

OCTOBER 2022
**ANALYSIS OF THE
2021 OFFICE OF
THE AUDITOR-
GENERAL'S
FINDINGS ON
LOCAL
AUTHORITIES**



ZIMCodd
ZIMBABWE COALITION ON DEBT & DEVELOPMENT

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1. INTRODUCTION

The audit reports by the Auditor-General serve as an essential public expenditure document that tracks government (local and national) expenses to ensure efficient and prudent Public Finance Management (PFM). These reports also serve as an evaluation tool for internal control mechanisms within the public sector that will in turn stimulate good governance through enhancing efficiency, transparency, and accountability in the use of public funds. As such, for effective fiscal transparency, supreme audit institutions (Office of the Auditor-General (OAG) in Zimbabwe's case) must be afforded maximum statutory independence from the Executive as well as unlimited access to relevant information, adequate resources to fulfil their audit functions and publicly report on the use of taxpayers' money. This report succinctly analyses the 2021 OAG report on Local Authorities with the intention of identifying governance and service delivery issues raised by the Auditor-General as well as giving insights on the socioeconomic implication of these on residents. The analysis also proffers policy alternatives to help strengthen PFM systems to ensure that the attainment of social and economic justice becomes a reality in Zimbabwe.

2. CONTEXT AND BACKGROUND

The Office of the Auditor-General is an independent office established under the Audit Office Act (Chapter 22:18). This office is charged with the primary oversight role of ensuring accountability within the three (3) arms of Government: The Legislature, the Judiciary, and the Executive as well as the Constitutional Commissions.¹ The Public Finance Management Act [Chapter 22:19] and the Audit Office Act [Chapter 22:18], direct the Auditor General to prepare and submit to the Minister, not later than the 30th of June in each year, a report on the outcome of an examination and audit of the financials prepared by the government and its entities. As such the OAG report provides the Auditor-General's opinion on the validity and reliability of an entity's financial statements. Accordingly, the OAG compiled the 2021 report on local authorities despite enormous limitations presented by COVID-19 which delayed the production of the same. The report also recommends some actions to be done by authorities to faultlessly deliver their mandate as required by law.

Despite the law requiring them to do so, many local authorities (LAs) are not submitting their financial reports to the OAG for audit.

The 2021 OAG report shows that out of the 92 LAs in Zimbabwe, 21 had current (2021) financials submitted for audit whilst 71 LAs had not submitted theirs for auditing as at end of May 2022. This delayed submission of accounts to the OAG is indicative of corruption cover-ups by the management of LAs. Evidence provided in the 2021 OAG report shows a worrisome 11% increase in governance irregularities from 2020 (42%) to 2021 (53%) an uptrend in the last five (5) years. Also, employment issues have spiked from 8% in 2020 to 15% in 2021 due to weak payroll management systems and persistent non-compliance with recruitment policies. More so, notwithstanding the national budget setting aside inter-governmental fiscal transfers (devolution funds) since 2019, service delivery by LAs continue to deteriorate as evidenced by a 13% increase in service delivery issues in the 2021 OAG report. Of concern is also the lack of implementation of Auditor-General recommendations to improve PFM systems. For instance, out of 141 findings reported in 2021, only nine (9) were fully addressed. The following sections provide a granular analysis of the 2021 OAG report.

3. CITY COUNCILS

The OAG managed to audit the financial books of only four (4) out of 7 City Councils i.e. Kadoma (2018), Masvingo (2020), Mutare (2020), and Victoria Falls (2020). Audit readiness of local authorities in general and city councils in particular has been found wanting. In the 2021 OAG report, none of the 4 city councils audited submitted financials for 2021. A critical analysis of this status quo points to a number of inadequacies at the local authority level including a lack of political will by the council management; internal capacity inefficiencies (in terms of personnel and use of outdated audit systems); obstinate decisions by council officials on partisan lines and lack of consequence for failing to submit financials as the OAG has been perceived as a toothless bulldog. This section analyses key findings in the 2021 OAG report.

3.1 GOVERNANCE ISSUES

3.1.1. Segregation of Duties

Generally, segregating duties is considered the best technique for minimizing risks internally. This is because, with the segregation of duties, the risk of fraud or error will be reduced as all workers involved get access control and limitations. However, almost all city councils covered in the 2021 OAG report were not segregating duties among employees. For instance, Kadoma City Council had an Information Technology (IT) Administrator also working as the Human Resources Officer responsible for senior payroll because it failed to fill the vacant post.

The OAG also established that there was no segregation of duties between the revenue function and systems administration function at Masvingo City Council. The lack of segregation of duties may result in financial losses due to overriding of controls.

3.1.2 Inventory Management

Inventory management is the process of ordering, storing, and using an entity's stock like raw materials, work-in-progress, and final products. A lack of effective stock management might cause an overflow of stock which is difficult to manage, a challenge being faced by some local authorities in Zimbabwe. For example, the OAG found that Kadoma City Council did not have records for expired drugs and damaged inventory. Ironically, this inventory was stored in the same warehouse as the current stock and was not separated from the rest of the stock. In the end, the Council may issue expired drugs to patients or may overstate its stock by including obsolete inventory.

