



CITY OF HARARE

AUDIT COMMITTEE

MINUTES OF A PHYSICAL MEETING OF THE ABOVE COMMITTEE HELD IN THE COUNCIL CHAMBER, TOWN HOUSE, ON THURSDAY, 2nd FEBRUARY 2023 AT 4:49 PM

MEMBERS PRESENT: **Councillors:** K. Charumbira (Chairperson)
G. Mandere
E. Mupamaonde
A. Shingadeya
S. Wutawunashe

OFFICIALS PRESENT

P.M. Moyo : Acting Town Clerk
E. Mushava : Acting Chamber Secretary
B. Matengarufu : Acting Human Capital Director
M. Vere : Acting Director of Health Services
A. Nyamurova : Town Clerk's Office (Audit Manager)
D. Njanina : Chamber Secretary's Department (Committees Manager)
D.S. Mavalwane : Acting Monitoring and Evaluation Manager
E. Banda : Department of Housing and Community Services
S. Madzokere : Town Clerk's Office (ICT)
L. Mukumba : Monitoring and Evaluation (Health Department)
F.M. Kashangura : Department of Works
A. Shoko : Town Clerk's Office (Audit)
B. Phiri : Town Clerk's Office (Audit)
A. Zeure : Chamber Secretary's Department (Legal Division)
R. Tapera : City Health Department
L. Masuka : Chamber Secretary's Department
T.P. Muchena : Chamber Secretary's Department
L. S. Chikadza : Chamber Secretary's Department
T.G. Dimbo : Chamber Secretary's Department (Intern)
N.P. Warurama : Chamber Secretary's Department (Intern)

RECOMMENDATIONS: 10 TO 11

RESOLUTIONS: 1 to 9

REPORTERS AND MOVERS: Councillors: K. Charumbira and G. Mandere

1. PRAYERS (A.1)

The opening and closing prayers were led by Mr B. Matengarufu and D. Mavalwane respectively.

NOTED

2. CONFIRMATION OF MINUTES (A.2)

The Minutes of the Meeting of this Committee held on 20th December 2022 had been circulated with the Agenda.

On a proposal by Councillor A. Shingadeya seconded by Councillor K. Charumbira, the Committee:-

RESOLVED

That the Minutes of the meeting of this Committee held on 20th December 2022 be taken as read and confirmed.

(Whereupon the Minutes were signed by the Chairperson Councillor K. Charumbira)

ACTION : A/CS : 3/2/23

3. FAILURE TO ATTEND THE AUDIT COMMITTEE MEETING BY SOME HEADS OF DEPARTMENT (A.4)

On 20th December 2022, this Committee (Item 6) had tasked the Acting Town Clerk to ensure that all departments were represented at all Audit Committee Meetings.

Arising from the previous Minutes, the Committee enquired whether all the departments were represented at this Meeting.

In response, the Committee was advised that some of the Heads of department had failed to attend this meeting as they were locked up in another crucial meeting at Town House.

The Committee further expressed concern that some Departmental Heads had continued to fail to send representatives to Audit Committee meetings which hindered conduct of such meetings and progress of implementation on the Committee resolutions. The Committee agreed that disciplinary action be taken against such Heads of department.

RESOLVED

That the Acting Town Clerk ensures that all departments are represented at all Audit Committee meetings and that failure to adhere to this resolution, disciplinary action would be taken against such departmental Heads.

ACTION : A/TC & HODs: 3/02/23

4. CAPACITATION OF THE INTERNAL AUDIT DIVISION (B.6(i))

Arising from the discussion on the Audit Plan for the year 2023, outlined elsewhere in these Minutes, the Committee enquired progress regarding the capacitation of Audit Division with modern tools of trade to mitigate loopholes and coming up with robust internal control systems in Council.

The Acting Town Clerk advised that effort was being made to ensure that the division was fully capacitated. He further reported that the Audit software had since been acquired. The City was awaiting the relevant Department to organize training for the users.

The Committee further implored the need for the Acting Human Capital Director to ensure that capacity building programs for Audit Committee were also considered.

