REPORT

of the

Auditor-General

for the

FINANCIAL YEAR ENDED DECEMBER 31, 2015

ON

STATE ENTERPRISES AND PARASTATALS

Presented to Parliament of Zimbabwe

2016

Office of the Auditor-General of Zimbabwe
5th Floor, Burroughs House
48 George Silundika Avenue
Harare, Zimbabwe

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

Dear Sir,

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

Yours faithfully,

M. CHIRI,
AUDITOR-GENERAL.

HARARE
June 10, 2016.

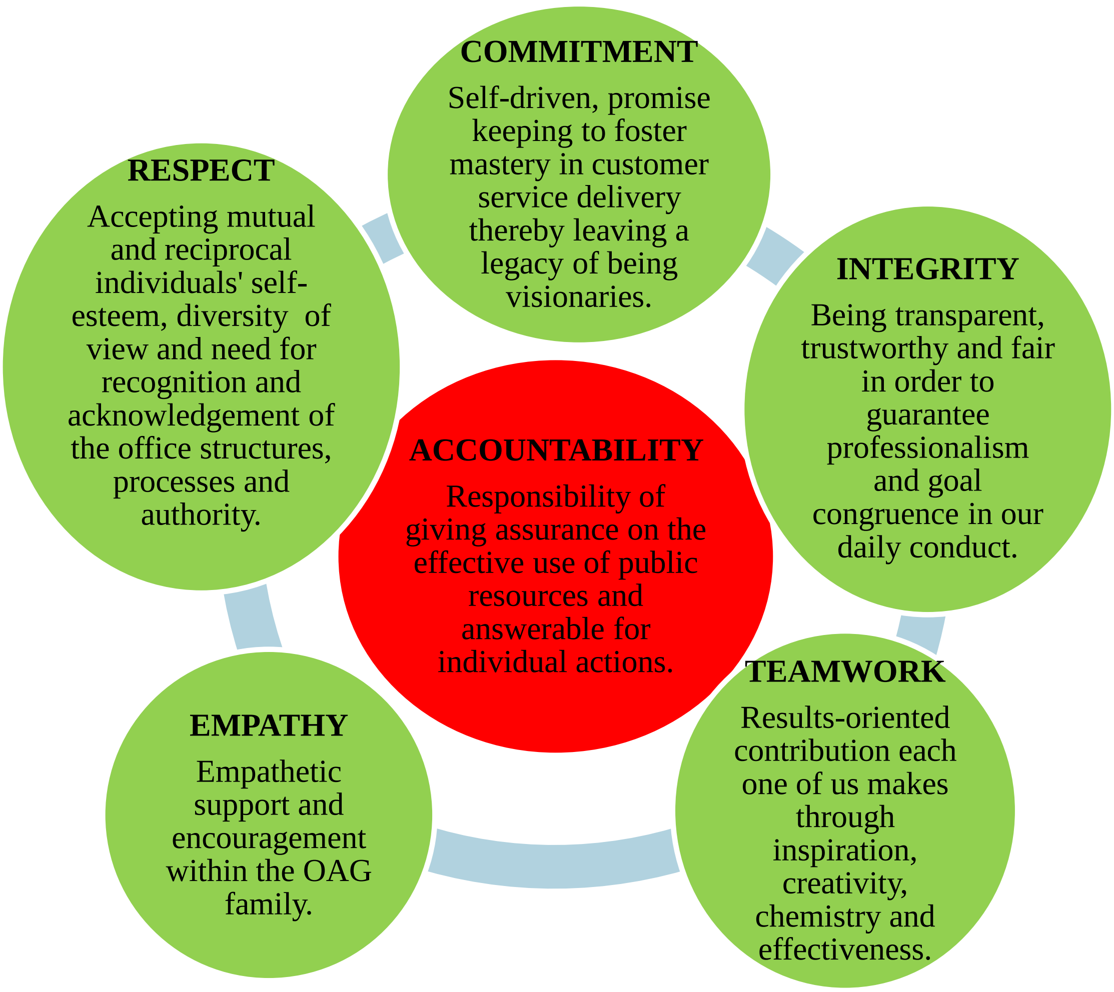
OAG Vision

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

OAG Mission

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

OAG Core Values



LIST OF ACRONYMS

1. CAAZ – Civil Aviation Authority of Zimbabwe
2. CBZ - Commercial Bank of Zimbabwe
3. EIA – Environmental Impact Assessment
4. FCR – Foreign Currency Reserve
5. GRN – Goods Received Note
6. IFRS – International Financial Reporting Standards
7. JV – Joint Venture
8. MMCZ – Minerals Marketing Corporation of Zimbabwe
9. NRZ – National Railways of Zimbabwe
10. NSSA – National Social Security Authority
11. OAG – Office of the Auditor-General
12. PAYE – Pay As You Earn
13. POSB – People's Own Savings Bank
14. POTRAZ – Postal Telecommunication Regulatory Authority of Zimbabwe
15. PSIP – Public Sector Investment Programmes
16. RBZ – Reserve Bank of Zimbabwe
17. RIT- Removal In Transit
18. RTGS - Real Time Gross Settlement
19. S.H.E – Safety Health and Environment
20. SBU – Strategic Business Unit
21. SMEDCO – Small and Medium Enterprises Development Corporation
22. SMEs – Small to Medium Enterprises

23. SPB – State Procurement Board

24. SSB – Salary Service Bureau

25. TIMB – Tobacco Industry Marketing Board

26. TIP-Temporary Import Permit

27. VAT – Value Added Tax

28. ZIA – Zimbabwe Investment Authority

29. ZIMDEF – Zimbabwe Manpower Development Fund

30. ZIMPOST – Zimbabwe Posts

31. ZIMRA – Zimbabwe Revenue Authority

32. ZINARA – Zimbabwe National Roads Administration

33. ZMDC – Zimbabwe Mining Development Corporation

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EXECUTIVE SUMMARY

Audit mandate

My duties as set out in the Constitution of Zimbabwe and amplified in the Audit Office Act [*Chapter 22:18*] are, in addition to examining, auditing and reporting on accounts of all persons entrusted with public monies or state property, to audit all institutions and agencies of government, and at the request of government carry out special audits of the accounts of any statutory body or government controlled entity.

Audit approach

I conducted my audit in accordance with the International Standards on Supreme Audit Institutions (ISSAIs) and the International Standards on Auditing (ISAs). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. My audit approach was designed to enable me to express an opinion on the State Enterprises and Parastatals' financial statements.

All aspects of the entities' activities and procedures may not have been examined. I consider maintenance of adequate internal controls to be the responsibility of management. My work cannot therefore, be expected to identify all weaknesses in the systems and procedures, which a special investigation directed at those areas might reveal. As to the possibility of fraud, I plan my audit to have a reasonable expectation of its disclosure if the potential effects of the fraud would be material in the financial statements. However, there are many kinds of fraudulent activities, particularly those involving defalcation, forgery, collusion and management override of controls, which would be unreasonable to expect the normal audit to uncover.

The principal objective of my audit procedures is to enable me to express an opinion on the truth and fairness of the financial statements as a whole. An audit opinion is based on the concept of reasonable assurance. It is not a guarantee that the financial statements are free of misstatements.

Financial reporting framework

All the State Enterprises and Parastatals financial statements are prepared in accordance with International Financial Reporting Standards as provided for by the Public Finance Management Act [*Chapter 22:19*]. The entities are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS).

The report outlines material audit findings noted during the audits of the financial statements of the State Enterprises and Parastatals. The audit findings are classified under Governance issues, Revenue collection, management and debt recovery, Procurement of goods and services, and Employment costs. Also included under each audited account are possible risks/implications associated with the audit findings, audit recommendations, management responses in respect of the findings, audit comments to management responses where necessary and the audit opinion thereto. Although some of the issues identified are common within the audited entities, the majority of the findings are not the same due to the nature, uniqueness and varying mandates of the entities. The highlights are summarised below.

1. GOVERNANCE ISSUES

Most of the challenges that continue to plague the Zimbabwean public sector entities are of a corporate governance nature. Corporate governance is the system by which corporations are directed, controlled and held to account. It is about oversight of corporations by those responsible to shareholders and stakeholders. Corporate governance world over has been recognised as a tool to fight, among other ills, corruption, corporate scandals, poverty and the agency problem i.e. ensuring that directors and managers avoid serving their own interests but those of government and the people of Zimbabwe.

Some entities continued to operate without Boards of Directors following the expiry of the previous Boards' terms of office. Entities which operated without boards or with boards which were not fully constituted included; Printflow and MMCZ. IDBZ board has less than the legally stipulated number of members.

Some board members borrowed from institutions that they have oversight responsibility.

ZINARA incurred substantial amounts of expenditure which was not supported by adequate documentation. Weak control environments existed in such entities like; Printflow which issued goods without first validating proof of payments or verifying purchase orders and as a result lost goods.

Some entities did not have declaration of interest registers to enable board members to declare and register their interests before meetings. Best practice requires that board members and management should declare interests, if any, before a board or management meeting.

A number of State Enterprises and Parastatals were not honouring obligations to NSSA, ZIMRA, Pension funds and Medical Aid Societies. These include NETONE, ZPC, ZUPCO and NRZ.

A number of entities continued to show signs of liquidity challenges. NET*ONE did not service its loans resulting in penalty charges of $1 696 748 and its current liabilities exceeded its current assets by $55 616 801 as at December 31,2014, ZESA's current liabilities exceeded its current assets by $65 321 490 as at December 31,2014, ZPC did not service its overdue foreign long term loans which amounted to $324 314 133 as at December 31, 2014, Chinhoyi University of Technology's current liabilities exceeded current assets by $3 017 731 as at December 31, 2014, ZIMPOST's current liabilities exceeded its current assets by $23 341 614 as at December 31, 2014 and TEL*ONE had a net liability position of $163 431 710 as at December 31, 2014.

NRZ was operationally handicapped as more than 50% of its locomotive fleet was down.

A number of entities were paying board fees, management salaries and benefits which were not authorised or which were not subjected to tax.

Entities like ZIMPOST, TELONE, ZUPCO, POTRAZ and Bindura University of Science Education had no title deeds for some of their properties.

Harare Central Hospital was using antiquated systems for patient billing and patient records system.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

The challenge facing most of the State Enterprises and Parastatals was failure to recover outstanding debts.

Petrotrade was owed $1 981 876 by a single debtor as at December 31, 2014 and was unsecured.

ZIMRA had a substantial number of Temporary Import Permits and Removal In Transits that had not been acquitted. The Authority had not recovered amounts for VAT refunds that had been fraudulently processed. Declaration forms had inadequate physical security features. Baggage scanners used to detect products at entry points were in most cases non-functional.

The administration of leases was in some cases, not being done in a transparent and accountable manner. For example lease agreements between ZIMPOST, NRZ and their tenants were not available at the time of audit. In addition, there were cases where entities failed to collect lease rentals from tenants.

3. PROCUREMENT OF GOODS AND SERVICES

There were issues noted that ranged from lack of due diligence in procurement to non-compliance with procurement regulations which include the following:

There were instances where informal tender procedures were not followed as required by the Procurement Act [*Chapter 22:14*].

There where instances of management override of controls. For example, acquiring of property without board approval and engaging consultants at quotations above tender limits without going to tender.

Some institutions were operating without procurement policies.

4. EMPLOYMENT COSTS

Employment issues noted during the audits included the following:

Allowances were paid outside the payroll and were not being taxed, contrary to the Income Tax Act [*Chapter 23:06] r*esulting in heavy penalties for non-compliance.

5. IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that there was some notable progress.

6. CONCLUSION

The audit findings warrant the attention of management and those charged with governance. The audit revealed that most of the weaknesses emanate from governance issues, revenue collection, debt recovery, employment costs and procurement of goods and services. Annexure 'A' shows details of the audit opinion issued.

PUBLIC ENTITIES UNDER THE CATEGORY OF AUTHORITIES AND AGENCIES.

CIVIL AVIATION AUTHORITY OF ZIMBABWE (CAAZ) 2014 AND 2015

Background information

Civil Aviation Authority of Zimbabwe was incorporated in Zimbabwe in terms of the Civil Aviation Act [Chapter 13:16]. The Authority was established to promote the safe, regular and efficient use and development of aviation inside and outside Zimbabwe and to advise the Government on all matters relating to domestic and international civil aviation.

I have audited the financial statements of the Civil Aviation Authority of Zimbabwe for the years ended December 31, 2014 and 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion on the Authority‘s financial statements for the year ended December 31, 2014

In my opinion, the financial statements present fairly, in all material respects, the financial position of Civil Aviation Authority of Zimbabwe as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw attention to Note 12 and Note 29 of the financial statements which indicate that the Authority did not service overdue long term foreign loans amounting to $170 719 982. Note 29 details the uncertainty related to the Authority’s capacity to service both foreign and domestic loans. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Authority’s ability to continue operating as a going concern.

Opinion on the Authority‘s financial statements for the year ended December 31, 2015

In my opinion, the financial statements present fairly, in all material respects, the financial position of Civil Aviation Authority of Zimbabwe as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion I draw your attention to the following:

The current liabilities of Civil Aviation Authority of Zimbabwe for the year ended December 31, 2015 exceeded current assets by $174 381 507 (2014: $210 227 627). In addition the financial statements indicate that the Authority did not service overdue long term foreign loans amounting to $160 719 982. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Authority’s ability to continue operating without financial assistance.

During the year 2015, the Authority requested an investigation on irregularities on the operations of the Authority to be carried out. The effect of the irregularities cannot be determined until the process of investigation has been carried out and concluded.

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

1. PROCUREMENT OF GOODS AND SERVICES

1.1 Harare International Airport runway and taxiway rehabilitation

Finding

The Authority engaged a construction Company in 2002 to rehabilitate its runway. The rehabilitation project entailed the laying of asphalt on the middle portion of the runway and the excavation and construction of runway shoulders.

Following the adoption of the multicurrency in 2009, the Authority renegotiated the contract price to US$22,068,668. However, I noted that the project's costs had accumulated to US$35 692,870 as at July 24, 2015, that was US$13,624,202 above the contract price. I was not availed with documentary evidence to show that the State Procurement Board had approved the contract price variation.

Risk/Implication

Financial loss due to penalties for non-compliance with procurement regulations.

Recommendation

Contract variations should be approved by the responsible authorities.

Management response

Management will engage SPB for the approval of the variations as the project is still ongoing and we are hopeful that the approval will be granted before the completion of the project. The contractor and consultants have requested about US$500,000 in total as remobilization funds to complete the works.

1.2 JM Nkomo airport capital projects

Finding

The Authority initiated a sewage management and containment upgrade at J M Nkomo International Airport in October 2012 at a planned cost of US$1.4 million. The project was supposed to be completed by 2013. However, at the time of the audit on September 30, 2015, the project was not complete. On enquiry, I was informed that the project was suspended in August 2014 because of lack of funds. At the time the project was suspended, only two (2) out of the seven (7) intended ponds had been excavated.

The carrying capacity of the sewage management installation was not adequate and as a result raw sewage was being discharged into the environment around the prison complex. Disposing raw sewage into undesignated areas attracted quarterly fines of US$1,800 from the Environmental Management Agency (EMA).

Risk/Implication

The disposal of sewage onto undesignated areas pollutes the environment.
Financial loss as the Authority will continue to be fined by EMA.

Recommendation

The sewage treatment works should be completed so that effluent is disposed without causing harm to the surrounding environment.

The Authority should prioritise the completion of all projects within the agreed timelines.

Management response

A team of engineers from Deutches Centre Belgium is currently on the ground working on the configuration and commissioning of the CCTV system at JM Nkomo airport. The works are expected to be completed by end of November 2015.

The sewer system upgrade is linked to the Airport development project which was funded by the Treasury and the sewer project has since been included in the Authority's capital budget proposal for 2016.

1.3 Project vehicles

Finding

The Victoria Falls Airport rehabilitation project was granted national project status and all the vehicles and equipment purchased were granted rebates by the tax authority. However, I observed that one dump truck for the Victoria Falls project with project registration number ACU 9493 was being used at Timsite mine in Bindura in violation of rebate conditions that stipulate that the equipment should be used solely for the Victoria Falls project. I also noted that the dump truck's registration was changed to ABS 6729.

Furthermore, two Toyota Hilux vehicles for the Victoria Falls projects with registration numbers ADA 3509 and ADR 1014 were allocated to two senior CAAZ employees resident in Harare. The vehicles were being used in Harare and not Victoria Falls while the employees in question had their personal issue vehicles. The circumstances leading to the allocation of the vehicles to the employees were not documented and I could not verify whether the allocation was appropriately authorized.

Risk/Implication

Increased project costs due to project assets not being used for the intended purposes.

Financial loss due to penalties and fines for violating tax rebate conditions.

Recommendation

The Authority should comply with all tax rebate conditions.

The allocation and use of project assets should be monitored to ensure that value for money is achieved.

Management response

The vehicles have since been withdrawn from the two individuals and the Authority is investigating the circumstances under which they were issued with the vehicles by the contractor.

1.4 Fleet management

Finding

The Authority's motor vehicle policy, stipulates that a vehicle must be replaced whenever it reaches five (5) years or 200 000km whichever comes first. However, I noted that sixty (60) vehicles out of a total of one hundred and two (102) had been in use for between eight (8) to twenty three (23) years and had exceeded the 200 000 km limit. Of these sixty (60) vehicles, sixteen (16) were non-runners while five (5) had unserviceable mileages.

Furthermore, I noted that the Authority's staff buses at Harare International Airport, JM Nkomo Airport and Victoria Falls International Airport were not working. As a result the Authority incurred bus hiring costs amounting to US$79,758 during the period under review.

Risk/Implication

Operations may be adversely affected by the non-availability of a reliable mode of transport.

The costs of maintaining an aged fleet may outweigh the benefits realizable from the continued use of such vehicles.

Recommendation

The Authority should comply with its motor vehicle policy and minimise bus hiring costs.

Management response

The audit query has been noted. The Authority has been unable to comply with the provisions of the Transport policy in terms of replacement of motor vehicles because of financial constraints. The Authority has put in place a motor vehicle replacement plan as detailed below.

Staff Buses
The Authority has already procured 5 staff busses for Harare (2), J M Nkomo Airport, Victoria Falls Airport and Charles Prince. The buses were deployed to these stations on 21 September 2015 after commissioning by the Deputy Minister of Transport and Infrastructure Development Hon. Eng. Michael Madhana. The buses were bought at a cost USD491, 347.

Operational utility vehicles
These will be purchased in batches of 10 for the 30 vehicles required. The purchase of the first batch of 10 vehicles is at an advanced stage. The vehicles should be delivered before the end of the 2015. The second and last batches are expected to be purchased in the last quarter 2016 and second quarter of 2017 respectively.

Replacement of Senior Management vehicles
The Board of Directors approved the replacement of 26 senior managers' vehicles on 15 June 2015. Management is currently working on the government approval and the tendering process. The vehicles will be bought in batches .The first batch of 10 is planned for the first quarter of 2016, and then followed by the second batch of 6 and the last batch of 10 in the third quarter of 2016 and in the last quarter of 2017 respectively.

1.5 Accounting procedures manual

Finding

The accounting procedures manual was last updated prior to the introduction of multi-currency and accounting limits were still stated in Zimbabwean dollars. Over the years, the business environment and the Authority's business processes have changed and may no longer be consistent with some policies and procedures in the manual.

Risk/Implication

Inconsistent application of the procedures manual and other policies by officers at various airports that may create a weak control environment for the Authority.

Recommendation

Accounting procedures manual should be updated regularly to match the current business operating conditions.

Management response

The observation is noted. The Authority has reviewed the Accounting Procedures Manual to align it with the current trends and draft/interim Accounting Procedures Manual is now available and financial transactions are being treated in line with the reviewed draft. However the review process is still in progress as we are expected to align it with the requirements of the Quality Management System and the Public Finance Management Act. A team is currently working on this alignment. After the alignment the document will be presented to Internal Audit and Quality Assurance Departments for quality check before approval by the Executive Management. Management expects to have the interim procedures finally approved by end of May 2016.

1.6 Declaration of interest register

Finding

The Authority did not have a declaration of interest register for both the adjudication and evaluation committees for the year under review. The declaration of interest register is a register where committee members would declare their interest in issues pertaining to conflict of interest in the procurement process.

Risk/Implication

Financial loss due to uneconomic procurement as a result of conflict of interest if members are not afforded the opportunity to declare their interests in relation to the adjudication.

Recommendation

Management should put in place a declaration of interest register where members would sign for their declarations in respect of every tender floated by the Authority to guard against conflict of interest.

Management response

The observation is noted. A declaration of interest form was discussed and approved in January 2016. The form was implemented in the first tender committee meeting thereafter i.e. in April 2016.

2. EMPLOYMENT COSTS

2.1 Fringe benefits

Finding

The Authority provided accommodation to its employees and paid the same employees housing allowances. Whilst the accommodation provided to the employees is regarded as a fringe benefit that should be taxed in terms of the Income Tax Act [Chapter 23:06], there is also a fundamental issue in that employees have received double benefits. In addition, I noted that the accommodation benefit was not processed through the payroll and hence was not taxed. The table below shows the number of staff per station who received tax free accommodation.

Station	Number of staff
Harare International Airport	85
Victoria Falls International Airport	69
JM Nkomo International Airport	39
Buffalo Range Airport	16
Total	**209**

Risk/Implication

Financial loss due to penalties and interest for non-compliance to the Income Tax Act (Chapter 23:06).

Recommendation

Management should ensure that all employee benefits and allowances are taxed in accordance with the legislation.

Management response

Management has engaged through the Works Council staff members staying in the institutional accommodation and at the same time getting housing allowances. Rentals have been worked out and agreed upon. Implementation is going to start in December 2015. At the moment the workers are paying for their utilities bills.

3. PROGRESS TOWARDS IMPLEMENTATION OF PRIOR YEAR AUDIT RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Authority made some progress and there was room for improvement in respect of the following recommendations:

3.1 Financial performance of the Authority

Recommendation

The Authority should come up with sustainable revenue growth strategies that ensure profitability and improved capacity to service the loans.

Progress made

Authority did not service loans in 2014. Operating losses increased from $14.8 million in 2013 to $21.5 million in 2014.

3.2 Aviation Infrastructure Development Fund (AIDEF) revenue targets

Recommendation

Management should take steps to ensure that revenue targets are met.

Progress made

The Authority was operating at 22% capacity. This was a constraint to achieving the targets as the business model is driven by passenger movements.

ENVIRONMENTAL MANAGEMENT AGENCY (EMA) 2014

Background information

The Environmental Management Agency was established in terms of the Environmental Management Act [*Chapter 20:27*]. Its core function is to manage and protect the environment.

I have audited the Financial Statements of Environmental Management Agency for the year ended December 31, 2014 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Environmental Management Agency as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1 GOVERNANCE ISSUES

1.1 Board members' bonuses

Finding

The Agency's Board received performance based bonuses during the year under review based on a resolution that the Board had passed. The board resolution stated that approval should be sought from the Minister. There was no evidence to show that the Minister had approved the payment of a bonus to the board members. The total amount of bonus paid to the board members amounted to $11 992 in 2014 (2013: $2 350).

Risk/Implication

Non-compliance with board resolutions.

Financial loss through payment of unauthorized benefits to board members.

Recommendation

All benefits to board members should be approved by the responsible Minister.

Management response

We take note. Performance bonus paid was consistent with the policy that Board members allowances should be equivalent to the salary of the lowest paid worker in the organization.

NATIONAL SOCIAL SECURITY AUTHORITY (NSSA) 2015

Background information

The National Social Security Authority is a corporate body that was established in terms of the National Social Security Authority Act, [*Chapter 17:04*], to establish Social Security Schemes for the provision of benefits to contributors of the Schemes. It has the mandate to administer the National Pension and Other Benefits Scheme, the Workers Compensation Insurance Fund and every Scheme and Schemes to be established in terms of the Act. These financial statements are in respect of the Authority as a whole (consolidation of the two schemes and the subsidiaries) and separate financial statements have been prepared for the individual schemes.

I have audited the financial statements for the National Social Security Authority for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion on the Group financial statements

In my opinion, the Group financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on the Authority's financial statements

In my opinion, the Authority financial statements present fairly, in all material respects, the financial position of the Authority as at December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw your attention to the fact that Capital Bank results have not been included in the consolidated financial statements. The Bank's operating licence was withdrawn by the Reserve Bank of Zimbabwe after the major shareholder had opted for voluntary liquidation due to recurring and unsustainable losses. The liquidation process is yet to be initiated as the matter is before the courts following an objection by minority shareholders. No final determination has been given with regards to the value of assets and liabilities held by the Bank as no financial information was available.

The Board requested that a forensic audit into some property acquisition and construction in prior financial periods be undertaken in 2016. The findings from the forensic audit could have a material impact on the audited financial statements. The effect of this matter cannot be determined until the forensic audit is completed.

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

1. GOVERNANCE ISSUES

1.1 Audit and risk committee sitting fees

Finding

The Authority paid a board member $560 for sitting fees for Audit and risk committee meeting that was held on September 16, 2015.However, a review of the attendance register for the meeting revealed that the member did not attend the meeting. Minutes of the meeting stated that the member had sent apologies.

Risk / Implication

Financial loss due to payment for services not rendered.

Recommendation

Sitting fees should only be paid to members who have attended meetings.

Management response

The observation has been noted. Corrective measures will be taken by deducting the amount when paying the next board fees.

1.2 Land banking policy

Finding

The Authority was taking long to develop properties it acquired under its land banking policy and in some instances these have ended up being redistributed to other individuals. NSSA acquired Kwekwe Woodlands farm in 2004 measuring 2446 hectares after consulting with the then Ministry of Lands, Land Reform and Resettlement and also Kwekwe City Council.

Since acquisition the land had not been put to use or developed by the Authority. When inspections of the farm were done by CB Richards Ellis, it was noted that it was being occupied by settlers who had received certificates of occupancy issued under the fast track resettlement programme by Zibagwe Rural District Council. In addition, they also discovered that there were mining activities that have encroached into the farm from the nearby river.

When the Authority followed up the issue through its lawyers, they discovered that part of that land, subdivision 3 of the Woodlands farm measuring 100 hectares, had been allocated to another individual by Ministry of Lands and Rural Resettlements. This issue pointed out a major weakness in NSSA's investment monitoring systems.

Risk/Implication

Loss of pensioner's funds

Recommendation

The Authority should investigate the circumstances surrounding the reallocation of its land with the view of recovering it or at least being compensated.
The Authority should develop a system that actively monitors its investments.

Management response

The observation has been noted.

The land was acquired with the intention of housing development in the Midlands Province and it is part of our 10 year development plan. Development of housing is supported by Local Authorities who are supposed to provide off site infrastructure before a developer moves in. In the absence of the Public Sector Investment Programme (PSIP) and World Bank funding local authorities are failing to provide the much needed infrastructure to enable housing development.

As regards the piece of land being occupied by settlers who had received certificates of occupancy issued under the fast track resettlement programme by Zibagwe Rural District Council, Physical Planning is handling the issue with a view of resolving the matter.

1.3 Investments Budget

Finding

According to NSSA Act [*Chapter 17:04*] Sect 29 subsection (1) (b) NSSA shall submit the yearly funds allocation to the Minister for investment purposes. That approval shall form the basis for which the Authority shall invest its funds it receives into different asset classes. I however, observed that during the nine months period ending September 30, 2015 under review there was no approval for the 2015 funds allocation. I also raised this issue in my 2014 report.

Risk/Implication

Funds may be allocated in asset classes or investment areas that may generally not be in sync with the intended Government policy direction**.**

Recommendation

The Authority should constantly make follow ups and remind the parent Ministry of its need for an approved budget.

Management response

Observation noted. NSSA sent its budget to the Parent Ministry on 14 October 2014, who in turn sent the budget to the Ministry of Finance. The Ministry of Finance raised a few concerns, which concerns were addressed. Even though a telephonic follow up was made on the 25th of November 2015, the budget is still to be approved.

The purpose of sending our budget for approval to the respective authorities is to avoid allocating resources in areas which are not in sync with the intended Government policies. Currently, and in terms of both the actuarial advice and Ministry of Finance recommendations, we have invested too much in long-term assets. We intend to correct the situation starting from 2016 financial year.

1.4 Uninsured claims (WCIF)

Finding

According to S.I 68 of 1990 the Authority pays medical costs, and lump sum payments to injured employees although the employer may not be insured that is not contributing to the Fund. The Authority makes efforts to recover the payments made to the injured employee. During the year under review, the Authority had outstanding uninsured claims as detailed below:

Description	2014 US $	2015 US $	% Increase
Outstanding uninsured claims	534 400.91	1 496 156.54	180

Risk/Implication

The Fund may suffer financial loss as a result of uninsured claims.

Recommendation

Management should ensure that efforts are made to recover outstanding uninsured claims.

Management Response

The authority has put in place quite a number of measures in order to recover outstanding debts of uninsured claims. The following are some of the measures which have been put in place and are being implemented.

- **Uninsured claims are a compliance issue and Compliance Department has been tasked to make follow-ups because:**

1. **They have garnishee powers for those with funded bank accounts.**

2. **They interact with employers on a regular basis.**

- **Other cases have been referred to our attorneys and summons have since been issued.**

- **Door to door visits are being done demanding payments by the compliance department.**

Since we instituted these measures, the following amounts have been recovered.

As at 31 December 2014	- $ 18 846.41
As at 31 December 2015	- $ 77 709.00
January to March 2016	- $132 287.17
Total	**$228 842.58**

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Metbank Properties

Finding

Metropolitan Bank approached NSSA seeking funding amounting to $15 million ($5 million to settle small creditors and $10 million for housing developments). Metbank approached the Authority because NSSA still held mortgage bond security for funds previously invested with the Bank which matured and had been settled in 2014.

The Board resolved and recommended to management that NSSA should make an outright purchase of the properties up to an amount not exceeding $5 million based on the valuation of Metbank's properties which were in its custody.

Invitations were made to various real estate companies to provide current property valuation reports. I noted that from the quotations that were presented to NSSA, one valuer quoted $4 668 125 while the other valuer quoted them as $ 6 912 500. However, the value of $ 6 912 500 was used as a basis of acquiring the mortgaged security properties. No satisfactory explanations were given as to why the high values were used. From a risk management and prudence perspective it would have made economic sense to use the lower value of $4 668 125.

Had the Authority used these lower values, it would have acquired all six properties instead of the four (4) properties that were acquired for $ 4 908 750 using valuation report with high values based on average of market values and forced sale values.

Risk/Implication

Financial loss arising from irregular transactions and uneconomic decisions.

Uneconomic decisions hamper optimal deployment of pensioners' funds and in turn affects stability of the Authority and its mandate.

Recommendation

Management should exercise due care when investing or deploying public funds.

Management response

Observation noted. We have gone through all the documents available and we could not find any meaningful reason why high values were adopted. The Authority has put in place measures to ensure that such decisions are justified on reasonable basis going forward.

2.2 Debtors

Finding

A review of the Authority's contribution debtor's book revealed that a substantial amount was owed by the Government and public entities (local authorities and parastatals). The following table highlights some of these debtors as at December 31, 2015.

Employer name	Amount outstanding as at 31/12/15 $	Frequency of servicing debt
State Employees	91,975,291.74	Regular
Chikomba Rural District Council	84,934.22	Irregular
Mudzi Rural District Council	57,115.74	Never Paid
Murehwa Rural District Council	28,087.25	Irregular
Zimbabwe Rural District Workers Union	1,119.28	Irregular
Chipinge Rural District Council	5,334.14	Regular
Mutasa Rural District Council	1,898.01	Regular
Rural Electrification Agency	5,452.84	Regular
Chirumanzu Rural District Council	49,918.29	Regular
Midlands Rural Co Operative	1,794.00	Irregular
Nyaje Rural Health Centre	56.70	Irregular
Zibagwe Rural District Council	24,972.47	Irregular
Parks And Wildlife Management Authority	274,923.44	Regular
Forestry Commission 'C' Division	11,226.21	Irregular
Zimbabwe National Water Authority	1,999,055.31	Irregular
Air Zimbabwe	1,465,279.59	Regular
ZUPCO Harare Division	238,979.73	Regular
ARDA Mushangwe	1,020.25	Irregular
City Of Harare	831,188.05	Regular
Zimbabwe Agricultural Development Trust	4,527.58	Regular

ARDA Muzarabani	11,970.15	Irregular
ARDA Mvurwi	36,363.63	Never Paid
ARDA Nijo Estate	7,074.73	Irregular
ARDA Seeds	59,598.98	Never Paid
Total	$ 97 177 182.33	

Below is a listing of the top ten major debtors and the percentage of the total debt they had at year-ended 2015.

Top Ten NSSA Debtors at December 31, 2015

Employer	**Closing Balance December 31, 2015 (US$)**	**Percentage of Total Debtors**
State Employees	91,975,291.74	42.31
Air Zimbabwe	1,465,279.59	0.67
Chitungwiza Municipality	720,783.78	0.33
City Of Harare	831,188.05	0.38
Farm & City Centre	597,315.60	0.27
Harare Water & Sanitation	631,562.40	0.29
TN Harlequin Luxaire Limited	618,600.40	0.28
Z.B.C	1,836,724.70	0.84
Zimbabwe National Water Authority	1,999,055.31	0.92
Total	**100,675,801.56**	**46.31**

Risk/Implication

The Authority is deprived of funds for its daily operations and investments opportunities.

A non performing debtors' book creates liquidity challenges which have a direct impact on the Authority's ability to settle current and future pension obligations.

Recommendation

The Authority should continue engaging government and the related public entities in a bid to recover the outstanding amounts.

Management response

While some of the outstanding bills were current, it is conceded that failure of public entities to remit contributions severely affects the Authority's cash flow. Efforts have been made to recover outstanding contributions (including garnishees, legal recoveries and entering into payment plans) with some of them bearing fruits as follows:

a) **State Employees:**
Engagement held at the highest level including our parent Ministry. Government has undertaken to issue NSSA an initial $69m worth of TBs by end of May 2016 to extinguish the debt balance as at 31 December 2015. The undertaking was made at a meeting held on the 28th April 2016. At the same time Government is now regularly paying the employee portion every month. Engagements are ongoing for government to be current with employer's portion as well.

b) **Local Authorities and other Public Entities**
Chitungwiza Municipality; City of Harare; Harare Water & sanitation; Zimbabwe Broadcasting Corporation and Zimbabwe National Water Authority are now all on performing payment plan. Efforts will continue to be made in engaging public entities, including debt swap where NSSA owes Councils in respect of rates.

2.3 Individual NSSA Accounts

Finding

The existence of the Authority is derived from the need to provide social security to every employee in old age. To achieve that, each employee contributes to the Authority while the employer is required by regulation to do the same. The employer makes the payments to the Authority every month after deducting the employee component.

However, the Authority was owed $217,582,312 by employers as at the end of the year 2015. While the Authority could establish what it is owed through a year-end debtors' ascertainment procedure, it was not able to identify which particular individual employees were not paid up.

The reason why the Authority could not identify unpaid up workers is that it does not maintain a database of individual contributors' accounts. Instead, the current Authority system uses employer accounts. The individual accounts can only be maintained if the Authority enforced the submission of P4 forms by employers.

Risk/Implication

The Authority may pay benefits to non-contributing individuals.

Recommendation

The Authority should consider maintaining individual employee accounts and use those for billing the employer and debt ascertainment.

Management response

Contributors' Accounts

The authority has now deployed new SAP computer system which should enable the Authority to account for individual accounts. The basis for individual accounts is the contributor's social security number (SSN) which remains in force throughout the life of the contributor. These SSNs are already in the system for all registered contributors. The Authority has begun collecting P4 forms from employers and capturing them into the system. Adverts were also placed in newspapers encouraging employers to submit the forms on submitting contributions to NSSA. Each account will then be aggregated at year end for communication with the contributors.
Billing

The system design is based on the employer's account activity. The system estimates that what has been billed in a prior month is forecast to be the bill for the following month, hence generates a bill to that effect. It is not based on the employee accounts. However, the actual summary of the contributions indicated on the P4 constitutes the bill for the following month. We believe the current system for billing best serves the business in terms of billing.

2.4 Employer and employee contributions reconciliations

Finding

The Authority had no system of maintaining individual employee contribution accounts for remittances made by employers. In addition, the Authority does not reconcile the gross payment to individual employee contributions. Employers only remit a lumped amount without providing the details of employees whose contribution has been remitted.

As a result this weakness contributed to Mutare region being defrauded of $1 226.93 in 2014. In relation to this fraud the Authority paid survivors and funeral grant to a claimant when the contributor was not registered for the national pension scheme (NPS). Since the Authority could not discount the claim on the basis that the supposed contributor had no NSSA number, the Region relied on P9/10 form where the employer confirms information about the employee's contribution history. This weakness could have been avoided had the Authority been maintaining individual employee contributions account or at least reconciling the employer's lump sum contribution payments to individual employee contribution statements for ease of reference and validation. In addition, the P4A form that accompanies the payment by the employer was not being checked for accuracy.

There are no indications or evidence to the effect that the new SAP system being implemented or rolled out will address this weakness, where NSSA on submission of claims, mostly relies on the P9/10 form being the employers confirmation of the employee contribution history.

Risk/Implication

Fraudulent claims may be processed.

Recommendation

The Authority should consider introducing a system that maintains individual employee contribution records.

Management response

Audit observation is correct. On 25 July 2014, the office paid a funeral grant of $300 – 00, and on 24 September 2014, a survivor's grant of $927 – 93 was paid to Jecha Primrose after submitting a claim for the alleged late David Garudzo SSN 3852647 X. This resulted from a former ZESA employee faking own death, allowing the wife to claim death benefits from NSSA.

The current state of affairs where NSSA relies on information supplied by employer on P9/P10 in benefits processing has also been a source of worry to management. The SAP system will allow for submission of P4. The P4 form will detail the list of employees and the amount of contribution for each employee which total amount must match the payment made for that contributory month. Once this data is captured into the system, it will enable regular account reconciliations and minimise risk of paying unfunded benefits.

