



**REPORT**

**of the**

**Auditor-General**

**for the**

**FINANCIAL YEAR ENDED DECEMBER 31, 2023**

**ON**

**LOCAL AUTHORITIES**

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*Presented to Parliament of Zimbabwe: 2024*

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**Office of the Auditor-General of Zimbabwe**  
5<sup>th</sup> Floor, Burroughs House  
48 George Silundika Avenue  
Harare, Zimbabwe.

The Hon. Prof. M. Ncube  
Minister of Finance, Economic Development and Investment Promotion  
Mgandane Dlodlo Building  
Corner S.V. Muzenda/ Samora Machel Avenue  
Harare.

Dear Sir,

I hereby submit my report on the audit of Local Authorities 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, 2023.

Yours faithfully,

**R. KUJINGA,**  
**ACTING AUDITOR-GENERAL.**

**HARARE**  
June 18, 2024.

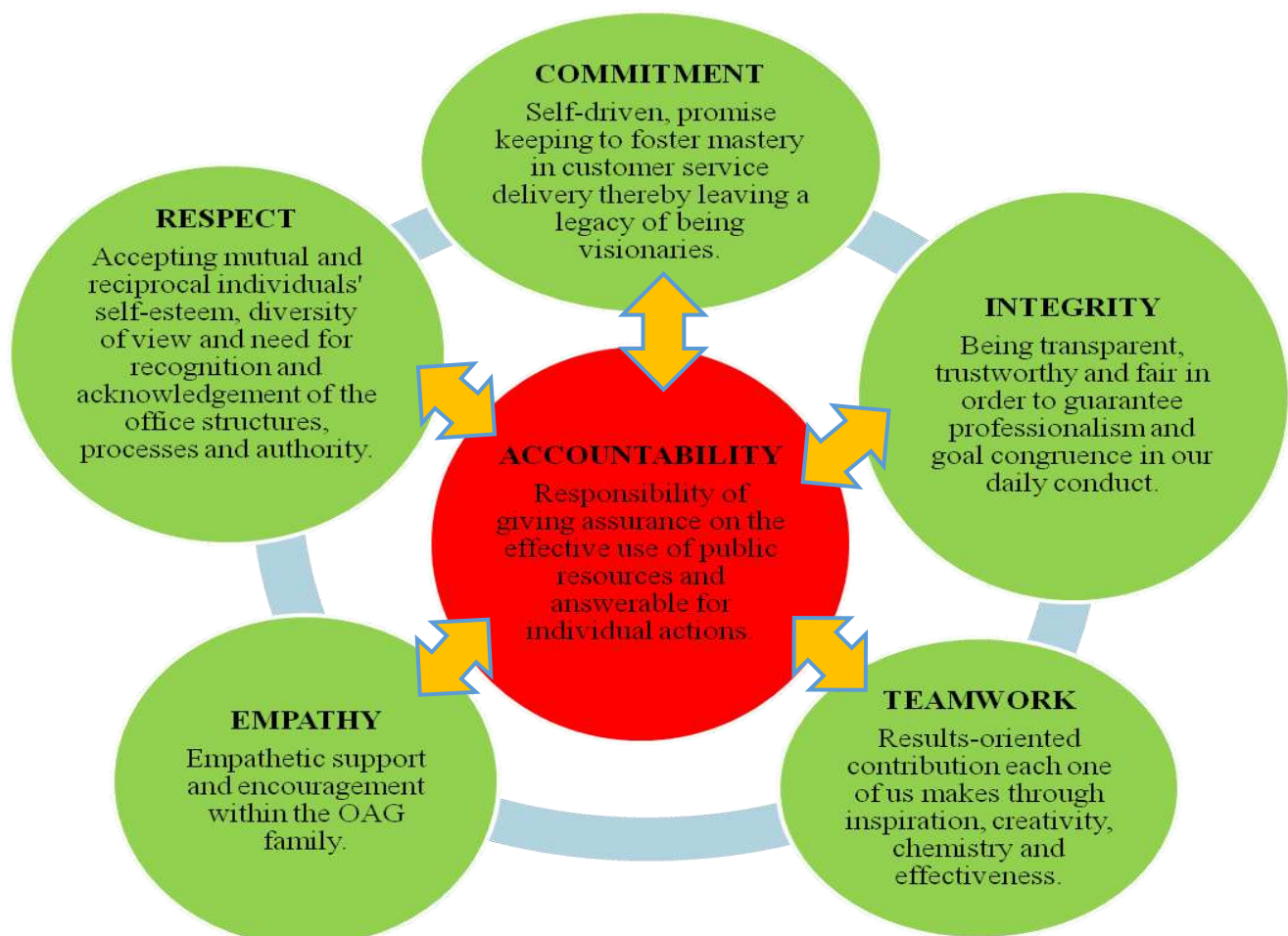


## OAG Vision

To be the Center 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, motivated, customer focused and well trained staff with the aim of improving accountability and good corporate governance.



## Contents

<b>LIST OF ACRONYMS .....</b>	<b>i</b>
<b>DEFINITION OF TERMS .....</b>	<b>ii</b>
<b>PREAMBLE.....</b>	<b>iii</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>vi</b>
<b>CITY COUNCILS .....</b>	<b>1</b>
BULAWAYO CITY COUNCIL 2019 AND 2020.....	2
GWERU CITY COUNCIL 2020 .....	9
HARARE CITY COUNCIL 2020 .....	16
KADOMA CITY COUNCIL 2022 .....	24
MASVINGO CITY COUNCIL 2022.....	35
MUTARE CITY COUNCIL 2022.....	47
VICTORIA FALLS CITY COUNCIL 2022 .....	54
<b>MUNICIPALITIES .....</b>	<b>60</b>
BEITBRIDGE MUNICIPALITY 2020.....	61
CHEGUTU MUNICIPALITY 2022.....	65
CHINHOYI MUNICIPALITY 2021 AND 2022 .....	72
CHITUNGWIZA MUNICIPALITY 2020 .....	81
GWANDA MUNICIPALITY 2020 AND 2021.....	87
KARIBA MUNICIPALITY 2021 .....	90
MARONDERA MUNICIPALITY 2021 .....	97
REDCLIFF MUNICIPALITY 2022.....	104
<b>TOWN COUNCILS .....</b>	<b>108</b>
CHIPINGE TOWN COUNCIL 2021 .....	109
CHIREDDZI TOWN COUNCIL 2020 .....	114
GOKWE TOWN COUNCIL 2022 .....	122
KAROI TOWN COUNCIL 2020 .....	129
MVURWI TOWN COUNCIL 2021 .....	136
NORTON TOWN COUNCIL 2022.....	140
PLUMTREE TOWN COUNCIL 2022.....	143
RUSAPE TOWN COUNCIL 2021.....	148
SHURUGWI TOWN COUNCIL 2022 .....	150
ZVISHAVANE TOWN COUNCIL 2022.....	157

<b>LOCAL BOARDS .....</b>	<b>164</b>
CHIRUNDU LOCAL BOARD 2021 .....	165
EPWORTH LOCAL BOARD 2021 .....	168
HWANGE LOCAL BOARD 2019 .....	170
LUPANE LOCAL BOARD 2020 AND 2021 .....	177
<b>RURAL DISTRICT COUNCILS .....</b>	<b>182</b>
BEITBRIDGE RURAL DISTRICT COUNCIL 2021 .....	183
BIKITA RURAL DISTRICT COUNCIL 2022 .....	188
BINDURA RURAL DISTRICT COUNCIL 2022 .....	190
BINGA RURAL DISTRICT COUNCIL 2022 .....	197
BUBI RURAL DISTRICT COUNCIL 2020 AND 2021 .....	199
BUHERA RURAL DISTRICT COUNCIL 2022 .....	205
BULILIMA RURAL DISTRICT COUNCIL 2021 .....	209
CHAMINUKA RURAL DISTRICT COUNCIL 2022 .....	212
CHEGUTU RURAL DISTRICT COUNCIL 2022 .....	216
CHIKOMBA RURAL DISTRICT COUNCIL 2022 .....	218
CHIMANIMANI RURAL DISTRICT COUNCIL 2022 .....	220
CHIPINGE RURAL DISTRICT COUNCIL 2022 .....	223
CHIREDDI RURAL DISTRICT COUNCIL 2021 .....	226
CHIVI RURAL DISTRICT COUNCIL 2022 .....	232
GOKWE NORTH RURAL DISTRICT COUNCIL 2022 .....	236
GOKWE SOUTH RURAL DISTRICT COUNCIL 2022 .....	239
GOROMONZI RURAL DISTRICT COUNCIL 2022 .....	242
GURUVE RURAL DISTRICT COUNCIL 2020 AND 2021 .....	244
GUTU RURAL DISTRICT COUNCIL 2022 .....	249
GWANDA RURAL DISTRICT COUNCIL 2021 .....	253
HURUNGWE RURAL DISTRICT COUNCIL 2022 .....	256
HWEDZA RURAL DISTRICT COUNCIL 2022 .....	259
INSIZA RURAL DISTRICT COUNCIL 2020 AND 2021 .....	260
KUSILE RURAL DISTRICT COUNCIL 2019 .....	265
MAKONDE RURAL DISTRICT COUNCIL 2020 .....	272
MAKONI RURAL DISTRICT COUNCIL 2022 .....	276
MANGWE RURAL DISTRICT COUNCIL 2020 .....	278
MANYAME RURAL DISTRICT COUNCIL 2022 .....	282
MARONDERA RURAL DISTRICT COUNCIL 2022 .....	284

MASVINGO RURAL DISTRICT COUNCIL 2022.....	286
MATOBO RURAL DISTRICT COUNCIL 2022 .....	292
MAZOWE RURAL DISTRICT COUNCIL 2022.....	294
MBERENGWA RURAL DISTRICT COUNCIL 2021 .....	296
MBIRE RURAL DISTRICT COUNCIL 2021 AND 2022 .....	299
MHONDORO NGEZI RURAL DISTRICT COUNCIL 2020 AND 2021 .....	305
MUDZI RURAL DISTRICT COUNCIL 2020 AND 2021 .....	312
MUREWA RURAL DISTRICT COUNCIL 2022.....	319
MUTARE RURAL DISTRICT COUNCIL 2021 AND 2022 .....	325
MUTASA RURAL DISTRICT COUNCIL 2022.....	330
MUTOKO RURAL DISTRICT COUNCIL 2022 .....	335
MUZARABANI RURAL DISTRICT COUNCIL 2021 AND 2022 .....	338
MWENEZI RURAL DISTRICT COUNCIL 2020 .....	342
NKAYI RURAL DISTRICT COUNCIL 2022 .....	349
NYAMINYAMI RURAL DISTRICT COUNCIL 2020 .....	351
NYANGA RURAL DISTRICT COUNCIL 2021 .....	360
PFURA RURAL DISTRICT COUNCIL 2021.....	366
RUNDE RURAL DISTRICT COUNCIL 2022 .....	369
RUSHINGA RURAL DISTRICT COUNCIL 2022 .....	372
SANYATI RURAL DISTRICT COUNCIL 2022.....	376
TONGOGARA RURAL DISTRICT COUNCIL 2021.....	381
TSHOLOTSHO RURAL DISTRICT COUNCIL 2020 .....	384
UMGUZA RURAL DISTRICT COUNCIL 2020 .....	390
UZUMBA MARAMBA PFUNGWE ZVATAIDA RURAL DISTRICT COUNCIL 2022.....	397
ZAKA RURAL DISTRICT COUNCIL 2021 .....	400
ZIBAGWE RURAL DISTRICT COUNCIL 2020 .....	402
ZVIMBA RURAL DISTRICT COUNCIL 2022 .....	405
<b>ANNEXURES .....</b>	<b>409</b>
ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY .....	410
ANNEXURE "B" AUDITS IN PROGRESS AND BEING FINALISED .....	436
ANNEXURE "C": AUDITS AT SIGNING STAGE.....	438
ANNEXURE "D": ACCOUNTS NOT SUBMITTED FOR AUDIT .....	439
ANNEXURE "E" SUBMISSION OF FINANCIAL STATEMENTS STATUS OF EACH LOCAL AUTHORITY 2018 - 2023 .....	441

## LIST OF ACRONYMS

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1. BIQ – Business Intelligence Quotient
2. CEO- Chief Executive Officer
3. EIA – Environmental Impact Assessment
4. EMA- Environmental Management Agency
5. FY - Financial Year
6. GAAP - Generally Accepted Accounting Practice
7. IPSAS - International Public Sector Accounting Standards
8. ISA - International Standards on Auditing
9. ISSAI - International Standards on Auditing for Supreme Audit Institutions
10. LAPF- Local Authorities Pension Fund
11. NEC- National Employment Council
12. NSSA - National Social Security Authority
13. OAG - Office of the Auditor-General
14. PAYE- Pay As You Earn
15. PFMA - Public Finance Management Act
16. PRAZ – Procurement Regulatory Authority of Zimbabwe
17. PSIP - Public Sector Investment Programme
18. SDL- Standards Development Levy
19. SLB- Service Level Benchmarking
20. UCPF- Urban Councils Pension Fund
21. UDCORP- Urban Development Corporation
22. UNICEF- United Nations Children Education Fund
23. USD - United States Dollars
24. VAT- Value Added Tax
25. ZIMDEF- Zimbabwe Manpower Development Fund
26. ZIMRA- Zimbabwe Revenue Authority
27. ZINARA- Zimbabwe National Roads Authority
28. ZINWA- Zimbabwe National Water Authority
29. ZRDCWU - Zimbabwe Rural District Council Workers' Union
30. ZUCWU - Zimbabwe Urban Councils Workers Union
31. ZWL - Zimbabwean Dollar Local

## DEFINITION OF TERMS

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“Local Authority” means a city council, municipal council, town council and local board established in terms of the Urban Councils Act [Chapter 29:15] or rural district council established in terms of the Rural District Councils Act [Chapter 29:13]. Local Authorities are established with the overall mandate of governing respective Council areas.

Local authorities are categorised into two groups which are:

A. Rural District Councils and

B. Urban Councils, in which a local authority can either be classified as a:

- i. City Council,
- ii. Municipality,
- iii. Town Council and
- iv. Local Board.

“Generally Accepted Accounting Practice” - means accounting practices and procedures that are consistent with the PFM Act and are recognized by the accounting profession as appropriate for reporting financial information relating to a public entity.

“Consolidated financial statements” - in relation to annual financial statements, means to combine the annual financial statements of reporting unit, public entity and constitutional entity.

“Misstatement of financial statements”- According to the International Standards on Auditing (ISAs) misstatements represents: “A difference between the amount, classification, presentation or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework”.

### Types of audit opinions

- “Adverse audit opinion” – The financial statements contain material misstatements that are not confined to, or misstatements represent a substantial portion of the financial statements.
- “Disclaimer of opinion” – The auditor has not been able to obtain sufficient to provide a basis of an audit opinion. The lack of sufficient evidence is not confined to specific not confined to, or represents a substantial portion of the financial statements.
- “Qualified audit opinion” – The financial statements contain material misstatements in specific amounts, or there is insufficient evidence to conclude that specific amounts included in the financial statements are not materially misstated.
- “Unqualified / clean audit opinion” – The financial statements contain no material misstatements.



## **PREAMBLE**

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### **Introduction**

This report contains the results of audits of Local Authorities following the end of the 2023 financial year. The primary purpose of financial statements is to provide relevant and reliable information to users about a reporting entity's financial position and financial performance. In public sector, the users of financial statements include various stakeholders, inter alia, parliament, development partners and the public at large. The objectives of financial statements audit in the public sector are often broader than expressing an opinion on whether the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework but also to address service delivery issues. Local Authorities service delivery is critical in improving the quality of life of citizens.

### **Mandate**

My mandate is set out in the Constitution of Zimbabwe Amendment (No. 20) Act, 2013 and amplified in the Audit Office Act [Chapter 22:18]. I am required to audit and report to the Parliament my findings on the examination of accounts of all public entities. In fulfilling this mandate, I do contract from time to time, some of the audits to public auditors registered in terms of the Public Accountants and Auditors Act [Chapter 27:12] as stated in Section 9 of the Audit Office Act [Chapter 22:18]. Accordingly, I have included audit findings from such auditors in this report.

### **Basis of preparation of Local Authorities financial statements**

Management of public funds is governed primarily by the Constitution of Zimbabwe Amendment (No. 20) Act, 2013 and the Public Finance Management Act [Chapter 22:19]. Section 37 of the Public Finance Management Act [Chapter 22:19] requires all public entities' financial statements to be prepared in accordance with Generally Accepted Accounting Practice (GAAP). This is interpreted as comprising International Financial Reporting Standards (IFRSs) and International Public Sector Accounting Standards (IPSASs). IFRSs and IPSASs comprise interpretations adopted by the International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board (IPSASB) which sets standards so that financial statements can be consistent, transparent and comparable around the world.

Local Authorities have made efforts to prepare financial statements that comply with IPSASs/ IFRSs reporting framework, however, full compliance could not be achieved during the period ended December 31, 2018 – 2021 due to issues emanating from non-compliance with International Accounting Standards (IAS) 21/ International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates". This was due to the fact that in February 2019, the Government of Zimbabwe issued Statutory Instrument (S.I.) 33 of 2019 (S.I.) 33, which prescribed parity between the US dollar and local currency. S.I. 33 also prescribed the manner in which certain balances in the financial statements were to be treated as a consequence of the recognition of the RTGS\$ as currency in Zimbabwe. The requirements of S.I. 33 of 2019 precluded public entities from complying with IAS 21/ IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates". Although, the assessment of the impact of complying with S.I. 33 was done on a case-by-case basis, adherence to the statutory instrument resulted in a significant number of Local Authorities being unable to comply with IPSAS/IFRSs. This therefore formed the basis for adverse and qualified opinions for the Local Authorities that have received adverse opinion due to non-compliance to standards.

Local Authorities that have received modified opinions for 2021 and 2022 financial years were due to inability to adjust for misstatements on the opening balances by not applying the requirements of International Public Sector Accounting Standards (IPSAS) 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”.

### **Audit approach**

I conducted my audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and the International Standards on Auditing (ISAs). These Standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. In this regard, my audit approach was designed to enable me to express an opinion on the Local Authorities’ financial statements.

All aspects of the Local Authorities’ activities and processes may not have been examined. I consider maintenance of adequate internal controls to be the responsibility of management. My audits cannot therefore be expected to identify all weaknesses in the systems and processes, which a special investigation directed at those areas might reveal. As to the possibility of fraud, I plan my audits 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.

### **Audit opinions**

The principal objective of my audit procedures is 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. Where I have issued an unqualified/ clean, qualified and adverse opinion, I believe that the audit evidence I have obtained is sufficient and appropriate to provide the basis for my opinion of the respective financial statements. Where an entity received a disclaimer of opinion its merely because I was unable to obtain sufficient appropriate audit evidence to express an opinion.

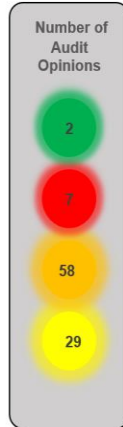
In this report I have issued two (2) unmodified/ clean opinions, seven (7) disclaimer of opinions, twenty-nine (29) qualified opinions, and fifty-eight (58) adverse opinions for non- compliance with the standards in particular IPSAS 3 – “Accounting policies, changes in accounting estimates”, IPSAS 17 – “Property, plant and equipment”, IPSAS 4 – “The effects of changes in foreign exchange rates”, and because of, inter alia, incomplete asset registers, unsupported journals, incomplete records of inventories, unsupported expenditure and suspense accounts.

<b>Opinion</b>	<b>2023</b>
Unqualified / Clean	2
Disclaimer	7
Adverse	58
Qualified	29
<b>Total</b>	<b>96</b>

Audit Opinions included in this report

Key

Unqualified / Clean	
Disclaimer	
Adverse	
Qualified	



## Report structure

The report outlines material audit findings noted during the audits of the financial statements of Local Authorities. Also included under each audited client are possible risks / implications associated with the audit findings, audit recommendations, management responses in respect of the findings and evaluation of management responses where necessary. I also made a follow up on my prior year recommendations on findings that I reported in the previous annual reports. I have reported on the progress towards addressing these findings. 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.

## Acknowledgements

My special tribute goes to the various audit firms, UDCORP and our valued clients who made it possible for me to submit my report for the year under review. I also extend my indebtedness to our development partners for their unwavering financial and technical support and to our printers for their invaluable co-operation. Finally, I extend my sincere gratitude to my management and staff for their continued commitment and dedication to duty. Without all this support, the production of this report could not have been possible.

HARARE  
June 18, 2024.

**R. KUJINGA,**  
**ACTING AUDITOR-GENERAL.**

**EXECUTIVE SUMMARY**

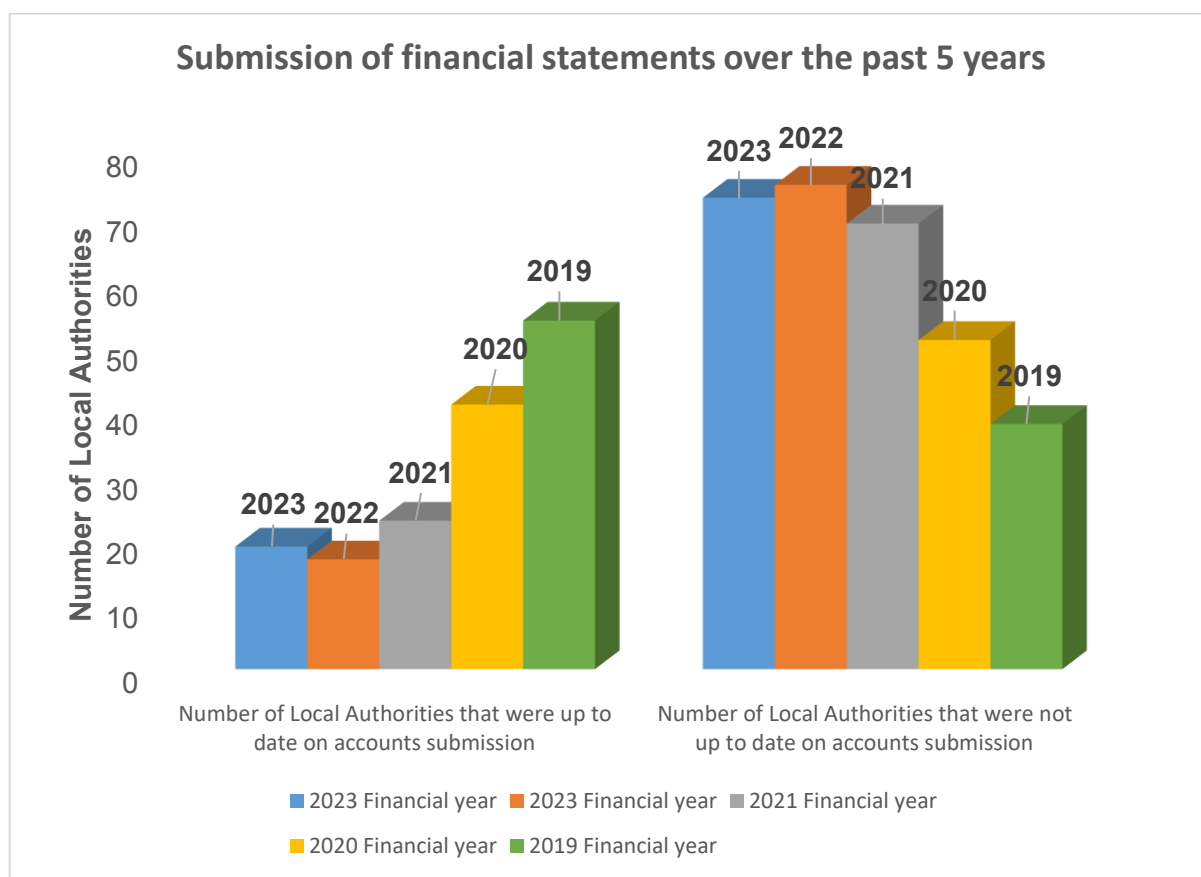
This report covers the results of the audit of ninety-eight (98) financial statements of eighty-six (86) Local Authorities. The financial statements audited comprises of the statement of financial position, statement of financial performance, statement of changes in net assets, statement of cash flows and notes to the financial statements. The report highlights key audit findings noted during the audits and recommendations on how issues raised may be addressed in order to improve public sector transparency, accountability, good corporate governance and service delivery.

Although there has been efforts in submitting the financial statements for audit by Local Authorities at the time of producing this report, in relation to 2020, 2021, 2022 and 2023 financial years, ninety-eight (98) financial statements that were submitted for audit have been completed while sixty-nine (69) financial statements that were submitted for audit were in progress and some being finalized. However, only nineteen (19) Local Authorities have submitted financial statements up to financial year ended December 31, 2023, while seventy-three (73) Local Authorities were yet to submit financial statements for the year ended December 31, 2023. The graph below, Annexure D and E illustrates the submission status.

Below are graphs on submission of financial statements;



## Five-year trend analysis on submission of financial statements

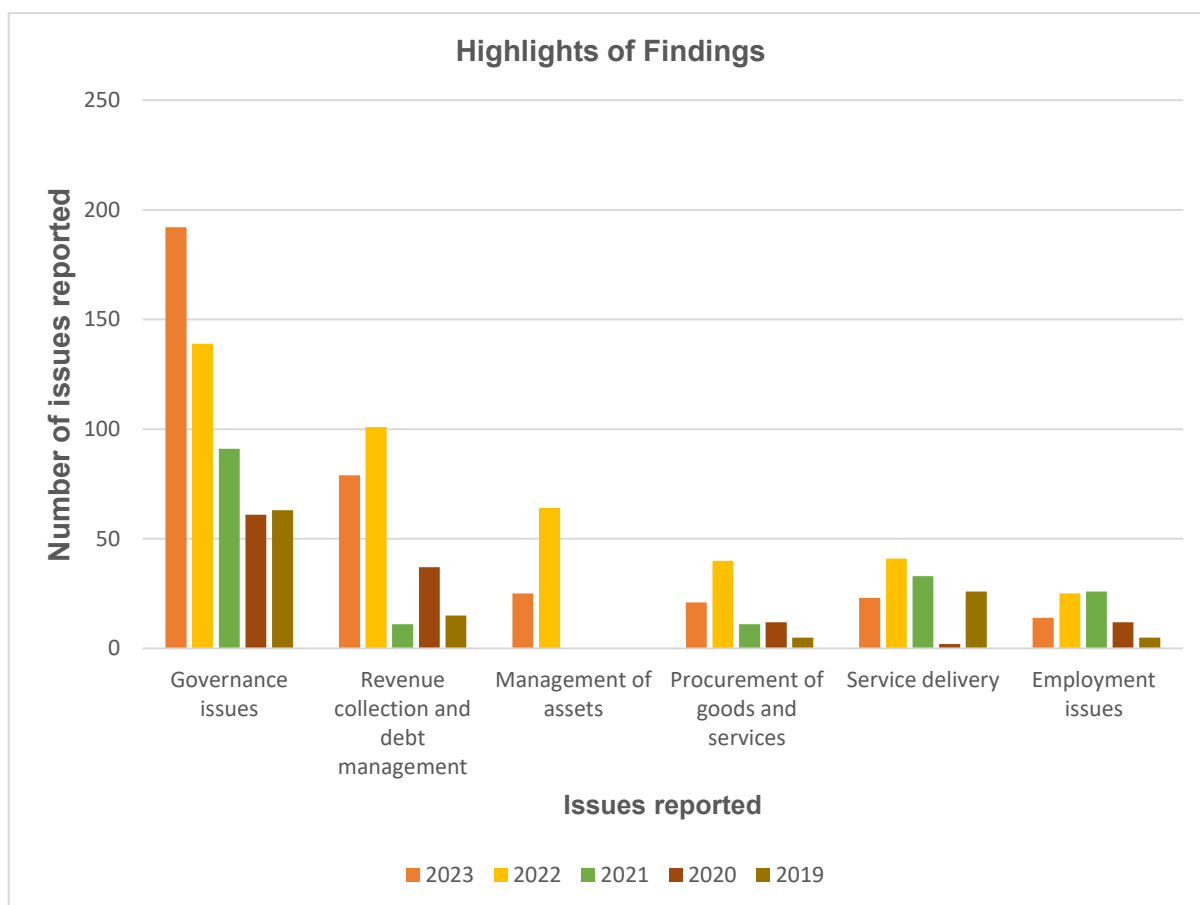


	2023 Financial year end	2022 Financial year end	2021 Financial year end	2020 Financial year end	2019 Financial year end
	2023 AG's Report	2022 AG's Report	2021 AG's Report	2020 AG's Report	2019 AG's Report
Number of Local Authorities that were up to date on accounts submission	19	17	23	41	54
Number of Local Authorities that were not up to date on accounts submission	73	75	69	51	38
<b>Total</b>	<b>92</b>	<b>92</b>	<b>92</b>	<b>92</b>	<b>92</b>

### Highlights

The audit covered aspects on governance issues, revenue collection and debt recovery, management of assets, procurement of goods and services, employment issues and service delivery.

Below is a graphical and tabulated overview of the aspects covered during the audit.



	2023	2022	2021	2020	2019
Governance issues	190	139	91	61	63
Revenue collection and debt recovery	81	101	11	37	15
Management of assets	25	64	0	0	0
Procurement of goods and services	21	40	11	12	5
Service delivery	23	41	33	2	26
Employment issues	14	25	26	12	5
Total	354	410	172	124	114

### Governance issues

There was an increase in reported issues on governance issues from one hundred and thirty-nine (139) reported in 2022 report to one hundred and ninety (190). In this report there are instances of weak internal control over inventory, cash management, absence of bank reconciliations, unsupported adjustments, incomplete records and late submission of financial statements. Late submission of financial statements creates gaps for accountability and this has resulted in most of Local Authorities not able to avail supporting documents and reconciling variances noted during the audit. In addition, majority of the Local Authorities were lagging behind in embracing technology as most of their business processes were still manual or partially automated. Lack of full automation of accounting systems resulted in late submission of financial statements and due to lapse of time, document retention is compromised resulting in incomplete records. In light of the above, Local Authorities and those in charge of governance are therefore encouraged to embrace Government's thrust on implementation of Information Communication Technology such as E-procurement and E-filing and bring their books to current.

## **Revenue collection and debt recovery**

I reported eighty-one (81) findings in respect of revenue collection and debt recovery. Local Authorities are losing revenue due to the absence of complete/ updated databases for their various revenue streams. Most of the Local Authorities' revenue collection processes were not automated. I noted instances of non-billing of revenue and unresolved variances between the revenue records and the reported figures in the financial statements. Most Councils were recognizing revenue on cash basis because of not billing therefore their receivables were incomplete.

## **Procurement of goods and services**

I reported twenty-one (21) issues in respect of procurement of goods and services. There were instances of unsupported expenditure on the procurement of non-current assets. Kadoma City Council procured the services of converting a pick-up truck into an ambulance at a cost of USD 22 500 and paid USD 13 500 without following procurement procedures. As a result, the service was not yet provided for as at the time of this report. In addition, Gweru City Council could not avail procurement supporting documents in respect of assets acquired during the year amounting to ZWL\$9.8 million. Therefore, Local Authorities may need to strengthen the due diligence processes to include evaluation of capacity to deliver the goods to be procured.

## **Management of assets**

I reported twenty-five (25) issues in respect of management of assets. The majority of Local Authorities did not maintain comprehensive asset registers which would have enabled accountability of public assets. In addition, Local Authorities' assets were not revalued to reflect fair values at the reporting date as required by the reporting frameworks. Under the current environment, assets will be under-valued without constant revaluations. In addition, the useful lives were not reviewed to assess the asset and plan for the replacement of these assets a practice that will enhance service delivery.

## **Service delivery**

Service delivery issues remained a challenge for the majority of the local authorities. I reported twenty-three (23) findings on service delivery issues. A number of Local Authorities are experiencing growth however facilities have not been upgraded to match with the growth. Water, sewerage infrastructure and waste management were not being upgraded to match the growth. I appreciate Government's efforts for Local Authorities for the support in devolution which should be utilized to support service delivery.

## **Employment issues**

Some of the Local Authorities had salary arrears which were not supported by list of employees. The amounts owed were not reconciled to the payroll and the ledger accounts as well as to the financial statements figures resulting in unresolved variances. In addition, some Local Authorities management were awarded allowances and benefits which were not subjected to tax. This was noted in Local Authorities that include Chegutu Municipality, Chinhoyi Municipality, Gokwe Town Council, Kariba Municipality and Zvishavane Town Council.

## Progress in addressing prior year audit findings

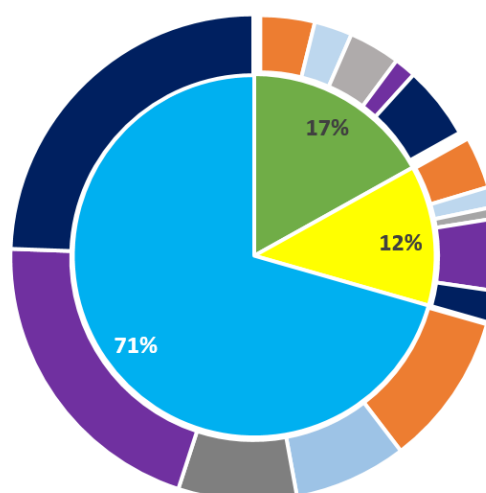
I followed up five hundred and thirty-three (533) audit findings that I reported in the 2020-2022 annual reports and noted that eighty-eight (88) audit findings were addressed sixty-five (65) were partially addressed while three hundred and eighty (380) were yet to be addressed by eighty-six (86) local authorities that I have audited and completed.

The progress made is further analysed below:

**Status on prior year issues as per 2023 AG's Report**

Inner circle pie chart	
Key	
Addressed	
Partially addressed	
Not addressed	

Outer circle pie chart	
Key	
City Council	
Municipality	
Town Ciuncils	
Local Boards	
Rural District Council	



Findings	2023 AG's Report		2022 AG's Report	
	Number	Percentage	Number	Percentage
Addressed	88	17%	39	18%
Partially addressed	65	12%	28	13%
Not addressed	380	71%	154	69%
<b>Total</b>	<b>533</b>	<b>100%</b>	<b>221</b>	<b>100%</b>

## Conclusion

The issues I have raised above if not addressed, service delivery and efforts made to enhance transparency and accountability through various instruments may be compromised. Concerted efforts from those charged with governance is required to put in place measures to address reported weaknesses in order to enhance transparency, accountability, good corporate governance and service delivery.



## **CITY COUNCILS**

## **BULAWAYO CITY COUNCIL 2019 AND 2020**

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I have audited the financial statements of Bulawayo City Council for the years ended December 31, 2019 and 2020. The Council's reporting framework was not explicit as to whether it was International Public Sector Accounting Standards (IPSAS) or International Financial Reporting Standards (IFRS). The financial statements were prepared with reference to the Urban Councils Act [*Chapter 29:15*] and the Public Finance Management Act [*Chapter 22:19*]. As a result, the financial statements were not suitable for other purposes.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Basis of preparation**

##### **Finding**

The Council's reporting framework was not explicit as to whether it was IPSAS or IFRS. The financial statements were prepared with reference to the Urban Councils Act [*Chapter 29:15*] and the Public Finance Management Act [*Chapter 22:19*]. As a result, the financial statements were not suitable for other purposes.

##### **Risk / Implication**

The financial statements may lack comparability and may not be useful to the users.

##### **Recommendation**

The Council should consider early adoption of IPSAS financial reporting framework.

##### **Management response**

**Council, together with all local authorities, was given a moratorium to prepare IPSAS-compliant financial statements with effect from the 2024 financial year. Council is currently in the process of adopting IPSAS.**

#### **1.2 Existence, completeness, ownership and valuation of property, plant and equipment**

##### **Finding**

The Council did not maintain a comprehensive asset register during the year. Land held for determined and undetermined future use was also not included in the asset register. Most of the Council's immovable property were not registered by way of title deeds, and some long-term assets that are above 30 years old were carried at nil value.

**Risk / Implication**

Theft, fraud and asset misappropriation.

Lack of tradeable security to access finance for development.

**Recommendation**

The Council should maintain an up-to-date asset register.

The City Valuer, Engineering Services department and parent Ministry should also assist with determining financial values for all long-term assets that are carried at nil values.

**Management response**

**Council has plans to complete the asset register in year 2025. At the time of this audit, Council had its assets record kept in an Excel file and plans are underway to load it into its ERP. Additionally, as part of the IPSAS adoption that the Council is undertaking they will also identify all assets that have service potential or future economic benefits and undertake a valuation exercise to confirm the existence, valuation and completeness of assets. Government determines the boundaries of the City through a statutory instrument. Thereafter Government through S.Is. will incorporate more land as the need arises. S.I. 212 of 1999 defines the land owned by Council both for determined and undetermined land uses. Additionally, control of assets for financial reporting purposes is also determined via multiple forms not limited to legal ownership and so Council is taking all factors into consideration as it is updating its asset register**

**1.3 Valuation of capital investment in City of Kings Business Ventures****Finding**

Included in the financial statements was a capital investment in City of Kings Business Ventures carried at nil value. This entity did not issue financial statements since 2009. Management believed that this capital investment was fully impaired considering its loss-making position since 2009 and assigned a nil value to the investment. The Council did not comply with section 49(2)(c) of the Public Finance Management Act [*Chapter 22:19*] which requires public entities to disclose the financial statements of any subsidiaries in the Council's financial statements.

**Risk / Implication**

Asset undervaluation.

**Recommendation**

Council should ensure that City of Kings Business Ventures is audited on an annual basis.

The Council should include financial statements of the subsidiary in line with the Public Finance Management Act.

## **Management response**

Management believes that this capital investment is fully impaired considering its loss-making position since 2009 hence the decision to assign a nil value to it. With the IPSAS adoption exercise management will also perform an evaluation of whether any assets may be recognised as per IPSAS rules.

### **1.4 Valuation of equity investment in Tetrad Investment Bank Limited**

#### **Finding**

The Council had an equity investment in Tetrad Investment Bank Limited carried at ZWL\$526 220 for 2019 and 2020. The provisional judicial management of the bank was lifted in October 2018 following successful conclusion of a scheme of the arrangement involving conversion of debt to equity. I was unable to obtain sufficient appropriate audit evidence about the valuation and equity interest of the Council's investment in the bank.

#### **Risk / Implication**

Asset undervaluation.

#### **Recommendation**

Council should engage Tetrad with a view to determine Council's equity interest therein as press reports indicate that the entity voluntarily surrendered its banking licence in 2023 and has since converted itself into a property management firm.

## **Management response**

The initial measurement of the equity was based on the value of the debt as per the scheme of arrangement. The conversion of debt to equity happened in 2020. Fair value could not be obtained as there was no active market for Tetrad shares given to creditors. With the adoption of IPSAS 46 – “Measurement”, management will use the estimation provisions to determine and future fair value of the investment.

### **1.5 Completeness of trade and other payables**

#### **Finding**

Creditors' reconciliation statements were not being prepared and I was unable to satisfy myself as to the adequacy of internal controls over trade and other payables.

#### **Risk / Implication**

Theft, fraud and asset misappropriation.

#### **Recommendation**

The Council should perform creditors' reconciliations on a regular basis.

## **Management response**

**Council has since introduced creditor reconciliations**

### **1.6 Completeness of revenue from service charges and property taxes to ratepayers**

#### **Finding**

Monthly invoices generated by the Council's reporting system for service charges and property taxes were not sequentially numbered. There were significant gaps in generated invoice numbers for the year for which management was unable to provide satisfactory explanations.

#### **Risk / Implication**

Theft, fraud and asset misappropriation.

#### **Recommendation**

Generated revenue invoices should be sequentially numbered.

## **Management response**

**This matter will be addressed in future.**

### **1.7 Occurrence, measurement, and completeness of royalty income**

#### **Finding**

The Council accrued royalty income receivable from Zimbabwe Electricity Supply Authority (ZESA) Holdings (Private) Limited through Zimbabwe Power Company (Private) Limited. The royalty income arose after ZESA Holdings (Private) Limited was awarded the sole mandate of electricity power generation in the country in 1987, taking over from local authorities. The cumulative amount receivable from ZESA as at the reporting date was ZWL\$798 million (2019: ZWL\$208.2 million). I was therefore unable to obtain sufficient appropriate audit evidence about the amount recognized as royalty income during the year and the valuation and recoverability of the corresponding receivables attributable to royalties.

#### **Risk / Implication**

Asset impairment.

#### **Recommendation**

Council should assess the royalty income receivable on an annual basis for any evidence of impairment in line with the applicable financial reporting framework.

## **Management response**

**As long as the High Court judgement (in favour of City of Bulawayo and other 3 local authorities) is in place ZESA has an obligation to pay and accrual will continue.**

### **1.8 Public contributions and inventory donations**

#### **Finding**

The Council had revenue from public contributions and inventory donations amounting to ZWL\$50.8 million (2019: ZWL\$3.1 million). The Council received income from public contributions and inventory donations which could not be fully controlled until they had been recorded. As they were not contractual, the donations were neither fixed nor determinable until such a time that they have been entered in the Council's accounting records or received from benefactors. Therefore, I could not determine the completeness and accuracy of revenue from public contributions and inventory donations.

#### **Risk / Implication**

Theft, fraud and asset misappropriation.

#### **Recommendation**

The Council should have a donations policy in place.

## **Management response**

**Council has a Donations Policy which outlines the processes of receiving, recording and valuation of donations. The Council has also managed to get records from NatPharm of donated medicines and drugs and is now able to account for this significant donation. IPSAS 47 – “Revenue” and IPSAS 12 – “Inventories” recognition principles will also lead to updating of the Council's policy towards the recording of the inventory.**

### **1.9 Bank reconciliations**

#### **Finding**

The Council did not prepare bank reconciliations for two (2) Nostro Export bank accounts. This was contrary to the Council's procedure manual which requires reconciliations to be prepared on a monthly basis and monthly reports to be printed and filed.

#### **Risk / Implication**

Financial loss due to fraud and errors.

#### **Recommendation**

Bank reconciliations should be prepared and reviewed timely on a monthly basis.

## **Management response**

The two (2) Banc ABC accounts are Nostro Export accounts which were explained. The accounts will be reconciled and maintain a negative balance pending resolving of the outstanding query with the bank.

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2020 annual report. I raised eleven (11) findings, five (3) were addressed and eight (8) findings were not addressed as indicated below;

### **2.1 Asset register**

The finding was not addressed. Council was not maintaining a comprehensive asset register.

### **2.2 Policies and manuals**

The finding was not addressed. Policies are yet to be put in place.

### **2.3 Billing**

The finding was not addressed. There were significant gaps in generated invoice numbers and invoices were not sequentially numbered.

### **2.4 Water losses**

The finding was not addressed. Council did not accrue royalty income receivable.

### **2.5 Donations**

The finding was not addressed. The Council's accounting and internal control systems for receipting and recording of donations were still inadequate.

### **2.6 Bank reconciliations**

The finding was not addressed. Bank reconciliation statements were not prepared.

### **2.7 Tax on benefits**

The finding was addressed. The Council deducted income tax on employee benefits.

### **2.8 Sewerage and decomposed gravel tariffs**

The finding was addressed. The tariffs for trade effluent and decomposed gravel charges were effected.

## **2.9 Repairs of water pipes**

The finding was not addressed. Council did not repair water pipes due to cash flow challenges.

## **2.10 Prepaid tuition fees**

The finding was addressed. The Council correctly accounted for prepaid tuition fees.

## **2.11 Obsolete equipment at the Thorngrove sewer purification plant**

The finding was not addressed. The Council did not replace the equipment due to cash flows challenges.



## **GWERU CITY COUNCIL 2020**

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I have audited the financial statements of Gweru City Council for the year ended December 31, 2020 and I issued a disclaimer of opinion.

### **Disclaimer of Opinion**

I do not express an opinion on the financial statements of Gweru City Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for Disclaimer of Opinion**

#### **i. Opening balances translated at an inappropriate exchange rate**

The prior year financial statements did not comply with the requirements of International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates", as the Council was unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the inter-bank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019. Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US\$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at inter-bank rate. The exchange rate used did not meet the definition of spot rate as defined by IPSAS 4. In that regard, the Council's 2020 opening balances misstatements have a material impact on the accuracy of current year financial statements.

#### **ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies"**

The Council did not adjust the financial statements for inflation contrary to the requirements of IPSAS 10 - "Financial Reporting in Hyper-Inflationary Economies" which requires the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the reporting date. On October 11, 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10- "Financial Reporting in Hyper-Inflationary Economies" in Zimbabwe had been met and the standard should be applied from July 01, 2019 and financial statements of entities with year-end on or after this date should be hyper inflated. Had the Council applied the requirements of IPSAS 10 - "Reporting in Hyper-Inflationary Economies" the financial statements would have been materially affected.

**iii. Expenditure**

The Council reported expenditure amounting to ZWL\$81.2 million which was not supported by documentation such as supplier invoices and receipts. In addition, there were unsupported journals amounting to ZWL\$24.5 million. I was therefore unable to satisfy myself on the accuracy and validity of expenses reported in the financial statements.

**iv. Payables**

There was an unresolved variance of ZWL\$20.3 million between payroll payables of ZWL\$76.2 million disclosed in the financial statements and the balance of ZWL\$55.9 million as per payroll payables listing. In addition, there was an unresolved variance of ZWL\$2.8 million between balance as per trade payables listing of ZWL\$122.6 million and the balance disclosed in the financial statements of ZWL\$119.8 million. There were unsupported journals amounting to ZWL\$21.4 million. As a result, I was unable to satisfy myself as to the completeness and validity of accounts payables disclosed in the financial statements.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment”.**

The Council’s infrastructure assets such as road networks, sewer reticulation systems and bridges were not accounted for in the financial statements. This was contrary to IPSAS 17 - “Property, Plant and Equipment” paragraph 21 which requires infrastructure assets to be accounted for as part of property, plant and equipment. The Council did not maintain a comprehensive fixed asset register and the property, plant and equipment items were last revalued in 2010. This was contrary to the requirements of IPSAS 17- “Property, Plant and Equipment” paragraph 44 which requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

In addition, there were no supporting documents such as supplier invoices and receipts for asset purchases made during the year amounting to ZWL\$9.8 million. As a result, I was unable to satisfy myself on the completeness, accuracy and valuation of property, plant and equipment reported in the financial statements.

**vi. Cash and cash equivalents**

There were no supporting cash books, bank reconciliation statements and bank statements for bank balances amounting to ZWL\$17.2 million reported in the financial statements. There was an unresolved variance amounting to ZWL\$11.4 million between the PROMUN system cashbook balance of ZWL\$26.3 million and cash and cash equivalents of ZWL\$37.6 million disclosed in the financial statements. The Council also posted unsupported journals totalling ZWL\$32.4 million increasing the reported cash and cash equivalents balance in the financial statements.

**vii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 – “Inventories”.**

There was an unresolved variance of ZWL\$9.9 million between ZWL\$12.1 million balance as per financial statements and the balance of ZWL\$2.1 million as per the supporting inventory schedule. In addition, the Council did not account for stands inventory contrary to IPSAS 12 – “Inventories” which requires stands ready for sale to be recognised as inventory. As at year end, Council could not ascertain the value and size of the stands, and the matter remain unresolved. Therefore, I could not verify the correctness, validity and valuation of inventory amount disclosed in the financial statements.

**viii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23 – “Revenue from Non-Exchange Transactions”.**

The Council recognised beer levy revenue amounting to ZWL\$5.6 million on cash basis contrary to IPSAS 23 – “Revenue from Non-Exchange Transactions” which requires revenue to be accounted for using the accruals basis. The extent of misstatement could not be quantified due to unavailability of supporting beer statistics. In addition, there was an unresolved variance of ZWL\$3.1 million between registration fees disclosed in the financial statements amounting to ZWL\$13.5 million and the corresponding amount per the registration fees supporting schedule total of ZWL\$10.4 million. As a result, I could not satisfy myself as to the accuracy of revenue reported in the financial statements.

**ix. Non-compliance with International Public Sector Accounting Standard (IPSAS) 35 – “Consolidated Financial Statements”.**

The Council did not consolidate the results of its subsidiary, “Go Beer Investments”, in the 2020 financial statements. This was contrary to IPSAS 35 - “Consolidated Financial Statements” paragraph 5 which requires a controlling entity to prepare consolidated financial statements. Had the Council complied with the requirements of IPSAS 35 – “Consolidated Financial Statements”, the financial statements would have been materially different.

**x. Receivables**

There was an unresolved variance of ZWL\$820 thousand between the receivables balance of ZWL\$401.7 million disclosed in the financial statements and the balance of ZWL\$402.5 million as per supporting debtors listing. I was therefore unable to satisfy myself on the accuracy and valuation of receivables reported in the financial statements.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Cash and cash equivalents**

#### **Finding**

There were no supporting cash books, bank reconciliation statements and bank statements for bank balances amounting to ZWL\$17.2 million reported in the financial statements. There was an unresolved variance amounting to ZWL\$11.4 million between the PROMUN system cashbook balance of ZWL\$26.3 million and cash and cash equivalents of ZWL\$37.6 million disclosed in the financial statements. The Council also posted unsupported journals totalling ZWL\$32.4 million increasing the reported cash and cash equivalents balance in the financial statements.

#### **Risk / Implication**

Misstatement of financial statements.

Fraud and errors may go undetected.

#### **Recommendation**

Bank reconciliations should be performed regularly for all corresponding cash books.

Council should investigate all variances and make necessary adjustments.

#### **Management response**

**Management is agreeable to all the recommendations and will engage the system service provider to look into and resolve teething issues within the system. These were mainly due to challenges with the PROMUN system and lacked support service from the system service provider.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Beer levy**

#### **Finding**

The Council recognised beer levy revenue amounting to ZWL\$5.6 million on cash basis. This was contrary to International Public Sector Accounting Standard (IPSAS 23) – “Revenue from Non-Exchange Transactions” which requires revenue to be recognised on accruals basis. The Council did not obtain beer sales schedules from the brewers for the year ended December 31, 2020 contrary to the Traditional Beer Act [*Chapter 14:24*] section 15, which requires the Council to obtain beer sales schedules.

In addition, there was an unresolved variance of ZWL\$3.1 million between registration fees disclosed in the financial statements amounting to ZWL\$13.5 million and the corresponding amount per the registration fees supporting schedule total of ZWL\$10.4 million.

**Risk / Implication**

Misstatement of financial statements.

Loss of revenue.

**Recommendation**

Council should obtain beer sales schedules from the brewers.

The Council should investigate and make necessary adjustments.

**Management response**

**Observation is noted. Management will engage the brewer on the possibility of them supplying the Council with schedules of beer sales quantities.**

**The official in charge of reconciliations has been tasked to investigate the differences and the adjustments will be done in the coming financial years.**

**3. ASSETS MANAGEMENT****3.1 Asset revaluation****Finding**

The Council's infrastructure assets such as road networks, sewer reticulation systems and bridges were not accounted for in the financial statements. This was contrary to International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment" paragraph 21 which requires infrastructure assets to be accounted for as part of property, plant and equipment. The Council did not maintain a comprehensive fixed asset register and the property, plant and equipment items were last revalued in 2010. This was contrary to the requirements of IPSAS 17- "Property, Plant and Equipment" paragraph 44 which requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

In addition, there were no supporting documents such as supplier invoices and receipts for asset purchases made during the year amounting to ZWL\$9.8 million.

**Risk / Implication**

Misstatements of financial statements.

Financial loss due to fraud or unauthorized expenditure.

## **Recommendation**

Management should consider to revalue all its assets with sufficient regularity in compliance with IPSAS 17.

All assets acquisition should be adequately supported with relevant documentation.

## **Management response**

**Observation noted. Management has not revalued its assets since 2010 and will go to tender for the revaluation exercise in 2024.**

**Management is in total agreement with the observation and will endeavor to improve its filing system. Council has been relying on students on attachment due to severe shortage of staff.**

## **4. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make no progress in addressing findings that I raised in my 2021 annual report. I raised eleven (11) findings, two (2) were addressed and the remaining nine (9) findings were not addressed as indicated below;

### **4.1 Reporting in Hyper-Inflationary Economies**

The finding was not addressed. Council did not prepare inflation adjusted financial statements as required by IPSAS 10.

### **4.2 Go Beer investment**

The finding was not addressed. Council did not consolidate its subsidiary “Go Beer Investments”.

### **4.3 Bank reconciliations**

The finding was not addressed. The Council did not perform bank reconciliations and clear variances.

### **4.4 Unsupported journals**

The finding was not addressed. The Council has not availed documents to support the processed journals entries.

### **4.5 Payables reconciliations**

The finding was not addressed. The Council did not perform payable reconciliations and still had unresolved variances in its payable balances.

### **4.6 Unsupported payables**

The finding was addressed. Supplier statements are now being kept on file.

#### **4.7 Receivables**

The finding was not addressed. The Council did not perform receivables reconciliations and still had unresolved variances on receivables balance.

#### **4.8 Debtors with credit balances**

The finding was not addressed. Debtors with credit balances were not investigated.

#### **4.9 Unsupported Expenditure**

The finding was not addressed. The Council did not avail supporting expenditure even for the December 31, 2020 period.

#### **4.10 Employees on acting positions**

The finding was addressed. The posts of Finance Director, Director of Engineering and Estates and Valuation Manager were filled.

#### **4.11 Property, plant and equipment and IPSAS 12- “Inventories”.**

The finding was not addressed. The Council did not account for its stands as inventory and its land as required by IPSAS 12 – “Inventories” and IPSAS 17 – “Property, Plant and Equipment”.

## **HARARE CITY COUNCIL 2020**

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I have audited the financial statements of Harare City Council for the year ended December 31, 2020 and I issued an adverse opinion.

### **Adverse opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Council as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

#### **i. Opening balances misstatements**

I issued a disclaimer of opinion on the financial statements for the year ended December 31, 2019 because I was unable to obtain sufficient appropriate audit evidence that the 2019 financial statements were based on credible underlying accounting records. I was also unable to verify these balances with any other alternative means. The effects of these non-compliance were considered material and pervasive because of the residual effects of misstatement of 2019 balances and the comparability of the current period's figures to that of the prior period.

#### **ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates” in the prior financial year.**

The Council did not comply with the provisions of International Public Sector Accounting Standard (IPSAS) 4- “The Effects of Changes in Foreign Exchange Rates” in the prior financial period, as it elected to comply with Statutory Instrument 33 of 2019 (SI 33/19). Had the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” been applied in the correct period from October 01, 2018, the adjustments that were recognised in the comparative 2019 period would have been materially different.

#### **iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 34 “Separate Financial Statements” and IPSAS 35 “Consolidated Financial Statements”**

The Council did not account for investment in its subsidiaries in the separate financial statements as required by IPSAS 34 - “Separate financial statements”. IPSAS 34 – “Separate Financial Statements” paragraph 12, requires an entity to prepare separate financial statements and to account for investments in controlled entities. In addition, the Council did not consolidate its subsidiaries. This was a non-compliance with IPSAS 35- “Consolidated financial statements” paragraph 5 which requires a controlling entity to present consolidated financial statements. Had the Council accounted for its investment in subsidiaries, the financial statements would have been materially different.



**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 18 – “Segment Reporting”**

The Council did not disclose its segments contrary to IPSAS 18 – “Segment Reporting” paragraph 52 which requires the City to disclose segments financial information. Had the Council disclosed its segments, the financial statements would have been materially different.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- “Property, plant and equipment”**

The Council recognised Property, plant and equipment amounting to ZWL\$13.3 billion for the year ended December 31, 2020. However, a disclaimer of opinion was issued on the prior year financial statements. Property, plant and equipment balances as at December 31, 2020 are materially affected by unverified carried forward balances from prior year.

**vi. Non-compliance with International Public Sector Accounting Standard (IPSAS) 16- “Investment Property”**

The Council recognised investment property amounting to ZWL\$119.8 million. A disclaimer of opinion was issued on the financial statements for the year ended December 31, 2019. Investment property balance as at December 31, 2020 is materially affected by unverified carried forward balances from prior year. I was unable to ascertain if the City’s investment property was appropriately accounted for in accordance with IPSAS 16- Investment property.

**vii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 – “Inventories” and IPSAS 27 – “Biological Assets”**

The Council recognised inventory amounting to ZWL\$604.1 million. However, I was unable to verify the valuation of stock items on hand as at December 31, 2020 due to the absence of supporting documentation. I could not verify unit costs by alternative means.

In addition, Council recognised inventory from agricultural activities amounting to ZWL\$174.5 million. However, the City did not value and disclose livestock at in accordance with IPSAS 27 which requires biological assets to be measured at fair value less costs to sell. Had the Council, measured its inventory from agricultural activities, the inventory balance would have been materially different.

**viii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 30- “Financial Instruments: Disclosures”**

The Council recognised receivables amounting to ZWL\$3.6 billion. The Council did not disclose information on the methods, assumptions and judgements used in the recognition and measurement of expected credit losses. I was also not availed information relating to the credit risk exposure and movements in the allowance for credit losses. This was contrary to IPSAS 30 – “Financial Instruments: Disclosures” which requires entities to disclose methods and assumptions applied in determining the fair values of each financial asset. I was unable to establish if the allowance for credit losses balance as at December 31, 2020 was fairly stated.

**ix. Payables**

The Council recognised payables amounting to ZWL\$ 1.8 billion. However, the payables ledger was not properly updated for purchases and payments during the year under review. Management failed to provide a list of creditors making up the outstanding balance as at December 31, 2020. I was unable to verify the accuracy and completeness of payables by alternative means.

**x. Leave pay provision**

Council recognized Leave pay provision amounting to ZWL\$90.7 million. However, the leave pay provision was not based on actual leave days due to employees and their basic salaries as at December 31, 2020. I was unable to verify the basis of the provision reported in the financial statements by any other alternative means.

**xi. Non-compliance with International Public Accounting Standard (IPSAS) - 23 “Revenue from Non-Exchange Transactions”**

The Council recognized revenue from other income amounting to ZWL\$1.4 billion. However, I was unable to obtain sufficient audit evidence that management had properly accounted for revenue from other income totalling ZWL\$1.4 billion by alternative means.

**xii. Repairs and maintenance; water chemicals; and general expenses were not fairly stated.**

The City recognized expenditure from repairs and maintenance, water chemicals, and general expenses amounting to ZWL\$183.6 million, ZWL\$1.5 billion and ZWL\$1 billion respectively. However, the City was not processing expenditures as it occurred throughout the year under review. I was unable to determine whether the expenses were accurately and completely accounted for and I was unable to verify these expenses by alternative means.

**xiii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 20 – “Related Party Disclosures”**

The Council recognised remuneration of councillors amounting to ZWL\$640 000. However, I was unable to establish the accuracy and completeness of remuneration of councillors as the Council did not disclose related party transactions and balances per requirements of IPSAS 20 - Related Party Disclosures. IPSAS 20 – “Related Party Disclosures” paragraph 34 requires the City to disclose relationships involving control, even when there have been no transactions in between related-party transactions, management compensation including an analysis by type of compensation.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Dividend income**

#### **Finding**

The Council recognized dividend income amounting to ZWL\$27.5 million for the year ended December 31, 2020. I was not availed with supporting documents on the source of the dividend income received as the Council did not recognize any investments in associates, joint arrangements and subsidiaries except for City Parking.

#### **Risk / Implication**

Council could be prejudiced of revenue that it is entitled to.

#### **Recommendation**

Council should disclose the source of and appropriately account for dividend income.

#### **Management response**

**Efforts will be made to have the information on the dividends and other income due to the City from various investments portfolio and the agreed revenue sharing percentages.**

### **1.2 Other income**

#### **Finding**

The Council did not provide the supporting documents such as sale agreements and bank statements to support revenue generated from land sales.

There was limitation of scope as I was not provided with the supporting documents for the transactions which were recorded in the ledger as reconnection fees.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Management should avail the relevant supporting documents.

#### **Management response**

**The City will improve in record keeping to easily retrieve documents on request.**

**Noted, the transactions have been appropriately reclassified and going forward the City will improve on record keeping so that documents can be retrieved on request.**

### 1.3 Leave pay provision

Council recognized leave pay provision amounting to ZWL\$ 90.7 million. However, the leave pay provision was not based on actual leave days due to employees and their basic salaries as at December 31, 2020. I was unable to verify the basis of the provision reported in the financial statements by any other alternative means.

#### **Risk / Implication**

Misstatement of financial statements

#### **Recommendation**

Council should ensure that leave pay provision is based on actual leave days due to employees.

#### **Management response**

**Employee leave days are maintained on leave cards managed by departmental staff offices. However, the Belina system does not have an activated leave module and the service provider has been engaged with the possibility of including such module which should result in accurate determination of the leave pay provision.**

### 1.4 Property, plant and equipment

#### **Finding**

Property, plant and equipment balances as at December 31, 2020 were materially affected by unverified carried forward balances from prior year. In addition, the asset registers were kept on excel and there was no module in the accounting system maintaining property plant and equipment.

#### **Risk / Implication**

Misstatement of Property, plant and equipment

#### **Recommendation**

Council should improve its record keeping.

#### **Management response**

**Council will procure an Asset module for use in its current ERP.**

## 2 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised twenty-four (24) findings which were not addressed as indicated below;

## **2.1 Financial statements not supported by underlying accounting records**

The finding was not addressed. Council's financial statements were not supported by underlying accounting records.

## **2.2 Investments in other entities**

The finding was not addressed. Council did not consolidate its subsidiaries and account for its investments in associates.

## **2.3 Financial Reporting in Hyper-Inflationary Economies**

The finding was not addressed. Council did not adjust its financial statements for inflation correctly as required by IPSAS 10.

## **2.4 Property, plant and equipment**

The finding was not addressed. Council did not revalue its assets.

## **2.5 Investment Property**

The finding was not addressed. Council did not value its investment properties as required by IPSAS 16 – "Investment Property".

## **2.6 Inventories and biological assets**

The finding was not addressed. Council did not account for its inventory in line with IPSAS 12 - "Inventories and IPSAS 27 - "Agriculture".

## **2.7 Receivables from exchange transactions**

The finding was not addressed. An impairment assessment of outstanding receivables from non-exchange transactions was not performed.

## **2.8 Receivables from Non-exchange transactions**

The finding was not addressed. An impairment assessment of outstanding receivables from non-exchange transactions was not performed.

## **2.9 Prepayments**

The finding was not addressed. Council did not maintain proper records on prepayments.

## **2.10 Cash and bank balances**

The finding was not addressed. Council did not maintain proper records of its cash and bank balances.

### **2.11 Payables**

The finding was not addressed. The Council did not provide a list of creditors making up the outstanding balance of ZWL\$1.88 billion.

### **2.12 Borrowings**

The finding was not addressed. Council did not maintain proper records of its borrowings.

### **2.13 Deferred grant**

The finding was not addressed. Council did not maintain appropriate records of its deferred grant.

### **2.14 Equity / net assets**

The finding was not addressed. Council records to Equity / net assets are still poor.

### **2.15 Revenue from non-exchange transactions**

The finding was not addressed. Council did not maintain proper records of its Revenue from non-exchange transactions.

### **2.16 Revenue from exchange transactions**

The finding was not addressed. Council did not provide sufficient records for audit.

### **2.17 Employment costs**

The finding was not addressed. Council did not maintain proper records of its employment's costs.

### **2.18 General expenses**

The finding was not addressed. Council did not maintain proper records of general expenses.

### **2.19 Related Party Disclosures**

The finding was not addressed. No Related Party Disclosures were made.

### **2.20 Provisions, Contingent Liabilities and Contingent Assets**

The finding was not addressed. Council did not maintain proper records of provisions made.

### **2.21 Employee benefit obligations**

The finding was not addressed. Council did not maintain proper records of employee benefit obligations.

## **2.22 Reconciliation of cash and cash equivalents**

The finding was not addressed. Monthly bank reconciliations are not yet being done and reviewed.

## **2.23 BIQ System**

The finding was not addressed. Council is yet to comply with section 45 of the Public Finance Management Act [*Chapter 22:19*].

## **2.24 Disaster recovery and business continuity site**

The finding was not addressed. Management is yet to establish an offsite disaster recovery site

I have audited the financial statements of Kadoma City Council for the year ended December 31, 2022 and I issued a qualified opinion.

**Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kadoma City Council as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**Basis for Qualified Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment”**

The Council did not perform a revaluation of its property, plant and equipment since 2010. This was contrary to IPSAS 17- “Property Plant and Equipment” paragraph 44 which requires revaluations to be made with sufficient regularity to ensure that the carrying amounts of assets do not differ materially from the fair values at the reporting date. The Council also did not carry out an assessment of the residual value and useful life of its property, plant and equipment as required by IPSAS 17- “Property Plant and Equipment” paragraph 67. In addition, the Council depreciated its land contrary to IPSAS 17 - “Property Plant and Equipment” paragraph 74 which prohibits the depreciation of land. Had the Council carried out a revaluation exercise on its property, plant and equipment and separated land from buildings, the carrying amounts disclosed in the financial statements would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 16 - “Investment Property”**

The Council did not disclose the fair values of its investment property. This was contrary to IPSAS 16 – “Investment Property” paragraph 90(e) which requires the Council to disclose the fair value of investments property even when the entity uses the cost model. The departure from the disclosure requirements of IPSAS 16 was considered material.

**iii. Non-Compliance with International Public Sector Accounting Standard (IPSAS) 1- “Presentation of Financial Statements” and International Public Sector Accounting Standard (IPSAS) 18- “Segment Reporting”**

The Council did not account for revenue, expenses, receivables and payables of its six (6) schools in the financial statements. This was contrary to IPSAS 1- “Presentation of Financial Statements” paragraph 27, which requires financial statements to fairly present the financial position, financial performance and cash flows of an entity and IPSAS 18- “Segment Reporting” paragraph paragraphs 52-57, which requires the Council to disclose for each segment, assets, liabilities, revenue, and expenses. Had the Council complied with IPSAS 1- “Presentation of Financial Statements” and IPSAS 18- “Segment Reporting” in accounting for its schools, the financial statements would have been materially different.



**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23- “Revenue from Non-Exchange Transactions (Transfers and Taxes)”**

The Council recognised beer levy revenue for the year under review on cash basis instead of the accruals basis. This was contrary to IPSAS 23 - “Revenue from Non-Exchange Transactions” paragraph 19 which requires revenue to be recognised when it is probable that economic benefits will flow to the entity. I was not availed with evidence of any reconciliation or verifications of sales made by commercial brewers as there was no supporting evidence such as beer levy schedules. I was therefore, not able to determine the extent by which revenue was misstated and any adjustments that could have been necessary.

**1 GOVERNANCE ISSUES**

**1.1 Accounting for schools**

**Finding**

The Council did not account for revenue, expenses, receivables and payables of its six (6) schools in the financial statements. This was contrary to IPSAS 1- “Presentation of Financial Statements” paragraph 27, which requires financial statements to fairly present the financial position, financial performance and cash flows of an entity and IPSAS 18- “Segment Reporting” paragraph paragraphs 52-57, which requires the Council to disclose for each segment, assets, liabilities, revenue, and expenses.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should account for its Schools in the financial statements.

**Management response**

**We acknowledge the observation; in future the necessary steps will be taken to incorporate the schools in the financial reporting of Council. However, as this is a new development, Council will need to improve its role as the responsible authority to control the schools.**

**1.2 Valuation of property, plant and equipment**

**Finding**

The Council revaluation was last performed in 2010. The Council did not perform a revaluation of its property, plant and equipment with a carrying amount of ZWL\$253 million in order to reflect the current value of the assets in its financial records as required by International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment” paragraph 44 and 49. The standard require revaluation to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which could be determined using fair value at the reporting date.

In addition, the Council's land was not separated from the buildings, as a result land was depreciated together with the buildings. This was contrary to IPSAS 17 – “Property, Plant and Equipment” paragraph 74 which requires the separate recognition of land and buildings and prohibits the depreciation of land.

Council did not also disclose the fair values of Investment property as required by International Public Sector Accounting Standard (IPSAS) 16 – “Investment Property” paragraph 90 (e). The standard requires the Council to disclose the fair value of Investments property even when it is using the cost model to account for the investment property.

#### **Risk / Implication**

Financial statements may be misstated.

Users may be misled by inadequate disclosures.

#### **Recommendation**

Council should revalue its property, plant and equipment and assess their useful lives in accordance with IPSAS 17.

The Council should disclose the fair value of investment property.

#### **Management response**

**The assets revaluation exercise which was initiated in 2021 had a coverage which included property, plant and equipment which were being revalued to determine the fair values to be reported in the financial statements to facilitate compliance with the requirements of IPSAS 17. The exercise had however not been concluded by the reporting date, as a result, the property, plant and equipment fair values will be reported in the 2023 financial reporting period.**

### **1.3 Master plan**

#### **Finding**

The Council did not have an updated master plan that clearly outlines the layout, land use and development of the Kadoma City Council area. This was contrary to section 20(a) of the Regional Town and Country Planning Act [*Chapter 29:12*] which requires the planning authority to keep under constant examination and review factors which affect the planning area and to appropriately update the master plan.

#### **Risk / Implication**

Service delivery maybe compromised.

Unapproved establishments and sale of land.

## **Recommendation**

The Council should update its master plan in line with the provisions of Regional Town and Country Planning Act [*Chapter 29:12*].

## **Management response**

**A provision of USD150 000 was made for the master plan in the 2024 Budget. Council approval for the project has been obtained and preliminary works have commenced. Council targets to complete the masterplan by June 2024. A road map that ensures that the 30<sup>th</sup> June 2024 deadline has been drafted and a Council resolution with respect to the area to be covered and making use of devolution funds for the exercise has been sought and granted.**

### **1.4 Payroll deductions**

#### **Finding**

Council was not up to date in remitting payroll deductions due to cash flow challenges. As at December 31, 2022, the Council was owing a total of ZWL\$59.8 million to payroll related creditors including NSSA, medical aid, funeral policies and trade union.

#### **Risk / Implication**

Employees may be demotivated leading to compromised services.

#### **Recommendation**

Council should have effective debt collections strategies to improve their cash flow.

Council should make payment plans in light of cash flow challenges to avoid penalties.

#### **Management response**

**We acknowledge the observation. In some cases, Council has payment plans and stop order arrangements with creditors but Council sometimes fails to fulfil the terms of those payment plans. Council will work on improving collections to deal with the many creditors that it is failing to pay on time.**

### **1.5 Internal audit reports**

#### **Finding**

Internal audit reports availed for audit were not being responded to on time. There were reports that took nine (9) to twenty (20) months for management to respond. This was contrary to Statutory Instrument 144 of 2019. (Treasury Instructions), paragraph 161 (4) which requires the accounting officer and heads of department to promptly respond to internal audit observations not later than the expiration of two months from the date of receipt and to inform the Auditor-General and Accountant General reasons for the delay and timelines within which such responses will be availed.

**Risk / Implication**

Weak internal control environment exposing the Council to fraud and errors.

**Recommendation**

Council should respond to the internal audit findings and implement respective recommendations.

**Management response**

**The need to respond to internal audit findings is noted and going forward will be done in the shortest possible time.**

**1.6 Board of enquiry****Finding**

The Council did not convene boards of enquiry for the three (3) vehicle accidents that occurred during the year under review. This was in contravention of Section 12 (1) of the Public Finance Management Act [Chapter 22:19] which requires an investigation to be held in cases of damage on state property.

**Risk / Implication**

Financial loss due to failure to recover value.

**Recommendation**

All accidents should be handled in accordance with the Council policies and good corporate governance practises.

**Management response**

**The need for a board of enquiry is acknowledged. Management commits to set up the board and deal with the 2023 issues and the arising issues by June 30, 2024.**

**1.7 Security****Finding**

The Council's security over assets and loss control processes were not adequate and its premises were not properly secured as some of them lacked perimeter walls/fences and gates. As a result, Council suffered losses amounting to approximately US\$24 503 due to theft.

In addition, two (2) Council laptops were stolen in 2022 and these cases were not reported to the police neither were they communicated to the assets section as should be done. The Council responsible personnel could therefore not make insurance claims.

**Risk / Implication**

Financial loss due to misappropriation of assets.

**Recommendation**

The Council should improve security of its properties.

**Management response**

**Management agrees with the recommendations. Going forward proper reporting procedures and policies will be crafted for stolen assets. It is envisaged that the policy will be in place by 31 May 2024. Council has budgeted for security equipment to monitor properties and react to thefts to reduce losses. The procurement should start by March 31, 2024.**

**2 REVENUE COLLECTION AND DEBT RECOVERY****2.1 Functional meters****Finding**

The Council had 2 541 non-functional water meters, as a result water consumers were being charged estimated fixed rate as it was difficult to ascertain the variable element. The Council billed 3.5 million out of the 8 million litres of water produced during the year resulting in a 56% loss of treated water. The percentage of water loss was above the world standard non-revenue water loss of 25%.

**Risk / Implication**

Loss of revenue due to non-functional meters.

**Recommendation**

Council should come up with strategies to reduce non-revenue water.

