



An Analysis of the  
OAG Report for  
the Financial Year  
ended December  
31, 2022 on  
**Local Authorities.**

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## 1. Introduction

The Office of the Auditor-General (OAG) periodically publishes audit reports that serve as an evaluation tool for internal control mechanisms within the public sector. In turn, this stimulates good governance through enhancing efficiency, transparency, and accountability in the use of public funds. For effective fiscal transparency, the OAG must be afforded maximum statutory independence, unlimited access to relevant information, and be adequately resourced to fulfil audit functions and publicly report on the use of taxpayers' money. As such, this paper seeks to concisely analyze the latest OAG report on Local Authorities (LAs) for the financial year ended 31 December 2022. The analysis will provide the obtaining context, key audit findings, outlay of socio-economic implications, and proffer policy alternatives to help strengthen Public Finance Management (PFM) systems.

## 2. Background

The Public Finance Management Act [Chapter 22:19] and the Audit Office Act [Chapter 22:18] direct the Auditor General (AG) to prepare and submit to the Minister of Finance and Economic Development by not later than the 30th of June each year, a report on the outcome of an examination and audit of the financials prepared by the government and its entities. Accordingly, the current acting Auditor-General Kujinga submitted the audit report (Local Authorities) for the year ended 31 December 2022 on the 24th of June 2023. This high level of compliance with relevant laws shown by the OAG is highly commendable. The feat was attained amid increased shortages of essential resources as evidenced by a significant number (64 in total) of financial statements from 58 LAs which were still in progress by the time of conclusion of the audit report. While the submission of public financial statements for scrutiny by the OAG is required by law, many Local Authorities (LAs) are failing to submit their financial reports for thorough audit. The latest report shows that a total of 109 financial statements were not yet submitted for audit as of May 31, 2023.<sup>1</sup> Almost all LAs are also not fully implementing OAG recommendations. Out of the 221 findings reported in the prior years, only 39 (17%) were fully addressed, 28 (13%) were partially addressed and 154 (70%) were yet to be addressed. As evidenced by the nature of findings in the 2022 audit report, the delayed submission of financial statements and lack of implementation of prior recommendations are most likely indicative of cover-ups of gross incompetency and corruption by senior management. The following section, therefore, provides the key highlights in the OAG report on LAs for the year ended 31 December 2022.

## 3. Key Highlights

- Most of the LAs had modified audit opinions (25% qualified<sup>2</sup> and 67% adverse<sup>3</sup>) for the audited years (2018-2022) which were mainly due to non-compliance with International Public Sector Accounting Standards and International Financial Reporting Standards.
- Most findings in LAs continue to be in respect of financial mismanagement, non-compliance with international accounting standards and laws and regulations, untaxed benefits, lack of adequate controls over contract management and management of stands sales, and poor service delivery.

1. The financial statements not submitted for audit related to the financial years ended December 31, 2019 (1), 2020 (5), 2021 (28) and 2022 (75).

2. This is an opinion formed after testing & confirming that there are material misstatements in the entity's books of accounts.

3. This is a negative opinion formed by an auditor on the company's financial records.

- Some LAs did not use the devolution funds as intended. For instance, Bindura Municipality received about ZWL34.2 million. However, ZWL7.7 million was used for salaries and ZWL19.2 million was invested at the expense of undertaking development projects.
- Governance issues dominated audit findings as they increased from 91 issues in 2021 to 139 in 2022. Governance issues have remained high in all reports submitted over the last five years.
- There was a sharp increase in revenue collection and debt recovery issues from 11 to 101 between 2021 and 2022 as a result of weak internal controls in revenue collection and debt recovery.
- The number of reported procurement issues increased from 11 in 2021 to 41 in 2022, an indication of weakening procurement management systems and non-compliance with procurement laws and regulations by LAs.
- The OAG reported 64 issues concerning the mismanagement of assets. For instance, Kadoma City Council lost 800 bags of cement as a result of solidification and inventory & equipment worth USD33 000 to theft.
- Service delivery issues have also been rising over the years. The OAG reported 33 issues in 2021 and 41 issues in 2022. The existing infrastructure in LAs is lagging to meet the growing demand for services. There are backlogs in both the construction of new infrastructure and maintenance of the existing facilities.
- A slight improvement was noted in employment issues as they reduced from 26 to 25 findings between 2021 and 2022.