2.5 Revenues from Nyanga Lodge

Finding

The Authority invested in Nyanga lodge to provide recreational/holiday accommodation to both NSSA employees and public in return for market related rates. The analysis of operational performance of the lodge revealed high operational costs compared to income generated as highlighted by the table below;

	2015	**2014**
Operational costs	$13 718.22	$16 131.34
Income	$640.00	$563.00
Loss	**$13 078.22**	**$15 595.00**

Risk/Implication

Financial loss / negative return on investment.

Recommendation

The business model should be reviewed on this investment.

Management response

Audit observation is correct. Currently Nyanga Chalet is classified as an investment property although it was not the original intention when the property was acquired. Granted the current economic challenges facing the country, both staff and the public have not been booking and hence affecting revenue inflows. The occupancy rate has been subdued presumably due to high rates for which staff cannot afford.

2.6 Sakubva Shopping Mall

Finding

The Regional office was not monitoring the investment properties assigned to the managing agent in the region. An inspection of Sakubva shopping mall revealed that one tenant leasing Shop No.2, was subletting the premises to two subtenants. This was in violation of the lease agreement. In addition, the shop being leased to a clothing retail shop had some prolonged roof leaks and this issue was brought to the attention of the managing agent. Nothing had been rectified to date.

Risk/Implication

Non-compliance with lease agreements by both managing agent and tenant.

Recommendation

Regular monitoring of investment properties in the region should be done.

Management response

Audit observation is correct. Currently the management and monitoring of NSSA properties is centralised to the Investment Division at Head Office. Like all other properties in Manicaland, Sakubva Shopping Mall is being managed by an agent who is based in Harare. The regional office's responsibility and access to the property are thus limited. The issue of appointing an agent based in Mutare will be addressed once the current contract of the agent expires.

POSTAL AND TELECOMMUNICATIONS REGULATORY AUTHORITY OF ZIMBABWE (POTRAZ) 2014

Background

The Postal and Telecommunications Regulatory Authority of Zimbabwe was established in terms of the Postal and Telecommunications Act [*Chapter 12:05*]. The objective of the Authority as provided in the Act is to provide for the licensing and regulation of the cellular telecommunication and all telecommunication services.

I have audited the financial statements of The Postal and Telecommunications Regulatory Authority of Zimbabwe for the year ended December 31, 2014 and I issued a qualified opinion.

Basis of Qualified opinion

Non-compliance with International Financial Reporting Standards 18 (IAS 18).

The Authority did not comply with the requirements of International Financial Reporting Standards 18 (IAS 18) in that it did not accrue all its revenue. Licence fees and trade receivables were recognized at $26 078 129 and $2 091 758 respectively. The Authority's records indicate that had management accrued all its revenue, the total licence fees would have been $36 146 356 and trade receivables would have been $37 876 882. Management has not made adjustments to that effect.

Qualified opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Postal and Telecommunications Regulatory Authority of Zimbabwe as at December 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards. However, below are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Title Deeds for Mt. Pleasant stand

Finding

The Authority purchased a stand in Mt Pleasant. The Authority had not been issued with title deeds for this property at the time of this audit. In addition, I noted that the property was acquired without board approval.

Risk/Implication

Financial loss in case of disputes.

Recommendation

The Authority should make follow ups on title of the property. In addition, acquisition of properties must be approved by the board.

Management response

Noted. Work in progress as management is taking corrective measures following the receipt of the outstanding Board resolution.

1.2 Fuel allocation

Finding

I noted that the Acting Director General approved an increase in monthly and holiday fuel allocations for management. No letters of approval by the interim Board or parent Ministry were availed for my audit. I also noted that the Acting Director General and the Acting Deputy Director General were being given monthly fuel allocations for generators at their place of residence.

Risk/Implication

Unauthorised expenditure through improper approvals.

Recommendation

Management benefits should be authorised by the board and in the absence of the board, authorisation in writing should be obtained from the parent Ministry.

Management response

At the time of approval the Authority had no board, approvals and decisions made by the then Acting Director General were in liaison with the then Parent Ministry, Ministry of Transport, Communication and Infrastructural Development at his discretion.

1.3 Cleaning services

Finding

I noted that the Authority did not have a contract with a company that provided cleaning services at the Authority head office, USF offices, Willowvale warehouse and the Authority's residential houses for the executives. The cleaning contract was not availed for my inspection.

Risk/Implication

Financial loss as this expenditure may not be proper charge to the Authority.

There is no basis for recourse in the event that the service provider fails to deliver.

Recommendation

Management should ensure that a cleaning contract is put in place.

Management Response

Noted. Cleaning was previously awarded through comparative schedule because of the amount involved within the competitive quotes. We have since rectified by entering into a contract with the Company which is expiring 30 December 2015. We have also flighted informal tenders for cleaning services for 2016.

RADIATION PROTECTION AUTHORITY 2015

Background information

The Authority was established in 2008 and its mandate is to ensure the protection of people and the environment against radiation effects through effective regulatory processes. The Authority also offers registration licences, import licences to individuals and corporates importing equipment and medicinal machines or even drugs. The Authority also carries out inspections to all the registered entities at a fee. Trainings and awareness campaigns are also offered to hospitals at a fee. The regulatory authority has been formed as a result of an Act of Parliament. As such all its operations are guided by the provisions of the Radiation Protection Act [*Chapter 15:15*].

I have audited the financial statements of the Radiation Protection Authority of Zimbabwe for the year ended December 31, 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Radiation Protection Authority of Zimbabwe as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Radiation Protection Act [*Chapter 15:15*].

Emphasis of Matter

Without qualifying my opinion, I draw your attention to the fact that during the year the Authority made a loss of $191,951 which was mainly due to the provision of doubtful debts increase of $292,684 and VAT penalty charge of $70,736. The ability of the Authority to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding and obtain sustainable grants from the government for the ongoing operations of the Authority and levies are collected timely. A government recurrent grant amounting to $647,000 was allocated to the Authority for the year 2016. The directors are confident the government grant for 2016 will be received. Consequently, the preparation of the Authority's financial statements as a going concern is appropriate.

However, the following are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Assets not insured

Finding

I noted that furniture and fixtures and technical equipment were not insured in accordance with the Radiation Protection Act [*Chapter 15:15*] which requires that assets should be insured against losses, damages and risks.

Risk/Implication

Non-compliance with the Radiation Protection Act [*Chapter 15:15*].

Financial loss in the event of theft or damage of the asset without cover.

Recommendation

Management should consider insuring assets specified in the Radiation Protection Act [*Chapter 15:15*].

Management response

Noted. Cash flow challenges have been a major constraint. However, management have adopted a graded approach on risk management to insure high risk assets i.e. all movable are under comprehensive insurance.

1.2 Going concern

Finding

I noted that the Authority made a loss of $191 951 during the year. The Authority had a cumulative loss as at December 31, 2015 of $1 144 908 and the Authority's current liabilities exceed current assets by $1 454 470. I also noted that the Authority had not been receiving the government grants at sustainable levels.

Risk/Implication

Service delivery may be compromised.

Recommendation

Management should continuously review the Authority's going concern and measures should be put in place to ensure the costs of the Authority are adequately covered by sustainable inflows and among other things the following could be considered:

Increasing the revenue streams, deepening the revenue streams, management of recovery of debtors and aligning costs to revenue.

Management response

Management is concerned about the financial challenges the Authority continues to face due to reasons beyond its scope. The Radiation Protection Act [*Chapter 15:15*] Section 9, Subsection (b) is clear that Government support shall constitute a significant portion of RPAZ financial resources. However, there has been a persistent decline in releases of budgetary support by Government. Post reporting period events have seen a complete withdrawal of Government support on employment costs and a further reduction in operational support to $100,000 in 2016.

The Authority's clientele is largely constituted by Government institutions in the medical and mining sectors. The financial position of RPAZ has been further worsened by the poor performance of the Authority debtors' book. Combined, government institutions owe the Authority a cumulative $1 719 242 for years 2013 to 2016. With the recent developments in the diamond sector, management is not certain whether it will be able to recover $1 500 000 it is owed by the sector alone.

The Authority's indebtedness to ZIMRA dated back to 2012 to the tune of $780,000 that arose due to difference in the interpretation of the law has brought more misery to the Authority financial position. ZIMRA is claiming the above figure in VAT that was never levied by RPAZ to its clients. Should ZIMRA evoke garnish measures this will have disastrous consequences to the Authority.

The available resources are not adequate to see the Authority past 2016. The liabilities of the Authority far exceed the available assets by $1 454 470. Despite the fact that management has also adopted austerity measures that saw a 45% reduction in employment costs, a freeze in promotions and recruitment of new staff, and adoption of cash budgeting system, this has done little to ease the financial burden on the Authority.

In light of the above, management seeks the intervention and commitment of directors to procure more funding and lobby government to release grants for the on-going operations of the Authority, otherwise the going concern status of the Authority is in doubt.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1. Accounts receivable

Finding

During the year I noted that long outstanding debtors were not handed over to debt collectors as per the Authority's debt recovery policy. Debtors amounting to$1 010 752 were over 120 days.

Risk/Implication

The long outstanding debtors may not be collected which might affect the liquidity of the Authority, resulting in the Authority failing to meet its obligations when they fall due and meet its mandate due to lack of cash resources.

Recommendation

The Authority should fully implement its debt recovery policy. Management should ensure long outstanding amounts are followed up and collected timely. Strategies to collect debtors should be put in place to include among others agreeing of feasible payment plans.

Management response

Noted. Management have always made follow-ups on debtors and 80% of these debtors are from diamond mining companies and some are government related institutions such as district hospitals. We engaged our parent ministry and it has directed these institutions through their respective ministries to comply with radiation regulations and the Ministry of Mines to give preference to RPAZ debts on liquidation of diamond miner's assets.

Compliance inspections are being carried out and some debtors handed over to the debt collector.

ZIMBABWE NATIONAL ROAD ADMINISTRATION (ZINARA) 2014

Background information

The Zimbabwe National Road Administration was established in 2001 by the Roads Act [*Chapter 13:18*] to administer the fixing, collection, management and disbursement of road funds. The Fund consists of road user charges collected. The funds are disbursed to Local Authorities, Department of Roads and District Development Fund for the purpose of road maintenance, rehabilitation and construction.

I have audited the financial statements of Zimbabwe National Road Authority for the year ended December 31, 2014 and I issued a qualified opinion with an emphasis of matter paragraph.

Basis of Qualified Opinion on Consolidated and Separate Financial Statements

i. Expenditure vouchers amounting to $2 419 511 were not availed for my inspection. Consequently, I was not able to verify the accuracy of expenditure and also unable to determine whether any adjustments to the expenditure amount were necessary.

ii. ZINARA's tolling assets were not allocated values and are not recognised in the financial statements. Failure to recognise the tolling assets in the statement of financial position have resulted in asset balances being materially misstated. Management has not made any adjustments to that effect to the financial statements.

Qualified Opinion on the Consolidated Financial Statements

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Zimbabwe National Road Administration and its subsidiary Infralink (Private) Limited as at December 31, 2014, and the consolidated financial performance and the consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Qualified Opinion on separate financial statements

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Zimbabwe National Road Administration as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without further qualifying my opinion, I draw your attention to the fact that during the year 2016 the Minister of Transport and Infrastructure Development instituted a forensic audit covering the period 2011-2016 into the operations of the Administration. The results of the audit are still pending and I was unable to determine whether there may be additional issues which require adjustments to the results of financial statements of the Administration for the year ended December 31, 2014.

Report on Other Legal and Regulatory Requirements

In my opinion, the consolidated financial statements of the Zimbabwe National Road Administration and its subsidiary have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Roads Act [*Chapter 13:18*] and other relevant Statutory Instruments except for Section 15(d) of the Roads Act which states that the Administration shall use the Road Fund in meeting any salaries, allowances and other expenses of the Road Administration provided that expenditure of this purpose shall not exceed two point five per centum of the revenue of the Road Fund in any financial year. ZINARA utilised 12% which is 9.5% above the percentage specified in the Roads Act.

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

1. GOVERNANCE ISSUES

1.1 Tollgate Assets

Finding

As previously reported in my 2013 report, the Administration’s tolling assets were not allocated values and are not recognised in the financial statements. Failure to recognise the tolling assets in the statement of financial position have resulted in asset balances being materially misstated. Management has not made any adjustments to that effect to the financial statements.

Risk/Implication

Financial statements may be misstated.

Recommendation

Property, Plant and Equipment at tollgates should be allocated values and included in the financial statements.

Management response

The observation has been noted.

There were some assets on the tollgates which were not allocated values and not recognized in the financial statements. The assets that belong to ZINARA have since

been identified, listed and are in the process of being valued for inclusion in the financial statements for the year ending December 31, 2016.

1.2 Expenditure Vouchers

Finding

Payment vouchers for ZINARA expenditure amounting to $2 419 511 were not availed for my inspection and hence I could not verify the validity and accuracy of the related expenditure. Upon inquiry, I was informed that the documents could not be located in the filing system. The following table contains details of the missing payment vouchers;

Date	Reference	Description	Amount($)
10/10/2014	2122	200009085 Zimbabwe National Road Administration	250,000.00
30/10/2014	2464	PWSBS14303A00059 ZIMRA CBZ	200,000.00
25/01/2014	1238	Vehicle Hire	14,758.85
24/08/2014	1358	Goods Received Voucher	16,879.59
07/01/2014	1350	Conference package	50,000.00
20/01/2014	INV23976	Agency Fees	922,844.61
01/10/2014	26472	fuel agency fees	180,550.00
03/11/2014	26828	fuel agency fees	211,751.80
15/12/2014	15dec2015	Goods Received Voucher	5,782.00
29/04/2014	2424	ZITF	4,500.00
27/02/2014	842	Nudge bar, roll bar, side step tow hitch	40,950.00
28/04/2014	2499	REPAIRS ACY 9456	4,699.00
07/05/2014	21	ADA7152	3,145.00
27/05/2014	396831	ACB 0656	6,457.43
25/06/2014	15549A	AAM 7397	3,929.65
10/10/2014	ZIN048	CHIVAKE	6,484.97
10/10/2014	ZIN049	CHIVAKE	16,215.01
17/10/2014	ZIN051	NOTICE	13,313.44
24/10/2014	ZIN052	TOLL EVASION	14,140.35
29/04/2014	Various	Grader maintenance	128,469.58
01/01/2014	DORR1/13	ECOROADS DS Soil strengthener	324,640.00
TOTAL			**$2 419 511.19**

Risk/Implication

Financial loss due to fraud and payment of fictitious suppliers.

Material misstatements in financial statements may not be detected.

Recommendation

Management should ensure that the documents are located and availed for audit.

The document filing and retrieval system for the safe keeping of the administration's documents should be adequately designed and operated.

Management response

The observation has been noted. The recommendations will be implemented.

1.3 Disbursements to Department of Roads

Finding

I observed that $227 000 was disbursed to Department of Roads on January 10, 2014 under expenditure voucher number 1253 for the payment of four(4) contractors who worked on the Victoria Falls UNWTO project. The disbursement was made without proper or adequate supporting documentation such as certificates of payments, certificate of completion and invoices from contractors. The only document attached was an internally generated memorandum which was informing the Department of Roads of the payment.

I also noted that the following disbursements to the Department of Roads (DOR) amounting to $1 133 729 were made without supporting documents authorising the transfers and payments.

Date	Voucher Number	Transaction	Amount $
01/08/14	1740	DOR Outstanding wages	22 157
10/02/14	1292	DOR Disbursements	350 000
09/09/14	2028	DOR wages	320 000
21/07/14	1689	Architect	21 572
18/06/14	1574	DOR Disbursements	320 000
03/09/14	1915	DOR Disbursements	100 000
	Total		**1 133 729**

Furthermore, ZINARA payment vouchers were not being completed properly and were lacking information such as references, requisition number, supplier's numbers, appropriation code, date stamp and some were not certified correct before payment.

Risk/Implication

Financial loss due to payments for services not rendered.

Recommendation

Payment vouchers and supporting documents should be certified correct, authorised and approved.

Management response

The observation noted.

ZINARA will pay as recommended when the correct system has been communicated to all internal stakeholders.

In future the Administration will ensure that all payments are fully certified, authorised and approved.

1.4 Abnormal load permit fees

Finding

I noted that the abnormal load fees $799 698 remitted to ZINARA by the Ministry of Transport and Infrastructure Development were not supported by any documents. I could also not obtain the fees schedule for the abnormal fees that were collected in 2014.

Risk/Implication

Loss of revenue due to under billing of the abnormal load fees.

Completeness of the abnormal load fees revenue could not be reliably verified due to the unavailability of the source documents.

Recommendation

Adequate documents should be filed to reduce the risk of financial loss.

Management response

Observation noted. ZINARA is going to liaise with the parent Ministry so that official documents are generated when doing assessments for these abnormal load fees.

1.5 Initial Payment Certificates (IPCs)

Finding

The Administration made payments to contractors amounting to $3 723 333 for Initial Payment Certificates (IPCs) not approved or certified for completion by the responsible personnel. The condition for payment is that an IPC for each job should be approved or certified for completion by the responsible personnel prior to processing of payment. The table below contains details of the major payments (IPCs) that were paid for without being approved:

No.	IPC #	Amount $
1	IPC No. 7	4,951.84
2	IPC No. 8	10,493.18
3	IPC No. 4	14,234.64
4	IPC No. 16	21,511.05
5	IPC No. 15	22,019.75
6	IPC No. 6	24,000.04
7	IPC No. 37/2013 Bindura 13	31,275.40
8	IPC No. 5	48,220.82
9	IPC No. 3	81,327.64
10	IPC No. 28/2013 Bindura 9 - Hay Rd)	86,394.44
11	IPC No. 36/2013 Bindura 12	105,109.03
12	IPC No. 35/2013 Bindura 11	116,787.68
13	IPC No. 18/2013 (Murewa CBD - 7)	136,541.73
14	IPC No. 34/2013 Bindura 10	143,620.22
15	IPC No. 18/2013 (Murewa CBD - 6)	150,000.00
16	IPC No. 14	248,251.42
17	IPC No. 2/2013 (Gota Mutopo road2)	283,805.63
18	IPC 3 Revised (Tarisa Road)	1,035,306.40
19	IPC ZN 001	503,314.75
20	ZN 001Variation	169,233.21
21	FCZ 0012	245,269.45
22	Gweru Hillstart	178,365.00
23	BYO / Gweru Hillstart	163,300.00

Risk/Implication

Financial loss due to payments made for work/services not rendered.

Recommendation

Management should ensure that payments are made against approved Initial Payment Certificates (IPCs).

Management response

Agreed. Management will ensure that all payments are done for only properly approved IPCs.

1.6 Vehicle weight at tollgates

Finding

I observed that some vehicles passing through tollgates and road access collection points were reflecting as heavy vehicles on the tollgate system whilst they had discs confirming that they were light vehicles. In a bid to regularize this anomaly, the tolling operators would delete the last digit of the registration number in order for the systems to accept manual capturing of the weight. This anomaly was as a result of the non-alignment of the Toll-roads Act [*Chapter 13:13*] and the Roads Act [*Chapter 13:18*] with regard to weight parameters. The table below shows inconsistences between these two acts:

Vehicle model	**Toll-roads Act**	**Roads Act**
Light motor vehicle	Vehicles less than 3000kgs	Vehicles greater than 2300kgs
Heavy motor vehicle	Vehicles greater than 3000 and less than10000kgs	Vehicles greater than 2300kgs

Risks/Implication

Loss of revenue as vehicles may be charged wrong fees.

Human intervention is subject to manipulation and fraud.

Loss of reputation due to misunderstandings with the public as a result of the anomaly between the Toll-roads Act [*Chapter 13:13*] and Roads Act [*Chapter 13:18*].

Recommendation

Management should ensure that there is synchronization of the Toll-roads Act [*Chapter 13.13*] with the Roads Act [*Chapter 13.18*].

Management response

Noted. The issue of alignment and synchronization of vehicle classes between the Vehicle Licencing Act and Tolling Act is being pursued through the amendment of the Tolling Act. However, the process of getting such amendments takes long to sail through. ZINARA will ensure the issue is resolved to harmonize the challenges being posed by the vehicle class differences.

1.7 Road access billing system

Finding

The road access billing system is operating on stand-alone machines without a server. Once a transaction has been processed, it is not possible to view or generate reports for transactions processed at the station. It was not possible to view cancelled transactions and the details for cancellation.

Furthermore, there is no back-up system for the billing information.

Risks/Implication

Errors and material irregularities may not be detected on time for corrective action.

If the machine crashes it will be difficult to retrieve information quickly since there is no back up on site.

Recommendation

Management should ensure that the system is developed to meet user expectations and a server for back up is kept on site.

Management response

Observation noted. ZINARA is working on the full computerization of Road Access billing system at border posts with the view of perfecting and enhancing revenue collection processes within this revenue stream.

1.8 Weighbridge sites

Finding

The weighbridge at Beitbridge border post was not functioning from the 16th of December 2015 to 14 January 2016. This was as a result of rain water that flooded the weighbridge site as the drainage system was not functioning properly.

Furthermore, dust kept on accumulating at the weighbridges making it difficult for weighbridge sensors to function properly. The dust came from areas that were not tar surfaced.

Risk/Implication

Loss of revenue as overloaded vehicles may pass through the border post without being detected.

The weighbridges are susceptible to permanent damage arising from dust and poor drainage systems.

Recommendation

Management should ensure that storm water drainage systems are serviced at all times.

Management response

Observation noted. Necessary civil works are going to be done to rectify drainage system as observed. Also there are considerations to have the surrounding area being tarred to avoid dust clogging the sensors of the weighbridge.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY.

2.1. ZIMPOST Masvingo

Finding

ZIMPOST is mandated to collect vehicle licensing fees on behalf of Zimbabwe National Road Administration (ZINARA). According to the service level agreement, ZIMPOST should remit 90% of the funds collected on vehicle licensing to ZINARA. However, I noted that there were variances between the amount collected by ZIMPOST and that remitted to ZINARA. Furthermore, I could not verify bank deposit slips from January 2014 to July 2014 as they were not availed for audit purposes. The table below explains.

Details	Cash up summary System balance $	Bank deposit $	Variance $
January	150,287.00		(150,287.00)
February	85,093.00		(85,093.00)
March	58,390.00		(58,390.00)
April	68,919.00		(68,919.00)
May	105,249.00		(105,249.00)
June	113,976.00		(113,976.00)
July	85,563.00		(85,563.00)
August	68,947.00	83,385.00	14,438.00
September	124,887.00	86,300.00	(38,587.00)
October	119,655.00	114,970.00	(4,685.00)
November	85,663.00	60,600.00	(25,063.00)
December	96,622.00	46,390.00	(50,232.00)
Total	**1,163,251.00**	**391,645.00**	**(771,606.00)**

Risk/Implication

Service delivery may be compromised as a result of collections by agents not being remitted in full.

Recommendation

Management should put in place measures that enforce the remittance of all vehicle licence fees to the administration.

Bank deposit slips should be made available for audit inspection.

Management response

Agreed, all takings will be banked promptly. Banking will be done within twelve hours from time of receipt into the ZINARA administrations account.

3. PROCUREMENT OF GOODS AND SERVICES

3.1. Tax consultancy services

Finding

During the year 2014 ZINARA engaged a tax consultant without following tender procedures. It was further observed that this consultant charged ZINARA an amount totaling $522,552 under reference CSMC1274 of 24 November 2014 for the services rendered.

Risk/Implication

Financial loss due to uneconomic procurement of goods and services.

There may be penalties due to non-compliance with the requirements of the State Procurement Regulations.

Recommendation

Management should ensure that requirements of the State Procurement regulations are adhered to.

Management response

Observation noted. In future we will ensure that requirements of the State Procurement Board regulations are adhered to.

3.2. Accommodation Units

Finding

On August 24, 2014 ZINARA entered into a rental lease agreement for a period of 1 year from August 25, 2014 to September 25, 2015 for the rental of modular units for the administration of border posts. The Administration did not go to tender for this contract whose value was $202 000. The cost of the units was $500 per unit per month for the office unit and $800 per unit per month for the accommodation units.

Risk/Implication

Penalties due to non-compliance with State procurement regulations.

Financial loss due to lack of due diligence in procurement decisions since the rentals may be more than the cost of buying such units.

Recommendation

Management should ensure that State procurement regulations are adhered to.

Management response

Observation is noted. The oversight arose due to the last minute decision to rent instead of outright purchase where the informal tender process had been completed. This should have been regularized and therefore agree with your recommendation and will in future ensure all State procurement regulations are adhered to.

4. EMPLOYMENT COSTS

4.1. Multiple Staff Loans

Finding

The Administration did not have a loan policy in place. I was not able to assess whether the granting of these loans in the absence of a policy was being done properly. The table below shows a sample of such employees.

Number	EC Number	Outstanding balance at date new loan was taken $	Amount of new loan $	Date new loan was taken
1	008	6,792.57	3,000	03/07/2014
2	028	5,220.28	6,000	03/09/2014
3	033	2,996.43	5,000	02/08/2014
4	006	28,159.86	1,906	03/04/2014
5	006	28,940.86	5,000	15/04/2014
6	044	5,855.39	6,400	30/05/2014
7	E008	1,581.54	9,000	21/07/2014
8	056	2,494.13	8,000	21/07/2014
9	048	989.38	9,500	05/03/2014
10	095	3,637.17	1,200	22/07/2014

Risk/Implication

Recoverability of advanced loan amounts may be doubtful.

There may be inconsistencies in the granting of loans thereby de-motivating members of staff.

Recommendation

Management should consider putting in place a staff loan policy that guides the issuance of the loans.

Management response

The observation has been noted. However, all the staff has since repaid their loan balances. The Administration is intending to introduce Systems Application Program (S.A.P) which has a loan management module for easy loan administration. In addition, we are still in the process of developing our loan policy.

ZIMBABWE PARKS AND WILDLIFE MANAGEMENT AUTHORITY 2013 AND 2014

Background information

Zimbabwe Parks and Wildlife Management Authority is incorporated in Zimbabwe by an Act of Parliament (Parks and Wildlife Act [Chapter 20.14]. The functions of the Authority are to control, manage and maintain national parks, botanical reserves and botanical gardens, sanctuaries, safari areas and recreational parks.

I have audited the financial statements for Zimbabwe Parks and Wildlife Management Authority for the years ended December 31, 2013 and 2014 and I issued an unmodified/clean.

Opinion on the financial statements on for the year ended December 31, 2013

In my opinion, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Parks and Wildlife Management Authority as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on the financial statements on for the year ended December 31, 2014

In my opinion, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Parks and Wildlife Management Authority as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 Online ticketing contract

Finding

The Authority, through a resolution made during the 50th board meeting held on October 16, 2014, resolved to enter into a service level agreement with an online web ticketing company without following procurement regulations. There were no comparative schedules drawn up nor was there evidence to suggest that a proper due diligence exercise was performed before making a resolution to enter into this service level agreement.

While inspecting the board minutes, I noted that management invited the online ticketing company to have a 30 minute presentation on how online ticketing worked. During the presentation the Authority was informed that a 3% service charge was to be applied for every transaction entered using the online ticketing system. Subsequently, a ‘ticket software system development and services contract' was entered into between the two parties on February 04, 2015 following the said resolution.

The system was deployed at the Victoria Falls rainforest offices.

Risk/Implication

Non-compliance to procurement regulations.

The Authority may exclude other potential service providers if contracts are awarded without following laid down procurement regulations.

The Authority may grant special access to its information systems that may compromise information security.

Fraud arising from management override of controls.

Recommendation

The Authority should follow procurement regulations.

Due diligence should be carried out before engaging service providers.

Management response

Audit observation has been noted. The Authority's management acted on the instruction from the then Board of Directors. The purchase of online tickets from the Webtickets platform was meant to enhance entries to the Rainforest by bringing in new clients who are familiar with the platform. The same platform is used to purchase prepaid tickets at Table Mountain and Robben Island in Cape Town, South Africa. The Webtickets platform was supposed to be linked directly to our CBZ account at the time the system was implemented.

The Webtickets Point of Sale system was terminated on 1 March 2016 (except for pre-booking) because it failed to fulfil the Authority's requirements. These requirements include the failure to integrate a multi-currency module in the system, the failure to produce nationality reports, failure to do group entry processing and the failure to use the system in offline mode. The Authority has since reverted to the old Afropack POS system until we go to tender for a new POS system. The Authority will ensure that it abides by all the tender procedures with utmost regard.

1.2 Lease Administration

Finding

There was no evidence to suggest that remedies for breaches by lessees were enforced as agreed in the memorandum of agreement between the Authority and the other parties to the contract in Victoria Falls.

Tabulated below are some examples of cases where lease breaches were noted;

Client name	Status
Oxford	Client breached terms of agreement by failing to pay $30 000 rentals in advance. No evidence of notice was on file. Contract was not revoked.
River lodge Dove & Hawk Safaris	As at March 17, 2014, lease payments for 2013 and 2014 were not yet paid in breach of the terms. Lease payments were due in advance on or before October 31. No lessee audited accounts on file despite clause 10 of the agreement stating that the lessee is required to submit audited accounts for the preceding year to AUTHORITY (Lessor) on or before 30/06 of the succeeding year for the duration of the agreement. No evidence of notice within the agreed time was on file. No evidence of follow up on audited financial statements. Contract was not revoked.
Tsowa Island	Had not developed the site for operation since 2006 and was in lease payments arrears for 2014 amounting to $11 500. File on site did not have any documents.

Remedies in the memorandum of agreement were such that in the event of breach, lessor had to give written notice to the lessee to rectify breach within 30 days from date of notice, failure of which the lessor was at liberty to declare the agreement terminated, to retake possession of leased premises and to eject the lessee without prejudice to the lessor's right in the agreement.

Risk/Implication

Financial loss due to unfulfilled terms of lease agreements.

Recommendation

Timescales for actions on breaches should be adhered to as agreed in the contract.
It may be beneficial to upgrade risk systems to enable the Authority to determine counterparty risk exposure proactively and incorporate outcomes in lease terms negotiations.

Management response

Audit observation has been accepted. The Authority will ensure that leases are appropriately administered taking into account the rights and obligations of both parties, remedies and any other matters ancillary.

1.3 Part-time lecture fees

Finding

The Authority's College (Mushandike) incurred $15,784 in part time lecture fees during the year ended December 31, 2014.

I also noted that the College did not have contracts with its part-time lecturers. The contracts were necessary as these would provide written terms and conditions to govern the part-time lecturers.

Furthermore I noted that six (6) of the nine (9) part-time lecturers were also employees of the Authority but that their part-time lecture fees were not processed through the payroll and were not subjected to PAYE in violation of the Income Tax Act [*Chapter 23:06*].The table below contains details;

EC number	**Course/ Programme**	**Amount $**
5903804F	NC Accounts	5,716
3972093R	NC Accounts/Wildlife	3,413
3972102B	NC accounts	877
5903820M	NC/ND Wildlife	1,150
0847712A	NC/ND Wildlife	500
0198827Q	NC/ND Wildlife	627
0867032A (External)	NC accounts	3,222
0165136V (External)	NC accounts	135
0161624C (External)	NC accounts	145
Total		**15,784**

Risk/Implication

The College may have no recourse in the event of a dispute with its part-time lecturers.

Financial loss resulting from penalties for non-compliance with the Income Tax Act [*Chapter 23:06*].

Recommendation

Contracts for part-time lectures should be put in place.

All taxable allowances, fees and benefits should be processed through the payroll and subjected to PAYE in line with the Income Tax Act [*Chapter 23:06*].

Management response

The issue of contracts for part time lectures has been noted. In terms of payments, the College was using the ZIMDEF rebate rates per hour and other institutions rates like NUST ($20.00/hour) therefore there was no need for approval of set rates unless otherwise stated.

1.4 Former employees

Finding

I noted that employees who were dismissed for fraud and absenteeism were re-hired, some in less than two years of dismissal. Former employees with any form of recorded disciplinary measure such as incompetence, or reported case of fraud and of theft, insubordination or absenteeism were not eligible for re engagement. The following table refers.

Employee Number	Grade	Reason for dismissal	Date rehired
5903414L	Ranger III	Dismissed on 24.5.12 false evidence, absenteeism	1.04.14
1094724R	Ranger III	1.04.14 re-engagement was dismissed for fraud on 4.12.2007.	1.04.14
5903497T	Ranger III	Was dismissed on 1 Jan 2011 for disobedience, absenteeism.	1.04.14
5904263J	Ranger III	Was dismissed in 2010 for absenteeism ,re-engaged in Jan 2014	1.01.14

Risk

The Authority may be exposed to recurrence of fraud.

Recommendation

Laid down policies for the Authority must be implemented.

Management response

Observation noted. Management asserts that the appointment of Mahachi, Kanyoka and Ndhlovu was made after they were pardoned since they deserted during the economic hardship times.

However in respect of Chananukwa, there was an oversight in the reappointment process.

1.5 Fuel benefits

Finding

The Authority's Management received during the year ended December 31, 2013, monthly fuel allowances which were processed outside the payroll system and were not subjected to Pay As You Earn (PAYE) in violation of the Income Tax Act [*Chapter 23:06*].The fuel allowance benefits received were as follows:

Grade	Fuel allowance per month
D1	40 Litres
D2	60 Litres
AD3	100 Litres
D4	150 Litres
D5	200 Litres
E	300 Litres

Risk/Implication

Financial loss as a result of penalties and fines for non compliance with tax regulations.

Recommendation

All benefits and allowances should be processed through the payroll and subjected to PAYE in line with the Income Tax Act [*Chapter 23:06*].

Management response

Audit observation is noted. The above anomaly has since been rectified. The above benefits and allowances are processed through the payroll.

1.6 Insurance of assets

Finding

Some of the Authority's immovable and movable assets were not insured. The Authority had assets with a carrying amount of $5 800 084 as at December 31, 2014. Of the 238 vehicle fleet, 30 had comprehensive cover and 74 had third party insurance cover while 134 vehicles were not insured. The Authority cited cash flow challenges as a major constraint.

Risk/Implication

Financial loss in the event of theft or damage of the asset without cover.

Recommendation

The Authority should consider insuring its assets against insurable risks with the guidance of a reliable insurance broker.

The Authority should adopt a graded approach on risk management to insure high risk assets that are core to the operations and business sustainability.

Management response

Audit observation noted and accepted. It is indeed the Authority's desire that all assets should be insured. However, as already asserted, the major constraints is cash flows. The current quotations received from insurers are prohibitive to the Authority.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Lease agreements

Finding

Some lease agreements were not finalised and others lacked evidence of due diligence before entering into an agreement. For instance, the Authority entered into a contract to lease a building in Masvingo with Mitchels Company (Private) Limited T/A Superbake a company that did not exist. It only came to their attention upon purchase of this building that Mitchels did not exist and the right name was Trinpac and not Mitchel Company.

The Authority also entered into a contract with Makuti Game and Safaris and the safari operator has a cumulative debt of $73 114 which it is failing to pay.

The Famba Safaris agreement with the Authority was entered into in 2002 and expired on the 31st December 2008. On the expiry, a lease agreement on file covering 1st January 2009 to 31st December 2013 was neither signed by the Authority nor Famba Safari but Famba Safaris continued to operate during that period and accumulated a $119,631 debt.

Also, Mabalengwe Safaris lease agreement on file for the period of January 01, 2014 to December 31, 2018 was only signed by representative of Mabalengwe Safaris and not countersigned by the Authority. Mabalengwe Safaris was operating in this period and had accumulated a debt of $169,846 as at December 31, 2014.

Risk/Implication

Financial loss due to failure to enforce terms of the agreement. In addition, the Authority may not have any legal recourse in the event of disputes.

Recommendation

The Authority should ensure that thorough assessment of clients is done before entering into lease agreements.

The legal department together with the Finance department should inspect the company documents for proper registration.

Management Response

The auditors' comments have been noted. The Authority will ensure that leases are properly administered. However, it is also important to note that some of the issues highlighted go beyond the Authority's control.

3. EMPLOYMENT COSTS

3.1 Statutory deductions

Finding

The company did not remit PAYE, pension contributions, Standard development levy, ZIMDEF levy and NSSA on time during the year under review. As a result penalties amounting to $529 991 were levied by ZIMRA and NSSA for non-remittance of PAYE and NSSA contributions as follows;

Statutory creditor	Amount due as at December 31, 2014 $	Penalties in 2014 $
PAYE	1 547 786	479 011
Pension contributions	3 605 625	-
NSSA	195 494	50 980
Standard levy	201 474	-
ZIMDEF Levy	93 991	-
Total	**5 644 370**	**529 991**

Risk/Implication

Financial loss due to fines and penalties for non-payment of statutory obligations.

Recommendation

Statutory obligations should be remitted on time.

Relevant authorities should be engaged in advance to agree on payment plans to avoid penalties and interest.

Management response

Audit observation is valid. However, the Authority is facing severe cash flow problems to settle these obligations. Several communiques have been made between the Authority and the principals for possible recapitalisation. As a temporary measure, the Authority negotiated for payment plans to redeem these debts with ZIMRA, NSSA and ZIMDEF.

3.2 Manual transactions

Finding

The Authority recorded a high volume of manual transactions which were mostly cash based. This created room for fraudulent activities as some officers were receipting the correct amount on the top copy of the receipt slip and recording a lower value on the duplicates of the same receipt. For this reason, five (5) officers were dismissed for embezzlement of cash receipts and falsifying receipts from one station in Bulawayo region.

Risk/Implication

Financial loss as cash is susceptible to theft and fraud

Recommendation

The Authority should invest in computerised systems to improve the controls over cash receipts.

Management response

Noted. The Authority is in the process of upgrading its transaction systems. However, the major drawback is the availability of cash resources.

ZIMBABWE REVENUE AUTHORITY (ZIMRA) 2015.

Background information

The Zimbabwe Revenue Authority (ZIMRA) started operations on September 1, 2001 and is constituted in terms of the Zimbabwe Revenue Authority Act [*Chapter 23:11*] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

I have audited the financial statements of the Zimbabwe Revenue Authority for the year ended December 31, 2015 as well as the revenue returns and I issued an unmodified opinion on the Tax reserve Certificates Return, Revenue Return, Receipts and Disbursements, the financial statements and a modified opinion with an emphasis of matter paragraphs on the Outstanding Revenue.