**Management response**

**It is acknowledged that our non-revenue water is high and measures must be taken to reduce it. Greater priority is being given to ensuring that pumping capacity is restored to improve system pressure. Currently the data on meter functionality can be misleading but the correct picture will become clearer as pressure improves and all consumers access their water after the meter. In most areas consumers are collecting water before the meter because of low pressure hence the high non-revenue water values. In addition, large sections in Rimuka and Ingezi obtain their water from public taps rather than individual consumer points due to inadequate pressure.**

**Council has committed to a programme to ensure that pumping capacity is restored to the plan design levels by March 31,2024. Thereafter a robust meter servicing and or replacement programme will be implemented on a meter revolving fund basis and is expected to continue for at least two years.**

## **2.2 Beer levy**

### **Finding**

The Council recognised beer levy revenue for the year under review on cash basis instead of accrual basis. This was contrary to IPSAS 23 paragraph 19 which requires revenue to be recognised when it is probable that economic benefits will flow to the entity. The Council recognised beer levy revenue amounting to ZWL\$64.6 million for the year under review. I was not availed with evidence of any reconciliation or verifications of sales made by commercial brewers and there was no supporting evidence such as beer levy schedules which could have been used as the basis in arriving at the remitted amount.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Management should perform reconciliations for the remitted funds.

### **Management response**

**The observation and recommendations by audit is acknowledged and noted. The record of sales by the brewer within the Council's jurisdiction is available. However, these are as provided by the brewer hence the need for appointment of an inspector for verification purposes. Beer sales from brewers that are not resident in Kadoma, will need a different approach. The issue has been presented to the Ministry of Local Government for a way forward. Management commits to ensuring that Council appoints an inspector in terms of the Traditional Beer Act [*Chapter 14:24*], section 11(2)(a) before the end of the first quarter of 2024.**

## **3 PROCUREMENT OF GOODS AND SERVICES**

### **3.1 Council ambulance**

#### **Finding**

Council engaged a supplier for the conversion of a truck to an ambulance at a total amount of US\$22 500 through a Request for Quotation. This contrary to the Public Procurement and Disposal of Public Assets Regulations, 2020 section 10(2b) which requires the procurement of goods or services above a threshold of USD10 000 to be procured through tender process.

In addition, the Council made an advance payment of USD13 500 on February 18, 2022 without a written contract and an advance payment guarantee contrary to the requirements section 18 of SI 44 of 2019 (Treasury Instructions). The ambulance conversion had not been completed as of April 2024 and was using a pick-up open truck for maternity emergencies.

#### **Risk / Implication**

Irregular procurement may compromise service delivery.

#### **Recommendation**

Council should adhere to the requirements of Procurement regulations.

#### **Management response**

**Management acknowledges that contract management was not being given priority then. Going forward, management has appointed a contracts management team that raises warning alarms when contractors fail to perform. The delay in taking action was a result of the promises made by the supplier. Council currently ensures that contracts are signed before work starts. Action on non-performing contracts will be taken early, with the introduction of the contracts management team.**

**The supplier of the ambulance delayed delivery and our efforts to enforce delivery have not yielded the desired results. The supplier has now been handed over to our Legal Practitioners and follow ups are in progress.**

### **3.2 Inventory management**

#### **Finding**

The Council's inventory management was not adequate as cement bags were being stored in unsuitable rooms resulting in cement solidifying. The Council lost one hundred and twelve (112) bags of cement bags purchased for the construction of Victory Park Primary School. This was contrary to Statutory Instrument (SI) 144 of 2019 section 107 which requires that inventory shall be purchased in the most economical manner having regard to availability of secure storage and likelihood of deterioration.

#### **Risk / Implication**

Financial loss due to lack of proper management of inventory.

#### **Recommendation**

The Council should ensure that it properly manages its inventory.

## **Management response**

Council bought 1 031 bags of cement for the Victory Park Primary School construction, a project which was expected to be completed before the onset of the rain season, delays in the disbursement of devolution funds however delayed the commencement of the project resulting into it running into the rain season. Moisture from the humid conditions resulting from the rains affected the 112 bags, the other bags were used on the project which is now at ring beam level. Efforts will be made to improve the storage facilities to avoid similar mishaps by 31 March 2024. Meanwhile cement stocking will be limited to quantities that can be secured to avoid further losses.

## **4 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing audit findings and recommendations raised in my previous audit report. I raised twenty-two (22) audit findings, six (6) were addressed, seven (7) were partially addressed and nine (9) were not addressed as indicated below;

### **4.1 Investment properties**

The finding was partially addressed. The Asset valuation process is being finalized and fair values will be adopted once the valuation process is complete.

### **4.2 Firearms management**

The finding was not addressed. The firearms procedure manual is yet to be crafted.

### **4.3 Traffic fines**

The finding was not addressed. Traffic fines not yet received.

### **4.4 Completeness of revenue from beer levy**

The finding was not addressed. The Council was still accounting for beer levy on cash basis.

### **4.5 Lease agreements**

The finding was not addressed. No lease agreements were in place.

### **4.6 Fuel inventory**

The finding was addressed. Council has improved on inventory record keeping.

### **4.7 Procurement of vehicles**

The finding was addressed. The vehicle was delivered.



#### **4.8 Claw dam pump station power factor correction unit**

The finding was partially addressed. The power factor correction unit is being installed as a work in progress.

#### **4.9 Salary payments**

The finding was partially addressed. The former Accounts clerk was no longer with the Council, however the Council did not recover the advance.

#### **4.10 Property, plant and equipment**

The finding was partially addressed. The revaluation process was in progress and not yet complete.

#### **4.11 Inventories**

The finding was addressed. The inventory items were adjusted for.

#### **4.12 Service delivery vehicles**

The finding was addressed. Council is now prioritising repairs and maintenance of its service delivery vehicles.

#### **4.13 Maintenance of drains and culverts**

The finding was addressed. Drains and culverts are being maintained yearly.

#### **4.14 Water logging areas**

The finding was partially addressed. Council is constructing proper drainage systems.

#### **4.15 Water treatment and reticulation**

The finding was partially addressed. Water distribution lines rehabilitation is in progress.

#### **4.16 Water pumps**

The finding was addressed. Water pumps repairs are being done.

#### **4.17 Beer levy revenue**

The finding was not addressed. Council is yet to get beer levy statistics from brewers.

#### **4.18 Manpower- staff vacancies**

The finding was partially addressed. The post of the Housing Director, Community Services Officer and Billing Supervisor had been filled. The clinics are still operating with shortages of registered general nurses and sisters in charge.

#### **4.19 Service delivery equipment**

The finding was not addressed. Ambulances and fire tenders not yet adequate.

#### **4.20 State of buildings**

The finding was not addressed. Council buildings not yet repaired.

#### **4.21 Availability of medical drugs**

The finding was not addressed. Council clinics still facing drugs shortages.

#### **4.22 Water and sewer systems**

The finding was not addressed. Council is yet to services the stands sold un-serviced.

## MASVINGO CITY COUNCIL 2022

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I have audited the financial statements of Masvingo City Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Masvingo City Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 35 – “Consolidated financial statements”**

The Council did not consolidate its six schools in the 2022 financial statements. This was contrary to International Public Sector Accounting Standard (IPSAS) 35 - “Consolidated financial statements” which requires the controlling entity to prepare consolidated financial statements. Had Council consolidated its schools, elements disclosed in the financial statements would have been materially different. I was therefore not able to determine the extent by which the financial statements were misstated and any adjustments that could have been necessary.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment”**

The Council's land was not valued hence the financial statements did not include land contrary to the requirements of IPSAS 17 - “Property, Plant and Equipment” which requires these assets to be accounted for. In addition, the Council did not review the useful lives of its assets contrary to IPSAS 17 - “Property, Plant and Equipment”, paragraph 67 which requires that the residual value and the useful life of assets be reviewed at least at each annual reporting date. Had Council accounted for its land, the carrying amounts of property, plant and equipment disclosed in the financial statements would have been materially different. I was unable to determine the extent of misstatements and the adjustments that could have been necessary.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - “Inventories”**

The Council did not account for stands as part of its inventories contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 12 - “Inventories” which requires that stands held for sale meet the definition of inventory. I was therefore not able to determine the extent by which inventory was misstated and any adjustments that could have been necessary.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 31 - “Intangible Assets” and IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”**

The Council disclosed intangible assets at a carrying amount of ZWL\$474.2 million in the financial statements for the year ended December 31, 2022. Included, in the disclosed figure of ZWL\$474.2 million is an opening balance of ZWL\$13.3 million obtained from the asset’s revaluation exercise carried out in 2021. I was not availed with documentary evidence of the inputs and assumptions applied in the valuation exercise and the prior year opinion was modified in that respect. Management did not subsequently avail the evidence to support the opening balance. I was therefore not able to verify whether the carrying amount of intangible assets were appropriately determined.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23 - “Revenue from Non-Exchange Transactions”**

The Council did not perform properties valuation and assessments in order to update the valuation roll despite an increased number of commercial properties in the Council’s jurisdiction. Council’s commercial properties were not billed assessment rates for the year ended December 31, 2022. This was contrary to IPSAS 23 - “Revenue from Non-Exchange Transactions” paragraph 29 which requires Council to recognise an asset when it gains control of resources that meets the definition of asset and satisfy the recognition criteria. Had the Council valued these properties the rates revenue could have been materially different.

**vi. Revenue from Beer levy**

The Council recognised beer levy revenue amounting to ZWL\$41.1 million on cash basis instead of the accruals basis required by the International Public Sector Accounting Standards (IPSASs) conceptual framework. I was not availed with evidence of beer levy reconciliations or verifications of sales made by commercial brewers and there was no supporting evidence in the form of beer levy schedules which could have been used as the basis in arriving at the remitted amount. I was therefore, not able to determine the extent by which revenue was misstated and any adjustments that could have been necessary.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Consolidation of schools**

The Council did not consolidate its six schools in the 2022 financial statements. This was non-compliance with the requirements of International Public Sector Accounting Standard (IPSAS) 35 - “Consolidated financial statements” which requires the controlling entity to prepare consolidated financial statements.

**Risk / Implication**

Misstatement of the financial statements.

## **Recommendation**

Council should consolidate all its schools to comply with the requirements of IPSAS 35.

## **Management response**

**We acknowledge the audit finding. As presented during the audit, Council has been accounting for the land and buildings of Council schools since the schools are built by Council. The running of the schools is done by School Development Committees as provided for in the Education Act. The remuneration of staff is also done by the Public Service Commission. As we move towards full adoption of IPSAS in 2023, we are going to look into the requirements for consolidation as provided for in IPSAS 35 and adopt an appropriate treatment in line with the IPSAS framework.**

## **1.2 Response to internal audit reports**

### **Finding**

Management was not responding to audit findings raised by the Internal Auditor. My review of the internal audit reports issued between January and September 2022 revealed that five (5) out of twenty-nine (29) reports were not responded to, contrary to section 80 of the Public Finance Management Act [*Chapter 22:19*] paragraph 3d.

### **Risk / Implication**

Internal control weaknesses may not be addressed on time.

## **Recommendation**

Management should respond to all internal audit findings and have action plan to address the issues raised.

## **Management response**

**It is acknowledged that 5 out of 29 Internal Audit reports had no management responses. The five (5) reports were omitted in error at the time of writing responses, and management will provide written responses to these five (5) reports. Management has now introduced a system where responses to internal audit reports are also copied to the Town Clerk to ensure timeous tracking of responses and implementation of recommendations.**

## **1.3 Implementation of Full Council resolutions**

### **Finding**

I was not able to assess whether management implemented all 2022 full council resolutions as I was availed the status of only the first half of the year. My review of this report revealed that management implemented only fourteen (14) out of forty-nine (49) Full Council resolutions. This was contrary to the provisions of the Urban Councils Act [*Chapter 29:15*] section 136 (2)(d) which requires the Town Clerk to take such steps as he considers to be necessary for the purpose of giving effect to any resolution of the Council.

**Risk / Implication**

Service delivery may be compromised.

**Recommendation**

Passed resolutions should be implemented on time to enhance Council operations and service delivery.

**Management response**

**Management acknowledges the fact that some of the Full Council resolutions were not implemented, and the thirty-five (35) resolutions were outstanding for various reasons including funding. Some resolutions are long term in nature, because of the preliminary processes that may need to be done before the actual implementation they could not be implemented before the time of the audit review. Management is also working on improving reports to ensure that resolutions that require immediate implementation are made.**

**1.4 Service rebates for Councillors****Finding**

The Council subsidised payment of service charges on Councillor's residential properties to cushion them against low level of remuneration without ministerial approval. The Council through the combined Finance and General Purposes and Human Resources and Gender Committees held on September 7, 2022, resolved to do this through minute 432(g). This was contrary to the ministerial circular dated March 18, 2020 which require management to seek approval before implementation.

**Risk / Implication**

Loss of revenue due to unauthorised rebates.

**Recommendation**

The Council should comply with the directives to enhance the governance system.

**Management response**

**Noted. The relevant ministerial approval will be sought.**

**1.5 Donation of drugs****Finding**

The Council was not maintaining a register for the drugs donations received during the year ended December 31, 2022. This was contrary to the Urban Council Act [*Chapter 29:15*] section 286 subsection (1) which requires the Council to keep such books of account.

### **Risk / Implication**

Misstatement of financial statements.

Misappropriation of donated drugs.

### **Recommendation**

The Council should maintain a drug donation register.

The Council should adequately support all transactions being posted into the accounting system.

### **Management response**

**Noted. Council will maintain a donation register and capture clinic drug donations in 2023 and implement a perpetual inventory system and enable appropriate accounting for same.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Revenue from assessment rates and beer levy**

#### **Finding**

The Council did not perform properties valuation and assessments to update the valuation roll despite an increased number of commercial properties in the Council's jurisdiction. Council's commercial properties were not billed assessment rates for the year ended December 31, 2022 contrary to International Public Sector Accounting Standard (IPSAS) 23, "Revenue from Non-Exchange Transactions", (Transfers and Taxes).

In addition, the Council recognised beer levy revenue amounting to ZWL\$41 million on cash basis instead of the accruals basis required by the International Public Sector Accounting Standards (IPSASs) conceptual framework. I was not availed with evidence of beer levy reconciliations or verifications of sales made by commercial brewers and there was no supporting evidence in the form of beer levy schedules which could have been used as the basis in arriving at the remitted amount.

#### **Risk / Implication**

Loss of revenue due to non-billing of these commercial properties.

Misstatements of financial statements.

#### **Recommendation**

Council should appoint the valuation officer to perform duties as per the Urban Council Act [Chapter 29:15] and rateable properties should be billed for assessment rates.

Council should continuously engage the commercial brewers of traditional beer.

## **Management response**

Council engaged the Department of Estates and Valuations in the Ministry of Local Government and Public Works to undertake the general valuation of properties within the City. While the process started in September 2022, the Valuers delayed in finalisation, and we missed the December 2022 target date. We have just completed proof-reading the first draft valuation roll. Therefore, the new valuation roll will be implemented effective from the date of approval. The process is being delayed by the absence of the administrative court as the Urban Councils Act stipulates that the Chairperson of the Valuation Board should be the president of the Administrative Court. We requested the Judicial Services Commission to provide nomination for a person to be appointed and forwarded to the Minister of Local Government and Public Works for consideration. Due to the high cost involved in carrying out the general valuation, Council opt to use the Department of Estates and Valuations in the Ministry which is also becoming overwhelmed hence contributing to the delays in finalisation of the process. Management is in the process of coming up with a policy to charge property rates on all new properties whilst awaiting the updating of the valuation roll.

The position of the valuation officer was advertised, and we initiated the recruitment process.

## **2.2 Lease rental from mobile telecoms operators**

### **Finding**

The Council was not collecting rental charges from mobile operators on time. This was contrary to the terms of lease agreement with these operators, which require lease rentals to be paid in advance. One of the operators had a balance of ZWL\$25.7 million with 14 percent relating to 2021, the other operator had a balance of ZWL\$9.4 million with 23 percent relating to 2021 and the other operator's data was not available for assessment of status. The records were not reconciled to the base stations per operator hence omissions were noted. The omitted base stations had no lease agreements in place, as a result, the operator paid for the lease stations with a lease in place.

### **Risk / Implication**

Revenue loss that may compromise service delivery.

### **Recommendation**

The Council should enforce the terms of the lease agreement and collect rentals from the telecommunication operators for all base stations.

Valid lease agreements between Council and the mobile operators should be put in place.



## **Management response**

**Noted; Council will continue to make effort in following up the pending lease rentals from all operators.**

**Omitted lease rentals will be billed with effect from September 2023 and will be backdated to the time of lease commencement.**

## **2.3 Revenue from water sales**

### **Finding**

The Council was billing 60 percent of treated water supplies to residents. For instance, during the year ended December 31, 2022, 7.80 million m<sup>3</sup> of water was treated and supplied. However, only 4.70 million m<sup>3</sup> was billed resulting in 3.10 million cubic metres (40%) non-revenue water. The variance was in excess of water loss of 20% as required by the City Councils Client Services Charter. Management attributed the non-revenue water to water leakages and non-functional meters.

### **Risk / Implication**

Financial loss that compromises service delivery.

### **Recommendation**

The Council should strategise and address water leakages and non-functional meters.

## **Management response**

**Council had committed resources in trying to minimise water loss and these include installation of new water meters, attending to water leaks and quick responses to water burst pipes, water zone bulk meters were also installed partnering with Institute of Water and Sanitation Development in Non-Revenue Water:**

- **training for Non-Revenue Water committee**
- **Increase manpower for plumbing teams and recruited water engineer**
- **NRW reduced to an average of 37%**
- **Drafted a proposal for African Water Fund to obtain financial aid for the Non-Revenue Water Management project.**
- **Procured 250 meters and currently installing.**
- **Carrying out campaigns for voluntary meter replacement by residents**
- **To enhance metering accuracy, council is implementing a smart meter reading solution with effect from August 2023.**

### **3. MANAGEMENT OF ASSETS**

#### **3.1 Stands inventory**

##### **Finding**

The Council did not account for stands as part of its inventories contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 12 - "Inventories" which requires stands held for sale to be accounted for as inventory. Council could not account for stands inventory in the financial statements due to incomplete records. Management could not account for stands inventory in the financial statements due to incomplete records. The stands register being maintained manually did not classify land according to status whether surveyed land, un-surveyed land and stands ready for sale.

Although the Council was maintaining stands records manually, the PROMUN and Local Authorities Digital Systems (LADs) had a housing module. Council did not utilise any of the systems in the accounting for stands. Maintaining incomplete records/ schedules was contrary to the provisions of the Public Finance Management Act [*Chapter 22:19*] section 49 which require the accounting authority to keep full records of its the financial affairs.

##### **Risk / Implication**

Stands inventory may be misappropriated.

Material misstatement of financial statements.

##### **Recommendation**

Management should make use of the available modules in the Council's accounting systems.

##### **Management response**

**Noted. Management has begun the process of identifying all land and the levels of development to enable us to appropriately separate land reserves and inventory. A draft land bank is already in place, and we are verifying for uptake into the system. A LADS housing module was also procured during the year under review and training of users was done. The housing module will facilitate an electronic waiting list database and an electronic system of land allocations which should also enable maintenance of a stands database.**

## 3.2 Accounting for land

### Finding

The Council did not include all its land in the financial statements. The land was not valued hence the financial statements did not include land contrary to International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment" which requires these assets to be accounted for. In addition, the Council did not review the useful lives of its assets disclosed at ZWL\$46.5 billion in the financial statements as non-current assets contrary to IPSAS 17 - "Property, Plant and Equipment", paragraph 67 which requires that the residual value and the useful life of assets be reviewed at least at each annual reporting date.

### Risk / Implication

Financial statements may be materially misstated.

### Recommendation

The City Council should account for the value of its land to ensure fair presentation.

### Management response

**Noted. Management has begun the process of identifying all land and the levels of development to enable us to appropriately separate land reserves and inventory. A draft land bank is already in place, and we are verifying for uptake into the system. Valuation of land will be done in phases due to the huge cost implications.**

**We acknowledge the finding; the Council did not assess and ascertain useful lives of the entire classes of non-current assets due to the complex nature of the assets.**

## 4. PROCUREMENT OF GOODS AND SERVICES

### 4.1 Procurement of Prado VX-L

### Finding

During the year ended December 31, 2022, the Council procured a motor vehicle Prado VX-L from a local car dealer at ZWL\$27.4 million. According to the letter dated November 30, 2021, the Minister of Local Government and Public Works authorized the Council to procure a non-locally assembled vehicle at a cost of USD109 151 which translate to ZWL\$11.9 million on the date of purchase. However, I noted that the Council procured this vehicle at a cost of ZWL\$27.4 million which translates to USD251 816 (27362400/108.666) using the RBZ mid-rate on that date. Council procurement records showed that another local bidder had quoted USD109 900 but was disqualified on the basis that the quote was not in ZWL\$. Comparing these quotes on the same base currency showed that the Council could have saved USD141 916. This was not in line with the Ministerial approval.

### Risk / Implication

Service delivery may be compromised.

## **Recommendation**

Management should comply with ministerial directives.

## **Management response**

The procurement of the Land cruiser Prado was done after the granting of authority by the Permanent Secretary for Local Government. The price of UD\$109 151 which was provided to the Minister on application was indicative so that the Minister would have an appreciation of the cost of the vehicle. The proper procurement process was duly followed through competitive bidding and the authorised model of vehicle was procured. The funding which was available to procure the vehicle was the local currency, therefore our bidding document requested bidders to bid in local currency which was available.

## **4.2 Evaluation of tenders**

### **Finding**

The Council's procurement procedures were not effective. As a result, the Council awarded contract valued at USD94 249 to a local company for the supply of streetlights without verifying the NSSA certificate and ZIMRA Tax Clearance Certificate. This was contrary to Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*], section 47 as read with Statutory Instrument 5 of 2018 section 28 (1) (e) which requires a procuring entity to reject a bid as non-responsive on the ground of lack of qualification where the bidder has failed to comply with any obligation to pay taxes or social security contributions in Zimbabwe.

### **Risk / Implication**

Financial loss due to inappropriate procurement processes.

Management override of controls.

### **Recommendation**

Management should award tenders to compliant bidders in line with the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*].

### **Management response**

The tender for supply and delivery of Street lights was closing on May 31, 2022 and GEC was one of the bidders. We will visit the respective institutions for verification of the documents. We concur with audit recommendation and verification of such documents will be carried out at the evaluation stage before a bidder is passed to the next stages as responsive.

## **5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made some progress in addressing audit findings and recommendations I raised in my 2022 annual report. I raised twenty (20) audit findings, two (2) were addressed, nine (9) were partially addressed while the other nine (9) were not addressed as indicated below;

### **5.1 Non-revenue water**

The finding was not addressed. The level of water loss through leakages was still high.

### **5.2 Revenue from water sales**

The finding was partially addressed. Council procured and installed new meters at house hold level, however, the Council did not replace all malfunctioning meters.

### **5.3 Assessment rates**

The finding was partially addressed. General valuation was initiated and currently at finalisation stage.

### **5.4 Taxation**

The finding was not addressed as no taxation was recovered on prior benefits on disposed motor vehicles.

### **5.5 Recruitment of senior internal auditor**

The finding was not addressed. The Senior internal auditor is yet to be recruited.

### **5.6 Overpayment of lot 2 works-roads rehabilitation**

The finding was not addressed. There was no recovery of the overpaid amount that was made.

### **5.7 Procurement of Toyota Quantum**

The finding was addressed. The Council regularised the contract.

### **5.8 Engagement of auctioneer**

The finding was addressed. Council engaged an auctioneer.

### **5.9 Revaluation of property, plant and equipment and Intangible assets**

The finding was partially addressed. Valuation exercise was conducted. However, the Council did not avail the assumptions used.

### **5.10 Stands inventory**

The finding was not addressed. Council still to identify and account for stands inventory.

### **5.11 Accounting for land**

The finding was not addressed. Council was still to identify all land reserves and separate buildings from land to determine the value of the land.

### **5.12 Sewer reticulation challenges**

The finding was partially addressed as the repairs were on-going.

### **5.13 Work in progress - Mucheke trunk sewer**

The finding was partially addressed. Works are still in progress.

### **5.14 Donations received**

The finding was partially addressed. The Council has put in place a register but was yet to record any donations.

### **5.15 Maintenance of stands register**

The finding was not addressed. Council is yet to update the stands register.

### **5.16 Segregation of duties**

The finding was not addressed. IT personnel still doing billing processes.

### **5.17 Business licenses**

The finding was partially implemented. New serialised licence book now in place. However, the database was still to be updated.

### **5.18 Water works- treatment plant capacity**

The finding was partially addressed. The Council has put in place a plan to capacitate the water works plant.

### **5.19 Compliance and solid waste management**

The finding was partially addressed. The Council had started working on designs and EMA assessments for the construction project the new landfill.

### **5.20 Health services provisions**

The finding was not addressed. The Council has not yet engaged a radiographer to operate the idle machine

## MUTARE CITY COUNCIL 2022

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I have audited the consolidated financial statements of Mutare City Council and its subsidiary for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the consolidated financial statements do not present fairly the consolidated financial position of the Council as at December 31, 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 35 – “Consolidated Financial Statements”**

The Council controls six (6) schools within Council area. The Council did not consolidate these schools in its financial statements. I was not availed with the financial statements of the schools to enable me to determine the extent of the misstatements. IPSAS 35 - “Consolidated financial statements”, paragraph 5 requires an entity that is a controlling entity to present consolidated financial statements. Had the Council consolidated the schools, the financial statements would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment”**

The subsidiary (Pungwe Breweries and Marketing (Private) Limited) did not separately disclose the value of land on which buildings were constructed. As a result, land was depreciated contrary to IPSAS 17 - “Property, plant and equipment” paragraph 74 which prohibits the depreciation of land. Had the subsidiary separated land from buildings and not depreciated land, the carrying amount of land and the depreciation expense in the consolidated financial statements would have been materially different.

**iii. Non-compliance with International Accounting Standard (IAS) 12 - “Income Taxes”**

Pungwe Breweries and Marketing (Private) Limited, the Council's subsidiary did not account for deferred tax. This was contrary to IAS 12 - “Income Taxes” paragraph 58 which requires current and deferred tax to be recognised as income or expenses and included in the profit or loss for the period. The asset register availed for audit had missing information resulting in the subsidiary not able to determine tax bases of its assets. Had the subsidiary recognised the deferred tax, the financial statements would have been materially different.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Schools**

#### **Finding**

The Council owns and controls six (6) schools within its jurisdiction. The Council did not consolidate these schools in its financial statements. I was not availed with financial statements of the schools to enable me to determine the extent of the misstatements. International Public Sector Accounting Standard (IPSAS) 35 – “Consolidated financial statements”, paragraph 5 requires a controlling entity to present consolidated financial statements.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should consolidate its schools to comply with IPSAS 35.

#### **Management response**

**Noted. The education policy has been adopted which covers issues of incorporating schools’ administration into Council operations. Council has also adopted a new organogram which include the accounting personnel directly employed by the Council to enable the consolidation of financial matters.**

## **2 MANAGEMENT OF ASSETS**

### **2.1 Land and buildings**

#### **Finding**

The Council’s subsidiary valued its assets in the year under review and did not separately disclose the value of land on which buildings were constructed. As a result, land was depreciated contrary to International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment” paragraph 74 which prohibits the depreciation of land.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Management should engage the valuer to split the values of land and buildings.



### **Management response**

The observation is noted. This was because of valuation exercise which was done for Pungwe Breweries in 2022. The evaluators combined Land and Buildings without taking into consideration that land appreciates in value while buildings depreciate. Going forward, Pungwe Breweries engaged an independent valuer in July, 2023 to do a comprehensive evaluation of all the assets. A new asset register is now being compiled and it is hoped that all the issues concerning the Asset Register will be addressed.

## **2.2 Gimboki sewer plant**

### **Finding**

The Gimboki sewage plant was not adequately secured as it was not fenced to control unauthorized access.

### **Risk / Implication**

Financial losses due to theft of assets.

### **Recommendation**

Council should reinforce security of the plant.

### **Management response**

**Work in progress. Scoping for fencing was done. Works budgeted for in the 2024 budget. The sewer plant is now being manned by security.**

## **2.3 Deferred tax**

### **Finding**

Pungwe Breweries and Marketing (Private) Limited, the Council's subsidiary did not account for deferred tax. This was contrary to International Accounting Standard (IAS) 12 - "Income Taxes" paragraph 58 which requires current and deferred tax to be recognized as income or expense and included in the profit or loss for the period. The asset register availed for audit had missing information resulting in the subsidiary not determining tax bases of the assets.

### **Risk / Implication**

Financial statements may be materially misstated.

### **Recommendation**

The Company should maintain a complete asset register and account for deferred tax in accordance with IAS 12.

## **Management response**

The audit observation is noted. Management is still gathering information regarding the cost and acquisition dates of the assets and deferred tax adjustments will be made in the 2023 financial statements.

### **3 SERVICE DELIVERY**

#### **3.1 Clinic staff management**

##### **Finding**

The Council was not able to retain its nursing staff. As a result, the Council clinics' nursing requirements were operating below their minimum. Out of an establishment of seventy-seven (77) for five clinics, forty-three (43) posts were vacant.

##### **Risk / Implication**

Health service delivery may be compromised.

##### **Recommendation**

Council should come up with strategies to retain health staff.

## **Management response**

**Council is taking nurses on locum basis as and when they leave to ensure optimum level of staff.**

#### **3.2 Clinics**

##### **Finding**

Council manages and owns nine (9) clinics within its area. Gimboki clinic, was not registered with the Ministry of Health and Child Care, as a result, was not receiving drugs from National Pharmaceutical Company (Natpharm). In addition, the infrastructure at Council clinics was in a dilapidated state with broken doors, collapsing security fences, collapsing ceilings, water reticulation system and no power backup.

##### **Risk / Implication**

Health service delivery may be compromised.

##### **Recommendation**

Council should attend to the maintenance and equipment needs at the Clinics to ensure security and safety.

Council should register Gimboki clinic with the Ministry of Health and Child Care.

## **Management response**

### **Council clinics**

The renovation of clinics was budgeted for this year 2023. We intend to renovate City Clinic and Florida clinics. In 2024, we budgeted for Sakubva Poly clinic, Dangamvura Poly Clinic and Hobhouse clinics. Perimeter was budgeted for Gimboki and Sakubva in 2024.

### **Gimboki clinic**

Council has already paid for the inspections awaiting ZESA to come and do the final inspections.

### **Autoclave machine**

The Autoclave is said to be outdated hence spare parts are difficult to obtain. Council has budgeted for a modern Autoclave machine in 2024 year.

### **Sakubva**

- Council is working on Water reticulation system in maternity section.
- Back up Solar System - Council has recommended for new batteries to be bought.
- Dysfunctional of water supply in outpatients - Procurement of plumbing materials is underway, some plumbing materials have been delivered.

## **4 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised eighteen (18) findings, three (3) were addressed, four (4) were partially addressed and eleven (11) were not addressed as indicated below;

### **4.1 Payables**

The finding was not addressed. The Company did not avail supporting documentation for maize purchases and purchase of a pump.

### **4.2 Depreciation of land**

The finding was not addressed. Land was not separated from buildings for depreciation purposes.

### **4.3 Lease agreements**

The finding was not addressed. The Council and the subsidiary did not have updated lease agreements in place.

### **4.4 Business licenses and billboards**

The finding was addressed. Reconciliations were now being done and quotations were being given to applicants and invoices issued upon payment.

#### **4.5 Beer sales**

The finding was addressed. The Company now maintains a beer sales ledger.

#### **4.6 Water meters**

The finding was partially addressed but the SOP for faulty water meter replacement by customers is now in place.

#### **4.7 Secondment**

The finding was addressed. The report on the work done was produced.

#### **4.8 Asset management register**

The finding was partially addressed. The Company put in place an asset register however it was incomplete.

#### **4.9 Vehicle registration**

The finding was not addressed. Vehicle was yet to be registered.

#### **4.10 Employment costs overrun**

The finding was not addressed. Cost overruns were not yet rectified.

#### **4.11 Organizational structure**

The finding was partially implemented. The Organogram was approved by Council and is awaiting approval by the parent Ministry.

#### **4.12 Stores department**

The finding was not addressed. The Council did not recruit additional stores clerk to ensure segregation of duties.

#### **4.13 Procurement of vehicles**

The finding was partially addressed. Council only managed to recover ZWL\$39 860.

#### **4.14 Dangamvura water pipeline**

The finding was not addressed. The pipeline was yet to be completed.

#### **4.15 Water losses**

The finding was not addressed. Water losses levels are still high.

#### **4.16 Bulk water meters**

The finding was not addressed. The Council did not have bulk water meters.

#### **4.17 Matida flats and Mcgregors hostels**

The finding was not addressed. The rented properties did not have adequate water supply.

#### **4.18 Meter replacement**

The finding was not addressed. Non-functional water meters were not replaced.

I have audited the financial statements of Victoria Falls City Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion on the Consolidated financial statements**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the consolidated financial position of Victoria Falls City Council as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Qualified Opinion**

#### **i. Non-compliance with of International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment”**

The prior year financial statements did not comply with the requirements of IPSAS 17 - “Property, Plant and Equipment” as the Council did not recognise the non-exchange transaction of the water pump station provided by ZINWA. The opinion on the prior year financial statements was modified and the misstatement was not corrected in the financial statements for the year ended December 31, 2022.

The Council did not also maintain a record of its land reserve. As a result, Council did not account for land reserve in the financial statements. Land reserve meets the definition of an asset in terms of IPSAS 17 - “Property, Plant and Equipment” paragraph 52 which requires land to be disclosed as a separate class. Had the Council accounted for the land reserve, the carrying amount of property, plant and equipment would be materially different.

In addition, Council did not review the useful lives of its assets in line with IPSAS 17 - “Property, Plant and Equipment” paragraph 67 which requires the useful life of assets to be reviewed at least once at each reporting date. Had the Council reviewed the useful life of its assets, the carrying amount of property, plant and equipment would be materially different.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Valuation of property, plant and equipment**

##### **Finding**

The Council did not maintain a record of its land reserve. As a result, the Council did not account for land reserve in the financial statements. Land reserve meets the definition of an asset in terms of International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment” paragraph 52 which requires land to be disclosed as a separate class.

In addition, there was no evidence that the Council reviewed the residual values and useful lives of its assets as required by IPSAS 17 paragraph 67, which requires that the residual value and the useful life of an asset be reviewed at least at each annual reporting date.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

Council should account for its assets in compliance with the requirements of IPSASs.

#### **Management response**

**All land earmarked for development has been exhausted and it was envisaged that we were not going to sell any more land within the City's jurisdiction. However due to growth in population and high demand for land for various uses, Council has resorted to using land that was not earmarked for development in order to meet its demand. Council upon demand often requests for change of reservation from the Ministry of Local Government from other reservations like buffer zones, public open space, special tourist zone to residential, commercial etc. The bulk of the Land remaining is gullies in the African Township Zone and the public open spaces. Some of the stands being issued are infills that we get here and there in the developed areas as a redevelopment strategy.**

**However, the concern is noted, this is why Council is doing a Master Plan. Moreover, we are now going to classify and quantify all currently undeveloped land in Victoria Falls. We expect this exercise (quantification and classification of land) to be complete by year end 2023.**

**Council does not have staff qualified to do the exercise internally and it was difficult to outsource due to the financial constraints. An asset valuation will be done before the end of year.**

### **1.2 Master plan**

#### **Finding**

The Council did not have an updated master plan which clearly shows the layout, land use and development of Victoria Falls area. This was contrary to Section 20(a) of the Regional Town and Country Planning Act [Chapter 29:12] which requires local authorities to keep an updated master plan. This made it difficult to have suitable land to meet development works as evidenced by a waiting list with over 17 000 applicants.

#### **Risk / Implication**

Service delivery may be compromised.

#### **Recommendation**

The Council should come up with an updated master plan.

## **Management response**

The process of producing a Council masterplan has been winding dating back to 1999 as it included neighbouring relevant authorities (Hwange Rural District Council, National Parks, Forestry Commission and State Land). It was largely stalled by funding challenges after Canadian International Development Agency (CIDA) who initially funded it pulled out. However, in 2019, a Local Development Plan was initiated but stopped when a request to do a Master Plan to incorporate Masuwe Land was made and funding secured from International Finance Corporation (IFC), again this was to be done in conjunction with Zimbabwe Investment Development Agency (ZIDA). Unfortunately, the procurement of the Consultant by ZIDA was never finalised. IFC is now seized with the procurement.

The Master Plan is number one priority in Land Management and management is making all efforts to see it through to completion by the end of the year 2024.

### **1.3 Receipting and licensing**

#### **Finding**

The Council's licensing system had no adequate controls. As a result, there was fraud that occurred in licensing and receipting in 2022. The implicated persons resigned without serving notice and obtained full benefits before Council could take any legal action against them. The internal auditor issued a report on the licensing program which highlighted the weaknesses around licensing on 30 September 2021, management though, acknowledging the weaknesses, did not correct the loopholes. Our perusal of the reports revealed that Council lost more than USD 15 000 due to this fraud.

#### **Risk / Implication**

Financial loss due to weak/ inadequate internal controls and fraud.

#### **Recommendation**

Council should strengthen revenue collection controls.

#### **Management response**

The issues raised relate to system compromise through fraud and collusion by users and measurers have been taken to improve controls and system vigilance. The LADS system has been identified as a possible solution for Licensing and Markets and implementation is underway to automate the licensing system and usher in automated controls. However, the LADS system does not conform to our needs and system customisation are being done. The PROMUN system does not have a licensing module.



## **2. PROCUREMENT OF GOOD AND SERVICES**

### **2.1 Price variation**

#### **Finding**

The Council made a direct procurement and engaged the supplier to attend to its IT server when it malfunctioned. The Council paid the supplier an amount of ZWL\$0.7 million supported by a quotation dated May 18, 2022. An additional payment of ZWL\$0.4 million was made by the Council on June 28, 2022, resulting in a 56 percent price variation. This was contrary to the Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*] Section 80 subsection 6 which permits a variation of 20%. The Council did not obtain authorisation for the variance.

#### **Risk / Implication**

Financial loss due to unauthorised payments.

#### **Recommendation**

The Council should comply with the requirements of Public Procurement and Disposal of Public Assets Act [*Chapter 22:23*].

#### **Management response**

**The authorisation for payment of variation was an oversight as Council paid basing on the fact that the service was an urgent requirement without considering the source of funds claimed by the supplier. Council could not operate for long without a functional server that controls critical functions such as billing, receipting as well as the internal e-mail system. In future Council will be more meticulous.**

## **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing findings that I raised in my 2022 annual report. I raised sixteen (16) findings, four (4) were addressed, seven (7) were partially addressed and five (5) were yet to be addressed as indicated below;

### **3.1 Property, plant and equipment from ZINWA**

The finding was not addressed. The Council did not recognise the water pump station provided by ZINWA and did not carry out an assessment of its assets' useful lives.

### **3.2 Councillors' allowances**

The finding was addressed. The Council is now paying Government determined allowances.

### **3.3 Payables**

The finding was partially addressed. Council made payment plans to pay the outstanding payables and there has been a reduction in payables.

### **3.4 Valuation roll and billing**

The finding was partially addressed. The Council has engaged the Ministry of Local Government and Public Works Valuation section to undertake the exercise and awaiting to be allocated a team and dates for the exercise to commence.

### **3.5 Locomotion allowance**

The finding was addressed. The claim was adjusted accordingly.

### **3.6 Taxation on benefits**

The finding was addressed. The amount paid for private mileage is now being taxed.

### **3.7 Sewer systems**

The finding was partially addressed. The sewer line behind Halsted was upgraded and the sewer line for Mkhosana where there are septic tanks was included in the tender for the new scheme BE100 which has been advertised.

### **3.8 Fencing of sewer ponds**

The finding was not addressed. The fencing of the Sewer Ponds has not commenced due to funding constraints.

### **3.9 Street lighting**

The finding was partially addressed. The Council started the street lighting project and its ongoing.

### **3.10 Drainage systems**

The finding was addressed. The Mfelandawonye drain is 97% complete and will address the flooding problems. An outfall drain was also constructed.

### **3.11 Water distribution**

The finding was partially addressed. The Council has started the Mkhosana reservoir and will be complete before end of year 2023.

### **3.12 Water system**

The finding was partially addressed. The short-term work was completed. The Council will pursue the long-term plans when they have funding.

### **3.13 Beer levy revenue**

The finding was not addressed. Council will arrange a meeting with Delta in Bulawayo to iron out the issue by end of year 2022.

### **3.14 Schools**

The finding was not addressed. The Council has started work on another secondary school for Mkhosana area.

### **3.15 Security of Council properties**

The finding was partially addressed. The Chinotimba dumpsite now has a perimeter fence and other sites are still outstanding.

### **3.16 Provision of water**

The finding was not addressed. During the year under review, the raw water treatment plant was handed over by ZINWA to the Council in a dilapidated state and short-term works were done to rehabilitate the station.

## **MUNICIPALITIES**

I have audited the financial statements of Municipality of Beitbridge for the year ended December 31, 2020, and I issued an adverse opinion.

**Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Beitbridge Municipality as at December 31, 2020, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4- “The Effects of Changes in Foreign Exchange Rates”**

The Municipality did not comply with the provisions of International Public Sector Accounting Standard (IPSAS) 4- “The Effects of Changes in Foreign Exchange Rates” in the prior financial period, as it elected to comply with Statutory Instrument 33 of 2019 (SI 33/19). Had the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” been applied in the correct period from October 01, 2018, the adjustments that were recognised in the comparative 2019 period would have been materially different. Foreign denominated transactions for the year ended December 31, 2020 were translated into ZWL\$ using interbank rates which did not meet the definition of spot exchange rates per IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” as they were not the rates available for immediate delivery. Had the Municipality complied with the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”, many elements in the financial statements would have been materially impacted.

**ii. Receivables**

The Municipality did not reconcile its receivable batch of ZWL\$493.6 million to the underlying books. As a result, there was a variance of ZWL\$2.5 million between the ledger and debtors ageing analysis relating to revaluation of stands. I was therefore unable to confirm the valuation and accuracy of receivables as at December 31, 2020.

**iii. Valuation of Property, Plant and Equipment**

The Municipality’s property, plant and equipment was valued at an amount of ZWL\$552.2 million. The Municipality’s assets were denoted in USD and they were not revalued to reflect their actual values in ZWL\$ hence some of the assets were undervalued. This was contrary to IPSAS 17 – “Property, Plant and Equipment” which requires the fair value to reflect the price that would be received to sell the asset in an orderly transaction in the principal market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

In my judgement, the assumptions and methods that were used by the professional valuer to determine the USD values of Property, plant and equipment were reasonable. However, without further adjustments to reflect the economic conditions prevailing at the measurement date, Property, plant and equipment may be materially misstated. As such, I was unable to obtain sufficient appropriate evidence to support the appropriateness of the values of Property, plant and equipment in the financial statements.

**iv. Inter-fund account balances**

The financial statements had an inter-fund balance of ZWL\$2.5 million which could not be reconciled. Had the inter-fund balance been cleared some elements of the financial statements would have been materially different.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 – “Financial Reporting in Hyperinflationary Economies”**

Furthermore, notwithstanding that IPSAS 10 – “Financial Reporting in Hyperinflationary Economies” has been applied from April 1, 2019, its application was based on prior and current periods’ financial information which was misstated as a result of matters described above. Had the correct base numbers and start date been used, the amounts specified in the financial statements would have been materially different.

“The effects of the above departures from International Public Sector Accounting Standards (IPSASs) are material to the inflation adjusted financial statements.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Valuation of property, plant and equipment**

**Finding**

The Municipality’s assets were denoted in USD and were not revalued to reflect their actual values in ZWL\$ hence some of the assets were undervalued. This was contrary to IPSAS 17 – “Property, Plant and Equipment” which requires the fair value to reflect the price that would be received to sell the asset in an orderly transaction in the principal market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Management should revalue its property, plant and equipment.

## **Management response**

Management applied the provision of IPSAS 10 (CPI) as well as management professional judgements to arrive at values of PPE. Management will consider engaging an independent reputable valuer to value Municipality's assets to comply with IPSAS 17 and ensure they are stated at accurate values.

## **1.2 Inter-fund account balances**

### **Finding**

The financial statements had an inter-fund balance of ZWL\$2.5 million which could not be reconciled. Had the inter-fund balance been cleared some elements of the financial statements would have been materially different.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Management should reconcile the inter-fund balance.

### **Management response**

The interfund balance is largely due to the old chart of accounts. The interfund account balance has had little to no movement over the past four years. Management will seek for guidance from the standards, the law and best practices to solve the issue.

## **1.3 Debtors' reconciliations**

### **Finding**

The Municipality did not reconcile its receivable batch of ZWL\$493.60 million to the underlying books. As a result, there was a variance of ZWL\$2.51 million between the ledger and debtors ageing analysis relating to revaluation of stands. I was therefore unable to confirm the valuation and accuracy of receivables as at December 31, 2020.

### **Risk / Implication**

Misstatement of financial statements due to errors and fraud.

### **Recommendation**

Debtors' reconciliations should be done timely on a monthly basis.

### **Management response**

The reconciliations between debtors' control and debtors age analysis are performed monthly, however have not reconciled when 2018 audit adjustment journals were posted. This analysis was shared with External auditors during their fieldwork between 2018 and 2020. Management will engage the system vendor to identify the source of the problem. The individual debtor's accounts are not affected by the system error. Due to the quantum of individual debtors, the Municipality will seek expert assistance to reconcile customers and age analysis.



## CHEGUTU MUNICIPALITY 2022

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I have audited the financial statements of Chegutu Municipality for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Chegutu Municipality as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis of Adverse Opinion**

#### **i. Accounting for joint arrangement**

The Municipality did not recognise its share on the winding up of the joint arrangement with a local company. The Municipality was entitled to 10% of the gross income whereby 5% was distributed as monthly revenue to the Municipality and the other 5% retained and allocated to the capital reserve of the joint venture company as the Municipality's capital contribution. I was not provided with documentary evidence supporting how the net assets of the joint arrangement were shared / distributed on winding up of operations. In addition, the Municipality did not obtain audited financial statements of the joint arrangement in order to ascertain its 10% share. I was therefore not able to determine the extent by which the financial statements were misstated and any adjustments that could have been necessary.

#### **ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment"**

The Municipality did not carry out an assessment of the residual values and useful lives of the property, plant and equipment contrary to IPSAS 17 – "Property, Plant and Equipment" paragraph 67 which requires the residual values and useful lives of assets to be assessed at least at each reporting date. Had an assessment of residual values and useful lives been performed, the financial statements would have been materially different.

#### **iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 1 - "Presentation of Financial Statements" and IPSAS 18 – "Segment Reporting".**

The Municipality did not recognize the revenue, expenses, assets and liabilities of its two (2) primary schools in the financial statements for the year ended December 31, 2022. The Municipality only accounted for school buildings leaving out other non-current assets such as furniture and fittings and current assets as well as liabilities. This was contrary to International Public Sector Accounting Standard (IPSAS) 1 - "Presentation of Financial Statements" paragraph 27, which requires fair presentation. Fair presentation is achieved by recognizing all assets, liabilities, revenue, and expenses that meet the respective recognition criteria.

As a result, no segment information was reported in respect of the Municipality's education services segment contrary to IPSAS 18 - "Segment Reporting", paragraphs 52-57, which requires full disclosure of segment information which should be reconciled to the aggregated information. Had the schools' assets, liabilities, revenue, and expenses been determined and accounted for, various elements disclosed in the financial statement would have been materially different.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23 - "Revenue from non-exchange transactions (Taxes and Transfers)"**

The Municipality did not recognise beer levy revenue accruing from one of the commercial brewers contrary to IPSAS 23 - "Revenue from Non-exchange Transactions" paragraph 44 which requires the Municipality to recognise an inflow of resources from non-exchange transactions as revenue. The Municipality did not obtain beer sales schedules in respect of traditional beer sold / distributed within Municipality's jurisdiction. Had the Council complied with the requirements of IPSAS 23 - "Revenue from Non-Exchange Transactions" the disclosed revenue would have been materially different.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Accounting for Council schools**

**Finding**

The Municipality did not recognize the revenue, expenses, assets and liabilities of its two (2) primary schools in the financial statements for the year ended December 31, 2022. The Municipality only accounted for school buildings leaving out other non-current assets such as furniture and fittings and current assets as well as liabilities. This was contrary to International Public Sector Accounting Standard (IPSAS) 1 - "Presentation of Financial Statements", paragraph 27, which requires assets, liabilities, revenue, and expenses of the schools to be recognized.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should put in place policies and procedures to guide its schools to implement IPSASs based financial reporting.

**Management response**

**Noted. We will account for all the schools' financial information in the 2023 financial statements to comply with IPSAS 1 and 18 requirements.**

## **1.2 Value added tax**

### **Finding**

The Municipality's procurement processes were not aligned to the requirements of the Value Added Tax [Chapter 23:12]. As a result, the Municipality was accepting invoices which were not Value Added Tax (VAT) compliant (Tax invoices) and did not withhold the prescribed 10%. The Municipality was not recording VAT on such purchases and could not claim for input VAT. This was contrary to the Value Added Tax Act [Chapter 23:12] paragraph 4(a-g), which requires an entity to obtain tax invoice on all purchases from VAT registered operators. As a result, the Municipality could not claim ZWL\$1.2 million as input VAT for the 2022 year of assessment.

### **Risk / Implication**

Financial losses as a result of not claiming input VAT.

The Municipality may be penalized for not withholding tax.

### **Recommendation**

The Municipality should align its procurement processes to the Value Added Tax (VAT) Act and appropriately account for VAT.

### **Management response**

**Noted. We will ensure that in future the Municipality will not accept invoices which are not VAT compliant (tax complaint)**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Beer levy revenue**

#### **Finding**

The Municipality did not obtain beer sales schedules in respect of traditional beer sold within Municipality's jurisdiction. The Municipality did not recognise beer levy revenue accruing from one of the commercial brewers contrary to International Public Sector Accounting Standard (IPSAS) 23 – "Revenue from Non-Exchange Transactions" paragraph 44 which requires the Municipality to recognise an inflow of resources from non-exchange transactions as revenue.

#### **Risk / Implication**

Misstatement of financial statements.

Loss of revenue.

#### **Recommendation**

The Municipality should obtain beer sales schedules.

## **Management response**

The anomaly on the other breweries that were supplying traditional beer in Chegutu but not paying beer levy was only discovered after audit findings. Council would engage the other distributors in order to account for all the levy.

### **3. EMPLOYMENT COSTS**

#### **3.1 Taxation of termination benefits**

##### **Finding**

The Municipality processed termination benefits outside the BELINA payroll system manually. As a result, incorrect tax rates were being applied and 3% AIDS levy was being charged on basic salary instead of 3% on tax payable.

##### **Risk / Implication**

Misstatement of financial statements.

Financial loss to the Municipality due to penalties and fines by the tax authorities.

##### **Recommendation**

Termination benefits should be processed in the payroll system which is configured to the correct employee tax tables.

Tax which is due should be paid over to ZIMRA.

## **Management response**

The observation is noted, Terminal benefit calculation to be done in payroll system in future.

### **4. PROCUREMENT OF GOODS AND SERVICES**

#### **4.1 Awarding of contracts**

##### **Finding**

The Municipality awarded a contract to a supplier, for the supply of five buffalo bicycles at a total value of ZWL\$620 000. There was no documentary evidence to support that the supplier was registered with Procurement Regulatory Authority of Zimbabwe (PRAZ). This was contrary to the Public Procurement and Disposal of Public Assets Act (PPDPA) [Chapter 22:23] section 28(d) which requires public entities to contract registered companies.

##### **Risk / Implication**

Financial loss due to irregular procurements.

## **Recommendation**

Council should procure from suppliers registered with PRAZ.

## **Management response**

The observation is acknowledged and noted. All our request for various goods, services and works are now designed in such a way that it's now mandatory for suppliers to submit their current PRAZ Registration and Tax Clearance Certificates together with their respective bids for every procurement requirement.

## **5. MANAGEMENT OF ASSETS**

### **5.1 Assessment of useful lives**

#### **Finding**

The Municipality did not carry out an assessment of the residual values and useful lives of property, plant and equipment contrary to International Public Sector Accounting Standard (IPSAS 17) paragraph 67 which requires the residual values and useful lives of assets to be assessed at least at each reporting date.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Municipality should assess useful lives of assets at least at each reporting date.

#### **Management response**

**Noted. The assessment of useful life will be carried out in the 2023 financial year.**

## **6. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Municipality did not make progress in addressing findings that I raised in my 2021 report. I raised fifteen (15) findings, one (1) was addressed, two (2) were partially addressed and twelve (12) were not addressed as indicated below;

### **6.1 Joint venture**

The finding was not addressed. The 10% dividend quantification was not provided for audit examination. Management sited that the Council is facing challenges to account for the Municipality's interest due to inflation and drastic changes in interbank rates which has reduced the 10% dividends to almost nothing when compared to a stable currency such as the US\$.

## **6.2 Taxation**

The finding was not addressed. The Municipality continues to issue stands and other benefits to its employees without deducting the income tax.

## **6.3 Payables reconciliations**

The finding was not addressed. There are still variances due to non-performance of payables reconciliations.

## **6.4 Accounting for donations**

The finding was not addressed. The Council did not put in place donations register and did not account for donations.

## **6.5 Asset valuation**

The finding was addressed. The Council revalued its assets in October 2022.

## **6.6 Stands register**

The finding was not addressed. Housing module in the PROMUN was yet to be operationalised.

## **6.7 Service industry-durawall**

The finding was not addressed. The Council did not avail a Ministerial approval or resolution for the change of use for land.

## **6.8 Solid waste management**

The finding was not addressed. The Council has not opened a new landfill.

## **6.9 Councillor's allowances**

The finding was not addressed. Correspondences supporting increase of allowances not yet availed.

## **6.10 Policy document**

The finding was partially addressed. Policies drafted and waiting for Council approval.

## **6.11 Bank reconciliations**

The finding was not addressed. Variances not yet cleared.

## **6.12 Street lighting**

The finding was partially addressed. The finding is being implemented in phases.

### **6.13 Beer levy**

The finding was not addressed. Schedules not yet received from Brewers.

### **6.14 Meter status**

The finding was not addressed. Properties are yet to be installed with functional water meters.

### **6.15 Wheel clamping**

The finding was not addressed. Municipality not yet issuing tickets stating the offenses committed and amounts due

## **CHINHOYI MUNICIPALITY 2021 AND 2022**

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I have audited the financial statements of Chinhoyi Municipality for the years ended December 31, 2021 and 2022 and I issued an adverse opinion for both years.

### **Adverse Opinion 2021**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects the financial position of Chinhoyi Municipality as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 35-  
“Consolidated Financial Statements”**

The Council controls eight (8) schools which were not consolidated in the Council financial statements. This was contrary to IPSAS 35 – “Consolidated financial statements”, paragraph 5 which requires a controlling entity to present consolidated financial statements. I was not availed with the financial statements of the schools. As a result, I was not able to determine the extent by which the financial statements were misstated and any adjustments that could have been necessary.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 21-  
“Impairment of Non-Cash Generating assets” and International Public Sector  
Accounting Standard (IPSAS) 16 – “Investment Property”**

Council disclosed property, plant and equipment and investment property with carrying amounts of ZWL\$ 446.1 million and ZWL\$ 1 million respectively. The Council did not assess its assets for impairment in terms of IPSAS 21 - “Impairment of Non-Cash Generating assets” despite the assets having indications of impairment. In addition, the Council did not disclose the fair value of its investment properties contrary to IPSAS 16 – “Investment Property” paragraph 90 that requires disclosure of the fair value when the cost model has been adopted. Had, the Council assessed the property, plant and equipment and investment property for impairment, the carrying amounts could have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17-  
“Property, Plant and Equipment”**

The Council did not separate land from buildings resulting in land being depreciated contrary to IPSAS 17 - “Property, Plant and Equipment” paragraph 74 which prohibits the depreciation of land. Had the Council complied with the requirements of IPSAS 17 – “Property, Plant and Equipment” the amounts disclosed would be materially different.



#### **iv. Business licence revenue**

There was a variance of ZWL\$24.1 million on revenue from business licences as the ledger and total invoices were not reconciled. The business licenses fees had total invoices amounting to ZWL\$14.3 million while the ledger had a balance of ZWL\$38.4 million. Council only invoiced formal corporates who requested invoices for facilitation of payment and other businesses were paying on cash basis. Therefore, I was not able to satisfy myself on the accuracy of revenue from business licence fees.

#### **Adverse Opinion 2022**

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects the financial position of Chinhoyi Municipality as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

#### **Basis for Adverse Opinion**

##### **i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 35- “Consolidated Financial Statements”**

The Council controls eight (8) schools which were not consolidated into the Council financial statements. This was contrary to IPSAS 35 – “Consolidated financial statements”, paragraph 5 which requires a controlling entity to present consolidated financial statements. I was not availed with the financial statements of the schools. As a result, I was not able to determine the extent by which the financial statements were misstated and any adjustments that could have been necessary.

##### **ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 21- “Impairment of Non-Cash Generating assets” and IPSAS 16 - “Investment Property”**

Council disclosed property, plant and equipment and investment property with carrying amounts of ZWL\$ 900.1 million and ZWL\$ 2.1 million respectively. The Council did not assess its assets for impairment in terms of IPSAS 21 - “Impairment of Non-Cash Generating assets” despite the assets having indications of impairment. In addition, the Council did not disclose the fair value of its investment properties contrary to IPSAS 16 paragraph 90 that requires disclosure of the fair value when the cost model has been adopted. Had, the Council assessed the property, plant and equipment and investment property for impairment, the carrying amounts could have been materially different.

##### **iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment”**

The Council did not separate land from buildings resulting in land being depreciated contrary to IPSAS 17 - “Property, Plant and Equipment” paragraph 74 which prohibits the depreciation of land. Had the Council complied with the requirements of IPSAS 17 - “Property, Plant and Equipment” the amounts disclosed would be materially different.

#### **iv. Revenue**

##### **a. Shop licence**

Council invoiced two hundred and forty-seven (247) businesses from a database containing a total of two thousand two hundred and fifteen (2 215) operational businesses resulting in one thousand nine hundred and sixty-eight (1 968) operational businesses not being invoiced. Revenue from these businesses could not be established due to non-availability of information on the categories of the businesses to apply the relevant tariff. I could not satisfy myself on the accuracy and completeness of revenue from shop licences amounting to ZWL\$ 162.5 million accounted for in the financial statements.

##### **b. Billboards**

Council invoiced eleven (11) billboards from a register of one hundred and eighty-four (184) billboards resulting in one hundred and seventy-three (173) billboards not being invoiced. As a result, the billboard revenue ledger had an amount of ZWL\$0.2 million against a potential of ZWL\$8.5 million resulting in a variance of ZWL\$8.3 million. Had Council invoiced all the billboards, revenue would have been materially different.

Below are material issues noted during the audit;

#### **1. GOVERNANCE**

##### **1.1 Fuel allocations**

###### **Finding**

Council procured 333 218 litres of fuel during the year ended December 31, 2021. However, only 68 420 litres were accounted for leaving an unreconciled variance of 264 798 litres. In addition, fuel issued totalling 28 115 litres was not supported by approved requisitions signed by the Head of Departments as per the requirements of the Council's transport policy.

###### **Risk / Implication**

Financial losses due to fraud.

###### **Recommendation**

Council should investigate and account for the unreconciled fuel variance.

###### **Management response**

**Council has commenced investigations into the missing fuel with internal audit and investigations will extend to the supplier of the fuel where fuel cards were issued.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Business license fees**

#### **Finding**

There was a variance of ZWL\$24.1 million on revenue from business licences as the ledger and total invoices were not reconciled. The business licenses fees had total invoices amounting to ZWL\$14.3 million while the ledger had a balance of ZWL\$38.4 million. Council only invoiced formal corporates who requested invoices for facilitation of payment and other businesses were paying on cash basis.

#### **Risk / Implication**

Revenue and receivables may be misstated.

#### **Recommendation**

Council should reconcile the business license ledger and total invoices.

#### **Management response**

**Noted. The procedure for shop licensing was being done on a cash basis and the few clients who got invoices comprised mainly of formal corporates who requested those invoices as supporting documents for payment facilitation. The figure of \$24.1 million represents mainly informal businesses and those who paid without requesting invoices. The procedure has since been changed to ensure compliance with accruals accounting.**

### **2.2 Shop licensing**

#### **Finding**

From a database containing a total of 2 215 operational businesses, Council invoiced 247 businesses resulting in 1 968 businesses not being invoiced. Revenue from these businesses could not be established due to non-availability of information on the categories of the businesses to apply the relevant tariff. As a result, I could not satisfy myself on the accuracy and completeness of revenue from business licenses amounting to ZWL\$162.5 million accounted for in the financial statements.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should invoice businesses for shop licenses.

### **Management response**

The procedure for shop licensing was being done on a cash basis. The 247 businesses who were invoiced had requested the invoices as they required them as supporting documents for payment facilitation. The recommendation has already been adopted and invoicing of businesses for shop licensing is now being done for all licenses.

## **2.3 Reserve parking**

### **Finding**

Council did not have contracts with the private companies using forty-five (45) reserved parking bays. In the absence of contracts, I was not able to establish the terms of the arrangements in respect of the number of bays utilised by each company, the amount, payment dates, period of use and remedies in the event of breach.

### **Risk / Implication**

Financial loss or potential fraud due to the compromised arrangement.

### **Recommendation**

Council should have contracts with the private companies for reserved parking.

### **Management response**

**Council has commenced rationalising agreements for reserved parking with its clients as observed and recommended.**

## **2.4 Billboards**

### **Finding**

Council had one hundred and eighty-four (184) billboards in its billboard register availed to audit. However, Council only invoiced for 11 billboards. In addition, no lease contracts were maintained with the billboards. As a result, the billboard revenue ledger had an amount of ZWL\$0.2 million against a potential of ZWL\$8.5 million resulting in a revenue loss of ZWL\$8.3 million.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Council should invoice all its billboards customers and collect the revenue.

### **Management response**

**Noted. Council will invoice billboard customers in the 2023 financial year.**

### **3. ASSET MANAGEMENT**

#### **3.1 Valuation of property, plant and equipment**

##### **Finding**

Due to cash flow constraints and incapacitation of the Council's valuation officer the Council did not assess its assets for impairment in terms of International Public Sector Accounting Standard (IPSAS) 21 - "Impairment of Non-Cash Generating assets" despite the assets having indications of impairment. In addition, the Council did not disclose the fair value of its investment properties contrary to IPSAS 16 paragraph 90 that requires disclosure of the fair value when the cost model has been adopted.

##### **Risk / Implication**

Misstatement of financial statements.

##### **Recommendation**

Council should seek funding to capacitate its staff.

##### **Management response**

**Council intends to do a reliable impairment review which failed to take place because the required funds to carry out the exercise could not be availed because of cash flow constraints. In the future Council will capacitate the Estates and Valuations Officer to do the exercise. The valuation of the investment properties shall be done by the Estates and Valuations Officer for the 2023 financial year to ensure compliance with IPSAS 16.**

#### **3.2 Accounting for schools**

##### **Finding**

The Council did not account for its eight (8) schools. This was contrary to International Public Sector Accounting Standard (IPSAS) 35 – "Consolidated financial statements", paragraph 5 which requires a controlling entity to present consolidated financial statements. I was not also availed with the financial statements of the schools.

##### **Risk / Implication**

Misstatement of financial statements due to non-compliance with IPSAS 35.

##### **Recommendation**

Management should consolidate the financial information of the schools in accordance with IPSAS 35.

### **Management response**

**Council is still in the transitional period in the adoption of IPSAS, during the audit period 2023 Council will ensure schools are included and consolidated in financial statements for audit.**

## **3.3 Land and buildings**

### **Finding**

The Council depreciated its land contrary to International Public Sector Accounting Standard (IPSAS) 17 paragraph 74 which prohibits the deprecation of land.

### **Risk / Implication**

Misstatement of property, plant and equipment.

### **Recommendation**

Council should separate land and buildings through a valuation and not depreciate land to comply with requirements of IPSAS 17.

### **Management response**

**Noted. Council is performing a revaluation exercise of its assets therefore the land value is going to be determined and separated from the buildings value.**

## **4. EMPLOYMENT COSTS**

### **4.1 Employee benefits**

### **Finding**

The Council was not processing vehicle allowance and fuel benefits through the payroll for the heads of departments and as such no tax was charged on these benefits. This was contrary to the Incomes Tax Act [Chapter 23:06] section 8 which requires benefits granted by the employer to an employee to form part of gross income and be taxed.

### **Risk / Implication**

Financial loss due to penalties.

### **Recommendation**

Council should process vehicle allowance and fuel benefit through the payroll.

### **Management response**

**Council will process motoring benefit and fuel allowance through the payroll to comply with the Income Tax Act [Chapter 23:06].**

## **5. SERVICE DELIVERY ISSUES**

### **5.1 Sewer management**

#### **Finding**

The Council was discharging raw sewerage into nearby rivers contrary to the Environmental Management Act [*Chapter 20:27*] section 70 (1) which prohibits disposal of waste in a manner that causes environmental pollution or ill health to community. This was due to non-functional sewerage plants because of theft or vandalism of transformers as there was no adequate security.

#### **Risk / Implication**

Financial loss due to penalties.

Public health and safety of may be compromised due to outbreak of water borne diseases.

#### **Recommendation**

Council should maintain equipment in working order and provide adequate security to protect sewer equipment from vandalism and theft.

#### **Management response**

**Council is completing the recruitment of additional constables to provide security at all Council strategic unit areas to curb vandalism and theft.**

## **6. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Municipality did not make progress in addressing findings that I raised in my 2022 report. I raised six (6) findings, one (1) was addressed and five (5) findings were not addressed as indicated below;

### **6.1 Business licenses**

The finding was not addressed. Business licenses were not being recorded in the security items register upon purchase.

### **6.2 Beer levy**

The finding was addressed. The brewers have been providing Council with records of traditional beer sales.

### **6.3 Water meters**

The finding was not addressed. Council still uses estimates for billing purposes.

#### **6.4 Stands development**

The finding was not addressed. The encroachment has not been reversed.

#### **6.5 Stand allocations on wetlands**

The finding was not addressed. The affected beneficiaries have not been relocated.

#### **6.6 School fees allowances**

The finding was not addressed. Allowances were not taxed.



I have audited the financial statements of Chitungwiza Municipality for the year ended December 31, 2020 and I issued a disclaimer of opinion.

### **Disclaimer of Opinion**

I do not express an opinion on the financial statements of Chitungwiza Municipality. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

### **Basis for Disclaimer of Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”**

The prior year financial statements did not comply with the requirements IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, as the Council was unable to use an appropriate exchange rate on change of functional currency. The Council did not restate the 2020 opening balances to address the prior year error contrary to the requirements of IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had the Council applied the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors” many elements in the financial statements would be materially impacted.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - “Reporting in Hyperinflationary Economies”**

The Council did not prepare inflation adjusted financial statements contrary to the provisions of International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyperinflationary Economies”. Had the Council applied the requirements of IPSAS 10 - “Financial Reporting in Hyper-Inflationary Economies” the financial statements would have been materially affected.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment”**

Infrastructure assets such as road networks were not included in the asset register and as such were not accounted for in the financial statements contrary to International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment” paragraph 21 which requires infrastructure assets to be capitalized as they meet the definition criteria of property, plant and equipment. Consequently, I was unable to satisfy myself of the completeness, valuation and accuracy of property, plant and equipment reported in the financial statements.

**iv. Accounts payables**

There were unsupported accounts payables amounting to ZWL\$167.2 million reported in the financial statements due to missing creditors statements. In addition, the Council had creditors with debit balances amounting to ZWL\$11.2 million. This balance represents payments made to creditors for which no invoices were received. Consequently, both payables balance and expenditure reported in the financial statements were materially misstated. As a result, I was unable to satisfy myself on the completeness, accuracy and validity of trade and other payables reported in the financial statements.

**v. Revenue**

Council was accounting for business licence fees on cash basis instead of accruals basis and this was contrary to IPSAS 9- "Revenue from exchange transactions". Only cash received for business licence fees was accounted for in the financial statements. As a result, there was an unresolved variance of ZWL\$17.1 million between the business licence revenue of ZWL\$7.7 million as per Council's data base and ZWL\$24.8 million disclosed in the financial statements.

In addition, stand sales revenue amounting to ZWL\$18.3 million recognised in the financial statements was not adequately supported. The housing department had an offer listing amounting to ZWL\$3.2 million leaving an unresolved variance of ZWL\$15.1 million. I therefore could not verify the accuracy, occurrence and validity of stand sales recognized for the year.

**vi. Cash and bank balances**

Bank balances reported in the financial statements of ZWL\$9.3 million were not supported by reconciled cash books. In addition, bank balances for two (2) bank accounts, the Health Grant and Health Grant Nostro accounts amounting to ZWL\$90 000 and ZWL\$250 000 respectively were omitted from the financial statements. I could therefore not satisfy myself of the accuracy and validity of the cash and bank balances disclosed in the financial statements.

**vii. Inventory**

The Council had various items of medical drugs inventory on hand as at year-end which were not valued and accounted for in the financial statements. The inventory balance of ZWL\$2.1 million disclosed in financial statements was not supported by a valuation report and stock count records. Due to incomplete record keeping, I was unable to perform alternative procedures. I therefore, could not satisfy myself on the valuation and accuracy of inventory disclosed in the financial statements.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Inventory**

#### **Finding**

The Council had various items of medical drugs inventory on hand as at year-end which were not valued and accounted for in the financial statements. The inventory balance of ZWL\$2.1 million disclosed in the financial statements was not supported by a valuation report and stock count records. Documents such as year-end inventory listing, inventory valuation schedule, inventory movement schedule and a list of obsolete inventories were not availed for audit.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should ensure that all inventories are valued and appropriately accounted for.

#### **Management response**

**Council has now separated stores from procurement and will result in correction of the anomaly observed by audit.**

### **1.2 Bank balances**

#### **Finding**

Bank balances reported in the financial statements of ZWL\$9.3 million were not supported by reconciled cash books. In addition, bank balances for two (2) bank accounts, the Health Grant and Health Grant Nostro accounts amounting to ZWL\$90 000 and ZWL\$250 000 respectively were omitted from the financial statements.

#### **Risk / Implication**

Misstatement of financial statements.

Financial loss due to fraud.

#### **Recommendation**

Council should perform bank reconciliations monthly and account for all bank accounts in the financial statements.

#### **Management response**

**Observation has been noted and a correction was made to split the health account into the three accounts.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Stand sales**

#### **Finding**

Stand sales revenue amounting to ZWL\$18.3 million recognised in the financial statements was not adequately supported. The housing department had an offer listing amounting to ZWL\$3.2 million leaving an unresolved variance of ZWL\$15.1 million.

#### **Risk / Implication**

Misstatement of financial statements.

Fraud and error may go undetected.

#### **Recommendation**

Council should investigate and clear the variances.

#### **Management response**

The observation has been noted.

## **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing audit findings and recommendations I raised in my 2022 annual report. I raised twenty-four (24) audit findings, one (1) was addressed, two (2) were partially addressed while twenty one (21) were not addressed as indicated below;

### **3.1 Statutory deductions**

The finding was partially addressed. The Council did not settle all its statutory deductions and is currently on a payment plan with the statutory bodies due to low revenue inflows.

### **3.2 Accuracy of hyper inflated financial statements**

The finding was not addressed. Council did not train staff in preparation of inflation adjusted accounts and did not prepare inflated financial statements and promise to prepare inflated financial statements for 2023.

### **3.3 Payables**

The finding was not addressed. The Council did not perform creditors reconciliations.

### **3.4 Creditors with debit balances**

The finding was not addressed. Council did not investigate the debit balances and make necessary adjustments.

### **3.5 City of Harare water purchases**

The finding was not addressed. The Council did not repair the bulk water meter.

### **3.6 Stand sales**

The finding was not addressed. Council did not investigate the variances and make appropriate adjustments.

### **3.7 Business licenses**

The finding was not addressed. The Council still accounts for business licenses on cash basis.

### **3.8 Receivables**

The finding was not addressed. The Council did not engage the Information and Technology (IT) service provider to resolve the variances.

### **3.9 Beer levy**

The finding was not addressed. The Council did not obtain the beer levy sales returns from the brewer.

### **3.10 Management fuel allowances**

The finding was addressed. All benefits are being processed through payroll and being taxed.

### **3.11 Infrastructure assets**

The finding was not addressed. The Council did not account for its infrastructure assets siting financial constraints to appoint valuers.

### **3.12 Valuation of property, plant and equipment**

The finding was not addressed. The Council did not revalue all of its assets.

### **3.13 Sewerage services**

Finding was partially addressed. The design for the rehabilitation to BNR plan was completed though not yet implemented.

### **3.14 Water meters**

The finding was not addressed. The Council did not replace the malfunctioned residents water meters.

### **3.15 Investment properties**

The finding was not addressed. Lease agreements not yet in place

### **3.16 Salary adjustments**

The finding was not addressed. Salary increments approvals not availed for audit verification.

### **3.17 Building inspections**

The finding was not addressed. Building inspection forms not yet being retained.

### **3.18 Voluntary deductions facility**

The finding was not addressed. Stop order and deduction still to be effected.

### **3.19 Staff receivables**

The finding was not addressed. Misappropriated funds not yet recovered.

### **3.20 Water sales**

The finding was not addressed. Non-functional meters are yet to be replaced.

### **3.21 Employee terminations**

The finding was not addressed. Terminated employees still being removed on payroll late.

### **3.22 Water provision**

The finding was not addressed. Municipality still purchasing treated water from City of Harare and water supplies are still below demand.

### **3.23 Sewerage treatment plant**

The finding was not addressed. Sewer treatment plant rehabilitation not yet done.

