmed that it was owed by the Ministry a sum of $97 469 383 as at December 31, 2019. However, the Ministry's creditors' list indicated that they owed Natpharm $9 076 128. The

difference of $88 393 255 remained unresolved. Also, the Ministry's creditors' list showed that creditors amounting to $1 047 026 were in respect of Masvingo Provincial Hospital. However, according to the Hospital's records, its total creditors amounted to $1 420 801. The resultant difference of $373 776 was not explained. As a result, it was difficult to confirm the accuracy of the creditors' balance disclosed on the creditors' list provided by the Ministry.

In addition, I could not validate the clearance of creditors backdating to 2011 amounting to $50 618 which were processed by Marondera Provincial Hospital. The Hospital did not have adequate creditors' records to support the amount paid.

Further to the above, the Ministry did not confirm the payments made by Treasury directly to its various service providers. As a result, I could not verify whether the direct payments amounting to $1 742 913 reported by Treasury were accurate and had been properly accounted for in the Appropriation Account.

**Risks/Implications**

Delays in settling outstanding amounts may result in the Ministry failing to procure or acquire much needed goods and services as service providers might deny continuing doing business with the Ministry.

Without the ledgers and reconciliations, the completeness and accuracy of the financial records would be compromised.

**Recommendations**

The Ministry should continue to lobby for resources for the payment of its creditors.

The Ministry should also ensure that supporting records such as creditors' ledgers are maintained and that creditors' reconciliations are carried out as a control mechanism to verify the accuracy and completeness of outstanding creditors' payments.

**Management Responses**

**The increase in the value of creditors has two major contributing factors which are:**

**Budget inadequacy - Over the years, Ministry of Health budget allocations have been inadequate considering the needs. This has contributed to the Ministry having huge amounts of creditors at the end of each financial year. Furthermore, the Ministry's operations are social in nature, hence some operations cannot be avoided even if Treasury has provided us with an inadequate budget. Our health institutions have written to Treasury seeking additional budgets but most of the times due to the limited fiscal space, Treasury can only provide up to a certain extent, hence the increase in our creditors figures.**

**Inflationary Increases - Following the monetary policy announcement that specifically distinguished US$ from RTGS$ Accounts in 2018, suppliers have continuously increased their prices trying to match the parallel market US$ value. This has seen the Ministry procuring goods at a much higher price than normal. Using the December closing rate of about 15RTGS$ to the US$ dollar, the value of these**

**creditors have actually gone down from $40 000 000 in 2018 to an equivalent of US$4 600 000.**

**Non-maintenance of Creditors Record - creditors reporting is being done outside the system, on excel or on a hard copy. This makes the system vulnerable to errors of omission and deletion. We will continue to engage Treasury to have the Creditors Management system on PFMS. Currently there is a program running being managed by the Accountant General, which we feel is going to help us address these issues.**

**Natpharm: We take note that Natpharm is using a manual system, which is also susceptible to errors and omissions. This may be an issue which is giving rise to this variation.**

**The document received from Masvingo Provincial Hospital for consolidation indicated the value that the Ministry reported. The variation with the creditor's confirmation will be investigated and solved.**

**Evaluation of Management Response**

*The issue of direct payments was not responded to.*

**2 MANAGEMENT OF**

**ASSETS 2.1 Motor Vehicles**

**Finding**

Two motor vehicles with registration numbers ADA 1938 and GHCW 1641 were involved in accidents. I was not availed with the police reports and board of inquiry reports to ascertain details pertaining to when the accidents occurred. This was as a result of failure to institute internal control requirements for accident damaged motor vehicles. Section 103 (14) (a) to (d) of the Public Finance Management (Treasury Instructions), 2019 require that in the event that a government motor vehicle is involved in an accident, the Ministry should ensure that a police report is obtained within 24 hours and a report explaining the causes of or circumstances surrounding the occurrence of the accident is submitted to the Administration Department.

In addition, a board of survey held on April 8, 2019 for Masvingo Provincial Hospital recommended that motor vehicle with registration number GHCW 499 be disposed of through auction. Contrary to the committee's recommendation, the PMD's Office swapped the engine of the motor vehicle with that of motor vehicle ABI 9012. The cost of swapping the engines was $10 700. At the time of audit, the motor vehicles were said to be at the garage with the swapping of engines still to be done. Section 92 (3) (b) of the Public Procurement and Disposal of Public Assets [*Chapter 22:23*] requires that when the Accounting Officer rejects recommendations of the committee he or she shall notify the disposal committee of the rejection with written reasons for the rejection and refer the matter back to the disposal committee for further consideration. No explanation was provided on why the board of survey recommendations were not implemented.

**Risks/Implications**

Failure to follow up on accident damaged motor vehicles and institute internal controls in the management of motor vehicles might result in the Ministry having unaccounted for losses. Also this could cultivate a culture of improper use of public assets.

The objective of convening boards would be rendered futile if their recommendations are not followed.

**Recommendations**

The Ministry should institute controls in the management of motor vehicles involved in accidents.

The recommendation from the board of survey held should be upheld and fulfilled and whenever there are disapprovals, the Accounting Officer may appoint another Board of survey.

**Management Response**

**Motor Vehicle with Registration number ADA 1938 was involved in an accident and the case is still before the courts of law. The documentation relating to the accident will be availed after the court processes are completed.**

**Motor Vehicle with Registration number GHCW 1641 was involved in an accident and the officer up to now has not yet provided the police report to the transport officer for a board of inquiry to be done despite several reminders to the officer.**

**Evaluation of Management Responses**

*The issue of the board of survey was not commented upon.*

## 3 MANAGEMENT OF MEDICINES

### 3.1 Expired Drugs

**Finding**

Masvingo Provincial Hospital had expired dangerous/classified drugs not disposed of contrary to section 90 of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*] which requires disposal of all obsolete, surplus and unserviceable assets. The drugs had expired between the years 1995 and 2019.

In addition, I was not availed with application letters for disposal of expired drugs worth $31 696 whose board of surveys had been conducted in April and November 2019. It was also not clear whether the hospital had applied for such authority after the board of survey was conducted.

Marondera Provincial Hospital was granted authority to dispose of expired drugs worth $7 140 on July 26, 2019. However, as at the time of my audit, the expired drugs were still at the hospital.

**Risks/Implications**

Failure to destroy dangerous and expired drugs may result in pilferages which pose danger to the public. Also storing expired drugs deprives the pharmacy of the much needed storage space.

**Recommendations**

The Ministry should put efforts to engage Medicines Control Authority of Zimbabwe (MCAZ) and have the board of survey conducted.

Management should make efforts to have the expired drugs destroyed as soon as authority has been granted.

**Management Response**

**Expired dangerous drugs are disposed of in line with the Dangerous Drugs Act. MCAZ was invited to assist the Ministry in the disposal of these medicines that had accumulated for years. Masvingo province delayed communicating that they were ready for the exercise to Head Office to facilitate coming in of the regulator. This has since been done.**

**The application for the disposal of the medicines has not been availed by the Province to the Head Office.**

**Disposal of medicines has been delayed by lack of incinerating facilities that meet the Environmental Management Agency (EMA) standards. In the past we utilised facilities at forestry and mining entities but due to closure of some and scaling down in some, their certification and functionality of the same has been lost. The Ministry engaged a partner who made available two large scale incinerators to ease the problem. The two incinerators have since been installed at NatPharm Harare and Bulawayo. It has been agreed that NatPharm will utilise the facilities for their expired stock till February 2020 thereafter, each province will be allocated a time slot for their expired medicines. We anticipate this exercise to be completed by end of June 2021. We will revert to the regular twice a year destruction with the expectation that the amount of medicines expiring will be minimal.**

## 4 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

**Implemented**

### 4.1 Unauthorised Transfer of Funds

The Ministry stopped transferring funds from the Appropriation Account into the Health Services Fund Account.

**Partially Implemented**

### 4.2 Payroll Reconciliations

Monthly payroll reconciliations were done for the year under review. However, variances noted in February, March and November were not investigated and reconciled.

### 4.3 Temporary Deposit Account

During the year under review, the Ministry managed to clear a debit balance of $144 474. Outstanding debit balance that remained uncleared on the temporary deposit account was $274 206.

### 4.4 Maintenance of Motor Vehicles

Out of 21 Motor Vehicles that were non-functional, 1 was recommended for boarding and 6 were repaired.

### 4.5 Public Sector Investment Programmes

The construction of Lupane Provincial Hospital resumed in July 2019. The construction of Harare Hospital Mortuary and Hwange District Phase II had not yet started.

**Not Implemented**

### 4.6 Budget Amounts

Variances between the budget amounts as per the Supplementary Act and per the Appropriation Account were still noted. During the year under review, the amounts shown in the Appropriation Account submitted for audit were at variance with the amounts shown in the Supplementary Act.

### 4.7 Unsupported Expenditure

Expenditure amounting to $10 444 618 was not adequately supported by invoices/receipts and proof of payments to date. Payment vouchers and the related supporting documents for expenditure amounting to $516 042 for Masvingo Provincial Hospital were still to be availed for audit inspection.

### 4.8 Unallocated Reserves (URs)

Variances of URs between Treasury records and the Ministry's Appropriation Account remain unreconciled.

### 4.9 Outstanding Creditors' Amounts

The Ministry's creditors' amounts continue to increase. During the year under review, creditors' amounts increased by 71% to $69 656 833 in 2019. The Ministry had not yet put in place adequate creditors' records to support its creditors' amount.

### 4.10 Losses and Damages of Motor Vehicles

The Ministry still could not obtain police reports for motor vehicles involved in accidents.

### 4.11 Ambulances

The provision of transport to patients around the country has not improved. Despite having budgeted $72 720 000 for the procurement, no ambulance was procured.

## VOTE 15.- PRIMARY AND SECONDARY EDUCATION

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry's mandate is to provide quality, inclusive, relevant and competent driven infant, junior, secondary and non-formal education.

### Opinion

I have audited the Appropriation Account for the Ministry of Primary and Secondary Education for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year.

| Voted Funds | Unallocated Reserve Transfer | Total Allocated | Expenditure | Net Underspending |
|---|---|---|---|---|
| $1 494 527 000 | $433 210 872 | $1 927 737 872 | $1 876 593 096 | $51 144 776 |

In my opinion, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Primary and Secondary Education as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

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

## 1 GOVERNANCE ISSUES

### 1.1 Appropriation Variances

#### Finding

The Appropriation Account had total expenditure amounting to $1 876 593 096. This was not in agreement with System Application Programme (SAP) expenditure of $1 876 573 096 and the Sub-Paymaster General's Account which reflected a total of $1 948 467 454. Since all expenditure is done through the SAP, the figures are expected to tally, and where they do not agree, a reconciliation should be provided. The difference between the SAP expenditure figure and the Sub-PMG expenditure figure amounted to $71 894 358, whereas the difference between the Appropriation Account expenditure and the Sub-PMG was $71 883 358. The figures were not reconciled. I could not validate the correct expenditure for the year.

#### Risk/Implication

The variance shows that there is a possibility that some expenditure could have been incurred outside the system.

**Recommendation**

The Ministry should reconcile the expenditure to enhance accuracy and reliability of its financial statements.

**Management Response**

**The Ministry has noted the observation of a variance of $71 883 358 which was as a result of the difference between SAP expenditure and Sub-Paymaster General's Account. It was discovered that the Ministry, in its reconciliation statement, which was submitted prior to the observation, was prepared using disbursement letters from Treasury instead of actual direct payment transfers to the Sub-Paymaster General's Account by Ministry of Finance and payments by the Ministry. The Treasury release letters for employment costs were not agreeing with SSB salary schedules which were paid by Treasury.**

**The Ministry has amended the reconciliation statement using the actual expenditure on employment costs (SSB salary schedules). Consequently, the variance has been reduced to $1 513 722. Further investigations on the variance revealed that payments worth $1 078 154 made in the SAP in 2019 were supposed to have been reversed in 2019 but instead reversed in 2020. The payments were not funded and did not reach the SUB PMG Account. The outstanding balance of $435 568 is still being investigated.**

## 1.2 Audit Committee

**Finding**

In my 2018 audit report, I observed that there was no evidence that the Audit Committee met for deliberations on the Ministry affairs. At the time of completing my audit in December 2020, there still was no evidence that the committee had ever sat. This was contrary to the requirements of section 84 (1) and (2) of the Public Finance Management Act [*Chapter 22:19*] which require every Ministry and Government department to establish an Audit Committee, periodically review internal controls and recommend appropriate action to be taken by the responsible authorities.

**Risks/Implications**

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

**Recommendation**

Those charged with governance should ensure that an audit committee is in place at the Ministry.

**Management Response**

**The Ministry Audit Committee appointed in 2019 did not sit due to other commitments by some members who have since withdrawn their membership. The Ministry has however appointed new members of the Audit Committee in terms of Section 84 (1) of the Public Finance Management Act [*Chapter 22:19*].**

### 1.3 Risk Management Policy

#### Finding

The tenets of good corporate governance practice require that there should be a documented and approved risk management policy which is a tool used to identify and mitigate possible risks on an entity's operations. However, the Ministry did not have a documented and approved risk management policy and there was no documentary evidence that any risk assessments were carried out during the year under review.

#### Risk/Implication

In the absence of a clearly documented and approved risk management policy, the Ministry would be susceptible to numerous risks like fraud which could negatively impact on its performance.

#### Recommendation

Priority should be given to coming up with a documented and approved risk management policy in conformity with good corporate governance practice.

#### Management Response

**The Ministry is currently working on finalising the draft Risk Management Policy.**

## 2 PROCUREMENT OF GOODS

## AND SERVICES 2.1 Acquitted Payments

#### Finding

The Ministry made disbursements to Provincial Offices amounting to $14 417 440 to cater for the needs of Provincial and District Offices. The Ministry Head Office did not obtain source documents such as procurement committee minutes, competitive quotations, requisitions, invoices, receipts and goods received notes from Provincial Offices that had received financial disbursements to make sure that procurement was done in accordance with the provisions of Section 81 (2) (b) (iii) of the Public Finance Management Act [*Chapter 22:19*] read in conjunction with section 59 (14) (a-e) of the Public Finance Management (Treasury Instructions), 2019.

Furthermore, Provincial Offices which received the payments did not avail acquittals and consequently, I was unable to determine whether the expenditure was incurred for the intended purposes.

#### Risk/Implication

If payments are made without adequate supporting documents, fraudulent transactions may be processed without detection.

**Recommendation**

Payment vouchers should be supported by originating source documents in accordance with section 59 (14) (a-e) of the Public Finance Management (Treasury Instructions), 2019 to prevent the processing of fraudulent transactions.

**Management Response**

**The Ministry did not make payments to Provincial Offices that were not supported by source documents. An allocation schedule or breakdown from user departments (Learner Welfare Services) was used to support the transfer of funds to Provincial Offices for subsequent procurement of school feeding provisions.**

**It therefore means that procurement documents would be produced and filed at the point where actual procurement took place, that is, Provincial Offices, District Offices and Schools.**

**However, Head Office has since called for the submission of copies of the procurement documents from Provincial Offices. The requested documents from all provinces with a total amount of $14 417 440 have now been received and are now available for audit examination.**

## 3 EMPLOYMENT COSTS

### 3.1 Recruitment Procedures

**Finding**

Section 55 (5) of the Public Finance Management (Treasury Instructions), 2019 states that the Human Resources Officers shall ensure that every officer furnishes for record purpose:

(a) satisfactory proof of date of birth;
(b) proof of qualifications and previous experience;
(c) if applicable, a marriage certificate or a certificate of divorce;
(d) if applicable, the full names of any children and proof of their dates of birth; and details of next of kin and National Registration Certificate.