#### **4. Implications of Audit Findings**

The OAG performance audit reports assure service delivery as they respond directly to the bill of rights and social rights of citizens such as access to affordable and quality health care, housing, clean and safe water, education, transportation, and social security. As such, this section indicates major implications from the latest OAG findings on the realization of the socio-economic rights of residents in particular and citizens in general.

##### **4.1 Access to Education**

The latest OAG report on Local Authorities (LAs) has laid bare the challenges being faced in the public education sector, a sector that sustains the majority of the population. Investment into the education sector by LAs to increase education infrastructure like classroom blocks are inadequate leading to hot sittings. For instance, the 2022 enrolment statistics for a school in Redcliff Municipality showed a provision for 47 classes against the available 17 classrooms hence the school required an additional 30 classrooms to alleviate the shortage. The Ruwa Local Board (RLB) also only had six (6) primary and three (3) secondary schools to serve its ever-growing population.

### Sample of Statistics at RLB Schools

Details	Year 2020	Year2021	Year2022
Available classrooms	17	17	17
Number of classes	47	47	47
Number of teachers	44	53	55
Number of learners	1 730	1 870	1 936

**Source:** 2022 OAG Report on LAs

Many public schools particularly in urban areas are operating on a hot seating arrangement to accommodate learners who need affordable education offered by the public sector relative to the private sector. The private sector has largely dollarized yet many households are earning in local currency which is highly volatile. These classroom shortages are causing many learners to attend lessons outside classrooms, exposed to extreme weather conditions. The few available classrooms are overcrowded. This limits resources available for learning, disadvantages children with additional needs, reduces teachers' ability to give individual feedback, and increases distraction which affects focus and concentration. The lack of investment in public education by LAs is entrenching inequalities and trapping many people in a vicious cycle of poverty.

#### 4.2 Access to Health Care

The Local Authorities (LAs) are expected to provide residents with affordable state-of-the-art healthcare infrastructure and services. These are crucial as they allow citizens to be able to realize their potential and play an important role in social & national development. From an economic perspective, a healthy population helps in building a productive workforce and makes the country strong in many economic spheres.

However, the OAG report has shown that many LAs are failing to provide adequate healthcare services to residents. For instance, clinics in Kadoma City Council are operating with a shortage of registered general nurses and sisters in charge and have no functional ambulances. The OAG report established that as of 2019 Karoi Town Council had only one (1) clinic (Chikangwe Clinic) to serve the whole town. In addition, there was no running tap water at Chikangwe. Zvishavane Town Council does not have any clinic or hospital thus it relies on one (1) district hospital and government clinic. These facilities were not adequate to cater to the district's population which was standing at approximately 33 075.

Dilapidating infrastructure, poor remuneration, and a shortage of drugs, medical equipment, and healthcare personnel in council-owned healthcare institutions are increasing costs for residents in the form of higher out-of-pocket costs, higher insurance premiums, and increased prices of drugs.

These undesirable conditions are also leading to increased avoidable deaths due to limited rapid response mechanisms and postponement/ jeopardization of medical procedures coupled with low health worker morale. This is disproportionately affecting vulnerable groups like infants, people with disabilities (PWDs), pregnant women and girls. For instance, in 2022, a woman gave birth in the toilet of a Council-owned Glen View Polyclinic after health personnel reportedly refused to admit her.<sup>4</sup> In light of all this, one can conclude that by not improving healthcare services, LAs are playing a huge role in leaving vulnerable groups behind.

### **4.3 Access to Housing**

Local Authorities are mandated to provide housing to residents. As such, they are expected to develop and maintain up-to-date plans that meet the housing requirements of their communities, decide applications for development promptly, and ensure the homes they have planned for are built on time. This is key to reducing poverty, ensuring that households afford housing, and reducing illegal settlements and homelessness. Nevertheless, the OAG report showed that many LAs are failing to take their housing responsibility seriously. The audit report established that some LAs like Chegutu Municipality lack proper controls of stand registers to avoid manipulation, while some authorities like Gweru City Council are not maintaining stand registers at all. Authorities like Harare City Council are selling unserviced stands.