### **3.24 Fire protection services**

The finding was not addressed. Fire service department not yet capacitated.

## **GWANDA MUNICIPALITY 2020 AND 2021**

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I have audited the financial statements of Gwanda Municipality for the years ended December 31, 2020 and 2021 and I issued an adverse opinion for 2020 and a qualified opinion for 2021.

### **Adverse Opinion 2020**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the statement of financial position, as at December 31, 2020 and financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21 – “The Effects of Changes in Foreign Exchange Rates” and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”**

The prior year financial statements did not comply with the requirements IAS 21 - "The Effects of Changes in Foreign Exchange Rates" as the Council did not use an appropriate exchange rate on change of functional currency. The Council did not restate the 2020 opening balances to address the prior year error contrary to the requirements of IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had the Council applied the requirements of IAS 21 – “The Effects of Changes in Foreign Exchange Rates” and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors” many elements in the financial statements would be materially impacted.

**ii. Exchange rates**

In the current year, the Municipality translated foreign denominated transactions and balances to ZWL\$ using the interbank exchange rates for the period. The exchange rates used for the translation did not meet the definition of spot exchange rates as per IAS 21 – “The Effects of Changes in Foreign Exchange Rates” as the exchange rates were not available for immediate delivery for the first half of the year and not always accessible for the remainder of the year.

Had the Council applied the requirements of IAS 21 – “The Effects of Changes in Foreign Exchange Rates” many elements in the financial statements would be materially impacted.

### **Qualified Opinion 2021**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Gwanda Municipality as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

## **Basis for Qualified Opinion**

- i. **Non-compliance with International Accounting Standard (IAS) 21 – “The Effects of Changes in Foreign Exchange Rates” and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”.**

### **Opening balances**

The prior year financial statements did not comply with the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" as the Council did not use an appropriate exchange rate on change of functional currency. The Council did not restate the 2020 opening balances to address the prior year error contrary to the requirements of IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had the Council applied the requirements of IAS 21 – “The Effects of Changes in Foreign Exchange Rates” and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors” many elements in the financial statements would be materially impacted.

### **Exchange rates**

In the current year, the Municipality translated foreign denominated transactions and balances to ZWL\$ using the interbank exchange rates for the period. The exchange rates used for the translation did not meet the definition of spot exchange rates as per IAS 21 – “The Effects of Changes in Foreign Exchange Rates” as the exchange rates were not available for immediate delivery for the first half of the year and not always accessible for the remainder of the year.

Had the Council applied the requirements of IAS 21 – “The Effects of Changes in Foreign Exchange Rates” many elements in the financial statements would be materially impacted.

- ii. **Property, plant and equipment**

I was unable to obtain sufficient evidence to support the existence and completeness of property, plant and equipment recorded in the financial statements. The Municipality did not have an asset register that adequately identifies and records all property, plant and equipment. As a result, I was unable to obtain sufficient evidence to support the existence and completeness of the property, plant and equipment recorded in the financial statements.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Property, plant and equipment**

#### **Finding**

Council did not have an asset register. In addition, the Council did not have an accounting policy to guide depreciation of its property, plant and equipment. As a result, the Council did not provide for depreciation on its property, plant and equipment. This was contrary to International Accounting Standard (IAS) 16 “Property, plant and equipment” which requires property, plant and equipment to be depreciated.



### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Municipality should put in place an accounting policy and provide for depreciation on its property, plant and equipment.

### **Management response**

**Council has updated the asset register, assets will be revalued and restated at fair values. Depreciation policy will also be created and implemented to ensure that correct values are maintained in the books.**

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2021 annual report. I raised six (6) findings, and they were not addressed as indicated below;

### **2.1 Stores building**

The finding was not addressed. Council did not revamp the stores facility to ensure safe working conditions and security of inventories.

### **2.2 Valuation roll**

The finding was not addressed. The Council did not have an updated valuation roll.

### **2.3 Unbilled stands**

The finding was not addressed. The Council did not bill the stands.

### **2.4 Staff benefits**

The finding was not addressed. The Council did not deduct Income tax on staff benefits.

### **2.5 Year-end cut off procedures.**

The finding was not addressed. The Council did not carry out month-end and year-end cut-off procedures.

### **2.6 Statutory obligations**

The finding was not addressed. The Council still has outstanding statutory remittances.

I have audited the financial statements of Kariba Municipality for the year ended December 31, 2021 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, due to the effects of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Kariba Municipality as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 – “Financial Reporting in Hyperinflationary Economies” and IPSAS 4- “The effects of Changes in Foreign Exchanges Rates”**

The Council did not adjust for inflation a foreign exchange gain amounting to ZWL\$5.5 million. Management failed to make relevant adjustments to the financial statements. In addition, the foreign exchange gain did not have supporting journals. This was contrary to the requirements of IPSAS 10 – “Financial Reporting in Hyperinflationary Economies” which require transactions to be adjusted for inflation. I could not satisfy myself on the accuracy and validity of sundry income disclosed in the financial statements.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 – “Revenue from Exchange Transactions”**

Stand sales revenue was accounted for on cash basis contrary to the requirements of IPSAS 9 – “Revenue from Exchange Transactions” paragraphs 14 and 15 which requires revenue to be recognised at the fair value of the consideration received or receivable. Stand sales recognised in 2021 amounting to ZWL\$ 125.1 million related to cash received in 2021. Had the Council recognised the stand sales revenue on an accrual basis, the financial statements would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment”**

Infrastructure assets such as road networks, sewer reticulation systems and bridges were not accounted for in the financial statements contrary to IPSAS 17 – “Property, Plant and Equipment”, paragraph 21 which requires infrastructure assets to be accounted for as assets. In addition, Council did not revalue other items of property plant and equipment that includes office furniture and computer equipment. The exercise was last performed in 2011. This was contrary to IPSAS 17- “Property, Plant and Equipment”, paragraph 44 which requires assets to be revalued with sufficient regularity to ensure that the carrying amount does not differ materially with the fair value at the reporting date. Consequently, I was unable to satisfy myself of the completeness and valuation of property, plant and equipment reported in the financial statements.

**iv. Receivables**

There was an unresolved variance of ZWL\$4.2 million between receivables per debtors listing of ZWL\$200.8 million and corresponding amount reported in the financial statements of ZWL\$205 million. Consequently, I could not satisfy myself as to the valuation and completeness of the receivables disclosed in the financial statements.

**v. Payables**

There were unsupported creditors amounting to ZWL\$23.3 million due to missing supplier statements and reconciliations. I could not satisfy myself as to the validity, accuracy and completeness of the payables disclosed in the financial statements.

**vi. Cash and cash equivalent**

There were no supporting cash books, bank reconciliation statements and bank statements for bank balances amounting to ZWL\$3.3 million reported in the financial statements. In addition, I was also not availed with bank confirmations response from a bank with a bank balance of ZWL\$120 000. I could not satisfy myself of the completeness and accuracy of the cash and cash equivalents balance disclosed in the financial statements.

**vii. Expenditure**

Included in general expenses of ZWL\$ 265.4 million reported in the financial statements are expenditure transactions amounting to ZWL\$ 2.3 million not supported by supplier invoices and receipts. I therefore could not satisfy myself on the validity and accuracy of expenditure reported in the financial statements.

**viii. Journal entries**

There were journal entries amounting to ZWL\$1.2 million without supporting documentation. Consequently, I could not satisfy myself of the validity and accuracy of journals posted in the financial statements.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Foreign exchange gains**

**Finding**

The Council did not adjust for inflation a foreign exchange gain amounting to ZWL\$5.5 million. Management failed to make relevant adjustments to the financial statements. In addition, the foreign exchange gain did not have supporting journals. This was contrary to the requirements of IPSAS 10 – “Financial Reporting in Hyperinflationary Economies” which require transactions to be adjusted for inflation.

**Risk / Implication**

Misstatement of financial statements.

## **Recommendation**

Council should comply with International Public Sector Accounting Standard (IPSAS) 4 - "The effects of Changes in Foreign Exchange rate" and IPSAS 10 - "Financial Reporting in Hyperinflationary Economies"

## **Management response**

**Audit observation is correct Council will comply with the provision of IPSAS 4 and 10 in 2023 financial year.**

## **1.2 Cashbooks and bank reconciliations**

### **Finding**

There were no supporting cash books, bank reconciliation statements and bank statements for bank balances amounting to ZWL\$ 3.3 million reported in the financial statements. Ecocash reconciliations were also not performed for all Ecocash merchant accounts with an aggregated bank balance of ZWL\$120 000. In addition, the Ecocash balance was not confirmed by the bank.

### **Risk / Implication**

Misstatement of financial statements.

Financial loss due to fraud and error.

### **Recommendation**

Bank reconciliations be performed and reviewed.

### **Management response**

**Nostro cash books were created, and bank reconciliations will be now prepared for the periods under review.**

## **1.3 Payables**

### **Finding**

There were thirty-one (31) unsupported creditors amounting to ZWL\$23.3 million due to missing supplier statements and reconciliations. Section 45(a) of the Public Finance Management Act (Chapter 22:19) requires Council management to establish a strong system of financial management and internal control. Consequently, I could not satisfy myself as to the validity, accuracy and completeness of the payables disclosed in the financial statements.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Management should engage suppliers to obtain statements and perform reconciliations.

### **Management response**

**Council is continuously engaging suppliers for submission of the statements and reconciliations will be done as per audit recommendations.**

## **1.4 Journal entries**

### **Finding**

The Council's controls over journal processing were weak. As a result, the Council posted journal entries amounting to ZWL\$1.2 million without supporting documentation. In addition, there was no segregation of duties in journal processing resulting in the initiation and authorisation of journals being done by one individual.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Management should improve the controls surrounding journal processing by segregating the duty and effectively supervising and authorizing all journals processed.

### **Management response**

**The observation is correct. We will implement the audit recommendations from 2023 onwards.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Receivables**

### **Finding**

There was an unresolved variance of ZWL\$4.2 million between receivables per debtors listing of ZWL\$200.8 million and corresponding amount reported in the financial statements of ZWL\$205 million.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Council should resolve the variances.

## **Management response**

**Council is investigating the system challenge that is causing these variances between ledgers and listings balances. Council will conduct monthly reconciliation on its debtor's ledgers and listings to ensure any issues that arise are promptly addressed.**

## **2.2 Stand sales**

### **Finding**

Stand sales revenue was accounted for on cash basis contrary to the requirements of paragraphs 14 and 15 of IPSAS 9 – “Revenue from exchange transactions” which requires revenue to be recognised at the fair value of the consideration received or receivable. Stand sales recognised in 2021 amounting to ZWL\$ 125.1 million related to cash received in 2021 for stand sales made in 2019. This was caused by lack of coordination and flow of information between housing and finance departments.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Management should improve coordination between housing and finance departments to ensure that revenue recognition complies with IPSAS 9 - “Revenue from exchange transaction”.

## **Management response**

**Observation is correct coordination between Housing and Finance department will be improved to ensure that similar issues do not reoccur. Council is currently underway in implementing the IPSASs.**

## **3. EMPLOYMENT COSTS**

### **3.1 Taxation of employee benefits**

#### **Finding**

Council employees were exempted from paying water charges up to 40 cubic megaliters per month in line with a Council resolution. However, the benefit was not included on the payroll. As a result, it was not subjected to income tax contrary to the 13<sup>th</sup> Schedule to the Income Tax Act (Chapter 23.06) which requires such benefits to be taxed.

#### **Risk / Implication**

Financial loss due to penalties.

#### **Recommendation**

Management should ensure that all benefits are processed through payroll and taxed.

## **Management response**

**Water benefit will be included in the Gross salary for tax purposes going forward.**

### **4. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2020 annual report. I raised thirteen (13) findings, one (1) was addressed and twelve (12) were not addressed as indicated below;

#### **4.1 Journal entries**

The finding was not addressed. Single entry journals were not corrected.

#### **4.2 Cash and cash equivalents**

The finding was not addressed. Ecocash merchant accounts were not aggregated. No cash books and bank reconciliations

#### **4.3 Expenditure supporting documents**

The finding was not addressed. Supporting documents were not availed.

#### **4.4 Business licenses**

The finding was not addressed. The Council accounted for business licenses on a cash basis.

#### **4.5 Revenue from stand sales**

The finding was not addressed. Revenue was accounted on cash basis.

#### **4.6 Property, plant and equipment**

The finding was not addressed. The Council did not account for infrastructure assets and they were not added to the asset register. Council has planned to revalue its assets in the 2024 financial year.

#### **4.7 Sale of public assets to management**

The finding was not addressed. The approval was not availed.

#### **4.8 Inventory management**

The finding was not addressed. The Council did not put in place strategies for segregation of handling of donated drugs at the clinics.

#### **4.9 Service level agreements**

The finding was not addressed. Council is yet to follow up on signing of service level agreement with PROMUN service provider.

#### **4.10 Water meters**

The finding was not addressed. The Council did not replace non-functional meters.

#### **4.11 Statutory deductions**

The finding was not addressed. Council is still not up to date with clearing of statutory deductions.

#### **4.12 Estate funds**

The finding was not addressed. Council did not reimburse estate funds borrowed and used for recurrent expenditure.

#### **4.13 Beer levy**

The finding was addressed. The Council obtained beer sales schedules from the brewer.



I have audited the financial statements of Marondera Municipality for the year ended December 31, 2021 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Marondera Municipality as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 1- “Presentation of Financial Statements” and International Public Sector Accounting Standard (IPSAS) 18- “Segment Reporting”**

The Council did not account for revenue, expenses, liabilities and assets of its six (6) schools in the financial statements. This was contrary to IPSAS 1- “Presentation of Financial Statements” paragraph 27, which requires financial statements to fairly present the financial position, financial performance and cash flows of an entity. As a result, no segment information was reported in respect of the Council’s education services segment contrary to IPSAS 18- “Segment Reporting” paragraph 52 to 57, which requires the Council to disclose for each segment revenue, expenses, liabilities and assets which should be reconciled to the aggregated information in the entity’s financial statements. Had the Council complied with IPSAS 1- “Presentation of Financial Statements” and IPSAS 18- “Segment Reporting” in accounting for its schools, the financial statements would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 21- “Impairment of Non-Cash Generating assets”**

Council disclosed property, plant and equipment and investment property with carrying values of ZWL\$398 million and ZWL\$960 000 respectively. The Council did not assess its assets for impairment at the reporting date despite there being indications of impairment. This was contrary to IPSAS 21- “Impairment of Non-Cash Generating Assets” paragraph 22, which requires an entity to assess at each reporting date whether there is an indication that an asset may be impaired. Had Council assessed its assets for indications of impairment at the reporting date, the financial statements would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23- “Revenue from Non-Exchange Transactions”**

Council was recognising revenue from business licenses on cash basis. This was contrary to IPSAS 23- “Revenue from Non-Exchange Transactions” paragraph 2 which requires revenue to be recognised on an accruals basis. Had Council accounted for its business licenses on accruals basis, the financial statements would have been materially different.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates”**

The prior year financial statements did not comply with the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, as the Municipality was unable to use an appropriate exchange rate on change of functional currency. The Municipality translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Municipality used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per Statutory Instrument 33 of 2019. In that regard the Municipality’s 2020 closing balances misstatements have an impact on the current year financial statements.

**v. Investment in shares**

The Municipality disclosed investment in shares of ZWL\$94 845 which management asserts was in respect of Marondera Municipality Pension Fund. I was not provided with sufficient appropriate evidence relating to the formation and management of the Pension Fund. No records were provided for both the pension fund and the shares for me to assess the accounting treatment and valuation of the shares. Accordingly, I could not satisfy myself on the rights and obligations of the Municipality to the Pension Fund and the valuation of the investment disclosed.

**vi. Non-compliance with International Public Sector Accounting Standard (IPSAS) 16- “Investment Property”**

The Council did not disclose the fair value of its investment properties. This was contrary to IPSAS 16- “Investment Property” paragraph 90 which requires investment property to be disclosed at the fair values even when the cost model has been adopted.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Fuel requisitions**

**Finding**

The Council’s internal controls over issuance of fuel were not adequate. As a result, Council issued 9 525 litres of diesel and 4 740 litres of petrol that were not supported by approved requisitions. This was contrary to Transport policy section 6.7 which requires all fuel issues to be supported by requisitions approved by the Head of Department.

**Risk / Implication**

Financial loss due to irregular issuance of fuel.

**Recommendation**

Council should put in place adequate controls over the management of fuel.

## **Management response**

**Observation is acknowledged. The fuel management system which was in place was inadequate resulting in the missing of some fuel requisitions. To absolve the weakness, the Stores section in conjunction with the PMU have implemented a new system which requires the checking and signing of the fuel requisition book by the Procurement Officer after every two days. All issue of fuel by the stores section was accompanied by fuel requisitions which would have been authorized by the head of departments and this was the same for the 2021 financial year. Furthermore, all requisitions are now filed upon issue into clearly labelled files for each month. Council has also resolved to embrace LADS as a package which will simplify the process of acquiring fuel from the stores and at the same time maintain electronic record of all fuel requests which will be easily accessible to audit.**

## **1.2 Council schools**

### **Finding**

The Council did not account for revenue, expenses, liabilities and assets of its six (6) schools in the financial statements. This was contrary to International Public Sector Accounting Standard (IPSAS) 1- "Presentation of Financial Statements" paragraph 27, which requires such items to be included for fair presentation. As a result, no segment information was reported in respect of the Council's education services segment contrary to IPSAS 18- "Segment Reporting" paragraph 52 to 57, which requires the Council such information as part of segment reporting.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Management should account for its schools in accordance with IPSAS 1 and disclose in accordance with IPSAS 18.

### **Management response**

**The observations are noted. From 2023 Council will ensure schools are included and accounted for in the financial statements.**

## **1.3 Impairment of assets**

### **Finding**

The Council's maintenance section was not sufficiently manned and resourced. As a result, the Council did not assess its assets for impairment at the reporting date despite there being indications of impairment. This was contrary to International Public Sector Accounting Standard (IPSAS) 21- "Impairment of Non-Cash Generating Assets" paragraph 22, which requires assets to be tested for impairment at each reporting date.

**Risk / Implication**

Misstatement of financial statement.

**Recommendation**

The Council should have the maintenance section properly resourced and manned for inspection of assets.

**Management response**

**During the period under review the maintenance section was not sufficiently resourced, and it has only one contract employee who was supposed to undertake the inspections and maintenance as well of all Council assets. As a result, inspections could not be carried out as planned hence impairment could not be done. From 2024 Council plans to start impairment of assets.**

**1.4 Investment property****Finding**

The Council did not disclose the fair value of its investment property. This was contrary to International Public Sector Accounting Standard (IPSAS) 16 – “Investment Property” paragraph 90, which requires disclosure of fair values when cost model is being applied.

**Risk / Implication**

Transparency and comparability of financial statements may be compromised.

**Recommendation**

Council should disclose fair values of its investment property to comply with IPSAS 16 – “Investment Property”.

**Management response**

**Observations have been noted, Council will conduct valuation of investment property by December 2024.**

**2. REVENUE COLLECTION AND DEBT RECOVERY****2.1 Business licenses****Finding**

The Council did not invoice all businesses operating within its jurisdiction. Business license fees were being recognized on a cash basis. This was contrary to International Public Sector Accounting Standard (IPSAS) 23- “Revenue from Non-Exchange Transactions” which requires that revenue be recognized on accrual basis.

**Risk / Implication**

Misstatement of financial statements.

Loss of revenue.

**Recommendation**

Council should invoice all businesses for business license fees and recognize revenue in a manner prescribed in IPSAS 23.

**Management response**

**Audit finding on accounting business License on cash basis is noted, however we are migrating to IPSAS through our implementation road map.**

**2.2 Lease contracts****Finding**

The Council's lease contract management controls were not adequate. There were one hundred and thirty-two (132) leased properties that did not have running contracts for the year ended December 31, 2021. This was contrary to the Housing policy section 5.3 which requires lease arrangements to be reduced to writing.

**Risk / Implication**

In the event of dispute with tenants, outstanding amounts may not be recovered.

**Recommendation**

Council should formalise contracts with tenants to enhance collectability of receivables.

**Management response**

**The observation has been noted. An extensive exercise was done in 2022 where Council invited all tenants to housing department for them to update their lease agreements and files. Further to that in 2023, Council resolved to employ GIS officers and institute a GIS section for mapping of all open spaces and Council properties that were being leased to have all the information on tenants updated and store.**

**3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing audit findings and recommendations raised in my 2021 annual report. I raised sixteen (16) findings and six (6) were addressed, five (5) were partially addressed and five (5) were not addressed as indicated below;

**3.1 Traffic management system contract**

The finding was addressed. The contract was terminated, and damages were fully paid.

### **3.2 Sewerage system**

The finding was partially addressed. Perimeter fence was erected at the sewer pumping stations. Security personnel has been deployed to the plants. However, the pumping of sewerage to the processing plant is not yet functional.

### **3.3 Water meters**

The finding was addressed. The Council now has a standard operating procedure for replacing water meters.

### **3.4 Land fill**

The finding was partially addressed. Landfill site was approved and the engineering designs are now in place.

### **3.5 Investment property**

The finding was not addressed. Council has not terminated the contract.

### **3.6 Fuel management**

The finding was partially addressed. Stores section is now adequately staffed.

### **3.7 Motor vehicles insurance**

The finding was addressed. Insurance claims are now being raised on time.

### **3.8 Litigation claims**

The finding was addressed. Council directed the claim to ZEMQOS as recommended and it was resolved there.

### **3.9 Customer accounts**

The finding was not addressed. Accounts were isolated in PROMUN; they are no longer being billed after they were verified. The process of write off will be finalized by June 2024.

### **3.10 Procurement and delivery of cat mix**

The finding was addressed. The cat mix was delivered to Council.

### **3.11 Borehole projects**

The finding was addressed. Council resolved the issue and to avoid any price variations contracts are now being denominated in USD payable in ZWL\$.

### **3.12 Job grading**

The finding was partially addressed. The Council conducted workshops for the implementation of the job evaluation, but it has not been effected.

### **3.13 Terminal benefits**

The finding was not addressed. Terminal benefits to be put in place.

### **3.14 Investment in shares**

The finding was not addressed. The issue is still under investigation.

### **3.15 Investment properties.**

The finding was partially addressed. The bulk of the tenants were taken to court for eviction and the process is ongoing. A few have responded positively and we are renewing their leases.

### **3.16 Statutory deductions**

The finding was not addressed. Statutory deductions were yet to be remitted.

I have audited the financial statements of Redcliff Municipality for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Redcliff Municipality as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Qualified Opinion**

#### **i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment”**

Council did not account for assets under construction, furniture and fittings, vehicles and computer equipment for its six (6) schools in the financial statements contrary to the requirements of IPSAS 17 - “Property, Plant and Equipment”. As a result, I was unable to satisfy myself on the completeness, accuracy and valuation of property, plant and equipment reported in the financial statements.

Below are material issues noted during the audit.

#### **1. GOVERNANCE ISSUES**

##### **1.1 Property, plant and equipment**

#### **Finding**

Council did not account for assets under construction, furniture and fittings, vehicles and computer equipment for its six schools in the financial statements contrary to the requirements of IPSAS 17 - “Property, Plant and Equipment”.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should account for all its property, plant and equipment in the financial statements.

#### **Management response**

The valuation was done and will be adjusted in 2023 financial statements.



## 1.2 Devolution funds acquittals

### Finding

The Municipality was not submitting the devolution acquittals contrary to circular number 1 of 2019 which requires that the acquittal reports be submitted.

### Risk / Implication

Service delivery may be compromised due to non-release of funds as acquittal reports enable financiers to identify needy areas.

### Recommendation

Acquittal reports should be submitted.

### Management response

**The Municipality will submit acquittals.**

## 2. SERVICE DELIVERY

### 2.1 Dumpsite

#### Finding

The Municipality did not have a landfill as per the requirements of the Environmental Management Act [*Chapter 20:27*]. Instead, the Municipality made use of a dumpsite in Torwood for waste management. Picture below refers:



**Torwood dumpsite:** Auditor – May 5, 2023

**Risk / Implication**

Health hazard to the community.

**Recommendation**

The Municipality should establish a landfill in compliance with environmental legislation.

**Management response**

**The Municipality has since identified land for the landfill and has budgeted for environmental impact assessment (EIA) in the 2024 budget.**

**2.2 Fire protection and ambulance services****Finding**

The Municipality fire and ambulance services department was not sufficiently resourced as there was only one staff member responsible for driving both the fire tender and ambulance contrary to the requirements of section 200 of the Urban Councils Act [*Chapter 29:15*]

**Risk / Implication**

Service delivery may be compromised.

**Recommendation**

The Municipality should consider recruiting additional manpower to resource the fire protection and ambulance department.

**Management response**

**Recruitment was done in 2023 however there is high staff turnover in the section.**

**3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised ten (10) findings, one (1) was addressed, two (2) were partially addressed and seven (7) were not addressed as indicated below;

**3.1 Contract management**

The finding was partially addressed. The Council and supplier made an addendum to the original contract to cater for the price variations.

**3.2 Procurement of floor tiles**

The finding was addressed. Council recovered money for the stolen tiles from the employee who was in charge.

### **3.3 Valuation of Property plant and equipment**

The finding was partially addressed. Council performed a revaluation of its assets. This will be accounted for in 2023 financial year end.

### **3.4 Ownership of assets**

The finding was not addressed. Council did not avail documentation on proof of ownership of its assets.

### **3.5 Shortage of Classrooms**

The finding was not addressed. Council did not construct more classroom blocks and schools.

### **3.6 Sewer plant**

The finding was not addressed. Council did not fence the disused sewer plant.

### **3.7 Settlement of creditors with land**

The finding was not addressed. Council had not regularised the settlement of creditors with land.

### **3.8 Approval and acquittal of devolution grant**

The finding was not addressed. The Council did not avail Ministerial approvals.

### **3.9 Income generating projects**

The finding was not addressed. The Council did not avail Ministerial approvals.

### **3.10 Procurement of vehicles and equipment- land swap**

The finding was not addressed. Council had not received all the procured equipment.

## **TOWN COUNCILS**

I have audited the financial statements of Chipinge Town Council for the year ended December 31, 2021 and I issued an adverse opinion.

### **Adverse opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not give a true and fair view of the financial position of Chipinge Town Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates”**

During the financial year, the foreign currency denominated transactions and balances were translated into ZWL\$ using the inter-bank exchange rates or current auction rates. The inter-bank exchange rates did not meet the definition of a spot exchange rate as per International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates”.

The use of inappropriate exchange rates impacted the inflation adjusted financial statements. Had the financial statements been prepared in accordance with the requirements of the International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates” many elements of the financial statements would have been materially different.

**ii. Non-Compliance with International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment”**

Council did not account for infrastructure assets such as road networks in the financial statements contrary to the requirements of IPSAS 17 – “Property, Plant and Equipment” which requires infrastructure assets to be capitalised.

In addition, Council last revalued its assets in 2009 upon change over from the Zimbabwean dollar to the multi-currency system, contrary to the requirements of IPSAS 17 - “Property, Plant and Equipment” that requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Had Council applied the requirements of IPSAS 17 – “Property, Plant and Equipment” the carrying amount of property, plant and equipment disclosed would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 27 – “Agriculture”**

The Council disclosed biological assets amounting to ZWL\$6.1 million. The Council did not revalue its biological assets in the period under review. As a result, the Council used 2014 market rates which were pegged in USD. This was contrary to International Public Sector Accounting Standard (IPSAS) 27 – “Agriculture”, which requires biological assets to be valued at fair value less costs to sell. Had the Council complied with the requirements of IPSAS 27 – “Agriculture” the carrying amount of biological assets would have been materially different.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23 – “Revenue from Non-Exchange Transactions”**

Council accounted for beer levy amounting to ZWL\$3.4 million on a cash basis rather than on accrual basis as required by IPSAS 23 – “Revenue from Non-Exchange Transactions”. Had the Council complied with the requirements of IPSAS 23 – “Revenue from Non-Exchange Transactions” the disclosed revenue would have been materially different.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Infrastructure assets**

**Finding**

Council did not account for infrastructure assets such as road networks in the financial statements contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 17 – “Property, plant and equipment” which requires infrastructure assets to be capitalised.

In addition, Council last revalued its assets in 2009 upon change over from the Zimbabwean dollar to the multi-currency system, contrary to the requirements of IPSAS 17- “Property, plant and equipment” that requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Had Council applied the requirements of IPSAS 17 – “Property, Plant and Equipment” the carrying amount of property, plant and equipment disclosed would have been materially different.

**Risk / Implication**

Financial statements may be misstated.

**Recommendation**

Management should engage the property valuers to ensure that the valuation report is provided, reviewed and infrastructure assets are included in the financial statements.

## **Management response**

**Noted.** Council engaged a valuer for its assets including infrastructure and is waiting for the final report from the valuator. The valuer was engaged by Council to do valuation of assets. Council partly adopted IPSAS 17 by including some infrastructural assets in its financial statements. In addition, Council staff members are undergoing training workshops on the implementation of IPSAS. IPSAS 33 gives a 3-year transitional period effectively 01 January 2023 to be IPSAS compliant. Efforts are being made to ensure that by end of the transitional period the Council will be fully compliant to IPSAS.

## **1.2 Biological assets**

### **Finding**

The Council disclosed biological assets amounting to ZWL\$6.1 million. The Council did not revalue its biological assets in the period under review. As a result, the Council used 2014 market rates which were pegged in USD. This was contrary to International Public Sector Accounting Standard (IPSAS) 27 – “Agriculture”, which requires biological assets to be valued at fair value less costs to sell. Had the Council complied with the requirements of IPSAS 27 – “Agriculture” the carrying amount of biological assets would have been materially different. Management cited that Council did not do valuation of assets due to financial challenges as bigger abattoirs were expensive and small abattoirs did not have the expertise to carryout valuation of biological assets.

### **Risk / Implication**

Financial statements may be materially misstated.

### **Recommendation**

Council should account for biological assets according to the requirements of IPSAS 27 – “Agriculture”.

## **Management response**

**Observation noted.** Council is going to carry out valuation of its biological assets in the year 2023 and adjust it in the 2023 financial statements. Council failed to carryout valuation of biological assets due to financial constraints. Engaging big abattoirs was expensive and the expense was not budgeted for in the financial year 2021 and 2022.

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Beer levy**

#### **Finding**

Council did not obtain beer levy schedules/returns from commercial brewers. As a result, Council accounted for only cash beer levy amounting to ZWL\$3.4 million. This was contrary to International Public Sector Accounting Standard (IPSAS) 23 – “Revenue from Non-Exchange Transactions” which requires revenue to be accrued.

#### **Risk / Implication**

Financial statements may be misstated.

#### **Recommendation**

Council should engage commercial brewers to obtain the sales schedules which are used as basis for calculating the levy.

#### **Management response**

**Council is going to update the records of liquor shops and then engage commercial brewers for the purpose of reconciling their sales in the Council’s area of jurisdiction. Council already made a request to have an engagement meeting with the brewer and the date is still to be advised.**

## **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised twelve (12) findings, two (2) were partially addressed and ten (10) were not addressed as indicated below;

### **3.1 Ownership of assets**

The finding was not addressed. The Council did not provide proof of ownership for its assets.

### **3.2 Infrastructure assets**

The finding was not addressed. Council did not include its infrastructure assets in the financial statements.

### **3.3 Revaluation of assets**

The finding was not addressed. The Council did not revalue its property, plant and equipment.



### **3.4 Gum tree plantation**

The finding was not addressed. Council did not include the value of the gum tree plantation in the financial statements.

### **3.5 Contract workers**

The finding was not addressed. Council did not cease the casualisation of labour contrary to the requirements of the Labour Act of 2016.

### **3.6 Statutory deductions**

The finding was not addressed. Council is yet to comply with statutory deductions payment deadlines.

### **3.7 External loans**

The finding was not addressed. Council is yet to repay the PSIP loan.

### **3.8 Beer levy**

The finding was not addressed. Council is yet to receive beer sales statistics from commercial brewers.

### **3.9 Non-revenue water**

The finding was not addressed. Council is yet to fix non-functional water meters and minimise water leakages.

### **3.10 Sewerage system**

The finding was not addressed. Council is yet to construct sewer reticulation system.

### **3.11 Water supply**

The finding was partially addressed. The Council has capacitated eight (8) boreholes with solar and ZESA power to supply portable water to residents and replacement of old infrastructure in the water distribution channel is in progress.

### **3.12 Refuse removal**

The finding was partially addressed. Refuse collection is now being done on a weekly basis.

## **CHIREDZI TOWN COUNCIL 2020**

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I have audited the financial statements of Chiredzi Town Council for the year ended December 31, 2020 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Chiredzi Town Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"**

The prior year financial statements did not comply with the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates", as the Council was unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using an exchange rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. Chiredzi Town Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US\$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The rate did not meet the definition of spot exchange rate as defined by IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates". Had the Council applied the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" many elements in the financial statements would have been materially impacted.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10- "Financial Reporting in Hyperinflationary Economies"**

The Council's financial statements were not adjusted for the effects of hyper-inflation contrary to the requirements of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies". Zimbabwean entities were operating in an environment in the period under review, which witnessed significant monetary and exchange control policy changes since the beginning of the 2019 year. Had the Council adjusted its financial statements for hyper-inflation, the financial statements would have been materially different.

**iii. Receivables**

There was an unresolved variance of ZWL\$6.7 million between receivables per the receivables listing of ZWL\$44.2 million and balance disclosed in the financial statements of ZWL\$50.9 million. As a result, I was unable to satisfy myself on the accuracy and validity of receivables reported in the financial statements.

#### **iv. Revenue**

There were unresolved variances amounting to ZWL\$5.8 million between revenue amount as per billing reports of ZWL\$55.9 million and the amount disclosed in the financial statements of ZWL\$50.1 million. Council attributed this to adjusting journals, however, I was not availed with supporting documents for the journals. In addition, the Council accounted for beer levy and business license income on cash basis. This was contrary to IPSAS 23 – “Revenue from Non-Exchange Transactions” paragraph 2 which requires revenue to be accounted for on an accruals basis. Had the Council appropriately accounted for revenue, the financial statements would have been materially different.

#### **v. Payables**

There was an unresolved variance of ZWL\$2.7 million between salary creditors balance as per salary creditors listing amounting to ZWL\$2.6 million and balance disclosed in the financial statements of ZWL\$5.3 million. As a result, I was unable to satisfy myself on the completeness, accuracy and validity of trade and other payables reported in the financial statements.

#### **vi. Unsupported expenditure**

The Council did not provide supporting documentation such as quotations, delivery notes and supplier invoices for expenditure amounting to ZWL\$1.4 million. As a result, I could not ascertain the validity and accuracy of the expenditure balances reported in the financial statements.

#### **vii. Property, plant and equipment**

The Council did not provide supporting documentation such as supplier invoices for asset additions amounting to ZWL\$1.3 million. I, therefore, could not satisfy myself on the accuracy and validity of additions to property plant and equipment disclosed in the financial statements.

#### **viii. Payroll**

There was an unresolved variance of ZWL\$0.91 million between the payroll balance amounting to ZWL\$26.2 million and the balance of ZWL\$27.1 million disclosed in the financial statements. I was unable to satisfy myself as to the completeness and accuracy of the employee costs disclosed in the financial statements.

#### **ix. Cash and cash equivalents**

Bank confirmation responses from four (4) banks with a total amount of ZWL\$ 3.7 million were not availed for audit. Therefore, I could not satisfy myself as to the completeness and accuracy of the cash and cash equivalent balances disclosed in the financial statements.

Below are material issues noted during the year;

## **1. GOVERNANCE ISSUES**

### **1.1 Payroll reconciliations**

#### **Finding**

The Council was not carrying out monthly payroll to ledger reconciliations for the year under review. As a result, there was an unresolved variance of ZWL\$0.9 million between the payroll balance amounting to ZWL\$26.2 million and the balance of ZWL\$27.1 million disclosed in the financial statements.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should perform payroll reconciliations on a monthly basis and variances noted should be investigated and resolved.

#### **Management response**

**Noted and agreed. Recommendations will be implemented going forward from 2023 onwards.**

### **1.2 Payables**

#### **Finding**

The Council did not avail reconciliations for some of the Councils major creditors. As a result, there was an unresolved variance of ZWL\$2.7 million between salary creditors balance as per salary creditors listing amounting to ZWL\$2.6 million and balance disclosed in the financial statements of ZWL\$5.3 million.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should perform reconciliations for all its payables.

#### **Management response**

**Council shall ensure that the local authority requests for statements from creditors. Council will also endeavour to ensure that all its creditors respond to confirmations in future.**

### **1.3 Unsupported expenditure**

#### **Finding**

The Council did not provide supporting documentation such as quotations, delivery notes and supplier invoices for expenditure amounting to ZWL\$1.4 million.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

All expenditure transactions should be adequately supported.

#### **Management response**

**The observation has been noted all the required documents will be availed for future audits.**

### **1.4 Asset additions**

#### **Finding**

The Council did not provide supporting documentation such as supplier invoices and delivery note for asset additions amounting to ZWL\$1.3 million. The additions included the construction of public toilet, water tank and excavation of dumpsite among others.

#### **Risk / Implication**

Misstatement of financial statements.

Financial loss due to fraud.

#### **Recommendation**

All addition to property plant and equipment should be adequately supported.

#### **Management response**

**The observation has been noted. We will improve the filing system and ensure all the required documents will be availed for future audits.**

## **1.5 Cash and cash equivalents**

### **Finding**

Bank confirmation responses from four (4) banks with a total amount of ZWL\$ 3.7 million were not availed for audit. Therefore, I could not satisfy myself as to the completeness and accuracy of the cash and cash equivalent balances disclosed in the financial statements.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should follow-up with the banks to provide the independent confirmations.

### **Management response**

**Observation noted. We will keep on making follow ups on the confirmation responses.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Water meters**

#### **Finding**

Council was not replacing non-functional water meters, as a result, 6368 water meters (77%) were non-functional. This resulted in Council resorting to charging water consumption using estimates.

#### **Risk / Implication**

Financial losses due to non-revenue water.

#### **Recommendation**

The Council should replace non-functional water meters.

#### **Management response**

**An allocation was made in the 2021 budget to replace non - working meters on a cost recovery basis. However, there were not acquired during the COVID – 19 restrictions.**

## 2.2 Receivables

### Finding

There was an unresolved variance of ZWL\$6.7 million between receivables per the receivables listing of ZWL\$44.2 million and balance disclosed in the financial statements of ZWL\$50.9 million. This was as a result of inadequate cut off procedures in the Promun system.

### Risk / Implication

Misstatement of financial statements.

### Recommendations

Council should establish cut off procedures in the Promun accounting system.

### Management response

**Observation noted. In future Council will be consistent in following debtor's cut-off dates in order to ensure there are no variances. Council will also train staff on the effective use of the PROMUN system.**

## 2.3 Revenue

### Finding

There were unresolved variances amounting to ZWL\$5.8 million between revenue amount as per billing reports of ZWL\$55.9 million and the amount disclosed in the financial statements of ZWL\$50.1 million. Council attributed this to adjusting journals, however, I was not availed with supporting documents for the journals.

In addition, the Council did not obtain beer levy returns from the brewers resulting in accounting for beer levy on cash basis. The Council also did not maintain databases for business licenses and accounted for business license income on cash basis. This was contrary to IPSAS 23 - "Revenue from Non-Exchange Transactions" paragraph 2 which requires revenue to be accounted for on an accruals basis.

### Risk / Implication

Financial statements may be materially misstated.

### Recommendation

Management must improve its filing system and ensure supporting documents for all journals posted are kept on file for ease of future reference.

The Council should account for beer levy and business license income on accrual basis as required by IPSAS 23.

## **Management response**

**Noted and agreed. The audit recommendation will be implemented in future years by 2023. We now have a data base of almost all business premises in Chiredzi Town. However, it needs to be refined to include all the relevant information on licence/registration certificates. The audit recommendation will be implemented in future years by 2024. However, starting 2023, Delta Beverages is now declaring liquor monthly and remitting the levies on monthly basis.**

### **3. PROGRESS TOWARDS ADDRESSING AND IMPLEMENTATION OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS**

The Council did not make progress in addressing audit findings and recommendations raised in my 2022 annual report. I raised seven (7) audit findings, two (2) were addressed, while the other five (5) findings were not addressed as indicated below;

#### **3.1 Inflation adjusted accounts**

The finding not was addressed. Council did not adjust the financial statements for inflation. Council was in the process of migrating to IPSAS and adoption of IPSAS 10 will be completed by December 2023.

#### **3.2 Completeness and accuracy of accounts payables reconciliations.**

The finding was not addressed. The Council did not reconcile its payables.

#### **3.3 Receivables**

The finding was not addressed. The Council did not reconcile the receivables balances.

#### **3.4 Revenue**

The finding was not addressed. The Council is yet to investigate the variances and make necessary adjustments.

#### **3.5 Completeness of Property, plant and equipment**

The finding was addressed. The Council put in place a comprehensive asset register.

#### **3.6 Non-compliance with IPSAS 12- "Inventories"**

The finding was addressed. The Council accounted for stands inventory in the financial statements.



### **3.7 Unsupported Expenditure**

The finding was not addressed. The Council did not avail supporting documents for the expenditure.

I have audited the financial statements of Gokwe Town Council for the year ended December 31, 2022 and I issued an adverse opinion.

**Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Gokwe Town Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**Basis for Adverse Opinion****i. Foreign exchange gain**

The foreign exchange gain disclosed in the financial statements amounting to ZWL\$49 million was not substantiated with ledgers and source documents. As a result, I could not satisfy myself on the validity, accuracy and completeness of the other income disclosed of ZWL\$249 million.

**ii. Revenue**

Rates and supplementary charges income amounting to ZWL\$105.5 million disclosed in the financial statements could not be verified for accuracy as the valuation roll was not updated and aligned with tariffs per the approved budget. In addition, the Council's stand sales and lease revenue was recognised on cash basis instead of accrual basis as required by International Public Sector Accounting Standard (IPSAS) 9- "Revenue from Exchange Transactions" paragraphs 14 and 15 which requires revenue to be measured at the fair value of the consideration received or receivable. This resulted in a difference of ZWL\$85.5 million between the stands listing total of ZWL\$396.5 million and financial statements balance of ZWL\$311 million. There was also an unresolved variance of ZWL\$30 million between lease revenue disclosed in the financial statements of ZWL\$25 million and the amount as per database of ZWL\$55 million. The Council had unsupported miscellaneous income of ZWL\$15 million and an unsupported journal amounting to ZWL\$3.5 million posted to other income. As a result, I could not satisfy myself of the completeness, accuracy and validity of revenue disclosed in the financial statements.

**iii. Compensation of employees**

There was an unresolved variance on employee costs of ZWL\$69.6 million between the amount as per the financial statements of ZWL\$206.9 million and general ledger balance of ZWL\$137.3 million. In addition, there were unsupported journals amounting to ZWL\$10.9 million. As a result, I could not satisfy myself of the accuracy and completeness of employee costs disclosed in the financial statements.

**iv. Unsupported expenditure**

The Council had unsupported expenditure amounting to ZWL\$17.6 million in the financial statements. I could not satisfy myself on the accuracy and validity of expenditure incurred and reported by the Council.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment”**

The Council did not revalue its property, plant and equipment contrary to the requirements of IPSAS 17 – “Property, Plant and Equipment” paragraph 44 and 49 which requires assets to be revalued with sufficient regularity so that their carrying amount does not differ materially from that which would have been determined using fair value at the reporting date. The Council last revalued its assets in 2015. In addition, there was unsupported asset additions amounting to ZWL\$202.5 million in the financial statements. Consequently, I was unable to satisfy myself of the completeness, valuation and accuracy of property, plant and equipment reported in the financial statements.

**vi. Payables**

There was an unresolved variance of ZWL\$14 million between accounts payables disclosed in the financial statements of ZWL\$301.7 million and total per the payables listing of ZWL\$315.7 million. In addition, there were unsupported journal entries amounting to ZWL\$234.4 million in the financial statements. Consequently, I could not satisfy myself on the validity, accuracy and completeness of the account’s payables disclosed in the financial statements.

**vii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12- “Inventories”**

The Council did not account for stands and medical drugs inventory in the financial statements. This was contrary to IPSAS 12 - “Inventories” which requires items that meet the definition of inventory to be accounted for. In addition, there were unsupported journals posted amounting to ZWL\$13.2 million. I therefore, could not satisfy myself of the completeness, accuracy and valuation of inventory disclosed in the financial statements.

Below are material issues noted during the audit;

**1 GOVERNANCE ISSUES**

**1.1 Foreign exchange gain**

**Finding**

The Council disclosed a foreign exchange gain in its financial statements amounting to ZWL\$49 million which was not substantiated with ledgers and source documents.

**Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Management should keep full records of the Council's financial affairs.

### **Management response**

**Audit observation is correct Council will comply with the provision of IPSAS 4 in 2024 financial year statements. We will send our staff for IPSAS training.**

## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Miscellaneous Income**

#### **Finding**

There was unsupported miscellaneous income of ZWL\$15 million. In addition, there was an unsupported journal amounting to ZWL\$3.5 million posted to other income.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

All income should be adequately supported.

#### **Management response**

**Miscellaneous receipts were mainly due to unidentified direct deposits which Council is still working on to identify the ratepayers who has transferred their monies into Council accounts. Going forward we will ensure supporting schedules are kept for ease of future reference.**

## **3 EMPLOYMENT COSTS**

### **3.1 Taxation of benefits**

#### **Finding**

The Council awarded tax-free benefits to its four (4) management staff. During the year ended December 31, 2022, 6240 litres of fuel and ZWL\$280 thousand airtime allowances were not processed through the payroll system, and this resulted in the allowances not being taxed. This was contrary to 13<sup>th</sup> Schedule to the Income Tax Act [*Chapter 23.06*] which defines remuneration to include all benefits and allowances granted to the employee by the employer and are taxable under employees' tax (PAYE).

#### **Risk / Implication**

Financial loss due to penalties and fines.

### **Recommendation**

All employee benefits should be processed through the payroll and taxed accordingly.

### **Management response**

**Management have noted the finding and will ensure these are taxed and evidenced on the payslips.**

## **3.2 Payroll costs**

### **Finding**

There was an unresolved variance on employee costs of ZWL\$69.6 million between the amount as per the financial statements of ZWL\$206.9 million and general ledger balance of ZWL\$137.3 million. In addition, there were unsupported journals amounting to ZWL\$10.9 million. This was contrary to section 45(a) of the Public Finance Management Act [*Chapter 22:19*] which requires Council management to establish strong system of financial management and internal controls.

### **Risk / Implication**

Financial statements may be materially misstated.

Fraud and error may go undetected.

### **Recommendation**

Management should investigate the variances and reconcile them.

### **Management response**

**Noted management will implement audit recommendations and ensure variances are resolved.**

## **4 PROCUREMENT OF GOODS AND SERVICES**

### **4.1 Payables reconciliations and supporting documents**

### **Finding**

There was an unresolved variance of ZWL\$14 million between accounts payables disclosed in the financial statements of ZWL\$301.7million and total per the payables listing of ZWL\$315.7 million. The Council was not performing monthly reconciliations and utilizing the creditors module in the PROMUN accounting system. In addition, there were unsupported journal entries amounting to ZWL\$234.40 million in the financial statements.

### **Risk / Implication**

Misstatement of financial statements.

## **Recommendation**

Council should investigate and clear the variances.

The Council should make use of the creditors module in the PROMUN system.

## **Management response**

**We will implement recommendations and have now also trained our staff to fully implement the creditor's module going forward.**

## **5 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made some progress in addressing the findings that I raised in my 2022 report. I raised twenty-one (21) findings, three (3) were addressed, four (4) were partially addressed and fourteen (14) were not addressed as indicated below;

### **5.1 Prior year adjustments**

The finding was not addressed. The Council did not adjust for prior year misstatements and still posts unsupported journals.

### **5.2 Devolution funds**

The finding was addressed. The Council is utilised devolution funds as per the Local Authorities Circular no. 1 of 2019 - Guidance on Utilization of Devolution Funds.

### **5.3 Payables**

The finding was not addressed, The Council did not investigate and clear the payables variances.

### **5.4 Manual accounting system**

The finding was not addressed. Council did not digitalize its accounting system for its sub-offices.

### **5.5 Valuation roll**

The finding was partially addressed. There was no valuation roll in 2022 however, it was put in place in 2023. Thus the Council still accounted for rates and supplementary charges using an outdated valuation roll.

### **5.6 Leased properties**

The finding was not addressed. The Council did not have lease agreements for its leased properties.

## **5.7 Assets purchased without going to tender**

The finding was addressed. The Council is purchasing its assets through tender process.

## **5.8 Unsupported expenditure**

The finding was not addressed. The Council did not provide supporting documents for some of its expenditure.

## **5.9 Grant**

The finding was addressed. This variance was cleared.

## **5.10 Revenue variances**

The finding was not addressed. The Council did not investigate and clear revenue variances.

## **5.11 Stand sales revenue recognition**

The finding was not addressed. The Council did not recognize stand sales on accrual basis.

## **5.12 Beer levy**

The finding was not addressed. The Council did not obtain beer sales statistics from the brewer.

## **5.13 Key vacant posts**

The finding was partially addressed. The Council filled the Finance Director post, whilst the post of the Town Engineer was awaiting Local Government board approval and Housing and Community Services Officer appointment was approved by the Local Government Board and Council was in the process to offer the successful candidate the post.

## **5.14 Inventory management and valuation**

The finding was not addressed. The Council did not account for all its inventory as required by IPSAS 12 – “Inventories”.

## **5.15 Property, plant and equipment - asset register**

The finding was not addressed. The Council did not have an updated asset register.

## **5.16 Asset revaluation**

The finding was partially addressed. Asset valuation was underway in 2024.

## **5.17 Investment properties**

The finding was not addressed. The Council did not account for investment properties as required by IPSAS 16 – “Investment Properties”.

#### **5.18 Provision of social amenities**

The finding was not addressed. The Council did not rehabilitate the community hall, swimming pool and tennis court.

#### **5.19 Policies and procedure manuals**

The finding was partially addressed. Asset capitalisation policy is yet to be crafted and approved.

#### **5.20 Allocation of commercial stands**

The finding was not addressed. Council is yet to avail evidence of an offer letter and resolution approving sale of the commercial stand.

#### **5.21 Ambulance and fire services**

The finding was not addressed. Council is yet to procure an ambulance and establish a fire department



I have audited the financial statements of Karoi Town Council for the year ended December 31, 2020 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Karoi Town Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates”**

The prior year financial statements did not comply with the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, as the Council was unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22 at interbank rate. The rate did not meet the definition of spot exchange rate as defined by IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” as it was not available for immediate delivery. Had the Council applied the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” many elements in the financial statements would have been materially impacted.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment”**

The Council did not revalue its property, plant and equipment in order to reflect the current value of the assets. This was contrary to IPSAS 17 – “Property, Plant and Equipment”, paragraph 44 and 49 which requires revaluation to be done with sufficient regularity to ensure that carrying amount does not differ materially from that which would have been determined using fair value at the reporting date. The Council did not also carry out an assessment of the residual values and useful life of its property, plant and equipment contrary to IPSAS 17 - “Property, Plant and Equipment”, paragraph 67 that requires the residual values and the useful lives of assets to be reviewed at least at each annual reporting date. Had the Council performed a revaluation and assessment of useful lives of its property, plant and equipment, the carrying amounts would be materially different from the figures disclosed in the financial statements.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - “Inventories”**

The Council did not account for inventory items such as stands, medical drugs, building materials and office supplies in the financial statements. As a result, I was not able to determine the extent by which inventory was misstated and any adjustments that could have been necessary. Had the Council recognised the stands inventory, clinic drugs, building materials and office supplies, the amounts disclosed in the financial statements would have been materially different.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 1- “Presentation of Financial Statements” and IPSAS 18- “Segment Reporting”**

The Council did not account for the revenue, expenses, and some assets and liabilities for its six (6) schools in the financial statements. This was contrary to IPSAS 1- “Presentation of Financial Statements” paragraph 27, which requires financial statements to fairly present the financial position, financial performance and cash flows of an entity. As a result, no segment information was reported in respect of the Council’s education services segment contrary to IPSAS 18- “Segment Reporting” paragraph 12, which requires an entity to identify and disclose its separate segments. Had the Council complied with IPSAS 1- “Presentation of Financial Statements” and IPSAS 18- “Segment Reporting” in accounting for its schools, the financial statements would have been materially different.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 – “Revenue from Exchange Transactions”**

The Council did not have an updated valuation roll. As a result, the Council was not billing ratepayers for stands sold between 2008 and 2010. A review of the stands register revealed that out of a sample of seventeen (17) stands in Kubatana area, (9) stands were not billed. Had the Council updated its valuation roll the assessment rates amount disclosed would have been materially affected.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Council schools**

**Finding**

The Council did not account for the revenue, expenses, some assets and liabilities for its six (6) schools in the financial statements contrary to IPSAS 1- “Presentation of Financial Statements” paragraph 27 for fair presentation. As a result, the segment information did not include education services segment contrary to IPSAS 18- “Segment Reporting” paragraph 12, which requires an entity to identify and disclose its separate segments.

**Risk / Implication**

Misstatement of financial statements.

## **Recommendation**

Management should account for its schools in accordance with IPSAS 1.

## **Management response**

**The financial statements for the year under review only recognised buildings that were constructed by Council. However, building constructions that were performed by SDC are not yet incorporated. Council will include schools' transactions starting 2024 financial period.**

### **1.2 Valuation of property, plant and equipment**

#### **Finding**

The Council did not revalue its property, plant and equipment to reflect the current value of the assets. This was contrary to IPSAS 17 – “Property, Plant and Equipment”, paragraph 44 and 49 which requires revaluation to be done with sufficient regularity to ensure that carrying amount does not differ materially from that which would have been determined using fair value at the reporting date. The Council did not also carry out an assessment of the residual values and useful life of its property, plant and equipment contrary to IPSAS 17 - “Property, Plant and Equipment”, paragraph 67 that requires the residual values and the useful lives of assets to be reviewed at least at each annual reporting date.

#### **Risk / Implication**

Misstatement of financial statements.

## **Recommendation**

Council should revalue its assets in compliance with the requirements of International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment”.

## **Management response**

**Council noted the highlighted understatement of property, plant and equipment balance disclosed in financial statements. In response to the fact, Council has developed an IMAP (Implementation Matrix and Action Plan) for the IPSAS road map to address the same. Therefore, the misstatements in Property, plant and equipment will be attended to accordingly.**

### **1.3 Registration of vehicles**

#### **Finding**

Council had seven (7) vehicles not registered in its name. Two (2) vehicles were not yet registered, and five (5) vehicles registered in the name of third parties in contravention of Vehicle Registration and Licensing Act [*Chapter 13:14*] which requires vehicles to be registered within fourteen (14) days after purchase. In addition, the Council did not avail registration books for six (6) vehicles.

**Risk / Implication**

Financial loss in cases of disputes.

Misappropriation of assets.

**Recommendation**

Council should regularize the registration of vehicles and make registration books for registered vehicles readily available.

**Management response**

**The process of changing ownership is underway.**

**1.4 Fuel for roads projects****Finding**

The Council's controls over fuel for road projects were not adequate as the Council did not maintain a fuel register or perform reconciliations for the road projects fuel. As a result, I could not ascertain whether the fuel for road projects were utilised for the intended purposes.

**Risk / Implication**

Misappropriation may not be detected on time.

**Recommendation**

Council should put in place adequate controls around fuel management which include maintaining a fuel register and performing reconciliations.

**Management response**

**There was an oversight to maintain the ZINARA fuel register. However, beginning 2023 and going forward, Council will ensure that the record is put in place for proper accountability.**

**2. REVENUE COLLECTION AND DEBT RECOVERY****2.1 Valuation roll****Finding**

The Council did not have an updated valuation roll contrary to the requirements of Urban Councils Act [*Chapter 29:15*] section 253(a)-(f). In the absence of an updated valuation roll, I could not determine the basis used in charging assessment rates. As a result, the Council was not billing ratepayers for stands sold between 2008 and 2010.

This was contrary to section 269 of the Urban Councils Act [Chapter] which requires that all property within a council area be rateable by the Council. A review of the stands register revealed that out of a sample of seventeen (17) stands in Kubatana area, (9) stands were not billed.

#### **Risk / Implication**

Misstatement of financial statements.

Loss of revenue.

#### **Recommendation**

The Council should maintain an updated valuation roll.

#### **Management response**

**The Council tendered for the service during 2023 financial year and the processes to engage the service provider are underway.**

## **2.2 Billing of properties**

#### **Finding**

The Council was not billing ratepayers for stands sold between 2008 and 2010. This was contrary to section 269 of the Urban Councils Act [Chapter 29:15] which requires that all properties within a Council area shall be rateable by the Council. A review of the stands register showed that out of a sample of seventeen (17) stands in Kubatana area, (9) stands were not billed.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

All rate payers should be billed in accordance with the Urban Council's Act.

#### **Management response**

**There was no proper coordination between housing department and finance department as the beneficiaries were the ones who were bringing their details for billing at finance. Billing of the anomalies highlighted will be effected immediately.**

## **2.3 Beerhall procurement and sales**

### **Finding**

Council did not have adequate controls over beerhall procurement and sales as the Council was operating a beerhall without cash registers/tills. The cash received from the sales of beer was utilized before it was banked. The beerhall manager would buy beer from the brewers using un-receipted daily takings.

### **Risk / Implication**

Financial loss due to misappropriation of cash.

### **Recommendation**

All beer hall sales should be receipted and banked before they are being utilized.

### **Management response**

**Council will consider operating the beerhall in a competitive manner by instituting all relevant officers and ensure that there is proper segregation of duties.**

## **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing audit findings raised in my 2022 annual audit report. I raised eleven (11) audit findings, one (1) was addressed, one (1) was partially addressed and nine (9) were not addressed as indicated below;

### **3.1 Asset management policy**

The finding was not addressed. The asset management policy is not yet in place.

### **3.2 Unallocated deposits**

The finding was addressed. An accounts clerk was assigned to account for all direct deposits.

### **3.3 Revenue from stand sales**

The finding was not addressed. Receipts from stands sales debtors are not yet linked to the respective debtors' accounts, due to the absence of the database.

### **3.4 Beer levy**

The finding was not addressed. The Council has not yet engaged the breweries but is working on modalities of getting the record of supplied beer from local liquor outlets. This will be implemented January 2024, going forward.

### **3.5 Valuation of land**

The finding was not addressed. Council will perform revaluation of its assets in 2024 financial year.

### **3.6 Assets with nil values**

The finding was not addressed. Council will perform revaluation of its assets in 2024 financial year.

### **3.7 Council clinics**

The finding was partially addressed. The construction of Chiedza clinic is now in progress and the Construction of Kubatana clinic is still on the cards and is expected to commence in 2024 financial year.

### **3.8 Termination of Clyna Trading (Private) Limited contract**

The finding was not addressed. Mutual agreement on termination of the traffic operations not yet reached by both parties.

### **3.9 Registration of motor vehicles**

The finding was not addressed. The five vehicles are not yet registered in the Council name.

### **3.10 Delivery of refuse compactor truck**

The finding was not addressed. Refuse truck not yet delivered.

### **3.11 Delivery of goods**

The finding was not addressed. Council has not yet applied for condonation with Procurement Regulatory Authority of Zimbabwe (PRAZ)

I have audited, the financial statements of Mvurwi Town Council for the year ended December 31, 2021 and I issued an adverse opinion.

**Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Mvurwi Town Council, as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 - “Accounting Policies, Change in Estimates and Errors”**

The prior year financial statements did not comply with the requirements of IPSAS 4 - “Effects of Changes in Foreign Exchange Rates”, as the Council was not able to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Council used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per statutory instrument 33/2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transaction subsequent to February 22, 2019 at interbank rate. The Council’s inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with Statutory Instrument (SI) 33 and the fact that there were no official exchange rates between October ,2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the misstatement on the opening balances had an impact on the current year financial statements and the Council did not correct this prior period as required by IPSAS 3 – “Accounting Policies, Changes in Estimates and Errors”. Had Council applied the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 – “Accounting Policies, Changes in Estimates and Errors” many elements in the financial statements would have been materially different.

**ii. Business licence fees**

The Council did not have a database for businesses operating within its jurisdiction for billing of business licence fees. As a result, I could not ascertain the completeness and accuracy of business license fees amounting to ZWL\$13.4 million reported in the financial statements.



**iii. Beer levy**

The beer levy of ZWL\$18.9 million in the financial statements was recorded on cash basis. This amount was not supported by sufficient documentary evidence, except for the cash receipts. Due to limitation of scope, I could not ascertain the completeness of the levy reported.

**iv. Receivables**

Receivables amounting to ZWL\$35.5 million that were included in the total receivables of ZWL\$134.2 million could not be traced to the receivables age analysis. Due to limitation of scope, I could not ascertain the completeness and valuation of the receivables.

In addition, the trade and other receivables balance included other receivables amounting to ZWL\$5.8 million, presented as unallocated balance and was not adequately supported. I could not ascertain the occurrence and accuracy of transactions in this account.

Below are material issues noted during the audit;

**1 GOVERNANCE ISSUES**

**1.1 Fire service vehicles**

**Finding**

The Council was not generating sufficient funds for its operations. As a result, the Council had no functioning fire tenders. This was contrary to the provisions of first schedule paragraph 36 of the Urban Council Act [Chapter 29:15] which requires the Council to provide fire protection services to the community.

**Risk / Implication**

Loss of property and life due to fire outbreaks.

**Recommendation**

Council should mobilise financial resources to acquire fire services equipment.

**Management response**

**Council will seek financial assistance from Central Government to finance procurement of fire services equipment.**

**2. REVENUE COLLECTION AND DEBT RECOVERY**

**2.1 Receivables**

**Finding**

The Council's receivable data was not reliable as the Council's age analysis did not include receivables totalling ZWL\$35.56 million.

**Risk / Implication**

Financial statements may be materially misstated.

**Recommendation**

Council should maintain a complete debtor's age analysis.

**Management response**

All our debtors billed in MLS and are being maintained through an aged analysis in our Promun system except land sales debtors billed in USD which are being currently maintained on a spreadsheet to preserve value since our current ERP can only maintain debtors in the local currency. Council is currently working on modalities to strengthen our internal controls so as to avoid cases of misstatement.

**3. PROCUREMENT OF GOODS AND SERVICES****3.1 Supporting documents****Finding**

Payments for construction material and property, plant and equipment items amounting to ZWL\$11.6 million were not supported by tax invoices. This was contrary to section 59 (3) c of statutory instrument (SI) 144 of 2019 which prohibits making of payments based on quotations only.

**Risk / Implication**

The Council may fail to claim input tax.

**Recommendation**

All payments should be based on valid tax invoices.

**Management response**

Well noted.

**4. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made some progress in addressing audit findings and recommendations raised in my 2022 audit report. I raised eight (8) audit findings, two (2) were addressed, two (2) were partially addressed and four (4) were not addressed as indicated below;

**4.1 Value Added Tax**

The finding was addressed. The Council is now using the correct VAT rate.

#### **4.2 Income tax**

The finding was addressed. The Council is now paying tax on motoring benefits.

#### **4.3 Business licenses**

The finding was not addressed. The Council still did not have a data base.

#### **4.4 Beer levy**

The finding was partially addressed. Engagements with Delta Beverages are still underway to obtain returns.

#### **4.5 Property, plant and equipment**

The finding was not addressed. Council has not yet conducted the revaluation exercise due to financial constraints.

#### **4.6 Wastewater management**

The finding was partially addressed. New sewer establishment ponds and are not yet complete.

#### **4.7 Dump site**

The finding was not addressed. Council is awaiting availability of funds.

#### **4.8 Stands files**

Finding address not addressed. Files not yet created.

I have audited the financial statements of Norton Town Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Norton Town Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 16 – “Property, Plant and Equipment”**

The Council disclosed property, plant and equipment at ZWL\$741.5 million in the financial statements. Items of property, plant and equipment were not depreciated contrary to the requirements of IAS 16 – “Property, plant, and equipment”. The Council did not also assess assets for impairment even though there was evidence of impairment on some assets.

In addition, the Council did not review the residual values and useful lives of property, plant, and equipment at reporting date in accordance with IAS 16 – “Property, Plant, and Equipment”. Had the Council applied the requirements of IAS 16 – “Property, Plant, and Equipment”, items of property, plant and equipment in the financial statements would be materially different.

**ii. Non-compliance with International Accounting Standard (IAS) 21 – “Effects of Changes in Foreign Exchange Rates” and IAS 29 – “Financial Reporting in Hyperinflationary Economies”.**

During the year, the foreign currency denominated transactions and balances of the Council were translated into ZWL\$ using inter-bank rates. The use of interbank rates was not in compliance with IAS 21- “The Effects of Changes in Foreign Exchange Rates” which requires use of spot exchange rates to translate foreign currency transactions into the functional currency. I was unable to quantify the impact of using interbank rates on the translation of the foreign currency transactions to ZWL\$ in the financial statements. Had the financial statements been prepared in accordance with the requirements of IAS 21- “The Effects of Changes in Foreign Exchange Rates”, many elements would have been materially different. The effects of the non-compliance have been considered to be material to the financial statements.

The Council applied IAS 29 – “Financial Reporting in Hyperinflationary Economies” on current periods’ financial information which was not in compliance with IAS 21- “The Effects of Changes in Foreign Exchange Rates”. Had the correct base numbers been used, the above stated financial statements would have been materially different.

**iii. Non-compliance with International Financial Reporting Standard (IFRS) 9 – “Financial Instruments”**

The Council disclosed receivables amounting to ZWL\$2.1 billion in the financial statements. The Council did not provide for expected credit loss as required by IFRS 9, paragraph 5.5.1 which requires an entity to recognise a loss allowance for expected credit losses on a financial asset. Had the allowance for credit loss been provided, financial statements would have been materially different.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Alignment of accounting processes to the reporting framework**

**Finding**

The policies of the Council were not aligned to the requirements of International Financial Reporting Financial Standards (IFRS). As a result, the Council did not depreciate property, plant and equipment contrary to paragraph 43 of International Accounting Standard (IAS) 16 – “Property, plant, and equipment” which requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. In addition, the Council did not carry out an impairment test of its property, plant and equipment as required by IAS 36 – “Impairment of Fixed Assets” even though there were indicators of impairment on some vehicles and equipment such as Holland Tractor, Ambulance, Nissan Hard body, 2 Nissan NP200, Refuse Compactor which were being carried at cost in the Councils books.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Depreciation and Impairment charges should be provided for in line with IAS 16 and IAS 36.

**Management response**

**Accounting procedures manual will be updated to incorporate International Accounting Standards. The assets in question were identified for disposal in 2022 but disposal was not carried out and impairment of the assets were not carried out. A disposal committee was put in place and disposals will be in 2023.**

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised two (2) findings, and these two findings were yet to be addressed as indicated below;

### **2.1 Revaluation of assets**

The finding was not addressed. The Council did not revalue its assets.

### **2.2 Beer levy computation**

The finding was not addressed. Council has not obtained statements from the brewer.

I have audited the financial statements of Plumtree Town Council for the year ended December 31, 2022 and I issued an adverse opinion.

**Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Plumtree Town Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 – “Revenue from Exchange Transactions”**

Included in revenue from exchange transactions was revenue of ZWL\$145.6 million from the sale of stands. The Council recognised revenue from land sales upon allocation rather than when the applicant had satisfied the stated requirements and the Council’s obligation to refund the applicant had been extinguished. This was contrary to paragraph 28 (b) of IPSAS 9 – “Revenue from Exchange Transactions” which requires revenue to be recognised when the Council retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The terms on which the Council allocates stands to applicants result in the Council retaining effective control over the stand until the full payment is received, otherwise the Council has the right to repossess the stand and refund the cumulative payments made by the applicant. Had the Council complied with the requirements of IPSAS 9 – “Revenue from Exchange Transactions”, revenue from exchange transactions would have been materially different.

**ii. Suspense account**

The statement of financial performance had a suspense amount of ZWL\$153.4 million which could not be cleared by management. Management did not maintain adequate records and a sound financial reporting system resulting in failure to observe the principle of double entry. As a result, I was unable to determine the extent to which other accounts on the financial statements may be misstated. The effect of this misstatement is therefore considered material.

**iii. Value Added Tax**

Revenue and expenditure reported in the financial statements were inclusive of output tax and input tax respectively. As a result, VAT remitted to ZIMRA amounting to ZWL\$53.3 million was inappropriately presented as expenditure.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Policies and procedure manuals**

#### **Finding**

The Council was operating without key policies such as procurement policy and disaster recovery policy. This was contrary to section 44 (1) (a) of the Public Finance Management Act [*Chapter 22:19*] which requires a public entity to establish and maintain effective, efficient and transparent systems of financial, risk management and internal controls. As a result, the operational functions of Council were executed without proper guidelines.

#### **Risk / Implication**

Possible inconsistencies in application of processes and procedures.

Fraudulent activities may go undetected.

#### **Recommendation**

The Council should put in place key policies and procedures to govern Council operations.

#### **Management response**

**The cited policies are available in draft form. They shall be duly updated and presented before Council for adoption.**

### **1.2 Sale of land**

#### **Finding**

The Council recognised revenue from land sales upon allocation rather than when the applicant had satisfied the stated requirements and the Council's obligation to refund the applicant had been extinguished. This was contrary to paragraph 28 (b) of IPSAS 9 – “Revenue from Exchange Transactions” which requires revenue to be recognised when the Council retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold. The terms on which the Council allocates stands to applicants result in the Council retaining effective control over the stand until the full payment is received, otherwise the Council has the right to repossess the stand and refund the cumulative payments made by the applicant.

#### **Risk / Implication**

Misstatement in the financial statements.

#### **Recommendation**

The Council should recognize revenue in line with the requirements of IPSAS 9.



### **Management response**

**With effect from 1 January 2024, Council will separate between Deferred Income and Land Sale income. All receipts for land received before the stand is fully paid for shall be treated as deferred income and only transferred to Land Sale income upon full payment.**

## **1.3 Value Added Tax**

### **Finding**

The Council's accounting system was not configured to separate VAT from transactions. As a result, revenue and expenditure transactions were captured inclusive of VAT resulting in ZWL\$53.3 million VAT remitted to ZIMRA being inappropriately presented as expenditure.

### **Risk / Implication**

Financial statements are materially misstated.

### **Recommendation**

Council should configure its accounting system to separate input VAT and output VAT from expenditure and revenue transactions.

### **Management response**

**The observation is noted, Council will engage the service provider to attend to the system settings and address the shortcomings.**

## **1.4 Suspense account**

### **Finding**

The Council did not maintain adequate records and observe the double entry principle when posting transactions. As a result, the Council disclosed a suspense balance of ZWL\$153.4 million in the statement of financial performance which could not be cleared.

### **Risk / Implication**

Financial statements are materially misstated.

### **Recommendation**

Council should put in place adequate controls over posting of transactions.

Council should investigate and clear the suspense account.

### **Management response**

The suspense account is mainly as a result of non-preparation of inter-account reconciliations and non-accounting for exchange gains that arise from the appreciation of foreign currency held balances that were receipted at a relatively lower rate from the ones at which the amounts are spent.

## **2 SERVICE DELIVERY ISSUES**

### **2.1 Water works**

#### **Finding**

The Council's bulk water meter that measures the volume of water pumped into the town was not functional. As a result, Council was unable to determine the volume of water pumped, identify any water losses between the pumping point and consumption point and reconcile with the water that is eventually billed on consumption.

#### **Risk / Implication**

Water leakages and illegal connections may be difficult to detect.

#### **Recommendation**

Council should repair the waterworks bulk meter.

### **Management response**

**The observation is noted, flow metres will be installed at the treatment plant to ensure measurement of water entering and leaving the treatment plant.**

### **2.2 Schools' infrastructure**

#### **Finding**

The development of educational infrastructure in the town was lagging behind against population growth. As a result, the number of students per class of fifty (50) exceeded the required carrying capacity of forty (40) students per classroom at Matizawa Primary and Phakamani Secondary schools.

In addition, the enrolment at Matizawa Primary school was six hundred (600) students and exceeded the toilet carrying capacity of one hundred (100) students.

#### **Risk / Implication**

The learning environment may not be conducive for the students.

#### **Recommendation**

Council should continue to invest in educational infrastructure in the town.

## **Management response**

The observation is noted; the Council has noted the increasing pressure on our existing education facilities. Instead of continuously growing the old schools, Council has since moved towards establishing another primary School (Mathendele) and a secondary school at Mathendele. These are aimed at easing the pressures at Dingumuzi, Maitiwaza Primary and Phakamani Secondary.

### **3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised four (4) findings that were yet to be addressed as indicated below;

#### **3.1 Suspense account**

The finding was not addressed. The imbalance was not corrected.

#### **3.2 Revenue recognition**

The finding was not addressed. The Council did not comply with the requirements of International Public Sector Accounting Standard (IPSAS) 9 – “Revenue from Exchange Transactions”.

#### **3.3 Prepaid meters**

The finding was not addressed. Council is yet to account for the one hundred and eighty-four (184) water meters.

#### **3.4 Completeness, existence and valuation of receivables from exchange transactions**

The finding was not addressed. Council is yet to comply with the requirements of International Public Sector Accounting Standard (IPSAS) 29 “Financial Instruments” on the recognition of receivables.