Contrary to the above provisions the Ministry could not avail six files for teachers who were recruited during the year ended December 31, 2019 for my examination. Out of a sample of 12 teachers recruited in 2019, six of them still had no personal files at Head Office. As a result, I could not verify if they had the required qualifications.

Furthermore, the Ministry did not maintain a recruitment register. This could be attributed to lack of supervision by management.

**Risks/Implications**

Non-maintenance of personal files leaves the Ministry with no record of the employee and validation of proper recruitment procedures and qualifications of personnel.

Failure to maintain a recruitment register renders it impossible for the Ministry to keep track of staff movements.

**Recommendations**

The Ministry's management should ensure that Personal files are maintained for each newly recruited employee.

The Ministry should ensure maintenance of recruitment registers.

**Management Response**

**Every teacher has four files, at the District, one at the Provincial Office, one at Salary Service Bureau and one at Head Office. Any correspondences on the teacher is duly filed in each file to maintain a correct record of the teacher.**

**On the issue of recruitment, there is a National Recruitment Committee comprising of officials from the Public Service Commission as the Employer and the Ministry of Primary and Secondary Education as the receiving Ministry. Once the committee has selected beneficiaries it submits the lists to the Secretary for Primary and Secondary Education for authentication before transmission to the Public Service Commission for endorsement.**

**The list has stations, District and Provinces to which aspiring Teachers are posted. At the District the Teachers complete assumption of duty forms which are duly submitted to Head Office and Salary Services Bureau (SSB) for payment. These forms are only completed when the Human Resources is satisfied that the members have all the requirements for recruitment such as birth certificate, proof of qualifications and other relevant documents.**

## 4 REVENUE COLLECTION AND DEBT MANAGEMENT

### 4.1 Uploading Financial Information in the Public Finance Management System

**Finding**

I observed that the Ministry did not upload a total amount of $393 453 into the Public Finance Management System (PFMS). The aforesaid amount was in respect of Educational Fees which the Ministry received from Independent Colleges. I also noted that the Ministry was not issuing electronic receipts as required by section 43 of the Public Finance Management (Treasury Instructions), 2019.

**Risk/Implication**

Misstatements can be made if financial information is not uploaded in the Public Finance Management System.

**Recommendation**

The Ministry should upload all its financial information into the PFMS.

**Management Response**

**The Ministry of Finance has computerised payments on the PFMS for Independent Colleges Guarantee Fund but has not yet computerised the receipting process for the**

**Fund to enable electronic receipting. Once the configuration is done, electronic receipts will be issued.**

### 4.2 Long Outstanding Revenue

**Finding**

In my Report for the year ended December 31, 2018, I highlighted that revenue from Departmental Surcharges, Treasury Orders, Penalties and Fines dating as far back as 2009 remained uncollected and the cumulative effect of such non collections prejudiced the State of a total amount of $2 455 872. I pointed out that this was in contravention of Treasury Instruction 0501 which stipulates that officers responsible for collecting debts shall take adequate steps to collect any sums due to the Government on due date and shall on no account allow a debt to become extinguished through lapse of time. As at December 31, 2019 the figure had risen to $4 419 362. I noted that the Ministry's debt recovery system was ineffective.

**Risk/Implication**

Failure to collect revenue adversely affects service delivery within government departments due to strained financial resources.

Failure to collect outstanding revenue would lead to loss of state funds which are needed to boost the Government's operations.

**Recommendations**

The Ministry should continue to pursue the recovery of the long outstanding departmental surcharges with Pensions Office.

Effective measures should be put in place to monitor revenue collection.

**Management Response**

**The larger portion of the long outstanding revenue relates to Departmental Surcharges on salaries. One of the contributory factors is the size of the Ministry's budget on employment costs and the difficulty in tracing the debtors who are Teachers who would have left the service due to attrition that is, deaths, retirement etcetera with their last known address having changed.**

**In an effort to manage the above, the Ministry in 2020 applied to the Public Service Commission to strengthen our Provincial Finance, Administration and Human Resources section through the creation of a Chief Accountant post and a Deputy Director Human Resources post at each Province to enable the Ministry to be more effective in dealing with debt recovery due to attrition. We are glad to inform you that in November 2020 the Public Service Commission acceded to our request and created the post.**

**Also, a portion of the outstanding revenue particularly Departmental Surcharges has been collected on the Ministry's behalf by the Salary Services Bureau and the amount is in our Temporary Deposits. The Temporary Deposits account has a total of $777 636 as at December 31, 2019. The Ministry is in the process of matching the amounts in the Temporary Deposits to the individual debtors' ledger accounts.**

**We are confident with the above interventions, the amounts outstanding will be drastically reduced.**

### 4.3 Receipts and Disbursements

**Finding**

My examination of the reconciliation of the receipts and disbursement return as at December 31, 2019, revealed outstanding balances of $114 301 and $346 253 an indication that not all receipts found their way to the bank. The Ministry failed to give a satisfactory explanation for the balances. Therefore, I could not place reliance on the receipts and disbursement return submitted for audit.

**Risk/Implication**

The receipts and disbursement return could be materially misstated.

**Recommendation**

The variance should be investigated and reconciled.

**Management Response**

**The balance in the deposit account 113503 are deposits made by Head Office and the ten Provinces which need to be cleared by journals to 113506. There were challenges with the PFMS system. There is need for training to enable clearance and the Ministry of Finance is conducting such training. All receipts were banked it is the PFMS processes which are needed to clear the two accounts.**

## VOTE 16.- HIGHER AND TERTIARY EDUCATION, SCIENCE AND TECHNOLOGY DEVELOPMENT.

### APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry is responsible for the oversight, formulation and implementation of policies related to planning, training and development of human capital and the promotion of science, technology and innovation. It also facilitates cooperation in research and development, higher and tertiary education as well as in science and technology at local, regional and international levels.

### Qualified Opinion

I have audited the Appropriation Account for the Ministry of Higher and Tertiary Education, Science and Technology Development for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net Underspending |
|---|---|---|---|---|
| $488 188 000 | $220 708 340 | $708 896 340 | $647 257 121 | $61 639 219 |

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Higher and Tertiary Education, Science and Technology Development as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Employment**

**Costs Finding**

The employment costs of $70 309 727 reported in the Appropriation Account differed with the annual employment costs of $79 349 151 for the Ministry as per Salary Service Bureau (SSB) figures, giving a variance of $9 039 424 (2018: $75 394). No monthly wages bill reconciliations were being carried out between SSB figures and Ministry figures, hence the reported amount was considered unreliable.

The failure to carry out monthly reconciliations was contrary to a Treasury directive referenced B/1/88 dated June 5, 2018.

**Risks/Implications**

The Appropriation Account could be misleading to users thereof.

Failure to carry out reconciliations may result in fraudulent transactions and errors going through records undetected.

**Recommendations**

The Ministry is advised to correct the Appropriation Account so that the true state of affairs is presented.

The Ministry should carry out monthly reconciliations between the Salary Service Bureau bill and the Ministry records to ensure that any possible misstatements or errors are detected and corrected timeously.

**Management Response**

**A reconciliation with SSB was done and it was noticed that foreign payments billed to the Ministry by SSB were not paid thereby causing the variance. Monthly reconciliations of salary bill and entries in the Public Finance Management System are now being done.**

**(ii) Irregular**

**Expenditure Finding**

The Ministry bought a pool vehicle, registration number AFG 1799, for $1 775 000 and fuel worth $240 380 on December 24, 2019 using funds meant for Zimbabwe Council for Higher Education (ZIMCHE), $1 775 000 and Manicaland State University of Applied Sciences and Harare Institute of Technology, $240 380. This deprived the implementation of programmes under the respective institutions.

I was not provided with Treasury authority to transfer the $2 015 380 under sub-vote II, Skills Training and Development, capital transfers, to purchase of fixed capital assets and fuel. The Ministry did not follow appropriate virement procedures which require Treasury authority for transfer of funds between subheads as stated in section 37 (1) of the Public Finance Management (Treasury Instructions), 2019. Money from capital transfers is targeted for certain institutions hence its non-transfer deprives the intended beneficiaries from implementing programmes.

**Risks/Implications**

Service delivery objectives of institutions whose financial resources were diverted may be curtailed as a result of the unauthorized diversion of funds.

The Appropriation account may be misstated due to the use of capital transfers for purchase of the vehicle and fuel.

The accounting records may have inaccurate information which could be misleading to decision makers.

**Recommendations**

The Ministry should seek Treasury authority to transfer funds between subheads and follow proper procedures so that expenditure is debited in the correct ledgers.

**Management Response**

**The observation is noted. A virement was supposed to have been processed before year-end. However, this was not done. The Ministry had to purchase the vehicle urgently because the funds were released towards the end of the year. The time did not allow for the normal processing of a capital transfer and then purchase of the vehicle in the limited time before year end and there was a critical shortage of motor vehicles in the Ministry.**

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

## 1 GOVERNANCE ISSUES

### 1.1 Classification of expenditure

**Finding**

The expenditure on acquisition of institutional buildings was overstated by an amount of $3 298 212 which related to costs of building material for construction works, renovations and repairs, and laboratory equipment for tertiary institutions. The expenditure should have been classified under the appropriate ledgers if proper virement procedures had been followed as provided for in section 37 (2) of the Public Finance Management (Treasury Instructions), 2019.

**Risk/Implication**

The accounting records may have inaccurate information which could be misleading to decision makers.

**Recommendation**

The Ministry should follow all virementing procedures so that expenditure is debited in the correct ledgers.

**Management Response**

**The observation is noted. The acquisition relates to Home Economics block construction at JM Nkomo Polytechnic and Mkoba Teacher's College. The expenditure was supposed to be classified according to the new chart of accounts. The Ministry notes audit recommendation which is now being implemented.**

### 1.2 Planning and Monitoring documents

**Finding**

The Ministry's Work and Performance Monitoring Plans and Quarterly Performance Reports were not availed for audit examination. I could therefore not assess whether the Ministry was adequately performing its mandate in the absence of the Work and Performance Monitoring Plans and Quarterly Performance Reports.

**Risk/Implication**

The absence of Work and Performance Monitoring Plans and Quarterly Performance Reports makes it difficult to evaluate the Ministry's performance.

**Recommendation**

The Ministry should produce Work and Performance Monitoring Plans to guide its operations and it should also produce Quarterly Performance Reports as evidence of implementation of its plans.

**Management Response**

**The observation is noted and the recommendation is accepted.**

### 1.3 Sub-Paymaster General's account (Sub-PMG) bank reconciliations

**Findings**

The Ministry did not submit year-end sub-PMG bank reconciliation statement to Treasury in violation of section 155 of the Public Finance Management (Treasury Instructions), 2019 which requires the bank reconciliation statement to be submitted to Treasury by not later than February 28 of each year.

There was also no evidence that during the year, the Ministry prepared monthly bank reconciliations of the Sub-Paymaster General's account which was in violation of section 61 of the Public Finance Management (Treasury Instructions), 2019. Monthly reconciliations would have enabled the Ministry to detect and correct any errors and to submit year end returns to Treasury.

**Risk/Implication**

Failure to do reconciliations might result in fraudulent transactions and errors going through the account undetected.

**Recommendation**

The Ministry is advised to carry out monthly sub-PMG reconciliations so that any possible misstatements or errors are detected and corrected timeously.

**Management Response**

**The audit observation is noted. The Ministry reconciliations for the local currency Reserve Bank of Zimbabwe account were done and completed in the Public Finance Management System.**

**There was a challenge on reconciliation of the nostro account held with the Commercial Bank of Zimbabwe (CBZ). The nostro account transactions were linked to the local currency cash book. The local currency transactions in the cashbook could not be reconciled to foreign currency transactions on the bank statement. Guidance was later provided by Treasury in March 2020. However, reconciliations could not be completed since Treasury has not yet completed the task of introducing transfers made to CBZ into the Public Finance Management System.**

**The reconciliation will be completed when Treasury has completed their part of the process.**

**Evaluation of Management Response**

*The bank reconciliation statements were not prepared and submitted to Treasury.*

## 2 REVENUE COLLECTION AND DEBT

### MANAGEMENT 2.1Suspense and Revenue Balances

**Finding**

The Ministry prepared and submitted for audit a return which had a mixture of Outstanding Advances including Disallowances and Outstanding Departmental Surcharges with a total amount of $184 737 in violation of Treasury Circular No.1 of 2020 on preparation of returns which requires suspense and revenue returns to be prepared and reported separately. I could not confirm with certainty the amounts for both the suspense and revenue balances disclosed in the combined return.

**Risk/Implication**

Total revenue balances are misstated as outstanding departmental surcharges which form part of revenue are not disclosed separately.

**Recommendation**

The Ministry should comply with Treasury Circular No.1 of 2020 by reporting suspense and revenue balances separately.

**Management Response**

**The Ministry will liaise with Project Office on how debtors in the PFMS can be separated.**

**In addition, the Ministry will also consider introducing manual registers in order to comply with Treasury Instructions and circulars.**

## 3 PROCUREMENT OF GOODS AND

### SERVICES 3.1Processing of Payment Vouchers

**Finding**

Payment vouchers with expenditure amounting to $2 093 988 were processed and paid without authority. They were not signed in the spaces provided for passed for “payment or certified correct”. Inadequate supervision contributed to the anomaly.

Treasury Instruction 0669 states that ‘the Director of Finance, before passing a voucher for payment, must be satisfied that it has been subjected to scrutiny by an examining officer to ensure that it is in order in accordance with Instruction 0655, that the payee is the person entitled to payment, that the invoice has not been previously paid and that it is properly classified’.

**Risk/Implication**

Fraudulent payments may be processed.

**Recommendations**

The Ministry is encouraged to make every effort to get payment vouchers certified correct and passed for payment to minimize risk of fraudulent transactions being processed.

**Management Response**

**All authorizations are done electronically in the system. The physical documents only work as supporting documents.**

**Evaluation of Management Response**

*The Treasury Instructions require procedures on processing payment vouchers to be evidenced on the physical documents.*

### 3.2 Non-Compliance with Procurement Regulations

**Finding**

The Ministry did not have service contracts with the companies which serviced some of its vehicles. Competitive quotations to indicate how the companies were selected were also not made available. The Ministry's internal audit raised a similar issue in its Internal Audit Report dated October 29, 2019 titled "Special Investigation Report on Transport Management". The Ministry did not take corrective action.

**Risks/Implications**

The service providers might not be offering the most economically advantageous services to the Ministry leading to loss of public financial resources.

It will also be difficult to enforce remedial action in case of underperformance by the service providers in the absence of written contracts.

**Recommendations**

Section 81 (1) of the Public Finance Management (Treasury Instructions), 2019 requires the Accounting Officer or his or her delegate to sign a service level agreement with a winning bidder. There is a need to comply with this Treasury Instruction so as to ensure value for money and easy of enforcing performance in case of breach of contract.

**Management Response**

**The observation is noted. Audit recommendations will be implemented.**

## 4 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 4.1 Direct payments

Direct payments amounting to $355 753 were not reported in the Ministry's Appropriation Account for the financial year ended December 31, 2018.

**There was an improvement in the disclosure of direct payments made by Treasury on behalf of the Ministry since all direct payments for the period under review were captured in the Appropriation Account.**

## VOTE 17.- WOMEN AFFAIRS, COMMUNITY, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry is mandated to promote women empowerment, gender equality and equity, community and cooperative development as well as promote small and medium enterprises development.