Basis for qualified opinion on the Outstanding Revenue Return

The interest module in the Systems Application and Products (SAP) system was not automatically charging interest for outstanding taxes. As a result, some business partners were not charged interest at all on outstanding amounts. I could not establish the extent of the understatement.

Removal in Transit (regional consignments) entries amounting to $42 427 486 which originated at ports of entry had not been acquitted as at December 31, 2015. Some of the entries dated back to the year 2011. As a result, the extent of outstanding duty payable to be included in the outstanding revenue return could not be ascertained as some of the goods might have been consumed locally.

The SAP system allowed creation of duplicate contract accounts for the same revenue head under one business partner number. Evidently, assessments by the Authority and payments from clients were posted to the different contract accounts for the same business partner thereby distorting outstanding revenue for the individual business partners. I was unable to determine the amount of adjustment necessary on the multiple business partner numbers and duplicate contract accounts in the SAP system.

There were no presumptive tax returns from the agent responsible for collection of presumptive tax for motorists and reconciliations were not performed between what was remitted against collections by the agent. I was therefore not able to ascertain the accuracy and completeness of the $357 542 disclosed as presumptive tax for motorists in the revenue return.

Opinion on Outstanding Revenue Return

In my opinion, except for the possible effects of matters described in the Basis for Qualified Opinion paragraph, the Outstanding Revenue Return presents fairly, in all material respects, the Outstanding Revenue as at December 31, 2015.

Emphasis of matter on outstanding revenue return

Without further qualifying my opinion, I draw your attention to the following:

Transfers to banks that are under liquidation or judicial management

Included in the Outstanding Revenue Return is $3 587 606 which relates to taxes transferred by clients into the Authority's bank accounts but not transferred to the Commissioner General's Account for onward transfer to Exchequer Account prior to liquidation or judicial management. The recoverability of the full amount is doubtful.

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Temporary Import Permit (TIP)

Vehicles that enter the country temporarily are given temporary importers permit (TIP). As at reporting date, 14 294 Temporary Importers Permits had not been acquitted despite the fact that they had expired. Some of the vehicles may have been localised as they are long outstanding.

Fraudulent VAT refunds

Included in the Outstanding Revenue Return is $900 855 relating to presumed false input tax claims that were processed in 2014. Investigations were carried out and prejudice to the State worth $900 855 was uncovered. The matter is outstanding at the courts of law.

Furthermore the state was prejudiced $1 236 712 through illegitimate Value Added Tax refunds in 2015 and prior years. The fraud was uncovered in 2015 and recovery action was in process as at reporting date.

Audit Opinion on the Receipts and Disbursements Return

In my opinion, the Receipts and Disbursements Return presents fairly, in all material respects, the Receipts and Disbursements for the year ended December 31, 2015.

Audit opinion on the Revenue Return

In my opinion, the Revenue Return presents fairly, in all material respects, the collections by the Authority for the year ended December 31, 2015.

Audit Opinion on the Tax reserve Certificates Return

In my opinion, the Tax reserve Certificates Return presents fairly, in all material respects, the Tax Reserves for the year ended December 31, 2015.

Opinion on the Authority's financial statements

In my opinion, the financial statements present fairly, in all material respects the financial position of Zimbabwe Revenue Authority for the year ended December 31, 2015 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Emphasis of matter on financial statements

On May 06, 2016, the Board requested that a forensic audit into the operations of the Zimbabwe Revenue Authority for the period 2014 to 2016 be done. In particular, the Board required forensic audit of the executive payroll costs and procurement of services by the Authority. The findings from the forensic audit could have a material impact on the audited financial statements. The effect of this matter cannot be determined until the forensic audit is completed.

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

1. GOVERNANCE ISSUES

1.1 Appointment of human resources director

Finding

The Authority appointed a human resources director for a period of six months from June 2015 to December 2015 when there was another substantive human resources director in the same post. The substantive human resource director had been seconded to the World Customs Organisation (WCO).

The authorised staff establishment did not have provision for two human resources directors at the same time.

According to the terms that were set by Treasury, the secondment period was supposed to have been synchronised with the contract of employment at the Authority which ended on May 31, 2015. However, the secondment period was for the period up to September 2015.

There was no evidence of board approval prior to engagement of the second director for the period June 2015 to December 2015.

Risk/Implication

Financial loss as a result of dual payroll expenditure.

The appointment may have deprived funding in other areas where funds were most needed.

Recommendation

The Authority should appoint staff based on the authorised staff establishment and Board approval should be sought.

Management response

Conditions of secondment to the World Customs Organisation (WCO) are that one has to be a substantive employee of a member organisation and is remunerated by the seconding country. The renewal of the Director's contract who was seconded to the WCO was based on this requirement. The renewal was meant to allow for the secondment period to end and for the Director to be able to re-locate back to Zimbabwe while the Board makes the decision of what to do going forward. The appointment of another Director was in terms of the direction given by the Minister of Finance. While the Minister's direction was to synchronise the secondment with the contract of employment expiring on 31 May 2015, this was not easy to implement as the period of secondment was ending on 30 September 2015. It should be noted that the WCO is an international board and withdrawing the then incumbent four months before expiry of contract would have the implication of tarnishing the image of the country Zimbabwe on the international front. The three months from October to December where thought to be sufficient for incumbent to complete a hand over take over with the new Director as well as to finalise all her transactions in Kenya as well as relocating to Zimbabwe with all her personal effects.

1.2 Procurement procedures manual

Finding

The procurement procedures for the Authority with regards to informal tenders were at variance with procurement regulations for public entities. The procurement regulations of 2002 state that, for informal tenders, the procuring entity shall write tender or letters of invitation through newspaper advertisements. However, the Authority's procedures did not make it mandatory to advertise in local media. Rather, procedure 46.2 (ii) directs the procurement officer to send requests to approved suppliers identified from the approved list or to advertise tender in the local media. The procedure does not capture the requirements of a special informal tender.

Prior to November 2015, the Beitbridge region was seeking competitive quotations for purchases that required informal tender procedures to be followed. The table below has examples of purchases made at Beitbridge border post

Transaction Details			Description	Amount
20 Aug-15	4500023487	Bencash Enterprises	Sewer pumps	$ 10,660
9-Apr-15		Seabourn Investments	Procurement of card-board boxes for packaging cigarettes	$ 19,700
11-Jun-15		Redgelands Trading	Gravelling of the truck yard imports scanner holding bay	$ 16,340
31-Oct-15	4500026242	Glen Wonder Enterprises	Repairs and maintenance of the house – impala drive	$ 26,625
11-Nov-15		Guide Marketing	Refurbishment of 109 Impala Drive House	$ 25,879

Risk/implication

Violation of procurement regulations.

Control deficiencies may result in inconsistent execution of duties.

Procedures followed based on outdated manual may result in avoidable adjustments that cost time and money.

Recommendation

The procedures manual for procurement should not conflict with the procurement regulations.

Procedures manuals should be updated regularly to ensure that organizational and operational changes are incorporated.

Management response

The observation is noted. Staff have now been fully briefed and trained on the separation of processes for competitive and informal tenders and the Lower and Management Procurement Committees will be trained to implement all aspects of the State Procurement Act [Chapter 22:14] and Procurement Regulations as amended.

1.3 Document design-declaration form

Finding

I noted that declaration forms in use at all the border posts had no adequate controls to prevent false declarations. The forms were not serially numbered. I further noted that the forms had not been reviewed to incorporate communication details such as the email, mobile and phone number for easier and efficient follow up. The Authority made follow ups through postal system where receipt and feedback by the responsible client was not guaranteed. As a result, there were long outstanding F49 (Declaration form) entries.

Risk/Implication

Misstatement of outstanding revenue–customs duty with amounts that may not be recovered.

Recommendation

The Authority should consider reviewing the forms.

Management response

This issue will be looked into as it has budgetary implications. However the current declaration form is used nationally due to the fact that it saves on costs. The Authority is to introduce the automated revenue machines which will be utilized by clients at border posts.

2. REVENUE COLLECTION , MANAGEMENT AND DEBT RECOVERY

2.1 DOMESTIC TAXES

2.1.1 Interest on outstanding debt

Finding

The interest module in the Systems Application and Products (SAP) system was not automatically charging interest for outstanding taxes. As a result, some business partners were not charged interest at all on outstanding amounts. I could not establish the extent of the understatement.

Furthermore there were more than 5 425 returns that had not been captured in the SAP system as at reporting date while some returns were captured late.

Risk/implication

Outstanding revenue disclosed may not be accurate.

Recommendation

Interest should be calculated in a timely manner to ensure that the outstanding debt reflects an accurate position of clients' obligations.

Management response

These were captured late due to backlog, the Authority has directed all clients to submit returns online with effect from 1st April 2016. This will go a long way in ensuring that all returns are on the system by year end

2.1.2 Presumptive tax returns

Finding

The Authority did not have returns from the agent responsible for collection of presumptive tax for motorists. Upon inquiry, I was informed that the agent did not submit tax returns for all the presumptive tax collections done during the 2015. Furthermore, there were no reconciliations done to ascertain the accuracy and completeness of $357 542 remitted by the agent. As a result, I was not able to verify the accuracy and completeness of presumptive tax from motorists.

Furthermore, there was no contract entered into between the Authority and the agent. A documented agreement was necessary to guide the operational parameters and obligations of each entity with regards to the collection of presumptive tax.

Risk/Implication

The outstanding revenue may be materially misstated by errors that could have been detected through reconciliations

In the absence of a contract when disputes arise between the parties, there may be lack of recourse.

Recommendation

Reconciliations should be done between the two entities.

Management should regularize the arrangement to collect the presumptive tax with the third party.

Management response

The observation is noted. ZINARA was appointed in terms of section 36 C of the Income Tax Act and the format of the return is guided by a contract to be signed between the Authority and ZINARA. Draft contract was done and exchanged with ZINARA for review. ZIMRA however, in the interim requested submission of returns through letters dated 21.08.15 and 21.10.2015. ZINARA is yet to submit the outstanding returns. Additionally in the absence of the returns, ZIMRA proceeded to institute an audit from 16.03.2016 to authenticate the amounts remitted by ZINARA and the audit is still in progress.

ZINARA was appointed an agent to collect presumptive tax but on assumption of the duty it was realised that the presumptive tax could not be collected before vehicles were licenced. This created two competing interests which affected the collection of presumptive tax. ZIMRA, ZINARA and Central Vehicle Registration (CVR) are now working on the establishment of the Zimbabwe Transport Information System, which will assist in providing a consolidated database and simplify the collection of presumptive tax.

2.1.3 Registration and account validation

Finding

The System Application and Products (SAP) was unable to validate contract accounts creation. As a result, in certain cases, the same business partner number would have two contract accounts for the same revenue head.

Furthermore, there were duplicated business partner numbers and some inadequacies on input validation controls over new BP registration. The input validation controls over new BP registration were inadequate as the field for national identity number (for individuals) and for the certificate of incorporation number (for companies) were not mandatory. There was also absence of email address information of clients, and absence of search characteristics for individual identity number.

Below is a sample of Business Partner numbers with duplicate contract account numbers.

BP Number	Contract Account	Contract account name
200153126	20180839	PAYE
200153126	20187666	PAYE
200140166	20174488	PAYE
200140166	20188046	PAYE
200000264	30070759	Income Tax Companies
200000264	30070760	Income Tax Companies
200145418	20177342	PAYE
200145418	20187654	PAYE
200115332	10057292	Value Added Tax
200115332	10057643	Value Added Tax

The table below has details of duplicate business partner numbers:

Name of client	BP Numbers
Client 1	200107264
Client 1	200160773
Client 2	200151986
Client 2	200151987
Client 2	200151988

Name of client	BP Numbers
Client 2	200151992
Client 2	200151989
Client 2	200151990
Client 2	200151991
Client 3	200153120
Client 3	200153121
Client 4	200156574
Client 4	200156606
Client 4	200156607
Client 5	200099602
Client 5	200099602
Client 5	200146786
Client 5	200146786
Client 5	200146794
Client 5	200146794
Client 5	200127437
Client 5	200127437
Client 5	200064825
Client 5	200064825
Client 5	200064825
Client 5	200064825
Client 5	200064825

Risk/Implication

Abuse of Business Partner numbers and contra accounts.

Client status may be difficult to ascertain if multiple business partner numbers are stored in the system as transactions might be posted to different BP numbers for the same client.

Tax evasion by tax payers due to insuffucient business intelligence search criterias.

Errors and omissions can go undetected.

Recommendation

System should be configured to allow detection of duplicate contract account numbers.

Duplicate business account numbers should be rectified.

Input validation should be enhanced.

Management response

Observation noted. The Master Data Management tool which manages duplicate Business Partners at registration point was piloted installed for use in Region 1 as a pilot project and has been scheduled for roll out to the rest of the regions during the second quarter of 2016.

All Regions have already embarked on an exercise to verify duplicate business partners, transfer transactions from the inactive business partner number to the active business partner number and block the inactive business partners. This exercise is expected to be completed by end of May 2016.

The Authority is also working on the E -Services facility to enhance the functionality that manage duplication of business partners during the online registration process. As an interim measure, the Client Care Services Supervisors responsible for approving online business partner registration has been instructed to check for duplicates and adequacy of attachments before approving new registrations.

Contract Accounts

The following BPs have duplicate contract accounts:

BP Number	Contract Account	Contract account name
200153126	20180839	PAYE
200153126	20187666	PAYE
200140166	20174488	PAYE
200140166	20188046	PAYE
200000264	30070759	Income Tax Companies
200000264	30070760	Income Tax Companies
200145418	20177342	PAYE
200145418	20187654	PAYE
200115332	10057292	Value Added Tax
200115332	10057643	Value Added Tax

Zimra had already embarked on an exercise to block duplicate contract accounts from the Fourth Quarter 2015. This exercise is expected to be completed by end of May 2016.

2.1.4 Transfers to banks that are under liquidation or judicial management

Finding

Included in the Outstanding Revenue Return was $3 587 606 related to taxes transferred by clients into the Authority's bank accounts but not transferred to the Commissioner General's Account for onward transfer to Exchequer prior to judicial management or liquidation of the banks.

Risk/Implication

The recoverability of the full amount is doubtful.

Recommendation

The Authority should evaluate the extent of recoverability of the recorded amount.

Management response

Observation and recommendation noted. Of the USD3.587 million USD1.79million is the amount which is with the bank under liquidation. The rest of the amount is in a bank under provisional management.

Bank under liquidation
The Authority lodged its claim with the Master of High Court. It has also received USD500 from Depositors Protection Board. The Authority has attended two creditors meetings and received two reports so far. Given your recommendation, the Authority is going to reassess the feasibility of recoverability of the amount after attending the next creditors meeting which is scheduled for second quarter of the year and give appropriate recommendations to the Board.

Bank under Provisional Management

The case was handed over to the Authority's lawyers who are currently following closely on the case. Recently creditors voted for continuation of judicial management. The Authority will continue to reassess the recoverability of funds and take appropriate action.

2.1.5 Capital gains tax clearance certificates

Finding

Capital gains tax clearance certificates were manually numbered.

Risk/implication

Human error may go undetected.

It may be difficult for the Authority to detect duplications and irregularities on the capital gains certificates issued.

Recommendation

Capital gains tax clearances certificates should be serialized and should have security features which are computer generated.

Management response

The recommendation is noted. The capital gains certificates books do not have serial numbers which resulted in the manual intervention currently in place. The online issuance of the CGT Certificate is undergoing final tests in the production environment before it's fully rolled out in 2016. It is expected that this automation will address possible duplications.

2.2 CUSTOMS AND EXCISE

2.2.1 Removal In Transit (RIT)

Finding

Removal in Transit (RIT) entries originated at ports of entry which were not acquitted as at 31 December 2015 amounted to $42 427 486. Some of the outstanding entries related to 2011. Beitbridge border post contributed $39 652 640 in outstanding RIT. Most of these may not be recovered in full as most of the clearing agents are said to have closed business before they cleared those outstanding RITs. In prior years, I indicated the need for the Authority to review its relationship with clearing agents but there was no evidence of improvement as outstanding RITSs continued to increase.

In 2015, fifteen (15) revenue officers were dismissed for customs clearance related offences. The tables below have a sample of outstanding RITs for Beitbridge (ZWBB) and Forbes (ZWFB):

Amount (US$)	Departure code	Destination code	Registration date	Declarant	Date of departure
16,896	ZWBB	ZWFB	1/14/2015	200045575	1/20/2015
6,795	ZWBB	ZWFB	1/24/2015	200081943	02/01/2015
6,053	ZWBB	ZWNY (Nyamapanda code)	02/02/2015	200109381	02/10/2015
17,305	ZWBB	ZWNY	2/24/2015	200067586	03/01/2015
15,828	ZWBB	ZWFB	03/07/2015	200000074	3/27/2015

54,327	ZWBB	ZWNY	03/07/2015	200129329	03/10/2015
63,934	ZWBB	ZWNY	03/08/2015	200129329	03/10/2015
180,143	ZWBB	ZWFB	03/10/2015	200022063	3/23/2015
180,143	ZWBB	ZWFB	03/10/2015	200022063	3/23/2015
10,967	ZWBB	ZWNY	3/13/2015	200081943	3/21/2015
27,441	ZWBB	ZWFB	3/18/2015	200082997	3/27/2015
37,289	ZWBB	ZWFB	04/01/2015	200109854	04/11/2015
73,329	ZWBB	ZWNY	04/08/2015	200000497	4/13/2015
17,406	ZWBB	ZWNY	04/12/2015	200081019	05/01/2015
22,016	ZWBB	ZWNY	4/26/2015	200102023	4/26/2015
79,684	ZWBB	ZWNY	5/15/2015	200142194	06/03/2015
17,778	ZWBB	ZWFB	5/16/2015	200000074	6/18/2015
12,565	ZWBB	ZWNY	5/16/2015	200073975	5/19/2015
19,069	ZWBB	ZWFB	5/17/2015	200102023	6/22/2015
85,463	ZWBB	ZWNY	5/19/2015	200082997	11/10/2015
2,690	ZWBB	ZWFB	5/23/2015	200129329	5/29/2015
73,443	ZWBB	ZWNY	06/03/2015	200129329	06/06/2015
20,998	ZWBB	ZWFB	06/08/2015	200102023	6/22/2015
9,699	ZWBB	ZWFB	07/02/2015	200073769	07/05/2015
15,947	ZWBB	ZWNY	08/09/2015	200119635	8/14/2015
3,517	ZWBB	ZWNY	9/16/2015	200142194	9/21/2015
3,517	ZWBB	ZWNY	9/16/2015	200142194	9/21/2015
4,701	ZWBB	ZWNY	9/25/2015	200109854	9/27/2015
4,341	ZWBB	ZWFB	9/25/2015	200073975	9/28/2015
21,988	ZWBB	ZWFB	10/23/2015	200082997	11/10/2015
934	ZWBB	ZWNY	11/11/2015	200082997	11/11/2015
4,337	ZWBB	ZWNY	11/29/2015	200109381	11/30/2015
8,675	ZWBB	ZWNY	12/04/2015	200082997	12/27/2015

Removal in transit from Forbes border post

Registration Office	Declarant	Reference	Registration number	Registration date	Comments
MTEX	200056962	T157	1004	8/20/2015	Awaiting cancellation. Agent notified
MTEX	200011039	1555TF	1202	9/18/2015	Awaiting manager's cancellation
MTEX	200011039	1764TF	1391	10/7/2015	Awaiting manager's cancellation
MTEX	200001427	15CHR701	1751	11/27/2015	Awaiting cancellation. Agent notified
MTEX	200011039	DAL0766	1810	12/23/2015	Awaiting manager's cancellation
MTEX	200011039	VAMEDA04	318	3/27/2015	Awaiting manager's cancellation

Risk/Implication

The extent of outstanding duty payable to be included in the outstanding revenue return could not be established as some of the goods might have been consumed locally.

Revenue leakages as goods may be consumed without paying duty through false removal in transit declarations. This area presents a conduit for irregular acquittals.

Potential unfair competition with local supplies in the event that the goods are then locally consumed without paying the relevant duty.

Recommendation

Clearing agents with outstanding cancellations should be reported to the Insurance and Pensions Commission (IPEC).

The Authority should review procedures on registration of clearing agents and encourage the association of clearing agents to put in place and continuous review the code of conduct of these agents.

The Authority should consider making follow ups of the un-acquitted RITs

Management response

Management commenced engagements with both the Insurance Pensions Commissions and the Insurance Companies in 2015.

Procedures for registration of the clearing agents are in place and will be reviewed for future registrations.

The Agents responsible for the entries were notified for them to submit the cancellation applications. Once the applications are submitted and approved the cancellations will be effected.

2.2.2 Temporary Importation Permit (TIP)

Finding

Vehicles that enter the country temporarily are issued temporary importation permits (TIPs). As at the reporting date, 14 294 TIPs had not been acquitted despite the fact that they had expired.

As at December 31, 2015 there were 2 201 expired Temporary Import Permits (TIPs) for Region One. The TIPs comprised 391 TIPs expired in 2013, 843 TIPs expired in 2014 while 967 TIPs expired in 2015. Three thousand four hundred and ninety eight (3 498) TIPs were outstanding at Plumtree Boarder Post since 2014.

A review of a schedule of TIPs at Kariba station revealed that there were one hundred and twenty four (124) expired TIPs. At Chirundu there were two hundred and sixty four (264) expired TIPs while Beitbridge had more than eight thousand outstanding TIPS.

I noted that there were more than five hundred (500) outstanding TIPs at Forbes Boarder Post, seven (7) at Mutare Inland Station and three (3) at Masvingo Station with some dating back to 2013.

In addition, the ASYCUDA system could not flag out the vehicles which had not acquitted before issuing or acquitting another TIP. This resulted in multiple outstanding TIPs for the same client. Below is a sample of clients who had more than one outstanding TIP;

Port of entry	Date of entry	Date of exit	Passport / Identification number	Port of exit	Port of entry ZWPT reference number
ZWPT	18/07/2014	17/08/2014	1824	ZWPT	8936
ZWPT	09/09/2014	09/10/2014	1824	ZWPT	14800
ZWPT	11/06/2014	11/07/2014	381315922	ZWPT	7137
ZWPT	08/02/2015	07/03/2015	381315922	ZWPT	2352
ZWPT	11/06/2015	14/10/2015	465298314	ZWPT	13452
ZWPT	04/03/2014	04/04/2014	470040713	ZWPT	2667
ZWPT	01/02/2015	03/03/2015	470040713	ZWPT	1875
ZWPT	13/03/2014	21/03/2014	473020231	ZWPT	3151
ZWPT	06/02/2014	05/03/2014	473020231	ZWBB	1329
ZWPT	16/11/2015	15/12/2015	479978741	ZWPT	20907
ZWPT	29/10/2015	28/11/2015	479978741	ZWPT	19717
ZWPT	12/09/2014	11/10/2014	481203563	ZWPT	15182
ZWPT	12/09/2014	11/10/2014	481203563	ZWPT	15182
ZWPT	05/06/2015	08/06/2015	A00333735	ZWPT	13274
ZWPT	03/11/2015	13/11/2015	A00333735	ZWPT	20124
ZWPT	16/05/2014	02/06/2014	A00413031	ZWPT	6428
ZWPT	10/09/2014	09/10/2014	A00413031	ZWPT	14906
ZWPT	18/03/2015	18/04/2015	A00413031	ZWPT	5365
ZWPT	17/04/2015	17/05/2015	A00413031	ZWPT	8669
ZWPT	23/10/2015	22/11/2015	A00413031	ZWPT	19397
ZWPT	23/02/2014	22/03/2014	A00724498	ZWPT	2034
ZWPT	21/08/2014	05/09/2014	A00724498	ZWPT	12521
ZWPT	11/12/2014	10/01/2015	A02369898	ZWPT	22734
ZWPT	23/04/2015	23/05/2015	A02369898	ZWPT	9252
ZWPT	18/05/2014	26/05/2014	A02681823	ZWPT	6533
ZWPT	28/09/2014	03/10/2014	A02681823	ZWPT	16571
ZWPT	14/09/2014	13/10/2014	A02857767	ZWPT	15345
ZWPT	12/04/2015	12/05/2015	A02857767	ZWPT	8247
ZWPT	13/02/2015	27/02/2015	A02897456	ZWPT	2668
ZWPT	12/05/2015	11/06/2015	A02897456	ZWPT	11556
ZWPT	19/03/2014	24/03/2014	A02929447	ZWPT	3432
ZWPT	22/06/2014	02/07/2014	A02929447	ZWBB	7473
ZWPT	09/01/2015	08/02/2015	A029551448	ZWPT	520
ZWPT	30/12/2015	30/01/2016	A029551448	ZWPT	21676

Port of entry	Date of entry	Date of exit	Passport / Identification number	Port of exit	Port of entry ZWPT reference number
ZWPT	02/02/2015	09/02/2015	A04174700	ZWBB	1908
ZWPT	14/09/2015	24/09/2015	A04174700	ZWPT	17120
ZWPT	20/08/2015	10/09/2015	A04174700	ZWPT	16402
ZWPT	10/10/2015	24/10/2015	A04174700	ZWPT	18531
ZWPT	21/02/2015	25/02/2015	A04200468	ZWBB	3294
ZWPT	29/03/2015	07/04/2015	A04200468	ZWBB	5854
ZWPT	30/05/2015	29/06/2015	A04200468	ZWPT	12887

Risk/Implication

Some of the vehicles may have been localised as they are long outstanding thereby possibly circumventing customs duty obligations.

Revenue leakage through abuse of the TIP system.

Recommendation

There is need for regular follow up on all outstanding TIPs.

The system should be configured to flag all outstanding TIPs based on the vehicle chassis number and or the passport number of the importer.

The Authority should review the customs clearance certificate.

The Authority should consider transferring an encrypted file to central vehicle registry and ZINARA for all vehicles that have TIPs that are outstanding.

Management response

The observation and recommendations made are noted. Regular follow ups on TIPs are being done across the entry points

Officers are now checking in the system using passport numbers whether the client has an outstanding TIP before issuing out a new one.

It is agreed that the system should be configured to flag all outstanding TIPs based on the chassis number and passport. The system is not able to flag outstanding TIPs. Efforts are being made to automate the flagging of outstanding TIPs basing on the chassis numbers. However this development had not been planned for this year in our Modernization Plan.

2.2.3 Post clearance exercises

Finding

During the year under review, the Authority was not reconciling revenue items from the ASYCUDA system to the System Application and Products (SAP). As a result post clearance activities amounting to $35 039 359 were omitted from the Outstanding Revenue Return.

Risk/Implication

Customs revenue may be materially misstated.

Recommendation

Reconciliations should be done to correct all possible misstatements. Had reconciliations been done this could have been identified prior to submission of returns for audit.

Management response

Observation is noted. Reconciliations shall be done timeously between ASYCUDA system and the reporting system SAP.

2.2.4 Goods pending destruction

Finding

The Authority held some expired goods in its warehouse pending destruction. Some of the goods are dangerous substances.

The table below shows such items.

Notice of Seizure Number (N/S) or Receipts for Items Held Number (RIH)	Date	Goods Description	Office Held
43527C	18-Feb-13	152 cartons of pharmaceuticals	Manica (Harare)
206262	04-Oct-13	5*(24*13*7)500 ml plastic water bottles.	Manica (Harare)
206697	04-Sept-14	74*drums of pesticides	Manica (Harare)
206694	28-Aug-14	24* pallets of medical supplies	Manica (Harare)
41976C	12-Feb-13	20760Kgs of Black Powder	BAK Storage (Harare)
36720c	24-Nov-05	Sodium Metassilicate Granular	BAK Storage (Harare)

Notice of Seizure Number (N/S) or Receipts for Items Held Number (RIH)	Date	Goods Description	Office Held
Unknown	2005	67*200Litre Drums of Caustic Soda. (not in warehouse)	BAK Storage (Harare)

Risk/Implication

Warehouse space is occupied by goods pending destruction.

Some of the goods are potentially hazardous to humans.

Recommendation

Respective stations should make follow up and rigorous efforts to ensure that the goods are destroyed to create warehouse space.

Management response

The observations and recommendations are correct and noted. The destruction certificates have been processed for the outstanding cases and payments to City of Harare done in some cases.

2.2.5 State appropriations to government departments

Finding

Since 2013 the Authority, on instruction from the Ministry of Finance and Economic Development, appropriated vehicles to the State.

Some vehicles which were held at BAK storage and Manica (Harare) were appropriated to government departments. As at December 31, 2015 a total of 61 vehicles from the two stations had not yet been collected by the government departments despite the fact that they had been appropriated long back. The table below shows such examples.

Item	Seizure Number	Description Of goods	Appropriated Year
1	041868K of 26/07/2011	BMW 5 series	2014
2	070360K of 13/02/2013	Hyundai Accent	2014
3	40613C of 10/05/2012	Volvo 850-1998	2014
4	027362 of 13/06/2012	Mercedes Benz S320	2014
5	026759L of 30/06/11	Ford Ranger Double Cab	2014
6	026757L of 22/06/11	Mercedes Benz C250	2014
7	041249K of 31/01/2011	Toyota Camry Gracia 1998	2014

Item	Seizure Number	Description Of goods	Appropriated Year
8	041213K of 16/6/10	Toyota Camry	2015
9	041212K of 16/6/10	Toyota Harrier	2015
10	041211K of 16/6/10	Volvo S80	2015
11	041214K of 16/6/10	Peugeot 406	2015
12	04218K of 16/6/10	Mercedes Benz E55	2015
13	41240K of 1/11/10	Mazda 5	2015
14	117308D of 27/10/10	Nissan Gloria	2015
15	070275K of 29/10/10	BMW 318I	2015
16	026756L of 15/4/11	Mercedes Benz CL350	2015
17	135304 of 19/9/14	Mercedes Benz E240	2015

Risk/Implication

Vehicles condition may deteriorate in considering that some of these vehicles have been parked and warehoused since 2010

Theft of vehicle accessories may not be ruled out.

Recommendation

The Authority should take the matter back to the Minister of Finance.

Management response

The Authority has written to the Ministry of Finance, who did the appropriation of the cars advising it that the cars have not been taken with recommendations that the Authority be allowed to dispose of the cars by tender.

2.2.6 Revenue return formats

Finding

There was no standard revenue return format. I noted that customs revenue returns formats varied from station to regional office and subsequently to head office. As a result it was difficult to trace the revenue head amounts from station to regional office and to the consolidated return by the head office.

In addition, some revenue heads were combined by the head office while the stations reported them separately. When audit noticed a variance of $10 098 between the region 2 return and consolidated return, it was difficult to establish the cause.

Also, for region 3, there was mixture of source and revenue head. The return had amounts recorded on outstanding return as Receipts for Items Held (RIH) and Notice of Seizure (N/S) whilst other regions allocated these amounts to their respective revenue heads.

Risk/Implication

Material errors may be difficult to detect and correct on time

Recommendation

The revenue return format should be standardized.

Management response

Noted revenue returns formats will be standardised in line with ISO implementation.

2.2.7 Private imports clearance register

Finding

The Plumtree Station and the Bulawayo port private imports Certificate of Customs Clearance (CCC) registers were not being adequately reviewed and as a result had incomplete details. The Authority's Standing Instructions on the maintenance of registers states that the equipment number, CCC number, the importer's national identity number and the releasing officer's name should be recorded in the CCC register. I also noted incidents where importers did not sign in the CCC register upon collection of their motor vehicles from the holding bay. The table below contains details of the anomalies noted;

Date	Station	Motor vehicle details	CCC number	Comments
21.09.15	Bulawayo Port	Honda CRV	754018	Details of the client not recorded, Date CCC collected not recorded, Releasing officer's name not recorded.
24.09.15	Bulawayo Port	Nissan skyline	754055	Date CCC collected not recorded, Releasing officer's name not recorded.
25.09.15	Bulawayo Port	Nissan Hard body	754064	Date CCC collected not recorded, Releasing officer's name not recorded.
15.10.15	Bulawayo Port	Homemade trailer	754231	Date CCC collected not recorded, Releasing officer's name not recorded.
09.11.15	Bulawayo Port	Mazda B2500 pick up	754432	Details of the client not recorded, Date CCC collected not recorded
27.11.15	Bulawayo Port	Mazda B1600 pick up	754549	Date CCC collected not recorded, Releasing officer's name not recorded.
07.12.15	Bulawayo Port	Toyota corolla	754624	Releasing officer's name not recorded.

Date	Station	Motor vehicle details	CCC number	Comments
11.12.15	Bulawayo Port	Honda Fit	754653	Releasing officer's name not recorded.
16.12.15	Bulawayo Port	Isuzu KB250 single cab	754676	Date CCC collected not recorded, Releasing officer's name not recorded.
16.12.15	Bulawayo Port	Nissan sunny	754678	Date CCC collected not recorded, Releasing officer's name not recorded.
04/11/15	Plumtree	Mercedes Benz C240	628026	Register not signed by importer on collection of motor vehicle. Importers identity number not recorded.
04/11/15	Plumtree	Nissan Navarra	628028	Register not signed by importer on collection of motor vehicle. Importers identity number not recorded.
23/11/15	Plumtree	Honda CVR	628224	Register not signed by importer on collection of motor vehicle. Importers identity number not recorded. Releasing officer's name not recorded.
14/12/15	Plumtree	Toyota Hilux	628495	Releasing officer's name not recorded.

Risk/Implication

Non-compliance with standing instructions on CCC registers maintenance.

The Authority may have no recourse in the event of disputes with importers over the collection of motor vehicles from the holding bay.

It may be difficult to ensure accountability over the CCC releasing process if the details of the releasing officer are not captured in the CCC register.

Recommendation

The CCC register should be reviewed and the Authority should ensure that CCC registers are updated with all the necessary details in compliance with standing instructions.

Importers should sign in the CCC register upon collection of their motor vehicles from the holding bay.

Management response

The CCC registers will be reviewed periodically to ensure full completion. Management will ensure that each client collecting a Customs Clearance Certificate (CCC) signs for it from the Customs Clearance Certificate register. Cars being

collected from the holding bays are not signed for in the Customs Clearance Certificate register but in the State ware house register.

2.2.8 Baggage scanners

Finding

The baggage scanner for Plumtree border post was not operating efficiently and at times it was continuously down for more than 30 days. At Beitbridge border post, 3 out of 4 baggage scanners were not working while the baggage scanner at Forbes border post regularly broke down. The Authority relied more on physical examinations and used scanners on a sample basis at Plumtree border post.

Furthermore, I noted that the baggage scanner register at Plumtree border post was not adequately reviewed and updated as evidenced by missing shift statistics. The table below contains details of the anomaly;

Date	Shift(s) not captured
19/02/15	Afternoon
10/03/15	Morning
11/03/15	Morning
12/03/15	Morning
13/03/15	Morning
17/06/15-19/06/15	Afternoon
03/07/15-04/07/15	Morning and afternoon
26/09/15-30/09/15	Afternoon
20/10/15-26/10/15	Morning and afternoon
03/11/15-08/11/15	Morning and afternoon

Risk/Implication

Revenue leakages as goods are smuggled through the station without detection.

Illegal substances may not be detected through physical examination alone.

Recommendation

Management should ensure that baggage scanners are operational at all times.

The baggage scanner register should include the statistics of each shift and should include explanations for shifts where no statistics are available.
The Authority should consider increasing the use of scanners so as to reduce the reliance on physical examinations.

Management response

Management is working on having the baggage scanner fixed. Officers have been instructed to ensure that register is adequately populated with all details on a shift and daily basis. The Station Manager and the Supervisor will do routine checks on a daily basis.

The scanners are optimally utilized. There are risk parameters embedded in the ASYCUDA System which are green, red, yellow and blue. At times for cargo to be selected for scanning, the entry would have been routed red and requires physical examination.

Besides the red routed commercial trucks, we also randomly scan the yellow and green routed entries.

The issue of the non-working baggage scanners is being looked into.

2.2.9 System and physical Form 21(F21)

Finding

The acquittal of bills of entry (F21) was done both manually and in the system. I noted that there were differences in dates of departure and arrival in the system as compared to those on the physical F21 on more than three hundred bills of entry. I further noted that the departure dates in the system were dates that were after the arrival dates on the physical F21.Table below shows some of the bills of entry with such anomalies.

Reference Number	Port of entry	Date of departure On Physical F21	Date of departure In the system	Date of Arrival on Physical F21	Date of Arrival In the system
AGRI S5720	ZWFB	March 7, 2015.	October 1, 2015	March 13, 2015	November 25, 2015
F0177 S13485	ZWBB	March 12, 2015	April 29, 2015	March 19, 2015	June 1, 2015
PBB94 S1855	ZWBB	January 16 2015	January 8, 2015	August 30, 2015	January 30, 2015
LFB142 S11678	ZWBB	March 4, 2015	April 1, 2015	March 5, 2015	April 14, 2015
DFS1277T S14247	ZWFB	July 15, 2015	May 23, 2015	July 16, 2015	July 16, 2015
FAQ1506202 S11973	ZWFB	June 18, 2015	August 10, 2015	June 20, 2015	August 31, 2015
FAQ1506438 S12274	ZWFB	June 23, 2015	August 10, 2015	June 28, 2015	August 31, 2015

Reference Number	Port of entry	Date of departure On Physical F21	Date of departure In the system	Date of Arrival on Physical F21	Date of Arrival In the system
FAQ1507063 S13275	ZWFB	July 4, 2015	August 10, 2015	July 8, 2015	August 31, 2015
FAQ1506438 S12730	ZWFB	June 26, 2015	August 10, 2015	June 28, 2015	August 31, 2015
FAQ1506277 S12274	ZWFB	June 23, 2015	August 10, 2015	June 27, 2015	August 31, 2015

Risk/Implication

Misstatement and errors may not be detected timely.

Loss of revenue emanating from the unpaid fines.

Recommendation

The physical dates on the F21 form should not be different from the ones in the system.

All departures in the system must be done at the time the vehicle departs the port of entry.

Management response

Observation noted. Departure validations should be done from the originating port. In instances where a truck arrives without departure validation at the exit port, the station will advise the originating port of entry to effect the requisite departure validation in the system. The exit port will allow exit of the truck by making use of a manual register, in an effort not to derail the movement of the trucks and will later acquit in the system once the entry is validated from the entry port.