I have audited the financial statements of Rusape Town Council for the year ended December 31, 2021 and I issued a qualified opinion.

### **Qualified opinion**

In my opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with accrual basis in the transition period to International Public Sector Accounting Standards (IPSASs).

### **Basis for qualified opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates” and (IPSAS) 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”**

During the prior year and current financial year, the foreign currency denominated transactions and balances of the Council were translated into ZWL using the interbank exchange rates and which was not considered appropriate spot rates for transactions as required by IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” because foreign currency was not available for immediate delivery at these rates. The opinion on the prior year financial statements was modified in respect of this matter and the misstatements have not been corrected in the financial statements for the year ended December 31, 2021. Had the financial statement been prepared in accordance with the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”, many elements would have been materially affected.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyperinflationary Economies”**

The Council applied IPSAS 10 - “Financial Reporting in Hyperinflationary Economies” on prior and current year’s financial information which did not comply with IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” as described above. Had the correct base numbers been used, most elements of the annual inflation adjusted financial statements (including monetary gain/loss) would have been materially different. The impact of the departure from the requirements of these standards is considered material and pervasive to the annual inflation adjusted financial statements for the year ended December 31, 2021.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, plant and equipment” and (IPSAS) 16 - “Investment property”**

Included in the balance of ZWL\$90,7 million are Council beerhalls and Council houses that were being leased out and the Council was earning rental income on the properties. The Council did not separately categorize and disclose the beerhall and the council houses as investment property contrary to requirements of International Public Sector Accounting Standard (IPSAS) 16 - “Investment property”.

In addition, land was not accounted for in the financial statements contrary to the requirements of (IPSAS) 17 - "Property, Plant and Equipment". Had land been accounted for, financial statements would have been materially different.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Investment property**

#### **Finding**

Included in the balance of ZWL\$90.7 million are Council beerhalls and Council houses that are being leased out and the Council was earning rental income on the properties. The Council did not separately categorize and disclose the beerhall and the Council houses as investment property contrary to requirements of International Public Sector Accounting Standard (IPSAS) 16 - "Investment property".

In addition, land was not accounted for in the financial statements contrary to the requirements of IPSAS 17 - "Property, Plant and Equipment". Had land been accounted for, financial statements could have been materially different.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should correctly classify Council houses and beerhalls as Investment Property.

Council should account for the land as required by IPSAS 17 - "Property, Plant and Equipment."

#### **Management response**

**We take note of the recommendations. The exercise to separately categorize and disclose the beerhall and the council houses as investment property will be embarked on in the future periods.**

**The issue of non-inclusion of land asset value in the accounts is noted and again we are going to deal with it as we migrate to full IPSAS.**

I have audited the financial statements of Shurugwi Town Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Shurugwi Town Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies"**

The Council did not prepare inflation adjusted financial statements contrary to the provisions of International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies". Had the Council applied the requirements of IPSAS 10 - "Financial Reporting in Hyper-Inflationary Economies" the financial statements would have been materially affected.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 - "Revenue from Exchange Transactions"**

The Council recognized revenue from sale of stands on cash basis. This was contrary to IPSAS 9 - "Revenue from Exchange Transactions" which requires revenue to be recognised on accrual basis. In addition, there was an unresolved variance amounting to ZWL\$466.2 million between stand sales of ZWL\$530.1 million disclosed in the financial statements and the recomputed balance of ZWL\$63.9 million. Had the Council recognized revenue from sale of stands on accrual basis, revenue and receivables disclosed in the financial statements would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23- "Revenue from Non-Exchange Transactions".**

The Council did not maintain a database for business licences. Revenue from business licenses was recorded as and when customers purchased their licences. As a result, Council was recognising the fees on cash basis contrary to IPSAS 23- "Revenue from Non-exchange Transactions" which requires revenue to be recognized on accrual basis. Had Council accounted for its business licenses on accrual basis, the financial statements would have been materially different.

In addition, the Council recognised beer levy revenue amounting to ZWL\$7.1 million on cash basis instead of the accruals basis. I was not availed with evidence of beer levy reconciliations or verifications of sales made by commercial brewers and there was no supporting evidence in the form of beer levy schedules which could have been used as the basis in arriving at the remitted amount. I was therefore, not able to determine the extent by which revenue was misstated and any adjustments that could have been necessary.

#### **iv. Expenditure**

Expenditure amounting to ZWL\$105.7 million was not supported by the requisite documentation such as supplier invoices and receipts. I therefore could not satisfy myself as to the accuracy and validity of expenditure balances disclosed in the financial statements.

Below are material issues noted during the audit;

### **1 GOVERNANCE ISSUES**

#### **1.1 Hyperinflationary accounting**

##### **Finding**

The Council's accounting staff had a skills gap on preparation of inflation adjusted financial statements. As a result, the Council did not prepare inflation adjusted financial statements contrary to the provisions of International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies".

##### **Risk / Implication**

Financial statements may be materially misstated.

##### **Recommendation**

Management should capacitate accounting personnel with the requisite skills.

##### **Management response**

**The observation is noted and agreed. We hope to get all our accounting staff to get comprehensive IPSAS training this year in 2024 and thereafter start to hyperinflation the accounts from 2023 year-end going forward.**

#### **1.2 Estate fund**

##### **Finding**

The Council utilised Estate funds amounting to ZWL\$113.6 million for recurrent expenditure. This was contrary to section 300 (2) of the Urban Councils Act [*Chapter 29:15*] which requires Estate funds to be utilized for related capital expenditure. The funds borrowed from the estates account were yet to be refunded as the Council was facing financial challenges.

##### **Risk / Implication**

Service delivery may be compromised.

##### **Recommendation**

The Council should put in place strategies to generate sufficient funds.

### **Management response**

**We note that some of the funds borrowed from Estates account have not been refunded yet. We intend to refund these during this 2023 financial year.**

## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Stand sales**

The Council recognized revenue from sale of stands on cash basis. This was contrary to International Public Sector Accounting Standard (IPSAS) 9 - "Revenue from Exchange Transactions" which requires revenue to be recognised on accrual basis. There was an unresolved variance amounting to ZWL\$466.2 million between stand sales of ZWL\$530.1 million disclosed in the financial statements and the recomputed balance of ZWL\$63.9 million.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should account for revenue from stand sales in accordance with IPSAS 9.

The Council should investigate the variance and adjustments made where necessary.

### **Management response**

**We have engaged our service provider to assist us in investigating these variances. We are of the opinion that there could some parameters which require to corrected or set properly.**

### **2.2 Beer levy**

#### **Finding**

The Council recognised beer levy revenue amounting to ZWL\$7.1 million on cash basis instead of the accruals basis required by the International Public Sector Accounting Standards (IPSASs) conceptual framework. I was not availed with evidence of beer levy reconciliations or verifications of sales made by commercial brewers and there was no supporting evidence in the form of beer levy schedules which could have been used as the basis in arriving at the remitted amount.

#### **Risk / Implication**

Financial loss due to understatement of revenue.

#### **Recommendation**

Continuous engagement should be done, and sales schedules or reconciliations should be performed between Council and that of the brewers.



### **Management response**

**Council has since engaged brewers on the issue.**

## **2.3 Business licence**

### **Finding**

The Council did not maintain a database for business licences and the revenue from business licenses was recorded as and when customers purchased their licences. As a result, Council recognised the fees on cash basis contrary to IPSAS 23- “Revenue from non-exchange transactions” which requires that revenue be recognized on accrual basis.

### **Risk / Implication**

Misstatements of financial statements.

### **Recommendation**

The Council should maintain a database of all businesses within its jurisdiction.

Council should invoice all businesses for business license fees.

### **Management response**

**We take note of the recommendation given and will correct this in our 2023 Financial Statements going forward.**

## **2.4 Non-revenue water**

### **Finding**

The Council had ageing water infrastructure. As a result, the Council only billed 1.45 million m<sup>3</sup> of water out of 22.72 million m<sup>3</sup> treated water representing a 94% non-revenue water loss. The loss was above the globally acceptable non-revenue water loss of 25%.

### **Risk / Implication**

Financial loss due to non-revenue water.

### **Recommendation**

Council should rehabilitate its water infrastructure.

### **Management response**

**We have since noted the need to repair of our water network and flow measuring devices to reduce non-revenue water as evidenced by our performance improvement plans for 2023. Also, our water maintenance team is working on uprooting and replacing aged pipes to reduce water loss.**

### **3 PROCUREMENT OF GOODS AND SERVICES**

#### **3.1 Unsupported expenditure**

##### **Finding**

Expenditure amounting to ZWL\$105.7 million was not supported by the requisite documentation such as supplier invoices and receipts. This was contrary to the provisions of Statutory Instrument 144 of 2019 (Treasury Instructions), section 53 (1) which requires all expenditure to have adequate supporting documentation.

##### **Risk / Implication**

Financial loss due to non- delivery of goods and services.

Financial loss due to unauthorized expenditure.

##### **Recommendation**

Council should adhere to the provisions of the Public Finance Management (Treasury Instructions), 2019.

Council should expedite the recruitment of Records Officer to improve filling of records.

##### **Management response**

**Noted. We have planned to engage a records officer.**

#### **3.2 Procurement of generator**

##### **Finding**

Council made an advance payment in January 2022 to a supplier for the procurement of a 200KA generator amounting to USD 65 000 (ZWL\$ 7 million) without advance payment guarantee. This was contrary to the provisions of the Public Finance Management (Treasury Instructions), 2019 section 67 (18) which requires an advance payment to be made, after an advance payment guarantee has been furnished covering the amount of the advance payment and satisfies other terms set forth in the bidding documents. In addition, as of June 2023, the supplier had not yet delivered the generator.

##### **Risk / Implication**

Financial loss due to non-delivery and failure to recover amount paid.

##### **Recommendation**

The Council should follow up on the delivery of the generator.

Management should follow proper procurement procedures.

### **Management response**

**We note the oversight on our part. We will follow up with the supplier to deliver.**

## **4 EMPLOYMENT COSTS**

### **4.1 Segregation of duties**

#### **Finding**

There was no segregation of duties as the systems administrator was performing incompatible duties of payroll management in addition to the system administration functions which included changing payroll codes and creating user profiles for the Promun system.

#### **Risk / Implication**

Irregular transactions that may be difficult to detect due to overriding of controls.

#### **Recommendation**

Management should separate the incompatible roles and responsibilities of payroll management from systems administration function.

### **Management response**

**We acknowledge the finding that the Systems Administrator is currently responsible for maintaining the payroll in the Promun system. To address this finding, management is committed to providing the necessary training and support to the Administration and Personnel Manager to enable them to effectively handle payroll responsibilities in the Promun system.**

## **5 SERVICE DELIVERY**

### **5.1 Sewerage reticulation**

#### **Finding**

Council sewer reticulation system was experiencing persistent blockages and sewer spillages in Makusha and Mambowa. This was due to erratic water supply, aging sewer system, vandalism of sewer manholes and illegal connections.

In addition, there were no lights and perimeter fence at the sewer ponds.

#### **Risk / Implication**

Health hazards.

#### **Recommendation**

The Council should rehabilitate the sewer infrastructure and ensure constant water supply.

## **Management response**

We have noted the audit observation and we have since started uprooting and replacing clogged pipelines on all problematic sections of our reticulation network. We have taken note of the observation of stabilization ponds which need fencing; however, we are saddened to inform audit that our stabilization ponds were once fenced but the fence was stolen.

## **6 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised eight (8) findings that were yet to be addressed as indicated below;

### **6.1 Financial Reporting in Hyperinflationary Economies**

The finding was not addressed. Council did not adjust its financial statements for inflation.

### **6.2 Cash and cash equivalents**

The finding was not addressed. Council is yet to investigate the causes of variances between cash book and bank reconciliations.

### **6.3 Revenue**

The finding was not addressed. Management is yet to investigate and make the necessary adjustments.

### **6.4 Unsupported expenditure**

The finding has not been addressed. The Council did not provide supporting documents for expenditure.

### **6.5 Payroll reconciliations**

The finding was not addressed. Council is yet to prepare monthly payroll reconciliations.

### **6.6 Fuel benefit**

The finding was not addressed. The fuel benefit is still being processed outside payroll.

### **6.7 Land**

The finding was not addressed. The Council did not put a comprehensive register in place to account for land.

### **6.8 Revaluation of assets**

The finding was not addressed. Council was yet to revalue its assets.

I have audited the financial statements of Zvishavane Town Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates”**

During the financial year, the foreign currency denominated transactions and balances were translated into ZWL\$ using the inter-bank exchange rates or current auction rates. The inter-bank exchange rates did not meet the definition of a spot exchange rate as per IPSAS 4 paragraph 10 which defines spot exchange rate as the exchange rate for immediate delivery. Had the financial statements been prepared in accordance with the requirements of IPSAS 4, some elements would have been materially different. The effects of the non-compliance with the requirements of IPSAS 4 have been material to the financial statements as a whole.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9- Revenue from Exchange Transactions and IPSAS 23 – “Revenue from Non-Exchange Transactions (Transfers and Taxes)”.**

The Council accounted for lease rental fees amounting to ZWL\$43.3 million on a cash basis contrary to IPSAS 9 – “Revenue from Exchange Transactions” paragraph 15 which requires revenue to be measured at the fair value of the consideration received, or receivable, considering the amount of any trade discounts and volume rebates.

The Council also recognised beer levy revenue amounting to ZWL\$3.4 million for the year under review on cash basis contrary to IPSAS 23 – “Revenue from Non-Exchange Transactions” paragraph 19 which requires revenue to be recognised when it is probable that economic benefits will flow to the entity. I was not availed with evidence of any reconciliation or verifications of sales made by commercial brewers and there was no supporting evidence such as beer levy schedules which could have been used as the basis in arriving at the remitted amount. I was, therefore, not able to determine the extent by which revenue was misstated and any adjustments that could have been necessary.

**iii. Inventory**

Inventory items on hand as at December 31, 2022 amounting to ZWL\$14.4 million were not supported by the requisite documentation such as valuation schedules. I therefore could not satisfy myself as to the accuracy and validity of expenditure balances disclosed in the financial statements.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 1- “Presentation of Financial Statements” and IPSAS 18 – “Segmental Reporting”**

The Council did not recognise in the financial statements’ assets, liabilities, revenue, and expenses in respect of three schools under their control. This was contrary to IPSAS 1- “Presentation of Financial Statements” paragraph 27, which requires financial statements to fairly present the financial position, financial performance and cash flows of an entity. As a result, no segment information was reported in respect the Council’s education services segment contrary to IPSAS 18- “Segment Reporting” paragraphs 52-57, which requires the Council to disclose for each segment, assets, liabilities, revenue, and expenses. I was therefore unable to determine the extent by which the financial statements were misstated and any adjustments that could have been necessary.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Inventory management**

**Finding**

The Council’s record keeping was inadequate and its inventory module in PROMUN System was non-functional. As a result, the Council did not provide valuation schedules for inventory valued at ZWL\$14.4 million.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Invoices for inventory valuation should be properly kept on file.

Council should engage the System service provider to fix the inventory module and improve record keeping of inventory information.

**Management response**

**The observation is noted. Council is going to improve on inventory valuation through proper filing of invoices and will also engage Software service provider to fix the inventory module and train its staff.**

**1.2 Estate funds reconciliation**

**Finding**

The Council utilised estate funds amounting to ZWL\$11 million for recurrent expenditure. This was contrary to section 300 (1) of the Urban Councils Act [*Chapter 29:15*] which requires estate funds to be utilized for related capital expenditure. The funds utilised from the estates account were not refunded by year end as the Council was facing financial challenges.

**Risk / Implication**

Service delivery may be compromised.

**Recommendation**

Estate funds should be used for intended purposes as required by the Urban Councils Act [Chapter 29:15].

**Management response**

**Observation is noted. This was caused by cash flow challenges which the Council was experiencing. In future, the Council will make concerted efforts to comply with section 300 subsection (2a-2d) of the Urban Councils Act [Chapter 29:15].**

**1.3 Accounting for schools****Finding**

The Council did not recognise in the financial statements' assets, liabilities, revenue, and expenses in respect of three schools under their control. This was contrary to IPSAS 1- "Presentation of Financial Statements" paragraph 27, which requires financial statements to fairly present the financial position, financial performance and cash flows of an entity. As a result, no segment information was reported in respect the Council's education services segment contrary to IPSAS 18- "Segment Reporting" paragraphs 52-57, which requires the Council to disclose for each segment, assets, liabilities, revenue, and expenses.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should account for its schools in accordance with IPSAS 1 and IPSAS 18.

**Management response**

**Observation is noted. The Council failed to include the operations of the schools due to lack of technical expertise on IPSAS. However, there is need for the Council to undergo IPSAS training, and management has prepared a comprehensive IPSAS Training Matrix roadmap, where all the Council's finance staff and schools will be accorded the opportunity to attend IPSAS training.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Beer levy**

#### **Finding**

The Council recognised beer levy revenue amounting to ZWL\$3.4 million for the year under review on cash basis contrary to IPSAS 23 – “Revenue from Non-Exchange Transactions” paragraph 19 which requires revenue to be recognised when it is probable that economic benefits will flow to the entity. I was not availed with evidence of any reconciliation or verifications of sales made by commercial brewers and there was no supporting evidence such as beer levy schedules which could have been used as the basis in arriving at the remitted amounts.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should obtain beer sales schedules from the brewer.

#### **Management response**

**We note the observation. After engaging the brewer, Council is now receiving beer sales returns on beer levy corresponding with amounts remitted monthly from 2024.**

### **2.2 Lease and house rentals**

#### **Finding**

##### **Lease rentals**

The Council accounted for lease rental fees amounting to ZWL\$43.3 million on a cash basis contrary to IPSAS 9 – “Revenue from Exchange Transactions” paragraph 15 which requires that revenue should be measured at the fair value of the consideration received, or receivable. In addition, 90% of the Councils’ leased properties had no lease agreements provided for audit verification.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Lease agreements should be put in place.

The Council should account for rental income on an accrual basis.



## **Management response**

Observation is noted. Lease agreements for all new properties are in place and properly managed. However, we are currently updating our database on old Council rented properties which had no lease agreements and expect to complete the exercise by December 31, 2024.

### **3. EMPLOYMENT COSTS**

#### **3.1 Fuel allowances**

##### **Finding**

Fuel allowances totalling 19 720 litres for management were not processed through the payroll. As a result, the allowances were not being taxed contrary to the Income Tax Act [Chapter 23.06] which require all benefits and allowances granted to employees to be subject to income tax.

##### **Risk / Implication**

Financial loss due to fines and penalties.

##### **Recommendation**

Council should process all employee benefits through the payroll and subject them to tax.

##### **Management response**

Observation is noted. This was due to oversight on the part of Human Resources, however, going forward, management will ensure that all employee benefits are processed through the payroll and taxed. Since 2023, fuel allowances are now being processed through the payroll and taxed.

### **4. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised eighteen (18) findings, one (1) was addressed, three (3) were partially addressed and fourteen (14) were not addressed as indicated below;

#### **4.1 Financial reporting in hyperinflationary economies**

The finding was addressed. Council prepared inflation adjusted financial statements.

#### **4.2 Title deeds**

The finding was partially addressed. The Council applied for title deeds at the Deeds Office and is awaiting response.

#### **4.3 Accounting policies, changes in accounting estimates and errors**

The finding was not addressed. The Council did not correct the errors caused by the variances.

#### **4.4 Property, plant and equipment**

The finding was not addressed. The Council did not have a detailed asset register.

#### **4.5 Inventory valuation and ageing report**

The finding was not addressed. The Council was still not using Promun on valuation of inventory.

#### **4.6 Dumpsite**

The finding was not addressed. Council is still using a temporary dumpsite. Council is yet to identify a new site as the one earlier identified resulted in legal wrangles.

#### **4.7 Public lighting**

The finding was not addressed. The Council did not fix the streetlights and tower lights, but however, had 15 more non-functional at the time of audit. The 70 of 90 streetlights and 2 of 16 tower lights were not working.

#### **4.8 Provision of health facilities**

The finding was not addressed. Council budgeted for the construction of a clinic in the 2023 financial year to be funded through devolution funds.

#### **4.9 Partial utilization of PROMUN system and data integrity**

The finding was not addressed. Council is yet to fully utilise the PROMUN system.

#### **4.10 Purchase of goods and services**

The finding was not addressed. Council is to avail supporting documents for goods purchased and improve on record keeping.

#### **4.11 Lease and house rentals**

The finding was partially addressed. Some of the properties now have lease agreements.

#### **4.12 Service level agreements**

The finding was not addressed. Council is yet to put in place service level agreement with accounting and payroll system providers.

#### **4.13 Water leakages**

The finding was not addressed. Council is yet put in place rehabilitation plan for the water distribution system.

#### **4.14 Employment costs not processed through the payroll**

The finding was not addressed. Council is yet to incorporate all salary related payments on payroll.

#### **4.15 Payroll reconciliations**

The finding was not addressed. Council is yet to investigate the variances and make necessary adjustments.

#### **4.16 Fire protection**

The finding was not addressed. Council has only managed to apply for a toll free line.

#### **4.17 Water supply**

The finding was not addressed. Council is yet to service non-functional meters.

#### **4.18 Provision of public sewer**

The finding was partially addressed. Mabula sewer rehabilitation is in progress

## LOCAL BOARDS

## **CHIRUNDU LOCAL BOARD 2021**

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I have audited the financial statements of Chirundu Local Board for the year ended December 31, 2021 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Chirundu Local Board as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard - (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 10 - “Financial Reporting in Hyperinflationary Economies”**

During the financial year, the foreign currency transactions were translated into the functional currency (ZWL\$) using interbank exchange rates. IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” requires foreign currency denominated transactions to be translated to functional currency using exchange rates at the date of the transaction (spot exchange rate). The interbank exchange rates did not meet the definition of a spot exchange rate. Had the financial statements been prepared in accordance with the requirements of the IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, financial statements would have been materially different. The effects of non-compliance with the requirements of IPSAS 4 have been considered to be material to the financial statements.

The Council applied IPSAS 10 - “Financial Reporting in Hyperinflationary Economies” on current periods’ financial information which was not in compliance with IPSAS 4 - “The Effects of Changes in Hyperinflationary Economies”. Had the correct base numbers been used, the financial statements would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) - 17 “Property, Plant and Equipment”**

The Council did not separate land and buildings with a carrying amount of ZWL\$ 49.2 million in its financial statements. As a result, land was depreciated. This was contrary to IPSAS 17 - “Property, Plant and Equipment” paragraph 74 which requires land and buildings to be accounted for separately. Had Council separated its land and buildings, the carrying amount of land and the depreciation expense would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 29 - “Financial Instruments”**

The Council did not assess for allowance for credit loss on its receivables with a carrying amount of ZWL\$94 million disclosed in its financial statements. This was contrary to IPSAS 29 - “Financial Instruments” paragraph 67 which requires the assessment of receivable recoverability at the end of each reporting period. Had the Council complied with the requirements of IPSAS 29 – “Financial Instruments”, the financial statements would have been materially different.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Alignment of accounting processes to the reporting framework**

**Finding**

The Council’s accounting process over property, plant and equipment were not aligned to the financial reporting framework. As a result, the Council did not separate land and buildings with a carrying amount of ZWL\$ 49.2 million in its financial statements. The aggregation of land and buildings resulted in the depreciation of land. This was contrary to International Public Sector Accounting Sector Standard (IPSAS) 17 – “Property, Plant and Equipment” paragraph 74 which requires land and buildings to be accounted for separately.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should align its accounting processes and perform a valuation to separate its land and buildings.

**Management response**

**There is need for Local Board to do a property valuation which will separate land and buildings as land appreciates in value.**

**1.2 Receivables**

**Finding**

The Council did not assess recoverability of ZWL\$94 million owed by its clients. As a result, assessment of allowance for credit losses was not performed in line with International Public Sector Auditor Standard (IPSAS) 29 paragraph 67 which requires the assessment of receivable recoverability at the end of each reporting period.

**Risk / Implication**

Financial statements may be materially misstated.

**Recommendation**

The Council should assess the recoverability of its receivables at the end of each reporting period.

**Management response**

**It is true that ECL be assessed as at December 31, 2021 but however the Local Board sees it of little impact since its debtors are expressed in USD payable at bank rate, however an assessment will be done as per IPSAS 29.**

## **EPWORTH LOCAL BOARD 2021**

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I have audited the financial statements of Epworth Local Board for the year ended December 31, 2021 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Epworth Local Board as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

- i. **Non-compliance with International Accounting Standard (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates” and (IAS) 29 - “Financial Reporting in Hyperinflationary Economies.”**

The Council translated foreign denominated transactions and balances using the interbank rates for the year ended December 31, 2021. The exchange rates did not satisfy the definition of a spot rate as defined in IAS 21 – “The Effects of Changes in Foreign Exchange Rates” as the rates were not available for immediate delivery.

The Council applied the requirements of IAS 29 – “Financial Reporting in Hyperinflationary Economies”, however, its application was based on current and prior period financial information which was not in compliance with IAS 21- “The Effects of Changes in Foreign Exchange Rates”. Had the correct base numbers been used, most elements of the financial statements would have been materially different.

- ii. **Non-compliance with International Accounting Standard (IAS) 16 - “Property, Plant and Equipment”**

The Council did not carry out a revaluation exercise on its property, plant and equipment. This was contrary to the requirements of IAS 16 – “Property, Plant and Equipment” which requires assets to be revalued with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair value. Had property, plant and equipment been revalued, the financial statements would have been materially different.

Below are material issues noted during the audit;



## **1. GOVERNANCE ISSUES**

### **1.1 Revaluation of property, plant and equipment**

#### **Finding**

The Council did not perform a revaluation of property, plant and equipment. This was contrary to the requirements of IAS 16 – “Property, Plant and Equipment” which requires assets to be revalued with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair value.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should consider revaluing assets on a regular basis.

#### **Management response**

**Revaluation tender was published in August 2023 and the revaluation process will commence November 2023.**

## **HWANGE LOCAL BOARD 2019**

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I have audited the financial statements of Hwange Local Board for the year ended December 31, 2019 and I issued a disclaimer of opinion.

### **Disclaimer of Opinion**

I do not express an opinion on the financial statements of Hwange Local Board. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

### **Basis for Disclaimer of Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates”**

The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL using the February 22, 2019 rate of 1:1 as pronounced by Statutory Instrument 33 of 2019. The Council was not able to assess the appropriateness of the exchange rate used in achieving fair presentation primarily due to the need to comply with Statutory Instrument 33 of 2019 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. Had Council applied the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, the figures disclosed in the financial statements would have been materially different. The effects of the above departures from IPSAS are material and pervasive to the financial statements.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 – “Financial Reporting in Hyper-inflationary Economies”.**

The Council did not comply with the provisions of IPSAS 10 - “Financial Reporting in Hyperinflationary Economies” which require entities operating in hyper-inflationary economies to adjust their financial statements for the effects of inflation. Zimbabwean entities were operating in an environment which witnessed significant monetary and exchange control policy changes since the beginning of the 2019 year. The changes were a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates. On the 11th of October 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply IPSAS 10 - “Financial Reporting in Hyper-Inflationary Economies” in Zimbabwe had been met and the standard should be applied from July 1, 2019 and the financial statements of entities with year-end on or after this date should be hyper inflated. Had the Council applied the requirements of IPSAS 10 – “Financial Reporting in Hyper-Inflationary Economies” many elements of the financial statements would have been materially impacted.

**iii. Cash and bank balances**

There was an unreconciled variance of ZWL\$4.4 million between the cash and bank balances reported in the financial statements of ZWL\$9.3 million and the corresponding cash book balance of ZWL\$4.9 million. I could not ascertain the completeness, accuracy and validity of cash and cash equivalents balance of ZWL\$ 9.3 million disclosed in the financial statements due to unavailability of bank confirmation responses from four banks and bank statements for two accounts.

Included in the cash and cash equivalents disclosed were unsubstantiated balances amounting to ZWL\$1.9 million. The balances were in respect of two (2) bank accounts, the Rates accounts with two (2) local banks which management indicated that they had no control over as former management were still the signatories. Bank statements and confirmations could not be availed for these accounts.

**iv. Expenditure**

Expenditure amounting to ZWL\$4.9 million did not have supporting documents such as supplier invoices, payment vouchers, delivery notes, goods received vouchers and receipts. As a result, I could not satisfy myself on the accuracy and validity of expenditure disclosed in the financial statements.

**v. Payables**

The payables disclosed in the financial statements included a suspense account balance of ZWL\$8.2 million. Council could not clear the suspense by availing a breakdown and supporting documents. In addition, Council did not avail supporting documents such as supplier statements, supplier confirmations and evidence of subsequent payments for payables amounting to ZWL\$1.7 million. I could not satisfy myself on the validity and accuracy of payables disclosed in the financial statements.

**vi. Property, plant and equipment**

The Council did not avail supporting documents such as supplier invoices, contracts and goods received notes for asset additions amounting to ZWL\$ 1.3 million. As a result, I could not satisfy myself on the validity and completeness of additions to property, plant and equipment.

**vii. Receivables**

There was an unresolved variance amounting to ZWL\$1 million between the receivables listing total of ZWL\$2.4 million and financial statements balance of ZWL\$3.4 million. In addition, Council did not avail a breakdown of payroll receivables amounting to ZWL\$1.1 million. As a result, I was unable to satisfy myself on the accuracy and validity of receivables disclosed in the financial statements.

## **viii. Revenue**

Council recognised stand sales revenue amounting to ZWL\$730 000 on a cash basis. This was contrary to the requirements of IPSAS 9 - "Revenue from Exchange Transactions" paragraphs 14 and 15 which requires revenue to be measured at the fair value of the consideration received or receivable. In addition, Council did not avail the statistics for billable properties. There were unresolved variances amounting to ZWL\$150 000 between revenue per the billing reports of ZWL\$700 000 and per the financial statements of ZWL\$850 000. As a result, I could not satisfy myself on the completeness and accuracy of revenue disclosed in the financial statements.

## **ix. Inventory**

There was an unresolved variance of ZWL\$120 000 million between inventory disclosed in the financial statements of ZWL\$120 000 and the amount as per stock valuation report of ZWL\$240 000. I therefore, could not satisfy myself on the accuracy and valuation of the inventory disclosed in the financial statements.

## **x. Non-compliance with International Public Sector Accounting Standard (IPSAS) 1 – "Presentation of Financial Statements"**

Council did not present the statement of comparison of budget and actual amounts in the financial statements for the year ended December 31, 2019. This was contrary to International Public Sector Accounting Standard (IPSAS) 1 – "Presentation of Financial Statements" paragraph 21(e) which requires an entity that makes its budget publicly available, to present a statement of comparison of budget and actual amounts.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Estate funds**

##### **Finding**

Council did not maintain a separate bank account for Estate usage. As a result, funds from estate account amounting to ZWL\$7.9 million was used for recurrent expenditure. This was contrary to section 300 of the Urban Councils Act [*Chapter 29:15*] which requires estate funds to be used for capital expenditure.

##### **Risk / Implication**

Service delivery may be compromised.

##### **Recommendation**

Council should maintain a separate bank account for estate funds and ensure that the funds are used for capital expenditure as required by Urban Councils Act [*Chapter 29:15*].

## **Management response**

**The finding is noted.**

### **1.2 Supporting documentation**

#### **Finding**

Council did not avail the listing and supporting documents for capital expenditure such as payment vouchers, supplier invoices, contracts, goods received notes and requisition orders for asset additions amounting to ZWL\$1.3 million made during the year. As a result, I could not satisfy myself on the validity and completeness of additions to property, plant and equipment.

#### **Risk / Implication**

Misstatement of financial statements.

Financial loss due to fraud.

#### **Recommendation**

All expenditure should be adequately supported by relevant documents.

## **Management response**

**The Council is going to improve its record maintenance system. We have set up a registry unit to manage document storage and movements.**

### **1.3 Inventory**

#### **Finding**

The Council had various stock items on hand, as at the year-end. These included unsold pieces of land under various schemes and clinic drugs inventory. As at year end, the inventories were not accounted for in the financial statements contrary to International Public Sector Accounting Standard (IPSAS) 12 – “Inventories”. In addition, there was a variance of ZWL \$120 000 between the amount reported in the financial statements of ZWL\$120 000 and the balance as per stock valuations of ZWL\$240 000.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should recognise all inventory on hand at year end in accordance with IPSAS12 – “Inventories”.

### **Management response**

**We agree with the finding and will comply with the recommendation.**

## **1.4 Cashbook differences**

### **Finding**

There was an unreconciled variance of ZWL\$4.4 million between the balance reported in the financial statements of ZWL\$9.3 million and the corresponding cash book balance of ZWL\$ 4.9 million.

### **Risk / Implication**

Misstatement of financial statements.

Financial loss due to fraud.

### **Recommendation**

The variance should be investigated and reconciled.

### **Management response**

**We will comply with the audit recommendation going forward.**

## **1.5 Accounting for effects of inflation**

### **Finding**

The Council presented historical financial statements contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 10 - Financial Reporting in Hyperinflationary Economies. On the 11th of October 2019 the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a broad market consensus within the accounting and auditing profession that the factors and characteristics to apply IPSAS 10 – “Financial Reporting in Hyperinflationary Economies”, in Zimbabwe have been met and the standard should be applied by all entities reporting under IPSAS, IFRS and IFRS for SMEs for financial periods ended on or after from 1 July 2019. Due to staff technical capacity issues, Council did not adjust its financial statements in line with this pronouncement.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Council should put in place mechanisms to capacitate employees when there are operational changes which requires new skills.

### **Management response**

**Noted, Capacity building will be done.**

## **2. PROCUREMENT OF GOODS AND SERVICES**

### **2.1 Expenditure**

#### **Finding**

Expenditure amounting to ZWL\$4.9 million did not have supporting documents such as supplier invoices, payment vouchers, delivery notes, goods received vouchers and receipts. As a result, I could not satisfy myself on the accuracy and validity of expenditure disclosed in the financial statements.

#### **Risk / Implication**

Financial loss as Council may have paid for unauthorized expenditure where there are missing supporting documents.

#### **Recommendation**

All expenditure should be supported by relevant documents.

### **Management response**

**Finding noted. Going forward, we will comply with the recommendation.**

## **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised thirteen (13) findings, and all the thirteen (13) findings were not addressed as indicated below;

### **3.1 Payables**

The finding was not addressed. The Council did not perform monthly payable reconciliations, investigate the cause of the variances and make the necessary adjustments.

### **3.2 Cash and cash equivalents**

The finding was not addressed. The Council did not perform bank reconciliations and necessary adjustments timely.

### **3.3 Inventory**

The finding was not addressed. The Council did not maintain inventory valuation reports.

### **3.4 Receivables**

The finding was not addressed. Council is yet to investigate the causes of the variances and make appropriate adjustments.

### **3.5 Stand sales**

The finding was not addressed. Council is yet to follow conditions set for stand sales.

### **3.6 Stand sales recognition**

The finding was not addressed. The Council did not recognize revenue from stand sales on accruals basis.

### **3.7 Acquisition of motor vehicles**

The finding was not addressed. The Council did not comply with prescribed governance in relation to procurement of motor vehicles.

### **3.8 Purchase of equipment (motorised grader and ambulance)**

The finding was not addressed. The Council did not receive the purchased equipment.

### **3.9 Taxation of employee benefits**

The finding was not addressed. The Council did not tax employee benefits.

### **3.10 Property, plant and equipment**

The finding was not addressed. The Council did not have an asset register in place to properly account for all assets.

### **3.11 Sale of un-serviced stands**

The finding was not addressed. The Council did not comply with the provision of the Urban Councils Act and ring fence estate funds for servicing of stands.

### **3.12 Sewerage services**

The finding was not addressed. The Council did not rehabilitate its sewer system as it is no longer adequate to the ever-increasing population and expansion of the town.

### **3.13 Refuse removal**

The finding was not addressed. The Council did not construct a scientifically engineered land fill.



## **LUPANE LOCAL BOARD 2020 AND 2021**

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I have audited the financial statements of Lupane Local Board for the years ended December 31, 2020 and 2021 and I issued a disclaimer of opinion for both years.

### **Disclaimer of Opinion 2020**

I do not express an opinion on the financial statements of Lupane Local Board. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

### **Basis for Disclaimer of Opinion**

#### **i. Revenue recognition**

The Council did not have internal controls to ensure that revenue is correctly recognised in accordance with the International Public Sector Accounting Standards (IPSAS) 23- “Revenue from Non-Exchange Transactions” and IPSAS 9 – “Revenue from Exchange Transactions”. I was unable to obtain sufficient appropriate audit evidence that revenue from non-exchange transactions and revenue from exchange transactions amounting to ZWL\$21.6 million and receivables amounting to ZWL\$ 8.3 million disclosed in the financial statements were appropriately recognized.

#### **ii. Completeness of deferred income**

The Council did not provide supporting documentation in respect of deferred income for stand sale deposits amounting to ZWL\$5.3 million recognised during the year. The Council had a policy to withhold 50% of the administration fee upon repossession of the stand by the Local Board. I was unable to obtain sufficient appropriate audit evidence that deferred income recognised in respect of stand sales deposits was appropriately recognised.

#### **iii. Completeness and impairment of receivables from non-exchange transactions**

Council did not perform any procedures to determine the extent of expected credit losses for receivables from exchange/non-exchange transactions contrary to IPSAS 41 - “Financial Instruments”, which requires entities to assess for expected credit losses on receivables. In addition, receivables from non-exchange transactions amounting ZWL\$490 thousand that relates to outstanding levies and lease payments were not supported with a complete and accurate receivable listing. I was unable to determine whether any adjustments were necessary in respect of elements making up the financial statements.

#### **iv. Completeness and existence of property, plant and equipment**

Council did not separate its investment property including the beer garden and the crèche, from the owner-occupied property and equipment, as they were unable to disaggregate the value of buildings disclosed in the financial statements as ZWL\$3.2 million, which included both investment property and owner-occupied buildings. This was contrary to International Public Sector Accounting Standard (IPSAS) 16– “Investment Property”, which requires Council to account for Investment property.

In addition, the Council did not maintain a comprehensive fixed asset register and did not separately recognise land from buildings. I was not able to obtain sufficient appropriate audit evidence about the existence and completeness of property, plant and equipment balances included in the statement of financial position at ZWL\$45.4 million.

### **Disclaimer of Opinion 2021**

I do not express an opinion on the financial statements of Lupane Local Board. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report. I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

### **Basis for Disclaimer of Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 – “Property Plant and Equipment”**

The Local Board combined land and buildings into a single asset category, as a result land was depreciated together with buildings. This was contrary to IPSAS 17- “Property Plant and Equipment” paragraph 74, which requires land and buildings to be separately accounted, and that land should not be depreciated. In addition, during the year ended December 31, 2021, Council did not maintain a comprehensive fixed asset register. I was therefore, not able to obtain sufficient appropriate audit evidence on the existence, accuracy and completeness of property and equipment disclosed in the financial statements.

**ii. Completeness, accuracy and existence of payables**

The Local Board did not provide payables listings and ledgers to support payables amounting to ZW\$40 million disclosed in the financial statements. As a result, I was unable to obtain sufficient and appropriate audit evidence to validate the payables balance.

**iii. Receivables**

Council did not perform any procedures to determine the extent of expected credit losses for receivables from exchange/non-exchange transactions contrary to IPSAS 41 - “Financial Instruments”, which requires entities to assess for expected credit losses on receivables. In addition, receivables from non-exchange transactions that relates to outstanding levies and lease payments were not supported with a complete and accurate receivable listing. In addition, Council did not avail a receivable age analysis. I was unable to obtain reasonable assurance about the completeness, existence and accuracy of receivables.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Completeness and existence of property and equipment**

#### **Finding**

Council did not separate the investment property from the owner-occupied property and equipment, and therefore has not recorded investment property in accordance with International Public Sector Accounting Standards (IPSAS) – 16 “Investment Property”. In addition, Council failed to maintain a comprehensive fixed asset register, and has not separately recognized land from buildings in accordance with IPSAS 17- “Property Plant and Equipment”.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

Council should separate investment property from owner-occupied property and equipment and record investment property in accordance with IPSAS 16.

Council should implement a comprehensive fixed asset register and account for land separately from buildings.

#### **Management response**

**Noted we are in the process of doing an evaluation so that the mentioned properties are recorded separately and comply with IPSAS 17. The updating of asset register is on-going and will endeavor to comply with the IPSAS 16.**

### **1.2 Land and buildings**

#### **Finding**

The Local Board combined land and buildings into a single asset category, as a result land was depreciated together with buildings. This was contrary to IPSAS 17- “Property Plant and Equipment” paragraph 74, which requires land and buildings to be separately accounted, and that land should not be depreciated. In addition, during the year ended December 31, 2021, Council did not maintain a comprehensive fixed asset register.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should account for land and buildings separately in compliance IPSAS 17 and a comprehensive fixed asset register should be maintained.

### **Management response**

**Noted.** Lupane Local Board has included in its annual budget the valuation of assets so that it complies with IPSAS 17. This will be done by June 30, 2024.

**Discussions surrounding having a system that will cater for the management of fixed assets are on-going. In the mean-time a fixed asset register has been maintained on excel detailing the relevant information by June 30, 2024.**

## **1.3 Payables**

### **Finding**

The Local Board did not provide payables listings and ledgers to support payables amounting to ZW\$40 million disclosed in the financial statements. As a result, I was unable to obtain sufficient and appropriate audit evidence to validate the payables balance.

### **Risk / Implication**

Limitation of scope.

### **Recommendation**

Payables should be adequately supported.

### **Management response**

**This was rectified in the subsequent financial year ended December 31, 2022.**

## **2 REVENUE COLLECTION AND DEBT RCOVERY**

### **2.1 Revenue recognition**

### **Finding**

The Council did not have internal controls to ensure that revenue is correctly recognised in accordance with the International Public Sector Accounting Standards (IPSAS) 23-“Revenue from Non-Exchange Transactions” and IPSAS 9 – “Revenue from Exchange Transactions”.

### **Risk / Implication**

Limitation of scope.

### **Recommendation**

Council should establish robust internal controls.

Council should strengthen documentation and record-keeping.

### **Management response**

**Noted management is working on acquiring the accounting software so that financial records are in line with IPSAS as required.**

## **2.2 Deferred income**

### **Finding**

The Council did not provide supporting documentation in respect of deferred income for stand sale deposits amounting to ZWL\$5.3 million recognised during the year. The Council has a policy to withhold 50% of the administration fee upon repossession of the Stand.

### **Risk / Implication**

Limitation of scope.

### **Recommendation**

Deferred income should be adequately supported.

### **Management response**

**Noted the anomaly is being corrected so that all the details are recorded.**

## **2.3 Valuation of receivables**

### **Finding**

Council did not perform any procedures to determine the extent of expected credit losses for receivables from exchange/non-exchange transactions contrary to IPSAS 41 - "Financial Instruments", which requires entities to assess for expected credit losses on receivables. In addition, receivables from non-exchange transactions that relates to outstanding levies and lease payments were not supported with a complete and accurate receivable listing. In addition, Council did not avail a receivable age analysis and relevant details of the debtors such as contact details for receivables amounting to ZWL\$71.6million.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should establish policies and procedures to evaluate and recognise expected credit losses in accordance with IPSAS 41.

### **Management response**

**Noted. Council is working to come up with a policy to account for expected credit losses and we seek to adopt it by 30 June 2024.**

## **RURAL DISTRICT COUNCILS**

## **BEITBRIDGE RURAL DISTRICT COUNCIL 2021**

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I have audited the financial statements of Beitbridge Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Beitbridge Rural District Council as at December 31, 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21 - “The Effects of Changes in Foreign Currency Rates”**

During the financial year, the foreign currency denominated transactions and balances were translated into ZWL\$ using the interbank exchange rates or auction rates. The exchange rates did not meet the definition of a spot exchange rate as per IAS 21 – “The Effects of Changes in Foreign Currency Rates”. Had the financial statements been prepared in accordance with the requirements of IAS 21 – “The Effects of Changes in Foreign Currency Rates”, many elements would have been materially different. The effect of non-compliance has been considered to be material and pervasive to the financial statements as a whole.

**ii. Non-compliance with International Accounting Standard (IAS) 16 - “Property, Plant and Equipment”**

The Council did not revalue its property, plant and equipment which was contrary to IAS 16- “Property, Plant and Equipment” paragraph 31 which requires revaluations to be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. In addition, Council did not depreciate its property, plant and equipment. This was contrary to IAS 16 – “Property, Plant and Equipment” paragraph 50, which requires depreciable amounts to be allocated on a systematic basis over the asset’s useful life. Had the Council complied with the requirements of IAS 16- “Property, Plant and Equipment”, the amounts disclosed in the financial statements would have been materially different.

**iii. Revenue and receivables**

The Council did not have an updated customer database, as result the Council was invoicing customers for business licence fees using an outdated database. In addition, included in the Council’s other receivables, was ZWL\$8.9 million which resulted from uncleared payroll control debit entries and ZWL\$4.4 million relating to supplier accounts with a debit balances. Council was unable to substantiate the amount and to reconcile the respective control accounts. I, therefore, could not satisfy myself regarding the completeness of revenue and existence of receivables.

**iv. Non-compliance with International Financial Reporting Standard (IFRS) 9 – “Financial Instruments”**

The Council did not carry out an assessment to determine its receivables were impaired. As a result, the Council recognised the same allowance for credit loss as prior period. This was contrary to IFRS 9 – “Financial Instruments” paragraph 5.5 which requires the Council to assess at the end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Had the Council carried out an assessment, the financial statements would have been materially different.

Below are material issues noted during the audit;

**1 GOVERNANCE ISSUES**

**1.1 Debit balances in the payables**

**Finding**

The Council was not performing monthly supplier reconciliations. As a result, the payables account had debit balances amounting to ZWL\$4. 4 million. I was not availed with supplier statements, monthly reconciliations or confirmations supporting the debit balances.

**Risk / Implication**

Misstatement of financial statements.

Fictitious or fraudulent transactions may go unnoticed.

**Recommendation**

The Council should conduct monthly reconciliations.

**Management response**

**There has been incomplete posting of transactions to suppliers account and control accounts. Noted, appropriate action to remedy has been put in place.**

**2 REVENUE COLLECTION AND DEBT RECOVERY**

**2.1 Revenue recognition**

**Finding**

The Council did not have an updated customer database, as result the Council was invoicing customers for business licence fees using an outdated database.

**Risk / Implication**

Misstatement of financial statements.



### **Recommendation**

The Council should update its database.

### **Management response**

**Noted, Council shall ensure that a holistic customer database in the district shall be updated which shall be used effective from 1<sup>st</sup> January 2024.**

## **2.2 Staff receivables**

### **Finding**

Included in the Council's other receivables was ZWL\$8.9 million which resulted from uncleared payroll control debit entries. Council was unable to substantiate this amount and to reconcile the payroll control accounts.

### **Risk / Implication**

Misstatement of financial statements.

Fraudulent and fictitious transactions might go undetected.

### **Recommendation**

Management should maintain and avail adequate documentation for all transactions.

### **Management response**

**Noted, there has been no proper accounting in that regard. Payroll control was only used in the initial payroll journal processing with further transactions only affecting the cash book and the salary expense (e.g., Pay As you Earn, Pension).**

## **2.3 Allowance for credit losses**

### **Finding**

The Council did not carry out an assessment to determine its receivables were impaired. As a result, the Council recognised the same allowance for credit loss as prior period. This was contrary to IFRS 9 – “Financial Instruments” paragraph 5.5 which requires the Council to assess at the end of the reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should carry out an assessment of expected credit losses.

## **Management response**

Council have since made a resolution on provision for credit losses so that such provisions are recorded in the financials.

### **3 EMPLOYMENT COSTS**

#### **3.1 Councillors allowances**

##### **Finding**

The Council purchased smartphones for its Councillors without the approval of the Minister. This was in contravention of section 4.5 of Councillors Circular - "Purchase of electronic equipment" of March 18, 2020 which requires Council to obtain approval from the Minister prior to the purchase of electronic equipment for Councillors.

##### **Risk / Implication**

Service delivery may be compromised.

##### **Recommendation**

The Council should comply with regulations.

## **Management response**

**Noted, it was an omission and Council shall prospectively abide by legal provision.**

### **4 ASSET MANAGEMENT**

#### **4.1 Property, plant and equipment**

##### **Finding**

The Council did not revalue its property, plant and equipment which was contrary to International Accounting Standard (IAS) 16- "Property, Plant and Equipment" paragraph 31 which requires revaluations to be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. In addition, Council was not depreciating its property, plant and equipment. This was contrary to International Accounting Standard (IAS) 16 – "Property, Plant and Equipment" paragraph 50, which requires depreciable amount to be allocated on a systematic basis over the asset's useful life.

##### **Risk / Implication**

Misstatement of financial statements.

##### **Recommendation**

The Council should revalue its assets and depreciate its assets as required by IAS 16 – "Property, Plant and Equipment".

## **Management response**

**Valuation of assets could not be done because of financial constraints. A provision in the 2024 Budget for the revaluation of assets has been made to ensure the exercise is done. The Council has since formulated the depreciation policy.**

## **5 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised four (4) findings, one (1) was partially addressed and three (3) were not addressed as indicated below;

### **5.1 Residential properties database**

The finding was not addressed. The Council did not update its residential properties database.

### **5.2 Debtors aging and allowance for credit losses**

The finding was partially addressed as the Council provided a debtors age analysis, however the Council did not make an assessment for the provision of allowance for credit losses.

### **5.3 Councillors' allowances**

The finding was not addressed. The Council did not seek Ministerial approval on providing housing to the Councillors.

### **5.4 Valuation of non-current assets**

The finding was not addressed. The Council did not depreciate its assets.

## **BIKITA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Bikita Rural District Council, for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Bikita Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-Compliance with International Public Sector Accounting Standard (IPSAS) 10 – “Financial Reporting in Hyperinflationary Economies”.**

The Council did not prepare inflation adjusted financial statements for the year ended December 31, 2022. This was contrary to IPSAS 10 - “Financial Reporting in Hyperinflationary Economies”, which requires entities in the hyperinflationary economies to prepare inflation adjusted financial statements. The financial statements were prepared on a historical basis despite the Zimbabwean economy being declared an inflationary environment effective July 2019. Had the Council accounted for the effects of inflation the financial statements would be materially different.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Accounting in hyperinflationary economies**

#### **Finding**

The Council did not prepare inflation adjusted financial statements for the year ended December 31, 2022. This was contrary to International Public Sector Accounting Standard (IPSAS) 10 – “Financial Reporting in Hyperinflationary Economies”, which requires entities in the hyperinflationary economies to prepare inflation adjusted financial statements. The financial statements were prepared on a historical basis despite the Zimbabwean economy being declared an inflationary environment effective July 2019.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should prepare inflation adjusted financial statements in line with IPSAS 10 – “Financial Reporting in Hyperinflationary Economies” so as to show a true reflection of the current monetary values.

**Management response**

**We will prepare IPSAS 10 compliant financial statements in 2023.**

## **BINDURA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Bindura Rural District Council for the year ended December 31, 2022 and I have issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects the financial position of Bindura Rural District Council as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Standards (IPSASs).

### **Basis for Qualified Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment”**

The Council did not perform a revaluation of its property, plant and equipment since 2016 contrary to IPSAS 17 – “Property, Plant and Equipment” paragraph 44 which requires revaluations to be made with sufficient regularity to ensure that the carrying amounts of assets do not differ materially from the fair values at the reporting date. The Council was not able to carry out an assessment of the residual value and useful life of its property, plant and equipment as required by IPSAS 17 – “Property, Plant and Equipment” paragraph 67.

In addition, the Council depreciated its land contrary to IPSAS 17 – “Property Plant and Equipment” paragraph 74 which prohibits the depreciation of land. The Council was also not able to reclassify two completed projects from work in progress to property, plant and equipment due to inadequate record keeping. As a result, the Council did not depreciate the assets. This was contrary to IPSAS 17 – “Property, Plant and Equipment” paragraph 71 which requires depreciation to begin when the asset is available for use.

Had the Council carried out revaluation exercise on its property, plant and equipment, separated land from buildings, and transferred finished projects to respective classes of property, plant and equipment it would have resulted in the carrying amount being materially different from the figures in the financial statements.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 9 - “Revenue from Exchange Transactions” and IPSAS 23 - “Revenue from Non-Exchange Transactions”**

The Council recognized revenue from sale of stands and land development levy on cash basis. This was contrary to IPSAS 9 “Revenue from exchange transactions” and IPSAS 23 - “Revenue from non-exchange transactions”, which requires revenue to be recognised on accrual basis. Had the Council recognized revenue from sale of stands and land development levy on accrual basis, revenue and receivables disclosed in the financial statements would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12- “Inventories”**

The Council did not disclose the value of all inventories held as at December 31, 2022. The Council capitalised inventories of building materials as work in progress on procurement contrary to IPSAS 12 “Inventories” paragraph 12(h) which requires items that meets the definition criteria of inventory to be recognised. As a result, necessary adjustments could not be made as management could not ascertain the value due to inadequate inventory management records.

Had the Council applied the requirements of IPSAS 12- “Inventories”, the balances disclosed in the financial statements for inventories and work in progress would have been materially affected.

Below are material issues noted during the audit;

**1 GOVERNANCE ISSUES**

**1.1 Councillors Allowances**

**Finding**

The Council paid USD\$2 000 to a Councillor who had attained Aldermanship status. This was contrary to the Ministry of Local Government and Public Works, Circular No. 12 of 2020 which prohibits financial or material benefit for attaining the Alderman status.

**Risk / Implication**

Financial loss due to payments of unlawful expenditure.

**Recommendation**

Council should adhere to the requirements of Government circulars.

**Management response**

**We will ensure that we comply with the relevant circulars. Payment of USD2 000 was erroneously done. In future we will seek ministerial approval should there be a need to give financial or material benefit to a long-serving Council member.**

**1.2 Board of enquiry**

**Finding**

The Council did not carry out board of enquiries for two vehicles that were involved in accidents during the period ending December 31,2022. This was contrary to paragraph 6 of the Council’s Transport policy which requires board of enquiry investigations to be carried out within 14 days after receiving all documents.

**Risk / Implication**

Financial loss due to failure to address cause of accidents.

**Recommendation**

The Council should perform board of enquiries in line with the Council transport policy.

**Management response**

**In future Council will perform board of enquiries in line with the transport policy. Council also relied on the police report which exonerated the driver.**

**1.3 Bank reconciliations****Finding**

The Council was not preparing bank reconciliations on time. Bank reconciliations for 2022 were prepared in 2023. There was no evidence that these bank reconciliations were being reviewed by the responsible person. This is contrary to the Councils policy which requires bank reconciliations to be prepared on monthly basis.

**Risk / Implication**

Errors and omissions may go undetected.

**Recommendation**

Bank reconciliations should be done monthly.

**Management response**

**We constantly engage our bankers to ensure that statements are received and reconciled monthly. Reconciliations will be done and reviewed timeously.**

**2 REVENUE COLLECTION AND DEBT RECOVERY****2.1 Lease agreements for base stations****Finding**

The Council did not have valid lease agreements for the two telecommunication companies operating in the Council area. An amount of ZWL\$2.4 million was disclosed in the financial statements as base stations fees revenue. The billings were based on budgeted tariffs. In addition, all the three (3) telecommunication companies with base stations in the area did not pay the fees to the Council during the period ended December 31, 2022.

**Risk / Implication**

Revenue collection may be compromised.



### **Recommendation**

Council should have valid lease agreements.

### **Management response**

**The service providers will be engaged for signing of lease documents. Efforts to renew the lease agreements are underway.**

## **2.2 Land development fund**

### **Finding**

The Council recognized levy from land development amounting to ZWL\$3.5 million on cash basis. This was contrary to IPSAS 9 “Revenue from exchange transactions” which requires revenue to be recognised on accrual basis. Council was relying on the headmen with the responsibility to collect revenue on behalf of Council and individual receipts were issued upon payment. There was no mechanism to confirm that all the households were issued with receipts since the Council had no database of the households. Council is required to collect development levy for all communal households in accordance with the provisions of the Rural District Act [Chapter 29:30].

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should establish a database for proper management of household levy.

### **Management response**

**Data for Musana communal has since been collected. Collection of Masembura communal database is work in progress.**

## **2.3 Revenue recognition on sale of stands**

### **Finding**

The stands allocation policy and the accounting procedure manual of the Council are silent on the stage at which revenue from sale of stands should be recognized. As a result, the Council recognized revenue from sale of stands amounting to ZWL\$18.7 million on cash basis. This was contrary to International Public Sector Accounting Standard (IPSAS) 9 – “Revenue from Exchange Transactions” which requires revenue to be recognised on accrual basis.

### **Risk / Implication**

Financial statements may be misstated.

## **Recommendation**

The Council should update the stand allocation policy and the accounting procedure manual on stand sales recognition.

## **Management response**

**The stands allocation system will be harmonized with the finance database to ensure that each beneficiary with an offer letter is captured in the accounting system. Council will comply with the standard quoted and revenue will be recognized when a stand offer is made and signed by a beneficiary.**

## **3 MANAGEMENT OF ASSETS**

### **3.1 Inventory**

#### **Finding**

The Council acquired building materials without record as to when they are required for use at Makaya clinic resulting in ninety-eight bags (98) bags of rhino-set valued at ZWL\$1.2 million becoming obsolete. This was contrary to the requirement of Statutory Instrument 144 of 2019 “Public Finance Management (Treasury Instructions)”, 2019 section 107 (2) which requires the Council to procure inventory in the most economical manner having regard for usage and likelihood of deterioration.

#### **Risk / Implication**

Financial loss due to wasteful expenditure.

#### **Recommendation**

The Council should procure inventory in the most economical manner having regard for usage and likelihood of deterioration.

#### **Management response**

**Sound project management will be observed. When Devolution grant is received, goods are procured to preserve value.**

### **3.2 Revaluation of property, plant and equipment**

#### **Finding**

The Council did not perform a revaluation of its property, plant and equipment since 2016 contrary to International Public Sector Accounting Standard (IPSAS) 17- “Property, plant and equipment” paragraph 44 which requires revaluations to be made with sufficient regularity to ensure that the carrying amounts of assets do not differ materially from the fair values at the reporting date. The Council was not able to carry out an assessment of the residual value and useful life of its property, plant and equipment as required by IPSAS 17- “Property Plant and Equipment” paragraph 67.

In addition, the Council depreciated its land contrary to IPSAS 17 – “Property Plant and Equipment” paragraph 74 which prohibits the depreciation of land. The Council was not able to reclassify two completed projects from work in progress to property, plant and equipment due to inadequate record keeping. As a result, the Council did not depreciate the assets. This was contrary to IPSAS 17 – “Property, Plant and Equipment” paragraph 71 which requires depreciation to begin when the asset is available for use.

#### **Risk / Implication**

Financial statements may be misstated.

#### **Recommendation**

The Council should fully revalue its assets in accordance with the provisions of IPSAS 17.

The Council should reclassify completed projects from work in progress to property, plant and equipment.

#### **Management response**

**Council has engaged a valuer to revalue property, plant and equipment and is awaiting a valuation report. This will affect 2023 financial statements. Delayed revaluations were due to financial constraints faced by the local authority.**

**Separate ledgers will be opened in Pastel for work in progress. This will be done when we do chart mapping and adopt the new chart of accounts in line with the IPSAS implementation matrix.**

### **3.3 Inventories**

#### **Finding**

The Council did not disclose the value of all inventories held as at December 31, 2022. The Council capitalised inventories of building materials as work in progress on procurement contrary to International Public Sector Accounting Standard (IPSAS) 12 – “Inventories” paragraph 12(h) which requires items that meets the definition criteria of inventory to be recognised. As a result, necessary adjustments could not be made as management could not ascertain the value due to inadequate inventory management records.

#### **Risk / Implication**

Misstatement of financial statements

#### **Recommendation**

Council should account for inventories in accordance with IPSAS 12 – “Inventories” and maintain adequate inventory records.

## **Management response**

**In future we will isolate the inventory from the asset being constructed and only allocate materials requested specifically for the project.**

### **4 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised eighty (8) findings, two (2) were addressed and six (6) were not addressed as indicated below;

#### **4.1 Revaluation of assets**

The finding was not addressed. The Council assets were not revalued.

#### **4.2 Beer Levy**

The finding was not addressed. The Council is yet to obtain schedules from breweries.

#### **4.3 Purchase requisitions**

The finding was addressed. The Council now makes payments with purchase requisitions.

#### **4.4 Purchase requisitions**

The finding was addressed. Payments are now being made with purchases requisition.

#### **4.5 Valuation of property, plant and equipment**

The finding was not addressed. The property, plant and equipment were not valued.

#### **4.6 Devolution fuel**

The finding was not addressed. Council did not maintain a fuel register for devolution fuel.

#### **4.7 Fuel management**

The finding was not addressed. The transport policy is due for review.

#### **4.8 Allowance for credit losses**

The finding was not addressed. An assessment for allowance for credit losses was not performed.

## **BINGA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Binga Rural District Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Qualified Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates and IAS 29 - “Financial Reporting in Hyperinflationary Economies”**

During the year, the foreign currency denominated transactions and balances of the Council were translated into ZWL\$ using the interbank rate. The use of the interbank rate was not in compliance with IAS 21- “The Effects of Changes in Foreign Exchange Rates” paragraph 26 which requires that the rate to be used should be the rate at which future cash flows would be settled if they had occurred at the measurement date. I was unable to quantify the impact of using the interbank rates on the translation of the foreign currency transaction into ZWL\$ in the financial statements. Had the financial statements been prepared in accordance with the requirements of IAS 21- “The Effects of Changes in Foreign Exchange Rates” many elements would have been materially different.

Furthermore, notwithstanding that IAS 29 - “Financial Reporting in Hyperinflationary Economies” applied correctly, its application was based on current period's financial information which was not in compliance with IAS 21. Had the correct base numbers been used the financial statements would have been materially different.

**ii. Completeness of receivables**

The receivables listing did not include billings for business licenses. As a result, I was unable to verify by alternative means the completeness of receivables balance included in the financial statements. Had the business license billings been included, the receivables balance disclosed would have been materially different.

Below are material issues noted during the audit;

**1 REVENUE COLLECTION AND DEBT RECOVERY**

**1.1 Trade and other receivables**

### **Finding**

The Council did not have a complete debtors' listing. The provided listing did not include billings for the income streams such as business licenses and was last updated in 2020.

**Risk / Implication**

Financial loss due to inaccurate accounting records.

**Recommendation**

The council should regularly update its debtors balance schedule and ensure that all billings are properly accounted for.

**Management response**

**Management is currently working on an automated billing system which will ensure that debtors list is accurate.**

**2 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing the finding that I raised in my 2022 annual report. The finding that I raised was not addressed as indicated below;

**2.1 Beer levy**

The finding was not addressed. Council is yet to receive monthly beer sales schedules from brewers.

## **BUBI RURAL DISTRICT COUNCIL 2020 AND 2021**

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I have audited the financial statements of Bubi Rural District Council for the year ended December 31, 2020 and 2021 and I issued an adverse opinion for both years.

### **Adverse opinion 2020**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not give a true and fair view of the financial position of the Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis of Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates”**

The prior year financial statements did not comply with the requirements of IPSAS 4 - “Effects of Changes in Foreign Exchange Rates”, as the Council was not able to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Council used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per statutory instrument 33/2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transaction subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with Statutory Instrument (SI) 33 and the fact that there were no official exchange rates between October, 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the misstatement on the opening balances has an impact on the current year financial statements and the Council did not correct this prior period as required by IPSAS 3 - “Accounting Policies, Changes in Estimates and Errors”. Had Council applied the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 - “Accounting Policies, Changes in Estimates and Errors” many elements in the financial statements would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyperinflationary Economies”**

The Council did not comply with the provisions of IPSAS 10 - “Financial Reporting in Hyperinflationary Economies”. Zimbabwean entities were operating in an environment in the period under review, which witnessed significant monetary and exchange control policy changes since the beginning of the 2019 year.

On the 11th of October 2019, the Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and auditing profession that the factors and characteristics to apply IPSAS 10 in Zimbabwe had been met and the standard should be applied from July 1, 2019 and accounts of entities with year-end on or after this date should be hyper-inflated. Had the Council applied the requirements of IPSAS 10 - "Financial Reporting in Hyper-inflationary Economies", many elements of the financial statements would have been materially impacted. The impact is considered material and pervasive to the financial statements.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment"**

The Council's infrastructure assets such as road networks were not accounted for in the financial statements contrary to IPSAS 17 "Property, Plant and Equipment" paragraph 21 which requires infrastructure assets to be recognised as property, plant and equipment. In addition, Council last revalued its property, plant and equipment in the year 2009 contrary to IPSAS 17 - "Property, Plant and Equipment" paragraph 39 which requires revaluations to be performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the reporting date. Had the Council accounted for its property, plant and equipment in accordance with IPSAS 17- "Property, Plant and Equipment" the carrying amounts of property, plant and equipment would have been materially different.

**iv. Non- compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories"**

Council had land inventory at the end of the year which was not accounted for in the financial statements. This was contrary to paragraph 12 of IPSAS 12 - "Inventories" which requires land held for sale to be accounted as inventory. Had Council applied the requirements of IPSAS 12 - "Inventories", the carrying amount of inventory would have been materially different.

**Adverse Opinion 2021**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Standards (IPSASs).

**Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"**

The Council did not comply with the requirements of IPSAS 4- "The Effects of Changes in Foreign Exchange Rates" in the prior financial period, as it elected to comply with Statutory Instrument 33 of 2019 (SI 33/19). Had the requirements of IPSAS 4 – "The Effects of Changes in Foreign Exchange Rates" been applied in the correct period from October 01, 2018, the adjustments that were recognised in the comparative 2019 period would have been materially different.



Foreign denominated transactions for the year ended December 31, 2020 were translated into ZWL\$ using interbank rates which did not meet the definition of spot exchange rates as per IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” as they were not the rates available for immediate delivery. Had the Council complied with the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”, many elements in the financial statements would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - “Reporting in Hyper-Inflationary Economies”**

The Council did not comply with the requirements of IPSAS 10 – “Financial Reporting in Hyperinflationary Economies” as non-monetary assets existing as at December 31, 2019 were not restated from date acquired or revalued. All items in the Statement of Financial Performance were not restated by applying the conversion factors determined on the transaction date. The effects of the above departures from IPSAS were material and pervasive to the financial statements.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 “Property, plant and equipment”.**

The Council’s infrastructure assets such as road networks were not accounted for in the financial statements contrary to IPSAS 17 - “Property, Plant and Equipment” paragraph 21 which requires infrastructure assets to be recognised as property, plant and equipment. In addition, Council last revalued its property, plant and equipment in the year 2009 contrary to IPSAS 17 - “Property, Plant and Equipment” paragraph 39 which requires revaluations to be performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the reporting date. Had the Council revalued its property, plant and equipment in accordance with IPSAS 17- “Property, Plant and Equipment” the carrying amounts would have been materially different.

**iv. Inventories**

The Council reported inventories amounting to ZWL\$25,85 million as at December 31, 2021 which could not be physically verified during year end stock count. As a result, I could not satisfy myself on the existence and valuation of inventory reported in the financial statements.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 18- “Segment Reporting”**

The Council did not disclose its segments information contrary to IPSAS 18 – “Segment Reporting” paragraph 52 which requires the Council to disclose segment financial information. Had the Council disclosed its segments, the disclosures to the financial statements would have been materially different.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Financial Reporting in Hyper-inflationary Economies**

#### **Finding**

Council did not adjust its financial statements for hyperinflation to comply with International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies".

#### **Risk / Implication**

Misstatements of financial statements.

#### **Recommendation**

Council should prepare financial statements adjusted for hyperinflation to comply with International Public Sector Accounting Standard (IPSAS) 10 - "Financial Reporting in Hyperinflationary Economies".

#### **Management response**

**Noted, Council will comply with International Public Sector Accounting Standards (IPSAS) 10 - Financial Reporting in Hyperinflationary Economies.**

### **1.2 Property, plant and equipment**

#### **Finding**

The Council's infrastructure assets such as road networks were not incorporated in the asset register and were not accounted for in the financial statements as required by International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment" paragraph 21 which requires that such assets be recognised as property, plant and equipment.

In addition, Council last revalued its property, plant and equipment in 2011 contrary to IPSAS 17 - "Property, Plant and Equipment" paragraph 39 which requires property, plant and equipment to be revalued with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

Council should revalue its property, plant and equipment and account for infrastructure assets as required by IPSAS 17 - "Property, Plant and Equipment".

### **Management response**

**Observation is noted. Currently the revaluation process is in progress. Management has started identification and classification of assets. Other assets have already been revalued. Relevant adjustments will be made in the 2022 accounts.**

## **1.3 Inventory management**

### **Finding**

The Council's inventory management processes were not adequate. As a result, the Council reported inventories amounting to ZWL\$25.8 million as at December 31, 2021 which could not be physically verified during year end stock count.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Council should investigate the amount reported as inventory and effect appropriate journals.

### **Management response**

**The stock relates to clinic stocks erroneously included in the council books in year 2021. The error will be rectified in 2024.**

## **2. EMPLOYMENT COSTS**

### **2.1 Taxation of employee benefits**

### **Finding**

Council was not processing allowances such as school fees, grocery allowances and housing allowances through its payroll for the period under review. As a result, taxes were not remitted in respect of those benefits and allowances. This was contrary to section 8 (f) of the Income Tax Act [*Chapter 23.06*] which requires benefits accruing to employees to be taxed.

### **Risk / Implication**

Financial losses due to fines and penalties.

### **Recommendation**

All benefits and allowances should be processed through the payroll.

### **Management response**

**Noted, management shall ensure that all benefits and allowances are processed through the payroll.**

### **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make significant progress in addressing findings that I raised in my 2022 annual report. I raised eight (8) findings, two (2) were addressed and six (6) were yet to be addressed as indicated below;

#### **3.1 Disaster recovery plan**

The finding was not addressed. The Council did not put in place a disaster recovery plan.

#### **3.2 Cash and cash equivalents**

The finding was addressed. The Council made necessary adjustments to its Cash and cash equivalents balances.

#### **3.3 Financial statements**

The finding was not addressed. The Council did not adjust its financial statements for inflation as required by International Public Sector Accounting Standard (IPSAS) 10 – “Financial Reporting in Hyperinflationary Economies”.

#### **3.4 Payables**

The finding was not addressed. The Council did not obtain proof of payments from customers to clear the suspense account.

#### **3.5 Expenditure supporting documents**

The finding was not addressed. The Council did not provide the relevant supporting documents for payments made.

#### **3.6 Drugs**

The finding was not addressed. The Council did not account for drugs in its inventory as required by International Public Sector Accounting Standard (IPSAS) 12 – “Inventories”.

#### **3.7 Land Inventory**

The finding was not addressed. The Council did not account for land inventory as required by International Public Sector Accounting Standard (IPSAS) 12 – “Inventories”.

#### **3.8 Payroll computations**

The finding was addressed. The Council acquired a payroll package to assist in payroll computations.

## **BUHERA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Buhera Rural District Council for the year ended December 3, 2022 and I issued a qualified opinion.

### **Qualified opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis of Qualified Opinion**

#### **i. Recognition of revenue and receivables**

The Council's controls over manual capturing of receipts from Birchnough sub-office were not effective. As a result, the receipts from customers were recognised as revenue instead of payment by customers, resulting in duplication of revenue and overcasting of receivables. Management did not make the necessary adjustments and I therefore could not satisfy myself on the completeness and accuracy of revenue and receivables disclosed in the financial statements.

In addition, the Council had a database of twenty-five (25) miners within its jurisdiction. However, only ten (10) miners were invoiced for development levy leaving out fifteen (15) miners. Had Council invoiced all miners operating within its jurisdiction, revenue would have been materially different.

#### **ii. Non-compliance with International Financial Reporting Standard (IFRS) 9 - "Financial Instruments"**

The Council did not carry out an assessment and recognise allowance for credit losses on receivable balances of ZWL\$190.14 million disclosed in the financial statements. This was contrary to IFRS 9 - "Financial Instruments" paragraph 5.5.1 which requires that a loss allowance for expected credit losses be recognised.

#### **iii. Non-compliance with International Accounting Standard (IAS 16) - "Property, Plant and Equipment"**

Council did not depreciate its property, plant and equipment disclosed at ZWL\$2.66 billion in the financial statements. This was contrary to IAS 16 - "Property, Plant and Equipment" paragraph 50 which requires the depreciable amount of an asset to be allocated on a systematic basis over the useful life of the asset. Had the Council depreciated the assets, the carrying amount of property, plant and equipment would have been materially different.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Operating of private company by Council**

#### **Finding**

Council registered a wholly owned company called Magwedegwe Investments (Private Limited), with the aim of embarking on income-generating projects to which assets such as chalets, abattoir and fowl runs were to be transferred according to Council resolution. The company started operating in 2022, however, there was no evidence indicating that ministerial approval was sought. This was contrary to Section 80 (2) of the Rural District Councils Act [*Chapter 29:13*], which requires Council to seek ministerial approval before commencement of such income-generating projects.

#### **Risk / Implication**

Compromise in service delivery.

Misappropriation of assets.

#### **Recommendation**

Council should seek approval of the income generating projects from the parent ministry.