### Qualified Opinion

I have audited the Appropriation Account for the Ministry of, Women Affairs, Community Small and Medium Enterprises Development for the financial year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net Under spending |
|---|---|---|---|---|
| $68 080 000 | $10 001 651 | $78 081 651 | $71 284 206 | $6 797445 |

In my opinion, except for the possible effects of the matter described in the basis for Qualified Opinion paragraph, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Women Affairs, Community, Small and Medium Enterprises Development as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

### (i) Variances in Salary Bills

Treasury Circular B/1/88 dated June 5, 2018 requires Ministries to perform monthly reconciliations in respect of Salary Service Bureau (SSB) figures and those disclosed in the Public Finance Management System (PFMS). I observed that the Ministry disclosed employment costs totalling $17 845 838 while the SSB bill showed total payment of $19 201 444 giving an unreconciled variance of $1 355 606.

### Risk/Implication

If variances remain unreconciled, there is high risk that the employment costs may be materially misstated.

### Recommendation

The Ministry should conduct monthly reconciliations of employment costs in order to know the actual figure of the salary bill. The variances should be investigated to determine the correct charge for employment costs.

**Management Response**

**Treasury only released $626 338 for January salary bill citing that the difference was as a result of cushioning allowance. The Ministry has uploaded all salary bills for 2019 (January to December) amounting to $17 845 838. The Salary Service Bureau has not availed to us any additional bills which are outstanding. Treasury should also have released the funds because they receive salary bills directly from SSB.**

**Evaluation of Management Response**

*The Ministry should reconcile the variances on monthly basis through constant liaison with the SSB desk officer.*

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

## 1 PROCUREMENT

### 1.1 Direct Payments

**Finding**

The Ministry did not provide supporting documents for direct payments made to a service provider on its behalf by Ministry of Finance amounting to $200 000. The Ministry provided to audit the invoice but the receipts were not provided as proof that the payment was received by the service provider. It is the duty of the Ministry to demand the receipts from the service provider who was paid.

Further to the above, payments made to the same service provider by the Ministry through Public Finance Management System (PFMS) totalling $198 000 still had no receipts.

**Risk/Implication**

If records from the Ministry of Finance and Economic Development and those from line Ministries do not agree, total expenditure may be materially misstated.

**Recommendation**

The Ministry should liaise with Ministry of Finance and Economic Development so that direct payments are reconciled.

**Management Response**

**Treasury has availed an invoice copy for your consideration.**

**Evaluation of Management Response**

*Receipts from the service provider were not availed for audit examination as proof that the service provider actually received the payment.*

## 2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 2.1 Annual Asset Certificate

Treasury Instruction 2004 requires Accounting Officers to forward to the Auditor-General a certificate stating that the departmental assets of their Ministries have been physically compared with the records. Contrary to the above, the Ministry did not submit an Annual Asset Certificate for audit.

*The issue was resolved as the Ministry provided the Assets certificate for 2019 which shows that the assets in question have been physically inspected.*

### 2.2 Revenue

It was noted that Revenue reported on the Revenue received return totalled $86 117 whereas the SAP Ledgers figure amounted to $57 814 giving a variance of $28 303.

*The Ministry has not yet shown proof that the revenue variance* of $28 303 was *investigated. Therefore, the issue was still outstanding*.

### 2.3 Missing Vouchers

Section 81 (2) (b) (iii) of the Public Finance Management Act [*Chapter 22:19*] requires all incurred expenditure to be supported with source documents. Contrary to the afore mentioned legislation, the Ministry incurred expenditure amounting to $25 433 whose payment vouchers were not produced for audit examination.

*The issue was cleared by the Ministry as the documents were provided for audit examination.*

### 2.4 Inspections and Audits of Cooperatives

Section 112 of the Cooperative Act [*Chapter 24:05*] states that, the Registrar may at any time (a) inspect the records, books and accounts of any registered society; and (b) carry out a physical check of property and assets, including stock and cash in hand held by a registered society. However, during the financial year ended December 31, 2018 the Ministry did not conduct the inspections and audits of the cooperatives due to shortage of staff.

*The Ministry has not yet shown proof that they carried out inspection and audit of cooperatives.*

### 2.5 Auditing and Submission of annual report to the Registrar

Section 35 (1) (a) and (b) as read together with section 36 (1) of Cooperative Societies Act [*Chapter 24:05*] states that every registered society shall have its books audited once a year by a person entitled to practice as a public auditor in terms of the Public Accountants and Auditors Act [*Chapter 27:12*]. The Co-operative Societies were not audited during the financial year ended December 31, 2018.

*The Ministry has not yet implemented the audit recommendations to submit annual reports to the registrar of cooperatives in compliance with section 35 (1) (a) and (b) and 36 (1) of Cooperative Societies Act [Chapter 24:05]. The issue is still outstanding.*

## VOTE 18.- HOME AFFAIRS AND CULTURAL HERITAGE

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry is responsible for promoting a secure and conducive environment through maintenance of law and order, migration management, timely registration and issuance of secure identification documents, regulation of gaming board and entertainment activities and provision of forensic science services.

### Qualified Opinion

I have audited the Appropriation Account for the Ministry of Home Affairs and Cultural Heritage for the financial year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve/ Supplementary | Total | Expenditure | Net Under spending |
|---|---|---|---|---|
| $874 363 000 | $336 915 861 | $1 211 278 861 | $931 903 413 | $279 375 448 |

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Home Affairs and Cultural Heritage as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Reconciliation between Sub-PMG and Appropriation**

### Account Finding

There was an unreconciled variance of $728 106 203 between the expenditure figure of $931 903 413 disclosed in the Appropriation Account and the total payments of $203 797 210 disclosed in the sub-paymaster general's account. Ordinarily all payments made by the Ministry should pass through the Ministry's bank account.

### Risk/Implication

The expenditure reported might be misstated.

### Recommendation

Ministry officials should carry out monthly reconciliations between the bank statement and the PFM System balances. This would enable the detection of errors of omission and commission timeously.

**Management Response**

**The observation is noted. The reconciliation will be done. In future the Reconciliation Statement will be submitted together with the Appropriation Account and the Sub-Paymaster General's Account.**

**(ii) Inadequately Supported**

**Payments Finding**

The Ministry, through the Department of National Archives made payments amounting to $170 552 that were not supported by requests, receipts and goods received vouchers as proof that the recorded transactions really occurred. I could therefore, not satisfy myself whether the expenditure was a proper charge to the vote. This is *c*contrary to the provisions of section 59 (15) of the Public Finance Management (Treasury Instructions), 2019 which require payments to be adequately supported.

**Risk/Implication**

Suppliers could be paid for goods not received or funds could be misappropriated if payments are not adequately supported.

**Recommendation**

The Head of the Department should ensure that all necessary supporting documents are attached to all payments before processing to enhance controls in the procurement process.

**Management Response**

**We noted and also agreed that all necessary supporting documents should be attached to all payments that are made by the Department. Attachments that support the items highlighted on the Schedule of inadequately supported expenditure are now available. These include copies of Travelling and Subsistence allowances acquittal forms, delivery notes, receipts and invoices in some cases.**

**Evaluation of Management Response**

*Some of the issues were cleared but in other cases invoices were used as proof of payment, without proof that services were actually rendered.*

**(iii) Unreconciled Employment Cost**

**Figures Finding**

The Ministry reported employment costs amounting to $688 068 144 while the bills from Salary Service Bureau had $710 352 166 giving a variance of $22 284 022. The Ministry did not reconcile the two figures in violation of the Ministry of Finance minute reference B/1/88 dated June 5, 2018 which called upon all line Ministries to perform monthly reconciliations. I therefore could not authenticate the actual employment costs for the year.

**Risks/Implications**

The Appropriation Account may be misstated and overpayments may go undetected if reconciliations are not done monthly. Also ghost workers may be paid in the process.

**Recommendation**

The Ministry should liaise with SSB to reconcile the figures.

**Management Response**

**Observation was noted. In future monthly reconciliations will be carried out.**

**(iv) Accounting for Farming Activities**

**Finding**

The Ministry through the Police Service is operating sixteen farms throughout the country with a total hectreage of 11 906. The Ministry did not produce financial records showing how the farming activities were being accounted for. I was therefore not able to validate whether all expenditure incurred and revenue generated had been properly accounted for and disclosed at the end of the year.

**Risk/Implication**

State property and activities may not be accounted for if systems are not in place to ensure transparency and effective reporting.

**Recommendation**

The farms and properties under the Ministry should be disclosed in the assets registers of the Ministry and activities and proceeds properly reported in line with the Public Finance Management Act [*Chapter 22:19*] and other laws and regulations.

**Management Response**

**Police farms are not funded through the Appropriation Account but are self-financing through own activities.**

**The farms are managed as part of Police Service Fund institutions guided by Police Standing Orders Volume 1 part 10 and periodic Zimbabwe Republic Police Circulars generated from time to time. Such policy documents provide systems in place to guide the management of funds generated at these farms. Police Internal Auditors carry out audit inspections at the farms as part of internal control system.**

**Financial records and books including asset registers for the farms are maintained and held in respective police provinces where the farms are located. However, the annual financial statements for the farms are available at the Police General Headquarters.**

**Evaluation of Management Responses**

*There is no clear evidence indicating that the farms do not belong to the State and also that the running of the farms has no charge to the voted amounts.*

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

## 1 GOVERNANCE ISSUES

### 1.1 Revenue Received and Receipts and Disbursements

**Finding**

Immigration Control Plumtree Border Post receipted and banked revenue amounting to $115 584 into a ZB Bank Account of the Ministry of Finance and Economic Development. The Department did not have access to the bank statements and did not have evidence to indicate whether the money was eventually transferred by ZB Bank to the Exchequer. I was concerned that Revenue Received and the Statement of Receipts and Disbursements were understated by the same amount.

Furthermore, the Ministry did not give a breakdown of the difference of $2 883 804 between the collections and payments to the Exchequer. Total collections were shown as $77 331 642 while the opening balance, payments to the Exchequer and transfer to other funds were $80 215 445. Table below refers.

| Opening Balance | Collections | Payments to Exchequer Account | Transfers to Retention Funds by: (ZRP, Immigration Control and Registrar General) | Closing Balance |
|---|---|---|---|---|
| ($18 905) | $77 331 642 | $21 144 733 | $59 051 808 | **($2 883 804)** |

**Risks/Implications**

The revenue reported might be over/understated.

There could be poor accountability for receipts as payments to Exchequer and other accounts exceeded collections. Also fraudulent cases may occur if all receipts are not captured into the system, and if a reconciliation of the variance was not done and analysed.

**Recommendation**

Head Office should reconcile all the revenue received from the various sub-votes, ensuring that all receipts are properly traced and accounted for.

**Management Response**

**The observation was noted. The Ministry has noted the risks or implications caused by using an account which the Ministry did not have control over.**

**The Ministry of Finance and Economic Development is in the process of closing down the account and handing over the account to Ministry of Home Affairs after reconciling the accounts. They have made efforts to locate the remaining signatory to quicken the process.**

### 1.2 Construction of District Registry Offices

**Finding**

The Department of Registrar-General did not manage to complete the construction of five (5) District Registry Offices during the period under review due to the transfer of budgeted amounts for such works to cater for employment costs. The progress of works at the afore mentioned offices as at December 31, 2019 was as shown in the table below:

| District Registry name | Progress as at December 31, 2019 |
|---|---|
| Wedza, Insiza and Bindura | No progress was made. Project still at foundation level. |
| Kadoma | The work that had been done included sewer trenching, excavation of storm drain around the building, flooring, replacement of damaged roof ridges and trusses, electrical tubing and removal of damaged roof of ablution block. |
| Goromonzi | Clearing of the site and remedial works had been done. |

**Risk/Implication**

The partially done works might be disturbed by the vagaries of the weather if left uncompleted for too long.

**Recommendations**

The Department should tackle one project at a time. It should also prioritise works that have already commenced and complete them before embarking on new projects.

**Management Response**

**The observation was acknowledged, the District will in future prioritise projects that have already commenced and complete them before embarking on new projects.**

### 1.3 Acquisition of Fixed Capital Assets

**Finding**

The Department of Immigration Control Services purchased 23 motor vehicles and office furniture valued at $35 868 151 in December 2019. These assets were not recorded in the asset register. This was contrary to section 100 (1) of the Public Finance Management (Treasury Instructions), 2019 which requires that Accounting Officers should ensure that all public assets under their control received from whatever source are recorded promptly and accurately in the appropriate manual registers. The assets should also be captured immediately on the PFMS system. Lack of supervision was noted.

Furthermore, out of the twenty-three (23) motor vehicles mentioned above, the Department only produced for audit inspection six (6) Goods Received Notes as evidence of receipt of vehicles. The other seventeen (17) Goods Received Notes were not produced.

**Risk/Implication**

Assets may be misappropriated.

**Recommendation**

The Department of Immigration Control Services should ensure that assets are recorded in the Master Assets Register.

Items purchased and delivered should be supported with goods receipt note showing the condition of the item and date of delivery.

**Management Response**

**Management is still to respond.**

### 1.4 Non-submission of Annual Report to Parliament by the Police Service Commission

**Finding**

The Accounting Officer did not facilitate the submission by the Police Service Commission of the annual report to the Minister of Home Affairs and Cultural Heritage for tabling in Parliament. This was a violation of section 58 of the Police Act [*Chapter 11:10*]. The matters dealt with by the Commission during the year ended December 31, 2019 were thus not presented to the Minister and Parliament for scrutiny.

**Risk/Implication**

The Minister and Parliament may remain unaware of activities and may not give the necessary advice.

**Recommendation**

The Accounting Officer should facilitate the compilation and submission by the Police Service Commission of the annual report to the Minister of Home Affairs and Cultural Heritage and to Parliament.

**Management Response**

**Management is still to respond.**

### 1.5 Outstanding Revenue

**Finding**

Although the Ministry submitted a nil return, there was outstanding revenue amounting to $1 187 029 broken down as $1 019 774 from Accidents- 3rd Parties and $167 255 for Treasury Orders. The Accident- 3rd Parties figure has been accumulating since 2012. No

evidence was availed to show that the Ministry had forwarded relevant papers to the Civil Division of the Attorney General's Office to enable recovery of the outstanding amount.

Furthermore, the Ministry did not recover monies in respect of PSC Penalties and Fines amounting to $1 821 raised by the Department of National Archives against the members who terminated their services without giving adequate notice during the period under review.

**Risks/Implications**

Potential revenue may be lost through bad debts if it takes long to follow up.

The Ministry may fail to recover the outstanding revenue, thereby prejudicing the Government of the much needed funds.

**Recommendations**

The Ministry should liaise with the Civil Division of the Attorney-General's Office for collection of debts.

The Ministry should recover the outstanding revenue as soon as possible.

**Management Response**

**Observation is noted. The Ministry forwarded relevant papers to the Civil Division of the Attorney-General's Office seeking authority for prosecution and possible recovery of debts. However, efforts will be made to recover the outstanding revenue as soon as possible.**

### 1.6 Maintenance of Immigration Database

**Finding**

For the second year in succession, I have to report that the Department of Immigration Control Services did not maintain a database for all the immigrants who visited and exited the country for the past 10 years. Furthermore, the Department could not ascertain how, and which border immigrants used to exit the country. The compliance section of the Department maintained a manual system which was very difficult to trace the status of the immigrants at any given time.