The Committee also expressed concern that some Council departments were still treating Audit as a tool for witch-hunting, hence Audit faced resistance in their effort to undertake its functions. The Committee then encouraged management to have emotional intelligence to understand that Internal Audit was an important tool for Council operations.

RESOLVED

- (1) That it be noted that capacitation with modern tools of trade for the Audit Division is being implemented and that the Audit software has since been procured and awaits training of the user department and other relevant staff.
- (2) That the Acting Human Capital Director in liaison with the Acting Chamber Secretary organizes relevant capacity building programmes for the Audit Committee.
- (3) That Council management should have emotional intelligence to understand the function of the Internal Audit Division.

ACTION : A/TC (AM & HOD: 03/02/23

5. DELAY BY COUNCIL TO IMPLEMENT COUNCIL RESOLUTIONS ON ALLOCATION OF UNSERVICED STANDS TO CO-OPERATIVES AND COUNCIL EMPLOYEES (B.6ii)

Under matters for which the Chairperson's consent had been obtained, the Committee expressed concern on the delay by the Acting Director of Works (Development Control) to implement the Council resolutions and take necessary action on issues regarding the following properties:-

- (i) a structure in Lytton Road which was built on top of a sewer line and
- (ii) finalization of issues on unserviced residential stands in Budiro and Crowborough to co-operatives and Council employees.

The Committee then referred the matters to the Education, Health, Housing and Community Services and Licensing Committee for further consideration.

Following discussion, the Committee:-

RESOLVED

- (1) That the matter regarding a structure built on top of a sewer line and the allocation of unserviced residential stands in Budiro and Crowborough to Co-operatives and Council employees be referred to the Education, Health, Housing and Community Services and Licensing Committee for consideration and appropriate action.
- (2) That the Audit Manager investigates the structured reported to be built on top of a sewer line.

ACTION : A/DHCS, AM & A/DOW : 03/02/23

6. CITY OF HARARE AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2019, 2020, 2021 AND 2022 (B.2)

On 19th October 2022, this Committee (Item 2) had met the Auditor General and External Auditors with a view to iron out bottlenecks which were highlighted in the 2018/19 Financial Statements. The Committee had further agreed that the Acting Town Clerk in liaison with the Acting Finance Director should, as a matter of urgency meet Quill and Associates with a view to open the balances for 2019 financial statements and verify the figures.

The Committee now had before it a memorandum dated 12th January 2023 by the Audit Manager. He reported that following a meeting held with the Auditor General and the External Auditors on 19th October 2022, it was agreed that the

2019 Financial Statement be restated as there was no meaningful progress made by Quill Associates to open up the system so that the opening balances could be extracted and the queried sums would be explained.

The Audit Manager further reported that the restatement of 2019 Financial Statements had a domino effect on the audited financials for the ensuing year which would be invariably qualified on the same basis as those of 2019. He reported that there was need for management to resolve the matter as a matter of urgency so as to avoid more delays in the production of Audited Financial Statements of the City, since the City since already behind by four (4) years being 2019, 2020, 2021 and 2022.

Against that background the Acting Town Clerk had proposed the convening of a meeting to be attended by Management and External Auditors (HLB Audit Manager) with a view to map the way forward.

The Audit Manager further reported that a meeting was held with the Acting Town Clerk, Acting Finance Director, Internal Auditor and External Auditor with a view to update and map the way forward where an agreement was made to restate the 2019 accounts. He advised that the 2018 accounts were audited and that what the City did not have were 2019 figures which would be determined using the Incomplete Records Principles.

The Committee appreciated the effort by the Acting Town Clerk and his team to meet and try to solve the matter and move forward. It was the Committee's view that routine meetings should be held with the Auditor General's Office as required. There was need for External Auditors to guide Council on the way forward

The Committee further requested Heads of Department to timeously respond to Audit reports for further submission to Audit Committee. It further asserted the need for updating on frequent meetings with the Auditor General and the ZACC the Auditor General's recommendations and the new ERP.