#### **Management response**

**Council will make a follow up with the ministry for approval to embark on Income Generating projects.**

### **1.2 Council accounting system**

#### **Finding**

The Council had not aligned all its accounting processes to the financial reporting framework. As a result, the Council did not carry out an assessment and recognise allowance for credit losses on receivable balances of ZWL\$190.1 million disclosed in the financial statements. This was contrary to IFRS 9 - "Financial Instruments" paragraph 5.5.1 which requires an allowance for expected credit losses be recognised.

#### **Risk / Implication**

Financial statements may be misstated.

#### **Recommendation**

Council should align its accounting processes.

#### **Management response**

**Council shall comply with IFRS 9 financial instruments.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Revenue and trade receivables**

#### **Finding**

The Council was using a manual system at its Birchenough sub office. The manual receipts from customers were recognised incorrectly as revenue instead of reducing the respective receivables resulting in duplication of revenue.

#### **Risk / implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should consider installing an accounting system at the sub-office to enhance proper record keeping.

#### **Management response**

The council has begun computerising the sub-office.

### **2.2 Mining claims**

#### **Finding**

The Council received a database of mining claims in their district from the Ministry of Mines and Mining Development which had twenty-five (25) claim holders. The Council has not been able to contact every claim holder as the database had some missing key information such as contact details of the claim holders. As a result, fifteen (15) claimholders were not invoiced for mining development levy revenue. The Council only invoiced ten (10) claim holders and obtained revenue amounting to ZWL\$252.3 million.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should engage the Ministry of Mines and Mining Development to establish the missing details about mining claim holders operating within its jurisdiction and update the database.

#### **Management response**

**Council has engaged the Ministry of Mines and Mining Development for a detailed database.**

### **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing audit findings and recommendations raised in my previous audit report. I raised eight (8) audit findings, one (1) was addressed and one (1) was partially addressed and six (6) were not addressed as indicated below;

#### **3.1 Withholding tax**

This finding was addressed. Active monitoring is now in place to ensure that tax is withheld from suppliers without tax clearances and remitted.

#### **3.2 Incomplete asset register**

The finding was not addressed. The Council is in the process of consolidating the asset register.

#### **3.3 Asset management policy**

The finding was not addressed. The Council is yet to craft the asset management policy.

#### **3.4 Revaluation of property, plant and equipment**

The finding was not addressed. The Council is yet to revalue its assets with the assistance of the Government departments.

#### **3.5 Procurement regulations**

The finding was not addressed. Council did not comply with procurement regulations.

#### **3.6 Long-term loans**

The finding was partially addressed. Council has agreed on a payment plan with the Ministry.

#### **3.7 Devolution funds disbursements- construction projects management**

The finding was not addressed. The Council is yet to employ a site stores clerk responsible for running each project.

#### **3.8 Revenue recognition issues**

The finding was not addressed. Council is yet to recognise revenue on accrual



## **BULILIMA RURAL DISTRICT COUNCIL 2021**

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I have audited the financial statements of Bulilima Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Bulilima Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21- “The Effects of Changes in Foreign Exchange Rates”.**

The functional currency for the Council was the Zimbabwean Dollar (ZWL\$). The Council had transactions and balances that were in United States Dollars (USD). However, the foreign currency denominated transactions and balances were translated into ZWL\$ using the interbank exchange rates. This was contrary to the requirement of IAS 21- “The Effects of Changes in Foreign Exchange Rates” paragraph 21 which requires a spot exchange rate to be used in recording foreign currency transactions. The interbank exchange rate used in the current year as the spot rate did not satisfy the definition of the spot exchange rate given in IAS 21- “The Effects of Changes in Foreign Exchange Rates”. The financial statements may be misstated to the net impact of the difference between the interbank exchange rate and the spot exchange that would meet the requirements of IAS 21- “The Effects of Changes in Foreign Exchange Rates”. No assessment of the spot exchange rate and the impact of the difference if any was made. Consequently, I was not able to establish if the financial statements for the current year would be materially different if such an assessment had been carried out.

**ii. Non-compliance with International Accounting Standard (IAS) 16- “Property, Plant and Equipment” and (IAS) 36 - “Impairment of Assets”**

The Council did not perform an assessment of the residual values and useful lives of property, plant and equipment items reported in the financial statements. This was contrary to the requirements of IAS 16 - “Property, Plant and Equipment” paragraph 51, which requires the residual values and useful lives of assets to be reviewed at each annual reporting date. Had Council performed an assessment of the residual values and useful lives of property, plant and equipment as at the reporting date, the financial statements would have been materially different.

In addition, there were indications that assets had been impaired however, management did not assess whether individual assets were impaired. Estimation of the recoverable amount of the assets was not done. (IAS) 36 - “Impairment of Assets” requires that a reporting entity assesses whether there are any indications that assets may be impaired at the end of each reporting date. Had Council assessed its assets for indications of impairment at the reporting date, the financial statements would have been materially different.

Below are material issues noted during the audit:

## **1. GOVERNANCE ISSUES**

### **1.1 Procedures and policies**

#### **Finding**

The Council had no key policies such as the Information Communication Technology (ICT) policy, asset management policy and housing policy. This was contrary with the Rural District Council Act [Chapter 29:13] which requires Council to have internal policies for guidelines.

#### **Risk / Implication**

Inconsistencies in the handling of operational issues.

#### **Recommendation**

The Council should put in place key policies to guide their operations.

#### **Management response**

**Observation is noted. Policies are at a draft stage and will be taken to relevant committees for adoption.**

### **1.2 Assessment of residual value, useful lives and impairment**

#### **Finding**

The Council did not perform an assessment of the residual values and useful lives of property, plant and equipment items reported in the financial statements. This was contrary to the requirements of IAS 16 - "Property, Plant and Equipment" paragraph 51, which requires the residual values and useful lives of assets to be reviewed at each annual reporting date.

In addition, there were indications that assets had been impaired however, management did not assess whether individual assets were impaired. Estimation of the recoverable amount of the assets was not done. (IAS) 36 - "Impairment of Assets" requires that a reporting entity assesses whether there are any indications that assets may be impaired at the end of each reporting date.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should revalue and carry out impairment assessment for its property, plant and equipment.

### **Management response**

The observation is noted. Council is in the process of migrating from IFRS to reporting in IPSAS, a roadmap has been done and a property evaluator is being engaged. The impairments shall be addressed once Council migrate to IPSAS.

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing findings that I raised in my 2020 report. I raised two (2) findings, one (1) was addressed and one (1) was not addressed as indicated below;

### **2.1 Biological assets**

The finding was not addressed. The cattle could not be found; therefore, the Council wrote off the cattle from the books of accounts.

### **2.2 Roads equipment**

The finding was addressed. The Council purchased a Tractor, Tipper Truck as well other vehicles in 2022 to enhance service delivery.

## **CHAMINUKA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Chaminuka Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the statement of financial position of Chaminuka Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

- i. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates” and International Public Sector Accounting Standard (IPSAS) 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”**

The prior year financial statements for the year ended December 31, 2021 had a modified opinion for non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates”. During prior financial years the foreign currency denominated transactions and balances of the Council were translated into ZWL\$ using interbank exchange rates which were not considered appropriate spot rates as required by International Public Sector Accounting Standard (IPSAS) 4. The prior year misstatements have not been corrected in the financial statements for the year ended December 31, 2022 as required by IPSAS 3. Had the financial statements been prepared in accordance with the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors” many elements of the financial statements would have been materially different.

- ii. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment”**

The property, plant and equipment amounting to ZWL\$18.9 billion included buildings which were not depreciated. The land and buildings for both current and prior years were not separated, as a result, their values were combined making it difficult to ascertain the separate values for land and buildings for depreciation purposes. This was contrary to International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment” which prohibits depreciation of land. Had the financial statements been prepared in accordance with the requirements of International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment”, land and buildings would have been materially different.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Stand sales**

#### **Finding**

The Council's controls over stand sales were not effective. As a result, stand sales transactions were not supported by appropriate documentation such as identity details, offer letters and stand sizes in the customer files. In addition, deposit payments made for the stands were less than 40% of the selling price as stipulated in the housing policy as detailed in the table below.

<b>Stand no.</b>	<b>Stand size</b>	<b>Stand value US\$</b>	<b>Deposit paid US\$</b>	<b>Deposit %</b>
355	3208m <sup>2</sup>	22 456	6 104	27%
358	4834m <sup>2</sup>	33 838	6 104	18%
360	5842m <sup>2</sup>	40 894	9 010	22%

#### **Risk / Implication**

Financial loss due to increased defaults by stand sales customers.

#### **Recommendation**

Council should consider improving the internal controls over stand sales.

#### **Management response**

**Observation noted.**

### **1.2 Valuation of property, plant and equipment**

#### **Finding**

The property, plant and equipment amounting to ZWL\$18.9 billion included buildings which were not depreciated. The land and buildings for both current and prior years were not separated, as a result, their values were combined making it difficult to ascertain the separate values for land and buildings for depreciation purposes. This was contrary to International Public Sector Accounting Standard (IPSAS) 17- "Property, Plant and Equipment" which requires land and buildings to be separated and not depreciate land.

#### **Risk / Implication**

Financial statements maybe materially misstated.

#### **Recommendation**

The council should depreciate and separately account for land and buildings to comply with IPSAS 17.

### **Management response**

**We have done a revaluation exercise for all assets on December 31, 2022 to correct the errors.**

## **2 PROCUREMENT OF GOODS AND SERVICES**

### **2.1 Contract management**

#### **Finding**

The Council's contract management processes and document retention were not effective. As a result, a developer who was contracted to service roads in exchange for stands did not adhere to the terms of the Memorandum of agreement. The contractor did not service the roads as agreed and sold the stands without Council approval. I could not obtain the full agreement for further verification of all the contract clauses since the other pages of the agreement were said to have been burnt by the fire at the Council.

#### **Risk / Implication**

Financial losses due to transfer of Council stands as payment for services not delivered.

#### **Recommendation**

Council should tighten their contract management processes.

### **Management response**

**Observation noted. The matter is still pending in the courts.**

### **2.2 Vehicle registration**

#### **Finding**

Council did not avail evidence of ownership of three (3) motorbikes and one (1) motor vehicle which were acquired during the year as no registration books were provided. This was contrary to the requirements of section 21 of the Vehicle Registration and Licensing Act [*Chapter 13.14*], which requires change of ownership to be done within fourteen (14) days from the date of purchase.

#### **Risk / Implication**

The Council vehicles may be misappropriated.

#### **Recommendation**

The Council should register the vehicles within the stipulated statutory period.

### **Management response**

Observation noted. Council is in the process of registering the newly acquired vehicles.

## **3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing the finding that I raised in my 2022 annual report. The finding that I raised was addressed as indicated below;

### **3.1 Valuation of land and buildings**

The finding was addressed. Valuation of land and buildings was done on December 31, 2022.

## **CHEGUTU RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Chegutu Rural District Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements give a true and fair view of the financial position of Chegutu Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Qualified Opinion**

i. **Impact of prior year non-compliance with International Public Sector Accounting Standards (IPSAS) 4 – “Effects of Changes in Foreign Exchange Rates” and IPSAS 10 – “Financial Reporting in Hyperinflationary Economies”**

The opening balances for 2019 financial period were reported as USD end of 2018 financial year and translated to ZWL\$ on the rate of 1:1 at the beginning of 2019. Additionally, transactions between January 1, 2019 and February 21, 2019 were recorded at the rate of 1:1 in compliance with SI 33/19. Although the evidence in the market suggested that there was no longer parity between the USD and “local currency” up to February 21, 2019, the Directors maintained an exchange rate of 1:1 in compliance with SI 33/19. This constituted a departure from the requirements of IPSAS 4. As a result, the misstatements on the prior years’ income statement are still carried forward in the current retained earnings balance.

Although IPSAS 10 has been applied appropriately, its application was based on current and prior period financial information which is not in compliance with IPSAS 4 as described above. Had the correct base numbers been used, most elements of the financial statements (including monetary gain/loss) would have been materially different. The impact of the departure from the requirements of these standards is considered material to the financial statements for the year ended December 31, 2022.

ii. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 29 – “Financial Instruments”**

Receivables were disclosed at ZWL\$1,3 billion in the financial statements. The Council did not make an assessment to determine whether there was any objective evidence that its receivables were impaired as required by paragraph 67 of IPSAS 29. As a result, Council did not recognise an allowance for credit losses. Had the Council made an assessment for impairment the receivables balance would have been materially different.

Below are material issues noted during the audit;



## **1. GOVERNANCE ISSUES**

### **1.1 Allowance for credit losses**

#### **Finding**

The Council did not make an assessment to determine whether there was any objective evidence that its receivables were impaired as required by paragraph 67 of IPSAS 29 – “Financial Instruments”. As a result, Council did not recognise an allowance for credit losses for the year under review.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

Council should assess its receivables for impairment at the end of each reporting period and recognise an allowance for credit losses.

#### **Management response**

**The shortcoming has been noted and will ensure that it is corrected in the coming year.**

## **CHIKOMBA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Chikomba Rural District Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the basis for qualified opinion section of my report, the financial statements present fairly in all material respects, the financial position of the Council as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRSs).

### **Basis for Qualified Opinion**

#### **i. Non-Compliance with International Accounting Standard (IAS) 16 - “Property, Plant and Equipment”**

The Council did not revalue its property, plant and equipment contrary to IAS 16- “Property, Plant and Equipment” paragraph 31 which requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Had the Council revalued its property plant and equipment the financial statements would have been materially different.

Below are material issues noted during the audit;

### **1 GOVERNANCE ISSUES**

#### **1.1 Valuation of property, plant and equipment**

##### **Finding**

The Council did not revalue its property, plant and equipment contrary to International Accounting Standard (IAS) 16- “Property, Plant and Equipment” paragraph 31 which requires assets to be revalued with sufficient regularity.

##### **Risk / Implication**

Misstatement of financial statements.

##### **Recommendation**

The Council should revalue its assets on a regular basis.

## **Management response**

**Council has budgeted for asset valuation in 2024 in line with IPSAS provision which requires that all assets be revalued to carry values that are likely to be obtained in an arm's length transaction.**

## **2 SERVICE DELIVERY**

### **2.1 Northwood Primary School inadequate infrastructure**

#### **Finding**

The infrastructure at the Council's Northwood Primary School was inadequate as the school had only twelve (12) classrooms instead of twenty-eight (28) classrooms based on an enrolment of 961 students. In addition, there was no staff room for use by teachers.

#### **Risk / Implication**

Service delivery may be compromised.

#### **Recommendation**

Council should construct more classroom blocks to lessen the pressure on the existing facilities.

#### **Management response**

**Construction of additional classroom blocks at this school is an ongoing process and Council is alive to that. However, the School Development Committee remains responsible for further development of the remaining block through the raising of building fund (levy).**

## **3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress on addressing the issue I raised in my 2022 annual report. I raised one (1) issue and the finding was addressed as indicated below;

### **3.1 Beer levy**

The finding was addressed. The Council obtained beer sales schedules from the brewer.

## **CHIMANIMANI RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Chimanimani Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Chimanimani Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21- “The Effects of Changes in Foreign Exchange Rates”**

The transactions were translated using the official exchange rate which did not meet the definition criteria of spot rate where there is lack of exchangeability. This is contrary to the requirements of IAS 21- “The Effects of Changes in Foreign Exchange Rates” which requires the use of the spot rate in accounting for transactions. The Council determined that it was not practically possible to comply with these requirements in the circumstances. The effect of the non-compliance has not been quantified but is considered significant for these financial statements.

**ii. Revenue**

The Council did not have a complete database for rate payers. As a result, revenue was being recognized on cash basis with invoices being raised for the actual amount received rather than the total amount due from the clients. This was contrary to International Financial Reporting Conceptual Framework which requires reporting entities to use the accrual basis of accounting. Accordingly, I could not determine the completeness of revenue earned by the Council.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Housing allowances**

**Finding**

The Council paid to employees housing allowances amounting to ZWL\$1.6 million outside the payroll and these were not taxed. This was contrary to section 8 of the Income Tax Act [Chapter 23:06] which requires employee benefits to be taxed.

**Risk / Implication**

Financial loss through penalties from the tax authority.

**Recommendation**

Employee housing allowances should be processed through the payroll and should be taxed.

**Management response**

**Noted. Council is working on addressing the issue as soon as possible.**

**2. REVENUE COLLECTION AND DEBT RECOVERY****2.1 Revenue****Finding**

The Council did not have a complete database for rate payers, as a result, revenue was being recognized on a cash basis with invoices being raised for the actual amount received rather than the total amount due from the customer. This was contrary to International Financial Reporting Conceptual Framework which requires reporting entities to use the accrual basis of accounting.

**Risk / Implication**

Financial statements may be materially misstated.

**Recommendation**

The Council should establish a complete database of all rate payers that should be used for invoicing purposes.

**Management response**

**Council is in the process of creating a comprehensive data base, the process is ongoing, and Council will ensure adherence to IFRS 15 and Conceptual Framework.**

**3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing audit findings and recommendations raised in my previous audit report. I raised six (6) audit findings, two (2) were addressed, while the other four (4) were not addressed as indicated below;

**3.1 Inventories**

The finding was not addressed. Council has not yet accounted for stands inventory in the financial statements.

**3.2 Biological assets**

The finding was addressed. Council now has a revaluation report to support the biological assets value.

### **3.3 Customer data base**

The finding was not addressed. Council does not have a complete data base for its rate payers.

### **3.4 Revaluation of property, plant and equipment**

The finding was addressed. Revaluation of property, plant and equipment was done.

### **3.5 Debt management policy**

The finding was not addressed. The Council does not have a debt management policy in place.

### **3.6 Nhedziwa sub office**

The finding was not addressed. Council has not put in place a policy to assist displaced families and enhance Council's expansion drive.

## **CHIPINGE RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Chipinge Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates”.**

During the financial year, the foreign currency denominated transactions and balances were translated into ZWL\$ using the interbank exchange rates. The interbank exchange rates did not meet the definition of a spot exchange rate defined by IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”. Had the financial statements been prepared in accordance with the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”, many elements of the financial statements would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) - 17 “Property, Plant and Equipment”**

The Council did not revalue its assets contrary to International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment” which requires revaluations to be carried out regularly so that the carrying amount of an asset does not differ materially from its fair value at the reporting date.

In addition, the Council did not separate land from land and buildings. As a result, land was depreciated contrary to IPSAS 17 - “Property, Plant and Equipment” paragraph 74” which requires land and buildings to be accounted for separately. Had the Council revalued its property, plant and equipment and separated land from buildings, the amounts disclosed in the financial statements would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) – 16 “Investment Property”**

The Council did not disclose the fair value of its investment property with a cost of ZW\$50.2 million contrary to IPSAS 16 – “Investment Property” paragraph 90 (e) which requires an entity to disclose the fair value of its investment property even when the cost model is used.

Below are material issues noted during the audit;

## **1. EMPLOYMENT COSTS**

### **1.1 Fringe benefits**

#### **Finding**

Motoring and accommodation benefit were not subjected to tax contrary to the requirements of the Income Tax Act [Chapter 23:06] Section 8(1)(f) and (g) which requires such benefits to be taxed.

#### **Risk / Implication**

Financial loss due to fines and penalties.

#### **Recommendation**

All fringe benefits awarded to employees should be included in gross income and taxed.

#### **Management response**

**Observation noted. Council has already started implementing the above recommendation beginning January 2024. The implementation of the above recommendation commenced soon after the audit of 2021 accounts.**

## **2. PROCUREMENT OF GOODS AND SERVICES**

### **2.1 Backhoe and front-end loader**

#### **Finding**

The Council made a payment amounting to ZWL\$675 970 (US\$103 308) on 27 June 2019 to a local company for procurement of backhoe excavator and a front-end loader. However, at the time of the audit both backhoe excavator and front-end loader had not been delivered.

#### **Risk / Implication**

Financial loss due to failure to receive goods paid for.

Service delivery may be compromised.

#### **Recommendation**

Council should take the necessary steps to have the asset delivered or recover the amounts paid.



## **Management response**

Observation noted. The supplier promised to supply all the two pieces of equipment procured by Council. On the same note, a handover ceremony of a Front-end loader was already being done in August 2022 and was graced by His Excellency, The President of the Republic of Zimbabwe. Follow ups were on-going for the delivery of the front-end loader which was under-bonded warehouse and the outstanding backhoe excavator, which was reported as still being on the waiting list for the release of foreign currency from RBZ.

### **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing findings that I raised in my 2022 annual report. I raised six (6) findings, four (4) were addressed and the other two (2) were not addressed as indicated below;

#### **3.1 Valuation of property, plant and equipment**

The finding was not addressed. The Council did not disclose fair values of its investment property and did not revalue its assets.

#### **3.2 Completeness of the asset register**

The finding was addressed. A complete asset register is now in place.

#### **3.3 Inventories**

The finding was addressed. Inventory was recognised in the financial statements in line with IPSAS 12.

#### **3.4 Adjustments to statement of changes in net assets and reserves**

The finding was addressed. The adjustments were reconciled.

#### **3.5 Revenue from exchange transactions**

The finding was addressed. The general ledger accounts were reconciled, and all adjustments passed.

#### **3.6 Beer levy**

The finding was not addressed. The Council did not obtain beer levy sales schedules and returns.

## **CHIREDZI RURAL DISTRICT COUNCIL 2021**

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I have audited the financial statements of Chiredzi Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Chiredzi Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates”**

During the financial year, the foreign currency denominated transactions and balances were translated into ZWL\$ using the interbank exchange rates and current auction rates. The use of these rates did not meet the definition of a spot exchange rate as defined in IPSAS 4 paragraph 10.

Had the financial statements been prepared in accordance with the requirements of the IPSAS 4, some elements in the financial statements would have been materially different to those that would have been recognised. The effects of non-compliance with the requirements of IPSAS 4 have been material to the financial statements as a whole.

**ii. Valuation of property, plant and equipment**

Included in the Council's non-current assets are property, plant and equipment items that were revalued in 2019. The results of this revaluation exercise were used as values for 2021 opening balances without adjustment for changes in the economic environment hence did not meet the fair value definition as defined in International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment” paragraph 13. Had the property, plant and equipment values been adjusted for changes in the economic environment, the carrying amount of property, plant and equipment would have been materially different.

**iii. Land and buildings**

Included in the value of the Council's property, plant and equipment is land and buildings with a cost of ZWL\$41.3 million. The Council did not account for the value of land and buildings separately. As a result, depreciation was calculated on land and buildings combined contrary to the provisions of International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment”, paragraph 74 which requires land and buildings to be accounted for separately and not to depreciate land. Had the land and buildings been separated the depreciation would have been materially different.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 29 - “Financial Instruments”**

Included in the receivables balance of ZWL\$132.8 million was an amount of ZWL\$131.3 million that was not assessed for credit losses. The Council did not perform an assessment to determine whether there is any objective evidence that its receivables were impaired as required by paragraph 67 of IPSAS 29. Had Council made an assessment for impairment the receivables balance would have been materially different.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Separation of land and buildings**

**Finding**

The Council did not account for the value of land and buildings separately. As a result, depreciation was calculated on land and buildings combined contrary to the provisions of International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment”, paragraph 74 which requires land and buildings to be accounted for separately and not to depreciate land.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should value land and buildings separately on migration to full IPSAS and be guided by requirements of the Zimbabwe Financial Reporting Manual.

**Management response**

**Council is in the process of engaging valuers for its properties who are qualified to value the properties according to IPSAS 17 as the current valuation roll did not separate land and buildings.**

**1.2 Valuation of property, plant and equipment**

**Finding**

The Council performed a revaluation of its property, plant and equipment in 2019. However, the valuation obtained from the exercise was not implemented by Council until 2021. In 2021 management translated the USD values to ZWL\$ using the closing USD/ZWL\$ interbank exchange rate as at December 31, 2021. The assumptions and methods that were used by the valuer to determine the USD valuations for the property, plant and equipment may not be reasonable without further adjustments to reflect the economic conditions prevailing at the measurement date. In the current economic environment, it is not likely that ZWL\$ prices derived from translating the USD amounts at the RBZ interbank exchange rates would be the price at which the ZWL\$ denominated transactions would occur.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should revalue its property, plant and equipment on migration to full IPSAS and the requirements of the Zimbabwe Financial Reporting Manual.

**Management response**

**Fixed assets were revalued by personnel from the Ministry of Local Government and Public Works' Assets and Valuation Department in 2019. After valuation of the assets, Council could not formalise the process as Council meetings were cancelled because of the Covid-19 pandemic health protocols until 2021.**

**1.3 Supporting documents****Finding**

The Council was not following up on tax invoices as the payments were not supported by tax invoices but with proforma invoices and/or quotations contrary to section 59(3)(c) of the Statutory Instrument 144 of 2019 which prohibits payments to be based on quotations only.

**Risk / Implication**

Financial loss from input VAT claims which may be disallowed due to lack of fiscal tax invoices.

**Recommendation**

Council should request for invoices prior to making payments or as soon as the payment is done.

**Management response**

**Council will ensure that it collects a tax invoice from the supplier before making payments. The Council claimed input VAT on its VAT submissions during the year in question and will follow up with suppliers to collect and file all invoices.**

**1.4 Non-compliance with International Public Sector Accounting Standard (IPSAS) 29- "Financial Instruments"****Finding**

The Council did not perform an assessment to determine whether there was any objective evidence that its receivables were impaired as required by paragraph 67 of IPSAS 29. As a result, no allowance for credit losses was provided on receivables amounting to ZWL\$131.3 million.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should make an assessment on the recoverability of its receivables at the end of each reporting period.

**Management response**

**Council provides for bad debts for accounts not settled for a period of five years in line with the Rural District Councils Act and during the period of 2021 no debtors were nearing five years and therefore did not provide for bad debts.**

**2. PROCUREMENT OF GOODS AND SERVICES****2.1 Procurement method****Finding**

The Council did not provide evidence to support that at least three (3) quotations were being sourced before awarding contracts to the suppliers. In addition, the assessment was not documented sufficiently to support the decision to procure from the chosen suppliers. This was contrary to section 34 (1) of the Public Procurement and Disposal of Public Assets (*Chapter 22:23*), which requires a procuring entity to source at least three competitive quotations.

An example of the above is shown in the table below;

Date	Voucher reference	Account	Amount (USD)
07/05/2021	REV008	Devolution	9 760
09/08/2021	REV017	Devolution	5 630
09/08/2021	REV018	Devolution	4 728
12/17/2021	REV035	Devolution	13 114
12/17/2021	REV037	Devolution	11 950

**Risk / Implication**

Financial loss through purchases made from uncompetitive suppliers.

**Recommendation**

Council should adhere to Public Procurement and Disposal of Public Assets (*Chapter 22:23*) in its procurement processes.

**Management response**

**Council will ensure it adheres to three minimum quotations.**

### **3. SERVICE DELIVERY ISSUES**

#### **3.1 Fire services**

##### **Finding**

The Council did not have fire brigade service section. This was contrary to paragraph 36 of First schedule (section 71) the Rural District Council Act [*Chapter 29:13*] which requires the Council to establish, equip and maintain a fire brigade for protection and saving of life and property in the case of fire and emergency.

##### **Risk / Implication**

Loss of life and property in the event of fire outbreak.

##### **Recommendation**

Council should provide fire protection services.

##### **Management response**

**Council had no fire brigade but there are plans that it would be provided by Ministry of Local Government.**

### **4. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised five (5) findings, one (1) was addressed, one (1) was partially addressed and three (3) were not addressed as indicated below;

#### **4.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17-“Property, Plant and Equipment” paragraph 44 and 49**

The finding was addressed. A revaluation exercise was conducted by the Council in 2019. However, due to the COVID-19 pandemic, the valuation report was not tabled in front of Council until 2021. This therefore meant the Council could not adopt the values in the financial statements.

#### **4.2 Non-compliance with International Public Sector Accounting Standard (IPSAS) 29-“Financial Instruments”**

The finding was not addressed. Council has not complied with the requirements of IPSAS 29.

#### **4.3 Beer levy**

The finding was not addressed. The Brewer has not shared a detailed schedule of the beer sales statistics but instead has provided Council with confirmation of disbursed amounts every month beginning January 2021.

#### **4.4 Base minerals levy**

The finding was not addressed. Council has no data base of all miners in its jurisdiction.

#### **4.5 Delivery of assets**

The finding was partially addressed. Council engaged a Lawyer to enforce delivery of the motor vehicle and recovered ZWL\$1.00 million. The matter is still in the judicial system.

## **CHIVI RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Chivi Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Chivi Rural District Council as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21- “The Effects of Changes in Foreign Exchange Rates” and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”.**

The prior year financial statements did not comply with the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" as the Council did not use an appropriate rate on change of functional currency. The Council did not restate the 2020 opening balances to address the prior year error contrary to the requirements of IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had the Council applied the requirements of IAS 21 – “The Effects of Changes in Foreign Exchange Rates” and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors” many elements in the financial statements would be materially impacted.

**ii. Non- compliance with International Accounting Standard (IAS) 16 – “Property, Plant and Equipment”.**

The Council did not depreciate its property, plant and equipment contrary to the requirements of IAS 16 – “Property, Plant and Equipment” paragraph 31 which requires property, plant and equipment to be carried at revalued amount less any accumulated depreciation. Had the Council depreciated its property, plant and equipment, the financial statements would have been materially different.

**iii. Revenue**

The Council disclosed revenue amounting to ZWL\$1.1 billion in the financial statements. However, the Council used outdated customer databases for invoicing various revenue streams such as lease income, levies, licence fees, permits, rental and stands allocation and servicing fees. As a result, I could not satisfy myself regarding the completeness of revenue and accounts receivables.



**iv. Non-compliance with International Financial Reporting Standard (IFRS) 9 – “Financial Instruments**

The Council did not assess for allowance for credit loss on its receivables with a carrying amount of ZWL\$91.7 million disclosed in its financial statements. This was contrary to IFRS 9 - “Financial Instruments”. Had the Council complied with the requirements of IFRS 9 – “Financial Instruments”, the financial statements would have been materially different.

Below are material issues noted during the audit;

**1 GOVERNANCE ISSUES**

**1.1 Depreciation and amortisation**

**Finding**

The Council did not depreciate its assets contrary to the requirements of International Accounting Standard (IAS) 16- “Property, plant and equipment”. In additions, the Council was also not amortising intangible assets as required by IAS 38 - “Intangible assets”.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should depreciate and amortise its assets in compliance with International Accounting Standard (IAS) 16 and 36.

**Management response**

**Council was stating assets using historical cost. Council is migrating to IPSAS and will start depreciating assets using IPSAS 16.**

**1.2 Procedure manual**

**Finding**

The Council was operating without procedure manuals in its departments. In addition, the Council did not have a risk management policy. This is in contrary to section 44 of Public Finance Management Act [*Chapter 22:19*] which requires public entities to have effective, efficient and transparent systems of financial and risk management and internal controls.

**Risk / Implication**

Inconsistences in the handling of operational issues.

### **Recommendation**

The Council should put in place a procedure manual and a risk management policy.

### **Management response**

**Council will craft SOP's as per recommendation for every department.**

## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Revenue collection**

#### **Finding**

The Council disclosed revenue amounting to ZWL\$1.1 billion in the financial statements. However, the Council used outdated customer databases for invoicing various revenue streams such as lease income, levies, licence fees, permits, rental and stands allocation and servicing fees. The Council did not carry out activities to update the listings which form the basis for invoicing the customers.

#### **Risk / Implication**

Financial loss due to understatement of revenue.

#### **Recommendation**

Council should carry out activities to updates its debtor's database.

#### **Management response**

**Council migrated to LADS software in May 2023 which shows debtors analysis in line with the above recommendation.**

### **2.2 Debtors**

#### **Finding**

The Council did not assess for allowance for credit loss on its receivables with a carrying amount of ZWL\$91.7 million disclosed in its financial statements contrary to IFRS 9 - "Financial Instruments" which requires such assessments to be done at each reporting date.

#### **Risk / Implication**

Financial statements may be misstated.

#### **Recommendation**

The Council should assess its receivables for impairment at each reporting date.

### **Management response**

**Council migrated to LADS software in May 2023 which shows debtors analysis in line with the above recommendation.**

## **3 SERVICE DELIVERY ISSUES**

### **3.1 Council ambulances**

#### **Finding**

The Council did not have any ambulance servicing Council clinics in the district as required by First Schedule, item 35 of the Rural District Act [*Chapter 29:13*] which requires the Council to provide and operate an ambulance service inside the Council area or any portion thereof or outside the Council area.

#### **Risk / Implication**

Service delivery may be compromised.

#### **Recommendation**

The Council should find ways to recapitalize and resource the Health Section.

#### **Management response**

**The recommendation is noted. The purchase of ambulance is a priority in the district we therefore consider it in the 2024 budget.**

I have audited the financial statements of Gokwe North Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

**Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of the Council as at December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates”**

During the financial year, the foreign currency denominated transactions and balances were translated into ZWL\$ using the inter-bank exchange rates or current auction rates. The inter-bank exchange rates did not meet the definition of a spot exchange rate as per International Accounting Standard (IAS) 21 – “The Effects of Changes in Foreign Exchange Rates”.

The use of inappropriate exchange rates impacted the inflation adjusted financial statements. Had the financial statements been prepared in accordance with the requirements of the International Accounting Standard (IAS) 21 – “The Effects of Changes in Foreign Exchange Rates” many elements of the financial statements would have been materially different.

**ii. Non-compliance with International Accounting Standard (IAS) 16 – “Property, Plant and Equipment”**

The Council's property, plant and equipment were disclosed in the statement of financial position at ZWL\$225. 21 million as at December 31, 2022. The Council did not revalue its assets. This was contrary to IAS 16 – “Property, Plant and Equipment” paragraph 31 which requires valuation of assets to be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Had the Council performed / carried out a revaluation assessment of the items of property, plant and equipment, the values disclosed in the financial statements would have been materially affected.

**iii. Completeness of revenue**

The Council did not have a complete database for the rate paying residents. In addition, there was no evidence that some clients were billed for the year ended December 31, 2022 for instance mining claims clients were not being billed. As a result, I could not determine the completeness of income earned by the Council.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Valuation of property, plant and equipment**

#### **Finding**

The Council did not revalue its assets. This was contrary to IAS 16 – “Property, Plant and Equipment” paragraph 31 which requires valuation of assets to be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

A revaluation exercise should be carried out with sufficient regularity to ensure correct valuation of the Councils property, plant and equipment.

#### **Management response**

**Noted. Plans are on cards to address the issue during 2023 and 2024 as it has been provided in the 2023 budget and will also provide for it in the 2024 annual budget. We hope by 2024 the exercise will be complete.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Customer database**

#### **Finding**

The Council did not have a complete database for the rate paying residents in the district. In addition, there was no evidence that some clients were billed for the year ended December 31, 2022 for instance mining claims clients were not being billed. This was contrary to Section 120(1) of the Rural District Council's Act [*Chapter 29:13*], which requires that a Council shall cause to be kept such books of account as may be necessary to maintain a true and proper record of all matters relating to the financial transactions of the council.

#### **Risk / Implication**

Financial statements may be materially misstated.

Financial loss due to unbilled revenue.

#### **Recommendation**

The Council should have a system which will assist in management of database.

## **Management response**

**Noted.** Council is going to carry out an extensive data collection exercise during the last quarter of 2023 to ensure that the data base is updated and credible. Council is also in the process of procuring an Accounting System which will assist in the management of our database.

### **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised two (2) findings that were not addressed as indicated below;

#### **3.1 Revaluation of Property, plant and equipment**

The finding was not addressed. Council did not revalue its assets as required by International Accounting Standard (IAS 16) - "Property, Plant and Equipment".

#### **3.2 Debt collection**

The finding was not addressed. Council did not put in effective debt collection strategies.

## **GOKWE SOUTH RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Gokwe South Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Gokwe South Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates" and (IAS) 8 - "Accounting Policies, Changes in Accounting Estimates and Errors.**

The prior year financial statements did not comply with the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" as the Council did not use an appropriate rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through exchange control directive RU 28 of 2019 issued by the Reserve bank of Zimbabwe. The Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per Statutory instruments of 2019(SI 33/19 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGs dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the inter-bank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Council's 2021 opening balances misstatements had an impact on the current year's financial statements and the Council did not correct this in accordance to IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors". Had the Council applied the requirements of IAS 21 – "The Effects of Changes in Foreign Exchange Rates" and IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" many elements in the financial statements would be materially impacted. Therefore, the impact is considered material and pervasive to the financial statements as a whole.

**ii. Non- Compliance with International Accounting Standard (IAS) 16- "Property, Plant and Equipment".**

The Council did not depreciate its property plant and equipment in the reporting period. This was contrary to IAS 16 – "Property, Plant and Equipment" paragraph 50 which requires the depreciable amount of an asset to be allocated on a systematic basis over its useful life. Had Council depreciated its property, plant and equipment the financial statements would have been materially different.

**iii. Non- Compliance with International Financial Reporting Standard (IFRS) 9 – “Financial Instruments”**

The Council did not carry out an assessment of allowance for credit losses on receivables amounting to ZWL\$1.1 billion disclosed in the financial statements. This was contrary to the requirements of IFRS 9 – “Financial instruments”, which requires an assessment of receivables at the end of the reporting period. Had Council carried out an assessment for allowance for credit losses, the receivables balance disclosed in the statement of financial position would have been materially different.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Depreciation of assets**

**Finding**

The Council did not have a depreciation policy in place. As a result, the Council did not depreciate its property plant and equipment contrary to International Accounting Standard (IAS) 16 - “Property, Plant and Equipment” paragraph 50, which requires the depreciable amount of an asset to be allocated on a systematic basis over its useful life.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

The Council should depreciate its assets in order to reflect fair values of assets at year end.

**Management response**

**Council adopted IPSAS reporting framework with effect from January 1, 2023 and ZFRM has a depreciation model in place.**

**1.2 Provision for expected credit losses**

**Finding**

The Council did not have a policy over debt management and recovery. As a result, the Council did not carry out an assessment of allowance for credit losses on receivables amounting to ZWL\$1.1 billion disclosed in the financial statements. This was contrary to the requirements of IFRS 9 – “Financial instruments”, which requires an assessment of receivables at the end of the reporting period. Had Council carried out an assessment for allowance for credit losses, the receivables balance disclosed in the statement of financial position would have been materially different.

**Risk / Implication**

Misstatement of financial statements.



## **Recommendation**

The Council should make assessment for credit losses to comply with the provisions of IFRS 9.

## **Management response**

**Council has crafted by-laws to manage debtors. Adoption of IPSAS will ensure the systematic reviews are done.**

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised five (5) findings, one (1) was partially addressed and four (4) were not addressed as indicated below;

### **2.1 Depreciation**

The finding was not addressed. Council did not depreciate its property, plant and equipment.

### **2.2 Allowance for credit losses**

The finding was not addressed. Council did not assess its receivables for recoverability.

### **2.3 Policies**

The finding was partially addressed. Risk management, procurement and IT policies are yet to be adopted.

### **2.4 Non-current assets**

The finding was not addressed. Council is yet to depreciate assets after conducting a revaluation of assets.

### **2.5 Income generating projects**

The finding was not addressed. Council is yet to have a signed agreement with tenants.

## **GOROMONZI RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Goromonzi Rural District Council for the year ended December 31, 2022 and I issued an unmodified / clean opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects the financial position of Goromonzi Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Parking fees collection**

#### **Finding**

The Council did not avail documentation on the engagement of individuals that were receipting parking fees at Chirodzero bus rank. No alternative agreement regulating the relationship between Council and the individuals was availed for audit.

#### **Risk / Implication**

Financial loss due to fraud.

#### **Recommendation**

Council should ensure that revenue collections are done by employees of the Council.

#### **Management response**

**Noted. Council has noted that the arrangement is inappropriate and the arrangement will be formalized by December 31, 2023.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Business licensing**

#### **Finding**

Council did not have enforcement and loss control unit to monitor business operators for compliance with relevant legislation. This was contrary to the Shop License Act [*Chapter 14:17*], which requires businesses to obtain shop licenses in advance. As a result, Council had shop licenses receivables amounting to ZWL\$143 million as at December 31, 2022.

#### **Risk / Implication**

Service delivery may be compromised by financial constraints.

## **Recommendation**

Council should establish a compliance enforcement and loss control unit and ensure that all businesses operating within its jurisdiction are licensed.

## **Management response**

**Council does not have their own enforcement officers, there is need to set up a loss control unit whose mandate shall be persistent enforcement of Council by-laws and other legislation.**

### **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing audit findings and recommendations I raised in my 2022 annual report. I raised six (6) audit findings, three (3) were addressed, two (2) were partially addressed and one (1) was yet to be addressed as indicated below;

#### **3.1 Use of own vehicles**

The finding was addressed. The council bought one vehicle for the finance department.

#### **3.2 Valuation of property, plant and equipment**

The finding was addressed. The Council reviewed the useful lives of assets in 2022.

#### **3.3 Billboards**

The finding was partially addressed. The Council send notices to the billboard owners for regularisation or removal.

#### **3.4 Rent receivables**

The finding was addressed. All leases with rental arrears were terminated.

#### **3.5 Contract workers**

The finding was not addressed. The Council is yet to implement the casual work status.

#### **3.6 Revenue from unit taxes**

The finding was partially addressed. Seventy percent (70%) of the unit taxes has since been billed.

## **GURUVE RURAL DISTRICT COUNCIL 2020 AND 2021**

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I have audited the financial statements of Guruve Rural District Council for the year ended December 31, 2020 and 2021 and I issued an adverse opinion for 2020 and a qualified opinion for 2021.

### **Adverse Opinion 2020**

In my opinion, because of the significance of the matters discussed in the basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Guruve Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

**i. Non-Compliance with International Accounting Standards (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates” and (IAS) 8 - “Accounting Policies, Changes in Accounting Estimates and Errors”**

The Council changed its functional and reporting currency from USD to ZWL\$ on February 22, 2019 in compliance with Statutory Instrument 33 of 2019 (SI 33/19). The change occurred on October 1, 2018 in terms of IAS 21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019. The translation of foreign denominated transactions and balances applying this exchange rates did not meet the requirements for a spot rate in terms of IAS 21. The impact could not be quantified because an IAS 21- “The Effects of Changes in Foreign Exchange Rates” compliant exchange rate had not been identified for the stated period.

The opinion of prior year financial statements was Modified in respect of this matter and the misstatements were not corrected as required by IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”. Had the Council applied the requirements of by IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors” and IAS 21 – “The Effects of Changes in Foreign Exchange Rates”, many of the elements of the financial statements would have been materially impacted. Therefore, the non-compliance is considered to be material and pervasive to the financial statements taken as a whole.

**ii. Non-compliance with International Accounting Standard (IAS) 29 - “Reporting in Hyper-Inflationary Economies”**

The Council was operating in a hyperinflationary economy for the year ended December 31, 2020. The financial statements were not being prepared in accordance with the requirements of IAS 29 to convert the financial statements into applicable measurement base at the date of reporting. Had the financial statements been prepared in accordance with IAS 29, multiple elements would have been materially different.

**iii. Non-compliance with International Financial Reporting Standard (IFRS) 13 - “Fair Value Measurement”**

The Council performed a revaluation of property, plant and equipment and intangible assets valued at ZWL\$919.2 million at year end. The Council valued its non-current assets to determine fair values in USD, which were subsequently translated to ZWL\$ using the closing ZWL\$ /USD auction exchange rates. The conversion rates to ZWL\$, for purposes of reporting in the Council’s functional currency, was not in compliance with IFRS 13 - “Fair Value Measurement”. I was unable to obtain sufficient appropriate evidence to support the appropriateness of the application of the ZWL\$/USD auction exchange rate in the determination of the final ZWL\$ fair valuations presented.

**Qualified Opinion 2021**

In my opinion, except for the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Guruve Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Qualified Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 16- “Property, Plant and Equipment” and International Accounting Standard (IAS) 36- “Impairment of Assets”**

The Council did not depreciate its property, plant and equipment, contrary to the requirements of IAS 16 - “Property, Plant and Equipment”, paragraph 30 which requires property, plant and equipment to be carried at cost less any accumulated depreciation and impairment losses.

In addition, the Council did not assess its property plant and equipment for impairment contrary to the requirements of IAS 36 - “Impairment of Assets” paragraph 9 which requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired.

Had the Council complied with the requirements of IAS 16 – “Property, Plant and Equipment” and IAS 36 – “Impairment of Assets” in accounting for its property plant and equipment, the financial statements would have been materially different.

**ii. Non-compliance with International Financial Reporting Standard (IFRS) 9- “Financial Instruments”.**

The Council did not provide for allowance for credit losses on its receivables amount of ZWL\$27.1 million. This was contrary to the requirements of IFRS 9 - “Financial Instruments”, paragraph 5.5 which requires an entity to assess the risk on a financial asset and to recognise a loss allowance for expected credit losses. Had the council complied with the requirements of IFRS 9- “Financial Instruments”, in accounting for its receivables, the financial statements would have been materially different.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Non-current assets**

#### **Finding**

The Council performed a revaluation of property, plant and equipment and intangible assets valued at ZWL\$919.2 million at year end. The Council valued its non-current assets to determine fair values in USD, which were subsequently translated to ZWL\$ using the closing ZWL\$/USD auction exchange rates. The conversion rates to ZWL\$, for purposes of reporting in the Council's functional currency, was not in compliance with IFRS 13 – "Fair Value Measurement".

I was unable to obtain sufficient appropriate evidence to support the appropriateness of the application of the ZWL\$/USD auction exchange rate in the determination of the final ZWL\$ fair valuations presented.

#### **Risk / Implication**

Non-current asset maybe materially understated.

#### **Recommendation**

Council should comply with the reporting framework adopted.

#### **Management response**

**Management takes note of the need to apply IFRS 13. However, management is of the opinion that there is no, at least in the present moment, an active market for its assets hence it is impossible to determine their fair values and chose instead to use the values obtained from the last asset valuation exercise and convert them at the interbank rate.**

## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Allowance for expected credit losses**

#### **Finding**

The Council did not have a debt management policy. As a result, the Council did not provide for allowance for credit losses on its receivables amount of ZWL\$ 27.1 million. This was contrary to the requirements of IFRS 9 - "Financial Instruments", paragraph 5.5 which requires an entity to assess the risk on a financial asset and to recognise a loss allowance for expected credit losses.

#### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should have a policy on debt management and assess for allowance for credit losses.

### **Management response**

**Noted. A debt management policy is being crafted and anticipation is that it would be adopted by December 31, 2023.**

## **3 PROCUREMENT OF GOODS AND SERVICES**

### **3.1 Drilling rig**

#### **Finding**

The Council procured a drilling rig from a local supplier and a deposit payment of ZWL\$9.60 million was made. However, the acquired drilling rig was not yet delivered.

#### **Risk / Implication**

Service delivery may be compromised.

Financial loss due to non-delivery of procured drilling rig.

#### **Recommendation**

The Council should recover the assets.

#### **Management response**

**Noted. The supplier was paid and failed to deliver. The matter is being handled by the Council lawyers right now.**

## **4. MANAGEMENT OF ASSETS**

### **4.1 Impairment assessment of property, plant and equipment.**

#### **Finding**

The Council did not assess its property, plant and equipment for impairment contrary to the requirements of International Accounting Standard (IAS) 36 - "Impairment of Assets" paragraph 9 which requires an entity to assess at the end of each reporting period whether there is any indication that an asset may be impaired.

#### **Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should assess its assets for impairment at each reporting date.

**Management response**

**Assessment for impairment of assets to be done by December 31, 2023.**

**4.2 Depreciation of assets****Finding**

The Council did not have a depreciation policy. As a result, the Council did not depreciate its property plant and equipment, contrary to the requirements of International Accounting Standard (IAS) 16 - "Property, Plant and Equipment", paragraph 30 which requires property plant and equipment to be carried at cost less any accumulated depreciation and impairment losses.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should have a depreciation policy and account for Property, plant and equipment in-compliance with IAS 16.

**Management response**

**Noted. A depreciation policy is being crafted.**



I have audited the financial statements of Gutu Rural District Council, for the year ended December 31, 2022 and I issued a qualified opinion.

**Qualified Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Gutu Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**Basis for Qualified Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates".**

During the financial year, the foreign currency denominated transactions and balances were translated into ZWL\$ using exchange rates that did not meet the definition of a spot exchange rate as defined by IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates". Had the financial statements been prepared in accordance with the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates", financial statements would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- "Property, Plant and Equipment".**

The Council did not revalue its property, plant and equipment to establish the fair value of the assets as at December 31, 2022. This was contrary to IPSAS 17- "Property, Plant and Equipment" paragraph 49, which requires revaluations to be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. Had property plant and equipment been revalued the financial statements would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories".**

The Council did not account for stands inventory in the financial statements. These stands met the definition of inventory as defined by IPSAS 12 – "Inventories" and should have been recognised as an asset in the financial statements. Had the Council accounted for stands inventory in the financial statements would have been materially different.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23 - "Revenue from Non-Exchange Transactions"**

The Council recognised business licence revenue amounting to ZWL\$128.4 million on a cash basis. This was contrary to IPSAS 23 - "Revenue from Non-Exchange Transactions" paragraph 2 which requires revenue to be recognised on an accruals basis. Had Council accounted for its business license revenue on accruals basis, the financial statements would have been materially different.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 41 - “Financial Instruments”**

Council did not re-assess the appropriateness of the judgments used in estimating the allowance for expected credit losses (ECL) on receivables, instead a 10% provision was applied on the outstanding balances for business licenses only. This was contrary to IPSAS 41 - “Financial Instruments” paragraph 81 which requires an entity to assess at the end of the reporting date whether the credit risk of a financial instrument has significantly increased since initial recognition. I was unable to obtain sufficient appropriate evidence to support the appropriateness of the determined estimated credit losses.

**vi. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyperinflationary Economies”.**

The Council applied the requirements of IPSAS 10 - “Financial Reporting in Hyperinflationary Economies, however its application was based on current and prior period financial information which was not in compliance with IPSAS 10 - “Financial Reporting in Hyperinflationary Economies”. Had the correct base numbers been used most elements of the financial statements including monetary gain or loss would have been materially different. The impact of the departure from the requirements of this standard was considered material to the financial statements for the year ended December 31, 2022.

Below are material issues noted during the audit;

**1. REVENUE COLLECTION AND DEBT RECOVERY**

**1.1 Revenue recognition**

**Finding**

The Council did not have an updated customer data base. As a result, the Council recognised business licence revenue amounting to ZWL\$128.4 million on a cash basis. This was contrary to International Public Sector Accounting Standard (IPSAS) 23 - “Revenue from Non-Exchange Transactions” paragraph 2 which requires revenue to be recognised on an accruals basis.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

The Council should maintain an up-to-date customer database and account for business licence revenue on an accruals basis.

**Management response**

**The database for business license customers is there, however it needs to be constantly updated to give a true reflection of what is obtaining on the ground. Businesses do open and close without notifying Council.**

## **1.2 Allowances for expected credit losses**

### **Finding**

The Council did not re-assess the appropriateness of the judgments used in estimating the allowance for expected credit losses (ECL) on receivables, instead, a 10% provision was applied on the outstanding balances for business licenses only. This was contrary to IPSAS 41 - "Financial Instruments" paragraph 81 which requires re-assessments to be done on recoverability of receivables.

### **Risk / Implication**

Misstatements of financial statements.

### **Recommendation**

The Council should assess for allowance for credit loss on receivables.

### **Management response**

**Most Council revenues emanate from contracts that exist between Council and its customers. For example, sale of land and its lease rent. Under these contracts the contract terms and conditions give no room for such as the Council recovers the property where the client is in default.**

## **2. MANAGEMENT OF ASSETS**

### **2.1 Valuation of property, plant and equipment**

#### **Finding**

The Council did not revalue its assets contrary to International Public Sector Accounting Standard (IPSAS) 17- "Property, Plant and Equipment" paragraph 49, which requires revaluations to be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the reporting date.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should revalue its assets on a regular basis.

#### **Management response**

**Noted. The Council has developed an (IMAP) Implementation Matrix Action and Plan for the Adoption of IPSAS. Contained therein, is the valuation of assets, which is set to be performed in 2023. The Council last did its asset revaluation in 2019 and no revaluations were done in current year under review due to financial constraints.**

## **2.2 Inventory valuation**

### **Finding**

The Council did not account for stands inventory in the financial statements. These stands met the definition of inventory as defined by International Public Sector Accounting Standard (IPSAS) 12 - "Inventories" and should have been recognised as an asset in the financial statements.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should account for its stands inventory in line with the requirements of IPSAS 12.

### **Management response**

**Noted. We are still on IPSAS transition and not yet fully IPSAS compliant. We expect to be fully compliant by 2025.**

## **GWANDA RURAL DISTRICT COUNCIL 2021**

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I have audited the financial statements of Gwanda Rural District Council for the year ended December 31, 2021 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Gwanda Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Qualified Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4- “The Effects of Changes in Foreign Exchange Rates”**

The prior year financial statements for the year ended December 31, 2020 included a modified opinion for non-compliance with International Public Sector Accounting Standard (IPSAS) 4 “The Effects of Changes in Foreign Exchange Rates”. The Council did not apply the requirements of IPSAS 4, in the financial statements for the year ended December 31, 2019 because of the unavailability of exchange rates in the period October 2018 to February 22, 2019. Transactions in Zimbabwe during that period had a three-tier pricing structure where a single product had different prices depending on the mode of payment, namely the United States Dollar, bond notes, electronic money or mobile money. This resulted in transactions bearing similarities to what one would expect with transactions that are undertaken in different currencies to which IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” would apply. Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and monetary policy statement of February 20, 2019 all confirmed the parity of 1:1 between the United States dollar, bond notes, mobile money and electronic money. This presented difficulties in ascertaining the fair values of the Council’s material assets and liabilities as at the reporting date. The Council did not convert all transactions at spot rate contrary to IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, which requires Council to use the spot rate in accounting for transactions. Had the Council applied the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”, all the elements in financial statements of the prior year, which is presented as comparative information, would have been materially impacted.

**ii. Non- Compliance with International Public Sector Accounting Standards (IPSAS) 17- “Property, Plant and Equipment”**

Council did not depreciate its property, plant and equipment contrary to IPSAS 17- “Property, Plant and Equipment”, which requires that property, plant and equipment be depreciated over their useful life. Had the Council depreciated its property, plant and equipment, the carrying amount of property, plant and equipment would have been materially different.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Depreciation of property, plant and equipment**

Council did not depreciate its property, plant and equipment contrary to IPSAS 17- “Property, Plant and Equipment”, which requires that property, plant and equipment be depreciated over their useful life.

#### **Risk / Implication**

Misstatement of financial statements due to non-depreciation of assets.

#### **Recommendation**

The Council should depreciate its assets in compliance with International Public Sector Accounting Standards (IPSAS) 17- “Property, Plant and Equipment”.

#### **Management response**

**Observation is noted. Council will comply with IPSAS 17.**

### **1.2 Policies and procedure manuals**

#### **Finding**

The Council was operating without key policies such as housing policy, risk management policy, asset management policy, accounting procedures manual, information technology policy and disaster recovery policy. This was contrary to Section 44 (1) (a) of the Public Finance Management Act [*Chapter 22:19*] which requires Council to establish and maintain an effective, efficient and transparent system of financial, risk management and internal controls.

#### **Risk / Implication**

Inconsistencies in the execution of Council operations and decisions made.

Council’s decisions may not be binding.

#### **Recommendation**

Council should put in place policies and procedures to standardise operations.

#### **Management response**

**Noted, Council will draft the policies with immediate effect.**

## **2 SERVICE DELIVERY ISSUES**

### **2.1 Dump site**

#### **Finding**

Council's dumpsite was not secure as they had no fence perimeter to prevent animals and people from entering the dumpsite area. This is in contravention with provisions of the Public Health Act [*Chapter 15:09*] section eighty-three (83) which requires the Council to maintain its jurisdiction in a clean and sanitary condition.

#### **Risk / Implication**

The community and domestic animals are exposed to a health hazard due to environmental pollution.

#### **Recommendation**

Council should fence the dumpsite to prevent access by people and animals.

#### **Management response**

**Process of putting a perimeter wall around the dump site is in the pipeline. Necessary steps to stabilize the waste will be instituted in order to preclude any further health hazards.**

## **3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2021 annual report. I raised four (4) findings, three (3) were not addressed and one (1) was partially addressed as indicated below;

### **3.1 Valuation of property, plant and equipment**

The finding was not addressed. Council did not revalue its property, plant and equipment.

### **3.2 Valuation of biological assets**

The finding was not addressed. Council did not value its biological assets as per International Public Sector Accounting Standard (IPSAS) 27 – "Biological Assets".

### **3.3 Rental income**

The finding was not addressed. The Council did not put in place lease agreements.

### **3.4 Beer levy**

The finding was partially addressed. Management was finalising the design of the policy to accrue beer levy.

## **HURUNGWE RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Hurungwe Rural District Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Hurungwe Rural District Council as at December 31, 2022 its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Qualified Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 21- “Impairment of Non-Cash Generating Assets”.**

The Council did not perform an assessment for indicators of impairments of its assets. This was contrary to IPSAS 21- “Impairment of Non-Cash Generating Assets” which requires entities to assess at the reporting date whether there is any indication that an asset is impaired and estimate the recoverable service amount of the asset when such indicators exist. Had Council carried out an impairment test of its items of property, plant and equipment the carrying amounts would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12- “Inventories”.**

The Council did not account for one hundred and twenty-one (121) vacant and semi-serviced stands contrary to International Public Sector Accounting Standard (IPSAS) 12 – “Inventories” which requires land specifically held for sale to be accounted as inventory. Had Council accounted for stands inventories, the financial statements would have been materially different.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Policies**

#### **Finding**

The Council was operating without policies such as donations policy and an IT security policy. This was contrary to best practice which requires entities to have relevant policies in place to ensure that there is consistency in handling of operational issues.

#### **Risk / Implication**

Inconsistencies in the handling of operational issues.

Absence of guidelines for managing Council operations.



**Recommendation**

Council should put policies in place.

**Management response**

Policies are being drafted and will be adopted after full Council resolution

**2 MANAGEMENT OF ASSETS****2.1 Management of stands****Finding**

The Council did not account for one hundred and twenty-one (121) vacant and semi-serviced stands contrary to International Public Sector Accounting Standard (IPSAS) 12 – “Inventories” which requires land specifically held for sale to be accounted as inventory.

**Risk / Implication**

Financial statements may be materially misstated.

Financial loss due to stands sales fraud.

**Recommendation**

The Council should fully comply with the provisions of IPSAS 12.

**Management response**

**The Council has budgeted for valuation roll exercise in its 2024 budget year.**

**2.2 Impairment assessment of assets****Finding**

The Council did not perform an assessment for indicators of impairment of its assets. This was contrary to International Public Sector Accounting Standard (IPSAS) 21- “Impairment of Non-Cash Generating Assets” which requires entities to assess at the reporting date whether there is any indication that an asset is impaired and estimate the recoverable service amount of the asset when such indicators exist.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

The Council should carry out impairment assessment on its non-cash generating assets at each reporting date.

#### **Management response**

**We acknowledge the observation. Council will implement full provisions of IPSAS 21.**

### **3 SERVICE DELIVERY ISSUES**

#### **3.1 Dororowe Road, Shortie Chinhire Road and Chinhire Uroyi**

##### **Finding**

The Council's reporting mechanisms were not adequate as a result the acquittal report of the work done was inconsistent with the actual work verified. The report indicated a distance of 9.8 kilometers for the grading of the Dororowe road and 12 kilometers for the Chinhire Uroyi road. However, the actual work carried out was 3.4 kilometers and 8 kilometers respectively for the two roads.

##### **Risk / Implication**

Service delivery may be compromised.

##### **Recommendation**

The Council should report accurately on use of road funds.

##### **Management response**

**Noted. Council will improve on the reporting mechanisms. We have since established the monitoring and evaluation committee to assist in accuracy and consistency in reporting.**

## **HWEDZA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Hwedza Rural District Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Hwedza Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Qualified Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates”.**

During the year, the foreign currency denominated transactions and balances of the Council were translated into ZWL\$ using the interbank exchange rates. The exchange rates did not meet the definition of spot rates as defined by International Accounting Standard (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates”. Had the Council applied the requirements of International Accounting Standard (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates” many elements would have been materially impacted and therefore the departure from the requirements of (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates” is considered to be material and pervasive to the financial statements, taken as a whole.

Below are material issues noted during the audit;

**1. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised two (2) findings, which were not addressed as indicated below;

**1.1 Policies and procedures**

The finding was not addressed, the noted policies were still not in place.

**1.2 Beer levy**

The finding was not addressed. Council has not established the basis for calculating beer levy due to them.

## **INSIZA RURAL DISTRICT COUNCIL 2020 AND 2021**

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I have audited the financial statements of Insiza Rural District Council for the years ended December 31, 2020 and 2021 and I issued an adverse opinion for 2020 and a qualified opinion for 2021.

### **Adverse Opinion 2020**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Insiza Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates" and (IAS) 8 - "Accounting Policies, Changes in Accounting Estimates and Errors"**

The prior year financial statements did not comply with the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" as the Council did not use an appropriate rate on change of functional currency. The Council did not restate the 2020 opening balances to address the prior year error contrary to the requirements of IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors".

Had the Council applied the requirements of IAS 21 – "The Effects of Changes in Foreign Exchange Rates" and IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" many elements in the financial statements would be materially impacted.

**ii. Non-compliance with International Accounting Standard (IAS) 16 – "Property, Plant and Equipment"**

Council did not depreciate its Property, Plant and Equipment contrary to IAS 16 – "Property, Plant and Equipment" paragraph 30 which requires property, plant and equipment to be depreciated over their useful life. Had the Council depreciated its property, plant and equipment, the financial statements would have been materially different.

**iii. Non-compliance with International Financial Reporting Standard (IFRS) 9 – "Financial Instruments"**

The Council did not provide for expected credit losses as required by IFRS 9 – "Financial Instruments", paragraph 5.5.1 which requires Council to recognise an allowance for expected credit losses on financial assets. Had the allowance for credit losses been provided, financial statements would have been materially different.

**iv. Non-compliance with International Accounting Standard (IAS) 41 – “Agriculture”**

Council's biological assets were procured in 2016 and their value was never capitalised. This was contrary to IAS 41 – “Agriculture” paragraph 10 which requires an entity to recognise a biological asset. Had the Council complied with the requirements of IAS 41 – “Agriculture” the financial statements would have been materially different.

**v. Receivables**

The council's total receivables per the receivables age analysis of ZWL\$29 million did not agree with the balance reported in the financial statements of \$330 million resulting in a variance of ZWL\$301 million which was not reconciled. I was therefore unable to obtain sufficient appropriate audit evidence on receivables.

**Qualified Opinion 2021**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Insiza Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Qualified Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates" and (IAS) 8 - "Accounting Policies, Changes in Accounting Estimates and Errors"**

The prior year financial statements did not comply with the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" as the Council did not use an appropriate rate on change of functional currency. The Council did not restate the 2020 opening balances to address the prior year error contrary to the requirements of IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had the Council applied the requirements of IAS 21 – “The Effects of Changes in Foreign Exchange Rates” and IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors” many elements in the financial statements would be materially impacted.

**ii. Non-compliance with International Accounting Standard (IAS) 16 – “Property, Plant and Equipment”**

Council did not depreciate its property, plant and equipment contrary to IAS 16 – “Property, Plant and Equipment” paragraph 30 which requires property, plant and equipment to be depreciated over their useful life. Had the Council depreciated its property, plant and equipment, the financial statements would have been materially different.

**iii. Non-compliance with International Financial Reporting Standard (IFRS) 9 – “Financial Instruments”**

The Council did not provide for expected credit losses as required by IFRS 9, paragraph 5.5.1 which requires an entity to recognise a loss allowance for expected credit losses on financial assets. Had the allowance for credit losses been provided, financial statements would have been materially different.

**iv. Non-compliance with International Accounting Standard (IAS) 41 – “Agriculture”**

Council’s biological assets were procured in 2016 and their value was never capitalised. This was contrary to IAS 41 – “Agriculture” paragraph 10 which requires an entity to recognise a biological asset. Had the Council complied with the requirements of IAS 41 – “Agriculture” the financial statements would have been materially different.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Property, plant and equipment**

**Finding**

Council did not depreciate its property, plant and equipment contrary to International Accounting Standard (IAS) 16 – “Property, Plant and Equipment” paragraph 30 which requires property, plant and equipment to be depreciated over their useful life.

**Risk / Implication**

Misstatements of financial statements.

**Recommendation**

The Council should depreciate its property, plant and equipment in compliance with IAS 16.

**Management response**

**Council has budgeted for the valuation of its property, plant and equipment. Once the values of all council's assets are determined, these shall be captured into the accounting system in relation to the depreciation policy that will be adopted by council as the accounting system is already configured with depreciation settings for all the classes of assets. Once the asset revaluation is in place the assets will be depreciated as per asset management policy.**

## **1.2 Accounting for biological assets**

### **Finding**

Council acquired livestock for agricultural activities in 2016. However, these biological assets were not recognised in the financial statements. This was contrary to IAS 41 – “Agriculture” paragraph 10 which requires Council to recognise biological assets during their growth, degeneration, production and procreation, and for the initial measurement of agricultural produce at the point of harvest.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Council should recognise and appropriately account for the biological assets.

### **Management response**

**Council will revalue its assets before the end of the year, thereafter all its assets including the biological assets will be included in the financial statements.**

## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Receivables**

#### **Finding**

There was a variance of ZWL\$301.28 million between the debtors listing of ZWL\$29.10 million and the amount reported in the financial statements of ZWL\$330.39 million. In addition, Council did not have an expected credit loss policy as per International Financial Reporting Standard (IFRS) 9 - “Financial Instruments” paragraph 5.5.1 which requires an entity to recognise an allowance for expected credit losses on a financial asset. As a result, Council did not provide for allowance for expected credit losses on its receivables.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The difference between the trial balance and debtors age analysis should be investigated and cleared.

The Council should put in place an allowance for credit loss policy.

## **Management response**

**Noted. Council will timeously reconcile its debtor's listings to the receivables balance in the trial balance. Any differences will be investigated and rectified monthly. Council will craft a policy that will clearly state the method of adoption to be adhered to in the assessment of allowance for credit losses. Council will thereafter be able to make such assessment and recognise in its financial statement's allowances for credit losses.**

### **3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised seven (7) findings which were yet to addressed as indicated below;

#### **3.1 Property, plant and equipment**

The finding was not addressed. Council did not perform an asset revaluation.

#### **3.2 Agriculture**

The finding was not addressed. Council did not account for its biological assets.

#### **3.3 Intangible assets**

The finding was not addressed. Council did not account for intangible assets.

#### **3.4 Leases**

The finding was not addressed. Council did not account for its leases.

#### **3.5 Weak inventory system**

The finding was not addressed. Council has not updated the system to include inventory module.

#### **3.6 Property, plant and equipment"**

The finding was not addressed. The Council did not put a depreciation policy in place.

#### **3.7 Refuse removal equipment**

The finding was not addressed. Council is still using a tractor with a trailer as a refuse truck.



## **KUSILE RURAL DISTRICT COUNCIL 2019**

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I have audited the financial statements of Kusile Rural District Council for the year ended December 31, 2019 and I issued a disclaimer of opinion.

### **Disclaimer of opinion**

I do not express an opinion on the financial statements of Kusile Rural District Council. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for Disclaimer of opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates”**

The Council applied the foreign exchange rate of 1:1 in compliance with Statutory Instrument 33 of 2019(SI 33/19) and the Monetary Policy Statements of February 22, 2019, October 1, 2018 and February 20, 2019 for transactions from October 1, 2018 to February 22, 2019. The Council did not translate the applicable foreign denominated balances to ZWL\$ using a market exchange rate between USD and ZWL\$. I therefore believe that the exchange rates for transactions and balances between the USD and the ZWL\$ used by the Council of 1:1 for the period from October 1, 2018 onwards did not meet the criteria for appropriate exchange rates in terms of IPSAS as defined above. Had the Council applied the requirements of International Public Sector Accounting Standards (IPSAS) 4- “The Effects of Changes in Foreign Exchange Rates” the figure disclosed in the financial statement would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 – “Financial Reporting in Hyper- Inflationary Economies”**

The Council did not comply with the provisions of International Public Sector Accounting Standard (IPSAS) 10 – “Financial Reporting in Hyper-Inflationary Economies”. Zimbabwean entities were operating in an environment in the period under review, which witnessed significant monetary and exchange control policy changes since the beginning of the 2019 year. The changes were as a result of continued economic challenges faced by the country that resulted in the liquidity crisis and high inflation rates.

On October 11, 2019, Public Accountants and Auditors Board (PAAB) issued pronouncement 01/2019, which highlighted a general consensus within the accounting and audit profession that the factors and characteristics to apply the IPSAS 10 in Zimbabwe had been met and the standard should be applied from July 1, 2019 and accounts of entities with year-end on or after this date should be hyper inflated. Had the Council applied the requirements of IPSAS 10 – “Financial Reporting in Hyper-inflationary Economies”, many elements of the financial statements would have been materially impacted. The impact is considered material and pervasive to the financial statements as a whole.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17-  
“Property, Plant and Equipment”**

Infrastructure assets such as road networks, bridges and culverts amongst others were not included in the assets register and as such were not accounted for in the financial statements contrary to International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment” which requires infrastructure assets to be capitalized. Had the Council recognized its infrastructures the property, plant and equipment amount disclosed in the financial statements would be materially different.

**iv. Payables**

Included in the payables amount of ZWL\$5 million reported in the financial statements was an unsubstantiated suspense account balance of ZWL\$3.1 million. Council did not avail the breakdown and supporting documents for this amount. As a result, I could not satisfy myself of the validity and existence of the payables balance disclosed in the financial statements.

**v. Revenue**

Billable revenue reported in the accounts amounting to ZWL\$300 000 was understated by ZWL\$110 000 when compared to balances per supporting schedules.

In addition, the roads grant income disclosed in the financial statements of ZWL\$180 000 was understated by ZWL\$290 000 when compared to the corresponding amount on the bank statements. Council did not to make correcting journals to the accounts. Therefore, I could not satisfy myself of the accuracy and completeness of revenue balance disclosed in the entity’s financial statements.

**vi. Cash and Bank**

I was not availed with bank confirmation for an amount of ZWL\$450 000. Therefore, I could not satisfy myself as to the completeness and accuracy of the cash and cash equivalents balances disclosed in the financial statements.

**vii. Receivables**

The Council did not reconcile the receivables balance disclosed in the financial statements against receivables listing. As a result, the listing availed balance of ZWL900 000 and the financial statements balance of ZWL\$3.4 million had a variance of ZWL\$2.5 million. I could therefore not verify the validity of the receivables balance disclosed in the financial statements.

**viii. Employment Costs**

Payroll was prepared manually and maintained in Excel spreadsheets. There was no evidence of review of payroll schedules and subsequent reconciliation of amounts. As a result, there was an unresolved variance of ZWL\$300 000 between the payroll system figure of ZWL\$1.1 million and the amount disclosed in the financial statements ZWL\$800 000. Council did not adjust the financial statements for the variance. Therefore, I was unable to satisfy myself as to the accuracy of the employee costs and the related liability disclosed in the financial statements.

**ix. Non- compliance with International Public Sector Accounting Standard (IPSAS) 12 - “Inventory”**

Council had unsold pieces of land in Jotsholo and clinics drug inventory, which were not valued and accounted for in the financial statements. In addition, inventory balance of ZWL\$20 000 disclosed in the financial statements was not supported by an approved valuation report. Consequently, I could not satisfy myself of the valuation and completeness of inventory not disclosed in the financial statements.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Infrastructure assets**

**Finding**

The Council did not value its infrastructure assets. Council could not account for infrastructure assets such as road networks, bridges and culverts amongst others in the financial statements. This was contrary to international Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment” which requires infrastructure assets to be capitalized.

**Risk / implication**

Misstatement of financial statements.

**Recommendation**

Council should value its infrastructure assets and account for them in its financial statements.

**Management response**

**The Council will engage an external evaluator using IGFT and attach staff for skills transfer for future developments.**

**1.2 Inventory**

**Finding**

Council had unsold pieces of land in Jotsholo and clinic drugs inventory which were not valued and accounted for in the financial statements. In addition, inventory balance of ZWL\$20 000 disclosed in the financial statements was not supported by an approved valuation report.

**Risk / Implication**

Misstatement of financial statements.

## **Recommendation**

Management should ensure that Clinic drugs and land are accounted for.

## **Management response**

**Management assumed they will be duplication of inventory since the government Pharmacy at St Luke's distributes and do the stocktaking.**

### **1.3 Payables**

#### **Finding**

There was an unsubstantiated balance of ZWL\$3.1 million under suspense account to which I could not obtain the breakdown or any supporting documents. This was contrary to Section 45(a) of the Public Finance Management Act [*Chapter 22:19*] which requires Council to establish a strong system of financial management and internal control.

#### **Risk / Implication**

Fraud and error may go undetected.

Misstatement of financial statements.

#### **Recommendation**

Management should ensure all balances are substantiated with receipts, statements, ledgers for validity.

#### **Management response**

**Noted, we will investigate the suspense balance and ensure corrective action is taken in future years.**

## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Revenue recognition**

#### **Finding**

Billable revenue reported in the accounts amounting to ZWL\$300 000 was understated by ZWL\$110 000 when compared to balances per supporting schedules.

In addition, the roads grant income disclosed in the financial statements of ZWL\$180 000 was understated by ZWL\$290 000 when compared to the corresponding amount on the bank statements.

#### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should maintain appropriate records to facilitate preparation of reliable financial statements.