3. EMPLOYMENT COSTS

3.1 Payment of employees

Finding

Employees who resigned were supposed to be paid outstanding leave days only. According to the documentation verified, there were certain instances where employees were paid full month salary and benefits post resignation date. I also noted there were cases of employees on suspension without pay and benefits who were paid salary and benefits whilst on suspension contrary to the suspension conditions.

I further noted that reinstated employees previously on suspension were paid salary advances, but there was no evidence to confirm that the concerned employees had applied for such advances. Upon further inquiry, I noted that the salaries officer was the one applying for the request for advance on behalf of the employee. These applications were not kept in employee files.

The table below has details of such anomalies.

EC Number	Date of Suspension	Date of resignation	Remarks
664	January 22, 2015		Paid February 2015 and March 2015 salary.
3118		November 30, 2015	Contract terminated on 30 November 2015 but was paid the December Salary
3476		January 24, 2015	Contract expired on 24 January 2015 and on 26 January 2015 he was charged with misconduct and asked to handover all the security items. But he was paid until May 2015
1747		January 2, 2015	Was paid a full month salary with allowances yet she had resigned. The employee did not appear on the pay sheet summary hard copy.
500	May 08, 2015		Reinstated on July 03, 2015. Advanced $1 500 in July 2015 which was applied for by payroll Officer.
1697	May 06, 2015		Reinstated on June 24, 2015. Advanced $1 500 which was applied for by payroll Officer.
1378	November 26, 2014		Reinstated on January 14, 2015. Advanced $1 500 which was applied for by payroll Officer.
2013	September 09, 2015		Reinstated on November 01, 2015. Advanced $1 000 which was applied for by payroll Officer.
541	April 15, 2015		Reinstated on June 20, 2015. Advanced $1 500 in June 2015 which was applied for by payroll Officer

Risk/Implication

Financial loss due to payment of employees who would have left the organisation or are on suspension without pay and benefit.

False representation of the employee.

Recommendation

Management should ensure that employees are removed from the payroll on time to avoid paying employees who would have resigned or are on suspension.

Evidence of employees' application for advances in their personal capacity should be on file.

Employees should apply for advances in their personal capacity.

Management response

The responses are in the table below:

EC Number	Explanation
664	**There was a communication breakdown at the time the person was suspended. However, the error was picked at the time of dismissal in April 2015. A decision was made that the amount paid for two months would be recovered from the person's terminal benefits which we are currently holding onto, that is his cash in lieu of leave and pension. These terminal benefits can only be processed after the employee's case is cleared by the labour court where he appealed his dismissal. Meanwhile we will continue monitoring the progress at the labour court.**
3118	**The one month of December was erroneously paid as notice pay since contract was terminated midway and the understanding was he was due to receive a notice pay. We have since notified the person and he has committed himself to repaying the amount over a period of 6 month.**
3476	**There was a system error on calculation of the employee's salary. He was engaged on payroll in April 2015 after assuming work in September 2014. In April the payroll ran a retroactive action from April 2015 back to September 2014.** **The person has since been contacted to pay back the erroneously paid money. The person has requested to come after getting permission from his Superiors as per their procedures of operations**
1747	**There was an oversight in paying the employee's salary. What she was supposed to get was to get her cash-in-lieu of leave only. There was communication breakdown between the person who did the rehiring for purposes of paying terminal benefits and the person who did the payment.** **We have done a reconciliation of what was paid versus what was supposed to be paid and have notified the former employee of the**

	balance to make payment arrangements. She has committed that the balance will be paid by the 10th of May. **To avoid this anomaly, we have designed a form which will be completed when an employee is reinstated for the payment of benefits and everyone who would have dealt with the case will write down the instructions and activities done.**
500	**This is a unique type of an advance since it is meant to assist an employee who would have been reinstated by the DGC or Labour court and the reinstatement instruction is to pay him full pay and benefits for the period the person was on suspension. In that regard, the Payroll Officers would receive a request from the person's HR Officer or Assistant usually sent via e-mail. The Payroll Officer would then initiate the request basing on that request from the HR Person. The advance was taken from the back pay which the employee was entitled to. The advance was given because we cannot run a payroll for a single employee in the middle of the month. The advance salary would be recovered from the person's back pay on the following month's pay run.** **However, in the future we will request the employees concerned to raise the advance requests and then claim payments basing on these requests.**
1697	**As per employee500 above.**
1378	**As per employee 500 above.**
2013	**As per employee 500 above.**
541	**As per employee 500 above.**

3.2 Leave forms

Finding

Leave forms were not captured timely, in some instances they were not captured at all in the SAP system. The following table shows examples of the anomaly;

EC Number	Period of leave	Type of leave	Date leave form was captured
2434	21-26/06/2015	Vacation	12/09/2015
2848	18-26/06/2015	Sick	12/09/2015
0090	22-28/09/2015	Vacation	15/11/2015
0090	20-29/07/2015	Excess days off	13/09/2015
2318	12-17/05/2015	Excess days off	Not captured
2318	20/06/2015-25/6/2015	Excess days off	13/09/2015.
3453		Excess days off	All excess days off were not captured in the system.
196626	19-24/03/2015	Excess days off	10/06/2015

EC Number	Period of leave	Type of leave	Date leave form was captured
196626	07-15/06/2015	Excess days off	12/09/2015
196626	24-30/07/2015 23-29/04/2015 14-22/02/2015	Excess days off	Not captured

Risk/Implication

Under or overstatement of leave days. Errors and omissions may not be detected on time or may not be detected at all.

Recommendation

The Authority should ensure that all leave days are captured timely.

Management response

We agree with audit observation. All leave forms that were not captured have since been captured. Management will ensure that this will not happen again in future.

4. PROCUREMENT OF GOODS AND SERVICES

4.1 Declaration of interests

Finding

There was no satisfactory evidence to support that the regional procurement committee members were documenting the declaration of interest.

Risk/Implication

Financial loss due to irregular transactions that may not be detected on time.

Recommendation

Members should declare their interest and the declarations must be documented in a declaration of interest form.

Management response

The observation is noted. Management is going to ensure that conflict of interest forms are signed at every procurement meeting as per the procedure.

5. PROGRESS TOWARDS IMPLEMENTATION OF PRIOR YEAR ISSUES

I reviewed the progress made towards the implementation of prior year recommendations and found that the Authority made some progress and there was room for improvement in respect of the following recommendations;

5.1 Motor vehicles

Recommendation

Timely repairs should be effected to ensure availability of resources. The storage facilities for the Authority's assets should be improved through provision of sheds for motor vehicles.

Progress made

The sheds for stations were still work in process.

5.2 Enterprise Risk Management

Recommendation

Review of the ERM grid and this should be a continuous process.
There is need to ensure that information is backed up and stored at a secure place which is separate from the warehouse. ZIMRA should consider equipping warehouses with appropriate fire detection and prevention equipment.

Progress made

State warehouse operations had not been computerised so as to fully address the issue of backing up warehouse records.

5.3 Staff accommodation

Recommendation

Management should consider addressing accommodation challenges.

Progress made

The staff situation not yet addressed.

PUBLIC ENTITIES UNDER THE CATEGORY OF BOARDS

NATIONAL INDIGENISATION AND ECONOMIC EMPOWERMENT BOARD (NIEEB) 2014

Background information

The Board was established in terms of the Indigenisation and Economic Empowerment (NIEEB) Act [Chapter 14:33]. The mandate of NIEEB includes advising the Minister of Youth Development, Indigenisation and Economic Empowerment on Government's Indigenisation strategies and appropriate measures for the implementation of the objectives of the Act as well as to ensure compliance with the Charter.

I have audited the financial statements for National Indigenisation and Economic Empowerment Board for the year ended December 31, 2014 and I issued an unmodified/ clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Indigenisation and Economic Empowerment Board as at 31 December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Offsite disaster recovery site

Finding

The Board did not have an offsite disaster recovery site. Daily computer backups for Belina, Pastel and the Compliance system were being kept in the onsite server room and information back-up hard drives were located onsite in the main office building.

Risk/Implication

Data loss in the event of a disaster at the primary site.

The Company may also face the risk of slow resumption of operations and delays to normal operation in the event of a disaster.

Recommendation

Management should consider keeping back up storage medium at a different geographic location from where the live systems are housed.

Management response

Noted. The establishment of a disaster recovery site is highly recommended so as to allow for smooth flow of business in the event of a disaster. NIEEB currently has no disaster recovery site in place due to financial constraints. However, due to the emergence of cloud computing in the I.T industry, NIEEB is considering taking advantage of this innovation to keep its backups offsite in the cloud environment for retrieval in the case of a disaster. Google drive and Dropbox are being considered to keep files offsite.

2. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Board made some progress and there was some room for improvement in respect of the following recommendations;

2.1. Vacant key positions

Recommendation

The Board of Directors should recommend to the Minister for a substantive Chairman to be appointed. Management should ensure that vacant positions are filled by substantive office holders on a timely basis.

Progress made

As a cost-cutting measure, the Board has taken a position not to substantively fill vacant positions until NIEEB has a sustainable source of revenue.

2.2. NIEEB's liquidity

Recommendation

Management should engage the government with regards to the release of the full amount allocated to NIEEB in the National Budgets.

Alternatively, management could aggressively pursue revenue growth which results in immediate cash-flows such as the enforcement of reserved sector compliance fees and cost containment simultaneously to increase the rate at which negative returns are reversed.

Progress made

The position has been communicated to NIEEB's parent Ministry so that they approach Government of Zimbabwe seeking capitalisation of NIEEB through meaningful budgetary allocations and/or implementation of the levy.

2.3. Overdraft facility

Recommendation

Management should consider regularising the overdraft facilities by way of obtaining rollovers for the facilities in order to avoid the penalty interest.

Management could also consider engaging the government in obtaining funding to clear the overdraft facilities.

Progress made

Due to gross underfunding by Treasury, NIEEB has not been able to service the overdraft facilities with CBZ Bank, FBC Bank and Agribank and thus the accounts are attracting penalty interest.

Management continues to put pressure on the Finance Ministry through the parent Ministry for meaningful disbursements under NIEEB's budget allocation to enable the Board to service its bank accounts.

NATIONAL MUSEUMS AND MONUMENTS OF ZIMBABWE 2014

Background information

National Museums and Monuments of Zimbabwe (NMMZ) is a statutory body established in Zimbabwe in terms of the National Museums and Monuments Act (Chapter 25:11) and is responsible for conducting scientific investigations and maintenance of Museums and monuments within and outside Zimbabwe.

I have audited the financial statements for National Museums and Monuments of Zimbabwe for the year ended December 31, 2014 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Museums and Monuments of Zimbabwe as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

Without qualifying my opinion, I draw your attention to the fact that National Museums and Monuments of Zimbabwe incurred a deficit of US$799,035 resulting in a cumulative deficit of US$3,499,382; its current liabilities exceeded its current assets by US$773,007. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern. The opinion is not qualified in respect of this matter.

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

1. GOVERNANCE ISSUES

1.1. Declaration of interests

Finding

There was no evidence that management and Board members declared their interests for the meetings that they attended during the period under review.

Risk/Implication

Objectivity may be compromised when decisions on issues that management and Board members have an interest in are made. Financial loss arising from impaired objectivity.

Recommendation

The entity should maintain a register in which Board members and senior management's interests are documented.

Management response

The oversight is regrettable. Management had indeed overlooked this during the year under review though efforts were made to have the Board members verbally declare any conflict of interest in the meeting held in June 2015.

The recommendation for the opening of a register of director's interests is noted and will be maintained.

PUBLIC ENTITIES UNDER THE CATEGORY OF COMMISSIONS

COMPETITION AND TARIFF COMMISSION 2014

Background information

The Commission was established and registered in Zimbabwe in 2000 as a not-for-profit organisation. The Commission's main objective is to provide a conducive environment for trade, imports and exports as well as to promote a level ground for the different local industry sectors.

I have audited the financial statements for Competition and Tariff Commission for the year ended December 31, 2014 and I issued an unmodified/ clean opinion.

Opinion

In my opinion, the Commission's financial statements present fairly, in all material respects, the financial position of Competition and Tariff Commission as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Lease agreement

Finding

The Commission had no signed lease agreement for the premises that it was occupying.

Risk/Implication

The Commission may have no legal recourse in the event of disputes.

Recommendation

Management should ensure that a lease agreement is drawn up, signed by all parties involved.

Management response

The observation has been noted. The Commission currently has a draft lease agreement in place which will be signed once both parties are agreeable to the terms. This is expected to be finalized by end of third quarter of 2015 financial year. Efforts are also underway to get a copy of a signed agreement from the lessor that was used during the Zimbabwean Dollar era.

1.2 Taxable benefits

Finding

The cell phone benefits that were given to Commissioners, management and employees were not taxed contrary to the Income Tax Act [*Chapter23:06*]. I also noted that overtime was not being processed through the payroll and was not subjected to PAYE during the period under review.

Risk/Implication

Financial loss through penalties for non-compliance to the Income Tax Act [Chapter23:06].

Recommendation

All taxable benefits and allowances should be subjected to PAYE in compliance to the Income Tax Act [*Chapter 23:06*].

Management response

Noted .The Commission will calculate and remit the tax in respect of the deemed benefit on cell phones to the tax authorities.

Overtime and other benefits will be processed through the payroll to ensure accurate calculation of tax payable.

1.3 Declaration of Commissioners' interests

Finding

There were no declarations of Commissioners' interest on file as required by the Competition Act (Chapter 14:28).

Risk/Implication

Objectivity may be compromised when decisions on issues that Commissioners have an interest in are made.

Financial loss arising from impaired objectivity.

Recommendation

The entity should maintain a register in which Commissioners' interests are recorded.

Management response

The observation has been noted. Declarations of Commissioners' interest are done on case by case basis during Board meetings and other meetings where they will be deliberating on various issues, and those interests will be allowed to recuse themselves. The Commission has also come up with a form that the Commissioners fill in to declare their interest in any given case.

ZIMBABWE ELECTORAL COMMISSION 2012 AND 2013

Background information

Zimbabwe Electoral Commission was established in terms of section 100B of the Constitution of Zimbabwe No. 19 as amended. The objectives of the Commission are to prepare for, conduct and supervise elections to the office of the President and to Parliament ; elections to the governing bodies of local authorities and referendums and to ensure that those elections and referendums are conducted efficiently, freely, fairly, transparently and in accordance with the law.

I have audited the financial statements of the Zimbabwe Electoral Commission, for the years ended December 31, 2012 and 2013 and I issued an unmodified/ clean opinion.

Opinion for 2012

In my opinion, the financial statements present fairly, in all material respects the financial position of the Zimbabwe Electoral Commission as at December 31, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion for 2013

In my opinion, the financial statements present fairly, in all material respects the financial position of the Zimbabwe Electoral Commission as at December 31, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1 GOVERNANCE ISSUES

1.1 Insurance of assets

Finding

The Commission's movable and immovable assets such as buildings, motor vehicles and computers which amounted to $14 903 117 as at December 31, 2013 were not insured.

Risk/Implication

Financial loss and may fail to timely provide service delivery in the event of theft, fire and damages to these assets.

Recommendation

The Commission should insure its assets.

Management response

The observation is noted. Insurance of Commission assets is high priority issue, but it has not been possible to do so due to financial constraints resulting in even failing to insure motor vehicles for more than 5 months during the period under review. Funds permitting, all assets should be insured.

PUBLIC ENTITIES UNDER THE CATEGORY OF COMPANIES AND CORPORATIONS

ALLIED TIMBERS ZIMBABWE (PRIVATE) LIMITED 2014

Background information

Allied Timbers Zimbabwe (Private) Limited is involved in plantation development and harvesting, processing, marketing and selling of pine and gum timber. The Group has plantations in the Eastern Highlands area of Zimbabwe and in Mvuma in Midlands Province. The Group is a limited liability company incorporated and domiciled in Zimbabwe.

I have audited the Consolidated Financial Statements of Allied Timbers Zimbabwe (Private) Limited and its Subsidiaries for the year ended December 31, 2014 and I issued a qualified opinion with an emphasis of matter paragraph.

Basis for Qualified Opinion on Consolidated Financial statements

The 2014 financial statements of a foreign subsidiary, Altim Timbers (Pvt) Ltd were not audited. The subsidiary has been classified as a discontinued operation after a resolution to liquidate it. The financial statements of that subsidiary had a disclaimer of opinion in 2012 and 2013 due to the limitation of scope. The limitation of scope could materially affect the amounts disclosed in the consolidated financial statements. There is no effect on the Company financial statements.

Qualified Opinion on Consolidated Financial statements

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Allied Timbers Zimbabwe (Private) Limited and its Subsidiaries as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Unqualified Opinion on the Company Financial statements

In my opinion, the Company's financial statements present fairly, in all material respects, the financial position of Allied Timbers Zimbabwe (Private) Limited as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act, [*Chapter 24:03*]

Emphasis of Matter

Without further qualifying my opinion, I draw your attention to the fact that the group incurred a net loss of $2 630 203 from its continuing operations for the year ended December 31, 2014 and, as at that date, the group’s total current liabilities exceeded its total current assets by $5 110 245. Gross profit margins have also declined compared to the 2013 financial year end from 28% to 16%. These conditions, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt on the company’s ability to continue as a going concern.

I also draw attention to the fact that determination of fair values of biological assets presented in the consolidated financial statements is affected by significant estimates and judgements. Biological assets constitute 88% of total assets and 136% of equity (2013: 84% of total assets and 126% of equity) for consolidated financial statements and 83% of total assets and 129% of equity (2013: 82% of total assets and 119% of equity) for the company financial statements. Accordingly they have a significant impact on the value of the business.

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

1. GOVERNANCE ISSUES

1.1 Motor vehicles

Finding

There were a number of motor vehicles whose ownership was still in the name of the sellers. These motor vehicles were brought to account in the financial statements of Allied Timbers.

The following serve as examples;

Description	**Registration number**
Mitsubishi L200	ACM8713
Mitsubishi L200	ACU0571
Toyota D4D Hilux	ACU6146

Risk/Implication

Motor vehicles may not actually belong to Allied Timbers (Private) Limited.

Financial statements may be overstated by the values of these vehicles.

Recommendation

Necessary steps should be taken to register the assets in the Company's name.

Management response

Noted. Change of ownership of assets is in process. To date we have managed to register fully 5. Process to register assets in company name is currently underway and should be completed before the next audit commences.

1.2 Authorisation of payments

Finding

Some payments above $2 000 were not authorised by the Finance Director as required by the Company policy. The following serve as examples;

Description	Date	Ref #	Amount
Monthly Fuels	30/9/14	CB09	$6 312.00
Trip to Angola	30/7/14	NJ07	$4 460.00
GCEO Air Fares	30/08/14	NJ08	$4 373.00
Telecommunication company	30/12/14	CB12	$2 093.81
TOTAL			**$17 238.81**

Risk/Implication

Fraud and errors can occur and go undetected.

Recommendation

All payments above $2 000 should be authorised by the Finance Director to avoid unauthorised and unbudgeted expenditure.

Management response

Noted. All payments above $2 000 shall be authorized by the Finance Director.

1.3 Contracts not signed

Finding

I noted that some contractors' contracts were not signed by the contractors. The following serve as examples;

Contract number
FS 012 EN 2014
FS 011 EN 2014
FS 016 EN 2014
FS 023 SFD 2014
LH 008 EN 2014
LH 011 GWN 2014

Risk/Implication

The contract ceases to be a legal document if not signed.

In the event of disputes with the contractor it may become difficult to resolve resulting in significant financial loss to the company.

Recommendation

Management should ensure that all contracts are signed by the relevant parties necessary to ensure that the document is legal and binding.

Management Response

All contracts to be signed by the respective contractors.

1.4 Physical verification of assets

Finding

Some assets from the asset register could not be physically verified. The following serve as examples:

Description	**Net book Value $**
Zimapan Logging Truck	10 541.67
Concrete Mixer	5 600.00
Lighting plant	4 550.00
Double edged log asset	2 310.00

Risk/Implication

Theft of assets if adequate controls are not in place.

Recommendation

Periodic checks should be conducted to ensure that physical assets on the ground match assets on the asset register.

Management Response

Verification of all assets is under way and the anomaly will duly be adjusted in the respective ledgers.

1.5 Travel and subsistence policy

Finding

I noted that there was no policy on travel and subsistence allowances which was being paid to employees. There were no predetermined rates of travel allowances as employees were being given random amounts.

Risk/Implication

Inconsistencies in the payment of travel and subsistence allowances.

Recommendation

The entity should put in place a travel and subsistence allowances policy.

Management Response

Noted. A travelling and subsistence policy has been submitted to the main board pending approval.

CMED (PRIVATE) LIMITED 2014

Background information

CMED (Private) Limited is a commercialized enterprise as provided for by the Central Mechanical Equipment Department (Commercialisation) Act of 2000. It is wholly owned by the State and its mandate is to provide transport and equipment hire services to the market. It also provides ancillary services in the form of vehicle procurement, fuel, training and testing drivers and the administration of the Government Transport Purchase Fund.

I have audited the financial statements for CMED (Private) Limited for the year ended December 31, 2014 and I issued an unmodified/ clean opinion on these financial statements.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the CMED (Private) Limited as at December 31, 2014 and the financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Mileage claim

Finding

The Minister of Transport and Infrastructural Development stated that, "Board allowances shall be stipulated by the Ministry and any variations should be authorized in writing by the Minister. No allowances shall be payable if no such authorization has been received."

I however, noted that on October 10, 2014, the board resolved to pay compensation for mileage expenses incurred by board members amounting to $36,793 for mileage claims for attending board and committee meetings. This payment was not approved by the Minister as it was a variation to the circular hence it was not authorised.

Risk/Implication

Financial loss due to the payment of unauthorised board allowances.

Recommendation

The Company should only pay board allowances approved by the Minister.

Unauthorised payments should be regularised.

Management response

It is a standard practice for Board members to make mileage claims. The payment goes towards meeting vehicle maintenance costs incurred by Board member when they come to attend Board and Committee meetings.

However, the recommendation is noted and payment of mileage claims will be regularized with the parent Ministry.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1. Mileage returns

Finding

Monthly mileage returns showing the opening and closing mileage per vehicle are supposed to be prepared and any excess mileage should be charged on top of the fixed rental rates. I however, noted that the Mutare provincial office was not preparing monthly mileage returns and was invoicing clients at fixed rates without factoring in excess mileage. There were no details of opening and closing mileage, the information that was necessary to establish the excess mileage. The table below contains details.

Date	Vehicle reg. Number	No of days hired	Amount charged US$
January 2014	NP300, LL 6824	31 days	1,860
January 2014	Mazda B1800, LL 6429	25 days	1,300
January 2014	Mitsubishi L200, LL6535	8 days	416
January 2014	MAZDA BT 50, LL 6690	31 days	1,798
January 2014	LL 6502, Mitsubishi L200	8 days	416
March 2014	LL 6453 Mitsubishi	4 days	208
March 2014	Mazda B1800 LL 6425	31 days	1,612

I also noted that the province had vehicles whose odometers were not functioning and the rental charges were also based on fixed rates. The table below contains examples of vehicles whose odometers were not functioning;

Vehicle registration number	Status of odometer
LL 6352	Not working
LL 6369	Not working
GM 428	Not working
LL 6180	Not working
LL 6316	Not working

Risk/Implication

Financial loss from under billing car hires.

Recommendation

The monthly mileage returns should be prepared so that excess mileages can be billed.

Management should consider repairing non - functional odometers in order to cater for excess mileages.

Management response

There were challenges in accessing vehicles so as to get mileage readings as clients were not willing to surrender vehicles for that exercise.

This will soon be a thing of the past as the Company has floated a tender for the car tracking system, which allows automatic recording of mileage. It also allows the Company to switch off vehicle engines for non-paying customers to pressure them to honour the bills.

It is very important to record odometers readings so as to have accurate information of how vehicles and equipment are used. The speedometers for vehicles and hour meters for equipment broke down and have not been repaired due to cash constraints. We have prioritized the repair and purchase of the odometers.

COURIER CONNECT (PRIVATE) LIMITED 2014

Background information

The main business of the Company, which is incorporated in Zimbabwe (registration number 29491/2008), is provision of courier services in Zimbabwe and beyond. The Company is incorporated under the Companies Act [Chapter 24:03]. The holding entity is Zimbabwe Posts (Private) Limited.

I have audited the Financial Statements of the Courier Connect for the year ended December 31, 2014 and issued a modified opinion with an emphasis of matter paragraph.

Basis for Qualified Opinion

Defined benefit pension plan liabilities

The Company is part of a defined benefit plan under Communication Allied Industrial Pension Fund. According to actuarial valuations performed as at 31 December 2014, the Company's portion of the funding deficit at this fund amounts to $197 573 (2013: $216 905) which has not been recorded as a liability in the Company's books. Furthermore, the financial statement disclosures relating to this defined benefit have not been prepared in accordance with International Accounting Standard 19 – Employee Costs.

Valuation of international mail receivables and payables

The Company's international mail receivables of $90 754 (2013: $90 607) and payables of $33 656 (2013: $33 320) are carried in the statement of financial position at cost. Management has not stated these international mail receivables and payables at discounted values to reflect the long recovery/payment periods pervasive in the mailing industry, which in most cases is longer than 18 months from date of service.

This constitutes a departure from International Accounting Standard 39 - Financial Instruments: Recognition and Measurement and International Accounting Standard 18 - Revenue which state that when the arrangement effectively constitutes a financing transaction (no interest charged on outstanding amounts), the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

Due to the volumes and nature of the receivables and payables, I was unable to determine the exact amounts by which these receivables and payables should have been discounted.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Courier Connect (Private) Limited as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

I draw your attention to the fact that the Company incurred a net loss of $258 673 (2013: $183 531) during the year ended 31 December 2014 and as at that date, the Company's total liabilities exceeded its total assets by $663 561 (2013: $404 888). This condition indicates the existence of a material uncertainty that may cast doubt about the ability of Courier Connect (Private) Limited to continue as a going concern. My opinion is not qualified in respect of this matter.

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

1. GOVERNANCE ISSUES

1.1 Defined benefit pension plan liabilities

Finding

The Company is part of a defined benefit plan under Communication Allied Industrial Pension Fund. According to actuarial valuations performed as at 31 December 2014, the Company's portion of the funding deficit at this fund amounts to $197 573 (2013: $216 905) which has not been recorded as a liability in the Company's books. Furthermore, the financial statement disclosures relating to this defined benefit have not been prepared in accordance with International Accounting Standard 19 – Employee Costs.

Risk/Implication

Misstatement of financial statements.

Recommendation

Financial statement disclosures relating to this defined benefit should be prepared in accordance with International Accounting Standard 19.

Management response

Management to review disclosure requirements and review work of valuers to determine values that are to be included in the financial statements.

1.2 Valuation of international mail receivables and payables

The Company's international mail receivables of $90 754 (2013: $90 607) and payables of $33 656 (2013: $33 320) are carried in the statement of financial position at cost. Management has not stated these international mail receivables and payables at discounted values to reflect the long recovery/payment periods pervasive in the mailing industry, which in most cases is longer than 18 months from date of service.

This constitutes a departure from International Accounting Standard 39 - Financial Instruments: Recognition and Measurement and International Accounting Standard 18 - Revenue which state that when the arrangement effectively constitutes a financing transaction (no interest charged on outstanding amounts), the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

Due to the volumes and nature of the receivables and payables, I was unable to determine the exact amounts by which these receivables and payables should have been discounted.

Risk/Implication

Misstatement of receivables and payables.

Recommendation

Compliance with the International Financial Reporting Standards.

Management response

Industry practice as per guidance form Universal Postal Union (UPU) is such that the receivables are valid for 18 months and effects of time value of money are not meant to be taken into account. Thus management has followed this approach to ensure consistency with other industry players.

The liability determined is still being discussed with the valuer and thus the liability has not been accounted for as management is yet to agree with the values.

1.3 Cash withdrawals

The entity made large amounts of cash withdrawals from the bank accounts and used this money to pay salaries and other expenses. Examples of such instances are noted below:

Date	Details	Amount $
12-May-15	Cash withdrawal	19 700
12-May-15	Cash withdrawal	380
20-Mar-15	Cash withdrawal	2 117
08-Jan-15	Cash withdrawal	16 350

Risk/Implication

Cash is prone to misappropriation by nature and the entity may lose resources through theft or fraud. These expenses could be paid for through use of bank transfers instead of withdrawals.

Recommendation

All salaries should be paid through the bank of each respective individual's accounts.

Management response

Noted. Efforts will be made to make payments through the bank to minimize such risks.

DEPOSIT PROTECTION CORPORATION 2015

Background information

The Deposit Protection Corporation is governed by the Deposit Protection Act, [*Chapter 24:29]*. The Deposit Protection Corporation aims at meeting a number of objectives that include:

Protecting small, less-financially sophisticated depositors by providing an orderly means of compensation in the event of a deposit-taking institution becoming insolvent;
Enhancing public confidence and systemic stability by providing a framework for the resolution of failed banks;

Enhancing competition in the financial sector by mitigating some of the competitive barriers in the deposit taking industry and helping in defining the boundaries of the Government exposure and support in protecting depositors when a bank or the Corporation of banks fails in normal times.

I have audited the financial statements of Deposit Protection Corporation, for the years ended December 31, 2015 and I issued an unmodified/ clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects the financial position of the Deposit Protection Corporation as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Deposit Protection Corporation Act [*Chapter 24:29*].

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 EcoCash payments

Finding

The Corporation utilized the EcoCash platform to make pay-outs. I noted that the Corporation did not follow up and did not reconcile amounts transferred to Steward bank for depositors' payments. As at 31 December 2015, US$14 384 that had been transferred to the facility account but had not been transferred to the respective depositors.

Risk/Implication

Reputational risk if the amounts are not transferred to the depositors in a timely manner.
Fraud and errors may go undetected.

Recommendation

Follow ups should be made to ensure funds are transferred to the respective depositors.

Management response

Evidence in the form of emails that were exchanged with Ecocash are available for inspection. The resolution process has been slow. Management has engaged Econet and have already given us documentation to install an online pay-out system similar to Paynet. This will put to rest reconciliation nightmares and follow-ups. We expect the system to become operational by end of May 2016.

1.2 Independent access security assessments

Finding

An independent security assessment has not been recently conducted to assess the security of the DPC information system resources.

Risk/Implication

The current configuration and level of controls implemented within the network and the systems may be below the required standards thus, potentially exposing the IT infrastructure and the customers' data and transactions to the risk of unauthorized access.

Recommendation
An independent security assesment should be done.

Management response

Agreed. We have already received quotations to carry out penetration tests. This will be carried out after the Pay-out System upgrades have been finalised. The tests should be carried out by end of June.

MINERALS MARKETING CORPORATION OF ZIMBABWE (MMCZ) 2014

Background information

The Minerals Marketing Corporation of Zimbabwe (MMCZ) was established by statute in 1982 to act as the sole marketing and selling agent for all minerals, except gold and silver and to provide for the control and regulation of stock piling of minerals. The Minerals Marketing Corporation of Zimbabwe (MMCZ) owns 100% of Mellofieldde Chemical (Private) Limited which was incorporated on April 17, 2012. The main objectives of the Company are to pursue mining and mining related investment opportunities and projects and to provide specialist management services to the Corporation.

I have audited the consolidated financial statements for Minerals Marketing Corporation of Zimbabwe for the year ended December 31, 2014 and I have issued an unmodified/clean opinion.

Opinion on the Corporation's financial statements

In my opinion, the Corporation's financial statements present fairly, in all material respects, the financial position of Minerals Marketing Corporation of Zimbabwe as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on the consolidated financial statements

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Minerals Marketing Corporation of Zimbabwe and its subsidiary Mellofieldde Chemicals (Private) Limited as at December 31, 2014, and the consolidated financial performance and the consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Budget approval

Finding

The Public Finance Management Act [Chapter 22:19] section 47 (1) requires public entities to submit their budgets to their parent Ministry for approval. However, I was not provided with documentary evidence to show that the Corporation's budget for the year ended December 31, 2014 had been approved by the parent Ministry.

Risk/Implication

There is no basis to evaluate and monitor actual expenditure.

Recommendation

The Corporation should ensure that its budget is approved by the parent Ministry.

Management response

Audit observation noted. Management makes frantic efforts to ensure that budgets are availed in the first quarter of every year. In the year under review it is advised that management submitted the budgets by 30th of November 2013 as per the provisions of PFMA. Management will advise once the budgets are availed.

1.2. Disaster recovery plan and IT policy

Finding

The Disaster recovery plan (DRP) and the IT security policy were in draft form and had not been endorsed by management.

Risk/Implication

Data loss due to unavailability of Disaster recovery plan in the event of disaster.

The Company may also face the risk of slow resumption of operations and delays to normal operation in the event of a disaster.

Recommendation

The DRP and the IT policy should be finalised and endorsed by management.

Management response

Observation noted. Management recognises the importance of a Disaster Recovery Plan. With the recommendations above management has commenced work on a Corporation wide DRP that is expected to be regularly updated and tested.

Management has also finalised the ICT security policy and the document awaits endorsement by management. The policy will be circulated to all users thereafter.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1. Lease rentals

Finding

The Corporation's tenants were not paying rentals timely. The table below shows details of lease rental receivables:

Name of tenant	Opening balance US$	Rentals charge for the year US$	Less Amount paid during the year US$	Closing balance US$	Comments
Marange Resources	10 525	17 659	(5 000)	23 184	-
ZGGM	49 972	9818	-	59 790	Vacated in April 2014
Jinan Mining	2 753	15 555	(4 984)	13 324	-
ZMDC	223 549	145 831	-	369 381	Last paid US$5,600 in March 2013
Sandawana	46 859	35209	-	82 068	No payment since 2012
Total	**333,658**	**224,072**	**(9,984)**	**547,746**	

Risk/Implication

Cash tied up in rental receivables could have been utilized to finance operations.

Recommendation

Concerted effort should be made to recover all rental receivables.

Management response

Audit observation noted. Efforts to recover outstanding debts were made and will continue to be made. However, it is advised that ZMDC is under immense finance pressures to the point of failing to meet its salaries obligation. However, this is a commercial transaction and the Corporation will continue pushing for payment of outstanding rentals.

3. EMPLOYMENT COSTS

3.1. Staff benefits

Finding

Benefits and allowances awarded to management and employees were not subjected to PAYE in contravention of the Income Tax Act [*Chapter 23:06*] section 8(1). The Corporation was not deducting tax on the following benefits and allowances; fuel, canteen, telephone, long service awards, security and night allowance. As a result the Corporation was charged penalties and interest amounting to US$1,410,173 for the period 2009 to 2014.

Risk/ Implication

Financial loss due to penalties and interest charges for non-compliance with the Income Tax Act [Chapter 23:06].

Recommendation

The Corporation should ensure that employee benefits and allowances are taxed in line with the provisions of the Income Tax Act [Chapter 23:06].

Management response

Management always ensures full compliance with all statutes especially the Income Tax Act. However, due to the new salaries structure announced by government in 2014 it was difficult for management to embark on the exercise to incorporate benefits into salaries. However, audit observation has been noted, management will endeavour to implement the recommendations hence forth.

4. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Corporation made some progress and there was some room for improvement in respect of the following recommendations:

4.1. Board of directors

Recommendation

The appointment of the Board of directors should be done as soon as the current Board's term expires so that policy and governance issues are addressed timely.

Progress made

A Board of directors has not yet been appointed.

4.2. Corporate social responsibility and donations

Recommendation

Management should ensure that a corporate social responsibility/donation policy and related budgets are in place.

Dividends should be paid to Treasury.

Progress made

A corporate social responsibility and donation policy was adopted and now awaits approval by the Board Chairman.

4.3. Outstanding legal cases

Recommendation

The Corporation should facilitate the finalisation of these suspensions expeditiously.

Progress made

No progress made

4.4. Roasting plant inventory

Recommendation

The Corporation should ensure that a mechanism is in place to govern the relationship with prospective investors.

Progress made

The prospecting of potential investors for the Roasting Plant is being handled by the Ministry of Mines and Mining Development.

4.5. Risk management policy

Recommendation

A risk management policy should be put in place to cover the process of identifying, analysing and mitigating risks.

Progress made

A draft risk management framework was submitted to the Acting Board Chairman for approval.

4.6. Segregation of duties

Recommendation

Sufficient segregation of duties should be considered in the salaries office.

Progress made

No progress made.

NATIONAL RAILWAYS OF ZIMBABWE (NRZ) 2015

Background information

The National Railways of Zimbabwe (NRZ) is a designated corporate body operating in terms of the Railways Act [*Chapter13:09*]. NRZ is the prime mover of local, import/export and transit traffic carrying freight and passengers by rail.

I have audited the financial statements of National Railways of Zimbabwe for the year ended December 31, 2015 I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Railways of Zimbabwe as at December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw your attention to the fact that National Railways of Zimbabwe is in a net current liability position of $170 912 721 (2014: $131 131 446). The National Railways also incurred a net loss of $40 887 993 (2014: $31 607 218) contributing to a cumulative loss of $276 432 288. This cumulative loss and net current liability position, along with other matters indicate the existence of a material uncertainty that may cast significant doubt over the National Railways' ability to continue as a going concern.

However, the following are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Sustainability of service delivery

Finding

A review of the Railways' financial performance revealed that the Organisation **was** not performing as well as envisaged. The Organisation's net loss for the year deteriorated by USD 9 280 775 to USD 40 887 993 (2014: USD 31 607 218) contributing to a cumulative loss of USD 276 432 288 as at 31 December 2015, the reporting date. The Organisation's gross loss for the year deteriorated by USD 4 242 432 to USD 16 075 447 (2014 : USD 11 833 015).

In addition, the Railways is commercially insolvent, with current liabilities exceeding current assets by USD 170 912 721. This net current liability position is also a deterioration from the prior year amount of USD 131 131 446.

Risk/Implication

The Organisation may not be able to meet its liabilities as they fall due leading to both commercial and technical insolvency.

Service delivery is compromised.