The lack of effective housing policies coupled with the sale of unserviced stands is leading to housing shortages and illegal settlements which fuel the spread of diseases and crime rate. It is unfortunate that the gross mismanagement of residential stands by LAs occurs at a time when Zimbabwe is grappling with acute housing shortages. It is estimated that the nation faces a housing backlog of about 1.5 million units.<sup>5</sup> To highlight the gravity of the housing crisis, Matapi Flats in Mbare which were designed to house bachelors are now being used by hundreds of families. In 2022, official statistics established that at 42.7%<sup>6</sup> of urban areas have highest proportion of lodger occupancy. This shows that almost half of the urban dwellers are exposed to rising and dollarized rentals thus further constraining their budgets amid persisting depreciation of the local currency and food inflation.

### **4.4 Access to Water**

Water is a key resource as evidenced by the statement water is life. To show its importance, the constitution makes access to clean, safe, and potable water a right for every Zimbabwean. As such, the failure to provide water to citizens by authorities is a clear disregard for the supreme law of the land.

4. <https://www.herald.co.zw/woman-gives-birth-in-clinic-toilet/>

5. <https://www.chronicle.co.zw/ppps-key-to-reducing-housing-backlog/>

6. <https://www.pindula.co.zw/2022/08/11/almost-half-of-zimbabwes-urban-dwellers-are-lodgers/>

Surprisingly, there are many communities, urban and rural alike without access to clean water more than 40 years after the attainment of independence. The latest audit report has indicated that many LAs are to blame for severe water challenges faced by residents, particularly in urban areas.

These LAs are failing to expand water infrastructure, repair broken pumps & meters, replace aging water distribution networks, and curtail illegal connections and vandalism. For instance, 70%, 43%, and 21% of water meters in Ruwa RDC, Mutare City Council, and Chinhoyi Municipality respectively were dysfunctional. Yet, the use of estimates when billing customers leads to below-cost pricing. The Victoria Falls City Council also had no water reservoirs and hence could not provide residents with alternatives during emergencies like power cuts and plant breakdowns. These shortages of clean and safe water across many LAs are increasing the opportunity cost of unpaid care work such as lost hours of schooling for young girls. It is also leading to the spread of medieval water borne diseases like cholera and typhoid. For example, the nation is experiencing rising cholera cases with more than 5,000 reported cases and 120 suspected deaths recorded as at the end of October 2023.<sup>7</sup>

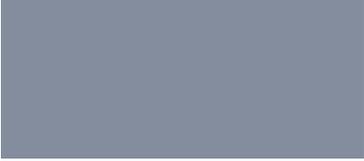
#### **4.5 Access to Safe Sanitation and Social Amenities**

Zimbabwe remains a major country in the Southern African Development Community (SADC) region struggling with the repeated outbreaks of medieval diseases like cholera, an exception for the 21st century. These are results of the under-provision of sanitation services by LAs as investment in infrastructure is being outpaced by the rising urban population. Citizens are flocking in droves from rural to urban areas in search of greener pastures. The OAG report established that many LAs are battling sewer blockages along sewer networks due to the continued use of aged pipes, erratic power supply, and outdated sewer designs. The communities are also struggling with sewer spillages causing a flow of raw effluent into water sources. Refuse is not being collected consistently leading to the mushrooming of dumpsites near residential areas, particularly in high-density suburbs. More so, LAs are not maintaining sewer plants posing life-threatening hazards. For instance, the OAG report highlighted that the failure to fence a disused sewer plant by Redcliff Municipality led to the death of a minor.

#### **4.6 Infrastructure Development**

Local Authorities are mandated to maintain key infrastructure like local road networks. Generally, a good road network helps in reducing fatal accidents and lowering the cost of doing business. This leads to increased investment, commerce, job creation, ease of access to markets and powering inclusive economic growth. Since 2019 the government has set aside 5% of the national budget for resourcing the Devolution Fund.