Following discussion, the Committee:-

RESOLVED

- (1) That it be noted that to date there is no meaningful progress with Quill Associates with regard to opening of the City of Harare accounts.
- (2) That it be noted that a meeting be convened with the Acting Town Clerk, Acting Finance Director, Internal Audit and External Auditor with a view to update and map the way forward regarding the opening of the 2019 balances.

- (3) That Council continues to engage the Auditor General's office on the matter.
- (4) That the Committee appreciates progress on the ERP restatement of the 2019 accounts and proposal to determine the 2019 account balances using incomplete records.
- (5) That the Acting Town Clerk (AM) comes up with a schedule of meetings of this Committee with the Auditor General and ZACC.

ACTION : A/TC (AM) & all HODs: 3/02/23

7. INVESTIGATION INTO ALLEGATION OF FRAUDULENT PARCELING OUT OF LAND SITUATED AT THE HIGH GLEN AREA TO MASHWEDE HOLDINGS BY COUNCIL (B.3)

The Committee considered a confidential report (8th December 2022, circulated with the Agenda) by the Audit Manager regarding an investigation into the alleged allocation of over forty thousand (40 000m²) of land to Mashwede Holdings.

The Audit Manager had carried the investigation on a request by the Acting Chamber Secretary, to investigate the alleged fraudulent allocation of forty thousand (40 000m²) of land situated at corner High Glen and Willowvale road to the individual named in the report.

The objective of the investigation was to find out the circumstances which surrounded the allegation of allocation of stand number 10668 High Glen area.

The Audit Manager reported that the beneficiary of the stand named in paragraph 4 of the Audit report had bought seven thousand five hundred and twenty-seven (7 527m²) of land which was situated at the corner of High Glen and Willowvale roads on 23rd June 2021.

He also reported that stand 11310 which was adjacent to stand 10668 stretched to Willowvale road in Glen View was sold by Council to another beneficiary on 1st June 1999. The stand measured 1.3040 hectares. The total land allocated to the two beneficiaries (1.3040ha + 7 527m²) was less than the alleged forty thousand square metres.

The Audit Manager further reported that the vast business empire situated at corner High Glen and Willowvale roads was built on land which was more than the size of the seven thousand five hundred and twenty-seven square metres which was bought by the beneficiary named in paragraph 4.1 of the Audit report.

The property expanded to stand number 11310 whose stand size was 1.3040 hectares and was owned by a different beneficiary named in paragraph 4.2 of the Audit report and was adjacent to stand 10668 in question.

The Audit Manager further reported that stand 11310 was sold by Council to a certain beneficiary named in paragraph 4.2 of the Audit report in 1999 which was subsequently registered at the Deeds office on 12th June 2000 under deed of transfer 5184/2000. The stand stretched from High Glen to Willowvale road in Glen View.

Following discussion, the Committee:-

RESOLVED

That it be noted that stand number 10668 situated at corner High Glen and Willowvale roads was procedurally sold by Council and rightfully belongs to Mashwede Holdings and A&M Hwede (Pvt) Ltd through their independent private arrangements which Council has no right or control over.

ACTION : AM & A/CS: 3/02/23

8. INVESTIGATION INTO FAKE BUSINESS LICENSES WHICH WERE DISPLAYED AT DETECT INVESTMENTS (Pvt) Ltd BY THE BLITZ TEAM (B.4)

The Committee considered a confidential report (6th December 2022, circulated with the Agenda) by the Audit Manager regarding the investigation into fake business licenses which were displayed at Detect Investments (Pvt) Ltd by the Blitz team.

The investigation into fake business licenses was requested by the Director of Health Services after the Blitz team suspected that the business licenses which were displayed for the year 2021 and 2022 were fake.

The objectives of the investigation were :-

- (i) to ascertain whether the two business licenses were fake and quantify loss to Council, and
- (ii) to establish the origin of the fake business licenses.

The Audit Manager reported that the company named in paragraph 4.1 of the Audit report had fake business licenses. The serial numbers which were issued from the Security Stationary office for the period ending 2021 was from 0033001

to 0037000, hence the business license no. 0014085 displayed by the company was fake.