I am concerned that the Department of Immigration Control Services did not address the issues as they did not avail manual records for immigrants who enter the country through uncomputerised border posts.

**Risks/Implications**

The country could be having many undocumented and illegal foreigners who could be staying in the country without being pursued by relevant authorities.

Regulation of immigrants maybe difficult.

**Recommendation**

The Department should make efforts using available resources to maintain a database of all immigrants and responsible sections should do periodical checks on the status of immigrants.

**Management Response**

**The observation has been noted. It is indeed true that the current Border Management System is not robust enough to maintain an updated database of all immigrants who entered and exited the country for the past ten years. The Ministry of Home Affairs and Cultural Heritage is currently seized with the processes to engage another company to computerise the Department with a robust system to address challenges being experienced.**

**The Compliance Section maintains a manual system of Refugees, Prohibited Persons and Blacklisted Travellers/Immigrants. The manual database from the Compliance Section is available for inspection for all stated categories.**

**Evaluation of Management Responses**

*The manual database mentioned above was not produced for audit inspection.*

## 1.7 Donations Received

**Finding**

In my previous year's report, I observed that COMESA Regional Integration Implementation Project offered to donate Iris Scanners to the Department of Immigration Control Services to enhance the Border Management System to expedite the movement of travelers at various ports of entry. The Department advised COMESA to liaise with a Consortium headed by Afrosoft Holdings Pvt Limited who had won the tender under contract PBR 1043 of September 29, 2005: Tender No. 047 Networking for the supply and delivery of Border Management System.

The engagement between COMESA and Afrosoft Holdings resulted in the supply of 70 Iris Scanners from Iris Guard which COMESA then donated to the Department. Afrosoft Holdings did not disclose to COMESA and the Department of Immigration during the bidding process the US$0.60c additional operational costs per traveller as terms and conditions for use. Due to the anomaly, the Department withdrew the Iris Scanners from use and were still not in use at the time of concluding the audit on June 29, 2020. The Procurement Regulatory Authority of Zimbabwe (PRAZ) then directed the Accounting Officer to cancel the tender, re-scope and re-tender whilst maintaining and phasing out the old system.

During the audit I noted that the PRAZ directive dated September 24, 2018 referenced PRAZ/A/14C to cancel the contract of the Networking for the supply and delivery of Border Management System was not implemented.

Furthermore, the Department did not disclose on the gifts legacies and donations return for accountability purposes, that the donation was still being held.

**Risks/Implications**

The country might not be able to benefit from future donations if funded projects are not implemented as per agreement with the development partners.

The scanners may become obsolete if not put into use.

Travellers may continue experiencing delays yet the system can be improved by the use of scanners.

**Recommendations**

The Accounting Officer should cancel the contract in compliance with section 42 of the repealed Procurement Act as directed by PRAZ.

The Department should update the gifts, legacies and donations register and also disclose the information on the donations return.

The scanners should be put into use to improve service delivery

**Management Response**

**The observations have been noted. The Ministry cancelled the contract with Afrosoft Holdings and is currently in the process of engaging other companies to computerise the Department with a robust system to address the current challenges being experienced.**

**The Department of Immigration Control has updated the register for gifts, legacies and donations.**

**Evaluation of Management Response**

*The Ministry did not submit a copy of the cancelled contract with Afrosoft Holdings Pvt Limited for audit inspection.*

## 2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### ADMINISTRATION AND GENERAL

### 2.1 Non-Submission of Statutory Returns

The audit recommendation was not implemented as the Asset Certificate, Losses of and Damage to State Property and Results Based Management Documents for other Departments were not submitted for audit.

**2.2 Processing of Virements**

The issue has not yet been addressed. The Ministry is still not processing virements correctly.

**IMMIGRATION CONTROL SERVICES**

**2.3 Management of the Information System**

The Department of Immigration Control Services could still not avail the signed Memorandum of Understanding (MOU) with ZIMRA regarding the access of information on servers housed at ZIMRA Head Office.

**REGISTRAR-GENERAL**

**2.4 Results Based Management System**

The Department did not manage to implement audit recommendation as they failed to complete the construction of 6 District Registry Offices during the period under review.

**ADMINISTRATION AND GENERAL**

**REVENUE COLLECTION AND DEBT MANAGEMENT**

**2.5 Revenue Received**

There was still a challenge in accounting for all revenue as outstations like Plumtree were still receipting and banking cash received in an account which was not for the Ministry contrary to section 22 (3) of the Public Finance Management Act [*Chapter 22: 19*] read in conjunction with sections 63 (1) and (2) of the Public Finance Management (Treasury Instructions), 2019.

**NATIONAL ARCHIVES OF ZIMBABWE**

**2.6 Outstanding Revenue**

The Department of National Archives of Zimbabwe reported a total of $150 750 as its Outstanding Revenue but could not give a breakdown of the same. Furthermore, there were no proper records to show how much each debtor owed the Department at any given time. The issue had not been cleared during 2019.

## VOTE 19. - JUSTICE, LEGAL AND PARLIAMENTARY AFFAIRS

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry is responsible for the delivery of justice throughout the country and upholding the Constitution of Zimbabwe, as well as rehabilitation of offenders through maintenance of Legal Services to the state, reviewing and reforming the laws of Zimbabwe, providing legal research and formulation of legal policies.

### Qualified Opinion

I have audited the Appropriation Account for the Ministry of Justice, Legal and Parliamentary Affairs for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net Underspending |
|---|---|---|---|---|
| $284 988 000 | $56 289 689 | $341 277 689 | $300 093 199 | $41 184 490 |

In my opinion, except for the possible effects of the matters described in the basis for Qualified Opinion section of my report, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Justice, Legal and Parliamentary Affairs as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Employment Costs**

**Finding**

The Ministry's total employment costs disclosed in the Appropriation Account were $152 168 219 whereas the Salary Service Bureau (SSB) reported the Ministry's annual wage bill as $157 870 911 resulting in an unreconciled variance of $5 702 692. No monthly wages bill reconciliations were being carried out between SSB figures and Ministry figures, hence the reported amount was considered unreliable.

The failure to carry out monthly reconciliations was contrary to a Treasury directive referenced B/1/88 dated June 05, 2018.

**Risks/Implications**

The Appropriation Account could be misleading to users thereof.

Failure to carry out reconciliations may result in fraudulent transactions and errors going undetected.

**Recommendations**

The Ministry is advised to reconcile the two figures and correct the Appropriation Account so that the true state of affairs is presented.

The Ministry should carry out monthly reconciliations between the Salary Service Bureau bill and the Ministry records to ensure that any possible misstatements or errors are detected and corrected timeously.

**Management Response**

**The amount was paid by Treasury to SSB on behalf of the Ministry but was not introduced in the Public Finance Management System hence the variance.**

**Evaluation of Management Response**

*The Ministry did not adjust the Appropriation account accordingly.*

**(ii) Unallocated Reserve**

**transfers Finding**

The Ministry disclosed unallocated reserve transfers from Ministry of Finance and Economic Development of $56 289 689. This differed with a balance of $57 440 459 in the Unallocated Reserve Register at Treasury resulting in a variance of $1 150 770 that was not reconciled. This was caused by lack of adequate co-ordination between the Ministry and Treasury.

**Risks/Implications**

Fraudulent payments may be processed.

Users of financial statements may make wrong decisions based on inaccurate financial statements.

**Recommendation**

The Ministry should take action to reconcile the different Unallocated Reserve transfers by engaging Treasury.

**Management Response**

**The audit findings and recommendations are concurred with. Reconciliations are in progress and will be availed once they are completed.**

**Evaluation of management response**

*The reconciliation statement for the variance of $1 150 770 was not availed at the time of concluding the audit.*

**(iii) Inadequately Supported**

**Payments Findings**

Treasury made set-offs on behalf of the Ministry amounting to $2 320 080. However, the Ministry did not provide supporting invoices in respect of the amounts which were set-off. Further to the above, creditors' reconciliation statements for the suppliers paid were not prepared for the period under review.

Treasury Instruction 0653 requires a payment to be made on the basis of a quotation. The supplier shall be requested to submit an original invoice for the amount claimed and this shall be attached to the voucher".

Payment vouchers worth $583 190 did not have supporting documents such as invoices and goods received notes. I could therefore not validate the nature of expenditure incurred and whether the goods purchased were delivered.

**Risks/Implications**

Fictitious set offs and fraudulent expenditure may be processed.

Expenditure may be paid for and not cleared resulting in double payments if creditors' reconciliations are not done.

**Recommendations**

The Ministry should carry out regular creditors' reconciliations to minimize the risk of dual payments.

Set-offs should be cleared against supplier invoices which should be filed as supporting evidence.

The Ministry should avail all missing supporting documents for audit examination.

**Management Response**

**The set offs were discovered through the PFMS hence their inclusion in the Appropriation account. We failed to get formal communication from Treasury regarding these set offs.**

**Creditors' reconciliations will be done as recommended.**

**The observation is noted. However, the supporting documents are now available for inspection.**

**Evaluation of Management Response**

*Supporting documents for expenditure amounting to $583 190 remained outstanding at the time of concluding the audit.*

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

## 1 GOVERNANCE ISSUES

### 1.1 Agricultural Inputs and yield for Mazowe Prison Farm

**Findings**

The Ministry, through Zimbabwe Prisons and Correctional Services owns Mazowe prison farm which has an area of 890 hectares. The documentation for the agricultural inputs and yields for the 2018/2019 and 2019/2020 agricultural seasons were not availed for audit. It was stated that the activities at the farm were being run by a private company formed by the Ministry.

Eight tonnes of fertilizer borrowed from Prisons and Correctional Service by the company were not disclosed by the Ministry neither were they reported under the public financial assets. It was not clear how the eight tonnes of fertilizer had been accounted for.

**Risks/Implications**

Transparency and accountability in management of public resources at the farm may be compromised if the Ministry has no details of activities taking place. Financial statements may therefore be materially misstated.

**Recommendation**

The Ministry should avail for audit inspection the record of activities that were carried out at Mazowe farm for the period under review and dividends due if any.

**Management Response**

**Vegetable and fertilizer inputs were sent to the farm through the company running the farm. The yield was consumed by inmates. In total the company owes Zimbabwe Prison and Correctional Services a total of eight tonnes of fertilizer which are yet to be repaid. The inputs were sent as a loan to the company.**

**Evaluation of Management Response**

*Management submitted soft copies of schedules of inputs and use of yield not supported by any documentation.*

### 1.2 Non-submission to Parliament of Annual Report by the Prisons and Correctional Service Commission

**Finding**

The Prisons and Correctional Service Commission did not submit its annual report to the Minister of Justice, Legal and Parliamentary Affairs for tabling in Parliament. This was a violation of section 18 of the Prisons Act [*Chapter 7:11*].

**Risk/Implication**

The matters dealt with by the Commission during the previous year were thus not produced to the Minister and Parliament for scrutiny.

**Recommendation**

The Accounting Officer should facilitate the compilation and submission by the Prisons and Correctional Service Commission of the annual report to the Minister of Justice, Legal and Parliamentary Affairs and to Parliament for consideration to facilitate tabling.

**Management Response**

**Management is still to respond.**

### 1.3 Alignment of the Prisons Act to the Zimbabwe Constitution Amendment (No. 20) Act 2013

**Finding**

The Prisons Act [*Chapter 7:11*] was not aligned to the Zimbabwe Constitution Amendment (No. 20) Act 2013, six years after the Constitution was promulgated. This was despite the fact that the Ministry's mandate includes the reviewing and reforming the laws of Zimbabwe, providing legal research and formulation of legal policies.

**Risk/Implication**

The use of outdated laws may have a negative impact on the implementation and enforcement of the regulations.

**Recommendation**

There is a need to align the Prisons Act to the Constitution.

**Management Response**

**Management is still to respond.**

### 1.4 Variances in expenditure balances

**Finding**

The Appropriation Account disclosed total expenditure of $300 093 199 whereas the Public Finance Management System reflected a balance of $300 260 805. This resulted in an unreconciled variance of $167 606.

**Risk/Implication**

The financial statements may be misleading to users and hence incorrect decisions may be made based on inaccurate financial statements.

**Recommendation**

The Ministry should reconcile the expenditure balances and take corrective action.

**Management Response**

**The audit observation is noted. A reconciliation of the balances is being done and will be availed once completed.**

### 1.5 Service delivery

**Findings**

The Prisons and Correctional Service did not send lists for unconvicted prisoners to the High Court during the quarter starting on October 1, 2019 from eight of the ten provinces. Records produced by the High Court revealed that the list was submitted by Mashonaland Central and Matabeleland North provinces. This was a violation of section 118 of the Prisons Act [*Chapter 7:11*].

An examination of the list of unconvicted prisoners produced by the Prisons and Correctional Service revealed that some of the unconvicted prisoners have been in remand for periods ranging from 24 to 108 months. This may be attributed to the non-submission of the lists to the High Court as indicated above.

**Risks/Implications**

Non-submission of the list of unconvicted prisoners may delay the trial of the inmates and may result in over-crowding in the country's prisons.

Unconvicted prisoners who may be innocent may stay in remand prisons for unnecessarily long periods and this will be delayed justice, at the same time being an expense of the state

**Recommendation**

There is a need to comply with the requirements of section 118 of the Prisons Act [*Chapter 7:11*] so as to expedite the trial of unconvicted prisoners.

The holding capacity of the Country's prisons should not be overstretched due to non-implementation of the stated regulations.

**Management Response**

**Management is still to respond.**

## 2 REVENUE COLLECTION AND DEBT MANAGEMENT

### 2.1 Investments in Agribusiness through formation of a Private Company

**Findings**

The Ministry formed and registered a Company in May 2007 without informing Treasury. This was contrary to section 48 (3) of the Public Finance Management Act [*Chapter 22:19*] which requires accounting authorities to notify and seek the approval of Treasury in writing when establishing a company. The company's board of directors was appointed by the Minister of Justice, Legal and Parliamentary Affairs, making it a public entity. There was no evidence from the records at the Ministry to show that the company ever declared and paid dividends to the Ministry since its formation. The shareholding in Pamberi/Qhubekani Investments whose share capital at its formation was $40 000 was also not disclosed in the Public Financial Assets return.

Furthermore, the company's financial year ends on 30 September instead of 31 December of each year as per section 2 of the Public Finance Management Act [Chapter 22:19] which defines a financial year as a period of twelve months ending on the 31st December in any year.

The company's Articles of Association further empowers the board of directors to appoint a private auditor. Ordinarily such a company would be audited by the Auditor-General, according to statutes as it is wholly owned by the State.

**Risks/Implications**

Transparency and accountability of public resources may have been compromised by the non-disclosure of the company and its operations.

Revenue disclosed may be materially misstated.

**Recommendations**

The operations of the company and the revenue therefrom should be disclosed and properly accounted for in the Ministry records.

There is need to synchronise the laws relating to the audit provisions of the Company.

**Management Response**

**Financial statements from the 2014 to 2020 financial years were submitted in March 2021.**

**Evaluation of Management Response**

*There was no response on the formation and audit of the private company and the revenue that was due from it.*

## 2.2 Public Financial Assets

**Findings**

The Ministry had some investments in Colcom prior to 2017. Innscor Company acquired 100% shareholding of Colcom Ltd in 2017. The Ministry received 11 048 shares from Innscor for its shareholding in Colcom. The shareholding by the Ministry and the value of the said shares was not disclosed in the Public Financial Assets return. Further, the share certificate for the holding in Innscor was not produced for audit inspection.