### **Management response**

**Noted, computerization in progress and capacity building of staff.**

**We will implement recommendations going forward and ensure relevant adjustments are posted in the accounts.**

## **2.2 Receivables**

### **Finding**

The Council did not reconcile the receivables balance disclosed in the financial statements against receivable listing. As a result, the listing balance of ZWL\$0.89 million and the financial statements balance of ZWL\$3.43 million had a variance of ZWL\$2.55 million.

### **Risk / implication**

Misstatement of financial statements.

### **Recommendation**

The Council should investigate the causes of the variances noted and make adjustments.

### **Management response**

**Noted, we will implement the recommendations in future years.**

## **3 EMPLOYMENT COST**

### **3.1 Payroll**

### **Finding**

Payroll was prepared manually and maintained in Excel spreadsheets. There was no evidence of review of payroll schedules and subsequent reconciliation of amounts. As a result, there was an unresolved variance of ZWL\$0.30million between the payroll system figure of ZWL\$1.08million and the amount disclosed in the financial statements ZWL\$0.78million. Council did not adjust the financial statements for the variance.

### **Risk / Implication**

Financial loss due to fraud

The payroll costs are materially misstated.

## **Recommendation**

Monthly payroll reconciliations should be done by the 5<sup>th</sup> of the following month.

## **Management response**

**Noted, the reconciliations shall be done as per recommendation.**

## **4 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing audit findings and recommendations raised in my previous audit report. I raised eleven (11) audit findings, two (2) were addressed and nine (9) were not addressed as indicated below;

### **4.1 Cash and cash equivalents**

The finding was not addressed. The Council will investigate cash deposits by December 31, 2023

### **4.2 Payables reconciliation**

The finding was not addressed. The monthly reconciliations to be done on or before the 5<sup>th</sup> of the preceding month by December 31, 2023.

### **4.3 Non- compliance with International Public Sector Accounting Standards (IPSAS) 23- “Revenue from Non-Exchange Transactions”**

The finding was addressed. The Council have put in place a data base for its clients and continuously updating it.

### **4.4 Receivables**

The finding was not addressed. The Council is still investigating the variance.

### **4.5 Expenditure supporting documents**

The finding was addressed. The Council put in place a procurement unit.

### **4.6 Non-compliance with International Public Sector Accounting Standards (IPSAS) 17- “Property, plant and equipment”**

The finding was not addressed. The Council to include the assets in 2020 Financial statements.

### **4.7 Comparison of assets register balance and balance as per financials**

The finding was not addressed. The Council is still updating the asset register.

#### **4.8 Non-compliance with International Public Sector Accounting Standards (IPSAS) 12- “Inventories”**

The finding was not addressed. The Council to computerise its accounting system environment starting December ,2023.

#### **4.9 Auctioned motor vehicles and equipment**

The finding was not addressed. Council is yet to update its asset register with actual costs.

#### **4.10 Accounting for salary arrears**

The finding was not addressed. Council is yet to maintain sub ledgers for individual sub salary arrears.

#### **4.11 Employee cost reconciliation**

The finding was not addressed. Monthly reconciliations are not yet being done.

## **MAKONDE RURAL DISTRICT COUNCIL 2020**

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I have audited the financial statements of Makonde Rural District Council for the year ended December 31, 2020 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Makonde Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-Compliance with International Public Sector Accounting Standard (IPSAS) 4 - The Effects of Changes in Foreign Exchange Rates and (IPSAS) 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”**

The prior year financial statements did not comply with the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, as the Council was unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the inter-bank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019. Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US\$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at inter-bank rate. The exchange rate used did not meet the definition of spot rate as defined by IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”. In that regard, the Council’s 2020 opening balances misstatements have a material impact on the accuracy of current year financial statements.

**ii. Non - compliance with International Public Sector Accounting Standard (IPSAS) 29 - “Financial Instruments”**

The Council did not assess its receivables for impairment and did not recognise an allowance for credit losses on receivables contrary to IPSAS 29 – “Financial Instruments”, paragraph 67 which requires receivables to be assessed for impairment as each reporting date. Had Council assessed its receivables for impairment, the amount disclosed would have been materially different.

**iii. Suspense account balance**

The Council had an unresolved suspense account balance amounting to ZWL\$1.7 million disclosed in the financial statements. The suspense account balance remained unresolved and was material to the financial statements. Had Council resolved the suspense account balance the statement of financial performance would have been materially different.



**iv. Non-Compliance with International Public Sector Accounting Standard (IPSAS) 21 - “Impairment of Non-Cash Generating Assets”**

The Council’s non-current assets valued at ZWL\$220.5 million were not assessed for impairment despite there being indicators of impairment on workshop infrastructure, equipment and machinery. This was contrary to IPSAS 21 – “Impairment of Non-Cash Generating Assets” paragraph 26, which requires an entity to assess at each reporting date whether there is an indication that an asset may be impaired. Had the Council assessed its non-current assets for impairment, the financial statements would have been materially different.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 27- “Agriculture”**

The Council did not recognise its biological assets which included 29 (twenty-nine) goats. This was contrary to IPSAS 27 – “Agriculture” paragraph 13 which requires an entity to recognise a biological asset when the recognition criteria have been met. Had the Council recognized the biological assets, the financial statements would have been materially different.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Suspense account**

**Finding**

The Council had an unresolved suspense account balance amounting to ZWL\$1.7 million disclosed in the financial statements. The suspense account balance remained unresolved and was material to the financial statements.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

The Council should investigate and clear the suspense account balances.

**Management response**

**A suspense account was opened as a result of inappropriate accounting policies and a lot is being rectified in this transitional period. Investigations are underway, however, in the event that the required outcome is not realised proposals to start afresh for financial year ended 2022 will be requested.**

## **1.2 Income Generating Project (IGP)**

### **Finding**

The Council did not provide evidence that its livestock project had Ministerial approval. This was contrary to Rural District Councils Act [29:15] section (68) which requires the Council to seek approval before engaging in other income generating activities. In addition, Council did not recognise its biological assets which included twenty-nine (29) goats contrary to IPSAS 27 – “Agriculture” paragraph 13.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Council should account for the goats in its financial statements and seek appropriate approvals.

### **Management response**

**Council did not seek Ministerial approval when the project was established. The project was disbanded in 2021 when it was realised that it was not generating profits. Council will seek approval from the relevant authority before establishing any projects in future.**

## **1.3 Receivables**

### **Finding**

The Council did not have a credit policy and guidance on how to assess the recoverability of receivables. As a result, the Council did not test its receivables for impairment contrary International Public Sector Accounting Standard (IPSAS) 29 – “Financial Instruments” paragraph 67.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should put a credit policy in place to guide them on assessment of recoverability of receivables.

### **Management response**

**A debt management policy is being put in place.**

## **1.4 Property, plant and equipment**

### **Finding**

The Council's non-current assets valued at ZWL\$220.5 million were not assessed for impairment despite there being indicators of impairment on workshop infrastructure, equipment and machinery. This was contrary to International Public Sector Accounting Standard (IPSAS) 21 – “Impairment of Non-Cash Generating Assets” paragraph 26 which requires such assessment to be done.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Council should assess its assets for impairment as required by IPSAS 21.

### **Management response**

**Council had no capacity, the personnel had not received training on IPSAS. However, council has now capacitated its employees and this is now under control.**

## **MAKONI RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Makoni Rural District Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Makoni Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Qualified Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 16 – “Property, Plant and Equipment”**

The Council did not perform revaluation of property, plant and equipment disclosed at an amount of ZWL\$600 million in the financial statements. This was contrary to the requirements of International Accounting Standard (IAS) 16 - “Property, Plant and Equipment” paragraph 31, which requires revaluations to be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. Had the property, plant and equipment been revalued the amounts disclosed in the financial statements would have been materially different.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Revaluation of property, plant and equipment**

#### **Finding**

The Council did not perform revaluation of property, plant and equipment which had been stated at ZWL\$600 million in the financial statements. This was contrary to the requirements of International Accounting Standard (IAS) 16 - “Property, Plant and Equipment” paragraph 31, which requires revaluations to be carried out regularly, so that the carrying amount of an asset does not differ materially from its fair value at the reporting date.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Management should comply with the requirements of IAS 16.

### **Management response**

**Noted.** The Council made some adjustments by December 2019 which it thought had adequately covered this query. The Council however will ask Audit to revisit what the Council did and make more adjustments if there is still a need.

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing some of the findings that I raised in my 2022 report. I raised two (2) findings, one finding was addressed and the other one was not addressed as indicated below;

### **2.1 Inflation of financial statements**

The finding was addressed. The Council inflated its financial statements.

### **2.2 Beer levy computation**

The finding was not addressed. The Council did not obtain sales schedules from commercial brewers.

## **MANGWE RURAL DISTRICT COUNCIL 2020**

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I have audited the financial statements of Mangwe Rural District Council for the year ended December 31, 2020, and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Mangwe Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

- i. **Non-compliance with International Accounting Standard (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates”, (IAS) 8 - “Accounting Policies, Changes in Accounting Estimates and Errors” and (IAS) 29 - “Reporting in Hyper-inflationary Economies” with respect to opening balances.**

The Council changed its functional and reporting currency from USD to ZWL\$ on February 22, 2019 in compliance with Statutory Instrument 33 of 2019 (SI 33/19). The Council accounted for the change in functional currency prospectively from February 22, 2019 in compliance with SI 33/19. This constitutes departure from the requirements of International Accounting Standard (IAS) 21, due to the need to comply with local regulations under SI 33. The Council did not restate the opening balances as required by International Accounting Standard (IAS) 8 - “Accounting policies, Change in Accounting Estimates and Errors” to resolve this matter, which resulted in a modified opinion in the prior year relating to non-compliance with International Accounting Standard (IAS) 21.

Prior year balances were carried over into 2020 without any adjustment for prior period misstatements. Had the Council applied the requirements of IAS 21 - “The Effects of Changes in Foreign Exchange Rates”, IAS 29 - “Reporting in Hyper-inflationary Economies and IAS 8 - “Accounting Policies, Changes in Accounting Estimates and Errors” the financial statements would have been materially affected.

- ii. **Non-compliance with International Financial Reporting Standard (IFRS) 9 - “Financial Instruments”**

The Council did not carry out an assessment for allowance for credit losses for the year ended December 31, 2020. This was contrary to IFRS 9 - “Financial Instruments” which requires an assessment of allowance for credit losses at each reporting date. Had an assessment for allowance for credit losses been carried out as at December 31, 2020, the receivable balance would have been materially different from the figure disclosed in the financial position.

**iii. Non-compliance with International Accounting Standard 16 (IAS) 16 - “Property, plant and equipment”**

The Property, plant and equipment were revalued in USD in 2019. Property, plant and equipment balances were brought forward from 2019 and converted the USD values to ZWL\$ using the auction exchange rate. This was non-compliance with IAS 16 which requires that revaluation of property, plant and equipment represent its fair value at date of revaluation less subsequent accumulated depreciation and accumulated impairment losses.

I could not determine by alternative means the adjustments necessary to ensure the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period as defined by International Financial Reporting Standard (IFRS) 13 - “Fair Value Measurement”. Had the Council applied the requirements of IFRS 13 the carrying amount of property, plant and equipment would have been materially different.

**iv. Non-compliance with International Accounting Standard (IAS) 40 - “Investment Property”**

The Council held properties with the intent of earning rental income. These properties were not classified as Investment property in accordance with paragraph 7 of International Accounting Standard (IAS) 40 - “Investment Property”. The assets were inappropriately classified as property, plant and equipment. Had the assets been properly classified as investment properties the carrying amounts disclosed would have been materially different from the figure disclosed in the financial statements.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Non-compliance with International Financial Reporting Standard (IFRS) 9- “Financial Instruments”**

**Finding**

The Council did not carry out an assessment for allowance for credit losses for the year ended December 31, 2020. This was not in line with the requirements paragraph 5.5.1 of International Financial Reporting Standard (IFRS) 9 - “Financial Instruments” which requires allowance for credit losses to be assessed at each reporting date.

**Risk / Implication**

Misstatement of financial statements

**Recommendation**

Allowances for credit losses should be provided for in accordance with International Financial Reporting Standard (IFRS) 9 - “Financial Instruments”.

**Management response**

**Observation is noted.**

## **1.2 Non-compliance with International Accounting Standard (IAS) 16 - “Property, Plant and Equipment”**

### **Finding**

The Council’s property, plant and equipment are carried in the statement of financial position at ZWL\$23.22 million. Property, plant and equipment balances brought forward from 2019 were revalued in USD. The Council converted the USD values to ZWL\$ using the auction exchange rate to determine the ZWL\$ values. The values did not meet the fair value as defined in International Financial Reporting Standard (IFRS) 13 - “Fair Value Measurement”. International Financial Reporting Standard (IFRS) 13 - “Fair Value Measurement” define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Risk / Implication**

Misstatement of the financial statements.

### **Recommendation**

Council should comply with IFRS 13.

### **Management response**

**The observation is noted**

## **1.3 Non-compliance with International Accounting Standard (IAS) 40 - “Investment Property”**

### **Finding**

The Council held properties with the intent of earning rental income which should have been classified as investment property in accordance with International Accounting Standard (IAS) 40 - “Investment Property”. The assets were inappropriately classified in error as property, plant and equipment. This error was not corrected.

### **Risk / Implication**

Misstatement of the financial statements.

### **Recommendation**

Assets should be properly classified in accordance with the relevant IFRS.

### **Management response**

**The matter will be resolved once property valuation is done. Valuation exercise has been budgeted for.**



## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised five (5) findings which were not addressed as indicated below;

### **2.1 Cattle project management**

The finding was not addressed. The Council livestock register was not properly maintained.

### **2.2 Beer levy**

The finding was not addressed. Council has not yet obtained statistics from brewers.

### **2.3 Allowance**

The finding was not addressed. Council did not assess for allowance for credit losses.

### **2.4 Valuation of assets**

The finding was not addressed. Council did not revalue its assets.

### **2.5 Re-classification of property, plant and equipment to investment property.**

The finding was not addressed. Council did not reclassify its assets.

## **MANYAME RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Manyame Rural District Council for the year ended December 31, 2022 and I have issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion section of my report, the financial statements do not give a true and fair view of the financial position of the Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis of Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21 – “The Effects of Changes in Foreign Exchange Rates” and IAS 29 – “Financial Reporting in Hyperinflationary Economies”**

During the year, the foreign currency denominated transactions and balances of the Council were translated to functional currency (ZWL\$) using inter-bank exchange rates. The foreign exchange rate used did not meet the definition of spot exchange rate as defined by IAS 21 – “The Effects of Changes in Foreign Exchange Rates”. I was unable to quantify the impact of using interbank rates on the translation of the foreign currency transactions to ZWL\$ in the financial statements.

The Council applied the requirements of IAS 29-“Financial Reporting in Hyperinflationary Economies”, however its application was based on financial information which was not in compliance with IAS 21 – “The Effects of Changes in Foreign Exchange Rates”. Had the correct base numbers been used, the financial statements would have been materially different.

**ii. Non-compliance with International Accounting Standard (IAS) 16 – “Property, Plant and Equipment”**

Council did not revalue its property, plant and equipment during the year under review and the last revaluation was carried out in 2019. This was contrary IAS 16 – “Property, Plant and Equipment” paragraph 31 which requires revaluations to be carried out with sufficient regularity to ensure that the carrying amounts do not differ materially from fair values at the end of the reporting period.

In addition, no assessment for impairment was carried out. Had revaluation of property, plant and equipment been done and assessment for impairment been carried out, the amounts disclosed in the financial statements would have been materially different.

Below are material issues noted during the audit;

## **1. Governance issues**

### **1.1 Valuation of property, plant and equipment**

#### **Finding**

Council did not revalue its property, plant and equipment during the year under review and the last revaluation was carried out in 2019. This was contrary to International Accounting Standard (IAS) 16 – “Property, Plant and Equipment” paragraph 31 which requires revaluations to be carried out with sufficient regularity to ensure that the carrying amounts do not differ materially from fair values at the end of the reporting period. In addition, no assessment for impairment was carried out.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should revalue its property, plant and equipment with sufficient regularity to achieve fair presentation and assess its assets for impairment.

#### **Management’s response**

**The recommendation has been noted. The revaluation of all assets could not be achieved as Council was also seized with the valuation of properties in its designated centres so as to come up with a valuation roll to ensure proper billing of the same. Meanwhile Council undertakes to revalue its assets by 31 December 2023 to ensure that asset values are not materially understated or overstated in the financial statements.**

## **2 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing the finding that I raised in my 2020 annual report. I raised one (1) finding and it was not addressed as indicated below;

### **2.1 Beer levy**

The finding was not addressed. The Council did not obtain beer sales schedules from the brewer.

## **MARONDERA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Marondera Rural District Council for the year ended December 31, 2022 and I issued an unqualified / clean opinion

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of Marondera Rural District Council as at December 31, 2022, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Offer of house to senior official**

##### **Finding**

The Council allocated 2400 square metres stand valued at US\$35 000 to a senior manager as part of condition of service. The stand was allocated at no purchase consideration pursuant to a Council resolution for a house to the senior officer after serving ten (10) years. However, the resolution was in contravention of Circular CX154 dated October 06, 2014 which prohibits the allocation of institutional properties to Mayors/Chairpersons or Council employees.

The Council incurred ZWL\$38.9 million for the construction of the house using funds from the Capital Development Fund. This was in contravention of Section 128 of the Rural District Councils Act [Chapter 29:13] which prohibits the use of the Capital Development Fund for recurrent expenditure.

##### **Risk / Implication**

Service delivery may be compromised as Council funds are used for unintended purposes.

##### **Recommendation**

The Council resolutions should comply with Ministerial circulars and directives.

##### **Management response**

**The Council was unaware of this 2014 circular, and even the mother body, the Association of Rural District Council of Zimbabwe (ARDCZ) was also unaware of it. In this instance, ARDCZ went on to adopt this benefit, among others, which was also devolved to the respective RDCs for consideration and adoption. The practice had been done widely in most of the Councils, hence why Marondera RDC went on to adopt the same and developed it.**

## **2. PROGRESS TOWARDS ADDRESSING AND IMPLEMENTATION OF PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS**

The Council made progress in addressing audit findings that I raised in my 2022 annual report. I raised four (4) audit findings, two (2) were addressed, while two (2) were not addressed as indicated below;

### **2.1 Valuation of property, plant and equipment**

The finding was addressed. The Council's assets were revalued by a professional valuer.

### **2.2 Funeral grants and life assurance for Councillors**

The finding was not addressed. The Council is still paying funeral assistance and life assurance for Councillors without Ministerial approval.

### **2.3 Beer levy**

The finding was addressed. The sales schedules were provided.

### **2.4 Supply and delivery of equipment**

The finding was not addressed. Equipment not yet been delivered

## **MASVINGO RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Masvingo Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of the Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis of Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates” and IAS 29 - “Financial Reporting in Hyperinflationary Economies”**

During the financial year ended December 31, 2022, the foreign currency denominated transactions were translated into ZWL\$ using the interbank exchange rate. IAS 21 - “The Effects of Changes in Foreign Exchange Rates” requires foreign currency transactions to be translated to functional currency at the date of transaction using the spot exchange rate. The interbank exchange rates did not meet the definition of spot exchange rates as defined in IAS 21 - “The Effects of Changes in Foreign Exchange Rates”, which defines spot exchange rate as the exchange rate for immediate delivery.

Had the financial statements been prepared in accordance with the requirements of IAS 21 - “The Effects of Changes in Foreign Exchange Rates”, many elements of the financial statements would have been materially different. The effect of non-compliance has been considered to be material to the financial statements as a whole.

The Council applied IAS 29 - “Financial Reporting in Hyperinflationary Economies” on current periods’ financial information which was not in compliance with IAS 21- “The Effects of Changes in Foreign Exchange Rates”. Had the correct base numbers been used, the above stated financial statements would have been materially different.

**ii. Revenue and trade receivables**

The Council did not obtain a list of all mining claims and permits from the Ministry of Mines and Mining Development to update its customer database which forms the basis for invoicing. As a result, Council did not invoice all small-scale miners for mining levy.

Had Council used an updated mining claims database, the revenue of ZWL\$1.61 billion and receivables amounting to ZWL\$669.56 million would have been materially different. I could not satisfy myself regarding the completeness of revenue and trade receivables.

**iii. Non-compliance with International Financial Reporting Standard (IFRS) 9 - “Financial Instruments”**

The Council did not carry out an assessment for allowance for expected credit losses on trade receivables amounting to ZWL\$669.56 million. This was contrary to IFRS 9 - “Financial Instruments”, which requires an assessment to be made on receivables and recognise the credit loss allowance using the expected credit loss (ECL) approach. Had the Council assessed for an allowance for credit losses, trade receivables balance disclosed would have been materially different.

**iv. Non-compliance with International Accounting Standard (IAS) 20 - “Accounting for Government Grants and Disclosure of Government Assistance”**

The Council did not assess the expected useful life of buildings constructed using the Government grants. During the reporting period, the Council received Government grant amounting to ZWL\$233.63 million. Council was unable to recognise the grant relating to the construction of buildings in profit or loss over the useful life but rather on a receipt basis. This was contrary to International Accounting Standard (IAS) 20 - “Accounting for Government Grants and Disclosure of Government Assistance” paragraph 16 which requires government grants to be recognised in profit or loss on a receipts basis only if no basis existed for allocating the grant to periods other than the one in which it was received.

Had the financial statements been prepared in accordance with the requirements of the IAS 20, some elements would have been materially different. I was unable to satisfy myself as to the completeness and valuation of grant revenue and deferred income as at December 31, 2022.

**v. Valuation of property, plant and equipment**

Included in the Council's non-current assets is plant and machinery, motor vehicles and office equipment valued at amounts of ZWL\$114.71 million. The Council did not perform a revaluation exercise to establish the fair value of some of its assets as at December 31, 2022. This was contrary to the requirements of International Accounting Standard (IAS) 16 - “Property, Plant and Equipment” which requires revaluations to be carried out regularly so that the carrying amount of an asset does not differ materially from its fair value at the reporting date. I was not able to determine the impact on the net carrying amount of property, plant and equipment as it was impracticable to do so.

**vi. Revaluation of land and buildings**

Included in the Council's non-current assets is land and buildings valued at ZWL\$1.45 billion. The Council undertook an assets valuation exercise of its land and buildings during the year under review. However, not all land and buildings were valued. This was contrary to paragraph 36 of International Accounting Standard (IAS) 16, which requires that if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs should be revalued.

In addition, I was not availed with documentation to support the valuation method used, assumptions and judgments made.

## **vii. Depreciation of buildings**

The Council did not depreciate its buildings contrary to International Accounting Standard (IAS) 16 – “Property, Plant and Equipment” paragraph 50, which requires the depreciable amount of an asset to be allocated on a systematic basis over its useful life.

In addition, the Council did not account for the value of land and buildings separately in the financial statements contrary to International Accounting Standard (IAS) 16 - “Property, Plant and Equipment” paragraph 58, which requires that land and buildings be classified as separable assets and accounted for separately, even when they are acquired together. Had the Council depreciated its buildings, the carrying amount disclosed would have been materially different.

Below are material issues noted during the audit;

### **1 GOVERNANCE ISSUES**

#### **1.1 Revaluation of land and buildings**

##### **Finding**

The Council undertook an assets valuation exercise of its land and buildings during the year under review. However, not all land and buildings were valued. This was contrary to paragraph 36 of International Accounting Standard (IAS) 16 - “Property, Plant and Equipment”, which requires that if an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs should be revalued. In addition, I was not availed with documentation to support the valuation method used, assumptions and judgments made.

##### **Risk / Implication**

Misstatement of financial statements.

##### **Recommendation**

Council should value all assets within the class to comply with the requirements of applicable accounting standards.

##### **Management response**

**Going forward as Council migrates to IPSAS, valuations shall be done as per the Zimbabwe Financial Reporting Manual on PPEs (Chapter 14 of the ZFRM. Initial migration is 2023 for local authorities).**

#### **1.2 Valuation of property, plant and equipment**

##### **Finding**

Included in the Council's non-current assets is plant and machinery, motor vehicles and office equipment stated at ZWL\$114.71 million. The Council did not perform a revaluation exercise to establish the fair value of its assets as at December 31, 2022.



This was contrary to the requirements of International Accounting Standard (IAS) 16 – “Property, Plant and Equipment” which requires revaluations to be carried out regularly so that the carrying amount of an asset does not differ materially from its fair value at the reporting date.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

Council should revalue its assets with sufficient regularity in compliance with IAS 16.

#### **Management response**

**As way forward management will undertake revaluation of all its assets in accordance with IPSAS guidelines as guided by the Zimbabwe Financial Reporting Manual.**

### **1.3 Alignment of accounting processes with the reporting framework**

#### **Finding**

The Council did not depreciate its buildings contrary to International Accounting Standard (IAS) 16 – “Property, Plant and Equipment” paragraph 50, which requires the depreciable amount of an asset to be allocated on a systematic basis over its useful life.

In addition, the Council did not account for the value of land and buildings separately in the financial statements contrary to International Accounting Standard (IAS) 16 – “Property, Plant and Equipment” paragraph 58, which requires that land and building be classified as separable assets and accounted for separately.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should align its processes to allow separation of land and buildings and depreciate buildings to comply with the requirements of the applicable accounting standards.

#### **Management response**

**The Council Policy that was in use did not depreciate land and buildings. Depreciation of land and buildings shall be done as guided by Zimbabwe Financial Reporting Manual, beginning 2023 as it is the first-time adoption of IPSAS for Local Authorities.**

## **1.4 Assessment of expected credit losses**

### **Finding**

The Council did not carry out an assessment for allowance for expected credit losses on trade receivables amounting to ZWL\$669.56 million. This was contrary to IFRS 9 – “Financial Instruments”, which requires an assessment to be made on receivables and recognise the credit loss allowance using the expected credit loss (ECL) approach. Had the Council assessed for an allowance for credit losses, trade receivables balance disclosed would have been materially different.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should carry out an assessment of expected credit losses in line with the reporting framework.

### **Management response**

**In progress. Council Resolution has already been sought and granted.**

## **1.5 Useful lives of capital grant-funded assets**

### **Finding**

The Council did not assess the expected useful life of buildings constructed using the Government grants. As a result, the Council was unable to recognise the grant relating to the construction of buildings in profit or loss over the useful life but rather on a receipt basis. This was contrary to International Accounting Standard (IAS) 20 - “Accounting for Government Grants and Disclosure of Government Assistance” paragraph 16 which requires government grants to be recognised in profit or loss on a receipts basis only if no basis existed for allocating the grant to periods other than the one in which it was received.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should assess the useful life of buildings and recognise the deferred income in line with IAS 20.

### **Management response**

**Useful life will be determined according to the Zimbabwe Financial Reporting Manual beginning 2023.**

## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Revenue from mining claims**

#### **Finding**

The Council did not obtain a list of all mining claims and permits from the Ministry of Mines and Mining Development to update its customer database which forms the basis for invoicing. As a result, Council did not invoice all small-scale miners for mining levy. This was contrary to section 2(1)(b) of the Third Schedule of the Rural District Council Act [*Chapter 29:13*] “an owner of a mining location referred to in paragraph (b) of subsection (1) of section ninety-six shall pay a land levy in respect of each mining location within the Council area.”

#### **Risk / Implication**

Financial statements may be misstated.

Loss of revenue.

#### **Recommendation**

Council should obtain mining claims and permits list from the responsible ministry in order to update the database for invoicing.

#### **Management response**

**In progress. There is improved collaboration between Council and Ministry of Mines. We have since received the database and has already been invoiced in the current year 2023.**

## **MATOBO RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Matobo Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Matobo Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

#### **i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates"**

The Council applied the transactions and balances that were in United States (USD) for the year ended December 31, 2022. The interbank exchange rate used to translate these transactions and balances did not meet the definition of the spot exchange rate contrary to IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" which requires that the spot rate for immediate delivery of currency be used in recording transactions and translating balances. Had the Council complied with the requirements of IPSAS 4 – "The Effects of Changes in Foreign Exchange Rates" the financial statements would be materially different.

Below are other material issues noted during the audit;

#### **1. GOVERNANCE ISSUES**

##### **1.1 Statutory obligations**

###### **Finding**

The Council was not remitting statutory obligations. As at December 31, 2022, the Council owed NSSA ZWL\$4.3 million, NEC ZWL\$3.8 million, PAYE ZWL\$21.9 million and VAT ZWL\$230 000 for the period under review.

###### **Risk / Implication**

Financial loss due to penalties and fines.

###### **Recommendation**

The Council should pay its statutory obligations timeously.

###### **Management response**

**The recommendation is noted. Council will scale up its collection efforts so as to boost its capacity to liquidate creditors.**

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2021 annual report. I raised four (4) findings, one (1) was addressed and three (3) were not addressed as indicated below;

### **2.1 Bank reconciliation**

The finding was not addressed. The Council was not preparing bank reconciliations.

### **2.2 Valuation of property, plant and equipment**

The finding was addressed. Asset revaluations are now supported by appropriate documentation which specifies the basis and method of revaluation.

### **2.3 Investment property**

The finding was not addressed. The Council did not apply the requirements of IPSAS 16 – “Investment Property”.

### **2.4 Repair of motor vehicles**

The finding was not addressed. The matter is before the courts.

## **MAZOWE RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Mazowe Rural District Council for the year ended December 31, 2022 and I have issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Mazowe Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

#### **i. Revenue**

The Council generates revenue from various sources which includes sand extraction, fines and penalties, bus entry, beer permits, mining registration fees, ore removal, quarry extraction and permits. However, I was not availed with supporting evidence such as registers and databases to enable me to verify the completeness of the revenue. In addition, the Council recognized rental income on a cash basis instead of accruals basis contrary to the requirements of IPSAS 9 - "Revenue from Exchange Transactions", which requires revenue to be measured at the fair value of consideration received or receivable.

#### **ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - Property, Plant and Equipment**

The Council did not depreciate its property, plant and equipment contrary to the requirements of IPSAS 17 – "Property, Plant and Equipment" paragraph 43 which requires assets to be subsequently carried at cost less any accumulated depreciation. In addition, the Council did not have a complete asset register. As a result, I could not satisfy myself as to the completeness, existence and valuation of Council's property, plant and equipment.

Below are material issues noted during the audit;

#### **1. REVENUE COLLECTION AND DEBT RECOVERY**

##### **1.1 Lease management**

The Council was leasing out its fuel service station to a private company. There was no lease agreement between the two parties as the Council did not re-new the lease owing to outstanding rentals due from the lessee.

##### **Risk / Implication**

Financial loss due to legal uncertainty.

##### **Recommendation**

Council should have a valid lease agreement with the tenant.

### **Management response**

**Observation noted, the leases were not signed due to non-payment of rentals by the tenants and Council has since engaged the services of a debt collector to recover its rentals.**

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised five (5) findings, one (1) was addressed, and four (4) findings were not addressed as indicated below;

### **2.1 Management of stands register**

The finding was addressed. The Council is now maintaining a stands register.

### **2.2 Completeness of revenue**

The finding was not addressed. The Council does not have an up-to-date database of all its revenue streams.

### **2.3 Stands sales and registers**

The finding was not addressed. The Council still allocates stands to individuals outside the waiting list.

### **2.4 Property, plant and equipment**

The finding was not addressed. The Council did not have a complete asset register and also did not depreciate its assets.

### **2.5 Ward levy revenue**

The finding was not addressed. Council is yet to develop a database for business operations in the district.

## **MBERENGWA RURAL DISTRICT COUNCIL 2021**

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I have audited the financial statements of Mberengwa Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Mberengwa Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

#### **i. Prior year balances**

The Council did not present comparative information for the prior year. This was contrary to International Public Sector Accounting Standard (IPSAS) 1 – “Presentation of Financial Statements”, paragraph 53, which requires comparative information to be disclosed in respect of the previous period. Had the comparative information been included, the financial statements would have achieved fair presentation.

#### **ii. Revenue**

The Council recognised revenue for various revenue streams on cash basis. The Council then adjusted the amount by ZWL\$156.8 million. The adjustment had no supporting documentation. I therefore, could not determine whether the adjustment was accurate, valid and complete.

#### **iii. Receivables**

The Council was not recording all bills in the customer accounts, leading to significant variances between the receivables recognised in the financial statements and what was owed by the customer as payments were not being matched against any invoices. The extent of the understatement of debtors could not be quantified with certainty.

Below are material issues noted during the audit;

### **1. GOVERNANCE ISSUES**

#### **1.1 Bank reconciliations**

##### **Finding**

The Council was not preparing bank reconciliations for its bank accounts. This was contrary to Public Finance Management Act [*Chapter 22:19*] section 44 (1) (a) (i) which requires an accounting authority for a public entity to ensure that the public entity establishes and maintains effective, efficient and transparent systems of financial and risk management and internal controls.



**Risk / Implication**

Fraud may go undetected.

**Recommendation**

Management should perform monthly bank reconciliations for all bank accounts operated by the Council which should be reviewed by senior personnel.

**Management response**

**Noted Bank reconciliations to be done and reviewed**

**2 REVENUE COLLECTION AND DEBT RECOVERY****2.1 Revenue****Finding**

The Council recognised revenue for various revenue streams on cash basis. The Council then adjusted the amount by ZWL\$156.8 million. The adjustment had no supporting documentation. I therefore, could not determine whether the adjustment was accurate, valid and complete.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

The Council should bill all customers and recognise revenue on accrual basis.

**Management response**

**Observation noted. Bills to be done and reports produced on time.**

**2.2 Receivables****Finding**

The Council was not recording all bills in the customer accounts, leading to significant variances between the receivables recognised in the financial statements and what was owed by the customer as payments were not being matched against any invoices. The extent of the understatement of debtors could not be quantified with certainty.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

The Council should maintain customer ledger accounts.

**Management response**

**Observation noted. Customer accounts verification and billing to be done timeously.**

## **MBIRE RURAL DISTRICT COUNCIL 2021 AND 2022**

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I have audited the financial statements of Mbire Rural District Council for the year ended December 31, 2021 and 2022 and I issued a qualified opinion for both years.

### **Qualified Opinion 2021**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mbire Rural District Council as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Qualified Opinion**

**i. Non-compliance with International Financial Reporting Standard (IFRS) 9 - “Financial Instruments”**

The Council did not carry out an assessment of recoverability of amounts owed by clients in order to establish an allowance for credit losses on receivables amounting to ZWL\$13 million disclosed in the financial statements. This was contrary to the requirements of paragraph 5.5.1 of IFRS 9 – “Financial instruments”, which requires an assessment of the recoverability of receivables at the end of the reporting period. Had Council applied the requirements of IFRS 9 – “Financial Instruments” the receivables balance disclosed in the statement of financial position would have been materially different.

**ii. Unsupported journal entries posted against accumulated funds**

The Council processed unsupported journals adjusting accumulated funds amounting to ZWL\$1.6 million. I could not verify by alternative means the accuracy of amounts presented in the financial statements for accumulated funds.

### **Qualified Opinion 2022**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report the financial statements present fairly, in all material respects, the financial position of Mbire Rural District Council as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Qualified Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 21 – “The Effects of Changes in Foreign Exchange Rates”.**

Included in the revenue of ZWL\$1.3 billion is income arising from movements in exchange rates which was recognised as revenue by way of rebilling customers instead of recognising exchange gains or losses on receivables as required by paragraph 28 of IAS 21- “The Effects of Changes in Foreign Exchange Rates”. Due to the ad hoc nature of rebilling, which was done on settlement date, the records could not distinguish between adjusted amounts (rebilled transactions) and the 2022 revenue billings.

I was unable to quantify the total rebilled amounts to make the necessary adjustments to the revenue and exchange gains recognised in the financial statements.

**ii. Non-compliance with International Financial Reporting Standard (IFRS) 9 - “Financial Instruments”**

The Council did not carry out an assessment of recoverability of amounts owed by clients in order to establish an allowance for credit losses on receivables amounting to ZWL202.2 million disclosed in the financial statements. This was contrary to the requirements of paragraph 5.5.1 of IFRS 9 – “Financial instruments”, which requires an assessment of the recoverability of receivables at the end of the reporting period.

Had Council applied the requirements of IFRS 9 – “Financial Instruments” the receivables balance disclosed in the statement of financial position would have been materially different.

**iii. Revenue billing**

Revenue from rendering of services of ZWL\$1.3 billion included stand allocation fees and stand application fees of ZWL\$192.1 million and ZWL\$8.5 million respectively. Billing of stand allocation fees and stand application fees depends on the category of stand being applied for. Tariffs for stand application and stand allocation fees were approved in United States of America Dollars (USD), hence billing was in USD, which was converted to ZWL at transaction date. Billing in USD require date of application and/or allocation of stand, to apply correct exchange rate at transaction date to the USD tariff.

In the absence of information on size of stand and date of application and allocation of stand, I could not verify by alternative means the accuracy and completeness of stand allocation fees and stand application fees recognised in the financial statements.

**iv. Non-compliance with International Financial Reporting Standard (IFRS) 15 – “Revenue from contracts with customers”**

The Council recognized revenue from carbon credits of ZWL\$391.9 million on cash basis. Carbon credits are earned by the Council upon meeting certain wildlife or environmental conservation programmes. The Council did not have information or records on how carbon credits were measured and determined. I could not determine whether revenue recognition criteria for carbon credits was met in the absence of carbon credits statistics and records. As a result, I could not determine the accuracy and completeness of the carbon credits income disclosed in the financial statements.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Allowance for credit losses**

#### **Finding**

The Council did not have a policy on assessment for allowance for credit losses. As a result, Council did not carry out an assessment of recoverability of amounts owed by clients in order to establish an allowance for credit losses on receivables amounting to ZWL202.2 million (2021: ZWL\$13 million) disclosed in the financial statements. This was contrary to the requirements of paragraph 5.5.1 of IFRS 9 - "Financial instruments", which requires an assessment of the recoverability of receivables at the end of the reporting period. Had Council applied the requirements of IFRS 9 - "Financial Instruments" the receivables balance disclosed in the statement of financial position would have been materially different.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

The Council should come up with a policy on assessment for loss allowance for expected credit losses in line with the requirements of IFRS 9 - "Financial Instruments".

#### **Management response**

**The provisions were made in the draft Finance Policy. Adoption of the finance policy is awaiting approval by the legal department.**

### **1.2 Journal entries posted against accumulated funds**

#### **Finding**

The Council processed unsupported journals adjusting accumulated funds in 2021 amounting to ZWL\$1,6 million. The adjustments were not supported to enable validity verification.

#### **Risk / Implication**

Financial statements may be misstated.

#### **Recommendation**

All journal entries should be supported by documentary evidence.

#### **Management response**

**Noted. All journals shall be documented and supported in future. The above cited journals were posted to correct prior year general ledger balances.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Rebilling of revenue**

#### **Finding**

The Council recognised income from movement in exchange rates amounting to ZWL\$12.31 million by way of rebilling instead of recognising exchange gains or losses separately in the financial statements as prescribed by IAS 21- “The effects of changes in exchange rates”. While adjustments were passed for those customer accounts that were specifically identified to have been rebilled, not all of the customer accounts that were rebilled were specifically identified. Due to the ad hoc nature of rebilling, which was done when customer comes to pay, I was not able to distinguish all rebilled transactions from 2022 billings.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The council should recognise effects of exchange rates as exchange gains or losses in the financial statements.

Council can invest in a multi-currency module, bill and maintain their customer balances in USD terms with exchange gains or losses being calculated automatically.

#### **Management response**

**A multi- currency module is now in place and will be used to bill and maintain customer balances in their respective currency starting 2024.**

### **2.2 Revenue recognition for carbon credits**

#### **Finding**

The Council could not avail carbon credits statistics for audit. Revenue from carbon credits was recognized to the extent of receipts that came through the bank. This was contrary to paragraph 5 of IFRS 15- “Revenue from contracts with customers” which requires revenue to be recognised when performance obligations are satisfied, I could not determine whether revenue recognition criteria for carbon credits was met in the absence of carbon credit statistics.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should obtain statistics of carbon credits emissions.

## **Management response**

**Noted. Council is going to request carbon credit statistics from the partners and recognise the revenue in accordance with IFRS 15. Training of staff was done for senior employees to be knowledgeable of the carbon credit emission process and will cascade to junior employees.**

## **2.3 Income source documents**

### **Finding**

The Council did not maintain complete source records relating to stand sales, including stand allocation fees and stand applications. This resulted in failure to verify the accuracy and completeness of revenue recorded in the financial statements with respect to stand sales. In addition, the stand applications database availed excluded the date of allocation and size of the allocated stand, which are both vital components of information about allocated stands, making the conversions difficult as transactions should be converted from USD to ZWL\$ taking into account transaction date in accordance with IAS 21- “The effects of changes in foreign exchange rates”.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Management should facilitate proper documentation and proper record keeping to ensure information and supporting documents are available upon request.

## **Management response**

**Proper record keeping will be kept going forward. We anticipate that the use of the housing module we purchased in 2024 is going to help maintain proper record keeping.**

## **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised five (5) findings, one (1) was addressed and four (4) were not addressed as indicated below;

### **3.1 Eco-cash reconciliations**

The finding was not addressed. The Council did not reconcile its eco-cash transactions to the bank accounts.

### **3.2 Receivables**

The finding was not addressed. The Council did not assess and adjust its receivables for allowance for credit losses.

### **3.3 Beer levy statistics**

The finding was not addressed. The Council did not obtain the beer levy statistics from the brewer.

### **3.4 Lease income**

The finding was addressed. Council updated its lease database.

### **3.5 Road account receipt books**

The finding was not addressed. The missing receipt books were not available for audit verification.



## **MHONDORO NGEZI RURAL DISTRICT COUNCIL 2020 AND 2021**

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I have audited the financial statements of Mhondoro Ngezi Rural District Council for the year ended December 31, 2020 and 2021 and I issued an adverse opinion for both years.

### **Adverse Opinion 2020**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the statement of financial position of the entity as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

- i. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - "The Effects of Changes in Foreign Exchange Rates" and IPSAS 3 - "Accounting Policies, Changes in Accounting Estimates and Errors"**

The prior year financial statements did not comply with the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" as the Council did not use an appropriate rate on change of functional currency. The Council did not restate the 2020 opening balances to address the prior year error contrary to the requirements of IPSAS 3 - "Accounting Policies, Changes in Accounting Estimates and Errors".

Had the Council applied the requirements of IPSAS 4 - "The Effects of Changes in Foreign Exchange Rates" and IPSAS 3 - "Accounting Policies, Changes in Accounting Estimates and Errors" many elements in the financial statements would be materially impacted.

- ii. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment"**

Council infrastructure assets such as roads and bridges were not accounted for in the financial statements. This was contrary to the requirements of IPSAS 17 "Property, Plant and Equipment" paragraph 21 which requires assets that meet the definition criteria of property, plant and equipment to be recognised in the financial statements.

In addition, there were no supporting documents such as supplier invoices and receipts for asset purchases made during the year amounting to ZWL\$1.2 million. As a result, I was unable to satisfy myself on the completeness, accuracy and valuation of property, plant and equipment reported in the financial statements.

- iii. **Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 - "Inventories"**

The Council did not account for its unsold land in Turf Township as at year end. This was contrary to the requirements of IPSAS 12 - "Inventories" which requires the land to be accounted for as inventory. Management could not ascertain the value and size of the stands, and the matter remained unresolved. As a result, I could not satisfy myself of the valuation and completeness of inventory disclosed in the financial statements.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 27 - “Biological assets”.**

Council owns a gum plantation in Turf location where it grows gum trees for sale. However, these were not valued and accounted for in the financial statements contrary to the requirements of IPSAS 27 - “Agriculture”. As a result, I was unable to satisfy myself on the completeness, accuracy and valuation of biological assets reported in the financial statements.

**v. Expenditure**

Expenditure amounting to ZWL\$6.2 million was not supported with the requisite documentation such as supplier invoices and receipts. As a result, I could not satisfy myself as to the accuracy and validity of expenditure disclosed in the financial statements.

**vi. Revenue**

There were unresolved variances amounting to ZWL\$2.3 million between revenue amount as per billing reports of ZWL\$15.3 million and the amount disclosed in the historical cost financial statements of ZWL\$17.6 million. As a result, I could not satisfy myself as to the accuracy of revenue reported in the financial statements.

In addition, the Council was not maintaining plan approvals and building inspections record. As a result, I could not verify the accuracy and completeness of ZWL\$0.98 million and ZWL\$1.6 million reported as plan approval fees and building inspection fees revenue in the financial statements.

**Adverse Opinion 2021**

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Mhondoro Ngezi Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 – “Accounting Policies, Changes in Accounting Estimates and Errors”**

The prior year financial statements did not comply with the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” as the Council did not use an appropriate rate on change of functional currency. The Council did not restate the 2020 opening balances to address the prior year error contrary to the requirements of IPSAS 3 – “Accounting Policies, Changes in Accounting Estimates and Errors”.

Had the Council applied the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 – “Accounting Policies, Changes in Accounting Estimates and Errors” many elements in the financial statements would be materially impacted.

**ii. Property, plant and equipment**

The Council's infrastructure assets such as roads and bridges were not accounted for in the financial statements contrary to the requirements of IPSAS 17 - "Property, Plant and Equipment" paragraph 21 which requires infrastructure assets to be recognised in the financial statements. The Council last revalued its non-current assets in 2011 contrary to IPSAS 17- "Property, Plant and Equipment" which requires revaluations to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

In addition, there were no supporting documents such as supplier invoices and receipts for asset purchases made during the year amounting to ZWL\$5.9 million. As a result, I was unable to satisfy myself on the completeness and valuation of property, plant and equipment reported in the financial statements.

**iii. Land stock**

The Council did not account for Turf Township unsold pieces of land in its financial statements as at year-end. According to IPSAS 12 – "Inventories", these met the criteria to be accounted for as inventory. Management could not ascertain the value and size of these stands, and the matter remain unresolved. As a result, I could not satisfy myself of the valuation and completeness of inventory disclosed in the financial statements.

**iv. Biological assets**

Council owns a gum plantation in Turf location where it grows gum trees for sale. However, these were not valued and accounted for in the financial statements contrary to the requirements of IPSAS 27 – "Agriculture". As a result, I was unable to satisfy myself on the completeness, accuracy and valuation of biological assets reported in the financial statements.

**v. Expenditure**

Expenditure amounting to ZWL\$15.4 million was not supported with the requisite documentation such as supplier invoices and receipts. As a result, I could not satisfy myself as to the accuracy and validity of expenditure disclosed in the financial statements.

**vi. Revenue**

The Council accounted for beer levy revenue amounting to ZWL\$4.9 million on a cash basis rather than on accrual basis resulting in misstatement of beer levy income and non-compliance with IPSAS 23 – "Revenue from Non-Exchange Transactions". The extent of misstatement could not be quantified due to unavailability of supporting beer sales statistics. I could not satisfy myself on the completeness and accuracy of revenue transactions reported in the financial statements.

## **vii. Cash and cash equivalents**

Bank confirmation responses from three (3) banks with a total amount of ZWL\$ 27.4 million were not availed for audit. Therefore, I could not satisfy myself as to the completeness and accuracy of the cash and cash equivalent balances disclosed in the financial statements.

Below are material issues noted during the audit;

### **1 GOVERNANCE ISSUES**

#### **1.1 Inventory management**

##### **Finding**

The Council did not account for its unsold land in Turf Township as at year end. This was contrary to the requirements of IPSAS 12 - "Inventories" which requires the land to be accounted for as inventory.

In addition, Council had differences in stock item quantities between the bin cards and physical stock count balances and the variances were not investigated and resolved.

##### **Risk / Implication**

Financial statements may be misstated.

##### **Recommendation**

Council should investigate the causes of the variances and ensures that stock cards are updated on a timely basis.

##### **Management response**

**Observation is noted. In future, Council will compile a record of all land stock in the district and acquire a Housing software to properly manage land sales and the related inventories for inclusion in the financial statements. The Council has since employed a stores clerk and a social services clerk who work together to ensure quarterly stock counts are done to minimise the mentioned anomalies.**

#### **1.2 Infrastructure assets**

##### **Finding**

Council infrastructure assets such as roads and bridges were not accounted for in the financial statements. This was contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 17 – "Property, Plant and Equipment" paragraph 21 which requires assets meeting the definition criteria of property, plant and equipment to be recognised in the financial statements.

In addition, there were no supporting documents such as supplier invoices and receipts for asset purchases made during the year amounting to ZWL\$1.2 million. As a result, I was unable to satisfy myself on the completeness, accuracy and valuation of property, plant and equipment reported in the financial statements.

**Risk / Implication**

Financial statements may be misstated.

**Recommendation**

Management should value and account for the infrastructure assets in the financial statements.

**Management response**

**The revaluation exercise could not be done in prior years due to cash flow challenges. However, the revaluation is earmarked to be done funds permitting.**

**1.3 Biological assets****Finding**

Council did not account for its gum plantation in Turf contrary to the requirements of IPSAS 27 – “Agriculture” which requires Council to account for its biological assets in the financial statements.

**Risk / Implication**

Financial statements may be materially misstated.

**Recommendation**

Management should value and account for the gum plantation as prescribed by IPSAS 27 - “Agriculture”.

**Management response**

**Biological assets were not included in the financial statements as the Council did not have sufficient cash flows to engage a valuer for the assets. Council intends to revalue all assets and these biological assets should be included thereof.**

**2 PROCUREMENT OF GOODS AND SERVICES****2.1 Unsupported expenditure****Finding**

The Council made payment without attaching supporting documents. The total amount for unsupported expenditure amounted to ZWL\$6.2 million. In addition, there were unsupported asset additions amounting to ZWL\$1.2 million. This was contrary to SI 144 of 2019 paragraph 59 (2) which requires all expenditure to have supporting documents such as supplier invoices and receipts.

**Risk / Implication**

Financial loss due to fraud.

## **Recommendation**

All receipts and invoices should be attached to their relevant vouchers once a purchase has been done. The attached vouchers should then be kept in a safe file, where they cannot be lost or destroyed.

## **Management response**

**Observation is noted. In future, the Council will ensure that all expenditures made are supported by the relevant supporting documents and all purchases are now coming through Central stores to ensure they are properly captured in Goods Received Vouchers (GRVs).**

## **3 REVENUE COLLECTION AND DEBT RECOVERY**

### **3.1 Revenue**

#### **Finding**

There were unresolved variances of ZWL\$2.3 million between ZWL\$17.6 million as per financial statements and ZWL\$15.3 million as per billing reports. The Council did not reconcile revenue per billing reports to revenue per the General Ledger/ financial statements monthly.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should ensure that the variances are investigated, and adjustments made where it is necessary.

#### **Management response**

**Observation is noted. Billing reconciliations will be conducted monthly going forward and correct statistics kept as well as proper record keeping of all income journals passed.**

## **4 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make any progress in addressing findings that I raised in my 2021 annual report. I raised six (6) findings, and all the findings were not addressed as indicated below;

### **4.1 Infrastructure assets**

The finding was not addressed. The Council did not account for Infrastructure assets.

#### **4.2 Motorcycles**

The finding was not addressed. The Council did not register the motorcycles.

#### **4.3 Valuation of biological assets**

The finding was not addressed. The Council did not value and account for biological assets

#### **4.4 Beer levy**

The finding was not addressed. The Council did not provide audit with returns for beer sales by commercial brewers.

#### **4.5 Control of land stock**

The finding was not addressed. Council did not account for all unsold stands.

#### **4.6 Unsupported expenditure**

The finding was not addressed. The Council still has unsupported expenditure. Payments are still being made without supporting documents.

## **MUDZI RURAL DISTRICT COUNCIL 2020 AND 2021**

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I have audited the financial statements of Mudzi Rural District Council for the year ended December 31, 2020 and 2021 and I issued an adverse opinion in both years.

### **Adverse Opinion 2020**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Mudzi Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standards (IAS) 21 - “The Effects of Changes in Foreign Exchange Rates” and (IAS) 8 - “Accounting Policies, Changes in Accounting Estimates and Errors”**

The Council changed its functional and reporting currency from USD to ZWL\$ on February 22, 2019 in compliance with Statutory Instrument 33 of 2019 (SI 33/19). The change occurred on October 1, 2018 in terms of IAS 21 given the significant monetary and exchange control policy changes witnessed in Zimbabwe from 2016 through to 2019. My opinion was modified because the translation of foreign denominated transactions and balances at exchange rates which did not meet the requirements for a spot rate in terms of IAS 21 – “The Effects of Changes in Foreign Exchange Rates”. There was no restatement of the opening balances to resolve this matter in accordance with IAS 8 – “Accounting Policies, Changes in Accounting Estimates and Errors.

**ii. Non-compliance with International Financial Reporting Standard (IFRS) 9 - “Financial Instruments”**

The Council did not perform an assessment to determine whether there is any objective evidence that its receivables were impaired as required by paragraph 5.5.1 of IFRS 9 – “Financial Instruments”. Had Council made an assessment for impairment the receivables balance would have been materially different.

**iii. Property, plant and equipment**

The prior year financial statement had a modified audit report on the absence of depreciation expense and assessment of impairment of property and equipment in accordance with IAS 16 – “Property, Plant and Equipment”, and IAS 36 – “Impairment of Assets” respectively. These matters remained unresolved and therefore their impact on reported asset balances in the current year was determined to be material.

**iv. Payables**

The Council did not provide appropriate supporting documentation for its reported balances of payables amounting to ZWL\$7.2 million. As a result, I could not satisfy myself as to the accuracy, validity and completeness of the payables balance disclosed in the financial statements.



## **Adverse Opinion 2021**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Mudzi Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Accounting Standard (IAS) 16 - “Property, Plant and Equipment”**

Council did not depreciate its property, plant and equipment. This was in contravention with the provisions of IAS 16 – “Property, Plant and Equipment”, which requires property, plant and equipment to be depreciated over their useful life. Had the Council depreciated its assets, property, plant and equipment would have been materially different.

**ii. Non-compliance with International Financial Reporting Standard (IFRS) 9 - “Financial Instruments”**

Council did not provide for allowance for credit losses on receivables. This is in contravention with the provisions of IFRS 9 - “Financial Instruments”, which requires recognition of a provision for the allowance for credit losses on receivables. Had the allowance of credit losses been provided for, receivables and accumulated fund would have been materially different.

**iii. Receivables and payables**

The Council reported receivables of ZWL\$26.3 million and payables of ZWL\$8.5million for the year under review. However, these amounts were not adequately supported by corresponding listings of the receivables and payables. I was, therefore, unable to substantiate the receivables and payables amounts disclosed in the financial statements.

**iv. Non-compliance with International Accounting Standard (IAS) 36 - “Impairment of Assets”**

Council did not carry out an impairment assessment of its property, plant and equipment despite evidence of indicators of impairment. This was contrary to the requirements of International Accounting Standards (IAS) 36- “Impairment of Assets”, which requires entities to assess at the end of each reporting period whether there is any indication that an asset may be impaired. Had the Council made an assessment of impairment on property, plant and equipment, the values would have been materially different.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Payables**

#### **Finding**

The Council's accounting system was not reliable. As a result, the Council did not avail ledgers, age analysis and supporting evidence for the reported balances of payables amounting to ZWL\$8.5m disclosed in the financial statements. The Council is required to keep proper accounting records in terms of section 120 of the Rural District Councils Act [Chapter 29:13].

#### **Risk / Implication**

Misstatement of financial statements.

Fraud may go undetected.

#### **Recommendation**

The Council should keep complete accounting records.

#### **Management response**

**The acquisition of a reliable accounting software is expected to curb these shortcomings.**

### **1.2 Receivables**

#### **Finding**

The Council did not have a standing guideline/policy over debt management and recovery hence did not have a guideline to determine the expected credit losses. As a result, the Council did not provide for expected credit losses as required by International Financial Reporting Standard (IFRS) 9 – “Financial Instruments”. In addition, the customer database for the Council was not up to date. Customer database provided had residents in Kotwa and Nyamapanda with no allocated stand/house numbers which would affect billings.

The Council reported receivables of ZWL\$26.3 million for the year under review. However, these amounts were not adequately supported by corresponding listings of the receivables.

#### **Risk / Implication**

Misstatement of financial statements.

Financial loss as the Council may lose revenue from unregistered customers.

#### **Recommendation**

Council should develop a debt management policy.

Council should expedite its customer updating process.

## **Management response**

Customer database updating is in progress and ongoing. The department is working hand and glove with the Technical Department to have records that speak the same. Council has started crafting the debt recovery and management policy which is expected to be in place by December 2022.

### **1.3 Impairment of assets**

#### **Finding**

Council did not carry out an impairment assessment of its property, plant and equipment despite evidence of indicators of impairment. This was contrary to the requirements of International Accounting Standards (IAS) 36 - "Impairment of Assets", which requires entities to assess at the end of each reporting period whether there is any indication that an asset may be impaired.

#### **Risk / Implication**

The financial statements may not reflect the true financial position of the Council.

#### **Recommendation**

The Council should carry out an impairment assessment at the end of each reporting period in compliance with IAS 36.

#### **Management response**

**The impairment test could not be performed due unrealistic values of assets. Council is embarking on an asset valuation process which will address the issue of asset values, and the subjection of the assets to impairment testing in subsequent years.**

### **1.4 Depreciation of property, plant and equipment**

#### **Finding**

The Council did not depreciate its property, plant and equipment contrary to the requirements of International Accounting Standard (IAS) 16 – Property, Plant and Equipment which requires that property, plant and equipment be depreciated over their useful life.

#### **Risk / Implication**

Misstatement of financial statements due to non-depreciation of assets.

#### **Recommendation**

The Council should depreciate its fixed assets in compliance with IAS 16, Property, Plant and Equipment.

## **Management response**

**Council could not depreciate assets due to their unrealistic values. After asset valuation exercise Council will apply the applicable depreciation in line with relevant standards.**

## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Beer levy revenue**

#### **Finding**

The Council did not avail evidence of traditional beer sales schedules to support the beer levy remitted of US\$1.04m by the commercial brewer. According, to the Traditional Beer Act [Chapter 14:24], local authorities are mandated to collect levies from breweries within their jurisdiction. The council was not obtaining statements from the brewer or their distribution outlets within its District and was thus recognizing beer levy income on receipt basis.

#### **Risk / Implication**

Material misstatement of financial statements.

#### **Recommendation**

Council should obtain records of actual sales made by brewers and reconcile to the amount they receive.

## **Management response**

**The lack of actual sales returns from brewer is a national issue which affects almost all districts. However, we are going to continue our engagement with the brewer so that I have the returns.**

## **3 PROCUREMENT OF GOODS AND SERVICES**

### **3.1 Procurement of backhoe loader**

#### **Finding**

The Council purchased a backhoe loader in 2018 for USD0.07 million. Upon inquiry management indicated that the machinery was presented to the Council at a ceremony held in September 2022. However, the backhoe loader was yet to be delivered to Council.

#### **Risk / Implication**

Financial loss due to failure to receive goods paid for.

Service delivery may be compromised.

#### **Recommendation**

Council should take the necessary steps to have the asset delivered.

## Management response

Proper procurement procedures for the Backhoe loader are followed. The asset has however been delivered in the country and handed over to Council on 16 September 2022. Delivery of the equipment to Council Head Office is expected as soon as the equipment operator trained on its use.

## 4 SERVICE DELIVERY ISSUES

### 4.1 Refuse collection and waste management.

#### Finding

The Council was not collecting refuse from the residential areas in violation of the provisions of the Rural District Councils Act [Chapter 29:13] first schedule. Enquiries with management revealed that the Council had limited resources to efficiently collect refuse from the whole growth point. In addition, a majority of households at Kotwa Growth Point were not connected to the main sewer line, as a result, residents were resorting to constructing Blair toilets and septic tanks. In addition, sewer ponds were not secured by a protective fence resulting in livestock and people having unlimited access.



*Picture by Auditor: Kotwa Sewer Ponds*

#### Risk / Implication

Residents may be exposed to water borne diseases.

Financial loss due to penalties from Environmental Management Agency.

**Recommendation**

Council should improve on refuse collection and waste management.

Council should connect housing units to the sewer line.

The sewer ponds should be secured in line with standards set by the Environment Management Agency.

**Management response**

**Compilation of database is underway in preparation for the distribution of available waste bins/bin liners to residents at Kotwa Growth Point.**

**Refuse collection from residential areas at Kotwa planned to commence by 30<sup>th</sup> of November 2022.**

**Costing of sewer connection of all high-density houses at the growth point has been done and the project will commence as soon as disbursement of devolution fund is done.**

## **MUREWA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Murewa Rural District Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Murewa Rural District Council as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Qualified Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment”.**

Council did not account for land on which Council properties are built contrary to IPSAS 17 – “Property, Plant and Equipment” paragraph 14 which requires items of property, plant and equipment to be recognized if they meet the recognition criteria of an asset.

In addition, the Council did not carry out an assessment of the residual values and useful lives of its property, plant and equipment contrary to IPSAS 17 – “Property, Plant and Equipment” paragraph 67 which requires the residual value and the useful life of an asset to be reviewed at least at each reporting date. Had the value of land been included and an assessment of residual and useful lives performed, the amount in the financial statements would be materially different.

**ii. Non-compliance with International Public Sector Accounting Standards (IPSASs) Conceptual Framework**

The Council recognised beer levy revenue on a cash basis. This was contrary to IPSASs Conceptual framework which requires such income to be recognized on an accrual basis. I was not availed with evidence of any reconciliation or verification of sales which were made by the brewers in arriving at the remitted funds. Had the Council applied the requirements of the accounting conceptual framework the amount of revenue disclosed in the financial statements would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 35 - “Consolidated Financial Statements”**

The Council did not consolidate its one hundred and twenty-eight (128) schools in the 2022 financial statements. This was contrary to the requirements of IPSAS 35 paragraph 5 which requires the controlling entity to prepare consolidated financial statements. Had the Council included schools in its financial statements, the reserves, assets and liabilities of the Council would be materially different.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 16 - “Investment Property”**

The Council did not account for industrial hub and shell buildings in the financial statements. This was contrary to IPSAS 16 - “Investment Property” paragraph 20 which requires entities to recognise assets that meet the definition criteria of investment property. Therefore, I could not ascertain the completeness of investment property disclosed in the financial statements.

Below are material issues noted during the audit;

**1 GOVERNANCE ISSUES**

**1.1 Accounting for property, plant and equipment**

**Finding**

Council did not account for land on which Council properties are built contrary to International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment” paragraph 14 which requires items of property, plant and equipment to be recognized if they meet the recognition criteria of an asset.

In addition, the Council did not carry out an assessment of the residual values and useful lives of its property, plant and equipment contrary to IPSAS 17 – “Property, Plant and Equipment” paragraph 67 which requires the residual value and the useful life of an asset to be reviewed at least at each reporting date.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

The Council should account for its land and carry out an assessment of the residual values and useful lives of its property, plant and equipment at each reporting date.

**Management response**

**An independent consultant was engaged and the report to be availed as soon as they are done.**

**1.2 Consolidation of schools**

**Finding**

The Council did not consolidate its 128 schools in the 2022 financial statements, contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 35 – “Consolidated Financial Statements” which requires the controlling entity to prepare consolidated financial statements.



**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

The Council should account for all its schools in the financial statements.

**Management response**

**Schools were not consolidated in Council's 2022 financial statements. According to Zimbabwe Financial Reporting Manual, for the period audited, as Council we are still in the transitional period and we are going to be fully IPSAS compliant by 2025.**

**2 REVENUE COLLECTION AND DEBT RECOVERY****2.1 Beer levy****Finding**

The Council did not obtain beer sales schedules from commercial brewers who supply traditional beer in its jurisdiction. This was contrary to section 11(2)(a) of the Traditional Beer Act [Chapter 14:24], which requires the Council to obtain beer sales schedule of the traditional beer sales made within the local authority's jurisdiction. As a result, Council recognized beer levy revenue amounting to ZWL\$46 million on cash basis contrary to International Public Sector Accounting Standards (IPSASs) conceptual framework which requires accruals accounting.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should engage the commercial traditional brewers and obtain actual sales returns.

Beer levy should be recognised on accrual basis to comply with the IPSAS conceptual framework.

**Management response**

**Noted. Management will implement as recommended.**

**3 MANAGEMENT OF ASSETS****3.1 Investment properties****Finding**

The Council recognized investment property amounting to ZWL\$159.7 million for the year ended December 31, 2022. However, the Council did not account for industrial hub and

shell buildings. This was contrary to IPSAS 16 - "Investment Property" paragraph 20 which requires entities to recognise assets that meet the definition criteria of investment property.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

The Council should maintain a comprehensive investment property register.

**Management response**

**Noted. Council shall implement as recommended. The Council master register shall also include a column on classification for example intangible asset, investment asset, biological asset.**

**4 SERVICE DELIVERY ISSUES**

**4.1 Landfill**

**Finding**

Council was not practicing proper solid waste management system as there was no covering of waste and compaction done. This was contrary to Environmental Management Act [Chapter 20:27], section 70 which prohibits discharge or disposal of any waste in a manner that causes pollution to the environment. In addition, there was no perimeter fence at the Council's landfill.

**Risk / Implication**

Financial loss due to penalties charged.

Pollution and health hazards to the community.

**Recommendation**

Landfill should comply with EMA regulations.

**Management response**

**Noted. Management will implement as recommended.**

**4.2 Streetlights**

**Finding**

Council had a total of 50 solar streetlights installed and none of them were functional due to vandalism.

**Risk / Implication**

Safety of residents may be compromised.

**Recommendation**

Council should strengthen the security of these vital equipment.

**Management response**

**Solar streetlights were being stolen as such Council is putting measures in place to reduce cases of vandalism.**

**Council to put in place a vandalism device to capture vandalised Council assets.**

**5 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 report. I raised seven (7) findings, one (1) was addressed, two (2) were partially addressed and four (4) were not addressed as indicated below;

**5.1 Fuel**

The finding was addressed. Information on quantities drawn down, vehicle registration numbers and mileage is being completed on the schedules.

**5.2 Motor vehicles**

The finding was not addressed as the vehicle log books were not being completed.

**5.3 Project management**

The finding was partially addressed. Council adopted an output-based model of running projects and enhanced project supervision.

**5.4 Obsolete materials**

The finding was partially addressed. Timber is now being procured after the completion of brickworks.

**5.5 Council house**

The finding was not addressed. The tenant is still occupying the Council houses.

**5.6 Property plant and equipment**

The finding was not addressed. Land is yet to be accounted for in the financial statements.

## **5.7 Delivery of materials**

The finding was not addressed. Council has engaged lawyers to recover the undelivered quarry stones.

## MUTARE RURAL DISTRICT COUNCIL 2021 AND 2022

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I have audited the financial statements of Mutare Rural District Council for the year ended December 31, 2021 and 2022 and I issued a qualified opinion for both years.

### **Qualified Opinion 2021**

In my opinion, except for the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mutare Rural District Council at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Qualified Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment”**

The Council did not recognize infrastructure assets as part of property, plant and equipment. This was contrary to IPSAS 17 - “Property, Plant and Equipment” paragraph 21 which requires infrastructure assets to be recognised as property, plant and equipment. Had Council recognized infrastructure assets, the carrying amount of property plant and equipment would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 31 - “Intangible Assets” and (IPSAS) 16 - “Investment Property”**

The Council's investment properties and intangible assets were not revalued following a change in functional currency in 2019. This was contrary to IPSAS 31 - “Intangible assets” paragraph 78 and IPSAS 16 - “Investment property” paragraph 47 which requires revaluation to be carried out if fair values of assets differ materially from the carrying amount. Had Council complied with the requirements of IPSAS 31 – “Intangible Assets” and IPSAS 16 – “Investment Property”, the carrying amount of intangible assets and investment property would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 29 - “Financial Instruments”**

The Council's receivables were not assessed for an allowance for credit losses contrary to IPSAS 29 - “Financial Instruments”. Had Council assessed receivables for an allowance for credit losses the receivables balance would have been materially different.

### **Qualified Opinion 2022**

In my opinion, except for the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly the financial position of Mutare Rural District Council as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

## **Basis for Qualified Opinion**

### **i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23 - “Revenue from Non-Exchange Transactions”**

The Council recognized revenue amounting to ZWL\$2.1 billion inclusive of Valued Added Tax (VAT) contrary to IPSAS 23 – “Revenue from Non-exchange Transactions” paragraph 61 which requires taxes collected on behalf of the government to be excluded from Council’s revenue. Due to the volume of transactions and the difficulty of distinguishing vatable transactions from non-vatable transactions from the system, I could not, by alternative means, determine adjustments necessary to correct revenue and VAT liabilities included in the financial statements. Had the Council applied the requirements of IPSAS 23 – “Revenue from Non-exchange Transactions” revenue would have been materially impacted therefore the non-compliance is considered to be material to the financial statements.

### **ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment”**

The Council did not recognize infrastructure assets as part of property, plant and equipment. This was contrary to IPSAS 17 - “Property, Plant and Equipment” paragraph 21 which requires infrastructure assets to be recognised as property, plant and equipment. Had Council recognized infrastructure assets, the carrying amount of property plant and equipment would have been materially different.

### **iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 31 - “Intangible assets” and (IPSAS) 16 - “Investment property”**

The Council’s investment properties and intangible assets were not revalued following a change in functional currency in 2019. This was contrary to IPSAS 31 - “Intangible assets” paragraph 78 and IPSAS 16 - “Investment property” paragraph 47 which requires revaluation to be carried out if fair values of assets differ materially from the carrying amount. Had Council complied with the requirements of IPSAS 31 – “Intangible Assets” and IPSAS 16 – “Investment Property”, the carrying amount of intangible assets and investment property would have been materially different.

### **iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 29 - “Financial Instruments”**

The Council’s receivables were not assessed for an allowance for credit losses contrary to IPSAS 29 - “Financial Instruments”. Had Council assessed receivables for an allowance for credit losses the receivables balance would have been materially different.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Revenue**

#### **Finding**

The new receipting module (SAQ System) implemented by the Council was not integrating well with the Sage Pastel Accounting System. As a result, the Council recognized revenue amounting to ZWL\$2.1 billion inclusive of Valued Added Tax (VAT) contrary to IPSAS 23 paragraph 61 which requires taxes collected on behalf of the government to be excluded from Council's revenue.

#### **Risk / Implication**

Misstatement of financial statement.

#### **Recommendation**

The Council should engage the service provider of the system to assist in addressing the system challenges.

#### **Management response**

**Observation noted. Council has engaged Macrosave on the errors and a solution is being worked on.**

### **1.2 Infrastructure assets**

#### **Finding**

The Council owned infrastructural assets that consisted of a road network of 1,250 km including bridges and drainage systems. These infrastructure assets meet the definition of property, plant, and equipment in accordance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment". Fair values of Council's infrastructure assets were not determined, and infrastructure assets were not recognised as part of property, plant and equipment which was a departure from IPSAS 17.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should carry out a valuation of its infrastructure assets to comply with the requirements of International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment".

#### **Management response**

**Observation noted. Council will budget for valuation in the 2024 Budget and after that include in the asset register.**

### **1.3 Intangible assets and investment property**

#### **Finding**

The Council's investment properties and intangible assets were not revalued following a change in functional currency in 2019. This was contrary to IPSAS 31 - "Intangible assets" paragraph 78 and IPSAS 16 - "Investment property" paragraph 47 which requires revaluation to be carried out if fair values of assets differ materially from the carrying amount.

#### **Risk / Implication**

Financial statements may be misstated.

#### **Recommendation**

The Council should carry out a valuation of its intangible assets and investment properties in order to comply with IPSAS 31 – "Intangible Assets" and IPSAS 16 – "Investment Property".

#### **Management response**

**Observation noted. Council will do the valuation of assets in year 2024 to comply with IPSAS 31 and IPSAS 16**

### **1.4 Allowance for credit losses**

#### **Finding**

The Council included receivables in the statement of financial position at gross amount, without providing for allowance for credit losses. Management did not assess need for provision of allowance for credit losses on the receivable balance as required by International Public Sector Accounting Standard (IPSAS) 29 - "Financial instruments", despite the long outstanding debts due from clients.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

Council should come up with a policy and provide for an allowance for credit losses.

#### **Management response**

**Council has a Resolution on credit losses, and this will be implemented when doing year-end financial statements.**



## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing findings that I raised in my 2022 annual report. I raised six (6) findings, three (3) were addressed, two (2) were partially addressed and one (1) was yet to be addressed as indicated below;

### **2.1 Valuation of property, plant and equipment**

The finding was addressed. Procurement process to engage independent professional evaluators is in process.

### **2.2 Motor vehicle loan scheme**

The finding was partially addressed. Procurement process to engage qualified and experienced tax consultants is in progress.

### **2.3 Revenue recognition**

The finding was addressed. The brewer is now providing returns and beer levy income is now being done on accrual basis.

### **2.4 Equipment purchase**

The finding was addressed. The Backhoe Loader was delivered to Council.

### **2.5 Policies**

The finding was partially addressed. The policies are now in draft form.

### **2.6 Unverified unallocated receipts**

The finding was not addressed. Council is yet to clear unallocated receipts.

I have audited the financial statements of Mutasa Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

**Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Mutasa Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Adverse Opinion**

**I. Unallocated receipts**

Included in current liabilities are unallocated receipts amounting to ZWL\$258.5 million. The Council's billing system was not interfaced with the accounting system as a result staff were manually posting the balances to the respective accounts. This resulted in un-cleared deposits and cash balance reported as unallocated receipts. Had Council cleared these, the financial statements would have been materially different.