Recommendation

The Board and management should consider reassessing the ability of the Railways to continue operating as going concern.

The Board and management should develop and implement effective operating strategies to restore the Organisation to terminal health as a matter of urgency.

Management response

It is anticipated that business levels are going to significantly improve in the foreseeable future resulting in an increase in rail business as the economy recovers.

The organisation has been engaged with the private sector through the Private Public Partnership Programs (PPPs) for the refurbishment of the locomotives and rolling stocks while the government is expected to continue providing funding for the rehabilitation of infrastructure in the short term. Furthermore the organisation is continuously raising funding from its internal resources to augment initiatives which resulted in it being able to refurbish 506 wagons and 8 locomotives during the past year.

The Organisation anticipates that some financial assistance will be secured from the international lenders to augment the above initiatives in its recapitalisation programs with the Development Bank of Southern Africa sponsored Project Information Memorandum (PIM) having already been produced.

Basing on the above initiatives management believes that the Organisation will return to profitable levels in the near future and will continue as a going concern. Therefore the financial statements have been prepared on this basis.

1.2 Customer accounts in SAP

Finding

My review of the general ledger in SAP revealed a holding/ clearing account with a balance of $537 627. Management representations were that the holding account comprises of receipts from tenants occupying NRZ properties who have not been allocated individual accounts in SAP.

Risk/Implication

Fraud may go undetected.
Completeness of revenue, receivables, follow up and recovery of amounts owed by tenants occupying NRZ properties may be difficult in cases where customer accounts have not been allocated in SAP.

Recommendation

Management should ensure that accounts in SAP are opened for all tenants for effective credit control.

A module compatible with SAP should be acquired for management of real estate records as improved controls over management of NRZ properties may help boost income from lease of properties.

Management response

Observation noted. The organisation is in the process of updating the Master data for the Real Estate tenants as well as renewing the lease agreements. Furthermore, the organisation is in the process of procuring a Real estate module to improve on real estate's management and tendering processes are already at an advanced stage. Real Estates tenants' Master data targeted to be updated by 31 May 2016.

1.3 Bank reconciliation statements

Finding

My inspection of the NRZ's bank reconciliation statements revealed that the bank reconciliation statements were not being prepared timely.
The table below shows the dates at which bank reconciliations from January to September had been prepared:

Bank	**Month**	**Date prepared**
BancABC Account	January	26-May-15
	March	2-Jul-15
	July	2-Sep-15
	September	16-Nov-15
CBZ Account	February	19-Jun-15
	March	1-Jul-15
	June	14-Aug-15

Risk/Implication

Fraud and errors may go undetected.
Misstatement of the cash and bank balances.

Recommendation

Management should ensure that bank reconciliation statements are prepared and reviewed timely.

Management response

Observation noted. The organisation continued to experience some SAP teething challenges which resulted in delays in preparing some bank and cash account reconciliation timely during the year.

Management will ensure that bank reconciliation statements are being prepared timely on a monthly basis.

1.4 NRZ locomotives.

Finding

An analysis of the status of the locomotives revealed that more than 50% of the fleet are not operational. The table below summarizes the status of the locomotives:

Locomotive capacity utilisation		
Status	**Number of locomotives not operational**	**Percentage**
In service	70	39%
In shop under repairs	9	5%
Stabled awaiting repairs	73	41%
Stabled	27	15%
Total	**179**	**100%**

Risk/Implication

Loss of potential revenue due to limited availability of locomotives.

Limited availability of locomotives increases the entity's going concern risk.

Recommendation

Management should consider developing a plan to economically refurbish the non-operational fleet of locomotives and wagons.

Management response

Observation noted. Plans exist to refurbish and maintain the organizations' Locomotives and rolling stock including infrastructure, plant and equipment, however financial constraints have been the limiting factor. Management is currently engaging various financiers to raise finance to recapitalise the organisation.

1.5 Insurance of assets.

Finding

NRZ did not insure its assets except for motor vehicles in the period under review. Key operational assets that are critical to the operations of the Organisation are not insured. These assets have a total carrying amount of $96 431 951 as shown in the table below.

Asset Class	Description	Carrying amount (USD)
13100	Steam Locomotives	124 800
13200	Diesel Electric Locomotives	20 177 000
13300	Electric Locomotives	4 757 333
14100	Wagons and Tankers	66 886 685
14200	Wagons and Tankers	4 546 133
Total		**96 431 951**

Risk/Implication

Failure to meet insurance claims where NRZ is involved in accidents with other parties and is at fault.

Failure to get reimbursements or replacement of fixed assets in the event of some other unforeseen events such as fire and accidents**.**

Recommendation

Management should consider insuring all essential operational assets to cover themselves from the effects of unforeseen events.

Management response

Observation noted. Generally the decision to insure resources is based on the risk appetite for the organisation as well as the cost benefit analysis considering the rate of risk incidences. Management has already initiated the process of insuring the Locomotives and other Rolling stocks.

1.6 Long outstanding loans.

Finding

The organisation failed to meet repayment deadlines as set out in the debt agreements hence accruing penalty fees from the lenders of the borrowings. The table below shows cumulative interest and penalty charged as at 31 December 2015:

Lender	Year of maturity	Principal outstanding 2015 USD	Cumulative interest and penalties 2015 USD
Natexis Banque	2007	499 346	95 887
Natexis Banque	2007	622 155	276 427
Kreditanstalt fur Wiederaufbau	2012	4 745 938	1 197 510
IDBZ	2012	708 446	53 255
IDBZ	2012	293 204	26 835
IDBZ	2012	4 295 000	325 391
IDBZ	2012	10 000 000	743 153
IDBZ	2012	4 652 053	365 340
Total		**25 816 141**	**3 083 799**

Risk/Implication

Continued increase in the NRZ debt obligation due to penalties increases the entity's going concern risk

Continued delays in repayment of loans may portray a negative image or bad reputation with financers.

Recommendation

Management should consider engaging financers to agree debt restructuring arrangements.

Management response

Noted. The external/ foreign loans were legislated for takeover by Government in 1997 but the Act has not been operationalised. IDBZ loans represent government PSIP allocations and Government has been engaged for their write off.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Real estate lease agreements.

Finding

NRZ had various real estate properties which include residential and commercial properties from which it earns rental income. Management was unable to provide lease agreements for properties listed in the table below:

Property reference	Account number	Agreement number
EE30	1071 M	BD1481
ED14	0141 N	BD1130
EE37	0126 N	BD1187
WE31	0003L	BD1350
252/1/218	0023D	BD0853
WO63	0147N	BD1341
WK41	0138N	BD1345
WE45	467135	NRZ
WE49	779506	NRZ
WL51 A	0030 T	-
WL51 B	1145N	-
252/1/227A	1186 M	-
252/1/254A	0010 M	-
WK45	780359	-
WK49	830283	-
WL33	0137P	-
WL01A	0151C	-

Risk/Implication

Lease agreements may not have been prepared for the properties above.

In the absence of lease agreements there may be no point of reference to aid resolution of disputes with tenants.

Recommendation

Management should ensure that lease agreements are prepared, signed and filed for all real estate tenants.

Management response

Management is in the process of reviewing some of the lease agreements. These reviews are targeted to be complete by 30 June 2016.

2.2 Input VAT on imports

Finding

There was no evidence that input VAT on imports amounting to ZAR1 023 735, $3 689 741 and GBP2 211 made during the course of the year was claimed.

As with all VAT input claims, companies are allowed to claim input VAT within a period of 12 months from date of receipt of bill of entry after which they will not be able to claim using that invoice**.**

Risk/Implication

Financial loss due to failure to claim input VAT.

Recommendation

Management should review all VAT computations to ensure that the calculations have taken into account all claimable expenses as well as all income.

Management should ensure that all bills of entry are captured early so as to allow for the claiming of the input VAT.

Management should ensure that unclaimed invoices for which 12 months have not yet lapsed are claimed.

Management response

Observation noted. Controls will be introduced to ensure that all VAT input tax is claimed on time.

3. EMPLOYMENT COSTS

3.1 Employment costs reconciliation

Finding

The remuneration/ employment costs declared on P2 forms did not tally with the employment cost as shown in the financial statements.

Total employment cost as shown on the P2 forms was $74 441742 while that shown in the financial statements was $74 319 542 giving a variance of $122 200. A further analysis also revealed discrepancies with the ITF 16 submitted to ZIMRA.

Risk/Implication

PAYE remitted may be misstated.

ZIMRA may charge penalties for non-compliance which will be 100% fine and an interest of 10% on top of the tax misstatement.

Recommendation

Management should ensure that the correct amount of PAYE is remitted based on the actual employment cost incurred. Furthermore, the variance should be investigated and corrected.

Management response

Observation noted. The variations are mainly attributed to employee earnings adjustments which are sometimes not processed in the same month.

NATIONAL OIL INFRASTRUCTURE COMPANY OF ZIMBABWE (NOIC) 2014

Background information

The National Oil Infrastructure Company of Zimbabwe (NOIC) (Private) Limited is incorporated in Zimbabwe in terms of the Companies Act [*Chapter 24.03*] and it is wholly owned by the Government of Zimbabwe. The company is responsible for the transportation, storage and handling of petroleum products for oil companies. It operates fuel depots in Harare, Mutare and Beitbridge.

I have audited the financial statements for National Oil Infrastructure Company of Zimbabwe (Private) Limited (NOIC) for the year ended December 31, 2014 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Oil Infrastructure Company of Zimbabwe (Private) Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Board fees and allowances

Finding

Board fees and allowances paid to Board members were grossed up to cover the twenty percent (20%) withholding tax on directors' fees and allowances. However, there was no evidence of approval by the responsible Minister to gross up board fees and allowances. As a result, the company incurred withholding tax on directors' fees and allowances emanating from the grossed up earnings amounting to $39 338 during the year under review.

Risk/Implication

The expenditure was unauthorised.

Recommendation

The Company should ensure that benefits and allowances for board members are appropriately approved by the relevant authorities before implementation.

Management response

Our understanding on payment of board fees is that the amount payable is net of the withholding tax.

1.2. Internal audit charter

Finding

I noted that the company's Internal Audit Charter was not approved by the Board of Directors. An Internal audit charter provides the functional and organisational framework within which the Internal Audit department operates.

Risk/Implication

The Internal Audit Charter may be difficult to implement if it is not approved.

Recommendation

The Company's Internal Audit Charter should be approved by the Board.

Management response

The Board was dissolved before it had approved the Audit Charter submitted to it. The Charter will be submitted to the Board of Directors for approval during the second quarter of 2016.

1.3. Self-assessment return

Finding

Companies like NOIC which have been specified in terms of Section 37A of the Income Tax Act as being on self-assessment are required to submit a self-assessment return by the 30th of April each year. However, I noted that at the time of the audit on July 29, 2015 the Company had not submitted its self-assessment return for the year ended December 31, 2014.

Risk/Implication

Financial loss arising from penalties and fines for non-compliance with the Income Tax Act.

Recommendation

The Company should submit its self-assessment return timeously in compliance with the Income Tax Act.

Management response

Observation has been noted. The company will submit self-assessment returns on time.

NET*ONE CELLULAR (PRIVATE) LIMITED 2014

Background information

Net*One Cellular is a limited liability Company incorporated and domiciled in Zimbabwe and is involved in the provision of connection to the network for airtime services.

I have audited the financial statements of Net*One Cellular (Private) Limited for the year ended December 31, 2014 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of Net*One Cellular (Private) Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

I draw attention to note 23 of the financial statements, which indicates that the Company incurred a loss before tax of US$7 005 036 (2013: US$4 121 591) during the year ended 31 December 2014 and as at that date, the company's current liabilities exceeded its current assets by US$55 616 801 (2013: US$81 206 022). These conditions indicate the existence of material uncertainty that may cast significant doubt about the company's ability to continue operating as a going concern. The opinion is not qualified in respect of this matter.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Capitalisation through debt funding

Finding

The company's operations were capitalised through debt finance as evidenced by negative cash flows from operating activities of $8,213,754.This resulted in the Company incurring interest charges of $4.8 million during the year. The Company also failed to service its KFW 7 and KFW 8 loans resulting in penalty charges of $808,655 and $888,093 respectively.

Risk / Implication

Financial loss through penalty charges.

Recommendation

The Board should approach the shareholder to inject additional capital or find an equity partner.

Management should work on a turnaround strategy to ensure that the Company continues operating as a going concern.

Management response

The loan from KFW was secured in 1996 at the inception of mobile telephone by Posts and Telecommunications Corporation (PTC). The loan was not fully paid during the term because of forex unavailability in Zimbabwe. Board and Management once engaged the financier with the hope of debt restructuring in 2013. The exercise is being revived so that the debt will be repaid.

The Shareholder for Net*One is not funded to inject additional equity hence reliance on loan financing for capital development. The issue of an equity partner has been on the cards for some time now and it is hoped that when a suitable partner comes on board, equity financing would be injected.

Management is continuously working on new products and services in order to improve on the Company performance. In the same vein the Company continues to seek financial assistance to fund its various projects.

1.2. Statutory deductions

Finding

The Company did not remit statutory deductions to the respective authorities. The total amount outstanding to these authorities was $21 290 483 (Pension $2 567 022, ZIMRA $1 755 531 and POTRAZ $16 967 930) as at December 31, 2014.

Risk/Implication

Financial loss due to fines and penalties.

The Company’s employees may not access services or benefits.

The Company’s operating licence may be terminated by POTRAZ for non-payment of licence fees.

Recommendation

Statutory obligations should be remitted timely.

Relevant authorities should be engaged in advance to agree on payment plans to avoid penalties and interest.

Management response

Agreed. Delayed payments on statutory deductions have arisen because of poor cash flows. We will make every effort to improve on the payment record with statutory bodies.

1.3. IT risk assessment

Finding

The Company did not perform an information technology (IT) risk analysis/assessment during the period.

Risk / Implication

The Company may fail to identify and manage risks relating to its information technology.

Recommendation

The Company should perform an information technology risk analysis/assessment.

Management response

This is a governance issue which needs to be addressed by the IT steering committee which currently is not in place.

1.4. Disaster recovery planning

Finding

The Company had no IT disaster recovery site. Offline backup tapes were being stored in IT section managers' offices. I also noted that the Company had no disaster recovery plan (DRP).

Risk / Implication

Operational and monetary losses in the event of a disaster at the primary back up site.

Retarded resumption of operations in the event of disaster.

Recommendation

A disaster recovery site should be identified.

Backups should be maintained at a remote location.

A disaster recovery plan should be developed and implemented.

Management response

We will design a DRS, prepare a budget and present it for adoption and implementation.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Recoverability of debtors

Finding

The Company had a debtors' collection period of 256 days and eighty five percent (85%) of its receivables were in the over ninety days (+90 day) category in violation of the Credit control policy which requires receivables to be collected within ninety (90) days. I also noted that some of the Company's debtors were over one (1) year old and had no payment plans but were not disconnected. The table below shows examples of such;

Debtor	Days outstanding	Amount (US$)	Connected Yes/No
Reserve Bank of Zimbabwe	+365 days	806,236	Yes
National Railways of Zimbabwe	+365 days	692,287	Yes
Zimbabwe Prison Services	+365 days	90,845	Yes
Ministry of Higher Education	+365 days	65,836	Yes
Discovery Customs Clearance	+365 days	65,215	Yes
Local Government Marondera	+365 days	51,200	Yes
JR Goddard	+365 days	51,676	Yes
Department of Irrigation	+365 days	42,947	Yes
Scotto	+365 days	38,492	Yes
Anchor yeast	+365 days	31,391	Yes

Risk / Implication

Liquidity may be adversely affected if amounts are tied up in trade debtors.

Financial loss as the recoverability of the amounts that have been outstanding for more than one year may be doubtful.

Recommendation

Debtors' accounts should be closely monitored and overdue accounts disconnected.

Management should engage debtors to come up with the payment plans for the outstanding balances.

Management response

Reserve Bank of Zimbabwe have made a payment plan under deed of settlement where they will pay $50,000 every month. National Railways of Zimbabwe have a settlement agreement for set off with fibre project way leaf charges. Other Government related debtors are paid for through Ministry of Finance settlement agreement.

PETROTRADE (PRIVATE) LIMITED 2014

Background information

The Company is incorporated in Zimbabwe and engages in the importation, distribution and retail of petroleum products in Zimbabwe.

I have audited the financial statements of Petrotrade (Private) Limited for the year ended December 31, 2014 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Petrotrade (Private) Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

However, below are material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1. Stock variances

Finding

There were stock variances at some of the Company's service stations that were above the acceptable normal loss threshold of 0.5 % stipulated in the Company's product loss policy. In addition, there was no documentary evidence to suggest that these losses were investigated and resolved before stock adjustments were made. Below are examples of such variances;

Service station	Fuel type	Quantities in the system (litres)	Physical quantities (litres)	Variance (litres)	Total transfers (litres)	Variance as a percentage of total transfers %
Mutare I	Diesel	130 200	8 192	122 008	1 902 817	6
Rusape	Diesel	36 139	9 668	26 471	1 267 000	2
Mandamabwe	Petrol	20 153	-	20 153	186 443	11
Kadoma	Petrol	20 834	9 200	11 634	120 000	10
Karoi	Diesel	24 178	13 013	11 165	135 200	8
Karoi	Petrol	13 112	-	13 112	135 400	10
Muzari	Petrol	19 928	16 700	3 228	110 000	3
Plumtree	Diesel	42 727	25 320	17 407	245 000	7

Risk/Implication

Financial loss resulting from abnormal stock losses.

Recommendation

Management should ensure that all stock variances above the acceptable loss threshold of 0.5% are investigated timely.

Management response

Noted. There is an on-going process whereby we are investigating the losses and putting measures to reduce the variances to acceptable levels.

1.2. Donations

Finding

The Company made donations amounting to $158 461 during the period under review. Budgeted expenditure on donations for the same period was only $40 000. As such, donations amounting to $118 461 were not budgeted for. The donations were approved by management and were not approved and/or ratified by the Board of Directors.

Risk/Implication

Financial loss arising from unbudgeted and unauthorised expenditure.

Recommendation

Management should seek approval from the Board of Directors before exceeding budgeted expenditure.

Management response

Noted. Donations were communicated to the Board of Directors prior to effecting them. In future, all donations requests will be minuted in Board meeting's minutes. In addition we now have a donations policy in place.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1. Fuel-Cafe credit account

Finding

Fuel Cafe (a debtor) was not servicing its credit account satisfactorily. As at December 31, 2014, US$1,981,876 of the debtor's balance was more than 120 days old.It was secured by a bank guarantee of US$2,000,000 which expired on February 20, 2015. Management recalled the bank guarantee in January 2015, when it was about to expire and the bank did not honour it. At the time of concluding my audit in May 2015, Fuel Cafe owed US$1,998,439 which was unsecured.

Risk/Implication

Liquidity problems resulting from a substantial amount of working capital being locked up in overdue debtors.

Financial loss in the form of bad debts arising from unsecured debtors.

Recommendation

Management should ensure that all debtors' accounts are effectively monitored and that remedial actions are taken timely.

Management response

Petrotrade has not forfeited the bank guarantee but accepted a payment plan whereby the debtor pays US$50,000 on a monthly basis effective from May 2015, in sympathy to the customer's circumstances. There is an understanding with the bank that Petrotrade has the right to recall the bank guarantee if the client fails to follow the payment plan.

Auditor's comment

As at 22 July 2015 we verified that Fuel-Café had paid a total of $100 000 being instalments for May and June 2015. However, there was no documentary evidence from the bank, to suggest that Petrotrade could still have a right to recall the bank guarantee if the client failed to honour the payment plan.

PRINTFLOW (PRIVATE) LIMITED 2014

Background information

The Company is a successor to the former Department of Printing and Stationery in the Ministry of Finance. It has all the capacity as permitted by section 9 of the Companies Act [Chapter 24.03], and without derogating from the scope of these powers, the principal objectives for which the Company was established is to carry on the business of printing, publishing, buying and selling of all forms of office supplies and any other business in printing and stationery field necessary to discharge the functions of the company.

I have audited the financial statements of Printflow (Private) Limited for the year ended December 31, 2014 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Printflow (Pvt) Ltd as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

1. GOVERNANCE ISSUES

1.1. Board of directors

Finding

The tenure of office for the Company's Board of directors expired on January 24, 2014 and since then; the Company was operating without a Board of directors.

Risk/Implication

There may be lack of oversight on the Company.

There may be a policy formulation vacuum.

Recommendation

The Company should continue to lobby its parent Ministry in respect of the appointment of a Board of directors.

Management response

Management has been liaising with the parent Ministry for the appointment of the Board since the Board's term of office expired on the 24th of January 2014

1.2. Controls over the issue of goods

Finding

An individual who purported to represent a certain local college fraudulently presented a fake bank transfer document (RTGS) to the Stationery stores department and was issued five hundred (500) reams of bond paper worth two thousand five hundred dollars (US$2,500). This was caused by weaknesses in the Finance and the Stationary stores departments which failed to validate the RTGS before issuing the goods.

I also noted that seven (7) laptops worth US$3,283 were issued at the Electronic Appliance Workshop Department on July 9, 2014 to an individual who purported to be a represantative of a local Polytechnic College without a physical receipt, purchase order or a quotation.The laptops were issued on the basis of receipt number 728811 which had already been used on May 8, 2014 to supply stationery to the same purported Polytechnic College.

Risk/Implication

Financial loss as a result of weak internal controls over the issue of goods.

Recommendation

The Company should validate all bank transfer confirmation documents before goods are issued.

The company's system should be configured to prevent goods being issued more than once under the same receipt.

Goods should only be issued to confirmed customer representatives.

Management response

At the time of the loss, the treasury and credit control procedures were not synchronized with the selling SBUs hence; there was no awareness of the procedure of releasing goods before clearance from treasury and credit control for direct deposit purchases and the risks associated therewith. Interdepartmental procedures have since been synchronized to avoid the recurrence of such losses. Interdepartmental communication and consultation on reviewing and updating procedures for

Stationery Stores was done and was being coordinated by Internal Audit to ensure harmonization of procedures.

The issue was reported to the Commercial Crime Unit (CCU) in July 2014 and they haven't yet found the perpetrators of the crime. However, internal hearings were subsequently done the same month at the Company which led to the crafting of new procedures on handling of money transfers and direct deposits as well as controls and checks on customers collecting goods from Stores as well as our Branches. The new procedures were effective January 2015.

The EAW clerk was brought before a hearing in September 2014, and he was dismissed. He appealed to the CEO who again upheld the dismissal. The accused appealed to NEC sighting some irregularities and the Company was asked to reconvene the hearing in December 2014.The hearing was reconvened and the accused won the case.

TEL●ONE (PRIVATE) LIMITED 2014 AND 2015

Background information

Tel●One (Pvt) Ltd was incorporated in Zimbabwe in 2000 in terms of the Postal and Telecommunications Act [*Chapter 12:05*]. The Company's main business is that of provision of telecommunication services and products.

I have audited the Financial Statements of Tel●One (Private) Limited for the years ended December 31, 2014 and 2015 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion 2014

In my opinion the financial statements present fairly, in all material respects, the financial position of Tel●One (Private) Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw attention to note 26 in the financial statements which shows that the Company had a net liability position of $163,431,710 (2013:178 215 996) as at December 31, 2014. Fixed-term borrowings approached maturity without realistic prospects of renewal or repayment. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

Opinion 2015

In my opinion, the financial statements present fairly, in all material respects, the financial position of Tel●One (Private) Limited as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to the fact that during the year 2015 the Company undertook an investigation on alleged acts of fraud at one of its stations. The investigations revealed that the entity was prejudiced over $700,000 through the alleged fraudulent activities by the entity's employees. The effect of this matter could not be determined until the process to investigate the fraudulent activities by the entity has been concluded at all its stations.

I draw your attention to the fact that the Company had a net liability position of $98 961 201 (2014: $163 431 710) as at December 31, 2015. Fixed-term borrowings approached maturity without realistic prospects of renewal or repayment. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

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

1. GOVERNANCE ISSUES

1.1 Sustainability of service delivery

Finding

The Company had a net liability position of $163,431,710 as at December 31, 2014. I also noted that the Company did not comply with the repayment terms of its long term loans and as a result, these loans approached maturity without realistic prospects of renewal or repayment.

An analysis of the financial statements for the year ended December 31, 2015 revealed that the Company was in a net liability position of $ 98 961 201. This is a result of legacy loans case that has not been addressed. I also noted that the Company did not comply with the repayment terms of its long term loan agreements and as a result, these borrowings approached maturity without realistic prospects of renewal or repayment.

Risk/Implication

Tel●One may find it difficult to raise additional funds due to the huge loan book.

Recommendation

Sustainable revenue growth strategies that ensure profitability and capacity to service the loans should be promoted.

Management response

Tel●One is still pursuing the Business Transformation Strategy (2014-2018) which aims to convert the company from a fixed telecoms provider into a modern Fixed-Mobile Converged (FMC) communications services provider known for high quality and affordable information, communication technology (ICT) services. The strategy is focused on both fixed and mobile data, with more emphasis on mobile broadband. To this end, broadening the broadband connectivity throughout the country through deployment of backbone fibre as well as expansion on access to all market segments has been a priority. A number of projects have already been completed with the aim of expanding the core backbone fibre network as well as the access network (FTTH and MSAN projects). Work on modernizing of infrastructure has also been a priority with about ten of the analogue exchanges having been digitalized. Funding of these projects has been through loan capital and own funding.

The approval of the Backbone and Broadband Access Preferential Buyer's Credit Facility ($98m) in 2015 is a notable development which is set to broaden the broadband connectivity through rolling out of services at a larger scale. Network transformation from an outdated to a modern fixed mobile converged network, expansion of the backbone fibre footprint, improved customer experience management and organizational culture change are some of the strategic organizational goals that will propel the company forward onto the profitability path. For effective implementation, the company has re-aligned its business through the adoption of three operating business segments namely the Infrastructure and Wholesale division, The Retail Division and Centre for Learning. The operating business segments will operate as profit centres focused primarily on revenue generation and growth and will be key in driving the Business Transformation Strategy.

In summary the company recognizes revenue growth and profitability as the only certain means of reversing the negative net liability position and as such has modelled its structure, resources and efforts towards achieving this strategic goal.

Tel●One and Telecel are engaged over the renewal of the interconnection agreement. It is expected that the approved agreement will be in place by 31 May 2016. It should however be noted that the old agreement will continue in force until it is replaced by a new agreement.

1.2 Chinhoyi exchange property

Finding

There was no evidence to suggest that the issue of ownership to property was finalised at Chinhoyi provincial offices post the unbundling of Post and Telecommunications (PTC) into various entities. The Chinhoyi exchange complex housed both Telone and ZIMPOST offices and behind the exchange building there was a residential complex occupied by both Tel One and ZIMPOST staff. Within that residential complex, Tel●One claimed ownership of flats 1, 2, 3, 4 and 5.

Risk/ Implication

Accountability of the property may be compromised due to unclear ownership arrangement between the two entities.

Recommendation

The company should follow-up on the sharing of properties previously under PTC.

The company should ensure that title deeds of the property are in place and all the required supporting documents are kept together with the assessment documents to have a complete audit trail.

Management response

The Chinhoyi Exchange property is one of the former P.T.C properties still to be subdivided to successor companies. The sub-division will take place once the informal tender has been awarded. Award of the tender has been protracted due to a variety of reasons but it is hoped this will happen in the second quarter of 2016. Sub-division will follow thereafter.

1.3 Policies and procedures

Finding

The Company was using draft operating policies and procedures manuals in the following areas at the time of audit:

- Human resources
- IT
- Company secretariat
- Finance and administration
- Billing and receivables

Risk/Implication

Inconsistence in the implementation of procedures.

Manipulation and circumvention of policies and procedures.

Recommendation

The Company's draft policies and procedures manuals should be submitted to the Board for approval.

Management response

Currently there is a documentation review and standardization of policies and procedures exercise underway whose thrust is to have key policies and procedures in place for all functional areas and are at various levels of quality checking before submission to Managing Director who will in turn submit to the Board for sign-offs. Approval of all policies is expected to be completed by the end of April 2016.

However, there are policies which were approved prior to the documentation and review exercise which will remain operational until the documented and reviewed policies have been signed off.

1.4 RTGS receipts (Payments by customers)

Finding

TelOne was using an expenditure voucher document to process RTGS receipts from customers. This created room for fraudulent activities by TelOne employees in Bulawayo. This involved payments made by customers through the Real Time Gross Settlement (RTGS) system. It was noted that when customers paid for their accounts using RTGS, the reconciliations for all such payments were being done at Telone Head Office. All the information of the clients who would have made payment were then sorted on a region by region basis and the supporting documentation is sent to the respective regions to enable crediting of the customers' accounts.

There was connivance between the person responsible for posting payments into customers' accounts and the immediate supervisor.

Risk/Implication

Financial loss due to connivance by Telone employees.

Recommendation

Management should put measures in place to prevent the occurrence of such fraudulent activities in future.

Management response

The RTGS payment system is now centralised at Head Office. This RTGS office caters exclusively for RTGS payments and so there is no room to misappropriate cash using RTGS transactions. In addition, a separate form has also been designed specifically to account for RTGS payments. This form makes it easy to identify RTGS transactions and limits the risk of its fraudulent use to draw cash from any Client Service Centre. A request to modify the payment reports has also been submitted to the vendor to include all payment modes (i.e. RTGS, cash, cheque, set-off). This will aid in independent verification or reconciliations of all transactions as it will be easier to pick anomalies or mismatches of amounts on hand and amounts accounted for under each specific payment mode. Currently the system provides for the cash and cheque payment modes only. RTGS and agency payments are as such currently classified as cash making it difficult to reconcile and separate purely cash transactions from RTGS transactions.

1.5 Reconciliation of cash accounts

Finding

Cash count certificates balances differed from the figures disclosed in the Trial Balance as at December 31, 2015. The following are examples of cash collecting points which had variances between cash count certificates and Trial Balance:

Cash collecting point	Cash count certificate balance$	Trial Balance figure $	Variance $
Masvingo	1192.64	7585.78	6393.14
Hatfield	15.00	2301.83	2286.83
Beitbridge	0	6783.03	6783.03
Kwekwe	3292.25	5733.71	2441.46
Kadoma	25.00	8089.39	8064.39
Hillside	455.00	4817.98	4362.98
Hwange	25.00	1,809.54	1784.54
Bindura	1.00	2,130.25	2129.25
Mutare	507.00	4,944.83	4437.83
Chipinge	464.00	764.22	300.22
Victoria falls	192.65	11,806.88	11,614.23
Zvishavane	0	761.00	761
Bellevue Byo	216.50	2,605.17	2,388.67
Borrowdale	765.89	937.55	171.66
Avondale	461.37	8,868.36	8,406.99
Gwanda	2.49	(6,017.62)	(6,015.13)
Chiredzi	0.56	(149.50)	(148.94)
Gweru	7868.35	(43,109.85)	(35,241.50
Chitungwiza	4146.75	(1,438.40)	2,708.35
Rusape	505.00	(446.29)	58.71
Bulawayo Fort St Customer Service	157.04	(4,469.72)	(4,312.68)
Runhare	0	(2,429)	(2,429)

The negative variances between cash count certificate and the trial balance figure was an indication that cash was being utilised before being banked.

Risk/ Implication

Errors and misstatements may go undetected.

Recommendation

Reconciliations between cash count certificates and system records should be done in-order to detect errors and misstatements on time.

Management response

The cash journal updates the general ledger (trial balance) each time a transaction is posted. The variances between cash count certificates and the trial balance are as a result of unposted transactions in the cash journal. This gap is being closed by continuous training of all SAP users, posting of transactions on a daily basis and tracing all unposted transactions in the cash journal and posting them so that they update the Trial Balance. A clearing journal has been prepared to clear the difference.

2. EMPLOYMENT COSTS

2.1 Statutory deductions

Finding

The company did not remit PAYE, pension contributions and PSMAS on time during the year under review. Pension contributions were last remitted consistently in October 2014 and as a result, employees who voluntarily retired from August 2015 had not received their lump sum payments.

The table below contains details of the outstanding contributions;

Statutory creditor	**Amount due as at December 31,2015 $**
PAYE	482,162
Pension contributions	18,094,423
PSMAS Contribution	1,732,567
Total	**20 309 152**

Risk/Implication

Financial loss due to fines and penalties for non-payment of statutory obligations.

Prejudice to employees as those entitled to receive pension may not receive their pension payments upon retirement.

Recommendation

Management should ensure that statutory obligations are remitted on time to avoid penalties and interest.

Management should ensure that relevant authorities are engaged in advance to agree on payment plans in order to clear Pension and PSMAS contribution arrears.

Management response

For PSMAS current obligations are being settled on a monthly basis in order to avoid the accumulation of the arrear debt. Additionally, we have a payment plan targeted to cater for the arrear debt. For CAIPF, we have an agreed payment plan in place.

PAYE is covered under the three way set-off with the Ministry of Finance, ZIMRA and TelOne.

2.2 Benevolent loan

Finding

According to TelOne's Human Resources policy, benevolent loans should be granted for a maximum of six months at 25% of gross salary. However, employees were given benevolent loans with a payment period exceeding six months, and the amount of benevolent loans issued in some cases exceeded 25% of the gross salary. The table below shows;

EC number	Amount $	% of gross	Payment period In months
2456	4 000	165	24
2467	5 000	185	24
1316	3 500	122	12
975	2000	104	12
99	1 800	96	12
2883	10 000	489	24
1835	5 000	142	12

Risk/Implication

Violation of laid down procedures may lead to abuse of the fund.

Management override of controls.

Recommendation

Loans should be given in line with the laid down procedures in the human resources procedures manual.

Management response

The loans were extended to key staff as a retention tool and also on engagement of Critical staff to make Tel●One offer more attractive. Repayment period was extended to 24 months to cushion staff cash flows in view of the 15% basic salary cut.

2.3 Telephone allowances

Finding

Telephone allowances awarded to management were not processed through the payroll and were not subjected to PAYE in contravention of the Income Tax Act [*Chapter 23:06*] section 8 (1).

Risk/Implication

Penalties and interest for non-compliance with the Income Tax Act [*Chapter 23:06*] section 8 (1).

Recommendation

The Company should ensure that allowances are taxed in line with the provisions of the Income Tax Act [*Chapter 23:06*] section 8 (1).

Management response

All telephone allowances are now being paid through the payroll and hence are subject to tax from August 2014 to date.

3. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Company made some progress and there was room for improvement in respect of the following recommendations;

3.1 Overall performance summary

Recommendation

Management should explore ways of improving the organisation's working capital position and reported earnings.

Progress made

Tel●One is continuing on the 2014-2018 Business Transformation path despite a decline in revenue of -12% in comparison to the prior year (2014). The decline in revenue is mostly attributable to a shift in consumer tastes globally from the traditional voice services to internet and data services stiff competition from local operators and Over-The-Top services (OTTs) low uptake of telecommunication services due to economic hardships.

The operating expenditure line has been kept under control, recording a positive variance of 10% mainly due to the cost containment strategies being implemented across the whole company. This has kept TelOne earnings positive overall despite the negative revenue growth.

In order to emphasise and build on the revenue growth aspect of the Business Transformation strategy, Tel●One is now adopting operating business units (the Wholesale, Retail and Centre for Learning Divisions) which will operate as profit centres focusing on revenue generation.

The company has also completed various FTTH & MSAN projects in the year under review and this is set to rationalise an aggressive sales drive going forward. Another notable development in 2015 has been the approval of the Backbone and Broadband Access Preferential Buyer's Credit Facility ($98m) which will enable the company to roll out broadband access services at a larger scale and therefore leverage revenue growth and market share.

3.2 Loan agreement

Recommendation

Loans should be formally agreed upon in writing between the borrower and the lender.

Progress made

Still as observed.

3.3 Automation of operations

Recommendation

All the exchanges should be automated to avoid the risk of human error and manipulation.

Progress made

The digitalization process is still ongoing and expected to be completed in 2017. The following 10 exchanges have been digitalised to date:
Ruwa, Rusape, Karoi, Kariba, Plumtree, Chipinge, Chiredzi Nyanga, Mazowe and Chiredzi.

The following 14 exchanges targeted for 2016:
Unit 6, Murambinda, Mashava, Triangle, Banket, Mvurwi, Shamva Bindura, Norton, Chegutu, Chitungwiza, Lupane, Esigodini, Filabusi.

The remaining exchanges will be digitized before end of 2017.

3.4 Long outstanding receivables

Recommendation

I recommended that measures be put in place to monitor and control the credit period to below 120 days.

Progress made

We have established permanent debt collection teams in the regions which cut across all departments. We have managed to collect $135,8m in 2015 despite the liquidity challenges in the market.

The debt collector managed to collect $2,4m from the finalised accounts. The government has been paying consistently our tax obligations through the set-off arrangement. In addition TelOne is engaging other debt collectors who are set to commence work in April 2016.

3.5 Assets not in the name of the company

Recommendation

Corrective steps to address the anomaly should be timeously implemented and bring the issue to finality.

Progress made
Still as observed.

3.6 Statutory deductions

Recommendation

The Company should ensure that payment of statutory obligations is done on time to avoid the risk of penalties and fines.

Progress made

The Company is currently servicing its obligations to ZIMRA through a three way set-off agreement between Tel-One, ZIMRA and the Government of Zimbabwe. In 2014, receipts from the Ministry of Finance were US$24,459,342 in total. The penalty charged by ZIMRA of US$8 016 714 has since been partly paid. An agreement was reached between Tel●One and ZIMRA that all tax obligations will be settled through the three way set off with the Government.

ZESA ENTERPRISES (PRIVATE) LIMITED (ZENT) 2015

Background information

ZESA Enterprises (Private) Limited, is incorporated under the Companies Act [*Chapter 24:03*] and the Electricity Act [*Chapter 13:19*] and is 100% owned by ZESA Holdings. It is mainly involved in the manufacture and repair of power and distribution transformers and line material; design, construction and commissioning of high voltage substations, power lines, civil and mechanical works; provision of transport logistics; supply and distribution of high quality hardware, domestic and industrial electrical equipment; provision of information technology and support services.