He further reported that the City's water mark colour was purple, gold and red, whilst the colours for the company in question was blue and pink on their 2021 license and black and brown for 2022 licence.

The Audit Manager further reported that, for the year 2021 and 2022, the prejudice to Council was ZWL \$712 251,00 since the company in question had paid ZWL \$117 197,33 which then left an outstanding balance of ZWL \$595 053,67.

He also reported that the two business licenses had been downloaded from the computer by conmen.

During discussion, the Committee implored the need for enforcement of business licenses by use of scanners, that operators found with fake business licences should be closed and allocate premises to those willing to pay. It was agreed that the matter be referred to the Education, Heath Housing and Licensing Committee for consideration.

Following discussion, the Committee:-

RESOLVED

- (1) That Detect (Pvt) Ltd clears the arrears amounting to ZWL \$595 053,67 in respect of business licenses for the 2021 and 2022 trading periods.
- (2) That the Director of Health Services ensures compliance on business licenses and enforce all businesses to have valid licenses which are up to date.
- (3) That Council procures and allocates to compliance blitz teams scanners which detect fake business licenses.
- (4) That the Director of Health Services reports Detect Investments (Pvt) Ltd to Zimbabwe Republic Police for displaying a fake business license.
- (5) That operators found in possession of fake business licences shall have their shops closed and be allocated to those willing to pay.
- (6) That resolution in paragraph (5) above be referred to Education, Health Housing and Community Services and Licensing Committee for appropriate action.

ACTION: AM, CCO, EHHCS &DHS: 3/02/23

9. PAYMENT OF ZWL \$16 000 INTO A CITY OF HARARE BUSINESS LICENSE ACCOUNT : ZB ACCOUNT 417816668 389201 ROTTEN RAW BRANCH (B.5)

The Committee considered a confidential report (27th June 2022, circulated with the Agenda) by the Audit Manager regarding an investigation into the alleged irregular payments into City of Harare Business Licenses account.

The Audit Manager had carried the investigation on a request by the Acting Finance Director following a complaint which was raised by a rate payer named in paragraph 5.1 of the Audit report who sought redress of the RTGS he had paid for a non-existent stand.

The Audit Manager reported that a certain person named in paragraph 5.1 of the Audit report who had claimed to be a City of Harare employee, had duped Mr D. Zvakanaka through sms to make a payment of ZWL \$16 000 into a City of Harare ZB business licenses account no. 4178168389201 for a stand.

On 1st October 2021, Mr Zvakanaka thus called the person seeking clarification regarding the authenticity of the message and then paid the amount from his NMB bank account 21274A03097.

The Audit Manager further reported that on the same date, the person later duped Mr Zvakanaka into making another payment of RTGS 12 000 into another person's Stewart bank account 1018669303 claiming that it was not possible to reach Rowan Martin Building, as it was reported that Rowan Martin was closed hence not reachable.

He reported that the investigations had proved that both persons named in paragraph 5.1 of the Audit report were not Council employees. Audit had further tried to call one of them but failed to get through his phone as it was not reachable.

The Audit Manager also reported that the amount of RTGS \$16 000 which was paid by Mr Zvakanaka was still sitting in the Business license account number 4178168389201. He also reported that Audit had failed to establish any link between the accomplice named in paragraph 5.1 to any Council office as the transactions in question were solely between Mr Zvakanaka and the person named in paragraph 5.1 of the Audit report.

Following discussion, the Committee:-

RESOLVED

- (1) That the Acting Finance Director refunds ZWL\$ 16 000 Council sitting in the Business License account number 4178168389201 to Mr D. Zvakanaka's NMB account number 0000230535833.
- (2) That in case of the other ZWL \$12 000 which Mr D Zvakanaka made into Alice Chapfeka's bank account, the Acting Finance Director should advise him to pursue the matter with the Zimbabwe Republic Police.