3.1.3 Asset Valuation and Registers

The OAG report highlighted that some City Councils are not properly registering as well as valuing their assets. The Auditor-General audited Masvingo City Council (MCC) financial statements for the year ended 31 December 2020. It was established that the Council had property, plant, and equipment (PPE) worth ZWL88 915 675 but asset valuation was last undertaken in 2011 and the Council did not assess the economic value of the PPE contrary to international public sector accounting standards (IPSAS). Also, MCC failed to maintain a comprehensive asset register showing acquisition dates for its assets and did not have an asset management policy. As for Mutare City Council, the OAG established that the Council did not assess its properties for impairment (permanent reduction in value) despite evidence of the walls, trusses, and ceilings of its properties falling out. All of the foregoing cases may result in safety risks to Council tenants, misappropriation of assets, and materially misstated financial statements.

3.1.4 Residential Stands

Zimbabwe is facing acute housing shortages with estimates showing that the nation has a backlog of two million housing units.² Consequently, housing costs are ballooning with official statistics showing housing inflation rising to 12.1% in September 2022 from 6.6% in August 2022. Despite rising housing costs burdening already overstretched citizens, particularly the poor majority, local authorities are failing to develop, manage, and account for residential stands.

2. <https://newsday.co.zw/slider/article/15670/zim-housing-crisis-laid-bare>

For example, Masvingo City Council did not have a master record clearly showing opening balances, new creations, allocations during the year and closing balances of residential stands. The case was the same for Mutare City Council which was operating without a land bank register to account for its land reserves. Resultantly, poor accounting of land reserves and residential stands may cause misappropriation of land, dual allocations of stands, serious misstatement of financial books, as well as entrenching societal inequalities between the haves (rich) and the have-nots (poor).

3.1.5 Business Continuity

The concept of going concern in business accounting is an assumption that an entity will not be forced to halt its operations in the immediate term and will not liquidate its assets. In simple terms, the entity is expected to operate for the foreseeable future. However, the OAG report registered concern about the business continuity of City Councils. For example, Kadoma City Council was operating without a documented disaster recovery policy. Data back-ups were reportedly being done on-site using external hard drives but there was no evidence of monitoring and checks on whether onsite backups were being done consistently. As such, business continuity may be compromised which may greatly affect residents who rely on Council services.

3.2 SERVICE DELIVERY

3.2.1 Water Management

Water is a critical resource needed to sustain life on earth. Cognizant of this, the Constitution identifies access to clean, safe, and potable water as a human right. It is also crucial in the realization of other human rights like the right to a clean and safe environment. Despite all this, City Councils are failing to provide safe water to communities. For instance, Masvingo City Council is failing to supply adequate portable water as it relies on a water treatment plant that was commissioned 50 years ago with a capacity of only 30 mega litres against the current demand of 60 megalitres per day. In Mutare, the Council had no bulk water meters to record water distributed and identify water losses between the pumping point and consumption point. Also, the Council was billing water consumption based on arbitrary estimates in the absence of functional water meters. The aging water infrastructure and limited resources to acquire electronic devices to detect underground leakages by many Councils are also leading to excessive water losses. This is forcing residents to use unprotected water sources thereby exposed to waterborne diseases like cholera and typhoid. Also, poor water management may lead to financial losses due to the underestimation of water consumption.

3.2.2 Waste Management

The World Health Organization (WHO) posits that poor sanitation reduces human well-being and social and economic development.⁴ However, local authorities in Zimbabwe are failing to provide safe sanitation. For instance, Kadoma City Council sold residential stands before installing sewer reticulation systems forcing beneficiaries to use pit toilets. In Masvingo, the Council was collecting solid waste once per week as only three (3) out of 11 refuse trucks were operational. Further assessment by the Auditor-General shows that all refuse trucks have outlived their economic lifespan of five (5) years according to Council's policy. Also, Masvingo City Council had no scientifically engineered landfill and since 1998 the Council is using an unregistered dumpsite. This poor management of waste pollutes the environment and poses a health risk to residents.

3.2.3 Health Provision

Residents, particularly the majority poor depend on social services provided by local authorities. As such, these local authorities should ensure the delivery of quality and affordable social services like health care all the time. However, the OAG report established that services provided by many Councils are of poor quality. For example, Kadoma City Council had one (1) operational ambulance which made it difficult to attend to all ambulance requests on time. At the same Council, the OAG unearthed acute shortages of medical drugs, especially for chronic illnesses like tuberculosis (TB), epilepsy and psychiatric in which patients are not allowed to default in taking medication. Furthermore, Masvingo City Council which received a donation of an ultrasound machine was not using the machine as it was yet to hire the services of a radiographer. All of this is compromising the health of residents and may also result in a lack of confidence in the Council clinics.

3.3 PROCUREMENT OF GOODS AND SERVICES

3.3.1 Violation of Procurement Procedures

The Auditor-General unearthed violations of procurement procedures and processes by some of the four (4) City Councils that submitted books for audit in the year under review. For instance, it was established that Mutare City Council circumvented these procedures when it acquired motor vehicles through its subsidiary. The OAG report also highlighted that a local contractor was contracted and paid about US\$3.26 million in 2010 to construct the Dangamvura water pipeline but to date, the pipeline is yet to be completed. As a result of such irregular procurement processes, local authorities may incur financial losses and misappropriation of assets. Also, residents will suffer prejudice from delays in the completion of life-changing projects.