**Risks/Implications**

Shareholding in the company may not be accounted for if share certificates are not available and the shares may be converted to private ownership.

The dividends from the company may not be deposited into the Exchequer Account nor followed up if there is no proper record of the investment.

**Recommendations**

The share certificate for the holding in Innscor should be produced for audit examination.

There is need to investigate whether the dividends were paid and how they were accounted for since they are not reflected in the financial statements.

**Management Response**

**Management is still to respond.**

## 2.3 Revenue Received, Outstanding Revenue and Receipts and Disbursements

**Findings**

The Ministry's investments in Innscor, which declared and paid dividends during the period under review, were not disclosed in the revenue received return.

I could also not rely on the Receipts and disbursements return since it excluded the dividends received from investments mentioned above.

The proceeds from the investments in Pamberi/Qhubekani by the Ministry and the non-disclosure of the profits during the period under review meant that the Ministry's outstanding revenue return was unreliable.

**Risks/Implications**

The users of financial statements may make wrong decisions based on inaccurate information.

Revenue received and outstanding will be understated if the investments are not known.

Dividends may be received by individuals instead of the state.

**Recommendations**

There is a need to disclose all the revenue earned and received by the Ministry in the returns.

The circumstances surrounding the dividend declared and paid but which was not disclosed in the returns submitted for audit, should be investigated.

**Management Response**

**Management is still to respond.**

## 3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 3.1 Fuel donated

The Ministry received a donation of 4 million litres of diesel fuel from a South African company which did not agree with a record obtained from the Central Mechanical Equipment Department of 672 500 litres drawn from the storage facilities at the National Oil and Infrastructural Company Depot.

**A fuel reconciliation was carried out by Internal Audit in 2019. A suspected fuel fraud case was reported to law enforcement agencies. The case involving a former Ministry official and the fuel companies involved is still before the courts.**

### 3.2 Sub-Paymaster General's account bank reconciliations

The Ministry did not reconcile variances between figures in the Public Finance Management System and the Sub-Paymaster-General's Account.

**During the year under review, the Ministry submitted the Sub-Paymaster General's account bank reconciliation statement.**

### 3.3 Payments to Service Providers

The Ministry could not avail tender documents pertaining to an amount of $1 612 556 paid to a service provider for motor vehicles hired by the Zimbabwe Prisons and Correctional Service.

**There have been some improvements in the procurement process since the Ministry is now using the Procurement Management Unit to procure its goods and services.**

## VOTE 20.- MINISTRY OF INFORMATION, PUBLICITY AND BROADCASTING SERVICES

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry is responsible for the dissemination of information locally and globally to uphold and promote Zimbabwe's founding values, identity and its interests worldwide.

### Qualified Opinion

I have audited the Appropriation Account for the Ministry of Information, Publicity and Broadcasting Services for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net Underspending |
|---|---|---|---|---|
| $58 634 000 | $5 000 000 | $63 634 000 | $60 585 266 | $3 048 734 |

In my opinion, the Appropriation Account, Finance and Revenue Statements and other supporting returns fairly present the state of affairs of the Ministry of Information, Publicity and Broadcasting Services for the year ended December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

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

## 1 PUBLIC FINANCIAL ASSETS

### 1.1 Loan Repayment and Recording

### Finding

According to the loan agreement entered into between Ministry of Information, Publicity and Broadcasting Services and ZBC, the ministry advanced a loan of $5 000 000 to ZBC at an annual interest rate of 5%. The principal amount plus the 5% interest was due and payable to the Ministry on or before December 31, 2019. On repayment, the parties agreed that the loan would be deducted as setoff from the amounts owed to ZBC by the lender as per proven invoices for services rendered.

Audit noted that the principal amount plus the 5% interest were still not paid at the time of audit. Further, the Ministry did not account as at December 31, 2019 for both the principal amount and the interest as a public financial asset and outstanding revenue respectively. In addition, there was no communication made to initiate a set off. This is contrary to section 49 (2) of the Public Finance Management (Treasury Instructions), 2019 which states that officers responsible for collecting debts shall take adequate steps to collect any sums due to the Government on due date and shall on no account allow a debt to become extinguished through lapse of time. The rule of "set-off" should be applied where appropriate.

**Risk/Implication**

The principal and interest may not be accounted for if records are not properly maintained.

**Recommendation**

Controls should be put in place to ensure that records for all transactions are maintained. Terms and conditions of agreements should be managed to avoid losses. Public Financial Assets return should accurately disclose the indebtedness of the state entities.

**Management Responses**

**Ministry acknowledges the omission. However, necessary adjustments have been made to adjust the Public Financial Asset and Revenue Returns. The expenditure was accommodated in the Sub-PMG return.**

## 3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 3.2 Contract Employees

In my 2015 audit report, I raised concerns about engaging contract workers for more than 6 years, wherein I recommended that the Ministry should engage the Public Service Commission to have employees included on the establishment if their services were very critical and needed on permanent basis.

The matter has been resolved as engagement of contract employees was regularised.

### 2.2 Public Address (PA) System Repairs

In 2017, the Ministry transferred $24 000 meant for PA system maintenance spare parts without Treasury approval to Zimbabwe Film and Television School of Southern Africa (ZIFTESSA) an entity within the ministry as an internal arrangement to avoid losing the funds to Treasury by year end. ZIFTESSA then made payments of $7 659 and $17 187 for the repairs to a Chinese based company in April and May 2018 respectively.

The matter has been resolved. The PA system spare parts were delivered in January 2020. Some have since been fitted.

### 2.3 Audit Committee

Audit noted that the Ministry was operating without an Audit Committee which is responsible for reviewing internal controls and also ensuring that financial statements are prepared timeously.

The Audit Committee had not yet been appointed at the time of concluding the audit.

## VOTE 21.- YOUTH, SPORTS, ARTS AND RECREATION

## APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry is mandated to formulate, review and implement policies strategies and programmes to promote the development and empowerment of youth and transformation of sports, arts and recreation sectors into vibrant industries for employment creation.

### Opinion

I have audited the Appropriation Account for the Ministry of Youth, Sports, Arts and Recreation for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net Underspending |
|---|---|---|---|---|
| $100 301 000 | $18 200 242 | $118 501 242 | $104 845 608 | $13 655 634 |

In my opinion, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Youth, Sports, Arts and Recreation as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

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

## 1 REVENUE COLLECTION AND DEBT MANAGEMENT

### 1.1. Non-Recovery of Debts

#### Finding

The Ministry has not been effective in the management of debt as there were long outstanding amounts totalling $513 842 at the time of concluding the audit in July 2020. Table 1 below refers.

Further, the arrangements made for recovery in some instances were indicated as Ministry to follow up progress and this has been the case since 2010. Section 10 (1) of the Public Finance Management Act [*Chapter 22:19*] requires Accounting Officers to control and be accountable for all revenue and other public money received, held or disposed of by or on account by any Ministry.

**Table 1 – Long Outstanding Amounts**

| Item | Outstanding Balance $ |
|---|---|
| Travelling and Subsistence Allowances | 42 252 |
| Outstanding Disallowances | 160 833 |
| Outstanding Tuition Fees | 158 376 |
| Outstanding Departmental Surcharges | 152 381 |
| **Total** | **$513 842** |

**Risks/Implications**

Delays in recovering outstanding debt may result in loss of revenue and creates cash flow problems.

Absence of a meaningful recovery action might result in the Ministry failing to come up with a recovery strategy

**Recommendations**

Outstanding debt should be regularly monitored and robust mechanisms should be put in place to ensure quick recovery.

Arrangement made for the recovery of the outstanding amount should be specific and action oriented.

**Management Response**

**The Ministry is proceeding by way of write offs for outstanding travelling and subsistence advances for 2011, 2012, 2014, 2017, and 2018 with respect to deceased debtors and those who terminated service. 2019 acquittal claim forms have since been submitted. The outstanding amount of $42 251,50 has therefore been drastically reduced. The outstanding tuition fees of $158 376 are fees for children of Veterans of the Liberation Struggle which are receivable from the Ministry of Defence and War Veterans. The Ministry is therefore engaging the Defence Ministry for payments which are taking long owing to financial challenges faced by the Ministry of Finance and Economic Development.**

**For Outstanding Disallowances and Outstanding Departmental Surcharges most of the outstanding amounts are irrecoverable and the Ministry had no other option except to approach Treasury for write offs. Write offs are therefore in progress.**

## 2 MANAGEMENT OF ASSETS

### 2.1 Non-Delivery of Motor Vehicles

**Finding**

I noted with concern that out of fourteen motor vehicles purchased by the Ministry in December 2017 valued at $617 863 from Cannon Motors (Pvt) Ltd T/A AMC Nissan, two Nissan NP 300 single cab motor vehicles have not yet been delivered to the Ministry. A review of supporting documents revealed that the non-delivery by Cannon Motors (Pvt) Ltd

of the two motor vehicles was attributed to the challenges of remitting foreign currency to Nissan South Africa. Consequently, this has negatively impacted the Ministry in carrying out its mandate as there is a shortage of motor vehicles.

Further, there is no evidence that the Ministry has sought the assistance of the State Attorney to enforce the terms of the contract.

**Risks/Implications**

Failure by the supplier to deliver the vehicles would prejudice the State and results in wasteful expenditure.

Service delivery by the Ministry will be compromised.

**Recommendations**

The Accounting Officer should enforce fulfilment of the contract by Canon Motors (Pvt) Ltd so that delivery of the two motor vehicles or reimbursement at market values plus damages is done without further delay.

The Ministry should engage the State Attorney for assistance with legal issues.

**Management Response**

**The issue of non-delivery of two Nissan NP 300 single cab vehicles was referred to the Attorney General's Office. The Ministry is therefore awaiting conclusion of the matter in order to map the way forward.**

**Evaluation of Management Response**

*The Ministry should provide the evidence of correspondence with the Attorney General's Office.*

## 3 PROGRESS IN ADDRESSING PRIOR YEAR FINDINGS

### 3.1 Missing Vouchers

The missing payment vouchers amounting to $25 433 were subsequently presented for audit inspection.

## VOTE 22.- ENERGY AND POWER DEVELOPMENT

## APPROPRIATION ACCOUNT 2019

### Mandate

The Ministry is responsible for providing adequate and sustainable energy supply through formulating and implementing effective policies and regulatory framework.

### Qualified Opinion

I have audited the Appropriation Account for the Ministry of Energy and Power Development for the financial year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Supplementary | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net Under Spending |
|---|---|---|---|---|---|
| $16 011 000 | $78 887 000 | $44 876 663 | $139 774 663 | $139 451 855 | $322 808 |

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Energy and Power Development for the year ended December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

### (i) Unallocated Reserves

#### Finding

The schedule for Unallocated Reserves (UR) from Treasury indicated that an amount of $44 967 399 was transferred to the Ministry and this figure tallies with the total figure of UR letters. However, the Ministry disclosed a total of $44 876 663, giving rise to a variance of $90 736. The figures were not reconciled at the time I concluded my audit. Reconciliations of issued Unallocated Reserves were not being done timeously between the Ministry and Treasury.

#### Risk/Implication

In the absence of reconciliations, errors and omissions might occur without being noticed.

#### Recommendation

The Ministry should liaise with Treasury and reconcile the variances of Unallocated Reserve transfers.

**Management Response**

**The audit observation is noted. However, the stated variance is an exact figure of a virement which was submitted by the Ministry of Energy and Power Development to Treasury.**

**The Ministry assumes that Treasury, might have, during the issuance of Unallocated Reserves (UR) erroneously included the virement amount of $90 736 as a UR. Efforts to clear this is ongoing. As recommended, the Ministry will have timeous reconciliations with Treasury for issued URs.**

**Please be advised that the error is being attended to with Treasury.**

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

## 1 GOVERNANCE ISSUES

### 1.1 Budget Support from Parastatals under the Ministry

**Findings**

A review of the annual return for Gifts, Legacies and Donations submitted for audit revealed that the Ministry received funds worth $2 421 783 as budget support from Parastatals under its purview during the year under review as shown in the table below. The documentary evidence provided to audit showed that the Ministry is the one that requested financial assistance from the Parastatals and thus would not translate to a donation. The received funds had no approval from Treasury and expenditure incurred was not disclosed as part of the Ministry's expenditure thereby distorting the true position of expenditure incurred for the year.

| **Parastatal** | **Amount Provided $** |
|---|---|
| ZESA | 1 042 909 |
| NOIC | 759 555 |
| ZERA | 374 295 |
| PetroTrade | 245 024 |
| **Total** | **$2 421 783** |

Section 24 (1) (c) of the Public Finance Management (Treasury Instructions), 2019 gives Treasury the responsibility to exercise general direction and control over public resources.

The funds were meant to augment Appropriation activities hence this is tantamount to unprocedural increase of the Ministry's budget. Classifying the assistance as donations is also improper.

**Risks/Implications**

The received amounts had the effect of increasing the Ministry's Appropriation Account budget without Parliamentary approval.

Fraudulent activities and understatement of expenditure might occur without trace if funds are not accounted for through the PFM System.

The operations of the Parastatals are curtailed as funds meant for programs are taken by the Ministry.

**Recommendations**

The Ministry should comply with section 24 (1) (c of the Public Finance Management (Treasury Instructions), 2019. Proper procedures should be followed if additional funds are required.

**Management Response**

**The audit observation has been noted. However, please be advised that due process is now being followed with concurrence of Treasury being obtained before the funds are accepted in compliance with Treasury Instructions.**

## 1.2 Double Benefit

**Findings**

Public Service Commission Circular No. 5 of 2011 states that employees who are issued with official and personal issue vehicles and receive monthly allocation of fuel are not entitled to transport allowances. However, the table below shows employees who were issued with monthly fuel allocations and according to the pay sheets as at December 31, 2019 four (4) out of the five (5) continued to receive transport allowances.

| E.C. Number | Vehicle Number Allocated | Transport Allowance Paid $ During the Year | Narration |
|---|---|---|---|
| 1121658S | AFE-7144 | — | Issued with fuel coupons |
| 1278092E | AFE-7165 | 1200 | Transport Allowance being received |
| 0141125W | ABY-2046 | 900 | Transport Allowance paid and issued with fuel coupons |
| 3988526D | AEF-9797 | 594 | Transport Allowance paid and issued with fuel coupons |
| 1678405C | AAP-2038 | 792 | Transport Allowance paid and issued with fuel coupons |
| **Total** | | **$3 486** | |

Furthermore, a manager was issued a loan to buy a vehicle but has continued to use the pool vehicle that she was allocated.

**Risk/Implication**

The Government may be prejudiced of scarce resources if employees are allowed to benefit twice contrary to regulations.

**Recommendation**

The Ministry should comply with the provisions of the Public Service Circular No.5 of 2011 and appropriate remedial action should be taken.

