Despite a revenue shortfall of US$282.5 million in 2016, the government of Zimbabwe exceeded its annual expenditure target by US$520 million resulting in a budget deficit of US$964 million. This fact sheet will be jointly used with the analysis report to engage duty bearers.

Audit Opinions

Despite an improvement in transparency and accountability in financial matters across the audited accounts as the majority of government departments and entities partly implemented recommendations from the previous reports, accounts of some State Enterprises and Parastatals, and Fund Accounts had adverse and disclaimer opinions as shown in the graph below.

Auditor General’s Opinions

Audit Results for Appropriation and Fund Accounts

The Auditor General exposed the following irregularities from the Ministry and fund accounts;

- Maintenance of Accounting Records
- Fraudulent Activities
- Transfer of Moneys from Fund Accounts
- Suspense Account Balances in Fund Accounts

- Outstanding Payments to Suppliers of Goods and Services
- Direct Payments
- Unsupported Expenditure
The table below summarises the financial implications of audit queries from Appropriation/Ministry and Fund Accounts;

<table>
<thead>
<tr>
<th>Query</th>
<th>Amount in US$</th>
<th>Implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fraudulent Activities</td>
<td>22 791</td>
<td>The government fails to meet the objectives for which the funds have been created for</td>
</tr>
<tr>
<td>Transfer of funds from Fund Accounts</td>
<td>894 251</td>
<td>Failure to investigate and clear the suspense account balance may lead to misstatement of financial statements.</td>
</tr>
<tr>
<td>Suspense Account Balances</td>
<td>6 780 856</td>
<td></td>
</tr>
<tr>
<td>Outstanding Payments to Suppliers</td>
<td>4 085 505</td>
<td>Ministries incur cost overruns on contracts and litigation costs</td>
</tr>
<tr>
<td>Unsupported Expenditure</td>
<td>8 315 064</td>
<td>Fraudulent payments may be processed and the expenditure may not be incurred</td>
</tr>
<tr>
<td>Funds used as collateral security</td>
<td>1 879 755</td>
<td>The fund’s investment will be taken over by the bank if loans are not paid back</td>
</tr>
<tr>
<td>Loans issued without loan agreements</td>
<td>91 787 307</td>
<td>The state will lose resources in the case of default payment</td>
</tr>
<tr>
<td>Violation of procurement regulations</td>
<td>1 025 384</td>
<td>No value for money from irregular purchases</td>
</tr>
<tr>
<td>Amounts not collected from debtors</td>
<td>91 409 864</td>
<td>Service delivery compromised as funds remain locked up in debtors</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>US$286 200 777</strong></td>
<td></td>
</tr>
</tbody>
</table>

The amount of money under query is an understatement of the implications of the material issues raised in the Auditor General’s report. It excludes irregular employment costs some of which were in non-monetary terms, unretired imprest and other non-financial misdeeds. The understatement of the queries is also attributed to the 32.5% reduction in the number of stations visited to 316 from the 468 visited in 2015.

**UTILISATION OF FUNDS FROM FUND ACCOUNTS**

The Ministry of Public Service, Labour and Social Welfare and the Ministry of Finance and Economic Development were notorious for utilising money from Fund Accounts for Appropriation activities without authority (US$ 984 251). About US$770 438 (86%) was diverted from safeguarding social welfare of children, older people, disabled people and other disadvantaged groups whilst 14% was diverted from the Senior Officers Housing Fund which is administered by the Ministry of Finance and Economic Development.
Ministries continued to acquire goods and services without financial resources to meet the expenditure. By the end of the 2016 financial year, the Ministry of Health and Child Care had the highest outstanding payments $70.1 million which constitute 83% of the total amount (US$84.1 million) owed to suppliers of goods and services. On the other hand, out of the US$ 91.4 million owed to the government, US$ 23 million (25%) is owed health service providers. This further weakens the health delivery system in Zimbabwe which is already crippled.