4. <https://www.who.int/news-room/fact-sheets/detail/sanitation>

3.4 REVENUE COLLECTION, MANAGEMENT, AND DEBT RECOVERY

3.4.1 Poor Revenue Collection

Many local authorities continue to increase rates charged to residents instead of broadening their tax base by improving efficiency in revenue collections. This brings relief to residents while increasing revenue for quality service delivery. For example, the 2021 OAG report indicates that Kadoma City Council failed to obtain sales schedules from brewers to ascertain the exact amount of beer levies to collect from breweries within its jurisdiction as per the Traditional Beer Act. The Masvingo City Council failed to maintain the security items register for business licenses issued and Auditor-General established that these business licenses were neither serialized nor had other security features. With respect to business licenses, Mutare City Council was also found to have an unreconciled variance of about ZWL21 million on revenue from license fees. Again, Mutare City Council had parking disks with no security features and the parking marshals were not maintaining a record of parking disks sold. All this promotes fraudulent activities and compromises service delivery for residents.

3.5 EMPLOYMENT ISSUES

3.5.1 Organizational Structure

Organizations should have clear organizational structures as this helps to have a clear definition of authority, responsibility relationships, and reporting lines. Organizational structure also helps in coordinating and diversifying activities.⁵ Despite this, some local authorities like Mutare City Council were operating without an approved organizational structure. Consequently, the council ended up incurring over-employment of workers. This is tantamount to a waste of rate payers' money which should be directed to service delivery.

3.5.2 Manpower Shortages

The OAG report showed that local authorities are failing to deliver quality services for residents because of shortages of manpower. The Auditor-General, for example, found that Kadoma City Council was operating six (6) clinics. These clinics should have been manned by six (6) sisters-in-charge and 30 registered general nurses but there were unfilled vacancies of 16 nurses and four (4) sisters-in-charge. At the same time, 10 senior positions like Director Housing, Assistant Accountant, and Electrician were also vacant. In Mutare, the Council had one (1) worker performing duties requiring two (2) stores clerk and a chief store officer. Apart from manpower shortages, the council incurred employment costs overrun 94% above the budgeted amount.

5. <https://www.businessmanagementideas.com/organisational-structure/organisational-structure-meaning-and-importance/3483>

Manpower shortages and budget overruns compromise service delivery, subdue worker morale due to fatigue, and increase the risk of financial losses.

4. MUNICIPAL COUNCILS

The OAG managed to audit the financial books of only three (3) Municipal Councils: Gwanda (2016–2019), Marondera (2019 and 2020), and Redcliff (2020). This section presents an analysis of key OAG findings.

4.1 GOVERNANCE ISSUES

The audited municipalities had many governance anomalies which range from fuel mismanagement, failure to carry out year-end cut-off procedures, disregard of statutory obligations, use of dilapidating stores building as well as unavailability of valuation roll. Gwanda municipality failed to conduct year-end cut-off procedures, a scenario that has the potential of defrauding the municipality through the misstatement of financial statements. A good example is non availability of internal control mechanisms over trade receivables of US\$ 11, 855, 344 (2016); US\$12, 951, 658 (2017); US\$13, 441, 550 (2018). This had a negative impact on auditing and prudent public finance management as there was no yardstick. The failure to honour statutory obligations at Gwanda also had serious governance consequences as it might affect employees' welfare after contract termination as they will not access their benefits. The building that was the municipality storage at Gwanda had been previously condemned by the Environmental Management Agency (EMA) as it was said to be in an undesirable state that put either the life of employees at risk of the goods being stored.

At Marondera Municipality issues related to the management of investment property were raised. The council was not accounting for the 10% rental income from Rusike and Marondera flats. In 2014, the council entered into an agreement with Index (Pvt) Ltd in which Index renovated the flats and was to be paid with 90% of the rentals for several years. On fuel management, approximately 3 783 litres of petrol and 6 896 litres of diesel were unaccounted for as they were issued without being signed for. This points to a porous management system that has the potential to derail the intent service delivery strategy culminating in unrealized outcomes (poor service delivery). Negligence and disregard for the public property have rocked Marondera municipality. The council had vehicles that were on insurance, the vehicles are said to have been involved in an accident in 2018 and 2019 yet no claims have been made so far.

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Table 1: Vehicles Involved In An Accident

Vehicle description	Registration number	Date of Accident
Volvo Fire Tender	Not registered	09/09/2018
Nissan Cabster	AAE 7766	29/11/2018
Nissan NP300	ADB 4173	06/05/2019
Tractor	Not Registered	Not Provided
Mitsubishi Canter	AAE 7770	Not Provided
Nissan NP300	Not Provided	29/08/2019
Nissan NP300	AAE 8189	Not Provided

Source: 2021 OAG report

The OAG report shows that Redcliff municipality had a weak fuel management system. The municipality was using the fuel card system of Trek. The procurement officer had the authority to move fuel from one card to another without the knowledge of the cardholder. This creates a fertile ground for corruption as there is no oversight system to safeguard fuel allocations moving and usage by card holders. Failure to do yearly valuation of property, plant, and equipment has also been viewed as one of the governance miscarriages.