**Management Response**

**E.C. Number: 1121658S**

**The issue of the car loan given to the Deputy Director is personal loan which is being deducted from salary and as such it is prejudicing the member of income being deducted.**

**E.C. Number: 1278092E**

**The Ministry wrote to the Commission for authority on May 19, 2020. Since then, several follow-ups have been done telephonically. Once the authority has been obtained, the Ministry will effect cessation of transport allowance and recover the money from the date the member started withdrawing fuel coupons.**

**E.C. Number: 0141125W**

**The Ministry effected transport allowance cessation after obtaining the PSC authority to allocate a vehicle to the member and recovery of the transport allowance that was paid to the member from the said period has been done.**

**E.C. Numbers: 3988526D and 1678405C**

**These are only drivers and without personal issue vehicles and the Ministry cannot cease transport allowance for them. The vehicles in question are used to perform official duties during working and after hours, pick up staff in the morning as well as deliver home officers that work late. Log books are available for perusal.**

**Evaluation of Management Response**

*The issue regarding the Member E.C. Number 1278092E appears unclear as official communication to allocate vehicle was said to have been received by the Ministry and at the same time also talks of writing to seek authority.*

## 1.3 Contingent Liabilities

**Finding**

Contingent Liabilities are loans advanced to Parastatal Bodies, Fund Accounts and private sector companies by independent lenders and are guaranteed by the Government. The power to guarantee rests with the Ministry of Finance and Economic Development. Since the Government will have guaranteed the loan it follows that it has to pay for the loan in the event that the borrower fails to settle its obligation.

Contingent Liabilities amounting to $1 121 845 435 had not been paid up by the Government of Zimbabwe. Some of the matured loans date as far back as 2001. Audit concern is that the uncleared loans continue to accrue interest which is an additional financial burden to the State. The Accounting Officer of the Ministry has raised the issue with the Ministry of Finance and Economic Development and the last reminder was dated March 21, 2019. The same issue was also raised in my previous report.

| Authority That Borrowed | Purpose of Loan | Total as at December 31, 2019 $ |
|---|---|---|
| ZESA- foreign loans | -Development of Hwange Thermal Power station II &III<br>-Kariba South upgrading<br>-Purchase of transformers<br>-Old Thermal rehabilitation project<br>-Supply equipment for upgrading national control centre<br>-Construction of new sub stations, Haven, Mutorashanga, Bindura and ZISCO.<br>-Matimba Insukamini interconnection project<br>-Bulawayo power station refurbishment<br>-Electricity imports<br>-Deka pumping station upgrade<br>-Hwange Thermal power station 7 & 8.<br>-Marvel substation refurbishment<br>-Sherwood substation refurbishment | 801 181 425 |
| ZESA- Interest on loans | Same as above | 294 349 613 |
| NOCZIM | Construction of Mabvuku Depot | 26 314 397 |
| **Total** | | **$1 121 845 435** |

**Risks/Implications**

The Government debt might accumulate to unsustainable levels and could result in litigation.

Government programmes may be adversely affected as resources could be diverted towards servicing contingent liabilities.

**Recommendation**

The Ministry should continue to engage Treasury regarding the NOCZIM debt of $26 314 397 as well as the $1 095 531 038 for ZESA should be followed up without further delay so that if need be Government can start repaying otherwise the interest charges will continue to increase.

**Management Response**

**The audit observations have been noted. The Ministry will continue to pursue the matter that the amount be considered as public debt, by the Ministry of Finance and Economic Development after Parliament has ratified it.**

**As regards the NOCZIM debt, the Ministry has not written to Treasury for the amount to be declared a public debt. This is because there was the Debt Redemption Fund that had funds to liquidate that amount. The Ministry had been trying to locate the creditor but failed. This has since been handed over to Treasury.**

**The amount on the Contingent Liabilities should stand at $1 095 531 038 which is ZESA loans and interest.**

## 2 REVENUE MANAGEMENT

### 2.1 Outstanding Revenue

#### Finding

An examination of the Outstanding Revenue return revealed an outstanding amount of $31 457 760 as at December 31, 2019. This increased by $7 094 291 (29%) from the previous year's outstanding revenue figure of $24 363 468. I am concerned about the huge outstanding debt and the slow recovery rate. Section 49 (1) of the Public Finance Management (Treasury Instructions), 2019 states that as a general rule, receivers of revenue are responsible for the collection of their own revenue and debt. (2) Officers responsible for collecting debts shall take adequate steps to collect any sum due to Government on due date and shall on no account allow a debt to become extinguished through lapse of time. The same issue was raised in my previous audit report.

#### Risks/Implications

Potential revenue due to the Ministry may remain uncollected resulting in the Ministry failing to carry out its mandate. Failure to timeously collect revenue received from debtors may result in the debts becoming irrecoverable.

#### Recommendation

The Ministry should ensure that all revenue due to Government is recovered timeously in compliance with section 49 (1) of the Public Finance Management (Treasury Instructions), 2019.

#### Management Response

**The bulk of the amount of outstanding revenue is from ZESA in respect of the interest. However, the Ministry will continue to pursue the issue so that ZESA will honour their obligations.**

**As for the other outstanding revenue, the officers have been handed over to the Civil Division of the Attorney General's Office.**

## 3 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT

### FINDINGS 3.1 Supply Grant from Retention Funds

The Ministry did not disclose in the Appropriation Account for year 2018 a supply grant from retention funds of $81 612 000 leading to an understatement of the reported budget provision.

*I observed that the understatement of $81 612 000 remained uncorrected at the time of concluding the current audit.*

### 3.2 Salary Reconciliation

Salary reconciliations were now being performed

### 3.3 Audit Committee

There was no evidence that the Audit Committee met during the year under review.

## VOTE 23.- INFORMATION COMMUNICATION TECHNOLOGY AND COURIER SERVICES

### APPROPRIATION ACCOUNT 2019

### Mandate of the Ministry

The Ministry's mandate is to develop a knowledge-based society with ubiquitous connectivity by exploiting the potential of Information Communication Technologies (ICT) for sustainable socio-economic development.

### Opinion

I have audited the Appropriation Account for the Ministry of Information Communication Technology and Courier Services for the financial year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve/ Supplementary | Total | Expenditure | Net Under spending |
|---|---|---|---|---|
| $17 912 000 | $53 123 018 | $71 035 018 | $61 981 859 | $9 053 159 |

In my opinion, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Ministry of Information Communication Technology, Postal and Courier Services for the year ended December 31, 2019, in accordance with Generally Accepted Accounting Practice (GAAP).

However, below are material issues noted during the audit:

## 1 GOVERNANCE ISSUES

### 1.1 Audit Committee

### Finding

I observed that whilst the Ministry had established an Audit Committee, the Committee had not convened any meeting during the year under review. This was contrary to Section 84 of the Public Finance Management Act [*Chapter 22:19*]. Upon inquiry I was informed that this was due to lack of guidance on payment of sitting allowances for Audit Committee members.

### Risk/Implication

Failure to convene meetings by the Audit Committee may affect the implementation of audit issues raised by both Internal and External Audit.

### Recommendation

The Ministry should seek guidance from Treasury on payment of Audit Committee members sitting allowances.

**Management Response**

**The observation was noted. The Ministry has been finding it difficult to convene Audit Committee meetings because the members are demoralised since there was no incentive for their efforts. Treasury issued a circular in February 2020 which became effective on March 01, 2020 providing for fees for Boards and Committees other than those of Statutory Bodies. The Ministry is also going to engage Treasury on the way forward in terms of ensuring that the Audit Committee convenes as provided in the statutes.**

## 2 SUB- PAYMASTER GENERAL'S ACCOUNT

### 2.1 Paymaster General Account Expenditure

**Finding**

The Ministry's expenditure incurred through the Sub-Paymaster General Account was $22 303 559 whereas the Public Finance Management System and the Appropriation Account total expenditure reported for the year amounted to $61 981 589. The resultant variance of $39 678 030 was not fully explained. Ordinarily all expenditure should be incurred through the Sub-Paymaster General Account.

**Risk/Implication**

Failure to reconcile PFMS Expenditure to the Sub-Paymaster General's Account could inhibit transparency in the use of public financial resources.

**Recommendation**

Variances between the Sub-Paymaster General's Account and the PFMS balances for expenditure should be explained and documented to enhance transparency and accountability.

**Management Response**

**The difference of $39 678 030 between the Appropriation Account Expenditure of $61 981 589 in the Public Finance Management System (PFMS) and $22 203 559 in the Sub-Paymaster General Account was as a result of the following items:**

| | $ |
|---|---|
| **Employment Costs:** | **2 436 564** |
| **Set Off Arrangements:** | **500 000** |
| **Foreign Currency Payment Tel One:** | **35 023 018** |
| **Payments in progress prior to recall of Funds by Treasury:** | **1 272 223** |
| **Total** | **$39 231 805** |

**The Ministry is still investigating the difference of $446 225.**

**Evaluation of Management Response**

*By the time of concluding my audit, the Ministry had not yet resolved the balance of $446 225, I therefore could not validate the accuracy of the reconciliation submitted for audit.*

## 3 REVENUE COLLECTION AND DEBT RECOVERY

### 3.1 Public Financial Assets

**Finding**

The statement of Public Financial Assets reflected an amount of $59 746 823 and included in this amount was a Tel One amount of $35 023 018 which did not have supporting documents.

**Risk/Implication**

The disclosed Public Financial Assets balance may be materially misstated due to lack of documentation, reconciliation of balances and lack of coordination between the parent Ministry and Tel One.

**Recommendation**

The Parent Ministry should coordinate with Tel One and regularly perform reconciliations with the same to ensure credibility and reliability of balances disclosed in the Public Financial Assets Return.

**Management Response**

**We take note of the discrepancy relating to the amount for lending and equity where the actual figure is supposed to be $35 023 018 instead of $35 000 000 as provided on the schedule from Tel One.**

## 4 PROCUREMENT

### 4.1 Direct Payments to Creditors

**Finding**

I noted that Treasury entered into set off arrangements on behalf of the Ministry and some of its suppliers for amounts totaling $503 406. However, the Ministry did not avail the journal vouchers used to introduce the effect of the set off arrangement into the PFMS, invoices that had been settled, receipts from the goods/service providers and creditors ledgers to show the movement in creditor balances after taking into account the set offs.

**Risk/Implication**

Creditors balance may not reflect fully the effect of set off arrangements resulting in financial prejudice to the Ministry.

**Recommendations**

Management should ensure that creditor ledgers and age analysis are maintained and updated regularly to fully reflect the effect of set off arrangements.

Management should obtain supporting documentation for all set off arrangements like receipts from suppliers and the supporting documentation from Treasury.

**Management Response**

**The observation was noted. With regard to direct payments made by Treasury on our behalf through set offs, the Ministry did not introduce the journals into the system as this was done by Treasury. A set-off usually happens when a debt confirmation is acknowledged by us and is sent to Treasury by the service provider. We only received communication to the effect that a set off has been actioned against our budget. We then adjusted our Creditors' ledger upon receipt of the set-off letter from Treasury as confirmed by the transaction in the PFMS system. However, in future we will engage Treasury to avail the journals for filing, and also service providers for proof of payment.**

**Evaluation of Management Response**

*Treasury upon effecting set offs on behalf of line Ministries instructs Ministries to request from service providers, documents such as statements and receipts as proof of payment. The Ministry can also request for supporting journal vouchers from Treasury. This is to ensure that all transactions processed by the Ministry are documented.*

## 5 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 5.1 Creditors Records

Proof of payments for direct payments made in 2018 were not availed for audit.

### 5.2 Statement of Contingent Liabilities

The 2018 return for Contingent Liabilities were not adjusted to reflect the nature of transactions that led to variances between the opening balances and closing balances for Contingent Liabilities in the 2018 financial year.

### 5.3 Statement of Public Financial Assets

The amount due of $25 310 419 remained outstanding as no repayments were made by Tel One.

## VOTE 25.- PUBLIC SERVICE COMMISSION

### APPROPRIATION ACCOUNT 2019

### Mandate of the Commission

The Public Service Commission's mandate, as enshrined in the Constitution of Zimbabwe. Section 199 and 203 is to create operational structures for all line Ministries, appoint qualified and competent persons to hold posts in the Civil Service, fix and regulate conditions of service including salaries and allowances of the members of the Civil Services, exercise disciplinary powers and investigate and remedy grievances of members of the Civil Service. The commission is also mandated to implement measures to ensure effective and efficient performance within and general well-being of the Civil Service and to ensure that members of the Civil Service carry out duties efficiently and impartially.

### Opinion

I have audited the Appropriation Account for the Public Service Commission for the financial year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net Under spending |
|---|---|---|---|---|
| $568 929 000 | $109 409 507 | $678 338 507 | $660 399 372 | $17 939 135 |

In my opinion, the Appropriation Account, Finance and Revenue Statements and other supporting returns fairly present the state of affairs of the Public Service Commission as at December 31, 2019 in accordance with Generally Accepted Accounting Practices (GAAP).

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

## 1 SUB-PAYMASTER GENERAL ACCOUNT (PMG)

### 1.1 Sub-Paymaster General Account Reconciliation

#### Finding

The Appropriation Account and PFMS consumed budget reflected an amount of $1 695 619 672 whilst the Paymaster General Account reconciliation had $1 695 475 949 as payments by the Commission resulting in an imbalance of $143 723. However, the Commission did not reconcile the two amounts and therefore the accuracy and completeness of the expenditure figure for the year could not be ascertained.

#### Risks/Implications

The presence of differences between expenditure figures in the Appropriation Account and the PMG account may compromise the reliability of the financial statements.

There is a likelihood that payments made in the system might not have been processed at the bank or could have been reversed and this gives room for irregular payments.

**Recommendation**

The Commission should reconcile the figures to ensure that all expenditure processed is fully accounted for enhancing accuracy and reliability of the financial information.

**Management Response**

**The difference is in respect of expenditure captured in the SAP which was supposed to be reversed on account of inability by Treasury to fund the payments by the end of the year. Treasury have been approached with a view to have the 2019 period opened in the SAP system to facilitate the reversal.**

**Evaluation of Management Response**

*A reconciliation showing all the necessary reversals should be submitted**.***

## 2 GOVERNANCE ISSUE

### 2.1 Unallocated Reserves

**Finding**

A variance of $1 304 369 was noted between Treasury records for Unallocated Reserves and records maintained by the Commission. Treasury records had an amount of $110 713 876 whilst Commission records had an amount of $109 409 507. No reconciliations had been carried out to establish the correct figure.

**Risks/Implications**

Incorrect budget figures may be reported if reconciliation of variances are not done.
Errors remain uncorrected.

**Recommendation**

The Commission should reconcile its figure to the Treasury figure.

**Management Response**

**The amount of $1 304 369 was not released in the SAP system and hence cannot be said to have been effectively given to Public Service Commission (PSC). There was no need for additional UR of $1 304 369 in light of the fact that the the employment costs were tallying with what had been released.**

**Evaluation of Management Response**

*The Commission should continue to make follow ups with Treasury with a view of making the necessary adjustments.*

## 3 PROCUREMENT

### 3.1 Purchase of Twenty (20) Dragon Buses

#### Findings

The review of documents relating to the purchase of twenty (20) Golden Dragon buses in 2019 at a cost of USD$2 661 095 based on the direct procurement method revealed that there was no Special Procurement Oversight Committee review that was done. Section 54 (2) of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*] stipulates that for the purpose of scrutinising especially valuable procurement and exempted contracts, there is hereby constituted a special procurement oversight committee which shall report to the Minister and the Authority. The Public Service Commission is a Class A procuring entity with a threshold for the Accounting Officer of USD$200 000 which the contract exceeded.

Subsequently, the Accounting Officer sought a waiver from review by the Special Procurement Oversight Committee in retrospect but up to the time of concluding the audit no waiver had been granted by the Procurement Regulatory Authority of Zimbabwe. Section 67 (10) of the Public Finance Management (Treasury Instructions), 2019 states that the Accounting Officers may only dispense with or depart from the provisions of the Procurement Regulations with the express authority of the Procurement Regulatory Authority of Zimbabwe (PRAZ).