7. <https://www.newsday.co.zw/local-news/article/200018845/cholera-cases-rise>



The LAs are then allowed to invest their devolution funds allocations in capital projects like the maintenance of local roads. However, the OAG discovered that some LAs are not using their devolution funds as intended. For instance, Bindura Municipality failed to prepare acquittal reports to show how it utilized its devolution funds. Gokwe Town Council used devolution funds worth ZWL7.3 million in 2020 but failed to document evidence of project implementation. The foregoing shows that LAs are too prone to financial loss caused by misappropriation of funds.

The OAG report has also shown that infrastructure development in LAs is being inhibited by a lack of compliance with the dictates of the Public Procurement and Disposal of Public Assets Act together with other procurement laws and regulations. It was established that many LAs are undertaking unsupported expenditures (no valid quotations, invoices, receipts, payment vouchers, etc.), purchasing assets without going to tender, fully paying for goods and services that never get delivered, and sometimes overpaying suppliers. All these tendencies prop up corruption and bribery and increase the suboptimal use of public resources. In addition, disregard for procurement regulations is a gross violation of basic human rights because it impacts the enjoyment of these rights through poor delivery of public services, high unemployment, poverty, and low life expectancy.

#### **4.7 Environmental Protection**

Climate change has become an existential threat to human life. Averting the dangers associate with the phenomenon and protecting all citizens requires a government approach. This approach includes full protection of the environment to reduce pollution, limit global warming, prevent natural disasters, preserve species diversity, increase biodiversity, and ensure sustainable use of resources. However, the 2022 OAG report established that actions by many LAs are harming the environment. Such actions include poor maintenance of drainage systems & culverts, allocation of stands in wetlands, sewer bursts & spillages, and poor solid waste management among others. The degradation of the environment creates life-threatening hazards, inhibits rapid response to emergencies, and extinction of species & biodiversity which disproportionately affects young and future generations.

#### **4.8 Social Welfare**

Social welfare refers to government support intended to ensure that disadvantaged members of society such as the poor, PWDs, elderly, and the unemployed can meet basic human needs. A granular analysis of the 2022 OAG report shows that local governments are failing to provide adequate social safety nets to deserving residents due to poor revenue collection and debt recovery. Many local authorities are not performing the reconciliation of debtors & payables, not keeping

securities items registers/ issuing vouchers for traffic ticket books, not maintaining records of lease agreements and not maintaining a database of business operators. They are also not checking the completeness of revenues earned from beer levies, not curbing non-revenue water, awarding unapproved allowances for senior management, and not billing stand sales. If these anomalies are corrected, the tax revenue earned by LAs will considerably increase and in turn boost expenditure on social welfare programs to reduce poverty and inequality.

## 5. Evaluation

The OAG report findings as discussed in the previous sections have highlighted that local governments are partly to blame for poor service delivery. Many of the audited LAs are operating without key policies such as housing and human resources policies, they are grossly violating public procurement laws and regulations, lack proper segregation of duties, and have weak internal controls. Further, the Auditor-General established that all the LAs who submitted their financial accounts for auditing failed to comply with the requirements of international public sector accounting standards (IPSAS). Failure to religiously follow IPSAS standards has weakened PFM by compromising the general quality of financial reporting by public sector entities. This jeopardizes assessments of resource allocation decisions made by public officials thereby reducing transparency and accountability. Furthermore, residents are denied full enjoyment of social rights due to high prevalence of weak revenue collection and debt recovery strategies in many LAs.

None the less, the central government is largely contributing to the poor performance of LAs. Since the transfer of political administration of most urban councils from the ruling party to the opposition party, there is increased government interference in the operations of LAs through the Ministry of Local Government, demonstrating a lack of administrative autonomy. A clear example of government interference is the Pomona Waste-to-Energy deal between Harare City Council (HCC) and a private company Geogenix BV.<sup>8</sup> This deal was reportedly expedited with government's undue and unaccountable pressure on HCC officials and was reached neither by public consultation nor subjected to oversight by Parliament. In addition, a survey by ZIMCODD also found that there is excessive political interference in the day-to-day operations of LAs.<sup>9</sup> This is affecting the independence of the councils in discharging their mandates and increasingly dragging the implementation of the right policies to ensure quality service delivery. This interference is tantamount to a lack of administrative power.