Furthermore, at Redcliff Municipality value for money audits were not carried out as prescribed in council policies thereby undermining effectual governance systems. the valuation of property, plant and equipment was disregarded contrary to IPSAS 17 paragraph 67 which states that at every annual reporting value for money audits have to be carried out with respect to the organizational property to determine their life span and value. By disregarding this governance principle, the actual value of the property in possession of Redcliff municipality remains a mystery which opens a haven for fraud and corruption. In addition, contrary to the Urban Councils Act [Chapter 29:15] the municipality settled its debts with the land instead of using Estates funds as prescribed.

4.2 REVENUE COLLECTION, MANAGEMENT, AND DEBT RECOVERY

Revenue collection management and debt recovery are some of the issues unleashed in the OAG report. Redcliff municipality could not avail evidence of traditional beer sales schedules to support the levy remitted of ZWL\$145 580 by the commercial brewers. This is contrary to the Traditional Beer Act [Chapter 14:24], which states that local authorities are mandated to collect levies from breweries within their jurisdiction.

This has a grave impact on revenue collection as there is a leeway to enable understatement of the beer levy. This also impedes robust service delivery as the funds could have been used to promote service delivery.

Redcliff also failed to get ministerial approval to run income-generating projects against section 221 of the Urban Councils Act. This implies public funds as other income projects might not be viable enough to generate the much-expected revenue thereby making the municipality incur losses. On the other hand, Marondera municipality's customer accounts used symbols and characters (--#%\$&_) instead of original names. This undermines transparency and accountability and makes it difficult to determine the identity of those who owe the municipality.

4.3 PROCUREMENT OF GOODS AND SERVICES

Procurement of goods and services have been used as conduit pipes of revenue leakages to line up the pockets of public officials. Economies of affection are at the core of procurement-related decisions in municipalities. The case of Marondera municipality is a case point. On the 7th of May 2020, the municipality gave Abrigo (Pvt) Ltd a tender to supply 20 drums of catmix of which only eight (8) drums were delivered. Apart from the failure to deliver, Abrigo's selection shows weak procurement processes as it was not the lowest bidder as compared to Fly Hurst Trading.

Redcliff municipality contracted Livetouch Investments to supply vehicles and equipment worth US\$ 847 962 to be paid with 21 hectares of land. The contract was done without going to tender against the requirements of the Public Procurement and Disposal of Assets Act [Chapter 22:23]. However, at the time of the audit, Livetouch had failed to deliver half of the things it was contracted to deliver. The table below elaborates.

Table 2: Item and Contract Delivery Terms

Item and contract delivery terms	Value (US\$)	Delivery status and remarks
Toyota ambulance quantum motor vehicle. On or before March 15, 2020.	67 000	Delivered
Toyota 2.7 D4D 18-seater. On or before March 15, 2020.	41 260	Delivered
Garbage Truck Faw Underpan m3 motor vehicle. On or before May 31, 2020.	41 260	Not delivered at the time of audit. Breach of contract
Fire tender Faw underpan motor vehicle. On or before May 31, 2020.	66 802	Not delivered at the time of audit. Breach of contract
Skip bin loader Faw underpan. On or before March 31, 2021.	48 000	Not delivered at the time of audit. Breach of contract
One (1) GR215 grader. On or before March 31, 2021.	116 393	Not delivered at the time of audit. Breach of contract
Five (5) 2.5TD1 base single cab Nissan NP300 vehicles. On or before January 31, 2022.	131 857	Not yet due at time of audit.
One (1) XC870H backhoe loader. On or before January 31, 2022.	104 234	Not yet due at the time of audit.
One (1) Toyota Fortuner. On or before September 30, 2022.	61 728	Delivered in 2020. The vehicle was given priority over service delivery vehicles.
Four (4) Toyota Hilux. On or before September 30, 2022.	169 654	Two had been delivered at the time of audit.

Source: 2021 OAG report

4.4 SERVICE DELIVERY ISSUES

The bane of service delivery across municipalities has entrenched inequalities and promoted poverty, misery, and agony. The OAG reports indicate that municipalities such as Redcliff, Marondera, and Gwanda are failing to provide basic service delivery like water and sanitation, refuse collection, roads, clinics, and sewer construction. Nevertheless, it is imperative to note that, these municipalities are not the only local authorities failing to provide service delivery. Their case is not unique as the entire public sector is dysfunctional with infrastructural gaps that undermine optimum service delivery.

5. TOWN COUNCILS

The OAG report shows that Chipinge Town Council, Karoi Town Council, Plumtree Town Council, and Shurugwi Town Council had financial statements that were not presented fairly. The financial statements were in a way prejudicing the council. It is rather worrying that the town council got a qualified audit opinion as they failed to comply fully with the provisions of International Public Sector Accounting Standard 4 (IPSAS4) on “The effects of Changes in Foreign Exchange rates”.