I have audited the financial statements for ZESA Enterprises (Private) Limited for the year ended December 31, 2015 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of ZESA Enterprises (Private) Limited as at December 31, 2015, and its financial performance and its cash flows for the year then ended.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Statutory obligations

Finding

The Company did not pay some of its statutory obligations for the period under review. The total unpaid obligations to statutory bodies amount to US12 107 932 as shown in the table below:

Creditor	Amount owing USD
ZIMRA (VAT)	5 832 289
ZIMRA (PAYE)	923 686
NSSA	438 420
Pensions	4 430 104
ZIMDEF	29 566
Medical Aid	453 867
Total	**12 107 932**

Risk/ Implication

Penalties and fines may worsen the liquidity position of the Company.

Recommendation

Management should consider engaging all stakeholders and attempt to devise and implement turnaround strategies that can change the fortunes of the company.

Management response

ZENT still has maintained an average order book with over USD20m internal orders from subsidiary companies. Conversion of these to sales still remains a challenge since this is based upon the subsidiary companies propensity to pay. Until the last quarter of 2015, ZENT was owed over $14m from subsidiary companies which inhibits ZENT's ability to get sustainable business growth from its working capital. After much negotiation, a tranche of U$15m was paid, though having little impact in 2015 given the late timing of the payment. The subsidiaries have committed to remit dues on time. Discussions on payments have been escalated to board chairman level. Timely payments are important to ensure business viability.

With increased business, ZENT should have the ability to settle its trade and statutory obligations.

ZESA HOLDINGS (PRIVATE) LIMITED 2014

Background information

The Company is incorporated under the Companies Act (Chapter 24:03). The Company manages its 100% owned subsidiaries that is Zimbabwe Power Company (Private) Limited, Zimbabwe Electricity Transmission and Distribution Company (Private) Limited, Powertel Communications (Private) Limited and ZESA Enterprises (Private) Limited. The Company is governed by the Electricity Act [Chapter 13:19].

I have audited the financial statements of ZESA Holdings (Private) Limited for the year ended December 31, 2014 and I issued an unmodified/clean opinion with an emphasis of matter paragraph.

Opinion

In my opinion the financial statements present fairly, in all material respects, the financial position of ZESA Holdings (Private) Limited as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw attention to note 23 to the financial statements, which describes the existence of material uncertainty which may cast doubt on the ability of the Company to continue as a going concern. The Company posted a profit before tax of US$ 2,702,665 (2013: loss of US$12,683,742) for the year ended December 31, 2014 and as at that date its current liabilities exceeded its current assets by US$65,321,490 (2013: US$67,367,127). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

However, below are material issues noted during the audit;

1. GOVERNANCE ISSUES

1.1 National training centre

Finding

The ZESA National Training Centre's performance was not satisfactory due to low capacity utilization which was 10% for conferencing and 5% for accommodation. The Centre incurred losses of US411,311 and US$917,403 during the year ended December 31, 2013 and 2014 respectively. The table below contains its operating results;

	2014 (US$)	2013 (US$)
Revenue	1,208,091	2,156,484
Operating costs	(2,165,494)	(2,570,795)
Loss from operations	**(917,403)**	**(411,311)**

Risk/Implication

Financial losses due to the loss making centre.

Recommendation

Management should come up with a strategy to steer the centre to profitability.

Management should consider marketing the training centre to clients outside the ZESA Holdings Group.

Management response

The ZESA National Training Centre has the mandate of providing training for all Group Companies. While it is ideal for the training center to make profits it is the group's view that training should not be compromised. The liquidity challenges being experienced by the ZESA Group of companies has affected the thrust on training. In order to ensure critical training services, ZESA Holdings has been subsidizing operations at the Training center.

However, a number of strategies are being put in place to increase the top line whilst also reducing costs. The Centre is also diversifying from ZESA business and has become active in offering conferencing and accommodation to a number of religious and sporting organizations.

ZIMBABWE ACADEMIC AND RESEARCH NETWORK (PVT) LTD 2014

Background information

The Zimbabwe Academic and Research Network (Private) Limited (ZARNet) was established in 1999 under the Scientific and Technology Research Act of 1986, mainly, to promote information age literacy and nation building through the provision of efficient connectivity and reliable inter-linkages between various academic, educational, scientific, and other institutions nationally, regionally, and internationally through wide area networks and internet.

I have audited the Zimbabwe Academic and Research Network (Private) Limited for the year ended December 31, 2014 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Zimbabwe Academic and Research Network (Private) Limited as at December 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

1. GOVERNANCE ISSUES

1.1. Ownership of motor vehicles

Finding

Five (5) Company vehicles were not registered in its name contrary to the provisions of the Vehicle Registration and Licensing Act [Chapter 13:14] Section 14 (1) .These vehicles were still registered in the names of the previous owners. The Act states that a change of vehicle ownership should be registered within 14 days after the acquisition of a motor vehicle.

I also noted that the Company had no agreements of sale for a Toyota Corrola ABI-4317 and a Hyundai Sonata AWW – 6458.

Risk/Implication

Non-compliance with Section 14 (1) of the Vehicle Registration and Licensing Act [*Chapter 13:14*].

Without agreements of sale, the Company may have no recourse in the event of a dispute.

Recommendation

The Company should change the motor vehicles ownership in compliance with the Vehicle Registration and Licensing Act [Chapter 13:14] Section 14 (1).

The Company should ensure that agreements of sale and vehicle registration books are on file.

Management response

The observation has been noted. Management had begun the process of transferring ownership to ZARNet.

ZIMBABWE POSTS (PRIVATE) LIMITED (ZIMPOST) 2014

Background information

The Company is incorporated under the Companies Act [Chapter 24:03] and its registration number is 4505/2000. The Company is mainly involved in the provision of postal and agency services in Zimbabwe.

I have audited the financial statements of the Zimbabwe Posts (Private) Limited for the year ended December 31, 2014 and I issued a Disclaimer of Opinion with an emphasis of matter paragraph.

Basis for Disclaimer of Opinion

Non-consolidation of financial statements

The Company did not present consolidated financial statements including its subsidiary Courier Connect (Private) Limited. Under International Financial Reporting Standards, the subsidiary should have been consolidated because it is controlled by the Company. Had Courier Connect (Private) Limited been consolidated, many elements in the accompanying financial statements would have been materially affected. The effects on the consolidated financial statements of the failure to consolidate have not been determined.

Restatement of prior year property, plant and equipment

The Company valued its land and buildings to adjust the redenominated values upon adoption of the multicurrency in 2009. Valuations carried out in the current year resulted in an increase of US$2 048 708 to land and buildings (2013: US$62 478 726), which reflects an adjustment to opening balances as further explained in note 25.1. This adjustment has been effected in current year, contrary to the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, which stipulate retrospective restatement for prior period errors.

Ownership of land and buildings

Land and buildings with a total cost of US$136 329 (carrying amount of US$90 265) have been disclosed as disposals after an exercise was carried out by management to remove properties whose title deeds were in the name of another entity. The exercise to fully derecognise assets whose ownership does not lie with the Company is ongoing, and accordingly, I could not obtain adequate assurance regarding the ownership of land and buildings.

Valuation of intangible assets

Subsequent to year end, the Company published a tender for the development, supply and implementation of an integrated postal system on October 23, 2015. This proposed new integrated system is intended to replace the current Webriposte system which, while still under development, has not been meeting the specifications and needs of the Company. No impairment has been made on the intangible asset valued at US$1 492 350 as at December 31, 2014 (2013: US$ 1 492 350).

Valuation of international mail receivables and payables

The company's international mail payables of US$125 743 (2013: US$97 410) and receivables of US$1 187 889 (2013: US$1 034 619) were carried in the statement of financial position at cost. Management has not measured these international mail receivables and payables at discounted values to reflect the long recovery/payment periods pervasive in the mailing industry, which in most cases is longer than 18 months from date of service.

This constitutes a departure from International Accounting Standard 39 - Financial Instruments: Recognition and Measurement and International Accounting Standard 18 - Revenue which state that when the arrangement effectively constitutes a financing transaction (no interest charged on outstanding amounts), the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

Due to the volumes and nature of the receivables and payables, I was unable to determine the exact amounts by which these receivables and payables should have been discounted.

Consignment stock

According to the Company's records, the Company held consignment stock of $1 971 926 as at December 31, 2014. Third party confirmations confirmed $104 710 in airtime less than that recorded by the Company and 860 more by quantity of phone handset consignment inventory than that recorded by the Company as consignment stock. No reasonable alternative procedures could be formulated to confirm the valuation and completeness of this consignment stock, and whether any liabilities may have existed due to any potential shortages to these consignment inventories.

Unrecorded liabilities – defined benefit pension plan

The Company contributes to a defined benefit plan under the Communication and Allied Industry Pension Fund. According to actuarial valuations performed as at 31 December 2014, the Company's portion of the funding deficit of this fund amounts to $6 765 676 (2013: $7 427 685). This has not been recorded as a liability in the Company's financial statements. No adjustments have been effected regarding restatement of prior periods. Furthermore, the financial statement disclosures relating to this defined benefit have not been prepared in accordance with International Accounting Standard 19 – Employee Benefits.

Potential fines and penalties for non-fiscalisation

The Company did not comply with the requirements of the Zimbabwe Revenue Authority to install fiscalised tax registers. This non-compliance attracts penalties. The penalties have not been quantified. However, they are likely to be material to these financial statements. Had the penalties been quantified and adjusted for, they would have increased other payables and the loss before tax.

Value Added Tax (VAT)

According to Company records, there was VAT receivable of US$58 461 as at December 31, 2014. However, I was unable to obtain sufficient appropriate audit evidence to support this amount. The Company also risks incurring fines and penalties from the Revenue Authority if the computed VAT is not correct.

Payable amounts not verifiable

Payables relating to Workers Compensation Insurance Fund pension, television and radio licences and Zimbabwe National Road Administration (ZINARA) amounting to US$1 366 466 could not be verified against confirmations or statements from the creditors. Accordingly, I could not verify the completeness and valuation of these amounts as at year end.

Prior period adjustment adjusted to current year

Several errors resulting in an increase in opening equity of $1 741 900 were identified in the current period as further explained in note 25.2. These adjustments have been adjusted in the current year, contrary to the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, which mandate retrospective restatement for prior period errors.

Occurrence, accuracy and completeness of revenue and valuation of estate debtors

Several errors were noted during the audit of revenue that was comprised of VAT incorrectly included in letters and philately revenue and errors in capturing letters and rental income. In addition there was absence of supporting documentation for some transactions recorded in rental income. No reasonable alternative procedures could be performed with respect to transactions with no supporting documentation as I could neither obtain confirmations nor determine an alternative source to substantiate these recorded amounts. In addition, I was unable to obtain sufficient appropriate evidence to determine the extent of errors in revenue. Accordingly, I did not obtain adequate evidence with respect to the occurrence and accuracy assertions relating to mail, letters and rent revenue.

Furthermore, I could not substantiate a US$30,466 difference between the sales movement schedules and the ledger, with the latter recording the lesser amount. I therefore could not obtain adequate evidence regarding completeness of the ledger.

Due to the absence of supporting documentation regarding rental income, I could not obtain adequate assurance over balances relating to real estate receivables as I could not obtain confirmations or trace the receivables to any subsequent receipts.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.

Emphasis of matter

I draw your attention to note 27 in the financial statements which indicates that the Company incurred a net loss of US$7 158 350 (2013: US$5 962 348) during the year ended December 31, 2014 and, as of that date, the Company's current liabilities exceeded the current assets by US$23 341 614 (2013: US$15 076 627). These events, along with other matters as set out in note 27; indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company has received a letter of support from the Ministry of Information, Communication Technology, Postal and Courier Services to support the basis for presenting these financial statements on a going concern basis.

However, the following are other material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Submission of financial statements

Finding

I noted that the Company did not submit its financial statements for audit within two months after the year end as stipulated by the Public Finance Management Act [Chapter 22:19] Section 49 (c) (1).

Risk/Implication

Non-compliance with the Public Finance Management Act [Chapter 22:19].

The absence of financial statements on a timely basis may compromise decision making and accountability by those charged with governance.

Recommendation

Financial statements should be submitted for audit within two months after the year end in compliance with the Public Finance Management Act.

Management response

The predominantly manual systems, lack of interface between the front office (Webriposte) and back office (Apogee), incomplete capturing at source and system instability have invariably lengthened the year-end preparation of financial statements.

However the proposed Integrated Postal System will address these challenges and enable the Company to submit the financial statements to the registrar within three months of year end.

1.2. Ownership of land

Finding

The Company had no title deeds for land stands. As a result, I could not verify the ownership of the land. The table below contains examples of such land;

CODE	DETAIL	AMOUNT (US$)
AL000175	Land stand 16858 of std 13325 SB	220,000
AL000306	Land stand 7 Gweru post office	190,000
LH000005	Land stand Rushinga	1,000
LH000042	Land stand 867 Cherima, Sanyati	1,000

Risk/Implication

It may be difficult to claim ownership to such properties.

The Company may have no recourse in the event of disputes over the ownership of the land if it does not have title deeds.

Recommendation

The Company should make a concerted effort to obtain title deeds for all its land.

Management response

Noted. Ownership of land is yet to be changed to Zimpost and the parent Ministry is facilitating the process. All leasehold land will be removed from the asset register and recorded separately for accounting purposes.

1.3. Fiscalisation

Finding

I noted that some Zimpost outlets had not been fiscalised in violation of Statutory instrument 153 of 2011 which states that Value Added Tax (VAT) registered operators under category "C" whose annual value of taxable supplies exceeds US$240,000 are required to record transactions electronically.

Risk/Implication

Financial loss as a result of penalties for non-compliance to Statutory instrument 153 of 2011.

Recommendation

The Company should fiscalise all its outlets in compliance to Statutory instrument 153 of 2011.

Management response

Noted. Management has communicated its challenges on fiscalisation as follows:

- **The point of sale system the Company intends to use is still under development.**
- **The Company has a centralized selling price management.**
- **The Company has a huge number of offices and associated off counters and encounters complex transactions, some of which require specialized handling.**

These issues cannot be handled via the standard equipment and this has been communicated to ZIMRA and we await their response on the way forward.

1.4. Deemed employee benefits

Finding

I noted that deemed benefits amounting to US$130,920 emanating from the disposal of motor vehicles to senior management were not subjected to PAYE as required by the Income Tax Act [Chapter 23:06]. As a result the Company under declared PAYE by US$47,665.

Risk/Implication

Financial loss arising from penalties and fines for non-compliance with the Income Tax Act [Chapter 23:06].

Recommendation

The Company should ensure that benefits and allowances are taxed as in line with the provisions of the Income Tax Act [*Chapter 23:06*].

Management response

The re-computation will be done and PAYE will be adjusted accordingly. Management will take advantage of tax amnesty and regularise with ZIMRA.

1.5. Lease agreements

Finding

There were tenants occupying Zimpost properties without lease agreements. The total sample size tested had unsubstantiated leases amounting to US$26,213.The table below contains details;

Tenant number	Lease rental per year (US$)
TN200060	853
TN200075	1 043
TN700029	1 152
TN800010	1 043
TN800014	835
TN800015	626
TN800023	866

Risk/Implication

Financial loss as the Company may have no recourse in the event of disputes if it does not have lease agreements with its tenants.

Recommendation

The Company should have lease agreements with all of its tenants.

Management response

Noted and all tenants will have valid lease agreements.

1.6. Verification of payables

Finding

The Company was not obtaining monthly statements from its creditors and was not performing creditor reconciliations. As a result, payables relating to WCIF pension, television and radio licences and Zimbabwe National Road Administration (ZINARA) amounting to US$1,366,466 could not be verified against confirmations or statements from the creditors. Accordingly, I could not verify the completeness and valuation of these amounts as at year end. The table below contains details;

Creditor	Amount (US$)
WCIF Pension	114,872
Television and Radio Licences	159,207
ZINARA	1,092,367
TOTAL	**1,366,466**

Risk/Implication

Misstatement of the payables amount disclosed in the financial statements.

Recommendation

Creditor confirmations and statements should be obtained on a monthly basis.

Creditor reconciliations should be performed on a monthly basis.

Management response

Confirmations will be followed up with the relevant suppliers.

ZIMBABWE POWER COMPANY (PRIVATE) LIMITED AND ITS SUBSIDIARY 2014

Background information

The Group is a subsidiary of ZESA Holdings (Private) Limited and is incorporated under the Companies Act [Chapter 24:03] and the Electricity Act [Chapter 13:19]. The Group's core business is the generation of electricity. The registered office of the Group is 12th Floor Megawatt House, 44 Samora Machel Avenue, Harare, Zimbabwe**.**

Zimbabwe Power Company (Private) Limited (ZPC) formed a subsidiary company, Kariba Hydro Power Company (Private) Limited (KHPC) on 1 August 2014 for the purpose of generating electricity and implementing the project for the addition of units 7 and 8 at Kariba South Power Station. The subsidiary is 100% owned.

I have audited the financial statements of Zimbabwe Power Company (Private) Limited and its subsidiary for the year ended December 31, 2014 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Zimbabwe Power Company (Private) Limited and its Subsidiary as at December 31, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, I draw attention to Note 26 of the consolidated financial statements which indicate that the Group did not service its foreign long term loans. US$324,314,133 of the long term loans was overdue. The Group's major customer, Zimbabwe Electricity Transmission and Distribution Company was also failing to recover amounts owed to it by its customers which was affecting its ability to pay amounts it owed the Group. This resulted in the Group failing to meet its obligations as they fell due. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue operating as a going concern.

However, the following are material issues that were noted during the audit.

1. GOVERNANCE ISSUES

1.1. EMA emission limits

Finding

Environmentally harmful emissions emitted by the Hwange Power Station exceeded the limits set by the Environmental Management Agency (EMA). Sulphur emissions averaged 250µg/m^3 against a limit of 50µg/m^3. Emissions discharged from the plant and ash dams affect the nearby residential area (Ingagula Township).

Risk/Implication

Financial loss through penalties from EMA.

Damage to the ecosystem.

Health risks to residents of nearby residential areas and employees.

Recommendation

The Power Station should install de-sulphurising machines in order to reduce harmful sulphur emissions.

The Power Station should consider relocating residents of Ingagula Township.

Management response

This is old design technology challenge of which changing the technology costs more from a cost benefit perspective. The station has engaged EMA to look into the issue with the idea of negotiating their acceptance of the old technology and for reduction or a reprieve since the charges are exorbitant with little that can be done to improve on emissions within the station capacity. Relocation of Ingagula Township has been budgeted in the 2015 capital expenditure budget.

1.2. Outstanding creditors

Finding

The Munyati power station had long outstanding creditors amounting to US$5,458,237. The table below contains examples of the Station's long outstanding creditors;

Supplier	Days	Amount (US$)
Coalzim Marketing (Private) Limited	101	254,655
Coal Brick (Private) Limited	101	385,180

Supplier	Days	Amount (US$)
Hwange Colliery Company Limited	101	478,775
Colbro Transport (Private) Limited	101	556,507
Turbo Mining (Private) Limited	101	388,380

Risk/Implication

Suppliers may refuse to supply critical consumables thereby negatively affecting the stations production efficiency.

Financial losses through interest on overdue accounts.

Recommendation

The station should negotiate payment plans with its long outstanding creditors.

Management response

The Company at times faces cash flow challenges, but in such situations, always engages suppliers of critical materials especially coal suppliers and these have never threatened not to supply. The Company has adopted other payment strategies that include set offs of suppliers' electricity bills in an effort to manage cash flows and the ballooning debt. Suppliers are also being engaged regarding interest on overdue accounts.

1.3. Board of directors

Finding

Kariba Hydro Power Company's Articles of Association section 81 states that the number of its directors shall not be less than two (2) and be no more than five (5). However, I noted that the Company had a total of eight (8) directors which was three (3) more than the maximum number stipulated in the Company's Articles of Association.

Risk/Implication

The Articles of Association of a Company are derived from the provisions of the Companies Act (Chapter 24:03). By not complying with its Articles of Association, the Company was in violation of the Companies Act (Chapter 24:03).

Recommendation

The Company should regularize the anomaly.

Management response

Noted. The board will look into the issue in consultation with the shareholder, ZPC.

1.4. Board fees and sitting allowances for non-executive directors

Finding

I noted that the Company was charging 20% withholding tax on the non-executive directors' other allowances such as electricity and fuel in contravention of the Income Tax Act [Chapter 23:06] which requires that such allowances be taxed using PAYE tables as they are considered as remuneration.

Risk/Implication

Financial loss arising from penalties and fines for non-compliance with the Income Tax Act [Chapter 23:06].

Recommendation

The Company should ensure that the directors' other allowances which are remuneration in nature are subjected to PAYE in line with the Income Tax Act [Chapter 23:06].

Management response

KHPC was acting in line with the ZESA & ZPC policy on the fees which taxed all the benefits using 20% withholding tax. However, in consultation with the shareholder, KHPC management undertakes to start implementing the PAYE approach with effect from June 2015.

1.5. Value Added Tax (VAT)

Finding

I noted that the Company's VAT liability stood at US$ 18,660,481 as at December 31, 2014 thus attracting potential penalties and interest.

I also noted that the Company did not account for VAT on security benefits from 2009 to 2014 amounting to US$44,189.This amount could increase to US$103,093 if interest of US$14,716 and penalties of US$ 44,189 are added.

The Company claimed input tax on entertainment expenses and passenger motor vehicles resulting in underpayment of VAT amounting to US$ 49,931. VAT on entertainment and passenger motor vehicles is prohibited in terms of the VAT ACT.

Domestic electricity was zero rated for VAT purposes with effect from August 2012; however ZPC continued to charge VAT on all its electricity sales to ZETDC. As a result since 2012, the Company charged and remitted to ZIMRA output tax amounting to US$50,465,808 on electricity sales.

For the period before the zero rating of domestic electricity in August 2012, domestic electricity had always been exempt from VAT whereas ZPC charged ZETDC VAT on those sales since February 2009.The VAT at stake for such sales amounts to US$68,575,442**.**Correspondingly ZPC should not have claimed input tax on the production of the exempt portion of domestic electricity sales to ZETDC**.** The related input VAT for the exempt supplies has not been determined.

Risk/Implication

Financial losses through interest and penalties from ZIMRA and failure to account for VAT properly.

Recommendation

The Company should engage ZIMRA regarding an acceptable payment plan of tax arrears and ensure that all other income is declared for VAT purposes and is included on the VAT 7 return.

ZPC should declare the outstanding principal VAT amount of USD44,189 to ZIMRA on security benefits under the Tax Amnesty.

The Company should immediately stop claiming input tax on prohibited expenses. USD49,931 should be declared under Tax Amnesty for input tax claimed for prohibited deductions.

The issue regarding domestic zero rated and exempt supplies should be further pursued with ZIMRA, and the corresponding input tax with regards to domestic electricity sales quantified and declared to ZIMRA under the tax Amnesty.

Management response

Efforts are being made to reduce the arrears for both VAT and PAYE. At year end, the Company had $1,947,309 and $17,496,856 outstanding for PAYE and VAT respectively, but with the payment plan put in place, as at 29 May 2015, PAYE was now nil and the VAT amount had drastically reduced to $7,237,426.

The Company engaged tax consultants to help look into the various issues that would be declared to ZIMRA under the tax amnesty.

Discussions with ZIMRA regarding acceptable payment plans will be held when such need arises.

1.6. Customs duty

Finding

A comprehensive check of the bills of entry for the period 28 March 2012 to 31 December 2012 resulted in an adjusting entry amounting to US$289,789 in VAT which was not being paid due to the erroneous application of Statutory Instrument (SI) SI 107 of 2007 on rebate which expired on 28 March 2012. SI 127 of 2012 on suspension of duty replaced SI 107 of 2007.

I noted that since February 2009, ZPC failed to comply with formalities for the export of electricity to NAMPOWER of Namibia resulting in an export prejudice to the Exchange Control authorities to the tune of US$225,720,181**.** Section 54 (1)of the Customs and Excise Act, requires all exports from the country to be declared to ZIMRA and a bill of entry export completed and processed by the authorities to sanction the export of the goods (electricity).

Risk/Implication

Financial losses through penalties and interest for non-compliance with Section 54 (1) of the Customs and Excise Act.

Recommendation

The adjustment entry should be presented to Customs under the Tax Amnesty to avert payment of interest and penalties.

ZPC should declare this issue to ZIMRA under the Tax Amnesty Act with the exports and exchange control formalities being formalised.

ZPC should export electricity from Zimbabwe formally with a bill of entry being completed and processed with ZIMRA and all exchange control formalities being adhered to.

Management response

The Company engaged tax consultants to help look into the various issues under the Customs and Excise Act that would be declared to ZIMRA under the tax amnesty.

ZPC with the help of tax consultants will formalise the export of electricity from Zimbabwe with a bill of entry being completed and processed with ZIMRA and ensure all exchange control formalities are being adhered to.

ZIMBABWE UNITED PASSENGER COMPANY LIMITED (ZUPCO) 2014

Background information

Zimbabwe United Passenger Company Limited is a road transport Company incorporated and registered in Zimbabwe with the mandate to provide rural, urban and regional passenger travel services. It has its Head Office at 109 Belvedere Road in Harare. The Company runs its activities through two main divisions, namely the Northern Region based in Harare and the Southern Region based in Bulawayo.

I have audited the financial statements for the Zimbabwe United Passenger Company for the year ended December 31, 2014 and I issued a modified/ qualified opinion with an emphasis of matter paragraph.

Basis for Qualified Opinion

Included under Trade and other payables on Note 9, is a liability of US$3,720,014 to the ZUPCO Pension Fund. The fund manager indicated that they are unable to determine the exact amount owed to the Pension Fund. Consequently, I was unable to obtain sufficient appropriate audit evidence on the accuracy of this amount.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Zimbabwe United Passenger Company Limited as at December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without further qualifying my opinion I draw attention to the fact that on July 24, 2015 a Commission of inquiry was set up by the Government of Zimbabwe to probe the conversion process used to convert pensions and insurance benefits following dollarization of the economy in 2009. The findings of the Commission could have a material impact on the liability that the Company has with the ZUPCO Pension Fund. The effect of this matter cannot be determined until the Commission of inquiry completes its work.

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

1. GOVERNANCE ISSUES

1.1. Property registration

Finding

The Company had properties which were not registered in its name. The following serve as examples;

Description	Location
Stand 14812 Salisbury Township,	Corner Hood Road and Highfield Road Southerton
Stand 10665,	Salisbury Township
Stand 3965 Salisbury	105 Belvedere Road, Harare
Stand 3966 Salisbury	107 Belvedere Road, Harare

Risk/Implication

The Company may have no recourse in the event of a dispute over the ownership of the properties.

Recommendation

The Company should register all its properties in its name.

Management response

There were staff movements in the Works and Estate department that slowed the process but has since been resumed. Confirmations with Councils will be completed soon.

1.2. Value Added Tax remittance

Finding

The company's Head Office was not remitting Value Added Tax (VAT) during the year ended December 31, 2014 and that its Southern Division did not remit VAT for August, October, November and December 2014. The VAT Act [Chapter 23:12] states that VAT should be remitted by the 25th of the month following the month of collection.

Risk/Implication

Financial loss due to penalties and interest for non-compliance with the VAT Act [*Chapter 23:12*].

Recommendation

VAT should be remitted on time in compliance to the VAT Act [Chapter 23:12].

Where the Company is facing financial challenges, it is advisable that it engages the Tax authorities to arrange a payment plan to avoid penalties and interest charges.

Management response

The Company is facing financial challenges resulting in delayed payments to ZIMRA. Efforts will be made to reduce the arrears.

1.3. Traffic fines

Finding

There was a sharp increase in traffic fines in all of the company's divisions as compared to the prior year. The company's buses were fined for operating without spare tyres, route permits, certificates of fitness and insurance cover. The table below contains details;

Description	2014 Expense (US$)	2013 Expense (US$)	Percentage Increase
Traffic Fines-Khami	160,041	110,120	45%
Traffic Fines-Kelvin	127,442	65,621	94%
Traffic Fines-Masvingo	112,180	8,512	1,218%
Traffic Fines- Belvedere	177,814	76,564	132%
Traffic Fines – Mutare	118,461	67,852	75%
Traffic Fines-Gweru	110,180	65,036	69%
TOTAL	**806,118**	**393,705**	**105%**

Risk/Implication

Passenger safety may be compromised.

Financial loss as a result of traffic fines, breakdowns and uninsured vehicles being involved in accidents.

Recommendation

Management must ensure that the company's buses have spare tyres, route permits, certificates of fitness and insurance cover in compliance with traffic regulations.

Management response

We will ensure that only buses that are fit for the road will be dispatched to avoid future penalties.

2. REVENUE COLLECTION , MANAGEMENTAND DEBT RECOVERY

2.1. Approval of discounts

Finding

I noted that the company's Southern Division had no written approvals for discounts that were awarded for private hire. The table below contains examples;

Description	Date	Ref	Hire Office Amount (US$)	Analysis Department Amount (US$)	Discount Amount (US$)
Local Government	7/12/14	41006	5,775	5,249	526
Local Government	7/12/14	41008	6,155	5,249	906
Local Government	7/12/14	41018	7,100	5,249	1,851
Local Government	7/12/14	41005	5,775	5,249	526
TOTAL			**24,805**	**20,996**	**3,809**

Risk/Implication

Financial loss as a result of unauthorised discounts.

Recommendation

Discounts should be approved in writing and the approvals should be filed.

Management response

We will ensure that proposed discounts will be communicated in writing.

PUBLIC ENTITIES UNDER THE CATEGORY OF FINANCIAL INSTITUTIONS

PEOPLE'S OWN SAVINGS BANK (POSB) 2015

Background information

The People's Own Savings Bank is a corporate body established in terms of section 3 of the People's Own Savings Bank of Zimbabwe Act, [*Chapter 24:22*] of 1999, to provide savings, banking and financial services in Zimbabwe. The bank accepts deposits that will accumulate interest for the benefit of the depositors and all deposits are government guaranteed.

I have audited the financial statements of the People's Own Savings Bank for the year ended December 31, 2015 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the People's Own Savings Bank as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

1. GOVERNANCE ISSUES

1.1 Sitting fees

Finding

People's Own Savings Bank Act *[Chapter 24:22*] section 17 provides that remuneration of Board of Directors shall be fixed by the responsible Minister. The committee's chairpersons were paid $500 per sitting and committee members were paid $250 but there was no documentary evidence to support that these sitting allowances were approved by the Minister.

Risk /Implication

Financial loss through unapproved committee fee payments.

Recommendation

Management should seek approval from the parent Ministry for Board committee sitting allowances and also seek condonation for the unapproved rates currently being used.

Management response

Board Committees are established in accordance with the provisions of the POSB Act for the better exercise of board functions. In such sittings, the committees will be discharging board responsibilities in line with the mandate given by the Board. The remuneration and allowances for members of the Board and its Committees are set by the responsible Minister in accordance with section 17 of the Act. In reviewing such remuneration, the responsible Ministry sets these fees generally as Board fees and allowances without distinguishing between Board work and committee work since both will be dealing with Board work albeit at different levels, with the Board having the final decision. Seeking further clarification will do no harm but this is the practice and form that the Ministry has set as evidenced by the board fees review minutes dated the 21st January 2010 and 28th August, 2015. The Minister could not have by that letter intended that Board members do not receive allowances for Board Committee sittings.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Loan disbursements

Finding

There was no evidence to show that the Bank was making regular follow up and monitoring clients to ensure that funds disbursed were being used for the intended purpose. The evidence on file pointed to the fact that follow ups were done usually when clients had defaulted or as part of recovery visits in the case of defaulters.

Risk / Implication

Non-compliance with the Bank's laid down procedures.

Recommendation

The Bank should adhere to the laid down policies and procedures and management should ensure that follow up visits are carried out after disbursements of loans to ensure funds are not diverted for other purposes.

Management response

Noted. Post-disbursement visits will be increased going forward.

2.2 Overdraft facilities

Finding

A Financial Services entity was offered an overdraft of $500 000 yet they still had an outstanding balance of $3,888 million (from a $5 million loan facility) with the Bank. Security on hand to cover the loan was in the form of treasury bills worth $3 million. The Bank's exposure on both facilities at the time of concluding this audit was $1,38million.

The $5 million loan was initially secured by treasury bills worth $5 million with tenure of 33 months. However, before the final repayment of this loan, the Financial Services entity requested back some of the treasury bills worth $2 million on the basis that they wanted to use the excess cover to secure additional funding from other financial institutions. The credit policy of the Bank is silent on the release of securities before repayment of the total amount.

Risk / Implication

Financial loss emanating from the unsecured portion of the loan facilities.

Recommendation

Management should ensure that all loans have adequate security cover and that due care is taken when partially releasing security for paid up portions of loans.

Management response

In most cases security is pledged in the form of mortgage/surety bonds and these cannot be reduced in line with the client's repayments. However, cash or treasury bills can be reduced as client reduces their balance because they are liquid in nature.

The $500,000 overdraft which was availed in December 2015 was specifically to finance the Financial Services entity agency business on behalf of POSB hence the loan was approved in the absence of security.

2.3 Electricity sub-vendor accounts

Finding

The Ethix Core System failed to debit the accounts for ZESA electricity prepaid token sales for Sub-vendors after issuing the prepaid tokens to customers. As a result some ZESA prepaid electricity sub-vendor accounts ended up overdrawn. It was further noted some of these vendors stopped trading and were subsequently handed over to the recoveries department of the bank. No action has been taken to date by the department, the reason cited being that the files which were handed over had no adequate contact information for the sub-vendors. The table below shows the overdrawn amounts on a monthly basis for ZESA sub-vendors.

Month / Year	Overdrawn Amount (USD)
May 2015	(73 874.00)
June 2015	(72 505.98)
August 2015	(66 532.12)
September 2015	(66 808.74)
October 2015	(66 530.25)
November 2015	(68 662.69)
December 2015	(69 192.31)

Risk / Implication

Financial loss arising from failure to recover amounts on time.

Recommendation

The bank should expedite the recovery processes to ensure the overdrawn balances are cleared.

Management Response

Noted. Recovery action is in progress. This had initially been stalled by lack of adequate information (i.e. contact details and reconciliations to prove the claims) which branches are currently availing to Risk for the process to be expedited.

2.4 Related Party Loans

Finding

The bank had a related party loan which was not being adequately serviced. The loan relates to an overdraft facility that a former board member was offered and failed to service.

At the time of concluding this audit, the amount owing was $100,735. During his tenure as board member, this overdraft facility has been rolled over or extended at least four times.

Risk/Implication

Financial loss arising from related party transactions.

Recommendation

Related party transactions should be monitored and minimized.

The bank is further encouraged to pursue the recovery of the outstanding amount.

Management response

A reminder letter concerning interest payment was sent to the client on the 3rd of February 2016 soon after the month end interest non-payment and a post disbursement visit was conducted on the 21st of February 2016. The client planted 27 hectares of tobacco and 35 hectares of maize. The client has already started working on alternative sources of repayment to reduce the loan significantly in the event that tobacco sale proceeds fail to pay off the facility by the expiry date. However, the fact that the facility is still within the $100,000 range indicates that some payments have been coming through.

2.5 Valuation reports on loan security

Finding

The bank issued loans to some corporate clients without current valuation reports for the security provided. The bank issued or extended out loan facilities to these clients using valuation reports provided on prior loans. According to the credit policy of the bank, all new loans and roll overs should be supported by current valuation reports.

Listed below are some of the examples noted;

Account Number	Loan date	Valuation Date (prior loan)	Amount $
900000000109	20/3/2015	11/02/2013	70,000
900000000121	13/5/2015	08/12/2006	3,000
150120000089	10/12/2015	03/12/2013	100,000
150120000074	16/12/2015	28/09/2011	115,000

Risk / Implication

The securities pledged may not be adequate to cover the value of the subsequent loans issued.

Recommendation

Management should ensure that all corporate loans are secured and current valuation reports should be provided.

Management response

Once a client submits a valuation report from a registered valuer, it becomes the bank's guideline on the property value. If there are no material changes to the

property, there would not be need for an additional report. Property prices have been stable since introduction of the multicurrency era.

3. PROCUREMENT OF GOODS AND SERVICES

3.1 Declaration of interest register

Finding

The bank was not maintaining a declaration of interest register for procurement committee members involved in tender adjudication process. Review of minutes of this committee availed, revealed no evidence of declaration of interests.

Risk /Implication

Financial loss due to conflict of interest.

Recommendation

The procurement committee members should declare their interests each time they meet to adjudicate tenders. These declarations should be in the declaration of interest register.

Management response

Noted, henceforth the declaration register will be part of the Procurement Committee proceedings.

3.2 Renewal or extension of contracts

Finding

The bank had contracts for catering services and cleaning services. I however, noted that contracts with some of these suppliers had expired. There was no evidence to support the extension or continuation of these contracts.

One contract was signed on October 26, 2011 and was supposed to run for at least a year. The other two contracts for cleaning services were signed on June 23, 2014 and July 23, 2014 respectively. Good practice requires that whenever the contract expires, the client should tender again for the provision of the services or formally extend or renew the contract.

Risk / Implication

The bank may have no legal recourse in the absence of written agreements to cover contract extensions in the event disputes arise.

Recommendation

The contracts should be reviewed after expiry of the specified contract agreed period.

Management response

Observation is noted. Management is in the process of reviewing the contract and it will be concluded in 2016.

4. PROGRESS TOWARDS IMPLEMENTATION OF PRIOR YEAR MATTERS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Bank made some progress and there was room for improvement in respect of the following recommendations;

4.1 Senior management appraisals

Recommendation

A transition arrangement should have been done so as to prevent this gap.

Progress made

All senior executives had their DIPAs done for 2015 which sets the tone for performance appraisals currently being undertaken in January. Cascading will continue in 2016.

4.2 Overdraft facility

Recommendation

The account should be actively managed to ensure that it performs according to overdraft agreement.

Progress made

The bank is still managing the account per credit policy but it should be noted that the client is no longer a director of the Bank.

4.3 Agency business

Recommendation

The bank should review the arrangement and study the cause in view to come up with lasting solutions to the problem.