**II. Non-compliance with International Accounting Standard (IAS) 16 - "Property, Plant and Equipment"**

The Council did not depreciate all its items of property, plant and equipment amounting to ZWL\$585.7 million. This was contrary to paragraph 50 of IAS 16 – "Property, Plant and Equipment" which requires assets to be depreciated on a systematic basis over their useful lives. Had Council accounted for depreciation the valuation of property, plant and equipment would have been materially different.

**III. Cash and cash equivalents**

Cash and cash equivalents balances amounting to ZWL\$4.9 million were not accounted for in the financial statements. These amounts were balances from seven bank accounts which included a USD bank account and had been excluded from the ZWL\$46.5 million disclosed in the financial statement for the year ended December 31, 2022. Had Council accounted for all its cash and cash equivalents the balance disclosed would have been materially different.

**IV. Non-compliance with International Financial Reporting Standards (IFRS) 9 "Financial instruments"**

The Council's receivables were not assessed for an allowance for credit losses contrary to IFRS 9 - "Financial instruments". Had Council assessed for an allowance for credit losses the receivables balance would have been materially different.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Alignment of accounting processes to the reporting framework**

#### **Finding**

The Council did not have accounting procedures to guide them on assessment of credit losses. As a result, the Council did not make an assessment for the reporting period and had no allowance for credit losses on its receivables balance amounting to ZWL\$505.2 million. This was contrary to International Financial Reporting Standard (IFRS) 9 - “Financial instruments”.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

Council should have a policy in place and assess for allowance for credit losses.

Council should comply with the requirements of IFRS 9.

#### **Management response**

**The processes are already in place. Before the end of year 2023, we shall be having policies in place that will allow Mutasa RDC to provide for Credit Losses as per IFRS 9 - “Financial Instruments”.**

### **1.2 Non-compliance with International Accounting Standards (IAS) 16 - “Property, Plant and Equipment”**

#### **Finding**

The Council did not depreciate all its items of property, plant and equipment amounting to ZWL\$585.7 million. This was contrary to paragraph 50 of IAS 16 – “Property, Plant and Equipment” which requires assets to be depreciated on a systematic basis over their useful lives. Had Council accounted for depreciation the valuation of property, plant and equipment would have been materially different.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should assess for useful life of its property plant and equipment.

## **Management response**

**Observation is correct. Council adopted a Depreciation Policy recently in August 2023 and we expect this matter to be resolved by end of 2023. Efforts to engage professional asset valuers are already underway. Meanwhile we are also seeking alternative solution to the mater.**

### **1.3 Bank accounts**

#### **Finding**

Cash and cash equivalents balances amounting to ZWL\$4.9 million were not accounted for in the financial statements. These amounts were balances from seven bank accounts which included a USD bank account and had been excluded from the ZWL\$46.5 million disclosed in the financial statement for the year ended December 31, 2022.

#### **Risk / Implication**

Financial statements may be misstated due to fraud and errors.

#### **Recommendation**

Council should investigate and account for the cash and cash equivalent.

## **Management response**

**We shall ensure that Cash books are created for all bank accounts held by Council in the Sage Pastel Accounting System. Transactions relating to Eco-cash and point of sale shall also be posted in the system promptly. Daily POS reconciliations shall be done and reviewed by senior personnel from the Finance Department. Systems shall be put in place to ensure that there is proper accounting for liquidations from Eco-cash and Steward Bank as transfers between bank accounts.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Billing system**

#### **Finding**

The Council's billing system was not interfaced with the accounting system resulting in staff manually posting the balances to the respective accounts. However, at year end the Council had not reconciled its books as a result there was an un-cleared cash balance of ZWL\$258.5 million.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

Council should liaise with its banks to record the details of customers such as account number, customer name and reason for payment upon deposit.

## **Management response**

**Our investigations revealed that this was a System Setup problem. We have since engaged our service provider over the matter. We are working on having problem resolved and this should be a thing of the past by the end of the year 2023.**

### **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing findings that I raised in my 2022 annual report. I raised ten (10) findings, one (1) was addressed, one (1) was partially addressed and eight (8) were yet to be addressed as indicated below;

#### **3.1 Unsupported year end journals**

The finding was not addressed. The Council did not support journal entries posted.

#### **3.2 Bank accounts**

The finding was addressed. Bank balances for Eco-cash, Steward Bank, Point of Sale and Nostro bank accounts have be incorporated.

#### **3.3 Foreign currency cash receipts**

The finding has not been addressed. We are the in process of reviewing our internal control systems. Heads of Departments have been instructed in writing to review internal control in their department and address issues raised in both the External and Internal Audit reports.

#### **3.4 Banking**

The finding has not been addressed. Investigation underway to establish how the cash collected was used and whether the use was sanctioned as per the provisions of the Council's laid down procedures and policies.

#### **3.5 Communal land layout plan**

The finding was not addressed. The Council did not put in place a layout plan for communal land.

#### **3.6 Tariffs**

The finding was not addressed. Council shall ensure billing is done using the correct tariffs. Any variances to the approved tariffs shall have the appropriate authorisations. Periodic reviews of billings shall be done so as to curb occurrence of such incidents in future.

#### **3.7 Receivables**

The finding was not addressed. The Council did not assess and adjust its receivables for allowance for credit losses.

### **3.8 Unsupported expenditure**

The finding was not addressed. The Council did not support journal entries processed.

### **3.9 Salaries contributions**

The finding was not addressed. Plans are in place to have inter-fund reconciliations and reviews thereof done every month. We however are also investigating internally to find out if the transactions were genuine. The outcome will be communicated to the Auditors.

### **3.10 Depreciation and valuation of assets**

The finding has been partially addressed. The Council has adopted a policy to ensure that depreciation is charged. Valuation of properties will be done in 2023.

## MUTOKO RURAL DISTRICT COUNCIL 2022

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I have audited the financial statements of Mutoko Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse opinion**

In my opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Mutoko Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis of Adverse Opinion**

- i. **Non-compliance with International Accounting Standard (IAS) 21 - “The effects of Changes in Foreign Exchange Rates” and International Accounting Standard (IAS) 29 - “Financial Reporting in Hyperinflationary Economies”.**

During the year, the foreign currency denominated transactions and balances of the Council were translated into ZWL\$ using inter-bank rates. The use of interbank rates was not in compliance with IAS 21- “The Effects of Changes in Foreign Exchange Rates” which requires use of spot exchange rates to translate foreign currency transactions into the functional currency. I was unable to quantify the impact of using interbank rates on the translation of the foreign currency transactions to ZWL\$ in the financial statements. Had the financial statements been prepared in accordance with the requirements of IAS 21- “The Effects of Changes in Foreign Exchange Rates”, many elements would have been materially different. The effects of the non-compliance have been considered to be material to the financial statements.

The Council applied IAS 29 - “Financial Reporting in Hyperinflationary Economies” on current periods’ financial information which was not in compliance with IAS 21 - “The Effects of Changes in Foreign Exchange Rates”. Had the correct base numbers been used, the above stated financial statements would have been materially different.

- ii. **Non-compliance with International Accounting Standard (IAS) 2 - “Inventories”**  
Owing to the unavailability of stands register, I was not able to verify by alternative means the inventory value of the Council stands. The Council did not include any value for stands inventory even though more than three hundred stands were being serviced. Accordingly, I was not able to determine the value of adjustments necessary to the accounts.

- iii. **Beer levy**

The Council accounted for beer levy amounting to ZWL\$5.99 million on a cash basis. This was contrary to the Conceptual Framework for Financial Reporting which requires revenue to be recognized on accrual basis. Had the Council accounted for beer levy on an accrual basis, the revenue disclosed would have been materially different.

Below are material issues noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Devolution funds**

#### **Finding**

The Council used ZWL\$1.25 million from the devolution fund account to fund recurrent expenditure (salaries and wages). This was contrary to the Local Authorities Circular number 1 of 2019, which prohibits Council to use devolution funds as recurrent expenditure.

#### **Risk / Implication**

Service delivery may be compromised by financial constraints.

#### **Recommendation**

Management should only use devolution funds to fund capital projects.

The Council should reimburse the utilized devolution funds.

#### **Management response**

**Noted, Council will reimburse the used amount as this was an error during the transaction.**

### **1.2 Stands inventory**

#### **Finding**

The Council did not have stands register. As a result, the Council did not account for stands inventory despite the existence of unsold stands at year end. This was contrary to the Rural District Council Act [*Chapter 29:13*] section 120 (1) which requires Council to keep proper books of account.

#### **Risk / Implication**

Misstatement of financial statements.

Irregular sale of stands may not be detected on time.

#### **Recommendation**

The Council should maintain stands register and account for stands in the financial statements.

#### **Management response**

**Council recruited a Planner to address the matter. The Planner has started the compilation of all stands. Council to commit an employee who will be responsible for billing.**



## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Beer Levy**

#### **Finding**

The Council accounted for beer levy amounting to ZWL\$5.99 million on a cash basis. This was contrary to the Conceptual Framework for Financial Reporting which requires revenue to be recognized on accrual basis.

#### **Risk / Implication**

Potential loss of revenue and beer levy could be misstated.

#### **Recommendation**

Council should continue to engage the brewer suppliers for schedules.

#### **Management response**

**Observation has been noted. However, engagements with Delta have been done though not yielding much desired results.**

## **3 PROCUREMENT OF GOODS AND SERVICES**

### **3.1 Procurement and contract management**

#### **Finding**

The Council purchased a backhoe loader and pedestrian roller for a total cost of USD96 646 in 2018. It also procured a tipper truck for a total cost of USD76 500 in 2019. These assets were yet to be delivered up to the time of my audit in May 2023. This was due to delay by Council to provide its tax clearance to the suppliers.

#### **Risk / Implication**

Financial loss due to non-delivery of the assets.

#### **Recommendation**

Management should follow up for delivery of the assets and tax clearance certificate should be send to suppliers.

#### **Management response**

**Observation noted. Efforts to get a tax clearance has since been done.**

## **MUZARABANI RURAL DISTRICT COUNCIL 2021 AND 2022**

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I have audited the financial statements of Muzarabani Rural District Council for the years ended December 31, 2021 and 2022 and I issued an adverse opinion for 2021 and qualified opinion for 2022.

### **Adverse Opinion 2021**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Muzarabani Rural District Council as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates” and with IPSAS 3 – “Accounting Policies, Changes in Accounting Estimates and Errors”.**

The prior year financial statements did not comply with the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”, as the Council did not use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US\$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Council's 2020 opening balances misstatements had an impact on the current year financial statements and the Council did not correct this in accordance with IPSAS 3

**ii. Stands repossession**

The Council's financial statements had stands repossession reserve amounting to ZWL\$26.50 million which I could not verify. There was a material variance of ZWL\$4.76 million which was not reconciled to the underlying records. Had the Council cleared the variance, the stand repossession reserve would have been materially different.

### **Qualified Opinion 2022**

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Muzarabani Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

## **Basis for Qualified Opinion**

### **i. Impact of prior year non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “Effects of Changes in Foreign Exchange Rates”**

Prior year financial statements did not comply with IPSAS 3 since the opening balances did not comply with IPSAS 4. The opening balances for 2019 financial period were reported as USD and translated to ZWL\$ at the rate of 1:1. The transactions between January 01, 2019 and February 21, 2019 were recorded at the rate of 1:1 in compliance with Statutory Instrument (SI) 33 of 2019. Although the evidence in the market suggested that there was no longer parity between the USD and “local currency” up to February 21, 2019, the Council maintained an exchange rate of 1:1 in compliance with SI 33/19. This constituted a departure from the requirements of IPSAS 4. As a result, the misstatements on the prior year’s statement of financial performance were still carried forward in the current accumulated surplus. Had the Council applied the requirements of IPSAS 3 – IPSAS 3 – “Accounting Policies, Changes in Accounting Estimates and Errors” many elements in the financial statements would have been materially different.

### **ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 – “Financial Reporting in Hyperinflationary Economies”**

The Council applied the requirements of IPSAS 10 - “Financial Reporting in Hyperinflationary Economies” to the balances that did not comply with IPSAS 4 – “Effects of Changes in Foreign Exchange Rates” and IPSAS 3. Had the correct base numbers been used, most elements of the financial statements would have been materially different. The impact of the departure from the requirements of these standards is considered material to the financial statements for the year ended December 31, 2022.

Below are material issues I noted during the audit;

## **1 GOVERNANCE ISSUES**

### **1.1 Key vacant posts**

#### **Finding**

The Council had key vacant posts according to the structure which included IT personnel. These functions were assigned to human resource and administration and internal audit function.

#### **Risk / Implication**

The functions may not be performed as expected.

#### **Recommendation**

Management should ensure that key vacant posts are filled.

### **Management response**

**The management upholds the recommendation.**

## **1.2 Stands repossession**

### **Finding**

The Council's financial statements had stands repossession reserve amounting to ZWL\$26.5 million which I could not verify. There was a material variance of ZWL\$4.7 million which was not reconciled to the underlying records. Had the Council cleared the variance, the stand repossession reserve would have been materially different.

### **Risk / Implication**

Financial statements may be materially misstated.

### **Recommendation**

The Council should obtain the value of the stands repossession and correct the reserve account.

### **Management response**

**The amount of ZWL\$31.2 million is the value recognized in revaluation reserve account as at December 31, 2020, however as at December 31, 2021 in the same account we have ZWL\$26.5 million which was a figure derived after sale of stands in 2021 amounting to the tune of ZWL\$4.7 million. The interpretation here is that there was sale of these reposessed stands in 2021 which makes sense that we cannot remain with the same value ZWL\$31.2 million in 2021.**

## **2 SERVICE DELIVERY ISSUES**

### **2.1 Centenary dumpsite**

#### **Finding**

The Council was not practicing proper solid waste management at its Centenary dumpsite as solid waste management procedures were not being practiced. For instance, there was no perimeter fencing, no waste covering and compacting. This was contrary to solid waste management best practice and the Environment Management Act [*Chapter 20:27*] section 70 (1) which prohibits disposal of waste in a manner that causes environmental pollution or ill health to any person.

#### **Risk / Implication**

The community and domestic animals are exposed to a health hazard due to environmental pollution.

Financial loss due to penalties and fines that may be levied by the Environment Management Agency.

### **Recommendation**

Council should practice proper solid waste management practices and mobilise funding for fencing of the dumpsite.

### **Management response**

**Recommendation is upheld.**

## **3 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing the finding that I raised in my 2021 annual report as indicated below;

### **3.1 Beer levy**

The finding was not addressed. The Council did not comply with the Traditional Beer Act [Chapter 14:24].

## **MWENEZI RURAL DISTRICT COUNCIL 2020**

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I have audited the financial statements of Mwenezi Rural District Council for the year ended December 31, 2020 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Mwenezi Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates” in prior period.**

The Council used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US\$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The rate did not meet the definition of spot exchange rate as defined by IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” as the rates were not available for immediate delivery. Had the Council applied the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” many elements in the financial statements would have been materially impacted.

**ii. Receivables**

The Council recognized accounts receivables amounting to ZWL\$34.8 million in the financial statements which was not reconciled to the underlying records. The age analysis that had a balance of ZWL\$26.7 million. There was variance of ZWL\$8.1 million which management could not rectify. In addition, the Council was not accruing for stands sales but rather applying the cash accounting.

**iii. Donations**

The Council did not recognize all donations received during the period under review. The donations register showed donated assets which were not accounted for with a total value of ZWL\$960 000. I was not able to determine the extent by which revenue from non-exchange transactions, property, plant and equipment was misstated and any adjustments that could have been necessary.

**iv. Payables**

The salary creditors amounting to ZWL\$4.1 million was not supported by list of individuals owed by the Council. I could therefore not satisfy myself with the accuracy and completeness of payables disclosed in the financial statements at ZWL\$5.1 million.

**v. Non-exchange receivables**

The Council did not maintain records to account for inter-account transfers. There was a variance of ZWL\$3.9 million between inter-account payables of ZWL\$15.1 million against inter-account receivables of ZWL\$19 million. I could therefore not satisfy myself with the accuracy of payables and receivables balances disclosed in the financial statements.

**vi. Inventories**

The Council had inventories of pieces of land for sale, unutilised building materials and fuel that were not accounted for in the financial statements. This was contrary to International Public Sector Accounting Standard (IPSAS) 12 – “Inventories” paragraph 12, which requires such items to be accounted for as inventory in the financial statements. I was therefore not able to determine the extent by which inventories caused misstatements to the financial statements and any adjustments that could have been necessary.

**vii. Cash and cash equivalents**

The Council disclosed ZWL\$1 as cash on hand balance at year-end against ledger balances of ZWL\$202 604. The balances related to ZAR36 226 and (US\$2 803) cash on hand balances which were converted to ZWL\$ currency. The cash on hand in USD terms was reflected as over drawn. In addition, the Council was not maintaining cash registers to support its cash on hand balances and year end cash count was not carried out as such I could not trace the cash on hand to any cash certificates.

Below are material issues noted during the audit;

**1 GOVERNANCE ISSUES**

**1.1 Cash on hand**

**Finding**

The Council was not maintaining cash registers to support its general ledger (GL) accounts. The general ledgers showed that there was cash on hand of ZWL\$202 604 and (ZWL\$229 217). The balances related to ZAR36 226 and (US\$2 803) cash on hand which was converted to ZWL\$ currency. The cash on hand in USD\$ terms showed an unusual negative balance contrary to best accounting practice. No satisfactory explanation was provided on this matter. On the other hand, the financial statements had a balance of ZWL\$1 as the cash on hand balance as at year end.

In addition, the Council did not carry out year- end cash count, as such, I could not trace the cash on hand to any cash certificates or cash count record.

**Risk / Implication**

Fraud and errors may go undetected.

**Recommendation**

Council should maintain cash registers, reconcile cash on hand to underlying records such as cashbooks and cash counts should be done and documented.

## **Management response**

**Noted.** All the foreign currency received were receipted as Rand even if it was received in USD. The USD currency again was being deposited into the Rand account thereby causing an over banking in USD currency and under banking in Rand currency.

In future, the Council will ensure that the receipted currency will be banked to its respective bank account (i.e. of the same currency) and the cash registers will be maintained. The cash count was not done since there was a dollar on the balance; however, cash counts certificate will be done to support the ledgers regardless of zero balances.

### **1.2 Non-exchange receivables – Inter-fund transfers**

#### **Finding**

The Council was not reconciling interfund transfers. As a result, there was a variance of ZWL\$3.9 million (receivables) between inter-account payables of ZWL\$15.1 million against inter-account receivables of ZWL\$19 million. I could therefore not satisfy myself with the accuracy of payables and receivables balances disclosed in the financial statements.

#### **Risk / Implication**

Misstatement of financial statements.

Financial loss due to fraud.

#### **Recommendation**

The variance should be investigated and cleared.

## **Management response**

**Noted.** The Council's accounting for the inter-funds is through the payment voucher as the transactions are effected upon bank transfers from one account to another. However, in future journal vouchers will be used.

### **1.3 Accounting for salary arrears- payables**

#### **Finding**

Salary creditors amounting to ZWL\$4.1 million were not supported by documentary evidence. There were no records with details of each employee's salary arrears as at December 31, 2020.

#### **Risk / Implication**

Financial statements may be materially misstated.



## **Recommendation**

Management should maintain proper records for salary arrears.

## **Management response**

**In future, the Council will ensure that records are kept at the end of each accounting period detailing the composition of the payables.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Donations**

#### **Finding**

The Council did not recognize all donations received during the period under review. The donations register showed donated assets which were not accounted for with a total value of ZWL\$960 000 while assets such as solar system, bicycles and tool set kits had no values and management did not ascertain the same. This was contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 23 – “Revenue from Non-Exchange Transactions” which requires an entity to recognise as income assets received from non-exchange transactions.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should determine the fair-values of donated assets and recognise them in the financial statements.

#### **Management response**

**Noted. The donations received were recorded in the donations register but not communicated for inclusion in the financials. In future all donations will be included in the Council's financials.**

### **2.2 Receivable balance**

#### **Finding**

The Council recognized accounts receivables amounting to ZWL\$34.8 million in the financial statements which was not reconciled to the underlying records and the age analysis that had a balance of ZWL\$26.7 million resulting in a variance of ZWL\$8.1 million. This was due to the Council's system (PROMUN) which did not have a platform to disaggregate the exchange and non-exchange transactions. In addition, the Council was accounting for stand sales on cash basis instead of accrual basis contrary to the requirements of International Public Sector Accounting Standards (IPSASs) conceptual framework.

**Risk / Implication.**

Misstatement of financial statements.

The Council should engage the system provider to adjust settings in order to address the variances.

**Recommendation**

Council should investigate and clear the variance between underlying records and the financial statements.

Stand sales revenue should be accounted for on an accrual basis.

**Management response**

**Noted. The system does not have the platform to disaggregate the exchange and non-exchange transactions. Council will engage the service provider to have the settings done in the system. In future the Council will maintain the beneficiaries file.**

**3. MANAGEMENT OF ASSETS****3.1 Undelivered assets****Finding**

The Council procured a backhoe loader in December 2018 at a cost of USD208 500 which was yet to be delivered at the time of audit March 2024.

**Risk / Implication**

Financial loss as assets purchased may not be delivered.

**Recommendation**

The Council should continue with the follow ups to ensure delivery of the assets.

**Management response.**

**Noted. Council will continue with the follow-up.**

**3.2 Inventories****Finding**

The Council had inventory for pieces of land, unutilised building materials and fuel that was not accounted for in the financial statements. This was contrary to International Public Sector Accounting Standard (IPSAS) 12 – “Inventories” paragraph 12, which requires such items to be accounted for as inventory in the financial statements.

**Risk / Implication**

Financial statements may be materially misstated.

**Recommendation**

The Council should account for inventories according to the requirements of IPSAS 12.

**Management response**

**Noted. In future the Council will comply with the provisions of IPSAS 12.**

**4 SERVICE DELIVERY ISSUES****4.1 Sewer ponds****Finding**

The Council's sewer ponds were not fenced off to protect livestock and human beings from hazardous exposures. As such, the Council was fined ZWL\$120 000 by the Environmental Management Agency (EMA) in 2020 for not fencing off its sewer ponds.

**Risk / Implication**

Financial loss due to fines and penalties.

The community may be exposed to unsafe environment.

**Recommendation**

The Council should fence its sewer ponds.

**Management response**

**Noted. The Council will make efforts to fence its sewer ponds.**

**5 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The entity made progress in addressing audit findings and recommendations raised in my 2021 annual report. I raised ten (10) audit findings, six (6) were addressed, three (3) were partially addressed and one (1) was not addressed as indicated below;

**5.1 Policies and procedure manuals**

The finding was partially implemented. The housing policy was put in place whilst the asset management policy and information technology policy are now at draft stage.

**5.2 Fuel benefits**

The finding was addressed. All employee benefits are now included in the payroll.

### **5.3 Revenue from sales of stands**

The finding was addressed. The Council is now maintaining a database on stands. The 2022 financial statements now reflect properly all revenue from stands sales.

### **5.4 Accounting for game meat revenue**

The finding was not addressed. The Council will account for donations in 2022 financial statements.

### **5.5 Lease contract and management**

The finding was addressed, Lease documents are now available, and beneficiaries have accounts.

### **5.6 Maintenance of stands register**

The finding was addressed. Stands registers are now in place.

### **5.7 Mobile money balance**

The finding was addressed. The Council obtained Ecocash statements

### **5.8 Manyuchi clinic**

The finding was addressed. The clinic is now solar powered and both the maternity and post-natal structures were completed.

### **5.9 Rutenga dumpsite.**

The finding was partially addressed. A consultant was engaged and completed the technical designs for the land fill. The Council is now sourcing funds for the actual construction.

### **5.10 Manyuchi primary school**

The finding was partially addressed. The Council constructed the ECD block and further engagements with the local community are being put in place for resources mobilization to construct more structures.

## **NKAYI RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Nkayi Rural District Council, for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Qualified Opinion**

#### **i. Completeness of revenue**

The Council derives a portion of its revenue from various sources including but not limited to leases, fines, and unit taxes. The recognition of revenues was limited to the amounts recorded in the records of the Council. The Council did not have a complete database for the rate paying residents in the district. As a result, I could not determine the completeness of income earned by the Council.

Below are material issues noted during the audit;

#### **1. REVENUE COLLECTION AND DEBT RECOVERY**

##### **1.1 Revenue**

#### **Finding**

The Council had no comprehensive system to account for all its clients. As a result, the income collection database availed for audit was incomplete and the audit could not obtain reasonable assurance on its completeness. In addition, the Council had no evidence that some clients were billed for the period under review for example mining claims clients. This was contrary to Section 120(1) of the Rural District Council's Act [*Chapter 29:13*] that requires the Council to maintain proper records of all matters relating to financial transactions.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should ensure that the revenue database is complete and all clients are billed.

## **Management response**

With the help of Housing and Environment departments the finance department will seek to invoice all clients within the district for all business activities as per recommendation.

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing audit findings and recommendations raised in my previous audit report. I raised five (5) audit findings and all were not addressed as indicated below;

### **2.1 Fair value measurement - property, plant and equipment valuation**

The finding was not addressed. The Council did not revalue its assets.

### **2.2 Management of stands**

The finding was not addressed. The Council did not account for stands inventory.

### **2.3 Beer levy**

The finding was not addressed. Council did not obtain beer sales schedules.

### **2.4 Policy documents and procedures manual**

The finding was not addressed. Recruitment, gender, Information technology, housing and risk policies are yet to be adopted.

### **2.5 Public Sector Investment Program (PSIP) funds**

The finding was not addressed. PSIP funds not yet used.

## **NYAMINYAMI RURAL DISTRICT COUNCIL 2020**

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I have audited the financial statements of Nyaminyami Rural District Council for the year ended December 31, 2020, and I issued a disclaimer of opinion.

### **Disclaimer of Opinion**

I do not express an opinion on the financial statements of Nyaminyami Rural District Council. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for Disclaimer of Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”.**

The prior year’s financial statements did not comply with the requirements of IPSAS 4 “The Effects of Changes in Foreign Exchange Rates”, as the Council was not able to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US\$ before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council’s inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market.

The misstatement on the opening balances has an impact on the current year financial statements. The Council did not restate the opening balances to correct the prior period misstatement as required by IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”. Had the Council applied the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors” many elements in the financial statements would be materially different. The impact is considered pervasive to the financial statements as a whole.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyperinflationary Economies”**

The Council did not prepare inflation adjusted financial statements for the year ended December 31, 2020 and December 31, 2019. This was contrary with the requirements of IPSAS 10 - “Financial Reporting in Hyperinflationary Economies” paragraph 10 which requires financial statements to be restated in terms of the measuring unit at the reporting date.

Had the Council applied the requirements of IPSAS 10 - "Financial Reporting in Hyperinflationary Economies", the financial statements would have been materially different.

**iii. Adjustments in the Statement of Changes in Net Assets**

Council disclosed an adjustment amounting to ZWL\$430 000 in the Statement of Changes in Net Assets. Council was unable to provide evidence to substantiate the adjustment. I was therefore not able to determine the validity and accuracy of the adjustments and whether any other adjustments could have been necessary.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment"**

The Council did not recognise infrastructure assets such as road networks and bridges in the financial statements, thereby understating the value of property, plant and equipment. This was contrary to IPSAS 17- "Property, Plant and Equipment" paragraph 21 which requires infrastructure assets to be recognised as property, plant and equipment.

In addition, Council's other items of property, plant and equipment were last revalued in 2009. This was contrary to IPSAS 17 - "Property, Plant and Equipment" paragraph 44 which requires assets to be revalued with sufficient regularity. I was therefore unable to satisfy myself of the completeness and accuracy of property, plant and equipment reported in the financial statements. The Council also did not maintain a proper record of its assets in the form of a fixed assets register contrary to section 120 (1) of the Rural District Councils Act [*Chapter 29:13*] which requires Council to maintain a true and proper record for all its assets. As a result, the carrying amount of assets of ZWL\$320 000 disclosed in the financial statements was not supported. Additions to property plant and equipment were also not supported by documents such as payment vouchers and supplier invoices and receipts for asset purchases made during the year amounting to ZWL\$170 000.

Had the Council complied with requirements of IPSAS 17 - "Property, plant and equipment would be materially different.

**v. Inventory**

The Council did not account for inventory in the financial statements. Inventory items not accounted for included stands, fuels, and animal hides. Council was unable to provide details on the land size/number of stands, the quantities of fuel and other stock items. There was no evidence that management performed the year-end stock counts owing to the nature of record keeping, I was unable to perform alternative procedures. Consequently, I could not satisfy myself of the valuation and accuracy of inventory disclosed in the financial statements.

**vi. Revenue**

Council recognised revenue from exchange transactions amounting to ZWL\$5.4 million on a cash basis instead of accruals basis. This was contrary to paragraphs 14 and 15 of IPSAS 9 - "Revenue from Exchange Transactions" which requires revenue to be measured at the fair value of consideration received or receivable in the year of sale. I was not availed with records on billable properties to enable me verify the accuracy and completeness of revenue disclosed.



In addition, fees and other charges amounting to ZWL\$12.7 million and photographic income of ZWL\$2 million was also not substantiated with appropriate supporting documents.

**vii. Expenditure not supported**

Expenditure amounting to ZWL\$2.5 million disclosed in the financial statements was not supported with the requisite documents such as quotations, delivery notes and supplier invoices and receipts. As a result, I could not satisfy myself on the accuracy and validity of expenditure reported in the financial statements.

**viii. Segment report**

The Council did not produce financial reports for its segments. This was contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 18 - "Segment Reporting" which requires entities to disclose appropriate segment information.

**ix. Cash and bank**

A bank overdraft balance of ZWL\$670 000 in the Environment account was not disclosed in the financial statements. In addition, foreign currency amounting to USD 4 036 equivalent to ZWL\$330 000 was not included in the financial statements. Council did not make relevant adjustments to the accounts and the matter remained unresolved. I therefore could not satisfy myself as to the completeness and accuracy of the cash and cash equivalents balance disclosed in the financial statements.

**x. Compensation of employees**

There was an unresolved variance of ZWL\$900 000 between the balance as per payroll records (ZWL\$4.6 million) and the balance disclosed in the financial statements (ZWL\$5.5 million). Owing to unavailability of payroll records, there were no alternative tests that I could perform hence I was unable to satisfy myself on the completeness and accuracy of the employee costs disclosed in the financial statements.

**xi. Provisions and contingencies**

No confirmation responses were received from Council's external lawyers. I was unable to perform alternative procedures and hence could not satisfy myself of the completeness and accuracy of provisions and contingencies required to be recognised or disclosed in the financial statements as required by IPSAS 19 - "Provisions, Contingent Liabilities and Contingent Assets".

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Inventory**

#### **Finding**

The Council did not account for inventory in the financial statements. Inventory items not accounted for included stands, fuels, and animal hides. Council was unable to provide details on the land size/number of stands, the quantities of fuel and other stock items. I was not invited for stock counts and there was no evidence that management performed the year-end stock counts. I was therefore, unable to perform alternative procedures as the client did not avail stock movement reports.

#### **Risk / implication**

Financial statements maybe misstated.

#### **Recommendation**

The Council should account for inventory to comply with IPSAS 12 – “Inventories”.

#### **Management response**

**Council have since drafted a comprehensive housing policy and is in the process of procuring the Housing module to ensure that stands are managed electronically.**

### **1.2 Estate account**

#### **Finding**

The Council did not have dedicated bank accounts for estate funds, roads, planning and works. As a result, the Council used estate funds amounting to ZWL\$3.9 million for recurrent expenditure. This was contrary to section 130 of the Rural District Council Act [Chapter 29:13].

#### **Risk / Implication**

Service delivery may be compromised.

#### **Recommendation**

The Council should maintain a ring-fenced estates fund account and comply with the requirements of the Act.

#### **Management response**

**Council has since opened an estate account which will start operating in 2023.**

### **1.3 Cash and bank**

#### **Finding**

A bank overdraft balance of ZWL\$670 000 in the Environment account was not disclosed in the financial statements. In addition, foreign currency amounting to USD 4 036 equivalent to ZWL\$330 000 was not included in the financial statements. Council did not make relevant adjustments to the accounts and the matter remained unresolved.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should maintain cash books and monthly bank accounts for the all the outstanding accounts.

#### **Management response**

**All audit recommendations will be implemented. Cash accounts are now carried out and cash certificates being produced beginning 2021.**

### **1.4 Statement of Changes in Net Assets and Segment reporting**

#### **Finding**

Council disclosed an adjustment amounting to ZWL\$430 000 in the Statement of Changes in Net Assets. Council was unable to provide evidence to substantiate the adjustment. In addition, the Council did not produce financial reports for its segments. This was contrary to the requirements of International Public Sector Accounting Standard (IPSAS) 18 - "Segment Reporting" which requires entities to disclose appropriate segment information.

#### **Risk / Implication**

Misstatement of financial statements.

Irregular transactions may go undetected.

#### **Recommendation**

Management should support all its transactions.

Management should prepare segment reporting in compliance with IPSAS 18.

#### **Management response**

**Observation noted. The anomaly will be investigated and corrected in future years. Furthermore, Council will ensure compliance with the IPSASs.**

## **1.5 Devolution funds**

### **Finding**

Council did not have a separate bank account dedicated for the management of Devolution Funds. This was contrary to Devolution Circular 1 of 2019 which stipulates that a dedicated bank account be opened and books of accounts should be maintained separately to facilitate accountability and reporting.

### **Risk / Implication**

Financial loss due to misappropriation of project funds.

Service delivery may be compromised.

### **Recommendation**

Management should open a bank account dedicated for devolution funds.

### **Management response**

**Council has since dedicated one of its existing dormant accounts for devolution funds.**

## **1.6 Revenue recognition**

### **Finding**

Council recognised revenue from exchange transactions amounting to ZWL\$5.48 million on a cash basis instead of accruals basis. This was contrary to paragraphs 14 and 15 of IPSAS 9 “Revenue from Exchange Transactions” which requires revenue to be measured at the fair value of consideration received or receivable in the year of sale. I was not availed with records on billable properties to enable me verify the accuracy and completeness of revenue disclosed.

In addition, fees and other charges amounting to ZWL\$12.76 million and photographic income of ZWL\$2.0 million was also not substantiated with appropriate supporting documents.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Council should recognize revenue on the accrual basis in compliance with IPSAS 9.

### **Management response**

**Council have subsequently installed the multi-currency module on its accounting system to properly account for all its foreign currency transactions from 2022 onwards.**

## **1.7 Unsupported expenditure**

### **Finding**

The Council had expenditure amounting to ZWL\$2.56 million disclosed in the financial statements which was not supported with the requisite documents such as quotations, delivery notes and supplier invoices and receipts. As a result, I could not satisfy myself on the accuracy and validity of expenditure reported in the financial statements.

### **Risk / Implication**

Financial statements may be materially misstated.

### **Recommendation**

Council should improve its filing system and put in place measure to ensure that payments are adequately supported.

### **Management response**

**Council will ensure the improvement in the filing and documentation system.**

## **1.8 Provisions and contingencies**

### **Finding**

There was slow turnaround of requested information and weak interdepartmental co-operation. No confirmation responses were received from Council's external lawyers. I was unable to perform alternative procedures and hence could not satisfy myself of the completeness and accuracy of provisions and contingencies required to be recognised or disclosed in the financial statements as required by IPSAS 19 - "Provisions, Contingent Liabilities and Contingent Assets".

### **Risk / Implication**

Financial statements may be materially misstated.

### **Recommendation**

The Council should ensure full cooperation of all departmental staff to ensure requested information is availed on time and improve its audit readiness.

### **Management response**

**We will ensure a comprehensive departmental corporation to enhance our audit administration.**

## **2. EMPLOYMENT COSTS**

### **2.1 Employee cost reconciliation**

#### **Finding**

The Council was not using its PAYDAY payroll system to process its salaries in 2020 and did not perform payroll reconciliations. The 2020 payroll was prepared on August 17, 2022 instead of being run on a monthly basis. In addition, the Council did not provide payroll schedules for audit review. As a result, there was an unresolved variance of ZWL\$900 000 between the balance as per payroll records (ZWL\$4.6 million) and the balance disclosed in the financial statements (ZWL\$5.5 million).

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

The Council should perform monthly reconciliations of its payroll and run its payroll monthly using the payroll system.

#### **Management response**

**Council has since started to use Berlina payroll and payroll journals are being carried out monthly to ensure that there are sufficient reconciliations.**

## **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised eleven (11) findings, which are yet to be addressed as indicated below;

### **3.1 Inflation adjustment**

The finding was not addressed. The Council did not adjust its financial statements for inflation.

### **3.2 Manual accounting**

The finding was not addressed. The Council did not utilize its computerized accounting system in collecting revenue.

### **3.3 Bank reconciliation statements**

The finding was not addressed. The Council did not maintain up to date cash books for all its bank accounts.

### **3.4 Adjustments posted in Net Assets**

The finding was not addressed. The Council did not rectify the anomaly.

### **3.5 Payables reconciliations**

The finding was not addressed. The Council did not perform creditors reconciliations.

### **3.6 Stand sales receivables**

The finding was not addressed. The Council did not invoice all stand sales.

### **3.7 Revenue billing**

The finding was not addressed. The Council did not recognize revenue on accrual basis as required by IPSAS 9 – “Revenue from exchange transactions”.

### **3.8 Payroll reconciliations**

The finding was not addressed. The Council did not clear the variances.

### **3.9 Expenditure supporting documents**

The finding was not addressed. The Council did not provide supporting documentation for expenditure.

### **3.10 Land recognition and inventory management**

The finding was not addressed. The Council did not maintain records for all inventory items.

### **3.11 Infrastructure assets and valuation of assets**

The finding was not addressed. The Council did not account for infrastructure assets and did not revalue its property, plant and equipment as required by IPSAS 17.

## **NYANGA RURAL DISTRICT COUNCIL 2021**

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I have audited the financial statements of Nyanga Rural District Council for the year December 31, 2021 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the statement of financial position of Nyanga Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment"**

The Council did not recognise infrastructure assets in the financial statements as required by IPSAS 17 - "Property, plant and equipment" paragraph 21 despite the fact that the Council owns and controls infrastructure assets such as sewer, water and road networks. Had the infrastructure assets been recognised, the property, plant and equipment balance disclosed in the financial statements would have been materially different.

In addition, the Council did not perform an assessment of the useful life and residual values of its assets contrary to IPSAS 17 – "Property, Plant and Equipment" paragraph 67 which requires the useful lives and residual values of assets to be reviewed at least at each annual reporting date.

The Council did not also perform a revaluation exercise of its assets for the past thirteen (13) years contrary to the Council's accounting policy and IPSAS 17 - "Property, Plant and Equipment" paragraph 49 which requires assets to be revalued with sufficient regularity.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 23 - "Revenue from Non-Exchange Transactions"**

The Council recognized mining levy and beer levy revenue amounting to ZWL\$1.5 million and ZWL\$4 million respectively on cash basis. This was contrary to IPSAS 23 – "Revenue from Non-Exchange Transactions" paragraph 2 which requires revenue to be recognised on accrual basis. Had the Council complied with the requirements of IPSAS 23 – "Revenue from Non-Exchange Transactions" the recognised mining and beer levy revenue would have been materially different.



### **iii. Inter-funds**

The Council was not reconciling inter-funds balances, as a result, the Council inter-funds had an un-cleared variance of ZWL\$414 585. I could therefore not ascertain the appropriateness of the fair value for receivables disclosed in the financial statements.

### **iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12-“Inventories”**

The Council did not account for inventory of spare parts, maintenance materials and consumables that were on hand as at December 31, 2021. This was contrary to IPSAS 12 – “Inventories” paragraph 12 which requires such items to be classified as inventory and recognized in the financial statements.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Inter-funds**

#### **Finding**

The Council was not reconciling inter-funds balances. As a result, there was an unreconciled variance of ZWL\$414 585. This was contrary to the Rural District Councils Act [*Chapter 29:13*] section (120) (1) which requires Council to keep books of accounts as may be necessary to maintain a true and proper record of all matters relating to the financial transactions.

#### **Risk / Implication**

Misstatement of financial statements.

Financial loss due to potential fraud.

#### **Recommendation**

Management should investigate the variance and take corrective action.

Inter-funds records should be kept and updated regularly.

#### **Management response**

**The finding has been noted and corrective action will be taken in future periods.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Revenue**

#### **Finding**

The Council recognized mining levy and beer levy revenue amounting to ZWL\$1.5 million and ZWL\$4 million respectively on cash basis. This was contrary to International Public Sector Accounting Standard (IPSAS) 23 – “Revenue from Non-Exchange Transactions” paragraph 2 which requires revenue to be recognised on accrual basis.

#### **Risk / Implication**

Misstatements of financial statements.

Loss of revenue to the Council due to under-declarations.

#### **Recommendation**

The Council should comply with the requirements of the adopted IPSAS and recognise revenue on accrual basis.

Council should engage commercial brewers of traditional beer to obtain the sales schedules.

#### **Management response**

**The finding has been noted and the recommendation will be complied with. Most mining claim holders in the district are not exploiting their claims. Only a handful are in operations and these are the ones being invoiced. The challenges in invoicing the rest of them have been that the database of holders of claims obtained by Council from the Provincial Mining Director does not give traceable addresses of the claim holders.**

**Many of the claim holders used postal addresses of local schools but there will not be anyone to collect the invoices when they are sent to these addresses. Physical visits to the areas have not given desired results as there is usually no-one on site because the mine is not operational. Council has already started engagements with Delta Beverages for records of the other months of 2021.**

### **3. MANAGEMENT OF ASSETS**

#### **3.1 Property, plant and equipment valuation**

##### **Finding**

The Council did not recognise its infrastructure assets such as sewer, water and road networks in the financial statements as required by International Public Sector Accounting Standard (IPSAS) 17, "Property, plant and equipment" paragraph 21. In addition, the Council did not perform an assessment of the useful life and residual values of its assets contrary to IPSAS 17 paragraph 67 which requires such assessment to be done at each annual reporting date.

##### **Risk / Implication**

Misstatement of financial statements.

##### **Recommendation**

The Council should revalue its property, plant and equipment and account for infrastructure assets in line with the requirements of accounting standards.

##### **Management response**

The observation and recommendations are noted.

The revaluation exercise for all assets of Council will be carried out during the remaining part of 2023. Once this is done fair values for all assets (including vehicles) will be available.

For equipment that was temporarily idle, Council is working on disposing all obsolete assets. Except for the Galion motorised grader, the assets on the list are old and need replacement. They are awaiting disposal as most of them are vehicles aged 28 years and older (those with 1993 listed as the acquisition date were acquired earlier than that as they were inherited at the time that the rural council and the district council amalgamated).

The Galion grader was being repaired in 2021 with a view to have it back on the road, having been on breakdown for more than 15 years.

The infrastructure assets owned by Council (such as sewer system, road networks, street lighting and dumpsite) are not included in the financial statements. The financial statements will be adjusted accordingly when the asset valuation exercise is done.

#### **4. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing audit findings and recommendations raised in my 2022 annual report. I raised twelve (12) audit findings, one (1) was addressed and eleven (11) findings were not addressed as indicated below;

##### **4.1 Policy and accounting procedures manual**

The finding was not addressed. The Polices are awaiting Full Council approval.

##### **4.2 Inter-funds accounting**

The finding was not addressed. The Council did not reconcile its Inter-funds account.

##### **4.3 Revenue from mining claims**

The finding was not addressed. The Council was not billing mining claim owners.

##### **4.4 Motoring benefit**

The finding was addressed. The Council is now complying with Income Tax Act by calculating and remitting tax on beneficiaries.

##### **4.5 Motor vehicle revaluation**

The finding was not addressed. The Council was yet to do the revaluation exercise on other vehicles.

##### **4.6 Property, plant and equipment valuation**

The finding was not addressed. The Council did not revalue its assets.

##### **4.7 Inventories**

The finding was not addressed. The Council did not assign values to the inventory items.

##### **4.8 Asset register**

The finding was not addressed. The Council did not have a complete asset register.

##### **4.9 Fees received in advance**

The finding was not addressed. Management is yet to provide supporting information for the journal passed.

#### **4.10 Receipts from debtors and receivables**

The finding was not addressed. Management is yet to investigate causes of the missing records.

#### **4.11 Management of receipt books**

The finding was not addressed. Management is yet to provide the missing receipt books for audit verification.

#### **4.12 Beer levy**

The finding was not addressed. Council is yet to receive beer schedules from the brewer.

## **PFURA RURAL DISTRICT COUNCIL 2021**

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I have audited the financial statements of Pfura Rural District Council for the year ended December 31, 2021, and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the statement of financial position of Pfura Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 29 - “Financial Instruments”**

The Council did not assess its receivable balance of ZWL\$151.1 million for impairment based on the age of the balances and detailed reviews of the recoverability of individual balances. This was contrary to IPSAS 29 - “Financial Instruments” paragraph 67 which requires an entity to assess at the end of each reporting period whether there is objective evidence that an asset is impaired. Had the Council performed an impairment assessment on its receivables, the financial statements would have been materially different.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates”**

During the prior and current financial years, the foreign currency denominated transactions and balances of the Council were translated into ZWL\$ using the interbank exchange rates. The exchange rates did not meet the definition of spot exchange rate as required by IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”. As a result, the opinion on the prior year financial statements was modified in respect of this matter and the misstatements were not corrected in the financial statements for the year ended December 31, 2021. Had the financial statements been prepared in accordance with the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, many elements would have been materially different.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 12 – “Inventories”**

The Council did not account for stands inventory in its financial statements contrary to the requirements of IPSAS 12 - “Inventories” paragraph 9 which defines inventories as all Council assets held for sale or distribution in the ordinary course of business. Had the council disclosed stands inventory, the balances disclosed in the financial statements would be materially different.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS 17) - “Property, Plant and Equipment”.**

The Council did not assess the residual values and useful lives of all the property, plant and equipment items reported on the statement of financial position contrary to the provisions of IPSAS 17 - “Property, Plant and Equipment” which requires an annual review of the residual value and the useful lives. Had the Council carried out an assessment of residual values and useful life, property plant and equipment balance would have been materially different from the one disclosed in the financial statements.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 21 – “Impairment of Non-Cash Generating Assets”**

The Council did not assess its assets for impairment contrary to IPSAS 21- “Impairment of Non-Cash Generating Assets” which requires Council to assess at each reporting date whether there is any indication that an asset may be impaired. Had the Council carried out an impairment test on its items of property, plant and equipment the carrying amounts would have been materially different from the one disclosed in the financial statements.

Below are material issues noted during the audit;

**1. REVENUE COLLECTION AND DEBT RECOVERY**

**1.1 Trade receivables**

**Finding**

The Council did not assess its trade receivables balance of ZWL\$151.1 million for impairment. This was contrary to International Public Sector Accounting Standard (IPSAS) 29 - “Financial Instruments” paragraph 67 which requires an entity to assess at the end of each reporting period whether there is objective evidence that an asset is impaired.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

The Council should perform impairment assessment on its receivables at each reporting date.

**Management response**

**The observation is noted. Council will formulate relevant policies in-line with the recommendations**

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2020 annual report. I raised three (3) findings and all were not addressed as indicated below;

### **2.1 Property, plant and equipment**

The finding was not addressed. The Council did not assess the residual values and useful lives of all the property, plant and equipment and an impairment test was not performed

### **2.2 Manuals and policies**

The finding was not addressed. Key policies such as disaster management plan, asset management, Information Technology (IT) disaster recovery plan and an Information Technology (IT) security policy are not yet in place.

### **2.3 Stands inventory**

The finding was not addressed. The Council did not account for its stands inventory.



## **RUNDE RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Runde Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matter described in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Runde Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Adverse Opinion**

#### **i. Stands inventory**

Council did not account for inventory of stands in the financial statements. These stands met the definition of inventory and should have been accounted for in accordance with International Accounting Standard (IAS) 2 -“Inventory”. The Council did not have a stands inventory register and I could therefore not quantify the stands inventory through alternative means. As a result, I was unable to determine whether any adjustments were necessary.

#### **ii. Completeness of Revenue**

The Council did not have a complete customer database, as a result, mining claims clients and some residents of Sibozza were not billed for the period under review. The completeness of the revenue disclosed in the financial statements could not be reliably verified as my audit was limited to the amounts recorded in the Council records. I was therefore unable to determine whether any adjustments were necessary.

Below are material issues noted during the audit;

### **1 GOVERNANCE ISSUES**

#### **1.1 Lease agreements**

##### **Finding**

Council was leasing out seven (7) properties without lease agreements between the Council and the tenants. This was in contravention with section 44(1) of the Public Finance Management Act which requires a public entity to establish and maintain effective, efficient and transparent systems of internal control.

##### **Risk / Implication**

Lack of recourse in the event of disputes with tenants.

##### **Recommendation**

The Council should put in place lease agreements for all leased out properties.

## **Management response**

**All Lease Agreements will be in place by December 2023**

### **1.2 Stands inventory**

#### **Finding**

Council did not account for inventory of stands in the financial statements. These stands met the definition of inventory and should have been accounted for in accordance with International Accounting Standard (IAS) 2 -“Inventory”. In addition, the Council did not have a stands inventory register.

#### **Risk / Implication**

Double allocation of stands

Misstatement of financial statements

#### **Recommendation**

The Council should account for its inventory in the financial statements.

## **Management response**

**Management is in the process of coming up with a stands inventory register**

## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Income collecting database**

#### **Finding**

The Council did not have a complete customer database, as a result, mining claims clients and some residents of Sibozza were not billed for the period under review. This was contrary to section 120(1) of the Rural District Council’s Act which requires Councils to keep such books of accounts as may be necessary to maintain a true and proper record of all matters relating to the financial transactions.

#### **Risk / Implication**

Misstatement of financial statements.

Loss of revenue due to under billing.

#### **Recommendation**

Council should ensure that the revenue database is complete and all clients are billed.

### **Management response**

**Noted. LADS System was now being used for billing since pastel had billing challenges. We have taken a board on LADS system to enhance the billings systems since the current pastel package was giving challenges among licencing. The process of establishing and recommending debtor write offs avoid then be effected using the system. Some clients especially in the mining sector were no longer in existence since the claims forfeited.**

## **RUSHINGA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Rushinga Rural District Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Rushinga Rural District Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis for Qualified Opinion**

**i. Non-compliance with International Financial Reporting Standard (IFRS) 15 - “Revenue from contracts with customers”**

The Council recognised revenue amounting to ZWL\$663.3 million on the statement of profit and loss and other comprehensive income which included leases, levies and licenses fees. I was not availed with updated customer databases used for billing leases, levies and licenses. In addition, revenue from sale of stands was recognised on cash basis, with revenue being recognised to the extent of receipts from customers only contrary to the revenue recognition criteria stipulated in International Financial Reporting Standard (IFRS) 15 - “Revenue from Contracts with Customers” which requires revenue to be recognised on an accrual basis. As a result, I could not verify the accuracy and completeness of revenue and related receivables recorded in the financial statements.

**ii. Non-compliance with International Financial Reporting Standard (IFRS) 9 - “Financial instruments”**

The Council did not perform an assessment for allowance for credit losses on its receivables at the current reporting date. The allowance for credit losses recognised of ZWL\$2.3 million was determined at the prior year reporting date. This was contrary to the requirements of International Financial Reporting Standard (IFRS) 9 - “Financial Instruments” paragraph 5 which requires assessment for allowance for credit losses to be performed at each reporting date. Had the Council performed an assessment for allowance for expected credit losses at the current reporting date, financial statements would have been materially different.

**iii. Non-compliance with International Accounting Standard (IAS) 37 - “Provisions, Contingent Liabilities and Contingent Assets” and IAS 1 - “Presentation of Financial Statements”**

The Council did not review the provision for leave pay and gratuity as at December 31, 2022 to reflect the current best estimate. The provision balance of ZWL\$18.9 million presented on the statement of financial position relate to leave pay provision of ZWL\$10 million and gratuity provision of ZWL\$8.8 million recognised in prior financial years. This was contrary to the requirements of IAS 37 – “Provisions, Contingent Liabilities and Contingent Assets” paragraph 59 which requires provisions to be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Had Council reviewed the provision for leave pay and gratuity to reflect the current best estimate as at December 31, 2022, the financial statements would have been materially different. In addition, the Council did not recognise bonus expense for the year ended December 31, 2022. This was contrary to the requirements of paragraph 69 of IAS 1 - "Presentation of Financial Statements" which requires the Council to recognise the liability when it expects to settle the obligation in its normal operating cycle. Had the liability been recognised, the trade and other payables presented on the statement of financial position would have been materially different.

**iv. Non-compliance with International Accounting Standard (IAS) 16 "Property, Plant and Equipment"**

The Council's assets were not revalued following a change in functional currency in 2019. The value of assets brought forward from prior year included in the financial statements did not present a true and fair position of the Council since assets were presented at their USD\$ values before date of change of functional currency converted to Zimbabwe Dollars at an exchange rate of USD1:ZWL\$1, which was contrary to International Accounting Standard (IAS) 21 - "Effects of Changes in Foreign Exchange Rates". While the Council's accounting policy was to recognise property, plant and equipment at cost, revaluation of assets was necessary given the change in functional currency from United States Dollars to Zimbabwean Dollars to ensure assets are reflected at fair value in ZWL\$. The Council did not perform a revaluation of its property, plant and equipment in order to reflect the fair value of the assets in its financial records as required by paragraph 31 of IAS 16 - "Property, Plant and Equipment" which requires carrying amounts of property, plant and equipment to not differ materially from that which would be determined using fair values at the end of the reporting period.

Below are material issues noted during the audit;

**1. REVENUE COLLECTION AND DEBT RECOVERY**

**1.1 Receivables**

**Finding**

The Council did not perform an assessment for allowance for expected credit losses on its receivables at the current reporting date. The allowance for credit losses recognised of ZWL\$2.3 million was determined at the prior year reporting date. This was contrary to the requirements of International Financial Reporting Standard (IFRS) 9 - "Financial Instruments" paragraph 5 which requires assessments for allowance for credit losses to be performed at each reporting date.

**Risk / Implication**

Misstatement of financial statements.

**Recommendation**

Council should come up with a policy for estimating allowance for expected credit losses and perform assessment of expected credit losses at each reporting date as required by IFRS 9 "Financial instruments".

## **Management response**

**A resolution of an allowable 10% Credit loss proposal to be approved by Council. This was yet to be approved at time of concluding the audit.**

### **1.2 Revenue**

#### **Finding**

The Council recognised revenue of ZWL\$663.3 million on the statement of profit and loss and other comprehensive income which included leases, levies and licenses fees. I was not availed with updated customer databases used for billing leases, levies and licenses. In addition, revenue from sale of stands was recognised on cash basis, with revenue being recognised to the extent of receipts from customers only contrary to the revenue recognition criteria stipulated in International Financial Reporting Standard (IFRS) 15 - "Revenue from Contracts with Customers" which requires revenue to be recognised on an accrual basis.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Management should ensure invoicing of customers when funds become due and receivable.

## **Management response**

**Leases and levies were billed at the beginning of the year but a few customers were omitted due to the nature of the accounting system which we were using, the system does not allow auto billing or group billing. It allows individual billing for customers.**

### **2. EMPLOYMENT COSTS**

#### **2.1 Bonus expense**

#### **Finding**

The Council did not recognise bonus expense for the year ended December 31, 2022. This was contrary to the requirements of paragraph 69 of International Accounting Standard (IAS) 1 - "Presentation of Financial Statements" which requires the Council to recognise a liability when it expects to settle the obligation in its normal operating cycle.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should accrue the bonus in the year it is incurred.

## **Management response**

**At the end of the year Belina was not working as the license had expired and during the time of the audit, so we could not obtain system calculated balance of bonuses. Measures have been put in place to ensure information is available for future audits. Reconciliation of 2022 payroll records was still ongoing at the time of concluding the 2022 audit.**

### **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 annual report. I raised six (6) findings, two (2) were addressed and four (4) were not addressed as indicated below;

#### **3.1 System change over**

The finding was addressed. Council bought external hard drives to store all Council information

#### **3.2 Service level agreement for accounting system**

The finding was not addressed. The Council did not have a service level agreement done for the old system Pastel v11 and is expecting to enter into a new agreement with Sage Evolution service providers.

#### **3.3 Adjustments to opening balances for reserves**

The finding was addressed. The Council adjusted its opening balances.

#### **3.4 Receivables**

The finding was not addressed. The Council engaged legal practitioners for debt follow-ups.

#### **3.5 Valuation of property, plant and equipment**

The finding was not addressed. Council is still mobilising funds for the valuation process.

#### **3.6 PSIP loan**

The finding was not addressed. Council is still mobilising money to pay the loan.

## **SANYATI RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Sanyati Rural District Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Sanyati Rural District Council as at December 31, 2022, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs)

### **Basis for Qualified Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 - “Property, Plant and Equipment” and (IPSAS) 21 - “Impairment of Non-Cash Generating Assets”**

The Council did not separate its land from land and buildings resulting in land being depreciated contrary to the requirements of IPSAS 17- “Property, Plant and Equipment”, paragraph 74 which prohibits the depreciation of land.

In addition, the Council did not carry out an assessment of the residual values and useful lives of its property, plant and equipment contrary to IPSAS 17 - “Property, Plant and Equipment”, paragraph 67 which requires the residual value and the useful life of an asset to be reviewed at least at each annual reporting date. The Council did not also carry out an impairment assessment contrary to IPSAS 21- “Impairment of Non-Cash Generating Assets” paragraph 26 which requires that an impairment assessment be carried out at least at each reporting date. Had the Council assessed the residual values, assessed for the impairment of its assets and disclosed separately the land and building, the values of property, plant and equipment in the financial statements would have been materially affected.

**ii. Non-Compliance with International Public Sector Accounting Standard (IPSAS) 1 - “Presentation of Financial Statements” and International Public Sector Accounting Standard (IPSAS) 18 - “Segment Reporting”**

The Council did not recognise the revenue, expenses, assets and liabilities of its sixty-five (65) schools in the financial statements for the year ended December 31, 2022. The Council only accounted for school buildings leaving out other non-current assets such as furniture and fittings and current assets as well as liabilities. This was contrary to International Public Sector Accounting Standard (IPSAS) 1 - “Presentation of Financial Statements” paragraph 27, which requires financial statements to fairly present the financial position, financial performance and cash flows of an entity. As a result, no segment information was reported in respect of the Council’s education services segment contrary to IPSAS 18 - “Segment Reporting” paragraph 52-57, which requires the Council to disclose for each segment, assets, liabilities, revenue, and expenses which should be reconciled to the aggregated information in the entity’s financial statements. Had the schools’ assets, liabilities, revenue and expenses been determined and accounted for, various elements disclosed in the financial statements would have been materially different.



Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Master plan**

#### **Finding**

The Council was operating without a master plan which clearly shows the layout, land use and development of the Sanyati Rural District area. This was contrary to Section 14 of the Regional Town and Country Planning Act [*Chapter 29:12*] which requires master plans to be prepared and submitted to the Minister.

#### **Risk / Implication**

Unauthorised developments and land use.

#### **Recommendation**

The Council should develop a master plan which clearly shows the layout, land use and development of the Sanyati Rural District area.

#### **Management response**

**Council has not been able to prepare and produce a Master Plan due to financial and other resource constraints given the huge budget required for the exercise. Council is however taking advantage of the Call to Action blue print which allows it to utilise devolution funds alongside budgeted internal funding.**

### **1.2 Accounting for property, plant and equipment**

#### **Finding**

The Council did not separate its land from land and buildings resulting in land being depreciated contrary to the requirements of IPSAS 17- "Property, Plant and Equipment", paragraph 74 which prohibits the depreciation of land. In addition, the Council did not carry out an assessment of the residual values and useful lives, and impairment of its property, plant and equipment contrary to IPSAS 17 - "Property, Plant and Equipment", paragraph 67 and to IPSAS 21- "Impairment of Non-Cash Generating Assets" paragraph 26 which requires assessment of assets to be made at each reporting date.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

The Council should comply with requirements of IPSAS 17 and IPSAS 21 in its accounting for property, plant and equipment.

### **Management response**

**In 2021 Council hired experts from the Ministry of Local Government valuation department who produced the asset valuation report which we have used to produce the financial statements currently under review. The observation has been noted. The Council will advise the valuation department to correct the issue next time in April when they come for another valuation of assets exercise.**

### **1.3 Accounting for schools**

#### **Finding**

The Council did not recognise the revenue, expenses, assets and liabilities of its sixty-five (65) schools in the financial statements for the year ended December 31, 2022. The Council only accounted for school buildings leaving out other non-current assets such as furniture and fittings and current assets as well as liabilities. This was contrary to International Public Sector Accounting Standard (IPSAS) 1- "Presentation of Financial Statements" paragraph 27, which requires such items to be included for fair presentation. As a result, no segment information was reported in respect of the Council's education services segment contrary to IPSAS 18- "Segment Reporting" paragraph 52-57, which requires the Council to disclose such information as part of segment reporting.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should account for its schools in the financial statements.

### **Management response**

**The observation has been noted. We are in the process of making consultations with various stakeholders. Communities were engaged during the budget consultation process. We are set to engage the Ministry of Primary and Secondary Education. Valuation of schools is to be carried out at the same time with the valuation exercise of Council assets.**

## **2. REVENUE MANAGEMENT AND DEBT RECOVERY**

### **2.1 Valuation roll and billing**

#### **Finding**

The Council did not have a valuation roll in the year under review contrary to the Rural District Councils Act [*Chapter 29:13*] section 101 which requires valuation of all rateable property.

#### **Risk / Implication**

Misstatement of financial statements.

## **Recommendation**

Council should maintain an updated valuation roll.

## **Management response**

The valuation roll process is very expensive and as such Council could not fund it from its collection of revenue. However, all Councils have been authorised to use devolution funds for the purpose of the valuation roll. The whole process of doing valuation roll will be complete by 30 June 2024 as directed in the Call to Action blueprint.

According to the blueprint, “A Call to Action: No Compromise to Service Delivery: First Stage of Interventions to Modernise the Operations of Local Authorities Towards a 2030 Vision”, all local authorities are scheduled to have completed the development of valuation rolls by 30 June 2024. As council, we stand guided by the directive and will have to comply.

## **3. EMPLOYMENT COSTS**

### **3.1 Segregation of duties in processing payroll**

#### **Finding**

There was no segregation of duties in the processing of the salaries in the Belina payroll system. The human resources officer was responsible for data input, capturing, adjustments and opening and closing of a period. In addition, there was no evidence that the payroll was being reviewed and authorised by senior personnel independent of the payroll system before being processed for payment and posted in the accounting system.

#### **Risk / Implication**

Fraud and errors may go undetected.

#### **Recommendation**

The Council should segregate incompatible duties.

Payroll should be reviewed and authorised by senior personnel before being processed for payment.

#### **Management response**

Observation is noted and going forward such reviews will be put in place commencing second quarter of the year 2024 to increase checks and balances. For the period under review, we were operating with lean staff but have since recruited the Administration Officer. With an adequately staffed human resources department, segregation of duties will be possible. The payroll will have 2 operatives while approved by the CEO or his delegate going forward. Documented payroll processing procedures will be incorporated in the review of the Human Resources Policies and Procedures Manual during the year.

#### **4. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing findings that I raised in my 2022 annual report. I raised four (4) findings, two (2) were addressed and the other two (2) were not addressed as indicated below;

##### **4.1 Accounting procedure manual**

The finding was not addressed. The Council did not develop an accounting procedure manual.

##### **4.2 Beer levy**

The finding was not addressed. The Council did not obtain the sales schedules from the brewer.

##### **4.3 Masasa clinic**

The finding was addressed. Construction of the clinic is now being done by the local community.

##### **4.4 Valuation of property, plant and equipment**

The finding was addressed. The Council revalued its assets.

## **TONGOGARA RURAL DISTRICT COUNCIL 2021**

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I have audited the financial statements of Tongogara Rural District Council for the year ended December 31, 2021 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Tongogara Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Qualified Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - The Effects of Changes in Foreign Exchange Rates”**

The prior year financial statements did not comply with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates”, as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU of 2019 issued by Reserve Bank of Zimbabwe. The Council used January 01, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate.

The Council’s inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of observable foreign exchange market. In that regard, the Council’s prior year financial statements was modified in respect of this issue and this have an impact on the current year financial statements. Had the Council applied the requirements of IPSAS 4 “The Effects of Changes in Foreign Exchange Rates”, the amounts disclosed in the financial statements would have been materially different.

**ii. Unsupported expenditure**

Included in the expenditure disclosed in the financial statements is expenditure amounting to ZWL\$870 000 which was not supported by invoices or receipts. As a result, I was not able to validate the expenditure in the absence of adequate supporting documents.

**iii. Unsubstantiated receivables**

There was an unresolved receivables variance of ZWL\$148 million between the total age analysis balance of ZWL\$50.2 million and the receivables account balance of ZWL\$198.2 million stated in the financial statements. I was therefore unable to obtain sufficient appropriate audit evidence on receivables amounting to ZWL\$148 million.

Below are material issues noted during the audit;

## **1. REVENUE COLLECTION AND DEBT RECOVERY**

### **1.1 Receivables**

#### **Finding**

I noted that the total per the debtors age analysis of \$50.2 million did not agree to the balance reported in the financial statements of \$198.2 million, resulting in an unsubstantiated variance of \$148 million.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should reconcile its account balances to the underlying records.

#### **Management response**

**Noted.**

## **2. PROCUREMENT OF GOODS AND SERVICES**

### **2.1 Supporting documents**

#### **Finding**

The Council did not provide supporting documents for the expenditure incurred amounting to ZWL\$870 000 on, fuels, protective clothing and roads maintenance. As a result, I was not able to validate the expenditure in the absence of adequate supporting documents, such as supplier invoices and receipts.

#### **Risk / Implication**

Financial loss due to fraud.

#### **Recommendation**

All expenditure should be adequately supported by relevant documentation.

#### **Management response**

**We are still pursuing Printflow, ZESA and Mashizha tax practioners.**

### **3. SERVICE DELIVERY ISSUES**

#### **3.1 Landfill**

##### **Finding**

The Council had no landfill for solid waste disposal for proper waste management. As a result, the Council was using an unprotected dumpsite and was not practising appropriate waste management procedures such as waste covering and compacting. This was in contravention with provisions of the Public Health Act [*Chapter 15:09*] section 83, which requires proper waste management practices to be applied.

##### **Risk / Implication**

Financial loss due to fines and penalties.

Communities and the environment may be exposed to hazards.

##### **Recommendation**

Council should establish a landfill that complies with environment management regulations.

##### **Management response**

**Noted. Council did not have any dumping area; efforts have been made to identify the dumping area. Currently we have a budget to upgrade the dumpsite to a proper land fill.**

### **4. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2021 annual report. I raised two (2) findings and they were not addressed as indicated below;

#### **4.1 Vehicle registration books**

The finding was not addressed. Vehicle registration books were not availed.

#### **4.2 Unsupported expenditure**

The finding was not addressed. Council did not provide supporting documents for all expenditure incurred.

## **TSHOLOTSHO RURAL DISTRICT COUNCIL 2020**

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I have audited the financial statements of Tsholotsho Rural District Council for the year ended December 31, 2020, and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Tsholotsho Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes on Foreign Exchange Rates” and IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”**

The prior year financial statements did not comply with the requirements of IPSAS 4 - “Effects of Changes in Foreign Exchange Rates”, as the Council was not able to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

The Council used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per statutory instrument 33/2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transaction subsequent to February 22, 2019 at interbank rate. The Council's inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with Statutory Instrument (SI) 33 and the fact that there were no official exchange rates between October, 2018 and February, 2019 due to lack of an observable foreign exchange market. In that regard the misstatement on the opening balances have an impact on the current year financial statements and the Council did not correct this prior period as required by IPSAS 3 – “Accounting Policies, Changes in Estimates and Errors”. Had Council applied the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 – “Accounting Policies, Changes in Estimates and Errors” many elements in the financial statements would have been materially different.

**ii. Absence of approved tariffs as basis for billing**

The Council did not avail evidence to support that the billing rates applied were in line with the approved budgeted tariffs for 2020. Some revenue items such as school levies, butchery leases and grinding mill fees were being billed using varying rates. I could therefore not verify the accuracy and completeness of revenue of ZWL\$39.7 million recognized in the financial statements.



**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates” with respect to recognition of transactions denominated in foreign currency.**

The Council transacted in both USD and ZWL\$ during the year ended December 31, 2020. Transactions in USD were posted at a rate of USD1: ZWL\$1 in the first quarter. Revenue from sale of stands and development levies equivalent to ZWL\$6.1 million was recognized in the Council’s books as ZWL\$380 000. The exchange rate of USD1: ZWL\$1 used for billing was different from the exchange rate of USD1: ZWL\$16.6 that prevailed on January 2, 2020, the date of billing. The rate applied did not meet the definition of spot rate as defined by IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”. Had the Council applied the requirements of IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”, many elements of the financial statements would have been materially impacted. Therefore, the non-compliance is considered to be material and pervasive to the financial statements taken as whole.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment”**

Property, plant and equipment is presented in the statement of financial position at ZWL\$228.6 million. Council did not depreciate its property, plant and equipment in the financial statements. This constitutes a departure from IPSAS 17- “Property, Plant and Equipment”, which requires the depreciable amount of an asset to be allocated on a systematic basis over its useful life. Had Council depreciated its property, plant and equipment, the amounts disclosed would have been materially different.

**v. Non-compliance with International Public Sector Accounting Standard (IPSAS) 16 – “Investment property”**

Council owned buildings which were leased as beer halls, grocery stores, and residential houses. The premises were held with an intent to earn rentals and in accordance with IPSAS 16 – “Investment property”, which requires that buildings held to earn rentals or held for capital appreciation to be classified as investment property. However, these were incorrectly classified as property, plant, and equipment under IPSAS 17- “Property, Plant and Equipment”. The Council did not maintain an up-to-date asset register, I was therefore, unable to determine adjustments necessary to reclassify buildings from property, plant and equipment to investment property.

**vi. Non-compliance with International Public Sector Accounting Standard (IPSAS) 29- “Financial instruments”**

The Council did not carry out an assessment of recoverability of amounts owed by clients in order to establish allowance for credit losses. This was contrary to IPSAS 29 – “Financial Instruments” which requires that an assessment of receivables recoverability be done at the end of each reporting period. Had Council carried out an assessment of recoverability of receivables, the receivables balance of ZWL\$17.5 million disclosed in the statement of financial position would have been materially different.

Below are material issues noted during the audit;

## **1. GOVERNANCE ISSUES**

### **1.1 Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment”**

#### **Finding**

Council did not depreciate its property, plant and equipment in the financial statements. This constitutes a departure from IPSAS 17- “Property, Plant and Equipment”, which requires the depreciable amount of an asset to be allocated on a systematic basis over its useful life.

In addition, the Council did not have an asset register with details such as cost, depreciation, revaluation, disposal and net book values of property, plant and equipment. Furthermore, assets such as computers and computer accessories were not recorded in the asset register. This was contrary section 120 (3) of the Rural District Councils Act [*Chapter 29:13*] which requires Council to maintain a permanent record of all Council assets.

#### **Risk / Implication**

Financial statements may be materially misstated.

#### **Recommendation**

Council should update its Pastel's fixed assets module to maintain asset register in the system.

Council should depreciate its property, plant and equipment.

#### **Management response**

**Council engaged Valuers from Ministry of Local Government and Public works to value all council property plant and equipment in April 2023. The valuation process has been completed and the report would be submitted to council in due course. All the assets would be captured into Sage Evolution ERP.**

### **1.2 Non-compliance with International Public Sector Accounting Standard (IPSAS) 16 - “Investment property”**

#### **Finding**

The Council owned buildings which were leased such as beerhalls, grocery stores, and residential houses. The premises were held with an intent to earn rentals and in accordance with IPSAS 16 - “Investment Property”, any building held to earn rentals should be classified as investment property. However, these were classified as property, plant and equipment instead of investment property. In addition, five (5) of the Investment properties had no lease agreements between the Council and the tenants and as a result, the Council was not receiving rental payments.

**Risk / Implication**

Financial statements may be materially misstated.

Council may not have legal recourse in the event of disputes with tenants.

**Recommendation**

The Council should classify assets in their correct classes for the financial statements to give a true and fair view to the stakeholders.

The Council should ensure that there are lease agreements on property leased out and have robust rentals collection strategy.

**Management response**

**The correct classification of Assets will be done as we implement IPSAS as per the Zimbabwe Financial Reporting manual. As per the Council's implementation matrix full adoption would be by December 2024.**

**Management is in the process of ensuring that all leased out Council properties have lease agreements.**

**1.3 Allowance for credit losses****Finding**

The Council did not have a credit policy and guidance on how to assess the recoverability of receivables. As a result, the Council provided for an allowance for credit loss of ZWL\$440 000 same as allowed in the prior year. This was contrary to IPSAS 29 - "Financial Instruments" which requires that an assessment of receivables recoverability be done at the end of each reporting period. An average of 80% of the receivables balance in the reporting period was over 120 days.

**Risk / Implication**

Financial statements may be materially misstated.

**Recommendation**

The Council should provide staff with guidance on how to assess for recoverability of amounts owed by clients.

**Management response**

**The credit policy will address the issue of bad and doubtful debts, also the adopted Zimbabwe Financial Reporting Manual addresses the issue the bad and doubtful debts as well.**

## **1.4 Approved tariffs per budget**

### **Finding**

The Council did not avail evidence to support that the billing rates applied were in line with the approved budgeted tariffs for 2020. Some revenue items such as school levies, butchery leases and grinding mill fees were being billed using varying rates. I could therefore not verify the accuracy and completeness of revenue of ZWL\$39.7 million recognized in the financial statements.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Billing should be based on approved tariffs.