5.1 GOVERNANCE ISSUES

Maladministration is at the core of governance in town councils as reflected by the OAG report. The failure by town councils to follow the prescribed rules and regulations both prescribed in the national legal frameworks and councils' governance principles undermines effectual governance. Chipinge Town Council failed to recognize non-current assets which are against International Public Sector Accounting Standards (IPSASs) 17 paragraph 21 which states that infrastructure assets meet the definition of property, plant, and equipment. This also creates an opaque environment around the value and state of non-current assets.

At the same time, the bane of mismanagement and weak assessment of organizational capacity to undertake various assignments was highlighted as one of the governance issues which engulf Karoi Town Council. Karoi Town Council cancelled a contract with Clyna Trading (Pvt) Ltd on the 26th of July 2018 which it had entered on the 10th of May 2016. Clyna was to develop and establish a traffic and parking management system on a Built Operate and Transfer (BOT) basis. However, , the contract was cancelled and this had financial ramifications. The council also had two motor vehicles that were not registered in its name. The motor vehicles are Toyota Land Cruiser (ABE 8041) and a Nissan Serena (ACY 2457). The situation shows governance loopholes that might be utilized by individuals to defraud the local authority. The failure to register the vehicles was contrary to section 14 (1) of the Vehicle Registration and Licensing Act [Chapter 13:14] which requires that a change of vehicle ownership be registered within 14 days after the acquisition of a motor vehicle.

Norton Town Council failed to revalue its property, plant and equipment while undertaking its annual reporting. This has value ramifications as it neglects value for money audits which are critical in helping the organization to make sound and informed decisions. The assets last had an evaluation in 2010.

Moreover, Plumtree failed the accountability and transparency test which is the nerve centre of good governance. This is because the duo accountability and transparency are a part of the principles of governance. The local authority purchased 1000 pre-paid meters in 2018. However, at the time of the audit, they could not avail receipts for the Auditor-General to ascertain the real value of the meters. There was no evidence to corroborate the prices mentioned by the council.

5.2 REVENUE COLLECTION, MANAGEMENT, AND DEBT RECOVERY

The OAG reported noted that town councils were having challenges in revenue collection, management, and debt recovery. To begin with, just like municipalities the issue of beer levy was problematic even to town councils. Chipinge Town Council was not obtaining sales schedules from Delta Beverages to determine the 3% beer levy due as required by the Traditional Beer Act [Chapter 14:24]. The Council only disclosed the amounts on bank statements received from Delta Beverages amounting to ZWL\$113 160 as beer levy in 2019. Management cited that this was due to Delta Beverages not providing beer sales statistics to the Council. As a result, the beer levy was accounted for on a cash basis rather than on an accrual basis as required by IPSAS 23. Due to old water pipes and non-functional meters, Chipinge Town Council experience a huge loss to non-revenue water which even surpassed the World Bank benchmark of 25% by 13%. This also had an implication on revenue collection as a lot of water was being lost. On the other hand, Shurugwi Town Council had a variance of ZWL\$54 041 804 between the balance as per financial statements (ZWL\$22, 246, 914) and billing reports (ZWL\$76 288 718).

5.3 PROCUREMENT OF GOODS AND SERVICES

Karoi Town Council purchased a refuse compactor truck which was never delivered despite having delivery agreed dates. The Council entered into an agreement of sale with Solution Motors (Pvt) Ltd on the 20th of July, 2017 for the supply of a self-weighting refuse compactor truck at US\$156 000. In May 2018, the Council paid a sum of US\$109 000 to Solution Motors (Pvt) Ltd, which was 70% of the whole purchase price. However, at the time of the audit (December 2019), the refuse truck had not been delivered, despite the agreed delivery time of 8 – 12 weeks. The issue of councils purchasing goods that are never delivered is not unique as the entire public sector is suffering from this procurement scam. Ministries, government departments, and parastatals are all victims of this procurement scam.

5.4 EMPLOYMENT ISSUES

Shurugwi Town Council was not doing payroll reconciliations, a great sign of weak internal controls resulting in an unexplained variance of ZWL\$998 150 between balance as per financial statements figure of ZWL\$15 464 823 and payroll summaries figure of ZWL\$16 462 973. In addition, the OAG report noted that there was a variance of ZWL\$813 909 between salary payments for the year of ZWL\$12 835 165 and net pay schedules of ZWL\$12 021 256. The failure of the local authority to undertake payroll reconciliations creates loopholes funds embezzlement, fraud, and ghost workers which undermine the finances of the local authority.

6. RURAL DISTRICT COUNCILS

For the 2021 Financial Year, the OAG managed to audit the financial statements for 18 Rural District Councils (RDCs) as presented in the table below. As with the urban councils, audit readiness for RDCs remains questionable as only 30% of the RDCs submitted their financials for the 2021 audit. RDCs that have been missing in the OAG's audit reports have been encountering capacity challenges to fulfil their service delivery and accountability mandate. These capacity issues include but are not limited to financial and human capital. According to a ZIMCODD survey on the implementation of OAG recommendations by local authorities, RDCs lack the financial capacity to move along with the developments in public accounting reporting standards and procedures and this leads to massive backlogs and outdated financials. The report revealed that local authorities are generally incapacitated as they lack enough personnel across critical departments including internal audit. The ZIMCODD survey notes that Gutu RDC, for example, has been making late submissions of their financial statements for external auditing due to capacity issues. Resultantly, Gutu RDC's accounts have not appeared in the OAG reports since 2017. The same was registered for Hwange RDC which last appeared in the 2018 OAG report covering financials for the year 2015.