Progress made

Engagement with Zimpost is still ongoing. Agreed on $250 000 monthly payment commencing February 2016 and settlement of inter parastatal debt through treasury bills was being pursued.

4.4 Long outstanding ownership to property

Recommendation

Title deeds should be obtained for all properties acquired by the bank to prevent the above risk.

Progress made

Continued follow ups are being made with IDBZ regarding the mentioned properties.

SMALL AND MEDIUM ENTERPRISES DEVELOPMENT CORPORATION (SMEDCO) 2014

Background information

The Small and Medium Enterprises Development Corporation is incorporated in Zimbabwe in terms of the Small and Medium Enterprises Development Corporation Act [*Chapter 24:12*] as amended. The nature of business of the Corporation is that of providing loan finance to upcoming and existing small to medium scale enterprises and that of property letting and investment activities. Its subsidiary Litefold Engineering (Private) Limited is incorporated in Zimbabwe in terms of the Companies Act [*Chapter 23.04*]. The nature of business of the Company is that of providing metal engineering and carpentry services.

I have audited the consolidated financial statements for Small and Medium Enterprises Development Corporation (SMEDCO) for the year ended December 31, 2014 and I issued a modified opinion with an emphasis of matter paragraph.

Basis for Qualified Opinion on the consolidated financial statements

Incomplete records: Litefold Engineering (Private) Limited

The opening balances were subject to a disclaimer of opinion in the prior year financial statements. No further work was performed by management to ensure that all receipts and payments relating to the prior period were properly recorded and accounted for. Management did not maintain books of accounts during the year under review such as the cash book and other relevant ledgers. As a result, I was unable to verify the completeness and accuracy of the balances disclosed in the financial statements.

Qualified Opinion on the consolidated financial statements

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the financial statements present fairly, in all material respects, the financial position of Small and Medium Enterprises Development Corporation and its subsidiary as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Opinion on the Corporation’s financial statements

In my opinion, the Corporation’s financial statements present fairly, in all material respects, the financial position of Small and Medium Enterprises Development Corporation as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying my opinion, I draw your attention to the fact that the Group incurred a loss of $2,579 894 resulting in accumulated losses of $5,667 145 and its current liabilities exceed its liquid assets by $1,140 259. These circumstances indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue offering services without financial assistance.

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

1. GOVERNANCE ISSUES

1.1 Litefold Engineering opening balances

Finding

The opening balances were subject to a disclaimer of opinion in the prior year financial statements. No further work was performed by management to ensure that all receipts and payments relating to the prior period were properly recorded and accounted for. Management did not maintain books of accounts during the year under review such as the cash book and other relevant ledgers. As a result, I was unable to verify the completeness and accuracy of the balances disclosed in the financial statements.

Risk/Implication

Financial statements may be materially misstated.

Recommendation

The company should maintain proper books of accounts to ensure transparency and accountability.

Management response

Noted. Efforts are underway to ensure that all receipts and payments relating to the prior period are appropriately recorded and accounted for.

Going forward proper books of accounts will be maintained. Excel worksheets have been created and the SMEDCO system vendor has been engaged to incorporate Litefold into the SMEDCO accounting system.

1.2 Performance

Finding

The Group incurred a loss of $2,562,801 during the year ended December 31, 2014

(2013:$1,582,558) resulting in a cumulative loss of $5,650,052 and its current liabilities exceeded its liquid assets by $1,117,239.

Risk/Implication

The Group may fail to achieve / deliver its mandate.

Recommendation

The Group should come up with a turnaround strategy to ensure that it continues providing a sustainable service.

Management response

Noted. The Board and Management are working with the parent ministry to recapitalise and transform SMEDCO into a microfinance bank. The bank will play a pivotal role in national development and financial inclusion.

The Corporation has arranged Lines of Credits with both local and international fund providers. The BADEA line of credit of US$3million which is at disbursement stage is delayed due to overall government capacity to settle external debts. The NSSA facility is delayed due to government guarantee requested by NSSA to secure the facility.

1.3 Land development

Finding

The Corporation acquired a piece of land stand number 1328 in Bindura in 2002 on a lease basis for the purpose of setting up a multi-purpose factory shell complex. I however, noted that the stand was idle and had not been developed at the time of audit on February 4, 2016. This was in violation of Council bye-laws which require a stand to be developed within five (5) years.

Risk /Implication

Financial loss arising from the repossession of the undeveloped stand.

Recommendation

The Corporation should develop this stand to further its mandate and also prevent repossession.

Management response

Noted and agreed, however, the project has been constrained by lack of infrastructural developmental funds.

2. REVENUE COLLECTION , MANAGEMENT AND DEBT RECOVERY

2.1. Post disbursement monitoring

Finding

Section 4.7 (iv) of the Corporation's Credit Risk Management Policies and Procedures manual states that all financed projects must be visited by the Business Analyst at least once every quarter and that the Business Analyst must produce a monitoring report. However, I noted that there is no evidence that the Business Analyst visited financed projects in Mutare and Masvingo branches and I also did not obtain evidence that monitoring reports were prepared during the year ended December 31, 2014.

Risk/Implication

Non-compliance with Section 4.7 (iv) of the Corporation's Credit Risk Management Policies and Procedures manual.

In the absence of monitoring reports, it may be difficult to assess the performance of the financed projects.

Recommendation

All financed projects must be visited by the Business Analyst at least once every quarter

The Business Analyst should produce a monitoring report of projects visited.

Management response

Noted. The branches did not manage to undertake post disbursement project site visits for projects that were funded in 2014 due to lack of resources. Monitoring is being done mainly through desk monitoring initiatives Eight (8) out of twelve (12) of the projects funded by the Mutare branch in 2014 paid off without defaulting and the others are being followed up regularly and are making small payments monthly. Monitoring of projects will be adhered to as soon as resources are made available.

3. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Corporation made some progress and there was room for improvement in respect of the following recommendations;

4.1 Maintenance of proper books of accounts

Recommendation

Proper books of accounts should be prepared by Litefold Engineering.

Progress made

Microsoft Excel based ledgers are now in place. SMEDCO management is in the process of integrating Litefold in their accounting system

4.2 Key vacant posts

Recommendation

The Corporation should consider filling the key vacant positions.

Progress made

The General Manager Finance was recruited and the other two posts were frozen until the Corporation's financial situation improves.

PUBLIC ENTITIES UNDER THE CATEGORY OF STATE HOSPITALS

HARARE CENTRAL HOSPITAL 2013 AND 2014

Background information

Harare Central Hospital is a body corporate established in terms of section 18(1) read together with the first schedule of the Health Service Act, [Chapter 15:16] of 2004. It was established in 1958. It is a principal referral centre which provides health care services to the residents of City of Harare and its surrounding areas. The Hospital consists of the Maternity, Paediatric, General and Radiology departments.

I have audited the financial statements of Harare Central Hospital, for the years ended December 31, 2013 and 2014 and I issued a disclaimer of opinion.

Basis for Disclaimer of Opinion on the financial statements for the year ended December 31, 2013

First time adoption of International Financial Reporting Standards (IFRS 1)

The Hospital prepared financial reports in line with guidelines from the Ministry of Health and Child Care for all periods up to and including the year ended December 31, 2012. These financial statements for the year ended December 31, 2013 are the first the Hospital has prepared in accordance with International Financial Reporting Standards (IFRS). Management has made transition adjustments to the financial statements in line with the requirements of IFRS 1 'First time adoption of International Financial Reporting Standards'. Owing to the nature of the accounting records maintained by the Hospital for the purposes of reporting to the Ministry of Health and Child Care, I was unable to obtain sufficient appropriate audit evidence relating to these transition adjustments through alternative procedures.

Valuation of Inventory

The Hospital did not conduct a count of physical inventory on hand at the end of the year. Owing to the nature of the Hospital's records, I was not able to obtain sufficient appropriate audit evidence by alternative procedures. Accordingly, I was not able to satisfy myself regarding the quantities and valuation of inventories held at December 31, 2013 which are stated in the statement of financial position at $ 2 274 340.

Valuation of Property, plant and equipment

The Hospital did not engage an independent professional valuer to perform a full professional valuation of its assets as at December 31, 2013. The determination of fair values for property, plant and equipment stated in the statement of financial position at $ 73 521 839 was based on management valuation and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of fair values.

Completeness, occurrence and cut off of accounts receivable

Owing to inadequacy of the application of proper cut off/period-end procedures over recording of receivables and receipt of payments in respect of accounts receivables, some receipts in respect of receivables were being recorded as revenue in the current period. Accordingly, I was unable to satisfy myself that all receivables transactions and account balances that should have been recorded and included in the Financial Statements were recorded in the proper accounting period. In addition, some of the receivables records were not imported into Pastel at the time of adoption of the Pastel accounting system.

As a result of transactions not being posted in the correct period, I was unable to satisfy myself using alternative procedures on the completeness and valuation of accounts receivables stated in the statement of financial position at $16 608 822.

Completeness of accounts payables

The Hospital did not maintain accounting records for accounts payables stated in the statement of financial position at $1 822 870 as transactions were being recorded on a cash and not accrual basis. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of accounts payables.

Disclaimer of Opinion 2013

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Basis for Disclaimer of Opinion on the financial statements for the year ended December 31, 2014

Valuation of Inventory

The Hospital did not conduct a count of physical inventory on hand at the end of the year. Owing to the nature of the Hospital's records, I was unable to obtain sufficient appropriate audit evidence by alternative procedures. Accordingly, I was unable to satisfy myself regarding the quantities and valuation of inventories held at December 31, 2014 which are stated in the statement of financial position at USD 2 072 302.

Valuation of Property, plant and equipment

The Hospital did not engage an independent professional valuer to perform a full professional valuation of its assets as at December 31, 2014. The determination of fair values for property, plant and equipment stated in the statement of financial position at USD 73 315 556 was based on management valuation and may therefore be distorted. This may result in significant variations in fair values, depending on factors and assumptions used in the determination of fair values.

Completeness, occurrence and cut off of accounts receivable

Owing to inadequacy of the application of proper cut off/period-end procedures over recording of receivables and receipt of payments in respect of accounts receivables, some receipts in respect of receivables were being recorded as revenue in the current period. Accordingly, I was unable to satisfy myself that all receivables transactions and account balances that should have been recorded and included in the Financial Statements were recorded in the proper accounting period. In addition, some of the receivables records were not imported into Pastel at the time of adoption of the Pastel accounting system.

As a result of transactions not being posted in the correct period, I was unable to satisfy myself using alternative procedures on the completeness and valuation of accounts receivables stated in the statement of financial position at $ 13 293 985.

Completeness of accounts payables

The Hospital did not maintain accounting records for accounts payables stated in the statement of financial position at $ 4 429 832 as transactions were being recorded on a cash and not accrual basis. Consequently, I was unable to obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of accounts payables.

Disclaimer of Opinion 2014

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

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

1. GOVERNANCE ISSUES

1.1 Inventory records

Finding

The Hospital did not conduct a count of physical inventory on hand at the end of the year. Inquiries with management revealed that there was no stock take conducted for the year ended December 31, 2014 due to the unavailability of resources. The last stock take was conducted on December 31, 2013. Owing to the nature of the Hospital's records, I was unable to obtain sufficient appropriate audit evidence by alternative procedures. Accordingly, I was unable to satisfy myself regarding the quantities and valuation of inventories held at December 31, 2013 which are stated in the statement of financial position at $ 2 274 340 and December 31, 2014 which are stated in the statement of financial position at $2 072 302.

In addition, the Hospital maintained its inventory records in a manual format. A comparison of the actual physical stock at hand to the inventory records was not done regularly. Inquiries revealed that a stock take was done once a year, at the end of the year.

Risk/Implication

In the absence of an inventory ageing report it may be difficult to calculate the provision for slow moving inventory and to review inventory levels.

Expired drugs may be dispensed to patients.

Recommendation

Management should consider implementing a computerised system for recording medicines and general inventory management system.
As a minimum the system should include:
Financial reporting of each inventory item including quantity on hand, cost price and selling price;
Identification of slow moving or excessive inventory levels;
Physical quantities of each inventory item, location and condition;
On-line enquiry of balances and other data; and
Ability to generate reports for a perpetual inventory system.

Regular inventory checks should be undertaken by management. Any discrepancies need to be fully investigated between recorded stock and physical stock to identify pilferage, damaged or incorrectly recorded items. Book values should be corrected. Variances between the recorded quantities and physical quantities should be investigated and records should be adjusted appropriately.

Management response

Noted. Stock takes are now mandatory and the process will also ensure that reconciliations are done and any variances investigated, reported and corrected. Stock takes will also be done quarterly in order to ensure variances are urgently attended to and also minimise on pilferages. General stores inventory management has now been computerised and so will be the pharmacy stores for drugs and medicines. Monthly stock takes will soon be done as part of the continuous improvement agenda.

A Pastel computerised system has already been installed and is currently running for stores inventory in compliance with international accounting best practices. With the current move towards computerisation of all hospital systems, Pharmacy inventory management will also be included. Progress has been made to include pharmacy

warehousing on pastel software although it is not the ideal platform for other pharmacy functions such as dispensing of drugs and medicines. Funds permitting, an enterprise wide business management information system would be most ideal. This will ensure a consolidated accounting and reporting system.

1.2 Valuation of property, plant and equipment.

Finding

Prior to adopting the IFRS reporting framework, the Hospital did not keep a record of property, plant and equipment in its financial statements. Upon adoption of the IFRS reporting framework, the Hospital's management estimated the value of property, plant and equipment stated in the statement of financial position at $73 521 839 and $73 315 556 as at December 31, 2013 and 2014 respectively. The Hospital did not engage an independent professional to perform a full professional valuation of its assets. The estimated values of the assets may be distorted.

Risk/Implication

Misstatement of the financial statements.

Recommendation

Management should consider engaging an independent professional valuer to conduct a valuation of the Hospital's property, plant and equipment.

Management response

Management however agrees that an independent and professional valuation for the said assets is required. A budget will be set aside for the valuation expenditure and the necessary adjustments will be done in the books of accounts after the valuation.

The values for plant and equipment were the actual costs of procuring the assets. Land was valued based on a formula which is used by City of Harare as recommended by Public Works Department. Buildings were valued taking into account the year of construction and general market cost trends. Management adopted this measure for the valuation of assets as this was the cost under the circumstances. There was no budget provision for a professional valuation at that particular time.

1.3 Receivables medical aid claims

Finding

The Hospital accepted patients who use their medical aid to pay for their bills. The Hospital had a billing department which was responsible for compiling and submitting medical aid claim forms to the respective medical aids. My review of the payment records for the medical aids revealed that the medical aids were rejecting claims submitted for various reasons which included: Incorrect patient details; incorrect tariff rates; and incomplete details.

Inquiries with management revealed that there was no system in place to monitor and investigate these rejections.

Risk/Implication

Financial loss incurred by the Hospital since the medical aid will not settle the patients' bills.

Service delivery is compromised due to lack of adequate resources.

Recommendation

Management should implement a system of monitoring rejected medical aid claims and reasons for rejection.

An example would be to maintain a medical aid claims rejection register which clearly documents the patient details, the reasons for rejections by the medical aid(s), evidence of validating the reason for rejection, action to be taken in future to avoid the rejection and any other relevant details.

Management response

Interpretation and categorisation of medical aid tariffs remains problematic between funders and service providers. Rejections by medical aid societies are returned to service providers as shortfalls against individual concerned patients. On receipt of the shortfall schedules, individual patients whose claims have been rejected are created as individual debtors. These debtors are subsequently followed up for recovery of the debts. A medical aid claim rejection register will be put in place. There will be frequent medical aid societies accounts reconciliations to ensure that all shortfalls are transferred to the individuals' accounts for recovery.

1.4 Accounts payables records

Finding

Prior to adopting the IFRS reporting framework, the Hospital used a cash basis of accounting for its transactions. I noted that the system in place was not designed for an accruals basis of accounting, and as such, transactions relating to suppliers/payables may have been omitted in the accounting records.

Risk/Implication

Misstatement of the financial statements.

Recommendation

Management should consider maintaining all payables records in the pastel accounting system to ensure consistency and improved accuracy of payables records.

All invoices should be updated into the system once services and goods have been provided and reconciliations between supplier statements and the supplier records in the pastel system should be performed timely.

Management response

The cash accounting system did not require the hospital to account for payables on an accrual basis. Reconciliations were however done to ensure that there were no duplicate payments and that all creditors were fully accounted for.

The hospital has since started accounting for accounts payable on an accrual basis as required by the International Financial Reporting Standards. Accounts payable are now being accounted for in the Pastel accounting system and the necessary reconciliations done accordingly.

1.5 Policies and procedures manual.

Finding

The accounting and procedures manual which the Hospital uses, has not been updated since 2001. Between 2001 and 2013, there have been changes in the Hospital's operations for example, the implementation and use of the Pastel accounting system in 2012. The Hospital has not incorporated such changes into its policies and procedures manual.

Risk/Implication

Inconsistent recording of transactions.

Recommendation

Policies and procedures manuals should be updated regularly to ensure that organisational and operational changes are incorporated.

Management response

Noted. The Hospital policies and procedures manual is currently under review to capture new protocols. Staff members are also guided by circulars that are

periodically produced by the relevant authorities. The reviews will also take into account the revised statutes and policy documents such as the Public Finance Management Act and Treasury Instructions respectively among others.

1.6 Manual billing system.

Finding

A review of the patient billing system revealed that quantities for consumables and medicals drugs consumed by the patient were recorded on the patient charge sheet which was kept together with the medical records in the patient's file. The total amount payable per patient was computed by the billing department after the patient had been discharged. Due to unavailability of drugs and some medical sundries to be consumed by the patient, the patients would buy these items at their own expense. However, this may not have been noted on the charge sheets by the medical staff resulting in the patient being billed for items they bought themselves.

Risk/Implication

Fraud and errors may go undetected.

Recommendation

Management should consider implementing a computerised health service system, which provides the costs consumed by patients at a point in time.

This would also improve the billing function and reduce errors encountered with the manual charge sheets.

Management response

Noted. A hospital wide business management system, funds permitting, would be the best solution for tracking activities of all hospital departments in general and for tracking and accounting costs related to patient clinical services consumption in particular. The current system is that costing is done independently of the cash receiving function. Where the patient buys own medications such items are excluded from the patient costing sheet and as such are not billed to the patient's account.

We continue to educate staff on issues of cost accumulation and billing.

1.7 Declaration of interest

Finding

The Hospital entered into several contracts with various suppliers. Harare Hospital did not maintain a register of directors' interests in contracts. The Corporate Governance

Framework for State Enterprises and Parastatals requires directors to disclose in writing to the Board and the responsible Minister of interests in contracts.

Risk/Implication

Transactions may not be carried out that are at arm's length resulting in potential prejudice to the Hospital.

Potential related parties and transactions may not be disclosed in terms of IAS 24 "Related Parties."

Poor governance practices may compromise the control environment and by extension the economy, efficiency and effectiveness with which scarce resources are deployed.

Recommendation

Management should ensure that a register of director's interests is maintained and kept up-to-date. Management should ensure that a register of interests in contracts is circulated during meetings or general notice should be given to directors prior to the meetings where the decision to engage contractors are made.

Where directors have potential conflicts of interest they should recuse themselves from participating in the discussions, evaluation and execution/ implementation related to the transaction in which the directors interest conflict those of the Hospital.

Management response

Noted and Agreed. Management will put in place the register directors' interests for them to declare their interests.

1.8 Procurement policy

Finding

The Hospital's procurement department was operating without a standard policies and procedures manual. Procurement is a key function to the Hospital's service delivery mandate which procures drugs and other goods and services critical to the Hospital's operations.

Risk/Implication

Non consistent execution of duties may result in errors.

Recommendation

The Hospital should ensure that an internal procurement policies and procedures manual is put in place so as to give guidance to the procurement department. The manual should be in-line with the Procurement Act (*Chapter 22:14*).

Management response

Noted. A draft Harare Central Hospital procurement policy has been documented and is provisionally being used. The document will be implemented from the 1st of January 2016 after full consultations with all the relevant stakeholders.

1.9 Arrangement of surgical stores

Finding

I observed that different types of inventory were not physically segregated at the surgical stores. Some of the stock items were haphazardly arranged such that it was not clear whether the stock items were inventory items to be scrapped, goods issued and returned to the stores or inventory held on behalf of customers.

Risk/Implication

Poor arrangement of stock items may increase the risk of errors and present an opportunity for theft/ fraud.

Recommendation

Management should encourage stores personnel to ensure that store rooms are arranged in an orderly manner.

Management response

Noted. The Pharmacy function has continually been operating with a very small staff compliment compared to the existing establishment. The staff shortage has greatly contributed to the existing staff being overwhelmed and thus not being able to cope with the high volumes of items requiring neat and orderly storage. Management has however put in place measures that will enable the few staff members available to be able to segregate the inventory according to their classes for easier identification and recording purposes.

1.10 Asset register

Finding

The asset register kept by the Hospital was not up-to-date. On scrutinising the assets listing, I noted that the following crucial information was missing such as dates of purchase, depreciation amounts, asset condition, serial numbers, some assets were not coded and transfers to other departments were not highlighted. During the asset verification exercise, some of the key assets were not located in their designated locations as reported in the asset register. Inquiries revealed that some pieces of medical equipment used in theatres were transferred from one theatre to another due to medical staff requests and some of the assets were not returned to their designated locations.

Risk/Implication

Misappropriation of assets may go undetected if the register is not kept up-to-date.

Recommendation

Management should consider making use of the assets module in the pastel accounting system to maintain its assets records.

A regular physical verification of assets should be conducted to ensure the completeness and accuracy of the asset register. Every location should maintain a register of assets that it houses and in the event of asset transfers to other location, a note should be made on the register.

Management response

The Hospital, through the Stores department, maintains an asset register that is supposed to be updated for all additions to the asset inventories. Stores updates individual assets schedules that are kept at each and every station. An asset transfer form should be completed and properly authorised before the transfer to a different location.

These processes will be continuously monitored to ensure that they are religiously undertaken. Assets will also be coded for easier identification and control of movements within stations.

1.11 Payments to Suppliers

Finding

A review of the operating expenses incurred by the hospital revealed that the expenses could either be settled using the Health Service Fund or government grants. Management representations revealed that there was no system to distinguish which suppliers had been paid using the Health Service Fund or government grants.

Risk/Implication

This may result in double payment of expenses and duplication of expenses as the government may pay expenses which have already been paid by the hospital using the Health Service Fund.

Recommendation

The Hospital should maintain separate records and ledger accounts to account for the Health Services Fund and Government grants payments

Management response

Payments made from the Government funds are effected through the SAP system. All payments from the HSF are done locally with funds drawn from the CBZ Southerton Branch account. Vouchers relating to each source of payments are filed immediately after the payments and are filed separately to distinguish the two sources of funding.

The Finance department will endeavour to make sure that all documents are properly classified and filed to avoid double payment. To minimise on duplication a supplier's invoice shall be paid from one single source of funds and not split between the two sources. A ''PAID'' stamp was procured for the annotation of all supplier documents processed and paid for as an additional measure of avoiding duplicate payments. Payments will always be made from the original documents to avoid transactions being mixed up and paid twice.

1.12 Information back-ups

Finding

A review of the information technology procedures revealed that the hospital performed daily computer back up for the Belina payroll. The backup was done and maintained by the Human Resources Assistants and kept on the same personal computer which processes the payroll. Management representations revealed that the hospital lost 2013 and 2014 payroll information after the personal computer crushed.

Risk/Implication

Possibility of loss of vital original and back up data in the event of a disaster.

Recommendation

Management should put in place a disaster recovery plan and consider an off-site backup.

Management response

Noted. Two external hard drives for the backup of the information will be procured once funds are secured for that purpose. One set of the hard drives will be kept by the heads of departments and the other set will be kept off-site.

1.13 Patient records system.

Finding

The Hospital manually recorded the number of patients who had been treated in a register. This register was then used to update a database that was maintained in Microsoft Disk Operating system (MS DOS) format. The system was command based, that is, users had to type in commands for it to process reports.

Risk/Implication

The MS DOS is antiquated, if the system crashes, valuable data will be lost.

Recommendation

Management should consider the acquisition and implementation of a modern patient records management system.

Management response

Noted. The department is currently using an old system of managing patient records and information. This is due to shortage of financial resources to upgrade the system to more modern ones such as the Document Imaging System (DIS) which has the advantage of online, real time information processing and saves on space as it is virtually 'paperless' and facilitates quick retrieval and access to patient information/notes. Funds will be sourced for the procurement of the modern computer system.

1.14 User access rights

Finding

From my review of Pastel Accounting system user access tables, I noted that some employees had rights that enabled them to change dates on invoices and goods received vouchers as well as deleting the invoices. Users in the cash office could manipulate inventory counts in the system. The table below shows a list of selected users and their departments who were capable of editing dates invoice;

Department	Permissions	Access rights	Allowed
Costing users	Invoice permissions	Allow date editing	Yes
Semi-official supervisor	Goods received permissions	Allow date editing	Yes
Medical aid users	Invoice permissions	Allow date editing	Yes
Stores receiving	Invoice permissions	Allow date editing	Yes
Medical aid users	Invoice permissions	Allow date editing	Yes
Costing supervisors	Invoice permissions	Allow date editing	Yes
Medical aid users	Invoice permissions	Allow date editing	Yes
Semi-official supervisor	Invoice permissions	Allow date editing	Yes

Risk/Implication

Fraud and error may go undetected.

Recommendation

Users' access rights should be periodically reviewed.

Management response

It is hospital policy that passwords levels for individuals working with the Pastel system be consistent with the nature of one's job so as to segregate duties as part of authorisation controls. The Pastel system needs technical configurations to comply with this requirement.

This has since been attended to and staff are now limited to their authorised accessibility levels. The hospital's IT support expert has been trained to handle the technical issues relating to this and other pastel functions. The member is currently undergoing additional technical training.

2. PROCUREMENT OF GOODS AND SERVICES

2.1 Prepayments to suppliers

Finding

A review of the payments undertaken using the Health service funds revealed that the hospital had paid some suppliers for services yet to be rendered or goods still to be received.

Management representations revealed that there was no system to monitor and track suppliers to determine whether they had rendered the services or delivered the goods.

Risk/Implication

Misstatement of financial statements.

Financial loss arising from services not rendered and collusion with suppliers.

Recommendation

The Hospital should put in place an effective monitoring system for prepayments.

Management response

Noted. Prepayments will consistently be accounted for in compliance with the conceptual accounting framework. This will enable the tracking and reconciliation of outstanding receipts for goods and services paid for in advance. As an aid to the accounting entries, a separate file has been created for the filling of all payment vouchers relating to prepayments, the goods/services of which have not yet been delivered. As an extra control measure, prepayments have now been limited to extreme emergencies. The intention is to limit occurrences of loss through non-delivery of services/goods that have already been paid for.

INGUTSHENI CENTRAL HOSPITAL 2014 AND 2015

Background information

Ingutsheni Central Hospital is a body corporate defined in section 18 read together with the first schedule of the Health Service Act [*Chapter15:16*]. Its solely a psychiatry health institution established under the provisions of the Mental Health Act [*Chapter15:12*] of 1996. Its operations are sanctioned by the Mental Health Regulations of 1999 and the Zimbabwe Mental Health Policy of 2004.

I have audited the financial statements for Ingutsheni Central Hospital for the years ended December 31, 2014 and 2015. I issued a modified / qualified audit opinion on the financial statements for the year ended December 31, 2014 and an unmodified opinion with an emphasis of matter paragraph for the year ended December 31, 2015.

Basis for Qualified Opinion on the financial statements for the year ended December 31, 2014

I performed an inventory count on July 2, 2015 so as to perform a rollback to ascertain the existence of inventory as at December 31, 2014. However, the results from the rollback procedures were unsuccessful because of inadequate controls over store's inventory.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of Ingutsheni Central Hospital as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

I draw your attention to the Going Concern issue in the financial statement which describes circumstances that cast significant doubt on the ability of the Hospital to continue operating as a going concern. The Hospital incurred a net operating deficit of US$927,185 inclusive of depreciation and impairment during the year ended December 31, 2014 and at that date, its current liabilities exceeded its current assets by US$587,757. Ingutsheni Central Hospital incurred a net loss of US$1,357,403 in the prior year resulting in a cumulative deficit of US$1,977,505 as at December 31, 2014.These and other circumstances as described in Note 15 of the financial statements present circumstances that may cast significant doubt over the ability of the Hospital to continue operating as a going concern.

I have audited the financial statements for Ingutsheni Central Hospital for the year ended December 31, 2015 and I issued an unmodified / clean opinion with an emphasis of matter paragraph.

Opinion on the financial statements for the year ended December 31, 2015

In my opinion, the financial statements present fairly, in all material respects, the statement of financial position of Ingutsheni Central Hospital as at December 31, 2015 and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

The Hospital's statement of financial position for 2015 revealed a situation where the current liabilities exceed the current assets by USD604 079. The hospital has accumulated losses of USD2 439 400 as at December 31, 2015, this cumulatively indicates the existence of material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.

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

1. GOVERNANCE ISSUES

1.1. Inventory stock cards

Finding

There was poor storage of inventory stock cards as some stock cards for the main stores and the pharmacy could not be availed for audit. Each inventory line item should have a stock card that keeps record of all inventory received and issued within a certain time period. The following is a list of inventory whose stock cards were missing;

Blankets 2 in 1
Brandering 6M
Cable armoured 120 square mm
Cable armoured 16 square mm
Galvanised sheets 1.2 x 2.24 x 0.6mm
Wall tiles 200mm
Stock cards

Risk/Implication

Incomplete record keeping which may result in misappropriation of inventory items.

Misstatement of inventory figures in the financial statements.

Recommendation

Management should ensure that inventory records are properly stored.

Management response

Blankets 2in 1 – These were donations that were issued directly to wards. There was no stock card that was opened since this item is not a standard Hospital item and is likely only to be received once.

Brandering 6m to stock cards – The person who was in charge passed on and no other person had information on the whereabouts of the stock cards. Management had noted this anomaly prior to the audit inspection and had started putting stock cards on all items that had no stock cards.

1.2. Inventory figures on stock cards and in financial statements

Finding

The manual balances on stock cards did not match the inventory figures in the financial statements. Inventory figures should be derived from inventory counts that are recorded in the stock cards which are then transferred to the financial statements. The following table contains details;

Number	Inventory description	Balance as per ledger	Balance as per stock cards	Variance
1	Fluphenazinedeconoate 25mg injection 1ml ampoule	1,590	-	**(1,590)**
2	Chloropromazine 100mg B/1000	797	1,153	**356**
3	Carbamezipine 200mg B/100	372	728	**356**
4	Latex examination gloves B/100	42	365	**323**
5	Paracetamol 500mg tab B/1000	76	53	**(23)**
6	Nifedipine 20mg B/100	4	60	**56**
7	Maternity pads	49	7	**(42)**
8	Hydrochlorothiazide B/1000	-	41	**41**
9	2ml disposable syringe + needle Each	81,926	72,500	**(9,426)**
10	Carbamazepine 200mg Box/1000	416	-	**(416)**
11	Cotrimoxazole 400-80mg B/1000T	1,275	1,308	**33**

Number	Inventory description	Balance as per ledger	Balance as per stock cards	Variance
12	Toilet white dip 5L	330	-	**(330)**
13	Pine cleaner/ fresh 5L	1,325	230	**(1,095)**
14	Mealie-meal	18,710	-	**(18,710)**
15	Sugar brown 2kg	1,680	1,340	**(340)**
16	Cooking oil 2L	94	-	**(94)**

Risk/Implication

Misstatement of inventory figures in the financial statements.

Recommendation

Management should ensure that the financial statement figures represent actual inventory that is on the ground.

Management response

Pharmacy
Balances as per stock card derived from inventory counts while balances as per ledger were derived from the system (Pastel).The two balances did not match and the reason could be the accumulation of transactional errors, resulting eventually in distorted figures from the system. There is need to minimise transactional errors, so as to make the best use of the system (Pastel).

Main Stores
The person who was in charge of the stores was not feeling well during the course of the year and would be on and off at work. This resulted in work piling up and non-supervision of junior staff to ensure entries were made on cards. When the piled up work would be under pressure and this could have resulted in the variances.

1.3. Audit committee

Finding

The Hospital did not comply with section 84 of the Public Finance Act [*Chapter 22:19*] which requires the establishment of an audit committee.

Risk/Implication

Oversight over financial control may be compromised.

Recommendation

Those charged with governance should ensure that the entity complies with all requirements of the act and establish an audit committee.

Management Response

The Ministry of Health and Child Care is approaching the issue of audit committees holistically. Training of trainers and members of staff of what is expected of them as audit committee members is underway. Ingutsheni Central Hospital now has an audit committee in place which is in the process of doing the risk profiling after which meetings of the audit committee will start. Please note roll-out of risk and audit management started in November 2015 Ministry wide.

2. PROCUREMENT OF GOODS AND SERVICES

2.1. Informal tenders

Finding

I noted that tenders within the informal tender threshold were not advertised in the Government Gazette or in a local newspaper. The Procurement Act states that tenders above a threshold of US$10,000 should be procured through an informal tender process. The tendering entity is required to request for tenders through an advertisement in the Government Gazette and a local newspaper. The table below contains tenders that were above the competitive tender threshold :

TENDER NUMBER	DESCRIPTION OF GOODS	AWARDED TO	AMOUNT (US$)
MED 21/14	Fluphenzazine	New Avakash	15,000
GEN 10/14	Pastel Evolution 12	Truefern	22,429
Total			**37,429**

Risk/Implication

The tendering process may not have been effective as a wide pool of bidders was not solicited.

Financial loss due to fines and penalties for non-compliance to State Procurement Act [Chapter 22:14].

Recommendation

Informal tendering procedures should be carried out strictly in accordance to the State Procurement regulations.

Management response

MD 21/14 -The order was cancelled and the items were not bought.

GEN 10/14 – Pastel Evolution –There was urgency to migrate to computer based inventory control and as a result there was an oversight on the tender limit. There was pressure to change from manual accounting to computerized accounting system. There was no money for the advert as well. Management had taken note of this oversight prior to the audit and will in future ensure that such things will not occur again.

PARIRENYATWA GROUP OF HOSPITALS 2014

Background information

Parirenyatwa Group of Hospitals as a central Hospital is a body corporate established in terms of section 18 (1) read together with the first schedule of the Health Service Act, [Chapter 15:16] of 2004. The Hospital consists of Mbuya Nehanda Maternity Hospital, Sekuru Kaguvi Eye Unit, and Annex Hospital for the Mentally Disabled and the Main Hospital.

I have audited the financial statements of Parirenyatwa Group of Hospitals for the year ended December 31, 2014 and I issued an unmodified /clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Parirenyatwa Group of Hospitals as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are material issues noted during the audit;

1. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

1.1. Hospital services revenue

Finding

Elderly people above the age of 65 are exempted from paying the services provided by the Hospital. However, I noted that there was no information on the age of patients in the Hospital's system. As such I was not able to determine whether patients who were granted the elderly persons exemption were above 65 years old.

Risk/Implication

Financial loss from granting exemptions to patients not eligible for the elderly persons exemption.

Recommendation

The Hospital should maintain information on the age of patients and retain copies of National IDs of all patients who would have been exempted.

Management response

The Hospital is going to buy a scanner to scan National IDs which will be attached to the patient's record. The Hospital is going to engage the software provider to establish whether this is feasible. If this is not feasible, the Hospital will photocopy the national I.D.s.

2. EMPLOYMENT COSTS

2.1. Leave days

Finding

I noted that more than one hundred (100) employees had leave days that had reached ninety (90) days as at 31 December 2014. The following is a list of some of the employees whose leave days had reached 90 days.

Number	Name	Number of days
1	EC number 3983815H	90
2	EC number 3032652K	90
3	EC number 1180349M	90
4	EC number 3980098S	90
5	EC number 3995396W	90
6	EC number 3003240Q	90
7	EC number 1266237T	90
8	EC number 1340317Q	90
9	EC number 3998468K	90
10	EC number 1376852C	90

Risk/Implication

Increase in leave pay liability.

Low productivity and employee morale due to fatigue.

Recommendation

Management should encourage employees to utilize their leave days.

Management response

Audit observations are noted. Some employees are failing to go on leave due to manpower shortages in their departments caused by the recruitment freeze. However, Heads of Department will continue to be reminded to encourage employees to utilize their vacation leave days annually.

3. PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the Hospital made some progress and there was some room for improvement in respect of the following recommendations:

3.1. Drug expiry and aged analysis reports

Recommendation

The inventory management system should be configured to generate the expiry reports and the aged analysis reports.

Progress made

The pharmacy has been using a manual procedure for checking of expiry dates every month end when physical counts are done. Short dated medicines are identified and action taken to redistribute to other institutions. Expired medicines are removed from the store room into a separate area, a record made in expired drugs registers and the system figures adjusted appropriately.

**The Pharmacy management information system provider has been engaged and has trained Pharmacy in the implementation of the system.
Testing of the function on the dummy (QA) system is in progress and we expect to go live by end of September 2015.**

3.2. Receivables

Recommendation

The Hospital should take action to recover the receivables.

Unrecoverable receivables should be written off.

Progress made

The Hospital management board approved the writing off of the bad debts but Treasury concurrence is still pending.

UNITED BULAWAYO HOSPITALS 2014 AND 2015

Background information

United Bulawayo Hospitals (UBH) is a principal referral centre, which provides high specialist health care for the people in Bulawayo and surrounding areas by promoting health, preventing ill-health, diagnosing and treating disease and injury, and caring for those with long-term illnesses and disabilities. UBH also provides training for nurses, internship for doctors, pharmacists and physiotherapists. The Hospital started operations in 1937.Its operations are sanctioned by the Public Health Act [*Chapter 15:09*]; Health Services Act [*Chapter 15:16*]; Medical Services Act [*Chapter 15:13*]; and the Public Finance Management Act [*Chapter 22:19*].

I have audited the financial statements for United Bulawayo Hospital s for the years ended December 31, 2014 and 2015. I issued a modified opinion with an emphasis of matter paragraph.

Basis for Qualified opinion on the financial statements for the year ended December 31, 2014.