### **Management response**

**Indeed, the 2020 Tariff schedule approved with the 2020 Council budget could not be located. There was a change in Council management including Finance.**

## **2 PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing findings that I raised in my 2022 report. I raised (9) nine findings, four (4) were addressed and five (5) were not addressed as indicated below;

### **2.1 Asset register**

The finding was not addressed. The Council did not update the asset register.

### **2.2 Property, plant and equipment**

The finding was not addressed. Council did not revalue its assets.

### **2.3 Investment properties**

The finding was not addressed. Council did not reclassify its investment properties from property, plant and equipment.

### **2.4 Year-end adjustments**

The finding was not addressed. The Council did not investigate the adjustments.

### **2.5 School development income**

The finding was addressed. The Council has collected and is currently maintaining a database of school enrolment for 2022 and 2023.

## **2.6 Beer levy**

The finding was addressed. Council is now working closely with delta beverages and reconciliation of payments and beer sales are available.

## **2.7 Allowance for credit losses**

The finding was not addressed. Council did not assess its receivables for allowance for credit losses.

## **2.8 Payroll information and costs**

The finding was addressed. Payroll irregularities have been corrected up to December 2020. The years 2021 to 2022 are in order.

## **2.9 Leave days**

The finding was addressed. Council is now providing for leave pay this will be reflected in the 2021 financial statements.

## UMGUZA RURAL DISTRICT COUNCIL 2020

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I have audited the financial statements of Umguzo Rural District Council for the year ended December 31, 2020 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, in all material respects, the financial position of Umguzo Rural District Council as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis of Adverse opinion**

**i. Non-compliance with the requirements of International Public Sector Accounting Standard (IPSAS) 4 - “The Effects of Changes in Foreign Exchange Rates” and IPSAS 3 - “Accounting Policies, Changes in Accounting Estimates and Errors”.**

The prior year financial statements did not comply with the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, as the Council did not use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per Statutory Instrument 33 of 2019.

The Council’s inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33/19 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard, the Council’s 2020 opening balances misstatements had a material impact on the accuracy of current year financial statements and was not corrected. Had the Council applied the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates”, many elements of the financial statements would have been materially different.

**ii. Non-compliance with the requirements of International Public Sector Accounting Standard (IPSAS) 10 - “Financial Reporting in Hyperinflationary Economies”**

The Council did not prepare inflation adjusted financial statements for the year ended December 31, 2020. This was contrary with the requirements of IPSAS 10 - “Financial Reporting in Hyperinflationary Economies” paragraph 10 which requires financial statements to be restated in terms of the measuring unit at the reporting date. Had the Council applied the requirements of IPSAS 10 - “Financial Reporting in Hyperinflationary Economies”, the financial statements would have been materially different.

**iii. Property, plant and equipment**

There was an unresolved variance of ZWL\$27.5 million between the fixed asset register of ZWL\$4 million and the financial statements of ZWL\$31.5 million as the Council was not maintaining a comprehensive asset register. In addition, the Council did not avail supporting documents such as supplier invoices and receipts for asset additions made in 2020 amounting to ZWL\$1.1 million.

**iv. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment”**

Council last revalued its assets in 2009 contrary to International Public Sector Accounting Standard (IPSAS) 17- “Property, Plant and Equipment” which requires assets revaluation to be done with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. As a result, I could not satisfy myself on the accuracy, valuation and completeness of property, plant and equipment disclosed in the financial statements.

**v. Revenue**

**a. Beer levy**

The Council recognized beer levy revenue on cash basis contrary to International Public Sector Accounting Standards (IPSASs) conceptual framework which requires accruals accounting. I could not ascertain the accuracy and completeness of revenue from beer levy of ZWL\$50 000.

**b. Stand sales**

Council was incorrectly recording billable income and stand sales on a cash receipt basis contrary to International Public Sector Accounting Standard (IPSAS) 9 - “Revenue from Exchange Transactions” paragraphs 14 and 15 which requires accruals accounting. Management also failed to avail the stand sales listing with information such as stand sales prices. As a result, billable income, stand sales income and the related receivables recorded in the accounts were misstated.

**c. Development levies and lease income**

Council had an unresolved variance of ZWL\$1.2 million between recomputed income, using databases and approved tariffs of ZWL\$31.4 million and income disclosed in the financial statements of ZWL\$32.6 million. Management did not make relevant adjustments to the financial statements and the issue remained unresolved. Had the variances been resolved, income disclosed would have been materially different.

**vi. Inventory**

The Council did not account for stands inventory in the financial statements contrary to IPSAS 12- “Inventories” paragraph 12, which requires land held for sale to be accounted for as inventory. I was not availed with details such as land size or number of stands. Consequently, I could not satisfy myself of the valuation and completeness of inventory disclosed in the financial statements. Had the Council applied the requirements of IPSAS 12 - “Inventories”, the inventory balance would have been materially different.

**vii. Payroll**

There was an unresolved variance of ZWL\$3.6 million between payroll reports amounting to ZWL\$9.3 million and ZWL\$12.8 disclosed in the financial statements. I was unable to satisfy myself as to the accuracy of the employee costs disclosed in the financial statements.

**viii. Expenditure not supported**

There was unsupported expenditure amounting to ZWL\$1.1 million which had no supporting documentation such as payment vouchers and supplier invoices. As a result, I could not satisfy myself on the validity and accuracy of expenditure reported in the financial statements.

**ix. Cash and bank**

There was an unresolved variance amounting to ZWL\$500 000 between balances as per bank statements amounting to ZWL\$700 000 and balances confirmed by the banks amounting to ZWL\$1.2 million. In addition, I was not furnished with confirmation responses from three (3) banks. Therefore, I could not satisfy myself as to the completeness and accuracy of the cash and cash equivalent balances disclosed in the financial statements.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Supporting documents**

**Finding**

The Council incurred ZWL\$1.2 million towards acquisition of non-current assets which included boreholes, photocopiers and cell phones. This expenditure was not supported with adequate documentation such as supplier invoices, receipts and goods received vouchers (GRVs). According to best practice, expenditure should be adequately supported by relevant documentation.

**Risk / Implication**

Financial loss due to fraud.

**Recommendation**

All expenditure incurred should be adequately supported with relevant documents.

**Management response**

**The discrepancies raised are noted. We will implement audit recommendations from 2021 onwards.**



## **1.2 Asset revaluation**

### **Finding**

Council last revalued its assets in 2009 contrary to International Public Sector Accounting Standard 17- "Property, Plant and Equipment" which requires assets revaluation to be done with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Management should ensure that all assets are revalued with sufficient regularity.

### **Management response**

**Engagements have been done with the Ministry of Local Government and Public Works for the exercise to be undertaken as soon as possible as funds are available.**

## **1.3 Cash and cash equivalents**

### **Finding**

There was an unresolved variance amounting to ZWL\$500 000 between balances as per bank statements amounting to ZWL\$700 000 and balances confirmed by the banks amounting to ZWL\$1.2 million. According to best practice, balances disclosed in the financial statements should agree to balance on the bank statements.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should investigate the variance and make necessary adjustments to the financial statements.

### **Management response**

**The audit recommendations are noted and will be implemented going forward.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Beer Levy**

#### **Finding**

The Council was accounting for beer levy income on a cash basis rather than on accruals basis as required by International Public Sector Accounting Standards Conceptual framework. During the year, the Council received ZWL\$50 000 which was not supported by beer sales schedules contrary to section 11 of the Traditional Beer Act [*Chapter 14:24*], which requires a local authority to obtain beer sales from commercial brewers supplying traditional beer within its jurisdiction.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should engage the commercial beverages to obtain the beer sales schedule which are used as the basis for calculating beer levy.

#### **Management response**

**Noted. Council will engage the brewers to obtain the schedules.**

### **2.2 Stand sales**

#### **Finding**

The Council recognised revenue from stand sales on a cash receipt basis. This was contrary to paragraphs 14 and 15 of International Public Sector Accounting Standard (IPSAS) 9 - "Revenue from Exchange Transactions" which requires accruals accounting. Management also failed to avail a stand sales listing with information such as stand sales prices. As a result, billable income, stand sales income and the related receivables recorded in the accounts were misstated.

In addition, Council had an unresolved variance of ZWL\$1.2 million between recomputed development levies and lease income, using databases and approved tariffs of ZWL\$31.4 million and income disclosed in the financial statements of ZWL\$32.6 million. Management did not make relevant adjustments to the financial statements and the issue remained unresolved.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

Council should put in place appropriate controls over stand sales and align processes with the IPSASs.

## **Management response**

**Council will take the recommendation from the auditors and will ensure that in the 2021 financial statements will comply with the IPSAS requirements.**

### **3. PROCUREMENT OF GOODS AND SERVICES**

#### **3.1 Unsupported expenditure**

##### **Finding**

There was unsupported expenditure amounting to ZWL\$1.1 million which had no supporting documentation such as payment vouchers and supplier invoices. Upon inquiry management indicated that this was due to poor filing system.

##### **Risk / Implication**

There is a high risk of fraud and error.

Misstatement of financial statements.

##### **Recommendation**

Council should put in place measures to enhance the filing system.

All expenditure should be adequately supported with relevant documentation.

##### **Management response**

**The audit recommendations are noted and will be implemented going forward.**

### **4. SERVICE DELIVERY ISSUES**

#### **4.1 Public sewerage services**

##### **Finding**

The Council has one sewer treatment plant in Ntabazinduna which was commissioned in 1986. The sewer treatment plant was treating one (1) mega litre per day which is 60% of the designed capacity. There was no expansion to the sewer plant capacity in order to cater for the increase in effluent discharge from the growing population estimated at 100 000. As a result, sewer spillages were being experienced in Ntabazinduna area. Enquiry with management revealed that the major causes of sewer spillages and blockages were the increase in population and aging of pipes. In addition, three thousand (3 000) housing units were not connected to the public sewer system.

##### **Risk / Implication**

Financial loss due to fines and penalties charged by the Environmental Management Agency (EMA).

Health hazard to the communities resulting from spillages of raw effluent.

## **Recommendation**

Council should mobilise funding to expand its sewerage infrastructure capacity and connect all housing units to the public sewer system.

## **Management response**

**The audit observations are noted and agreed to. Council works are underway to rehabilitate the sewerage works and thus ultimately address the challenges noted.**

## **5. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council did not make progress in addressing audit findings and recommendations raised in my 2022 annual report. I raised six (6) audit findings, one (1) was addressed and five (5) were not addressed as indicated below;

### **5.1 Inflation adjustments**

The finding was not addressed. The Council did not produce inflation adjusted financial statements.

### **5.2 Asset revaluation**

The finding was not addressed. The Council did not revalue its assets.

### **5.3 Revenue variance**

The finding was not addressed. The revenue variances were not cleared.

### **5.4 Expenditure supporting documents**

The finding was not addressed. The Council did not provide supporting documents for the expenditure.

### **5.5 Clinics drug donations**

The finding was addressed. Records for clinic drugs are now in place.

### **5.6 Taxable benefits**

The finding was not addressed. The Council was not calculating tax benefits.

## **UZUMBA MARAMBA PFUNGWE ZVATAIDA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Uzumba Maramba Pfungwe Zvataida Rural District Council for the year ended December 31, 2022 and I issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### **Basis of Qualified Opinion**

#### **I. Non-compliance with International Accounting Standard (IAS) 21- "The Effects of Changes in Foreign Exchange Rates" and (IAS) 8 - "Accounting Policies, Changes in Accounting Estimates and Errors"**

The prior year financial statements did not comply with the requirements of IAS 21 - "The Effects of Changes in Foreign Exchange Rates" as the Council did not use an appropriate rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through exchange control directive RU 28 of 2019 issued by the Reserve bank of Zimbabwe. The Council used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL\$ at a rate of 1:1 per Statutory instruments of 2019(SI 33/19 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGs dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate.

The Council's inability to assess the appropriateness of using the inter-bank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Council's 2021 opening balances misstatements had an impact on the current year's financial statements and the Council did not correct this in accordance to IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors".

Had the Council applied the requirements of IAS 21 – "The Effects of Changes in Foreign Exchange Rates" and IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors" many elements in the financial statements would be materially impacted. Therefore, the impact is considered material and pervasive to the financial statements as a whole.

## **II. Non-compliance with International Accounting Standard (IAS) 16 – “Property, Plant and Equipment”**

The Council did not revalue its assets. This was contrary to paragraph 31 of IAS 16 – “Property, Plant and Equipment” which requires revaluations to be done with sufficient regularity to ensure that the carrying amount does not differ materially from that which will be determined using fair value at the end of the reporting period. In addition, the Council did not depreciate items of property, plant and equipment. This was contrary to IAS 16 – “Property, Plant and Equipment” which requires assets to be depreciated over their useful lives using applicable rates of depreciation. Had the Council complied with the requirements of IAS 16 – “Property, Plant and Equipment”, the value of assets disclosed as ZWL\$109.7 million in the financial statements would be materially different.

Below are material issues noted during the audit;

### **1 GOVERNANCE ISSUES**

#### **1.1 Revaluation of assets**

##### **Finding**

The Council did not revalue its assets. Contrary to paragraph 31 of IAS 16 – “Property, Plant and Equipment” which requires revaluations to be done with sufficient regularity to ensure that the carrying amount does not differ materially from that which will be determined using fair value at the end of the reporting period. In addition, the Council's asset register was not up to date. Assets procured in 2022 were not included and disposed assets were not yet removed from the register.

##### **Risk / Implication**

Misstatement of financial statements

##### **Recommendation**

A revaluation exercise should be carried in line with the accounting standards.

##### **Management response**

**Observation noted. Asset were revalued in USD end of year 2018 and we now only await approval of the depreciation policy by the committee and council to enable updating to current values.**

**Noted, Asset Register will be updated whilst obsolete and damaged assets will be written off and disposed.**

#### **1.2 Depreciation of assets**

##### **Finding**

The Council adopted policies that were not aligned to the requirements of International Financial Reporting Standards (IFRSs). As a result, the Council did not depreciate items of property, plant and equipment.

This was contrary to IAS 16 – “Property, Plant and Equipment” which requires assets to be depreciated over their useful lives using applicable rates of depreciation.

**Risk / Implication**

Misstatement of the financial statements.

**Recommendation**

Council should develop policies which are aligned to the requirements of International Financial Reporting Standards.

**Management response**

**The depreciation policy outlining the depreciation methods to be applied on specific classes of assets will be adopted and submitted to the Committee and Council for approval by August 31, 2023.**

## **ZAKA RURAL DISTRICT COUNCIL 2021**

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I have audited the financial statements of Zaka Rural District Council for the year ended December 31, 2021 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of matters described in the Basis of Adverse Opinion of my report, the financial statements do not present fairly, the financial position of Zaka Rural District Council as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates”**

The prior year financial statements did not comply with the International Public Sector Accounting Standards (IPSAS) 4 - “The effects of changes in foreign exchange rates”, as the Council was unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe. The Council used January 1, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in USD before February 22, 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The rate did not meet the definition of spot exchange rate as defined by IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates”. Had the Council applied the requirements of IPSAS 4 - “The Effects of Changes in Foreign Exchange Rates” the figure disclosed in the financial statement would have been materially affected. The effects of the above departures from IPSAS are material and pervasive to the financial statements.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment”**

The Council did not depreciate its property, plant and equipment contrary to IPSAS 17 – “Property, Plant and Equipment” paragraph 59 which requires that each item of property, plant and equipment to be depreciated. Had Council depreciated its property, plant and equipment in line with IPSAS 17 – “Property, Plant and Equipment” the financial statements would have been materially different.

Below are material issues noted during the audit;



## **1. GOVERNANCE ISSUES**

### **1.1 Property, plant and equipment**

#### **Finding**

The Council did not depreciate its property, plant and equipment contrary to International Public Sector Accounting Standard (IPSAS) 17 – “Property, Plant and Equipment” paragraph 59 which requires assets to be depreciated.

#### **Risk / Implication**

Misstatement of financial statements.

#### **Recommendation**

The Council should ensure that all assets are depreciated in accordance to IPSAS 17.

#### **Management response**

We will adopt IPSAS 17 when recoding assets for the year end 2022.

## **2. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council addressed the finding that I raised in my 2022 annual report. The finding that I raised was addressed as indicated below;

### **2.1 Unsupported expenditure**

The finding was addressed. The Council provided payment vouchers and expenses for selected expenditure.

## **ZIBAGWE RURAL DISTRICT COUNCIL 2020**

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I have audited the financial statements of Zibagwe Rural District Council for the year ended December 31, 2020 and I have issued a qualified opinion.

### **Qualified Opinion**

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Zibagwe Rural District Council as at December 31, 2020, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Qualified Opinion**

#### **i. Revenue from beer levy**

The Council recognised beer levy revenue on cash basis instead of the accruals basis required by the International Public Sector Accounting Standards (IPSASs) conceptual framework. I was not availed with evidence of beer levy reconciliations or verifications of sales made by commercial brewers and there was no supporting evidence in the form of beer levy schedules which could have been used as the basis in arriving at the remitted amount. I was therefore, not able to determine the extent by which revenue was misstated and any adjustments that could have been necessary.

Below are material issues noted during the audit;

### **1 GOVERNANCE ISSUES**

#### **1.1 PAYE, AIDS levy and NSSA**

##### **Finding**

The Council's business continuity plans were not effective. As a result, when the Council experienced systems challenges and could not remit statutory deductions such as NSSA, PAYE and AIDS levy during the financial year ended December 31, 2020.

##### **Risk / Implication**

Employee may not access their benefits and the Council may be garnished.

##### **Recommendation**

The Council should review its business continuity plans with the view of updating Council processes.

##### **Management response**

**The Council had system challenges and that had since been resolved.**

## **1.2 Policies and procedures manual**

### **Finding**

The Council did not have policies covering risk management, asset management, Information technology and accounting procedures manual. As a result, operational functions of Council were being executed without proper guidelines.

### **Risk / Implication**

Financial loss due to fraud and corruption.

Inconsistencies in the way operations are conducted.

### **Recommendation**

Council should put in place policies and procedures manual.

### **Management response**

**Noted, we will craft the policies.**

## **2 REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Beer levy**

#### **Finding**

The Council did not obtain beer sales schedules from commercial brewers of traditional beer who supply traditional beer in its jurisdiction. This was contrary to section 11 of the Traditional Beer Act [Chapter 14:24], which requires the Council to obtain beer sales schedule of the traditional beer sales made within the local authority's jurisdiction. As a result, Council recognized beer levy revenue on cash basis contrary to International Public Sector Accounting Standards (IPSASs) conceptual framework which requires accruals accounting.

#### **Risk / Implication**

Misstatement of financial statements.

Service delivery may be compromised due to cash flow constraints.

#### **Recommendation**

Council should engage the commercial traditional brewers and obtain actual sales returns.

Beer levy revenue should be recognized on accruals basis to comply with IPSAS conceptual framework.

## **Management response**

**Noted, will reengage the companies; however, our efforts to get the returns from delta beverages did not yield positive results in our last engagement.**

### **3. PROGRESS TOWARDS ADDRESSING PRIOR YEAR AUDIT FINDINGS AND IMPLEMENTATION OF RECOMMENDATIONS**

The Council made progress in addressing the findings that I raised in my 2020 annual report. I raised five (5) audit findings, three (3) were addressed and two (2) were not addressed as indicated below;

#### **3.1 Policies and procedures manual**

The finding was not addressed. Council is yet to put in place procedure manuals.

#### **3.2 Asset register**

The finding was addressed. Council has updated its asset register.

#### **3.3 School development levy**

The finding was addressed. Council now has student enrolment records.

#### **3.4 Beer levy**

The finding was not addressed. The Council is yet to receive commercial brewers returns for beer sales.

#### **3.5 Cash on hand**

The finding was addressed. Variance has been cleared.

## **ZVIMBA RURAL DISTRICT COUNCIL 2022**

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I have audited the financial statements of Zvimba Rural District Council for the year ended December 31, 2022 and I issued an adverse opinion.

### **Adverse Opinion**

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly the financial position of Zvimba Rural District Council as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

### **Basis for Adverse Opinion**

**i. Non-compliance with International Public Sector Accounting Standard (IPSAS) 4 – “The Effects of Changes in Foreign Exchange Rates”.**

Prior year financial statements did not comply with IPSAS 4 - “Effects of Changes in Foreign Exchange Rates”. The opening balances for 2019 financial period were reported as USD and translated to ZWL\$ at the rate of 1:1. The transactions between January 01, 2019 and February 21, 2019 were recorded at the rate of 1:1 in compliance with Statutory Instrument (SI) 33 of 2019. The exchange rates used did not meet the definition of spot exchange rate as defined by IPSAS 4 – “The Effects of Changes in Foreign Exchange Rates” as they were not readily available for use. As a result, the misstatements on the prior years’ statement of financial performance were still carried forward in the current accumulated surplus.

**ii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 10 – “Financial Reporting in Hyperinflationary Economies”.**

The Council applied the requirements of IPSAS 10 – “Financial Reporting in Hyperinflationary Economies, however its application was based on current and prior period financial information which was not in compliance with IPSAS 10 – “Financial Reporting in Hyperinflationary Economies”. Had the correct base numbers been used most elements of the financial statements including monetary gain or loss would have been materially different. The impact of the departure from the requirements of this standard was considered material to the financial statements for the year ended December 31, 2022.

**iii. Non-compliance with International Public Sector Accounting Standard (IPSAS) 29 - “Financial Instruments “.**

The Council did not make an assessment to determine whether there was any objective evidence that its receivables were impaired as required by IPSAS 29 – “Financial Instruments” paragraph 67. As a result, Council did not recognise an allowance for credit losses. Had the Council made an assessment for impairment the receivables balance would have been materially different.

**iv. Incomplete asset register**

Council's infrastructure assets such as road networks, bridges, schools amongst others were not incorporated in the asset register and were not accounted for in the financial statements as required by the International Public Sector Accounting Standard (IPSAS) 17 - "Property Plant Equipment".

In addition, assets such as excavator, loader, staff houses which physically existed and were in use were not included in the asset register. As a result, there was no satisfaction on the completeness, accuracy and valuation of property, plant and equipment reported in the financial statements.

**v. Beer Levy**

During the financial year ended December 31, 2022, Council received beer levy amounting to ZWL\$16.2 million and it was accounted for on a cash basis instead of accruals basis. The Council did not obtain returns from the commercial breweries to support the levy remitted. This was contrary to International Public Sector Accounting Standard (IPSAS) 23 – "Revenue from Non-Exchange Transactions" which requires revenue to be accounted for on accrual basis. I could therefore not ascertain the completeness of the amount disclosed in the financial statements.

**vi. Donations**

The Council received donations in kind in the form of consumables and equipment, however, the donations were not recorded in the Council's records contrary to International Public Sector Accounting Standard (IPSAS) 23 - "Revenue from non-exchange transactions" which requires donations received to be recognized as income.

Below are material issues noted during the audit;

**1. GOVERNANCE ISSUES**

**1.1 Donated assets**

**Finding**

The Council received donations in kind in the form of consumables and equipment, however, the donations were not accounted for in the financial statements as the Council did not maintain donations register. This was contrary to International Public Sector Accounting Standard (IPSAS) 23 - "Revenue from non-exchange transactions" which requires donations received to be recognized as income.

**Risk / Implication**

Misstatement of financial statements.

Donated assets may be misappropriated.

**Recommendation**

Council should maintain donations register to avoid possible omission of donations from financial records.

## **Management response**

**Noted as recommended. The Council is to draft a Donation policy and donation registers will be created detailing donations received from the period of January 2023 going forward.**

## **1.2 Asset register**

### **Finding**

The Council was not maintaining a comprehensive asset register to ensure proper management and control of assets. Council's infrastructure assets such as road networks, bridges, schools amongst others were not incorporated in the asset register and were not accounted for in the financial statements as required by the International Public Sector Accounting Standard (IPSAS) 17 - "Property, Plant and Equipment". In addition, assets such as excavator, loader, staff houses which physically existed and were in use were not included in the asset register.

### **Risk / Implication**

Misstatement of financial statements.

Misappropriation of assets.

### **Recommendation**

The Council should put in place mechanisms to ensure that all assets are captured and the asset register is updated.

## **Management response**

**Noted as recommended. The capturing of the information shall be done when assets are purchased going forward. Additionally, asset counts shall be conducted by departments involved periodically and information updated.**

## **2. REVENUE COLLECTION AND DEBT RECOVERY**

### **2.1 Beer levy**

#### **Finding**

During the financial year ended December 31, 2022, Council received beer levy amounting to ZWL\$16.2 million and it was accounted for on a cash basis instead of accruals basis. This was contrary to International Public Sector Accounting Standard (IPSAS) 23 – "Revenue from Non-Exchange Transactions" which requires revenue to be accounted for on accrual basis. In addition, the Council did not obtain returns from the commercial breweries to support the levy remitted contrary to the Traditional Beer Act [*Chapter 14:24*].

#### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

Beer levy income should be accrued based on beer sales.

The Council should insist that brewers submit sales schedules for the Council to account for beer levy accurately.

### **Management response**

**There is ongoing engagement at Council and national level with Delta to ensure compliance with the provision of the act and we anticipate positive results. In addition, the Council has put measures to craft by-laws for beer distributors and wholesalers as a measure to determine the sales volume. Furthermore, the Council will put in place strategies that includes that beer sales returns are a mandatory condition on license renewal.**

## **2.2 Expected credit losses**

### **Finding**

The Council did not have a comprehensive model for estimating expected credit losses. As a result, the Council did not make an assessment to determine whether there was any objective evidence that its receivables were impaired as required by IPSAS 29 – “Financial Instruments” paragraph 67 and did not recognise an allowance for credit losses.

### **Risk / Implication**

Misstatement of financial statements.

### **Recommendation**

The Council should develop a comprehensive model for estimating expected credit losses that incorporates historical loss data, current conditions, and reasonable forecasts of future economic conditions.

### **Management response**

**We will develop and implement a model for expected credit losses and effect the result on our receivables as recommended.**



## **ANNEXURES**

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ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
	<b>CITY COUNCILS</b>						
1	Bulawayo City Council	2019	The basis of preparation was not clear on the framework used.	-	-	-	-
		2020	The basis of preparation was not clear on the framework used.				
		2021	Accounts submitted and audit in progress				
		2022	Accounts not submitted				
		2023	Accounts not submitted				
2	Gweru City Council	2020	Disclaimer due to non-compliance with IPSAS 10, expenditure, IPSAS 17, cash and cash equivalents, IPSAS 12, IPSAS 23, IPSAS 35, receivables and payables	2019	Adverse due to non-compliance with IPSAS 4, IPSAS 10, IPSAS 17, payables, receivables, expenditure, employment costs, Go Beer investment, cash and cash equivalents, IPSAS 9 and inventories	-	-
		2021	Accounts submitted and audit in progress				
		2022	Accounts submitted and audit in progress				
		2023	Accounts submitted and audit in progress				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
3	Harare City Council	2020	Adverse due to Opening balances, IPSAS 4, IPSAS 34, IPSAS 18, IPSAS17, IPSAS 16, IPSAS 27, IPSAS 12, IPSAS 30, payables, leave pay IPSAS 23, Repairs and maintenance, and IPSAS 20	2019	Disclaimer due to financial statements not supported by underlying accounting records, Non-compliance with IPSAS 34, IPSAS 35, IPSAS 36, IPSAS 37 IPSAS 38, IPSAS 10, IPSAS 4, IPSAS 17, IPSAS 26, IPSAS 16, IPSAS 12, IPSAS 27, prepayments, cash and bank balances, borrowings, deferred grant, revenue, employment costs, general expenses, Impairment loss, IPSAS 20, provisions, contingent liabilities, going concern.	-	-
		2021	Accounts submitted and audit in progress				
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
4	Kadoma City Council	2022	Qualified due to Non-compliance with IPSAS 17 Property, Plant and Equipment, IPSAS 16, IPSAS 1/ 18, IPSAS 18, IPSAS 23	2019	Adverse due to Non-compliance with IPSAS 4, IPSAS 17, IPSAS 12, IPSAS 14	2018	Adverse due to non-compliance with IPSAS 4
		2023	Accounts not submitted	2020	Adverse Opinion 2020 due to Non-compliance with IPSAS 4, IPSAS 17		
				2021	Adverse due to Non-compliance with IPSAS 17 and IPSAS 16		

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
5	Kwekwe City Council	2021	Accounts submitted and audit in progress	2019	Adverse due to Non-compliance with IPSAS 4		
		2022	Accounts submitted and audit in progress				
		2023	Accounts submitted and audit in progress	2020	Adverse due to Non-compliance with IPSAS 4		
6	Masvingo City Council	2022	Adverse due to non-compliance with IPSAS 35, IPSAS 17, IPSAS 12, intangible assets and revenue from non-exchange transactions	2021	Adverse due to non-compliance with IPSAS 17 IPSAS 9, IPSAS 12	2020	Adverse due to non-compliance with IPSAS 4 on opening balances, IPSAS 17, Valuation of construction work-in-progress, transfers from Government and other entities, revenue and Land reserves.
		2023	Accounts submitted and audit in progress				
7	Mutare City Council	2022	Adverse due to IPSAS 35, IPSAS 17 and Income taxes	2021	Adverse due to non-compliance with IPSAS 17, IPSAS 9 unreconciled variance on business licence revenue, Council subsidiary, payables, rental income and beer sales revenue.	2020	Adverse due to non-compliance with IPSAS 4, Consolidation of investment in subsidiary, Assessment of impairment on investment properties, Unreconciled revenue, Stands inventory, Non-compliance with IPSAS 17.
		2023	Accounts submitted and audit in progress				
8	Victoria Falls City Council	2022	Qualified due to IPSAS 17	2021	Qualified opinion due to non-compliance with IPSAS 17	2020	Qualified due to non-compliance with IPSAS 4.
		2023	Accounts submitted and audit in progress				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
	MUNICIPAL COUNCILS						
9	BeitBridge Municipality	2020	Adverse due to non-compliance with IPSAS 4, valuation of property, plant and equipment, inter-fund account balances, IPSAS 10 and receivables	-	-	2019	Adverse due to non-compliance with IPSAS 4.
		2021	Accounts submitted and audit in progress				
		2022	Accounts not submitted				
		2023	Account not submitted				
10	Bindura Municipality	2022	Accounts submitted and audit in progress	2020	Qualified due to non-compliance with IPSAS 4 and cash and cash equivalents.	-	-
		2023	Accounts not submitted	2021	Adverse due to non-compliance with IPSAS 4, IPSAS 17, unreconciled variances on property, plant and equipment, cash and cash equivalents revenue and payroll.		
11	Chegututu Municipality	2022	Adverse due to non-compliance with IPSAS 17, IPSAS 1, Accounting for joint arrangement, IPSAS 18, IPSAS 23.	2021	Adverse due to non-compliance with IPSAS 4, investment in joint ventures, inventories, IPSAS 17, cash and bank balances, and unreconciled variances on payables.	-	-
		2023	Accounts submitted and audit in progress				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
12	Chinhoyi Municipality	2021	Adverse due to IPSAS 35, IPSAS 21, IPSAS 17, Business licence.	2020	Qualified due to non-compliance with IPSAS 4	-	-
		2022	Adverse due to IPSAS 21, IPSAS 35, IPSAS 17 and revenue				
		2023	Accounts not submitted				
13	Chitungwiza Municipality	2020	Disclaimer due to non-compliance with IPSAS 4, IPSAS 3, IPSAS 10, IPSAS 17, accounts payables, revenue, cash and bank balances and inventory	2019	Adverse due to non-compliance with IPSAS 4, IPSAS 17, revenue, inventory and unreconciled variances on payables.	-	-
		2021	Accounts submitted and audit in progress				
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
14	Gwanda Municipality	2020	Adverse due to non-compliance with IAS 21 and IAS 8.	-	-	2016	Qualified due to trade receivables
		2021	Qualified due to opening balances and property, plant and equipment.			2017	Qualified due to trade receivables
		2022	Accounts submitted and audit in progress			2018	Qualified due to trade receivables
		2023	Accounts not submitted			2019	Adverse due to non-compliance with IAS 21 and IAS 8

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
15	Kariba Municipality	2021	Adverse due to Non-compliance with IPSAS 9, IPSAS 17, IPSAS 4, receivables, payables, cash and cash equivalent, expenditure and journal entries	2020	Adverse due to non-compliance with IPSAS 4, IPSAS 9, IPSAS 17, unsupported expenditure, payables, cash and cash equivalents and journal entries.	-	-
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
16	Marondera Municipality	2021	Adverse due to non-compliance with IPSAS 1, IPSAS 18, IPSAS 21, IPSAS 23, IPSAS 4, IPSAS 16, investment in shares	-	-	2019	Adverse due to non-compliance with IPSAS 4.
		2022	Accounts submitted and audit in progress			2020	Qualified due to `non-compliance with IPSAS 4.
		2023	Accounts not submitted				
17	Redcliff Municipality	2022	Qualified due to non-compliance with IPSAS 17	2021	Qualified due to non-compliance with IPSAS 17	2020	Adverse due to non-compliance with IPSAS 4, valuation of property, plant and equipment.
		2023	Accounts submitted and audit in progress				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
TOWN COUNCILS							
18	Chipinge Town Council	2021	Adverse due to non-compliance with IPSAS 4, IPSAS 17, biological assets and IPSAS 23	2020	Qualified due to non-compliance with IPSAS 4, IPSAS 10, IPSAS 17, inventories, revenue, expenditure and payables.	2018	Adverse due to non-compliance with IPSAS 4, Property plant and equipment
		2022	Accounts submitted and audit in progress			2019	Adverse due to non-compliance with IPSAS 4 and property, plant and equipment.
		2023	Accounts not submitted				
19	Chiredzi Town Council	2020	Adverse Opinion due to non - compliance with IPSAS 4, IPSAS 10, Receivables, Revenue, Unsupported expenditure, Property, plant and equipment, Payroll, Cash and cash equivalents, Payables	2019	Adverse due non-compliance with IPSAS 4, IPSAS 10, IPSAS 17, IPSAS 12, revenue and expenditure variances and completeness and accuracy of payables.	-	-
		2021	Accounts submitted and audit in progress				
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				



ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
20	Gokwe Town Council	2022	Adverse due to non-compliance IPSAS 4, revenue, compensation of employees, unsupported expenditure, IPSAS 17, payables, IPSAS 12	2019	Adverse due non-compliance with IPSAS 4, IPSAS 12 inventories, expenditure not supported and absence of a register and investment property.	-	-
		2023	Accounts not submitted	2020	Adverse due non-compliance with IPSAS 4, property, plant and equipment, revenue, receivables, inventories, expenditure and investment property.		
				2021	Adverse due to expenditure not supported, property, plant and equipment, revenue, inventory and investment property.		
21	Karoi Town Council	2020	Adverse due to non-compliance with IPSAS 4, IPSAS 17, IPSAS 12, IPSAS 1/18 and IPSAS 9	2019	Adverse due to non-compliance with IPSAS 4, IPSAS 17 and unallocated deposits.	2018	Adverse due to non-compliance with IPSAS 4
		2021	Accounts submitted and audit in progress				
		2022	Accounts not submitted				
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
22	Mvurwi Town Council	2021	Adverse due to non-compliance with IPSAS 4, business licence, beer levy and receivables	2019	Adverse due to non-compliance with IPSAS 4, IPSAS 10.	-	-
		2022	Accounts submitted and audit in progress	2020	Adverse due to non-compliance with IPSAS 4, IPSAS 10, revenue and property, plant and equipment		
		2023	Accounts not submitted				
23	Norton Town Council	2022	Adverse due to non-compliance with IAS 16, IAS 21, IAS 29, IFRS 9	2021	Adverse due to non-compliance with IAS 21 and IAS 16 property, plant and equipment	2020	Adverse due to non-compliance with IAS 21 and property, plant and equipment valuation.
		2023	Accounts not submitted				
24	Plumtree Town council	2022	Adverse due to non-compliance with IPSAS 9, suspense account, VAT	2020	Adverse due to non-compliance with IPSAS 9, IPSAS 16,	2019	Adverse due to non-compliance with IPSAS 4, completeness, existence and valuation of receivables, suspense account, revenue recognition of stands sales, completeness of revenue.
		2023	Accounts submitted and audit in progress	2021	Adverse due to non-compliance with IPSAS 9 revenue from exchange transaction, suspense account		
25	Rusape Town Council	2021	Qualified due to non-compliance with IPASA 4, IPSAS 3, IPSAS 10, IPSAS 17 and IPSAS 16	-	-	2020	Qualified due to non-compliance with IPSAS 4
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
26	Shurugwi Town Council	2022	Adverse due to Non-compliance with IPSAS 10, IPSAS 9, IPSAS 23 and expenditure.	2021	Adverse due to non-compliance with IPSAS 10, Revenue, land, payroll, unsupported expenditure, revenue inaccuracy and unreconciled variances on payroll and cash and cash equivalents.	2020	Adverse due to non-compliance with IPSAS 10, revenue, payroll, expenditure, property, plant and equipment and cash and cash equivalents.
		2023	Accounts not submitted				
27	Zvishavane Town Council	2022	Adverse due to non-compliance with IPSAS 4, IPSAS 9, IPSAS 23, Inventory, IPSAS 1, IPSAS 18	2020	Adverse due to non-compliance with IPSAS 10, IPSAS 3	-	-
		2023	Accounts submitted and audit in progress	2021	Adverse due to non-compliance with IPSAS 4, IPSAS 10, inventory, property, plant and equipment		
LOCAL BOARDS							
28	Chirundu Local Board	2021	Adverse due to non-compliance with IPSAS 4, IPSAS 10, IPSAS 17 and IPSAS 29	2020	Adverse due to non-compliance with IPSAS 4	2019	Adverse due to non-compliance with IPSAS 4
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
29	Epworth Local Board	2021	Adverse due to non-compliance with IAS 21, IAS 29 and IAS 16	-	-	-	-
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
30	Hwange Local Board	2019	Disclaimer due to non-compliance with IPSAS 4, IPSAS 10, IPSAS 1, cash and bank balances, expenditure, payables, property, plant and equipment, receivables and revenue, inventory	2017	Disclaimer due to property, plant equipment, cash and cash, receivables, payables revenue and expenses	-	-
		2020	Accounts submitted and audit in progress	2018	Disclaimer due to cash and cash equivalents, receivable, property, plant and equipment and inventory		
		2021	Accounts not submitted				
		2022	Accounts not submitted				
		2023	Accounts not submitted				
31	Lupane Local Board	2020	Disclaimer due to non-compliance with IPSAS 23, completeness of deferred income, completeness and impairment of receivables, completeness and existence of property, plant and equipment	-	-	-	-
		2021	Disclaimer due to non-compliance with IPSAS 17, completeness, accuracy and existence of payables, receivables				
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
32	Ruwa Local Board	2022	Accounts submitted and audit in progress	2021	Unmodified	-	-
		2023	Accounts submitted and audit in progress				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
RURAL DISTRICT COUNCIL							
33	Beitbridge Rural District Council	2021	Adverse due to non-compliance with IAS 21, IAS 16, revenue and receivables and IFRS 9	2020	Adverse due to non-compliance with IAS 21, IAS 16, asset register, revenue and receivables	-	-
		2022	Accounts not submitted				
		2023	Accounts not submitted				
34	Bikita Rural District Council	2022	Adverse due to non-compliance with IPSAS 10	2021	Adverse opinion due to non-compliance with IPSAS 4 and IPSAS 10-	2020	Adverse due to non-compliance with IPSAS 4
		2023	Accounts not submitted				
35	Bindura Rural District Council	2022	Qualified due to non-compliance with IPSAS 17, IPSAS 9, IPSAS 23, IPSAS 12	2021	Qualified due to non-compliance with IPSAS 17	2020	Adverse due to opening balances, valuation of property, plant and equipment and allowance for credit losses
		2023	Accounts not submitted				
36	Binga Rural District Council	2022	Qualified due to non-compliance with IAS 21, IAS 29, completeness of receivables.	2021	Qualified due to non-compliance with IAS 21	2020	Adverse due to non-compliance with IAS 21 on opening balances and property, plant and equipment valuation.
		2023	Accounts not submitted				
37	Bubi	2020	Adverse due to IPSAS 4, IPSAS 10, IPSAS 17 and IPSAS 12, IPSAS 18, inventory	2018	Adverse due to IPSAS 4, expenditure, inventories, cash and cash equivalents, payables	-	-
		2021	Adverse due to IPSAS 4, IPSAS 10, IPSAS 17 and IPSA 12	2019	Adverse due to IPSAS 4, revenue from exchange transactions, expenditure, payable, payroll, revenue		
		2022	Accounts not submitted				
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
38	Buhera Rural District Council	2022	Qualified due to recognition of revenue, Non-compliance with IFRS 9, IAS 16	2021	Qualified due non-compliance with IAS 8 and IAS 21, IAS 29, property, plant and equipment	2020	Adverse due to non-compliance with IAS 21 on opening balances, valuation of property, plant and equipment, cash and cash equivalents and unreconciled receivable balances.
		2023	Accounts submitted and audit in progress				
39	Bulilima Rural District Council	2021	Adverse due to Non- compliance with IAS 21, IAS 16 and IAS 36	2020	Adverse due non-compliance with IAS 41, IAS 8, IAS 21 and IAS 29	-	-
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
40	Chaminuka Rural District Council	2022	Adverse due to non-compliance with IPSAS 4, IPSAS 3, IPSAS 17	2021	Adverse due to non-compliance with IPSAS 4 and IPSAS 17.	2020	Adverse due to non – compliance with IPSAS 4
		2023	Accounts submitted and audit in progress				
41	Chegututu Rural District Council	2022	Qualified due to non-compliance with IPSAS 4, IPSAS 29 and IPSAS 10	2021	Adverse due to non-compliance with IPSAS 4	2020	Adverse due to non – compliance with IPSAS 4
		2023	Accounts not submitted				
42	Chikomba Rural District Council	2022	Qualified due to non-Compliance with IAS 16	2021	Adverse due non-compliance with IAS 8, IAS 21 and IAS 29	2020	Adverse due to non – compliance with IPSAS 4
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
43	Chipinge Rural District Council	2022	Adverse due to IPSAS 4, IPSAS 17, IPSAS 16.	2018	Adverse due to non-compliance with IPSAS 4, IPSAS 17, IPSAS 12, revenue, unsupported amount in statement of net assets.	-	-
		2023	Accounts not submitted	2019	Adverse due to non-compliance with IPSAS 4, IPSAS 17, IPSAS 12, revenue, unsupported amount in statement of net assets.		
				2020	Adverse due to non-compliance with IPSAS 4, IPSAS 17, IPSAS 12, revenue, unsupported amount in statement of net assets.		
				2021	Adverse due to non-compliance with IPSAS 4, IPSAS 17 property, plant and equipment		
44	Chimanimani Rural District Council	2022	Adverse due to non-compliance with IAS 21, Revenue	2021	Adverse due to non-compliance with IAS 21, IFRS 15, IAS 16, IAS 2, biological assets, inventories		
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
45	Chiredzi Rural District Council	2021	Adverse due to non-compliance with IPSAS 4, land and buildings and IPSAS 29	2020	Adverse due to non-compliance with IPSAS 4, IPSAS 17 and IPSAS 41	-	-
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
46	Chirumanzi Rural District Council	2021	Accounts submitted and audit in progress	2020	Qualified due non-compliance with IAS 8 and IAS 21, property, plant and equipment, impairment	-	-
		2022	Accounts not submitted				
		2023	Accounts not submitted				
47	Chivi Rural District Council	2022	Adverse due to non-compliance with IAS 21, IAS 8, property, plant and equipment, revenue, IFRS 9	2021	Adverse due to non-compliance with IAS 21	2020	Adverse due to non-compliance with IAS 21
		2023	Accounts not submitted				
48	Gokwe North Rural District Council	2022	Adverse due to IAS 21, IAS 16, completeness of revenue	2021	Qualified due to non-compliance with IAS 21, receivables and IAS 16	2020	Adverse
		2023	Accounts not submitted				
49	Gokwe South Rural District Council	2022	Adverse due to non-compliance with IAS 21, IAS 8, IAS 16, IFRS 9	2021	Adverse due non-compliance with IAS 8, IAS 21, IAS 16, IAS 36, IAS 29 and IFRS 9	2020	Qualified
		2023	Accounts not submitted				



ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
50	Goromonzi Rural District Council	2022	Unmodified	2021	Qualified due to non-compliance with IPSAS 17	2020	Adverse due to non-compliance with IAS 16 and IAS 21
		2023	Accounts submitted and audit in progress				
51	Guruve Rural District Council	2020	Adverse due to non-compliance with IAS 21, IAS 8, IAS 29 and IFRS 13			-	-
		2021	Qualified due to non-compliance with IAS 16, IAS 36 and IFRS 9				
		2022	Accounts not submitted				
		2023	Accounts not submitted				
52	Gutu Rural District Council	2022	Qualified due to IPSAS 4, IPSAS 17, IPSAS 12, IPSAS 23, IPSAS 41, IPSAS 10	2021	Qualified due to non-compliance with IPSAS 4	-	-
		2023	Accounts not submitted				
53	Gwanda Rural District Council	2021	Qualified due to non-compliance with IPSAS 4 and IPSAS 17	-	-	2020	Adverse due to IPSAS 4, property, plant and equipment and biological assets
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
54	Hurungwe Rural District Council	2022	Qualified due to non-compliance with IPSAS 21, IPSAS 12	-	-	2020	Adverse due to non-compliance with IPSAS 4, IPSAS 17 and IPSAS 27 biological assets valuation
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
55	Hwange Rural District Council	2019	Accounts submitted and audit in progress	2017	Qualified due to non-compliance with IPSAS 17, payables, general expenses.	-	-
		2020	Accounts submitted and audit in progress				
		2021	Accounts submitted and audit in progress	2018	Adverse due to non-compliance with IPSAS 17, cash and cash equivalents, revenue, payables, expenditure		
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
56	Hwedza Rural District Council	2022	Qualified due to non-compliance with IAS 21	2021	Qualified due to non-compliance with IAS 21	-	-
		2023	Accounts not submitted				
57	Insiza Rural District Council	2020	Adverse due to non-compliance with IAS 21, IAS 8, IAS 16, IFRS 9, IAS 41, receivables	2019	Adverse due to non-compliance with IAS 21, IAS 16, IFRS 16, biological assets and intangible assets	-	-
		2021	Qualified due to non-compliance with IAS 21, IAS 8, opening balances.				
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
58	Kusile Rural District Council	2019	Disclaimer due to non-compliance with IPSAS 4, IPSAS 10, IPSAS 10, IPSAS 12, IPSAS 17, payables, revenue, cash and bank, receivables, employment costs	2018	Disclaimer due to non-compliance with IPSAS 4, IPSAS 17, revenue, cash and cash equivalents, receivables, inventories, unsupported payables and expenditure	-	-
		2020	Accounts not submitted				
		2021	Accounts not submitted				
		2022	Accounts not submitted				
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
59	Makonde Rural District Council	2020	Adverse due to opening balances, IPSAS 4, IPSAS 3, IPSAS 29, suspense and IPSAS 21, IPSAS 27	-	-	2019	Adverse due to non-compliance with IPSAS 4
		2021	Accounts submitted and audit in progress				
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
60	Makoni Rural District Council	2022	Qualified due to non-compliance with IAS 16	2021	Adverse due to non-compliance with IAS 21 and IAS 29	-	-
		2023	Accounts not submitted				
61	Mangwe Rural District Council	2020	Adverse due to non-compliance with IAS 21, IAS 8, IAS 29, IFRS 9, IFRS 13, IAS 40	2019	Adverse due to non-compliance with IAS 8, IAS 21, IAS 29, property, plant and equipment, IAS 40, IFRS 9 and IAS 41	-	-
		2021	Accounts submitted and audit in progress				
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
62	Manyame Rural District Council	2022	Adverse due to non-compliance with IAS 21, IAS 29, IAS 16	2021	Qualified due to non-compliance with IAS 21	-	-
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
63	Marondera Rural District Council	2022	Unmodified	2021	Qualified due to non-compliance with IPSAS 17	2020	Qualified due to non-compliance with IAS 21
		2023	Accounts not submitted				
64	Masvingo Rural District Council	2022	Adverse due to non-compliance with IAS 21, IAS 29, revenue and trade receivables, IFRS 9, IAS 20, valuation of property plant and equipment.	2021	Qualified due to non-compliance with IAS 21	2020	Adverse due to non-compliance with IAS 21
		2023	Accounts submitted and audit in progress				
65	Matobo Rural District Council	2022	Adverse due to non-compliance with IPSAS 4	2021	Adverse due to non-compliance with IPSAS 4 and IPSAS 17	2020	Adverse due to non-compliance with IAS 21, valuation of property, plant and equipment and inventory
		2023	Accounts submitted and audit in progress				
66	Mazowe Rural District Council	2022	Adverse due to non-compliance with IPSAS 17 and revenue	2020	Adverse due to non-compliance with IAS 21, IAS 16, revenue, stands and unreconciled inter fund balances.	2018	Adverse due to non-compliance with IPSAS 4, investment property and suspense account.
		2023	Accounts not submitted	2021	Disclaimer due to non-compliance with IPSAS 16, revenue, stand register	2019	Adverse due to non-compliance with IPSAS 4 on opening balances
						2020	Adverse due to non-compliance with IPSAS 4
67	Mberengwa Rural District Council	2021	Adverse due to prior year balances, revenue, receivables	-	-	2020	Adverse due to non-compliance with IPSAS 4
		2022	Accounts not submitted				
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
68	Mbire Rural District Council	2021	Qualified due to non-compliance in IFRS 9, unsupported journal entries.	2019	Adverse due incomplete records following system crash, non-compliance with IAS 8, IAS 16, IAS 29	-	-
		2022	Qualified due to non-compliance with IAS 21, IFRS 9, Billing, IFRS 15	2020	Qualified due non-compliance with IAS 21, IAS 8, IFRS 9, lease income		
		2023	Accounts not submitted				
69	Mhondoro-Ngezi Rural District Council	2020	Adverse due to IPSAS 4, IPSAS 3, IPSAS 17, IPSAS 12, IPSAS 27, Expenditure and Revenue	-	-	-	-
		2021	Adverse due to IPSAS 4, IPSAS 17, IPSAS 12, IPSAS 27 and Expenditure, Revenue, Cash				
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
70	Mudzi Rural District Council	2020	Adverse due to non-compliance with IAS 21, IAS 8, IFRS 9, property, plant and equipment and payables	-	-	2019	Adverse due to non-compliance with IPSAS 4, property, plant and equipment, land stock and Agriculture
		2021	Adverse due to non-compliance with IAS 16, IFRS 9, receivables and payables, IAS 36				
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
71	Murewa Rural District Council	2022	Qualified due to IPSAS 17, Conceptual framework, IPSAS 35, IPSAS 16	2021	Qualified due to non-compliance with IPSAS 17	-	-
		2023	Accounts not submitted				
72	Mutare Rural District Council	2021	Qualified due to non-compliance with IPSAS 16, IPSAS 17, IPSAS 31, IPSAS 29.	2020	Adverse due non-compliance with IPSAS 3, IPSAS 4, IPSAS 10, IPSAS 13, IPSAS 17 and IPSAS 23		
		2022	Qualified due to non-compliance with IPSAS 9, IPSAS 17, IPSAS 31, IPSAS 29.				
		2023	Accounts submitted and audit in progress				
73	Mutasa Rural District Council	2022	Adverse due to unallocated receipts, non-compliance with IAS 16, IFRS 9, cash and cash	2020	Adverse due non-compliance with IAS 21, IAS 16, IAS 29 and IFRS 9	-	-
		2023	Accounts submitted and audit in progress	2021	Disclaimer due unverified year end journals, foreign currency receipts, non-compliance with IAS 16, IFRS 13, cash and cash equivalents, allowances for credit losses		
74	Mutoko Rural District Council	2022	Adverse opinion due to non-compliance with IAS 21, inventories, beer levy.	2021	Adverse due to non-compliance with IAS 21	-	-
		2023	Accounts submitted and audit in progress				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
75	Muzarabani Rural District Council	2021	Adverse due to non-compliance with IPSAS 4, stands re-possession.	-	-	2020	Adverse due to non-compliance with IPSAS 4
		2022	Qualified due to IPSAS 4 and IPSAS 10				
		2023	Accounts not submitted				
76	Mwenezi Rural District Council	2020	Adverse due to non-compliance with IPSAS 4, receivables, donations, payables, non-exchange receivables, Inventories, cash and cash equivalents	-	-	2019	Adverse due to non-compliance with IPSAS 4, opening balances
		2021	Accounts submitted and audit in progress				
		2022	Accounts not submitted				
		2023	Accounts not submitted				
77	Nkayi Rural District Council	2022	Qualified due to completeness of revenue	2021	Adverse due to IAS 21, IFRS 13, IAS 16	2020	Adverse due to non-compliance with IAS 21 and property, plant and equipment valuation
		2023	Accounts not submitted				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
78	Nyaminyami Rural District Council	2020	Disclaimer due to non-compliance to IPSAS 4, IPSAS 3, IPSAS 10, adjustments in the statement of changes in net assets, IPSAS 18, IPSAS 17, inventory, revenue, expenditure not supported, compensation of employees, provision and contingencies	2016 & 2017	Adverse due to non-compliance with IPSAS 17, land stock, employment cost, revenue, payables, expenditure, and IPSAS 9	2015	Qualified due to non-compliance with IPSAS 4 and property, plant and equipment
		2021	Accounts submitted and audit in progress	2018 & 2019	Disclaimer due to non-compliance with IPSAS 4, IPSAS 10, net assets, IPSAS 17, IPSAS 9, revenue, land stock and inventory, employment benefits, payables, receivables, expenditure not supported, cash and cash equivalent and segment reporting		
		2022	Accounts not submitted				
		2023	Accounts not submitted				
79	Nyanga Rural District Council	2021	Adverse with non-compliance with IPSAS 17, IPSAS 23, Inter-funds, Inventories	2019	Adverse due to non-compliance with IPSAS 4, IPSAS 17, inventories, revenue and inter funds.	-	-
		2022	Accounts submitted and audit in progress	2020	Adverse due to non-compliance with IPSAS 4, IPSAS 17, inventories, revenue from mining claims and inter funds.		
		2023	Accounts not submitted				



ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
80	Pfura Rural District Council	2021	Adverse due to non-compliance with IPSAS 29, IPSAS 4, IPSAS 17, IPSAS 21, IPSAS 12	2020	Adverse due to non-compliance with IPSAS 4, IPSAS 12 and IPSAS 17	-	-
		2022	Accounts submitted and audit in progress				
		2023	Accounts not submitted				
81	Runde Rural District Council	2022	Adverse due to Stands inventory and incompleteness of revenue	2021	Adverse due to non-compliance with IAS 29, IAS 21, IAS 8	2020	Adverse due to non-compliance with IAS 29, IAS 21, IAS 8, valuation of property, plant and equipment, unsupported transactions
		2023	Accounts not submitted				
82	Rushinga Rural District Council	2022	Qualified due to non-compliance with IAS 37 and IAS 1, IAS 16, IFRS 9, IFRS 15	2020	Adverse due to non-compliance with IAS 21, IAS 29, IAS 16, receivables, IFRS 9, revenue, opening balances.	2019	Adverse due to non-compliance with IAS 29 and IAS 21
		2023	Accounts not submitted	2021	Qualified due to non-compliance with IAS 16, unverified journal entries, IFRS 9		
83	Sanyati Rural District Council	2022	Qualified Opinion due to non-compliance with IPSAS 17, IPSAS 21, IPSAS 1 and IPSAS 18	2020	Adverse due to non-compliance with IPSAS 4 and IPSAS 17	2019	Adverse due to non-compliance with IPSAS 4 Effects of foreign exchange rates.
		2023	Accounts not submitted	2021	Qualified due to non-compliance with IPSAS 17		

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
84	Tongogara Rural District Council	2021	Qualified due to non-compliance with IPSAS 4, unsupported expenditure, unsubstantiated receivables	2020	Qualified due to non-compliance with IPSAS 4 and unsupported expenditure.	-	-
		2022 2023	Accounts not submitted Accounts not submitted				
85	Tsholotsho Rural District Council	2020	Adverse due to non-compliance with IPSAS 4, IPSAS 3, billing, IPSAS 17, IPSAS 16, IPSAS 29	2019	Adverse due to non-compliance with IPSAS 3, IPSAS 4, IPSAS 10, IPSAS 17, income, IPSAS 41 and significant year end journals, IPSAS 16, employment costs, IPSAS 19.	-	-
		2021	Accounts submitted and audit in progress				
		2022 2023	Accounts not submitted Accounts not submitted				
86	Umguzo Rural District Council	2020	Adverse due to non-compliance with IPSAS 4, IPSAS 10, property, plant and equipment, beer levy, stand sales, lease income inventory, payroll, expenditure not supported and cash and bank	2019	Adverse due to non-compliance with IPSAS 4, IPSAS 10, IPSAS 17, unsupported expenditure and revenue.	-	-
		2021	Accounts submitted and audit in progress				
		2022 2023	Accounts not submitted Accounts not submitted				
87	UMP (Zvataida) Rural District Council	2022	Qualified due to non-compliance with IAS 21, IAS 8, IAS 16	2021	Adverse due to non-compliance with IAS 21	-	-
		2023	Accounts submitted and audit in progress				

ANNEXURE "A": LOCAL AUTHORITIES AUDIT OPINIONS PER ENTITY							
	LOCAL AUTHORITY	FY	Opinion issued	FY	Opinion issued	FY	Opinion issued
		2023 AG Report		2022 AG Report		2021 AG Report	
88	Umzingwane Rural District Council	2021 2022 2023	Adverse due to non-compliance with IAS 29 Accounts submitted and audit in progress Accounts not submitted	2020	Adverse due to non-compliance with IAS 21 and IAS 29	-	-
89	Vungu Rural District Council	2020  2021 2022 2023	Accounts submitted and audit in progress  Accounts not submitted Accounts not submitted Accounts not submitted	-	-	-	-
90	Zaka Rural District Council	2021  2022 2023	Adverse due to non-compliance with IPSAS 4 and IPSAS 17  Accounts not submitted Accounts not submitted	-	-	2018 2019 2020	Adverse due to non-compliance with IPSAS 4 Adverse due to non-compliance with IPSAS 4 Adverse due to non-compliance with IPSAS 4
91	Zibagwe Rural District Council	2020  2021 2022 2023	Qualified due to revenue from beer levy  Accounts submitted and audit in progress Accounts not submitted Accounts not submitted	-	-	2018  2019	Adverse due to non-compliance with IPSAS 4  Adverse due to non-compliance with IPSAS 4
92	Zvimba Rural District Council	2022  2023	Adverse due to non-compliance with IPSAS 4, IPSAS 10, IPSAS 29 Financial instruments, Incomplete asset register, Beer Levy, Donations Accounts not submitted	2021	Adverse due to non-compliance with IPSAS 4	2020	Adverse due to non-compliance with IPSAS 4

## ANNEXURE “B” AUDITS IN PROGRESS AND BEING FINALISED

AUDITS IN PROGRESS AND BEING FINALISED AS AT MAY 31, 2024		
	CITY COUNCIL	YEAR
1.	Bulawayo City Council	2021
2.	Harare City Council	2021, 2022
3.	Gweru City Council	2021, 2022 & 2023
4.	Kwekwe City Council	2021, 2022 & 2023
5.	Masvingo City Council	2023
6.	Mutare City Council	2023
7.	Victoria Falls City Council	2023
<b>MUNICIPAL COUNCILS</b>		
8.	BeitBridge Municipality	2021
9.	Bindura Municipality	2022
10.	Chegutu Municipality	2023
11.	Chitungwiza Municipality	2021 & 2022
12.	Gwanda Municipality	2022
13.	Kariba Municipality	2022
14.	Marondera Municipality	2022
15.	Redcliff Municipality	2023
<b>TOWN COUNCIL</b>		
16.	Chipingwe Town Council	2022
17.	Chiredzi Town Council	2021 & 2022
18.	Karoi Town Council	2021
19.	Mvurwi Town Council	2022
20.	Plumtree Town Council	2023
21.	Rusape Town Council	2022
22.	Zvishavane Town Council	2023
<b>LOCAL BOARD</b>		
23.	Chirundu Local Board	2022
24.	Epworth Local Board	2022
25.	Hwange Local Board	2020
26.	Lupane Local Board	2022
27.	Ruwa Local Board	2022 & 2023
<b>RURAL DISTRICT COUNCIL</b>		
28.	Buhera Rural District Council	2023
29.	Bulilima Rural District Council	2022
30.	Chaminuka Rural District Council	2023
31.	Chiredzi Rural District Council	2022
32.	Chirumanzi Rural District Council	2021
33.	Goromonzi Rural District Council	2023
34.	Gwanda Rural District Council	2022
35.	Hwange Rural District Council	2019, 2020, 2021 & 2022
36.	Insiza Rural District Council	2022
37.	Makonde Rural District Council	2021 & 2022
38.	Makoni Rural District Council	2022
39.	Mangwe Rural District Council	2021 & 2022
40.	Masvingo Rural District Council	2023
41.	Matobo Rural District Council	2023
42.	Mhondoro-Ngezi Rural District Council	2022
43.	Mudzi Rural District Council	2022
44.	Mutare Rural District Council	2023
45.	Mutasa Rural District Council	2023
46.	Mutoko Rural District Council	2023
47.	Mwenezi Rural District Council	2021

AUDITS IN PROGRESS AND BEING FINALISED AS AT MAY 31, 2024		
48.	Nyanga Rural District Council	2022
49.	Nyaminyami Rural District Council	2021
50.	Pfura Rural District Council	2022
51.	Tsholotsho Rural District Council	2021
52.	Umguzza Rural District Council	2021
53.	UMP (Zvataida) Rural District Council	2023
54.	Umzingwane Rural District Council	2022
55.	Vungu Rural District Council	2020
56.	Zibagwe Rural District Council	2021

**ANNEXURE “C”: AUDITS AT SIGNING STAGE**

<b>AUDITS AT SIGNING STAGE AS AT MAY 31, 2024</b>		
	<b>CITY COUNCILS</b>	
	<b>MUNICIPAL COUNCILS</b>	
1.	Chegutu Municipality	2022
2.	Marondera Municipality	2021
	<b>TOWN COUNCILS</b>	
3.	Zvishavane Town Council	2022
	<b>RURAL DISTRICT COUNCIL</b>	
4.	Gutu Rural District Council	2022

# ANNEXURE “D”: ACCOUNTS NOT SUBMITTED FOR AUDIT

ACCOUNTS NOT YET SUBMITTED FOR AUDIT AS AT MAY 31, 2024		
	LOCAL AUTHORITY	YEAR
	<b>CITY COUNCILS</b>	
1.	Bulawayo City Council	2022 & 2023
2.	Harare City Council	2023
3.	Kadoma City Council	2023
	<b>MUNICIPAL COUNCILS</b>	
4.	BeitBridge Municipality	2022 & 2023
5.	Bindura Municipality	2023
6.	Chinhoyi Municipality	2023
7.	Chitungwiza Municipality	2023
8.	Gwanda Municipality	2023
9.	Kariba Municipality	2023
10.	Marondera Municipality	2023
	<b>TOWN COUNCILS</b>	
11.	Chipinga Town Council	2023
12.	Chiredzi Town Council	2023
13.	Gokwe Town Council	2023
14.	Karoi Town Council	2022 & 2023
15.	Mvurwi Town Council	2023
16.	Shurugwi Town Council	2023
17.	Rusape Town Council	2023
18.	Norton Town Council	2023
	<b>LOCAL BOARDS</b>	
19.	Chirundu Local Board	2023
20.	Epworth Local Board	2023
21.	Hwange Local Board	2021, 2022 & 2023
22.	Lupane Local Board	2023
	<b>RURAL DISTRICT COUNCIL</b>	
23.	Beitbridge Rural District Council	2022 & 2023
24.	Bikita Rural District Council	2023
25.	Bindura Rural District Council	2023
26.	Binga Rural District Council	2023
27.	Bubi Rural District Council	2022 & 2023
28.	Bulilima Rural District Council	2023
29.	Chegutu Rural District Council	2023
30.	Chikomba Rural District Council	2023
31.	Chimanimani Rural District Council	2023
32.	Chipinga Rural District Council	2023
33.	Chiredzi Rural District Council	2023
34.	Chirumanzi Rural District Council	2022 & 2023
35.	Chivi Rural District Council	2023
36.	Gokwe North District Council	2023
37.	Gokwe South District Council	2023

ACCOUNTS NOT YET SUBMITTED FOR AUDIT AS AT MAY 31, 2024		
38.	Guruve Rural District Council	2022 & 2023
39.	Gutu Rural District Council	2023
40.	Gwanda Rural District Council	2023
41.	Hurungwe Rural District Council	2023
42.	Hwange Rural District Council	2023
43.	Hwedza Rural District Council	2023
44.	Insiza Rural District Council	2023
45.	Kusile Rural District Council	2020, 2021, 2022 & 2023
46.	Makonde Rural District Council	2023
47.	Makoni Rural District Council	2023
48.	Mangwe Rural District Council	2023
49.	Manyame Rural District Council	2023
50.	Marondera Rural District Council	2023
51.	Mazowe Rural District Council	2023
52.	Mberengwa Rural District Council	2022 & 2023
53.	Mbire Rural District Council	2023
54.	Mhondoro-Ngezi Rural District Council	2023
55.	Mudzi Rural District Council	2023
56.	Murewa Rural District Council	2023
57.	Muzarabani Rural District Council	2023
58.	Mwenezi Rural District Council	2022 & 2023
59.	Nkayi Rural District Council	2023
60.	Nyaminyami Rural District Council	2022 & 2023
61.	Nyanga Rural District Council	2023
62.	Pfura Rural District Council	2023
63.	Runde Rural District Council	2023
64.	Rushinga Rural District Council	2023
65.	Sanyati Rural District Council	2023
66.	Tongogara Rural District Council	2022 & 2023
67.	Tsholotsho Rural District Council	2022 & 2023
68.	Umguza Rural District Council	2022 & 2023
69.	Umzingwane Rural District Council	2023
70.	Vungu Rural District Council	2021, 2022 & 2023
71.	Zaka Rural District Council	2022 & 2023
72.	Zibagwe Rural District Council	2022 & 2023
73.	Zvimba Rural District Council	2023



# ANNEXURE "E" SUBMISSION OF FINANCIAL STATEMENTS STATUS OF EACH LOCAL AUTHORITY 2018 - 2023

## Key

√ - The financial statements have been submitted and the entity is up to date.

× - The financial statements have not been submitted and the entity is in arrears for the years indicated in Annexure D

SUBMISSION OF FINANCIAL STATEMENTS STATUS FOR THE YEAR ENDED DECEMBER 31,							
	LOCAL AUTHORITY	2023	2022	2021	2020	2019	2018
<b>CITY COUNCILS</b>							
1	Bulawayo City Council	×	×	√	√	√	√
2	Harare City Council	×	√	√	√	√	√
3	Gweru City Council	√	√	√	√	√	√
4	Kadoma City Council	×	√	√	√	√	√
5	Kwekwe City Council	√	√	√	√	√	√
6	Masvingo City Council	√	√	√	√	√	√
7	Mutare City Council	√	√	√	√	√	√
8	Victoria Falls City Council	√	√	√	√	√	√
<b>MUNICIPAL COUNCILS</b>							
9	BeitBridge Municipality	×	×	√	√	√	√
10	Bindura Municipality	×	√	√	√	√	√
11	Chegutu Municipality	√	√	√	√	√	√
12	Chinhoyi Municipality	×	√	√	√	√	√
13	Chitungwiza Municipality	×	√	√	√	√	√
14	Gwanda Municipality	×	√	√	√	√	√
15	Kariba Municipality	×	√	√	√	√	√
16	Marondera Municipality	×	√	√	√	√	√
17	Redcliff Municipality	√	√	√	√	√	√
<b>TOWN COUNCILS</b>							
18	Chipinge Town Council	×	√	√	√	√	√
19	Chiredzi Town Council	×	√	√	√	√	√
20	Gokwe Town Council	×	√	√	√	√	√
21	Karoi Town Council	×	×	√	√	√	√
22	Mvurwi Town Council	×	√	√	√	√	√
23	Shurugwi Town Council	×	√	√	√	√	√
24	Zvishavane Town Council	√	√	√	√	√	√
25	Plumtree Town council	√	√	√	√	√	√
26	Rusape Town Council	×	√	√	√	√	√
27	Norton Town Council	×	√	√	√	√	√
<b>LOCAL BOARDS</b>							
28	Chirundu Local Board	×	√	√	√	√	√
29	Epworth Local Board	×	√	√	√	√	√
30	Hwange Local Board	×	×	×	√	√	√
31	Lupane Local Board	×	√	√	√	√	√
32	Ruwa Local Board	√	√	√	√	√	√

ANNEXURE "E" SUBMISSION OF FINANCIAL STATEMENTS STATUS OF LOCAL AUTHORITIES FOR THE YEAR ENDED DECEMBER 31							
	LOCAL AUTHORITY	2023	2022	2021	2020	2019	2018
<b>RURAL DISTRICT COUNCIL</b>							
33	Beitbridge Rural District Council	×	×	√	√	√	√
34	Bikita Rural District Council	×	√	√	√	√	√
35	Bindura Rural District Council	×	√	√	√	√	√
36	Binga Rural District Council	×	√	√	√	√	√
37	Bubi Rural District Council	×	×	√	√	√	√
38	Buhera Rural District Council	√	√	√	√	√	√
39	Bulilima Rural District Council	×	√	√	√	√	√
40	Chaminuka Rural District Council	√	√	√	√	√	√
41	Chegutu Rural District Council	×	√	√	√	√	√
42	Chikomba Rural District Council	×	√	√	√	√	√
43	Chimanimani Rural District Council	×	√	√	√	√	√
44	Chipingwe Rural District Council	×	√	√	√	√	√
45	Chiredzi Rural District Council	×	√	√	√	√	√
46	Chirumanzi Rural District Council	×	×	√	√	√	√
47	Chivi Rural District Council	×	√	√	√	√	√
48	Gokwe North Rural District Council	×	√	√	√	√	√
49	Gokwe South Rural District Council	×	√	√	√	√	√
50	Goromonzi Rural District Council	√	√	√	√	√	√
51	Guruve Rural District Council	×	×	√	√	√	√
52	Gutu Rural District Council	×	√	√	√	√	√
53	Gwanda Rural District Council	×	√	√	√	√	√
54	Hurungwe Rural District Council	×	√	√	√	√	√
55	Hwange Rural District Council	×	√	√	√	√	√
56	Hwedza Rural District Council	×	√	√	√	√	√
57	Insiza Rural District Council	×	√	√	√	√	√
58	Kusile Rural District Council	×	×	×	×	√	√
59	Makonde Rural District Council	×	√	√	√	√	√
60	Makoni Rural District Council	×	√	√	√	√	√
61	Mangwe Rural District Council	×	√	√	√	√	√
62	Manyame Rural District Council	×	√	√	√	√	√
63	Marondera Rural District Council	×	√	√	√	√	√
64	Masvingo Rural District Council	√	√	√	√	√	√
65	Matobo Rural District Council	√	√	√	√	√	√
66	Mazowe Rural District Council	×	√	√	√	√	√
67	Mberengwa Rural District Council	×	×	√	√	√	√
68	Mbire Rural District Council	×	√	√	√	√	√
69	Mhondoro-Ngezi Rural District Council	×	√	√	√	√	√
70	Mudzi Rural District Council	×	√	√	√	√	√
71	Murewa Rural District Council	×	√	√	√	√	√
72	Mutare Rural District Council	√	√	√	√	√	√

ANNEXURE "E" SUBMISSION OF FINANCIAL STATEMENTS STATUS OF LOCAL AUTHORITIES FOR THE YEAR ENDED DECEMBER 31							
	LOCAL AUTHORITY	2023	2022	2021	2020	2019	2018
73	Mutasa Rural District Council	√	√	√	√	√	√
74	Mutoko Rural District Council	√	√	√	√	√	√
75	Muzarabani Rural District Council	×	√	√	√	√	√
76	Mwenezi Rural District Council	×	×	√	√	√	√
77	Nkayi Rural District Council	×	√	√	√	√	√
78	Nyaminyami Rural District Council	×	×	√	√	√	√
79	Nyanga Rural District Council	×	√	√	√	√	√
80	Pfura Rural District Council	×	√	√	√	√	√
81	Runde Rural District Council	×	√	√	√	√	√
82	Rushinga Rural District Council	×	√	√	√	√	√
83	Sanyati Rural District Council	×	√	√	√	√	√
84	Tongogara Rural District Council	×	×	√	√	√	√
85	Tsholotsho Rural District Council	×	×	√	√	√	√
86	Umguza Rural District Council	×	×	√	√	√	√
87	UMP (Zvataida) Rural District Council	√	√	√	√	√	√
88	Umzingwane Rural District Council	×	√	√	√	√	√
89	Vungu Rural District Council	×	×	×	√	√	√
90	Zaka Rural District Council	×	×	√	√	√	√
91	Zibagwe Rural District Council	×	×	√	√	√	√
92	Zvimba Rural District Council	×	√	√	√	√	√