Some of the challenges confronting LAs include lack of capacity to develop critical policies such as risk management policies and syndicated corruption among council's top management which has manifested in a lack of appetite to close corruption avenues. As such Public Finance Management in RDCs has remained weak and porous leading to a nosedive in service delivery.

For the 2021 OAG report, the RDCs which submitted their financials were marred with governance and service delivery issues including valuation of property, plant and equipment; diversion and misappropriation of funds; procurement without support documents; operating without key policies; revenue collection and revenue recognition; revenue loses and manipulated employment costs, among other issues.

Table 3: Rural District Councils Audited for the Financial Year ended 31 December 2021

Rural District Council	Year Audited	Rural District Council	Year Audited
Bindura RDC	2020	Runde RDC	2020
Buhera RDC	2020	Muzarabani RDC	2020
Gwanda RDC	2020	Mhondoro Ngezi RDC	2019
Binga RDC	2020	Mutare RDC	2019
Gokwe RDC	2020	Mwanezi RDC	2019
Manyame RDC	2020	Rushinga RDC	2019
Marondera RDC	2020	Matobo RDC	2018, 2019, 2020
Masvingo RDC	2020	Zaka RDC	2018, 2019, 2020
Nkayi RDC	2020	Kusile RDC	2016, 2017

Source: Compiled by authors from the 2021 OAG Report Findings

6.1 GOVERNANCE ISSUES

While RDCs are an integral component of governance and service delivery established by the government to ensure the upholding of welfare of the general populace, the 2021 OAG report has highlighted that rural district councils continue to be marred by governance issues which are undermining their organisational capacity to deliver on their mandate. Some of the notable governance issues are briefly discussed below:

6.1.1 Valuation of Property, Plant and Equipment

One of the key issues identified by the OAG is valuation of property, plant and equipment in which RDCs failed to comply with requirements of the IPIAS 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. Bindura RDC disclosed its property, plant and equipment at carrying amount of ZWL\$143 683 976 without carrying out an assessment of the residual value and useful life of its property, plant and equipment while Binga RDC did not disclose its assets at fair value in spite of operating in a hyperinflationary environment and the same can be said for Gwanda RDC which stated its property, plant and equipment in USD without conducting a revaluation to determine a fair market value. This has seen RDC's financials continuously being misstated with Binga RDC council records indicating that assets were last revalued in 2011.

6.1.2 Diversion of resources and misappropriation of funds

Diversion of resources and misappropriation of funds continue to be a thorn in the flesh for local authorities with RDCs not an exception. Bindura RDC diverted fuel for road maintenance (ZINARA projects) amounting to 1054 litres for other council business threatening poor service delivery due to fuel shortage. Buhera RDC received funding (loan to be repaid in two years) amounting to US\$1 200 000 (in two tranches in 2012 and 2013) from the Ministry of Local Government, Urban and Rural Development to fund its water and sewer infrastructure. However, the council had an outstanding balance of ZWL\$1 263 496 as at December 31, 2020 which was not serviced for a period of more than 5 years thereby compromising the RDC's access to future funding due to negative credit rating. While devolution funds are meant to spearhead development in communities, the Bindura RDC used ZWL\$511 617 from devolution funds to fund recurrent expenditures such as salaries and repairs of motor vehicles; the RDC also used devolution fuel for administration functions. Further, Bindura RDC purchased 8 109 litres for road maintenance using devolution funds, thereby stalling devolution projects. The diversion of devolution funds is a clear violation of circular number 1 of 2019, which states that the inter-governmental fiscal transfer funds should not be used on recurrent expenditure and is meant to fund capital projects.

6.1.3 Operating without Key Policy Documents

While councils are required by the Rural District Council Act [Chapter 29:13] section 74 (1) (b) to formulate policies both long-term and short term, the Auditor General unearthed another irregularity that councils were 'operating without key policy documents.' This is in contrast to the provisions of section 44 (1) (a) of the Public Finance Management Act [Chapter 22:19] which states that a public entity shall ensure that it establishes and maintains effective, efficient and transparent systems of financial, risk management and internal controls. The table below itemizes some of the RDCs that are operating without key policies and procedures manual as identified by the OAG:

Table 4: RDCs Operating without Key Policy Documents

Local Authority	Policies & procedures in question	Implication/risk
Mutare RDC	<ul style="list-style-type: none"> ▪ Operational Manual ▪ Information Technology policy ▪ Debtors management policy ▪ Service delivery policies on water management, waste management and environment management ▪ Land management policies 	Lack of documented policies may result in lack of coordination, consistency and direction as a result of absence of an agreed way of operating and carrying out tasks
Runde RDC	<ul style="list-style-type: none"> ▪ Risk Management, ▪ Information Technology, ▪ Procurement and Health & Safety 	Council may overlook significant risks which may affect service delivery. Possible inconsistencies in application of processes and procedures.
Binga RDC	<ul style="list-style-type: none"> ▪ Procurement policy ▪ Assets management policy ▪ Accounting procedures manual 	Operational functions of Council were executed without proper guidelines or set standard to mitigate risks. As such, possible inconsistencies in application of processes and procedures. Fraudulent activities may go undetected
Gokwe RDC	<ul style="list-style-type: none"> ▪ risk management policy, ▪ human resources policy ▪ recruitment policy ▪ accounting manual 	Lack of key policies continue to weaken the internal control system. This poses a risk of institutionalised corruption, misappropriation and diversion of funds.
Nkayi RDC	<ul style="list-style-type: none"> ▪ Human Resources policy, ▪ Housing policy, ▪ Transport policy, ▪ Health and Safety policy and ICT 	Documented policies and procedures are key in guiding employees in the discharge of their duties and they help the employer to monitor compliance against the same
Mwenezi	<ul style="list-style-type: none"> ▪ health and safety ▪ asset management ▪ travelling and subsistence ▪ housing policy and, ▪ information technology policies 	

Source: Compiled by Authors from the 2021 OAG Findings

6.2 REVENUE COLLECTION

Revenue recognition and revenue collection are the two main issues confronting RDCs and weighing heavily on the capacity of local authorities to effectively deliver services. A significant number of revenue line items were recognized on a cash basis instead of accrual basis with the risk of financial loss due to unbilled revenue. This includes leases, business licenses, base station levy's, land levy, stand sales, schools levy, rent incomes, mining royalties among others.

This goes for Buhera and Kusile RDCs. For Kusile RDC monthly billing reports and the number of billable properties were not availed for audit; and while the RDC receives royalties from the harvesting of indigenous timber trees that includes, teak, mahogany and mopani within its jurisdiction, the council did not avail agreements between the Timber Millers and Council for audit. Kusile RDC accrued timber royalties of US\$6 763 during 2016 financial year against US\$41 124 recognized in 2015, however there was no explanation provided to justify the decrease in such revenue. For Gokwe RDC, the council operates a lodge as part of its income generating projects. Five rooms at the lodge were occupied by some guests between 2008 and 2020 however, there was neither evidence of payments received for the occupation nor a formal arrangement to this effect. Further, the council had no access to the rooms. This signifies highest level of corruption and clearly loss of revenue due to non-payment of services rendered.

Mwenezi RDC did not maintain a proper stand register with sufficient details such as stand owner, lease numbers, stand size and date of allocation. Sarahuro had 44 stands, Neshuro 21 stands and Rutenga 124 stands which had incomplete information in the register. The stand registers availed were counter books, which are not durable and there was no evidence of any backup and this presents a huge risk of manipulation and fraudulent allocation of stands. While RDCs are entitled to collect beer levy from brewers within their jurisdiction as required by the Traditional Beer Act (Chapter 14:24), many RDCs did not have evidence of sales schedules to support levy remitted by Delta Beverages leading to under-statement of beer revenue and or revenue losses. These include Binga, Manyame, Mutare, Muzarabani and Nkayi RDCs. Failing to recognise revenue streams and failing to collect revenue results in underfunding which significantly kills service delivery. Poor public service delivery is taking its toll on residents across all local authorities with women suffering the brunt.

6.3 PROCUREMENT OF GOODS AND SERVICE

Public procurement entails the buying, purchasing, renting, leasing or otherwise acquiring any materials, services or construction services by the government, state-owned enterprises, and local authorities on behalf of the people they serve. However, as with central government, public procurement remains in intensive care unit with local government failing to adhere to procurement regulations.

RDCs have been found wanting with regards to following basic procurement procedures. It is a basic procurement regulation that when expenditure is incurred, quotations, receipts and invoices should be attached to payment vouchers as supporting documents but this was not being implemented by Kusile RDC for instance. In 2016, Kusile RDC had unsupported expenses due to missing supporting documents such as supplier invoices for transactions amounting to US\$173 368. On the other hand, on June 20, 2018, Marondera RDC awarded a tender for the supply and delivery of a tipper truck and tractor loader backhoe (TLB) to Massbreed Investments (trading as Faw Zimbabwe) and Pelgin Consultancy respectively. By the time of the audit, the suppliers in question had not yet met their obligation of delivering the equipment since 2018 despite having been paid in full by the RDC. Further, the OAG noted that there was no formal contract between the RDC and Faw Zimbabwe. The tipper truck tender awarded to Massbreed Investments (Faw Zimbabwe) had a cost price of US\$110 000. However, as per letter by the Council dated July 27, 2020 seeking clarification from the supplier on a meeting held on July 24, 2020, the supplier (Faw Zimbabwe) changed the total price from US\$110 000 to US\$280 000. This again compromises service delivery and results in financial losses in the event that the suppliers fail to make a delivery or a refund.