Furthermore, there was no Procurement Management Unit (PMU) at the time the 20 Golden Dragon buses were procured in 2019. The Commission had not established a PMU as required by section 17 (1) of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*]. The PMU is responsible for managing all the entity's procurement activities in accordance with the above.

In addition, there was no evidence in form of minutes of meetings showing that the Evaluation Committee had been appointed and their involvement in the procurement of these buses as prescribed by the procurement regulations. Section 18 (1) of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*] stipulates that for each procurement above the threshold, the Accounting Officer of a procuring entity shall appoint an evaluation committee in accordance with this section. I was therefore not able to establish if indeed the Commission got value for money.

#### Risks/Implication

If procurement regulations are not followed this may result in uneconomic buying and this may give room for kickbacks.

#### Recommendations

The Accounting Officer should ensure that procurement is effected in a manner that is transparent, fair, honest, cost-effective, and competitive.

The Commission should still pursue the issues with PRAZ for rectification.

#### Management Response

**The Procurement Management Unit (PMU) was consummated late due to PSC management architecture change that took place in 2018. In that regard following unjustifiable fare increases by private operators in January 2019 and the immediate**

**pressure for transport from civil servants, PSC conceived hiring of buses and procurement of 20 buses using the administrative structure that was in existence before the PMU was established. We wish to bring to your attention that subsequent purchases of buses under the same conditions were handled by PMU.**

**Management approached Special Procurement Oversight Committee (SPOC) seeking condonation as the purchase was done before the appointment of the Procurement Management Unit (PMU). The procurement was undertaken during transitional period of 2018-2019.**

**Evaluation of Management Response**

*The Public Service Commission should make a follow up with PRAZ.*

## 4 EMPLOYMENT COSTS

### 4.1 Vacation Leave days

**Findings**

According to Statutory Instrument 162 of 2007 (Part V) of the Public Service Commission there are five types of leave days that an employee is entitled to which are; vacation, annual, sick, special and maternity leave. Audit noted that during the period under review employees were entitled to reserve days and these were being reflected on the pay sheets. Audit could not ascertain where the reserve days were emanating from considering they were not covered under the leave entitlements stated in Statutory Instrument 162 of 2007.

Furthermore, Section 27 (1) of Statutory Instrument 162 of 2007 stipulates that, a member shall accrue vacation leave at a rate of three days per month or thirty-six days per annum up to a maximum of one hundred and twenty days. During the period under review audit observed that in some instances the threshold of 120 days was exceeded as was reflected on the pay sheets and this would be contingent liability that should not be borne by the state.

**Risks/Implications**

Improper expenditure may be incurred in the form of cash in lieu of encashment in the event of a member leaving employment, hence prejudicing the State.

Also man hours can be lost as employees go on leave that they are not entitled to.

**Recommendations**

The Commission should ensure that vacation leave days accrue to a maximum of 120 days and cease thereafter in line with Statutory Instrument 162 of 2007.

Conditions of service should not be varied without the necessary authorization.

Members of staff should be encouraged to take some time off their work as this promotes good healthy thereby bringing more productivity.

**Management Response**

**Observation is acknowledged. A leave policy that is compliant to Statutory Instrument 162 of 2007 is being worked on. Meanwhile vacation leave accrual cap of 120 days is being enforced.**

**Evaluation of Management Response**

*Improperly accrued leave days should be reversed.*

## 4.2 Acquittal of Monthly Pay Sheets and Reconciliations

**Findings**

The Public Service Commission HR Procedures Manual paragraph 6.1.6 requires the Human Resources Department to collect the pay sheet from Salary Service Bureau together with the pay slips. This is generally a week before pay day. The Head of the Pay Station and any other two members will sign the pay sheet certifying: (i) That members on the pay sheet were actually and bona fide employees during the month shown (ii) members were appropriately remunerated. The signed copy of the acquittal pay sheet should then be filed. However, during the period under review the Commission did not sign and acquit the monthly pay sheets as evidence that the people paid were bona fide employees.

Furthermore, monthly reconciliations were not performed between the SSB figures and the PFMS figures as required by Treasury Circular B/1/88. As a result, I could not confirm the accuracy of the expenditure on employment costs disclosed in the financial statements.

**Risks/Implications**

Members could be inappropriately remunerated since checks and balances were not being performed monthly.

It may be difficult to state with certainty the exact employment costs incurred by the Ministry during the financial year under review.

**Recommendations**

The Commission should perform monthly acquittal of pay sheets to comply with HR Procedures Manual 6.1.6.

The pay sheets should be acquitted in retrospect to validate the correctness of payments done.

The Commission should carry out monthly pay sheet reconciliations in line with Treasury Circular B/1/88

**Management Response**

**Observation is acknowledged. Monthly pay sheet acquittal control has been instituted where the General Manager, Human Resources inspects the acquittals at the end of each month.**

## VOTE 26.- COUNCIL OF CHIEFS

## APPROPRIATION ACCOUNT 2019

### Mandate of the Council

The National Council of Chiefs' mandate is to capacitate Traditional Leadership institutions to effectively drive rural development as well as promoting and preserving cultural values of their communities.

### Qualified Opinion

I have audited the Appropriation Account for the Zimbabwe Council of Chiefs for the financial year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers /Supplementary Estimate | Total Allocated | Expenditure | Net Under spending |
|---|---|---|---|---|
| $5 202 000 | $11 470 000 | **$16 672 000** | $7 499 474 | **$9 172 526** |
| **Constitutional and Statutory Appropriations** | | | | |
| **$8 693 000** | $29 403 000 | **$38 096 000** | $37 964 679 | **$131 321** |

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Zimbabwe Council of Chiefs for the year ended December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Paymaster General's Account (PMG)**

### Findings

The Appropriation Account and SAP printout reflected total expenditure of $45 464 153 for the voted and constitutional appropriation while the Sub-Paymaster General Account (PMG) showed an amount of $43 776 831 resulting in an imbalance of $1 687 321. The two figures were not reconciled, therefore, the accuracy and completeness of the total expenditure incurred by the Council of Chiefs could not be ascertained.

**Risk/Implication**

The presence of material differences between expenditure figures in the Appropriation Account and the Sub-PMG may compromise the reliability of the financial information.

**Recommendation**

There is need to reconcile the figures in the Public Finance Management System consumed budget and expenditure shown in the PMG to ensure that all expenditure processed outside the system is fully accounted for to enhance accuracy and reliability of the financial information.

**Management Response**

**The differences of the PMG and the Appropriation Accounts is as a result of payments of allowances to Chiefs and Headman who are on SSB payroll but did not receive cash support from Treasury. The above mentioned expenditure was only recognised on SAP and not supported with cash on the PMG bank Account.**

**Evaluation of Management Response**

*The variance still needs to be reconciled and supported with adequate documentation.*

## 2 PROCUREMENT OF GOODS AND SERVICES

### 2.1 Procurement Procedures

**Finding**

The Council of Chiefs bought four vehicles (*Isuzu KB 250 Double Cabs D-Tek 4x4*) on October 28, 2018 through the paynet facility at a total cost of $499 999 (ZWL). The exchange rate that was used was not specified, however, at the time of procuring the vehicles, the official exchange rate of ZWL to USD was one to one (1 USD:1 ZWL). Therefore, the vehicles were purchased for a total value of US$499 999 with each vehicle costing US$125 000 and the supplier's invoice dated October 29, 2018 quoted in USD, showed the total of US$499 999.

The procurement was based on resolutions made on June 26, 2017 by the State Procurement Board *(ref SPB/C/5)* and an amount of US$50 500 was approved for each vehicle giving a total of US$202 000 for the four vehicles. The Council therefore procured the vehicles at a cost that exceeded the authorised amount by US$297 000. No documentation was availed as authority to acquire the vehicles at a price higher than originally approved.

Furthermore, market analysis revealed that the price for the same vehicles ranged from US$38 000 to US$70 000 as at January 19, 2021. Therefore, I was not satisfied that the entity got value for money out of this purchase. This was against the provisions of section 22 (1) of Public Finance Management (Treasury Instructions), 2019 provides that it is the duty of every person responsible for the expenditure of public funds to safeguard the funds and ensure that they are spent only on legally authorised purposes and in legally authorised amounts.

**Risk/Implication**

Failure to follow procurement procedures may expose the Council of Chiefs to fraudulent activities and uneconomic buying which may not be to the best advantage of the State.

**Recommendation**

Procurement guidelines should be adhered to as this will ensure efficient use of government resources. Investigations should be carried out to establish the reasonableness of the transactions in terms of the value paid.

**Management Response**

**The Procuring Unit was not fully operational and we used the running tender at CMED to urgently procure four vehicles for the outstanding Chiefs who had been appointed. All procurement is now done through the PMU. Please note that the price on the tender is US$50 025 on June 22, 2017 but the quoted price per vehicle on October 29, 2018 was $125 000 RTGS. So the two cannot be compared.**

**Evaluation of Management Response**

*Since the quotation had a different and higher figure for the vehicles from the resolution made in 2017, the Ministry was supposed to get another authority to procure the vehicles at the higher value. Further, the $125 000 (ZWL) can be converted to USD and comparison can therefore be made.*

## 3 PROGRESS IN ADDRESSING PRIOR YEAR FINDINGS

### 3.1 Excess Expenditure

There was an over expenditure of $304 172 incurred during the year as a result of failure to capture all the expenditure paid through the SSB. The issue was not resolved as evidenced by the excess which was also incurred in the current year.

### 3.2 Sub- Paymaster-General Account Reconciliations

There were unreconciled differences between the total expenditure figures shown in the Appropriation Account of $ 15 014 615, the SAP which had $15 360 047 and the Sub-Paymaster General account which had $15 943 042. The variances were not cleared.

### 3.3 Overstatement of Traditional Leaders' Allowances

The expenditure figure of $7 936 732 indicated as Traditional leaders' allowances could not be relied on as the figure included outstanding allowances worth $623 889. The issue of overstatement of Traditional leaders' allowances was not resolved as the pay sheet was still being reconciled.

## VOTE 27.- ZIMBABWE HUMAN RIGHTS COMMSSION

### APPROPRIATION ACCOUNT 2019

### Mandate of the Commission

The mandate of the Zimbabwe Human Rights Commission is to promote the protection, development and attainment of human rights and freedoms.

### Opinion

I have audited the Appropriation Account for the Zimbabwe Human Rights Commission for the year ended December 31, 2019 and notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve Transfers | Total Allocated | Expenditure | Net Under spending |
|---|---|---|---|---|
| $10 900 000 | - | **$10 900 000** | $9 959 471 | **$940 529** |

In my opinion, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Zimbabwe Human Rights Commission for the year ended December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

However**,** below are other material issues noted during the audit:

## 1 MANAGEMENT OF ASSETS

### 1.1 Maintenance of Asset Records

### Finding

For the second year running, the Commission did not maintain a proper assets register. The departmental assets register and inventory control registers lacked essential elements such as asset numbers, date of acquisition, asset value and location. Assets such as office furniture had no identification numbers. This is contrary to the requirements of Section 100 (4) of the Public Finance Management (Treasury Instructions), 2019.

### Risk/Implication

Failure to record full description of assets and location makes it difficult to account for the assets such that functional assets may be exchanged for non-functional assets without trace.

### Recommendation

Management should ensure that all office furniture and equipment are coded and full description of the assets such as name, asset number, serial number and location are recorded in the asset registers and inventory control sheets.

**Management Response**

**The observation has been noted. Processes are currently underway to input asset numbers and dates of acquisition by December 31, 2020.**

## 2 PROCUREMENT

### 2.1 Tender Splitting

**Finding**

The Commission procured fuel amounting to $566 476 by splitting quantities in order to avoid going to tender. This was contrary to the provisions of Section 25 (2) (a) of the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*] provides that a procurement requirement shall not be divided in order to avoid financial thresholds prescribed for the purposes of determining the appropriate procurement method, whether such division is by way of splitting a quantity of a single procurement requirement or splitting of a generic procurement requirement into several lots.

**Risk/Implication**

Goods and services may be procured from undeserving suppliers

**Recommendation**

To ensure efficient and economic use of public resources Management should not split procurements to avoid financial thresholds.

**Management Response**

**The finding is acknowledged. The challenge was caused by the misunderstanding on the non-rating of the USD 10,000.00 on the interbank market. All financial threshold on tendering limits are now being observed religiously. The Government promulgated Statutory Instrument No. 5 of 2018 which had US$ thresholds whilst transactions in the period under review were in ZW$.**

## VOTE 32.- ZIMBABWE GENDER COMMISSION

## APPROPRIATION ACCOUNT 2019

### Mandate of the Commission

The Commission's mandate is to promote gender equality and equity as well as addressing the gap between policy and legislation and lived realities of women, men, girls and boys in Zimbabwean society.

### Qualified Opinion

I have audited the Appropriation Account for the Zimbabwe Gender Commission for the year ended December 31, 2019 and the notes to the Appropriation Account.

Below is a summary of what was allocated and spent during the year:

| Voted Funds | Unallocated Reserve/ Supplementary Budget | Total | Expenditure | Net Under/ Over Spending |
|---|---|---|---|---|
| $2 000 000 | $4 033 000 | $6 033 000 | $5 954 945 | $78 055 |

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of my report, the Appropriation Account, Finance and Revenue statements and other supporting returns fairly present the state of affairs of the Zimbabwe Gender Commission as at December 31, 2019 in accordance with Generally Accepted Accounting Practice (GAAP).

### Basis for Qualified Opinion

**(i) Salary Bill**

### Reconciliations Finding

Contrary to Treasury Circular B/1/88 dated June 5, 2018 that requires Finance Directors to carry out monthly salary bill reconciliations, the Commission did not perform monthly salary reconciliations for the year ended December 31, 2019. The total employment costs as extracted from Salary Services Bureau (SSB) salary bills amounted to $1 434 110 while the figure disclosed in the Appropriation Account was $1 263 194 resulting in an unreconciled variance of $170 916. This was caused by lack of supervision.

### Risks/Implications

It might be difficult to detect ghost employees and irregular changes that may be made to the Commission's salary bill.

The exact employment costs incurred by the Commission during the financial year under review might not be known with certainty.

### Recommendation

The Commission should investigate and reconcile the variance of $170 916.

**Management Response**

**Your observation on the variance of $170 916 has been noted. The variance emanated from the salary for December 2019 which was not processed in the System Application Product (SAP). However, we engaged the Ministry of Finance and Economic Development to upload the aforesaid amount to enable us to process in the SAP. A copy of letter written to the Ministry of Finance and Economic Development was availed for audit inspection.**

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

## 1 GOVERNANCE ISSUES

### 1.1 Audit Committee

**Finding**

I observed with concern that the Commission did not have a functional Audit Committee in violation of Treasury Instruction 1946 as read together with Section 84 (1) of the Public Finance Management Act [*Chapter 22:19*]. This was evidenced by non-availability of minutes of meetings held and lack of appointment letters for members.

**Risk/Implication**

The work of Internal Audit might not be subjected to independent scrutiny leading to possible override of internal controls.

**Recommendation**

The Commission should take measures to ensure that an Audit Committee is duly appointed and functional to guarantee effective management of public resources.

**Management Response**

**Your observation has been noted. Currently, the Commission is in the process of finalising the appointment of an Audit Committee.**

### 1.2 Key Vacant Post

**Finding**

Section 80 of the Public Finance Management Act [*Chapter 22:19*] stipulates that the Public Service Commission may appoint an officer of the public service as an internal auditor to any Ministry or reporting unit of a Ministry. I noted that the Zimbabwe Gender Commission (ZGC) did not have a substantive Internal Auditor. This implied that the financial administration and procedures were not monitored during the course of the year 2019.