The Hospital did not perform creditor reconciliations for some of its creditors; therefore the completeness of the creditors could not be ascertained. The Hospital did not have an adequate system of internal control to ensure that all creditors were complete. I was therefore unable to obtain sufficient appropriate evidence on the creditor's balance of $3 213 239 disclosed in the financial statements as at December 31, 2014.

Qualified opinion

In my opinion, except for the effects of matters discussed in the Basis for Qualified opinion paragraph, the financial statements present fairly in all material respects the financial position of United Bulawayo Hospitals as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying my opinion, I draw your attention to the fact that United Bulawayo Hospitals incurred a net loss of $739 803 resulting in a cumulative deficit of $6 458 928 and that its current liabilities exceeded its current assets by $688 172. These and other circumstances described in Note 18 of the financial statements indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern.

Basis for Qualified opinion on the financial statements for the year ended December 31, 2015

The Hospital did not have an adequate system of internal control to ensure that all creditors are complete. The completeness of creditors could not be ascertained as the hospital did not perform creditor reconciliations for some of their creditors.

Qualified opinion

In my opinion, except for the effects of matters discussed in the Basis for Qualified Opinion Paragraph, the Financial Statements present fairly, in all material respects, the Financial Position of United Bulawayo Hospitals as at December 31, 2015, and its Financial Performance and its Cash Flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying my opinion, I draw your attention to the fact that the Hospitals' Statement of Financial Position for 2015 reveals a situation where the current liabilities exceed the current assets by $919 145. However, the Hospitals' financial statements have been prepared using the going concern basis of accounting. The Hospitals' operations are strategic to the Government of Zimbabwe through the Ministry of Health and Child Care. It is not likely that the Government will allow a Hospital to be wound up hence the use of this basis of accounting is appropriate.

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

1. GOVERNANCE ISSUES

1.1. Creditor reconciliations

Finding

The Hospital did not perform creditor reconciliations for some of its creditors; therefore the completeness of the creditors could not be ascertained. The Hospital did not have an adequate system of internal control to ensure that all creditors were complete. I was therefore unable to obtain sufficient appropriate evidence on the creditor's balance of $3 213 239 disclosed in the financial statements as at December 31, 2014.

The Hospital did not prepare creditor reconciliations also for some of its creditors in 2015; therefore the completeness of the creditors could not be ascertained. The Hospital did not have an adequate system of internal control to ensure that all creditors were complete. I was therefore unable to obtain sufficient appropriate evidence on the creditor's balance of $2 453 944 disclosed in the financial statements as at December 31, 2015.

Risk/Implication

Errors in the creditor's ledger may not be timely detected.

Misstatement of the trade and other payables amount in the financial statements.

Recommendation

Creditor reconciliations should be performed on a timely basis.

Management response

Some Creditors' reconciliations are being done. The institution makes use of the ledger card system for reconciliation of each creditor. However not all suppliers have submitted their statements for reconciliation. Non submission of statements by suppliers does not render the balances inaccurate. Efforts were made to obtain the creditors` statements; however with the age of some of the debts, some of the companies had shut down making it difficult to get responses. Some of the companies demanded payment of the outstanding debts before issuing statements. Alternative measures will be made in the future to ensure that confirmations are availed to the institution. Furthermore, the Hospital is computerising its accounting system and this will assist in eliminating the highlighted problems.

1.2. Sitting allowances for board sub-committees

Finding

During the audit it was noted that in the course of the Board meeting held on the 29th of September the Board resolved that Sitting Allowances for the Sub Committees be treated the same as the Sitting Allowances for Board Meeting. However, Board sub-committees allowances should be governed by circulars issued out by the Ministry of Health and Child Welfare.

Risk /Implication

Non-compliance with the Ministry requirements.

Recommendation

Management must ensure that Sitting Allowances for Sub-Committees are issued strictly in accordance to the Ministry of Health and Child Welfare requirements.

Management response

Observation noted; The Chief Executive Officer will engage the Board Members. They were officially appointed by the Ministry to run the hospital. In future we will pay according to the circular number 4, dated 18 June 2012.

2. PROCUREMENT OF GOODS AND SERVICES

2.1. Authorisation of comparative schedules

Finding

I noted that some of the comparative schedules prepared by the Hospital's Central Buying Unit were not authorised by the CEO. The table below contains details of tenders whose comparative schedules were not authorised by the CEO;

Tender number	Description of goods	Amount (US$)
CT015/14	Polypropylene Brown 5mm	4,290
CTO45/14	Suction Catheter Size 5	460
CT045/14	Suction Catheter Size 8	1,400
CT045/14	Suction Catheter Size 12	920
CT045/14	Suction Catheter Size 14	920
CT045/14	Suction Catheter Size 16	920
CT045/14	Suction Catheter Size 18	920
CT107/14	Humidifier	4,900
IT/032/14	Sharps Container	33,600
IT032/14	Urine Bags	12,950
IT/32/14	BP Machines Mercury Type	8,000
IT032/14	Urine Bags Non Drainable	14,100
Total		**83,380**

Risk/Implication

Financial loss due to fines and penalties for non-compliance to State Procurement regulations.

The tendering process may be compromised if it is based on unauthorised comparative schedules.

Recommendation

All comparative schedules must be authorised by the CEO before a tender is awarded by the Procurement and Tender Committee.

Management response

Noted; the tender CT015/2014 for polypropylene, the documents were sent to Chief executive Officer soon after Procurement and Tender Committee deliberation.

However it was very unfortunate that when the other document on the top was authorised, the bottom copy of the same tender was left, possibly by mistake.

The comparative schedules for all purchases done at the Hospital s are sent to Chief Executive Officer for authorisation, the non-authorisation of CT045/15 for suction catheter and Foley Catheter was an oversight, however we acknowledge the observation.

PUBLIC ENTITIES UNDER THE CATEGORY OF UNIVERSITIES AND TERTIARY INSTITUTIONS

BINDURA UNIVERSITY OF SCIENCE EDUCATION 2014

Background information

The University was established by the Bindura University of Science Education Act [*Chapter 25:22*] in February 2000.The University existed before the date this Act was gazetted as a college of the University of Zimbabwe. The main objectives of the University include contributing to the development of Zimbabwe through the advancement of knowledge and skills in science education.

I have audited the financial statements for Bindura University of Science Education for the year ended December 31, 2014 and I issued an unmodified/ clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Bindura University of Science Education as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

However, below are some material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Title deeds

Finding

I noted that the University had no title deeds for some of its properties. The table below contains details of properties which had no title deeds;

Number	Property
1	University House-1019 Wattle Close
2	University House-1031 Marula Crescent
3	University House-1043
4	University House-1047 Shashi Road
5	University House-1073 Tamarind Road
6	University House - 177/178 Hagalthorn
7	University House - 210 Hay Road
8	University House - 353 Shashi View Road
9	University House - 454 Cardiff Road
10	University House - 510 Oxford Road
11	Town Campus
12	50 Nande Villas Flats

Risk/Implication

The University may have no recourse in the event of disputes over the ownership of the properties if it does not have title deeds.

Recommendation

The University should make a concerted effort to obtain title deeds for all its properties.

Management response

The recommendation is noted. Investigations were done to establish what had happened to missing title deeds but could not yield positive results. The Registrar is currently working with University Lawyers to apply for replacement and new title deeds for all university properties.

BULAWAYO SCHOOL OF HOSPITALITY AND TOURISM 2014

Background

The School is operating on commercial basis as per recommendation of the Public Service Commission reference number B/202/135 dated 27 November 1998. The School's principal activity is provision of training in Tourism and Hospitality.

I have audited the Financial Statements of Bulawayo School of Hospitality and Tourism for the year ended December 31, 2014 and I issued an unmodified/clean opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Bulawayo School of Hospitality and Tourism as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Policies

Finding

The School's risk management policy, marketing policy and debtors' policy were not in place. In addition, the accounting procedures manual, information and communication policy, human resources policy and procurement policy were at draft stage. Policies are standing rules and regulations governing the operations of an organisation.

Risk/Implication

The School's operations may not be managed in the best interest of the School.

There may be inconsistencies in the treatment of matters of the same nature.

Recommendation

The School should put in place and have them authorized and approved to ensure effective implementation.

Management response

Agreed. Policies will be put in place.

1.2. Pastel Accounting System

Finding

The School was maintaining its records manually and on the excel spreadsheet. I however noted that the School procured a Pastel accounting system in 2011 and it was installed in 2012 but it has never been used. The relevant staff have been trained but they are still unable to use the system.

Risk/Implication

Excel is susceptible to manipulation and general loss of data.

Value for money not being derived from procured Pastel accounting package.

Recommendation

The School should review the technical competences and ability of the available staff to implement the accounting package.

Management response

Agreed. Implementation is scheduled for 2016.

2 REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Bank Reconciliations

Finding

The School's two Metbank accounts bank reconciliations for the month of December 31, 2014 had unexplained imbalances amounting to $2 991 and $1 115.

I also noted that there was a variance of $3 051 and ZAR305 in the CBZ bank accounts.

Upon enquiry I noted that receipts were not being banked intact. In some instances I noted that there were non-existing un-presented cheques included in the bank reconciliation statements. No satisfactory explanation was given for the variances between receipting and banking. The table below has details of this anomaly.

Date	Details	Account Number	Cheque Number	Amount $	Status
11.03.2013	ZIMDEF Allowance	0307060173627	-	250	No cheque issued
28.11.2013	Tel●One	0307060173627	141	500	Cheque was presented & cleared. 29.11.2013
18.12.2013	Funds transfer	0307060173627	335	500	Cheque stub shows a sum of $39.50 was paid to D. G Patel
18.12.2013	Fund transfer	0307060173627	350	500	Cheque stub shows that Cheque was cancelled and it amounted to $22.08 date 06.05.2014
28.08.2014	R Sibanda	0307060173627	378	300	Cheque was presented and cleared

Risk/implication

Material errors and irregularities may be concealed in these balances.

Recommendation

The School should investigate the imbalances.

Management response

Noted. Bank reconciliations were reconstructed for the month of December 2014. For one of the accounts the variance is now $571 which is as a result of an under bank. For the other account the variance is now $170 as a result of under-banking also.

Management will further investigate on the under banking of $571 and $170.

In preparing the bank reconciliation statement we were reconciling cash receipted and the bank statement or cash banked, the difference between cash receipted and

cash banked resulted in imbalances which were as a result of cash shortfalls which are currently being reconciled with the objective of tracing accountability.

2.2 Hostel caution fee

Finding

According to a letter referenced C/4/1 from the Ministry of Higher and Tertiary Education, Science and Technology Development dated January 11, 2011, students were supposed to pay an annual hostel caution fee of $15. This fee was an insurance against breakages and it was said to be refundable. I however, noted that the School was charging the students a hostel caution fee of $15 per term, instead of once a year. A total of $5 835 was charged to students as hostel caution fees for the year 2014, instead of $2 265.

Risk/Implication

Non- compliance with circular number C/4/1 from the parent Ministry.

Recommendation

The School should comply with the circular. All excess hostel caution fees received should be refunded to the students.

Management response

Agreed. The students are being refunded their caution fee upon application of the refund. The students apply for their caution refund attaching the original receipts as proof of their payment.

The School will advise the students to apply for their caution refund.

The School will also comply with the circular and caution fee will be charged once per year.

3 PROGRESS IN IMPLEMENTATION OF PRIOR YEAR RECOMMENDATIONS

I reviewed the progress made towards the implementation of prior year recommendations and found that the School made some progress and there was room for improvement in respect of the following recommendations;

3.1 Regulatory framework

Recommendation

The School should lobby the Ministry for a regulatory framework.

Progress made

Management are waiting for the final position from the parent Ministry on the strategic and legislative direction that the School must take.

CHINHOYI UNIVERSITY OF TECHNOLOGY 2014

Background information

Chinhoyi University of Technology is a Higher Education Institution governed by the Chinhoyi University of Technology Act [*Chapter 25:23*].The University's principal activities include the advancement of knowledge, the diffusion and extension of arts, science and learning, the preservation, dissemination and enhancement of knowledge that is relevant for the development of the people of Zimbabwe through teaching and research and, so far as is consistent with those objectives, the nurturing of the intellectual, aesthetic, social and moral growth of the students at the University.

I have audited the financial statements for Chinhoyi University of Technology for the year ended December 31, 2014 and I issued an unmodified/ clean opinion with an emphasis of matter.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Chinhoyi University of Technology as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying my opinion, l draw attention to note 24 to the financial statements, which indicates that the University incurred a deficit for the year ended December 31, 2014 of $ 1 875 831 (2013: $ 274 178) and as at that date the current liabilities exceeded current assets by $ 3 017 731 (2013: $ 1 964 475). The University had an accumulated deficit of $ 3 857 510 (2013: $ 1 981 679) as at December 31, 2014. The University was operating under very difficult financial circumstances. The current levels of funding and infrastructure development may lead to compromised service delivery. These conditions along with other matters as described in note 24 indicate factors that may affect the operational viability of the University as well as its ability to ensure quality of service.

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1. Hunyani Farm joint venture

Finding

The University had a 25% share of Hunyani Farm Joint Venture. The joint venture was entered into between the Chinhoyi University of Technology, Rusununguko-Nkululeko Holdings (Private) Limited and Zim-China Wanjin Agricultural Development (Private)

Limited in November 2013.In terms of the Memorandum of Agreement, the University is entitled to appoint board members, recommend management personnel, receive management fees of two and a half percent (2.5%) of production and to receive twenty five percent (25%) of profits as dividends.

I however, noted that the University did not enjoy any of the benefits agreed in the Memorandum of Agreement. I also did not obtain any evidence that the University actively participated in the joint venture during the period under review.

Risk/Implication

Financial loss in the form of management fees and dividends not received.

Recommendation

The University should make a concerted effort to collect management fees and dividends due to it.

The University should engage the joint venture partners on the implementation of the joint venture agreement.

Management response

Chinhoyi University of Technology has a member on the Board representing the University. The first dividend is due for payment. Other terms of the agreement are being discussed. The joint venture was done at country level through a number of ministries. While efforts are being made to engage the other joint venture parties, the University has little say on the joint venture agreement.

1.2. Financial performance

Finding

The University incurred a deficit of $1,875,531, which is a five hundred and eighty four percent (584%) increase from the deficit $274,178 incurred in 2013. Operating expenses increased by six percent (6%) from $23,167,540 in 2013 to $24,539,995 in 2014 against an increase in revenue of two percent (2%).

Investment towards research and development remained insignificant at less than 2% of total expenditure (2013: 5%). The University utilised $95,900 of its $ 256,000 research and development expenditure budget. Expenditure towards library books and journals was $64,189 which was 66% below the budgeted figure of $106,500.

Capital expenditure was $1,661,564 which was 50% below the budgeted figure of $3,360,000.

There was a $1,106,290 increase in trade and other payables because of delays in paying creditors. The extended delays which are also as a result of reduced capital grants from government have resulted in litigation against the University by a creditor. The current liabilities of the University exceeded its current assets by $3,017,731 (2013: $1,964,475).

Trade and other receivables increased by $455,347. This increase resulted in reduced cash generation which in turn resulted in reduced cash available for operating activities and capital expenditure.

Risk/Implication

Sustainability of service may be compromised.

Failure to embark on capital expenditure to acquire new assets which are necessary to cope with the rising student population.

Litigation costs on overdue creditor balances.

Recommendation

The University should come up with sustainable revenue growth and cost control strategies that ensure profitability and liquidity.

Management response

There was a salary grant shortfall of over $500,000, PSIP grant of $1,900,000 was not released and a failure by some students to register (including cadetship beneficiaries). The current economic situation resulted in the failure by government to give the University financial support.

1.3. Taxation of Council members' fees

Finding

Members of the University Council are entitled to monthly Councillors' fees and fuel in addition to the sitting fees. The fuel was awarded for travelling to and from the meetings. In terms of the 13th schedule of the Income Tax Act [*Chapter 23:06*], all the amounts payable to a Council member should be subject to Pay As You Earn if the member also receives other amounts constituting remuneration as defined therein.

I however noted that the monthly Councillors' fees and sitting fees were being subjected to withholding tax. I also noted that the fuel allowances were not being subjected to any tax.

In addition, the withholding tax deducted was not being remitted within the required 10 days after deduction.

Risk/Implication

Financial loss due to penalties and fines for non-compliance with the Income Tax Act [*Chapter 23:06*].

Recommendation

Management should ensure that other fees and allowances paid to directors are taxed appropriately.

Withholding tax should be remitted within 10 days after deduction

Management response

The issue will be presented to Council for consideration with a view of including the Councillors' fees as part of the sitting fees. Meanwhile, it should be noted that ZIMRA did not raise an issue on the payment of Councillors' fees to the Councillors.

Auditor's comment

The Act compels the institution to withhold tax on councillors' fees and allowances and remit the tax to ZIMRA. When the entity is assessed by ZIMRA it may incur unnecessary penalties and fines.

1.4. Tax audits

Finding

The benefits and allowances awarded to the University's employees were not taxed contrary to the Income Tax Act [*Chapter 23:06*]. As a result the University was penalised by the Tax Authority during the year under review.

Subsequent to year end, the University was charged another penalty as a result of Duty Certificates that had been incorrectly given by the Ministry of Higher and Tertiary Education exempting the University from duty and value added tax (VAT) on imported assets. As a result, the University incurred a total tax liability of $206,268 as a result of non-compliance with tax laws.

Risk/Implication

Financial loss due to penalties and fines for non-compliance with the Income Tax Act [*Chapter 23:06*].

Recommendation

Management should ensure that the University complies with Tax Laws.

Management response

Tax issues change from time to time and the engagement of tax advisory experts is necessary especially when the Finance Act is amended every year. The University will engage tax advisors.

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY 2015

Background information

National University of Science and Technology (hereinafter referred to as NUST) is a Higher Education Institution governed by the National University of Science and Technology Act [*Chapter 25:13*] 1990 and is domiciled in Zimbabwe.

I have audited the financial statements of National University of Science and Technology for the year ended December 31, 2015. The financial statements were however, awaiting consideration by the Finance and Audit committees of the University.

However, the following are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Contact passage

Finding

I noted that management allowed employees to utilise their accrued contact passage benefits amounting to $71 200 to acquire motor vehicles from the University during the year without obtaining formal approval from Council.

Risk/Implication

Non-compliance with employees' conditions of service. In addition, the University will not benefit from the envisaged work related skills improvement that comes from contact passage.

Recommendation

Management should obtain formal approval from the Council before implementing such and similar decisions going forward.

Management response

Management will ensure that:
The policy on contact and sabbatical leave will go through the necessary Committees for ratification and for use in the future;
Employees will access contact and sabbatical leave benefits from 2016 going forward, subject to successful revenue generation and cost containment; and
The beneficiaries will have an option to pay cash for motor vehicle acquisition and the University will keep the registration books until they are paid up.

1.2 Funding

Finding

The University was implementing a number of income generating activities notably the NUST Press, Genetic Testing Centre and NUST Farm. However, all these projects were still in their start up phases and were yet to contribute positively to the University. As such, the University has not been able to fund its major capital expenditure programmes over the last three years.

The University was virtually dependent on the Government for funding its operational and capital expenditures.

Risk/Implication

Persistent financial challenges may compromise the University's service delivery.

Recommendation

The University should set up a commercial office with the requisite skills and authority to drive this agenda. The commercial office should consider pursuing PPP's and commercial ventures, amongst other initiatives and enable the University to self-finance in the long run.

Management response

Sustainability matters noted raises a huge going concern matter. The University has incurred deficits and is technically insolvent. Operating cash flows are also in the negative. The sustainability matter is attributable to:

The current fee structure;
The STEM-related cost structures; and
Global reduction in Government funding of Universities.

Measures to deal with the above, encompassing cost containment and third stream income generation, have been presented to Council and adopted. The results will reflect in the short, medium and long-term.

1.3 Information and Communication Technologies (ICT)

Finding

The University did not have offsite facilities for storage of back up data storage media as well as for computer processing power in the event of loss of functionality of the main ICTs infrastructure. In addition, the University did not have a disaster recovery plan.

Risk/Implication

Loss of information and revenue; and
Prolonged disruption of the University's ICTs operations.

Recommendation

Management should develop a Disaster Recovery Plan as a matter of urgency and consider storing back up data storage media offsite in the meantime.

Management response

The University will put in place an off the site back up facility and develop the DRP as soon as possible. In this regard Management notes that the ICTS is currently working on a project that will result in information being communicated and stored on the cloud.

2. REVENUE COLLECTION, MANAGEMENT AND DEBT RECOVERY

2.1 Revenue and debtors' management

Findings

There was no evidence that fees recorded in the Navision system when students register at the University were being reconciled to expected fees computed manually by management during the year under review. Some non-refundable registration fee deposits of $200.00 per student were not being recognised as revenue as and when they were received.

There was no evidence that exception reports on revenue and debtors were being printed out and reviewed on a regular basis. Consequently, long lists of accounts receivables in credit were noted at year end and accurate student debtors' age analysis could not be generated from the Navision system as at 31 December 2015.

Risk/Implication

Errors and/or fraud may occur and remain undetected;
Loss of revenue due to incomplete billing.

Recommendation

Management should ensure that total fees paid and payable by students are reconciled to the expected fees computed by management at least once each semester and any significant variations are followed up and resolved timeously;
The Navision system should be reconfigured to enable an accurate age analysis to be generated from the system as and when required;
Non-refundable registration deposits are recorded as income timeously; and

Exception reports on revenue and receivables are printed and reviewed at least once every month.

Management response

Recommendation noted. Management will ensure that exception reports will be printed and signed off as evidence of review once every semester. The reports will be reconciled to the revenue general ledgers in order to ensure the completeness and accuracy of revenue recognition.

3. EMPLOYMENT COSTS

3.1 Statutory obligations

Finding

I noted that the University was not discharging its obligations to statutory authorities and other service providers on time. The following are examples:

Authority	**Outstanding amount $**
Pension	805 058
OMLAC Pension Fund	1 060 069
NSSA	217 151
Standard Development Levy	296 000
PAYE	2 284 724
Total	**4 663 002**

Risk/Implication

Penalties and interest may be levied for non-compliance with statutory requirements.

Recommendation

Management should endeavour to remit statutory dues in line with the stipulated timeframes. Where necessary statutory authorities and the pension fund administrators should be engaged and alternative arrangements made.

Management response

The delays in statutory payments were caused by the delays in receiving the Government salaries grant sometime during the year under review. Management will ensure that, funds permitting, the statutory payments will be processed and paid on time.

ZIMBABWE INSTITUTE OF PUBLIC ADMINISTRATION AND MANAGEMENT (ZIPAM) 2014

Background information

The objective of the Institute as provided in the Zimbabwe Institute of Public Administration and Management Act [*Chapter 25:17*] is the dissemination of information relating to, and the promotion, teaching, direction, supervision, study and co-ordination of matters of administration and management.

I have audited the financial statements of the Zimbabwe Institute of Public Administration and Management for the year ended December 31, 2014 and I issued an unmodified/clean opinion on these financial statements.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Institute of Public Administration and Management as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

However, below are material issues noted during the audit.

1. GOVERNANCE ISSUES

1.1 Information and Communication Technology (ICT) and Safety and Health Environment (SHE) policies

Finding

The Institute did not have ICT and SHE policies.

Risk/Implication

Inconsistencies in operational decisions as the Institute has no policy guidance.

Recommendation

The Institute should put ICT and SHE policies in place.

Management response

This will be concluded in 2016.

1.2 Pastel server

Finding

The Pastel server is used as a work station. This server is located in the Accounts common room where it can be accessed by everyone.

Risk/Implication

Security of information may be compromised,

The server is susceptible to damage.

Recommendation

Management should consider to relocate the Server for safety and security of information.

Management response

The recommendation is noted. Plans to install LAN are underway. The Server will then be located in a separate server room and be independent of the workstation. This process should be complete within the first quarter of 2016.

2. REVENUE COLLECTION, MANAGEMNET AND DEBT RECOVERY

2.1 Banking of cash receipts

Finding

The Institute was not banking receipted cash on time during the financial year under review. Below is a sample of cash receipts that were not banked on time:

Date	Receipt range	Amount $	Lag time before banking	Date banked
06/01/2014	32803-06	596.00	9 days	15/01/2014
07/01/2014	104009-12	220.00	8 days	15/01/2014
08/01/2014	104013-19	334.00	7 days	15/01/2014
22/05/2014	104948-49	239.00	8 days	30/05/2014
20/06/2014	105293-98	429.00	6 days	26/06/2014

Risk/Implication

Financial loss as the Institute is exposed to theft of cash resources.

Recommendation

Cash should be banked on time.

Management response

The recommendation is noted. Banking is now being done intact and timeously.

ANNEXURE "A"

STATE ENTERPRISES AND PARASTATALS AUDIT OPINIONS PER ENTITY

PUBLIC ENTITY	YEAR	OPINION ISSUED	YEAR	OPINION ISSUED
AUTHORITIES AND AGENCIES				
Agricultural Marketing Authority (AMA)	2015	Unqualified	2014	Unqualified
Civil Aviation Authority of Zimbabwe	2014 & 2015	Unqualified with an Emphasis of matter paragraph	2013	Unqualified with an Emphasis of matter paragraph
Environmental Management Agency	2014	Unqualified	2013	Unqualified
Health Professions Authority	2014 & 2015	Unqualified	2013	Unqualified
Medicines Control Authority of Zimbabwe	2014	Unqualified	2013	Unqualified
National Biotechnology Authority	2013 &2014	Unqualified	2012	Unqualified
National Social Security Authority	2015	Unqualified with an Emphasis of matter paragraph	2014	Unqualified with an Emphasis of matter paragraph
Postal and Telecommunications Regulatory Authority of Zimbabwe (POTRAZ)	2014	Qualified	2013	Qualified
Radiation Protection Authority	2015	Unqualified with an Emphasis of matter paragraph	2014	Unqualified
Zimbabwe Energy Regulatory Authority	2014	Unqualified	2013	Unqualified
Zimbabwe Investment Authority	2014	Unqualified with an Emphasis of matter paragraph	2013	Unqualified with an Emphasis of matter paragraph
Zimbabwe National Road Administration (ZINARA)	2014	Qualified with an Emphasis of matter paragraph	2013	Qualified
Zimbabwe National Water Authority	2014	Unqualified with an Emphasis of matter paragraph	2013	Unqualified with an Emphasis of matter paragraph
Zimbabwe Parks and Wildlife Management Authority	2013 &2014	Unqualified	2012	Unqualified
Zimbabwe Revenue Authority (ZIMRA)'s financial statements	2015	Unqualified with an Emphasis of matter paragraph	2014	Unqualified Qualified opinion on legal and other regulatory matters

PUBLIC ENTITY	YEAR	OPINION ISSUED	YEAR	OPINION ISSUED
Revenue returns- Outstanding revenue	2015	Qualified with an Emphasis of matter paragraph	2014	Qualified
BOARDS				
Health Service Board	2015	Unqualified	2014	Unqualified
National Indigenization and Economic Empowerment Board (NIEEB)	2014	Unqualified	2013	Unqualified
Pig Industry Board (PIB)	2014	Unqualified	2013	Unqualified
State Procurement Board	2010 & 2011	Unqualified	2009	Unqualified
COMMISSIONS				
Anti-Corruption Commission	2010	Qualified	2009	Adverse
Competition and Tariff Commission	2014	Unqualified	2013	Unqualified
Forestry Commission	2013 & 2014	Unqualified	2012	Unqualified
Insurance and Pensions Commission (IPEC)	2014	Unqualified	2013	Unqualified
National Incomes and Pricing Commission	2015	Unqualified	2014	Unqualified
Securities and Exchange Commission of Zimbabwe	2015	Unqualified	2014	Unqualified
Zimbabwe Electoral Commission	2012 & 2013	Unqualified	2011	Unqualified
Zimbabwe Media Commission	2014	Unqualified	2013	Unqualified
COMPANIES AND CORPORATIONS				
Allied Timbers (Private) Limited	2014	Unqualified with an Emphasis of matter paragraph	2013	Unqualified with an Emphasis of matter paragraph
CMED (Pvt) Limited	2014	Unqualified	2013	Unqualified
Courier Connect (Private) Limited	2014	Qualified	2013	Unqualified with an Emphasis of matter paragraph

PUBLIC ENTITY	YEAR	OPINION ISSUED	YEAR	OPINION ISSUED
Deposit Protection Corporation	2015	Unqualified	2014	Unqualified
Litefold Engineering (Private) Limited	2014	Qualified with an Emphasis of matter paragraph	2013	Disclaimer
Mellofieldde Chemicals (Private) Limited	2014	Unqualified	2013	Unqualified
Minerals Marketing Corporation of Zimbabwe	2014	Unqualified	2013	Unqualified
National Oil Infrastructure Company	2014	Unqualified	2013	Unqualified
National Pharmaceutical Company	2015	Unqualified with an Emphasis of matter paragraph	2014	Unqualified with an Emphasis of matter paragraph
National Railways of Zimbabwe	2015	Unqualified with an Emphasis of matter paragraph	2014	Unqualified with an Emphasis of matter
NETONE (Private) Limited	2014	Unqualified with an Emphasis of matter paragraph	2013	Unqualified with an Emphasis of matter paragraph
Petrotrade (Private) Limited	2014	Unqualified	2013	Unqualified
Printflow (Pvt) Limited	2014	Unqualified	2013	Unqualified
Sunway City Harare (Pvt) Ltd	2013	Unqualified	2012	Unqualified
TelOne (Private) Limited	2015	Unqualified with an Emphasis of matter paragraph	2014	Unqualified with an Emphasis of matter paragraph
Trans Media Corporation (Pvt) Ltd	2014	Unqualified	2013	Unqualified
ZESA Enterprises (Private) Limited	2014	Unqualified with an Emphasis of matter paragraph	2013	Unqualified with an Emphasis of matter paragraph
ZESA Holdings	2014	Unqualified	2013	Unqualified
Zimbabwe Academic and Research Network (ZARNET)	2014	Unqualified	2013	Unqualified
Zimbabwe Electricity Transmission and Distribution Company (ZETDC)	2014	Unqualified with an Emphasis of matter paragraph	2013	Unqualified with an Emphasis of matter paragraph
Zimbabwe Posts (Pvt) Limited ZIMPOST	2014	Disclaimer with an Emphasis of matter paragraph	2013	Qualified with an Emphasis of matter paragraph
Zimbabwe Power Company (ZPC)	2014	Unqualified with an Emphasis of matter paragraph	2013	Unqualified with an Emphasis of matter paragraph

PUBLIC ENTITY	YEAR	OPINION ISSUED	YEAR	OPINION ISSUED
COUNCILS				
Allied Health Practitioners Council	2014	Unqualified	2013	Unqualified
Consumer Council of Zimbabwe	2014	Unqualified	2013	Unqualified
Environmental Health Practitioners Council of Zimbabwe	2014	Unqualified	2013	Unqualified
Medical Laboratory and Clinical Scientists Council of Zimbabwe	2014	Unqualified	2013	Unqualified
National Aids Council (NAC)	2014	Unqualified	2013	Unqualified
National Arts Council of Zimbabwe	2014	Unqualified	2013	Unqualified
Nurses Council of Zimbabwe	2014	Unqualified	2013	Unqualified
Pharmacist Council of Zimbabwe	2014	Unqualified	2013	Unqualified
Research Council of Zimbabwe	2014	Unqualified	2013	Unqualified
Traffic Safety Council of Zimbabwe	2014	Unqualified	2013	Unqualified
Zimbabwe Council for Higher Education (ZIMCHE)	2014	Unqualified	2013	Unqualified
Zimbabwe National Family Planning Council (ZNFPC)	2015	Unqualified	2014	Unqualified
Zimbabwe Schools Examination Council (ZIMSEC)	2014	Unqualified	2013	Unqualified
Financial Institutions				
Agribank	2015	Unqualified	2014	Unqualified with an Emphasis of matter paragraph
POSB	2015	Unqualified	2014	Unqualified
Small and Medium Enterprise Development Corporation (SMEDCO)	2014	Qualified with an Emphasis of matter paragraph	2013	Qualified
STATE HOSPITALS				
Harare Central Hospital	2013&2014	Disclaimer of opinion	-	
Ingutsheni Central Hospital	2015	Unqualified with an Emphasis of matter paragraph	2014	Unqualified
Parirenyatwa Group of Hospitals	2013&2014	Unqualified	2012	Unqualified
United Bulawayo Hospitals	2015	Qualified	2014	Qualified

PUBLIC ENTITY	YEAR	OPINION ISSUED	YEAR	OPINION ISSUED
Tertiary Institutions				
Bindura University	2015	Unqualified	2014	Unqualified
Bulawayo School of Hospitality and Tourism	2014	Unqualified	2013	Unqualified
Chinhoyi University of Technology	2014	Unqualified with an Emphasis of matter paragraph	2013	Unqualified
Great Zimbabwe University	2014	Unqualified	2013	Unqualified
Lupane State University	2015	Unqualified with an Emphasis of matter paragraph	2014	Unqualified
Harare Institute of Technology	2014	Unqualified	2013	Unqualified
Midlands State University (MSU)	2014	Unqualified	2013	Unqualified
National University of Science and Technology	2015	Unqualified	2014	Unqualified
University of Zimbabwe	2014	Unqualified	2013	Unqualified
Zimbabwe Institute of Public Administration and Management (ZIPAM)	2013	Unqualified	2012	Qualified
Zimbabwe Open University	2015	Unqualified	2014	Unqualified
Zimbabwe School of Mines	2015	Unqualified	2014	Unqualified
Others				
Universal Service Fund (USF)	2014	Qualified	2013	Qualified
National Museums and Monuments of Zimbabwe	2014	Unqualified with an Emphasis of matter paragraph	2013	Unqualified with an Emphasis of matter paragraph

ANNEXURE “B”

AUDITS IN PROGRESS AND BEING FINALISED

PUBLIC ENTITY	**YEAR**
Agricultural Rural Development Authority (ARDA)	2011-2013
Air Zimbabwe and its subsidiaries	2010
Anti-Corruption Commission	2011
Chinhoyi University of Technology	2015
Chitungwiza Hospital	2013 &2014
CMED (Private) Limited	2015
Competition and Tariff Commission	2015
Consumer Council of Zimbabwe	2015
Elvington mine	2014 & 2015
Environmental Management Agency (EMA)	2015
Forestry Commission	2015
Great Zimbabwe University	2015
Harare Institute of Technology (HIT)	2015
Infrastructure Development Bank of Zimbabwe	2015
Insurance and Pension Commission (IPEC)	2015
Kimberworth Investments	2015
Marange Resources	2015
Medical and Dental Practitioners Council of Zimbabwe	2015
Medicines Control Authority of Zimbabwe	2015
Midlands State University	2015
Mpilo Hospital	2013
National Aids Council	2015
National Arts Council of Zimbabwe	2015
National Indigenisation and Economic Empowerment Board	2015
National Museums and Monuments	2015
Nurses Council of Zimbabwe	2015
Parirenyatwa Group of Hospitals	2015
Petrotrade (Pvt) Limited	2015
Pig Industry Board	2015
Postal and Telecommunications Regulatory Authority of Zimbabwe	2015
Printflow (Private) Limited	2015
Research Council of Zimbabwe	2015
Sabi Gold Mine (ZMDC ‘s subsidiary)	2014
Sandawana Mines	2014 & 2015
State Procurement Board	2012-2015

PUBLIC ENTITY	**YEAR**
Sunway City Harare (Pvt) Ltd	2014
Tobacco Industry Marketing Board	2015
Tobacco Research Board	2015
Traffic Safety Council of Zimbabwe	2015
Transmedia Corporation (Pvt) Ltd	2015
Universal Service Fund	2015
University of Zimbabwe	2015
Zimbabwe Academic Research Network (ZARNet) (Pvt) Ltd	2015
Zimbabwe Broadcasting Corporation (ZBC)	2011, 2012 & 2013
Zimbabwe Council for Higher Education (ZIMCHE)	2015
Zimbabwe Electoral Commission	2014 & 2015
Zimbabwe Investment Authority	2015
Zimbabwe Mining Development Corporation	2014 & 2015
Zimbabwe Schools Examination Council (ZIMSEC)	2015
ZIMPOST	2015
ZIMSTATS	2012
Zimbabwe United Passenger Company (ZUPCO)	2015
ZIMTRADE	2015

ANNEXURE C

ACCOUNTS NOT SUBMITTED FOR AUDIT

PUBLIC ENTITY	**YEAR**
Air Zimbabwe	2014-2015
Allied Health Practitioners Council	2015
Allied Timbers Zimbabwe (Private) Limited	2015
Anti-Corruption Commission	2012-2015
Agricultural Rural Development Authority (ARDA)	2014 & 2015
Broadcasting Authority of Zimbabwe	2015
Bulawayo School of Hospitality And Tourism	2015
Chitungwiza Hospital	2015
Cold Storage Company (CSC)	2013-2015
Courier Connect (Pvt) Ltd	2015
Elvington Mine	2015
Environmental Health Practitioners Council	2015
Harare Hospital	2015
Infralink (Pvt) Ltd	2015
Litefold Engineering (Private) Limited	2015
Medical Laboratory and Clinical Scientists Council of Zimbabwe	2015
Medical Rehabilitation Practitioners Council	2015
Minerals Marketing Corporation of Zimbabwe (MMCZ)	2015
Mpilo Hospital	2014 & 2015
National Biotechnology Authority	2015
National Handcraft Centre	2009-2015
National Libraries and Documentation Services	2009-2015
National Oil Infrastructure Company	2015
Olivine Industries	2015
Pharmacists Council of Zimbabwe	2015
Sabi Gold Mine	2015
Sandawana Mines	2015
Small and Medium Enterprise Development Corporation	2015
State Procurement Board	2015
Sunway City Harare (Pvt) Ltd	2015
Zimbabwe Broadcasting Corporation (ZBC)	2014 & 2015
Zimbabwe Institute of Public Administration and Management (ZIPAM)	2015
Zimbabwe Media Commission	2015
Zimbabwe National Parks and Wildlife Management Authority	2015
Zimbabwe National Road Administration	2015

PUBLIC ENTITY	**YEAR**
Zimbabwe Statistical Agency	2015