6.4 PUBLIC SERVICE DELIVERY

Service delivery remains the cornerstone for vulnerable groups and marginalized communities who cannot afford high-priced private services. Service delivery is one of the vehicles used by the state to deliver on its fiduciary responsibilities to ensure that the welfare of the citizens are catered for and this is done through local government. However, RDCs have consistently failed to deliver public services as revealed by the 2021 OAG report on Local Authorities. In Bindura RDC, Tarlington clinic did not have adequate water supply as required by the health standards to ensure adequate sanitation for patients and health personnel. Manyuchi Clinic under Mwenezi RDC had no maternity services (delivery room and post-natal room) and proper equipment necessary to assist during and after birth and have resorted to using the mother shelter for delivery purposes. The clinic's observation room, treatment room, outpatient room and dispensary room had no lighting system despite the fact that a solar system has been put in place to provide electricity at the clinic. Manyuchi Primary school under Mwenezi RDC had an enrolment of 283 students however, the school had only two (2) classroom blocks which caters for ECD students and the other with two (2) classrooms catering for grade one (1) to seven (7) students.

Most grades had no access to classrooms and as a result, were learning outside. In addition, the school had inadequate learning material with only a teacher's copy per subject for each grade. Poor education facilities and learning materials compromises the quality of learning. Thus, service delivery continue to crumble and this underscores the need for the government to effect critical economic reforms to redress the further deteriorating service delivery situation.

7. RECOMMENDATIONS

7.1 TO THE GOVERNMENT

7.1.1 Arresting Powers to Auditor-General

The implementation of recommendations proffered by the OAG is crucial in strengthening the existing porous PFM systems in LAs. This will also help to improve the quality of service delivery as public funds will be safeguarded. As such, the Government should amend the Audit Office Act to give the Auditor-General powers to issue arrest warrants to authorities failing to timely implement these recommendations.

7.1.2 Statutory Independence of Accountability Institutions

Yearly the Auditor-General unearths massive abuse, misuse, embezzlement, and diversion of public funds by officials for private gain. However, there is a lack of prosecution of high-profile cases involving politically exposed persons and private sector companies. Therefore, there is a need for political will to increase the statutory independence of accountability institutions like the Zimbabwe Anti-Corruption Commission (ZACC) to intensify campaigns against corrupt behaviours through the prosecution of high-profile cases established by the Auditor-General.

7.1.3 Central Government Interference

The shift of control of LAs particularly urban LAs from the ruling party to the opposition party fuelled government interference in their operations. Most of the policies and activities of LAs require approval by the parent ministry. This slows the decision-making process and may result in political gamesmanship where progressive policies are sabotaged. As such, the central government should reduce interference and increase the autonomy of LAs in the management of public resources in their respective areas.

7.1.4 Disbursement of Devolution Funds

The government should ensure timeous disbursements of devolution funds to all local authorities. The currently delayed disbursement of these devolution funds in a highly inflationary environment is tantamount to a waste of public funds. Local governments source key supplies and materials from the private sector, a sector that largely benchmarks local prices at parallel market rates. Therefore, ZIMCODD urges the Treasury to disburse large chunks of fiscal transfers to local governments on time before the value is erased by currency depreciation and ravaging inflation.

7.1.5 Capacitation of Local Authorities

While the implementation of international public accounting standards is critical for the realization of efficient and effective public service delivery, many LAs in Zimbabwe are lagging in implementing and adhering to these standards. Therefore, to avoid it being a regular finding of the AG, there is a need for the central government to capacitate all LAs by providing financial assistance to enable them to train responsible accounting officers. The LAs should also be assisted to put in place relevant and up-to-date operational policies to ensure consistent treatment of similar operational issues.

7.2 TO LOCAL AUTHORITIES

7.2.1 Public-Private Partnerships (PPPs)

The urban population has ballooned over the years as a result of tightening lives and livelihoods in rural areas which led to increased rural to urban migration. This is overwhelming water treatment plants and water distribution infrastructure. To cope with rising demand, authorities should find innovative ways such as strengthening Public-Private Partnerships (PPPs) and raising revenue to invest heavily in water infrastructure.

7.2.2 Policy and Procedure Documents

The 2021 OAG report noted many LAs operating without valid policy and procedure guidance. This affects consistency in the manner cases are handled by LAs thereby discounting the integrity of the LAs and the manner services are provided. Whereas several LAs indicated that they were in the process of drafting, revising, or updating such policies, it is imperative that all LAs prioritize the rolling out of sound operational policies to guide their activities in a civic and transparent manner.

7.2.3 Implement OAG Recommendations

The Auditor-General's audit reports show yearly bad governance by local authorities in contravention of the constitution and available statutes like the Urban Councils Act. Implementing the AG recommendations will help to strengthen public finance management systems to curb leakages and improve public service delivery.

7.2.4 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 hallmark 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 and value for money must always be the guiding principles. Also, the valuation of assets must be prioritized to enhance prudent public resource management. Last but not least, LAs should ensure that payroll reconciliation is carried out judiciously to curb corruption, fraud, and embezzlement of funds. This will also mitigate against ghost workers.

8. CONCLUSION

Local governments 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 2021 OAG report has shown massive deterioration of service delivery; poor revenue collection, management, and debt recovery; weak procurement procedures and processes; and poor governance in LAs. The audit report has shown that recurring irregularities are being caused by a lack of implementation of prior recommendations proffered by the Auditor-General. Consequently, inequalities will continue to widen and poverty deepening largely because it is the poor majority who depends on government services the most. Therefore, if Zimbabwe is to attain its aspirations of stable, inclusive, and sustainable economic growth and development as espoused in the National Development Strategy, strengthening PFM systems in LAs must take the centre stage.