**Risk/Implication**

Override of internal checks and controls might not be detected.

**Recommendation**

The Zimbabwe Gender Commission should engage the Public Service Commission in order to seek recruitment and appointment of an Internal Auditor.

**Management Response**

**The interviews for the post were conducted. The successful candidate did not accept the offer. The second successful candidate accepted the offer and the transfer process from Public Service Commission is still in progress hence the recruitment process of the Internal Auditor took much longer than anticipated.**

## 2 PROGRESS IN ADDRESSING PRIOR YEAR AUDIT FINDINGS

### 2.1 Employment Costs

The Commission had not yet managed to reconcile variances of $16 553 between the figures disclosed in the Appropriation Account and Salary Services Bureau schedule of employment costs.

### 2.2 Results Based Management

It was observed that the Commission did not prepare and submit year 2018 Ministry integrated Performance Agreement, Departmental Integrated Performance Agreements, Work and Performance Monitoring Plan and Quarterly Performance Reports. The Commission took heed of the observation and submitted the required year 2019 Results Based Management documents.

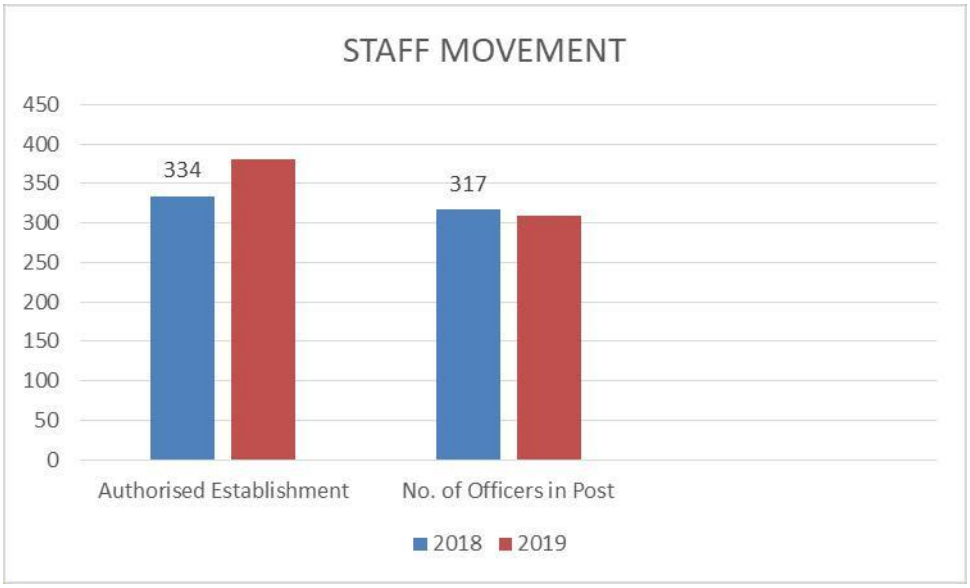
## ANNEXURE A

### STATIONS VISITED DURING THE 2019 FINANCIAL YEAR

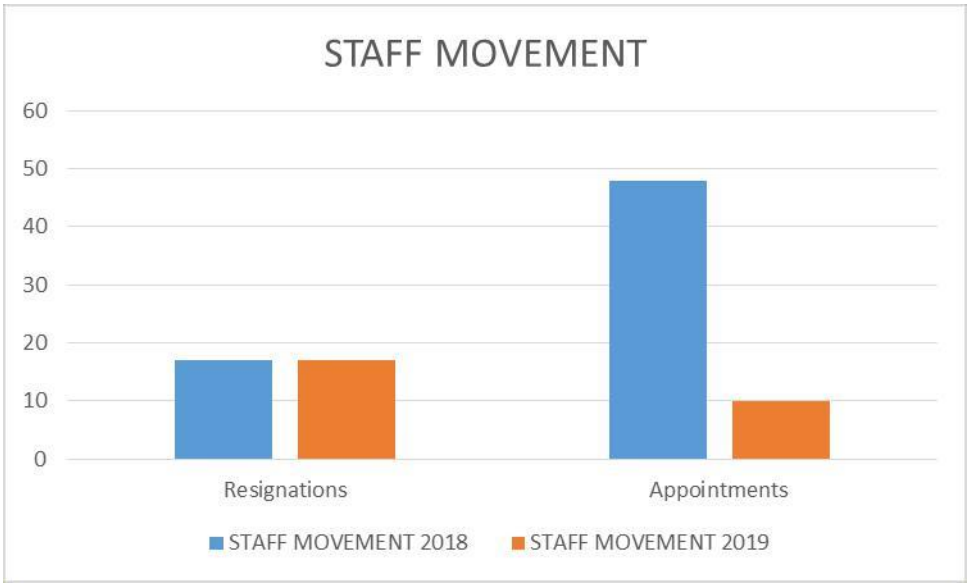
| Name of Ministry | Accounting stations | Number of stations visited | |
|---|---|---|---|
| | | **2019** | ***2018*** |
| Office of the President and Cabinet | 92 | NIL | *57* |
| Youth, Sport, Art and Recreation | 79 | NIL | *NIL* |
| National Peace and Reconciliation Commission | 1 | NIL | *NIL* |
| Primary and Secondary Education | 555 | 10 | *22* |
| Energy and Power Development | 3 | Nil | *Nil* |
| Finance and Economic Development | 1 | Nil | *Nil* |
| Tourism and Hospitality Industry | 1 | Nil | *Nil* |
| Transport and Infrastructural Development | 41 | Nil | *24* |
| Foreign Affairs and International Cooperation | 33 | Nil | *Nil* |
| Media, Information and Broadcasting Services | ……. | Nil | *……..* |
| Parliament of Zimbabwe | 1 | Nil | *1* |
| Home Affairs and Cultural Heritage (ZRP) | 609 | 5 | *19* |
| Judicial Services Commission | 78 | Nil | *33* |
| Defence and War Veterans Affairs | 76 | 10 | *2* |
| Industry and Commerce | 19 | 3 | *5* |
| Local Government, Public Works and National Housing | 171 | 61 | *48* |
| Health and Child Care | 150 | 18 | *18* |
| Environment, Water and Climate | 1 | Nil | *Nil* |
| Justice, Legal and Parliamentary Affairs | 110 | 9 | *18* |
| Mines and Mining Development | 10 | Nil | *Nil* |
| Higher & Tertiary Education, Science & Technology Development | 27 | Nil | *4* |
| Public Service Commission | 76 | Nil | *58* |
| Lands, Agriculture, Water, Climate & Rural Resettlement. | 635 | 22 | *190* |
| Information Communication Technology, Postal and Courier Services | 1 | Nil | *1* |
| **Totals** | **2 766** | **138** | ***498*** |

## ANNEXURE B

## STAFF LEVELS AND MOVEMENTS




## NEW APPOINTMENTS AND RESIGNATIONS IN THE YEAR 2019 COMPARED WITH 2018



## ANNEXURE C

### OPINIONS PER ACCOUNT COMPARED TO PREVIOUS YEAR

| Vote No. | Name of Account | Current year opinion 2019 | Prior year opinion 2018 |
|---|---|---|---|
| 1. | **Office of the President And Cabinet** | Unqualified | Unqualified |
| 2. | **Parliament of Zimbabwe** | Qualified | Qualified |
| 3. | **Public Service, Labour and Social Welfare** | Unqualified | Unqualified |
| | Children on the Streets Fund | Unqualified | Unqualified |
| | Community Recovery Fund | Unqualified | -- |
| | Yvonne Eustasie Parfitt Homes for the Aged Fund | Unqualified | Unqualified |
| 4. | **Defence and War Veterans** | Qualified | Qualified |
| | Defence Procurement Fund | Qualified | Qualified |
| | National Heroes Dependants Assistance Fund | Unqualified | Unqualified |
| | War Veterans Fund | Qualified | Qualified |
| 5. | **Finance and Economic Development** | Unqualified | Qualified |
| 6. | **Audit Office** | Unqualified | Unqualified |
| 7. | **Industry and Commerce** | Unqualified | Unqualified |
| 8. | **Lands, Agriculture, Water, Climate and Rural Resettlement** | Unqualified | Qualified |
| 9. | **Mines and Mining Development** | Unqualified | Qualified |
| 10. | **Environment, Tourism and Hospitality Industry** | Qualified | Qualified |
| 11. | **Transport and Infrastructural Development** | Qualified | Qualified |
| | Department of Roads Fund | Qualified | Disclaimer |
| 12. | **Foreign Affairs and International Trade** | Qualified | Qualified |
| 13. | **Local Government, Public Works and National Housing** | Qualified | Qualified |
| 14. | **Health and Child Care** | Qualified | Qualified |
| 15. | **Primary and Secondary Education** | Unqualified | Unqualified |
| 16. | **Higher and Tertiary Education, Science and Technology Development** | Qualified | Unqualified |
| 17. | **Women Affairs, Community, Small and Medium Enterprise Development** | Qualified | Qualified |
| 18. | **Home Affairs and Cultural Heritage** | Qualified | Qualified |
| 19 | **Justice, Legal and Parliamentary Affairs** | Qualified | Qualified |
| 20. | **Information, Publicity and Broadcasting Services** | Unqualified | Unqualified |
| 21. | **Youth, Sports, Arts and Recreation** | Unqualified | Unqualified |
| 22. | **Energy and Power Development** | Qualified | Unqualified |
| 23. | **Information Communication Technology and Courier Services** | Unqualified | Qualified |
| 24. | **Judiciary Services Commission** | Unqualified | Unqualified |
| 25. | **Public Service Commission** | Unqualified | Unqualified |
| 26. | **Council of Chiefs** | Qualified | Qualified |

**ANNEXURE C (*Continued*)**

| Vote No. | Name of Account | Current year opinion 2019 | Prior year opinion 2018 |
|---|---|---|---|
| | | | |
| 27. | **Zimbabwe Human Rights Commission** | Unqualified | Unqualified |
| 28. | National Peace and Reconciliation Commission | Unqualified | Unqualified |
| 29. | National Prosecuting Authority | Unqualified | Unqualified |
| 30. | Zimbabwe Anti- Corruption Commission | Accounts not received for Audit. | Accounts not received for Audit. |
| 31. | Zimbabwe Electoral Commission | Accounts not received for Audit. | Accounts not received for Audit. |
| 32. | Zimbabwe Gender Commission | Qualified | Qualified |
| 33. | Zimbabwe Land Commission | Unqualified | Unqualified |
| 34. | Zimbabwe Media Commission | Audit in Progress. | Unqualified |
| 27. | **Zimbabwe Human Rights Commission** | Unqualified | Unqualified |
| 28. | National Peace and Reconciliation Commission | Unqualified | Unqualified |

**ANNEXURE D**

**VARIANCES OF UNALLOCATED RESERVE TRANSFERS FROM TREASURY**

| ***Transfers from the Unallocated Reserve*** | | | | |
|---|---|---|---|---|
| **Vote** | **Name** | **Treasury Amount $** | **Ministry Amount $** | **Variance Amount $** |
| **2** | Parliament of Zimbabwe | 92 076 095 | 94 520 812 | (2 444 717) |
| **11** | Transport and Infrastructural Development | 102 611 984 | 72 525 388 | 30 086 596 |
| **14** | Health and Child Care | 172 809 804 | 180 912 364 | (8 102 560) |
| **18** | Home Affairs and Cultural Heritage | 336 915 861 | 336 915 861 | - |
| **19** | Justice, Legal and Parliamentary Affairs | 57 440 459 | 56 289 689 | 1 150 770 |
| **22** | Energy and Power Development | 44 967 399 | 44 876 663 | 90 736 |
| **25** | Public Service Commission | 110 713 876 | 109 409 507 | 1 304 369 |
| **Total** | | **$917 535 478** | **$895 450 284** | **$22 085 194** |

**ANNEXURE E**

**PAYROLL RECONCILIATIONS VARIANCES**

| Vote | Ministry | SSB Amount ($) | Ministry Amount ($) | Variance ($) |
|---|---|---|---|---|
| | | | | |
| 2 | Parliament of Zimbabwe | 29 762 918 | 27 967 054 | 1 795 864 |
| 4 | Defence and War Veterans | 1 531 499 | 1 414 882 | 116 617 |
| 10 | Environment, Tourism and Hospitality Industry | 2 226 428 | 2 119 379 | 107 049 |
| 11 | Transport and Infrastructural Development | 17 868 413 | 13 422 238 | 4 446 175 |
| 13 | Local Government, Public Works | 45 846 325 | 38 116 882 | 7 729 443 |
| 14 | Health and Child Care | 718 487 150 | 725 884 471 | (7 397 321) |
| 16 | Higher and Tertiary Education, Science and Technology | 79 349 151 | 70 309 727 | 9 039 424 |
| 17 | Women's Affairs, Community, Small and Medium and Enterprise Development | 19 201 444 | 17 845 838 | 1 355 606 |
| 18 | Home Affairs and Cultural Heritage | 710 352 166 | 688 068 144 | 22 284 022 |
| 19 | Justice, Legal and Parliamentary Affairs | 157 870 911 | 152 168 219 | 5 702 692 |
| 32 | Gender Commission | 1 434 110 | 1 263 194 | 170 916 |
| | **Total** | **$1 783 930 515** | **$1 738 580 028** | **$45 350 487** |

## ANNEXURE F

### APPROPRIATION ACCOUNT EXPENDITURE VARIANCES

| Vote | Ministry | Sub - PMG A/C Amount $ | Appropriation A/C Amount $ | Variance $ |
|---|---|---|---|---|
| 2 | Parliament of Zimbabwe | 173 515 670 | 220 572 947 | (47 057 275) |
| 15 | Primary and Secondary Education | 1 948 467 454 | 1 876 573 096 | 71 894 358 |
| 18 | Home Affairs and Cultural Heritage | 203 797 210 | 931 903 413 | (728 106 203) |
| 23 | Information Communication Technology and Courier Services | 22 303 559 | 61 981 589 | (39 678 030) |
| 25 | Public Service Commission | 1 695 475 949 | 1 695 619 672 | (143 723) |
| 26 | Council of Chiefs | 43 776 831 | 45 464 153 | (1 687 321) |
| | | | | |
| | | $4 087 336 673 | $4 832 114 870 | ($744 778 197) |

## ANNEXURE G

### LONG OUTSTANDING REVENUE.

| Vote | Ministry | Nature of Debt | Total Amount of Debt |
|---|---|---|---|
| | | | ZWL |
| 3 | Public Service, Labour and Social Welfare | **Departmental Surcharges, Treasury Orders** | 87 180 |
| 8 | Lands, Agriculture, Water, Climate and Rural Resettlement | **Land levy** | 145 404 199 |
| 9 | Mines and Mining Development | **Mining claim Fees** | 257 927 409 |
| 13 | Local Government, Public Works and National Housing | **Outstanding Rent** | 3 576 127 |
| 15 | Primary and Secondary Education | **Departmental Surcharges, Treasury Orders, Penalties and Fines** | 4 419 362 |
| 18 | Home Affairs and Cultural Heritage | **Accident 3rd Party and Treasury Orders** | 1 187 029 |
| 21 | Youth, Sports, Arts and Recreation | **T&S, Disallowances, Tuition Fees and Dept Surcharges** | 513 842 |
| 22 | Energy and Power Development | **ZESA interest and others** | 31 457 760 |
| **Total** | | | **$444 572 908** |