Many LAs are also facing very limited financial resources to fund their budget. While Treasury is mandated to allocate 5% of national budget toward fiscal transfers (devolution funds), these transfers are disbursed late.

8. <https://kubatana.net/2022/05/24/pomona-waste-management-deal/>

9. [https://zimcodd.org/?sdm\\_process\\_download=1&download\\_id=5420](https://zimcodd.org/?sdm_process_download=1&download_id=5420)

The late disbursements occur at a time when the local currency (ZWL) continues to deteriorate and price inflation is skyrocketing. This is significantly reducing the real value of these devolution funds thereby hindering efficient service delivery. In addition, the Ministry of Local Government and Public Works oftentimes imposes priorities on LAs. For example, in 2022 the Ministry resolved to procure fire tenders for all LAs using devolution funds<sup>10</sup>. Not only are these fire tenders priced well above the average market prices, the tendering process also violated public procurement laws and regulations. The process was a closed procurement system which creates a fecund ground for abuse, misuse, and embezzlement of public funds.

Furthermore, land barons fuelling illegal settlements particularly in urban councils have the backing of the political heavy weights. A 2019 report by the Justice Uchena-led commission of inquiry into the matter of sale of state land in and around urban areas since 2005 found that there had been: *“creation of new urban settlements by aspiring or sitting members of parliament as a way of mobilizing political support; abuse of political office in the allocation and appropriation of urban state land; and use of names of top ruling party leadership to exert undue influence on government institutions and processes”*<sup>11</sup>. In addition, the failure to stabilize the local currency and resolve the debt conundrum is straining local authorities’ ability to provide adequate and affordable public services.

## **6. Conclusion**

Local Authorities (LAs) have close proximity to ordinary citizens compared to the central government. As such, they are expected to always have increased operational efficiency and effectiveness to ensure the delivery of quality and affordable social services. However, the 2022 OAG report on LAs has shown massive deterioration of service delivery; poor revenue collection, management, and debt recovery; compromised governance systems; weak procurement procedures and processes; and poor management of assets. As such, the strengthening of existing PFM systems must take center stage. This will complement central government efforts to deliver an upper-middle income economy by 2030.

## **7. Policy Recommendations**

### **Central Government Interference**

Increased government interference in the affairs of LAs slows the decision-making process and may result in political gamesmanship where progressive policies are sabotaged. As such, the central government must increase the autonomy of LAs in the management of public resources in their respective areas.

### **Disbursement of Devolution Funds**

The Treasury must ensure timely disbursements of devolution funds to all local authorities to uphold the time value of money and avert effects of price inflation.

10. <https://www.africa-press.net/zimbabwe/all-news/govt-defends-belarus-fire-tenders-deal>

11. <https://ucaz.org.zw/wp-content/uploads/2019/08/Justice-Uchenas-Presentation-of-Reports-to-the-President.pdf>

### **Capacitation of Local Authorities**

Almost all LAs are not implementing the IPSAS standards. As such, the Ministry of Local Government and Public Works must avail adequate financial resources for capacitation of these LAs in the adoption and implementation of IPSAS standards as they help to curb corruption and embezzlement of public funds.

### **Public-Private Partnerships (PPPs)**

To cope with rising demand, authorities should find innovative ways such as strengthening Public-Private Partnerships (PPPs) and raising revenue to invest in water and sanitation infrastructure.

### **Policy and Procedure Documents**

Many LAs are operating without valid policy and procedure guidance. This affects consistency in the manner cases are handled thereby discounting the integrity of these LAs and the manner services are provided. As such, all LAs must prioritize the rolling out of sound operational policies to guide their activities in a transparent manner.

### **Adherence to Laws**

There is a need for LAs to adhere to acceptable and prescribed governance and audit principles because transparency and accountability should remain the hallmarks of governance. For instance, there is a need for effective tender scanning and vetting before the bid is given to any organization. The capacity of the bidders to deliver value for money must always be the guiding principle.

### **Public Procurement**

The Ministry of Local Government and the Procurement Regulatory Authority of Zimbabwe should also approve timely procurement requests from LAs.

### **Local Currency**

Since budgets of LAs are largely in local currency, the government must ensure that LAs are given priority on the RBZ auction market.