The progress in the implementation of recommendations from 2015 leaves a lot to be desired. Out of the 151 audit recommendations raised in 2015, 48% were implemented, 12% were in progress whilst 40% remained outstanding. The slow pace in the implementation of the recommendations is largely attributed weak parliamentary power to hold the executive accountable.
### Norton

**Issues**
- No risk assessment policy
- Operating without Policy documents (eg solid waste management, housing, IT, Cell phone, Laptop and asset replacement)
- Unsupported expenditure
- Financing of day to day operations through overdrafts

**Implication**
- Exposes the Council to the risk of failing to adapt quickly to changing environment
- Financial loss due to poor operating decisions
- The purchased goods may not have been received
- Debt financing is costly

### Chitungwiza

**Issues**
- No risk assessment policy
- Operating without Policy documents (eg solid waste management, housing, IT, Cell phone, Laptop and asset replacement)
- Unsupported expenditure
- Financing of day to day operations through overdrafts

**Implication**
- Exposes the Council to the risk of failing to adapt quickly to changing environment
- Financial loss due to poor operating decisions
- The purchased goods may not have been received
- Debt financing is costly

### Goromonzi

**Issues**
- No risk assessment policy
- Operating without Policy documents (eg solid waste management, housing, IT, Cell phone, Laptop and asset replacement)
- Unsupported expenditure
- Financing of day to day operations through overdrafts

**Implication**
- Exposes the Council to the risk of failing to adapt quickly to changing environment
- Financial loss due to poor operating decisions
- The purchased goods may not have been received
- Debt financing is costly

### Mhondoro Ngezi

**Issues**
- No risk assessment policy
- Operating without Policy documents (eg solid waste management, housing, IT, Cell phone, Laptop and asset replacement)
- Unsupported expenditure
- Financing of day to day operations through overdrafts

**Implication**
- Exposes the Council to the risk of failing to adapt quickly to changing environment
- Financial loss due to poor operating decisions
- The purchased goods may not have been received
- Debt financing is costly

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**FACT SHEET**

<table>
<thead>
<tr>
<th>Issues</th>
<th>Norton</th>
<th>Chitungwiza</th>
<th>Goromonzi</th>
<th>Mhondoro Ngezi</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>No risk assessment policy</td>
<td>Operating without Policy documents (eg solid waste management, housing, IT, Cell phone, Laptop and asset replacement)</td>
<td>Unsupported expenditure</td>
<td>Financing of day to day operations through overdrafts</td>
</tr>
<tr>
<td></td>
<td>Exposes the Council to the risk of failing to adapt quickly to changing environment</td>
<td>Financial loss due to poor operating decisions</td>
<td>The purchased goods may not have been received</td>
<td>Debt financing is costly</td>
</tr>
<tr>
<td><strong>Employment Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td>Double allowances for Councilors without approval from the Ministry</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>33 accounts on debtors’ list</td>
<td>Frauds and errors may go unnoticed in the system</td>
</tr>
<tr>
<td><strong>Revenue Collection, Management and Debt Recovery</strong></td>
<td>Unremitted statutory deductions to NSSA, Pension, and ZIMRA</td>
<td>Financial loss due to penalties and fines</td>
<td>Tax revenue to government through ZIMRA is affected</td>
<td>33 accounts on debtors’ list without names</td>
</tr>
<tr>
<td><strong>Service Delivery</strong></td>
<td>Inadequate financial, technical and human resource at council Hospital</td>
<td>Health delivery system is compromised</td>
<td>Inadequate water supply 11/45 megalitres per day</td>
<td>Threat to human life through water borne</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Shortage of drugs</td>
<td>The right to clean and portable water is violated</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Health of people is threatened</td>
<td>Health delivery system is compromised</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No EMA approved dump site</td>
<td>Financial loss due to penalties and fines</td>
</tr>
</tbody>
</table>

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