ACTION : AFD : 3/2/23

10. ANNUAL RISK-BASED AUDIT PLAN FOR THE YEAR 2023 (S.1)

The Committee considered a confidential report (circulated with Supplementary Agenda) by the Audit Manager on the Annual Risk based Audit Plan for the year 2023.

The Audit Manager reported that the objectives of the Audit were :-

- ❖ to increase the evaluation of systems design and operational effectiveness,
- ❖ to increase the review of compliance with the governing instruments,
- ❖ to increase the assessment of value for money in the deployment and use of resources,
- ❖ to reduce incidences of fraud, and
- ❖ to increase the External Auditors' reliance of Internal Audit work.

The Audit Manager further provided a schedule of strategic objectives extracted from Risk Registers of all Departments. He indicated the following details relating to each strategic objective:-

- ❖ risk title,
- ❖ risk description
- ❖ cause,
- ❖ Audit focus area,
- ❖ Outcomes,
- ❖ performance indicators, and
- ❖ target dates

The Committee discussed the matter and requested the Acting Town Clerk in liaison with the Acting Human Capital Director to capacitate the Internal Audit Division through training and provision of tools of trade to enable the division to effectively carry out the Audit Plan.

Following discussion, the Committee:-

RESOLVED TO RECOMMEND

- (1) That Council notes the Annual Risk-based Audit Plan for the year 2023, a copy of which is attached to these Minutes as Annexure 'A'.

- (2) That the Acting Town Clerk in liaison with the Acting Human Capital Director capacitates the Audit Division through training and provision of tools of trade to enable the Division to effectively carry out the Audit Plan.

ACTION : A/TC (AM) A/HCD: 3/2/23

11. AUDIT FOLLOW UP ON IMPLEMENTATIONS OF AUDITOR GENERAL'S RECOMMENDATIONS FOR THE YEAR ENDING 31st DECEMBER 2018 (B.1)

The Committee considered a confidential report (1st December 2022, circulated with the Agenda) by the Audit Manager regarding the follow up audit which was undertaken to ascertain progress on implementation of the Auditor General's recommendations by management for the year ending 31st December 2018.

The objectives of the investigation were to establish progress on implementation of the Auditor General's recommendations.

He then reported on the evidence gathered as indicated below:-

The trial Balance on BIQ had not been fully developed also

- ❖ Trade and other payables were used for balancing the 2018 accounts, hence there was no complete Trial Balance due to lack of an ERP system.
- ❖ due to lack of access to BIQ files, the position remained the same, trade and payables figure had not been adjusted.
- ❖ assignment on asset verification was completed and was awaiting asset valuation and that draft Asset Policy form was done and was yet to be adopted,
- ❖ errors on receivables from exchange transactions which had resulted in a mis statement of USD\$ 153 028,285 was corrected to read as USD 391 057 372,
- ❖ information on land sales was being searched from the Deeds Office and that progress on the matter would be checked on a monthly basis, as it was an on-going exercise,
- ❖ the Principal Valuer in liaison with Planning, Survey and Housing Department were compiling the Land Bank,
- ❖ there was no water inventory,

- ❖ Audited financial statements had been received from City Park (Pvt) Ltd and Harare Quarry (Pvt) Ltd for consolidation purposes,
- ❖ the opening of BIQ was still being negotiated, and
- ❖ unreconciled items had been posted in cashbooks for completing banking reconciliations.

The Committee discussed the matter stating that most of the recommendations by the Auditor General centred on the City ensuring that the issue of the ERP was addressed. It was concerned that management reports were being undertaken manually and that balances could not be produced. It accordingly enquired progress on the new ERP system.

The Acting Town Clerk advised that the Tender Evaluation Sub-Committee was preparing a report to be submitted to PRAZ the following week and that the latter had undertaken not to take long to consider the report.

He further reported that approval of the report by PRAZ was going to pave way for choice of successful Tenderer and award of contract.

The Committee stated that by mid-February 2023 the City should commence implementation on the ERP.

Following discussion, the Committee,

(A) RESOLVED

That the Acting Town Clerk (ICT Manager) ensures commencement of implementation of the new ERP by mid-February 2023 and that reports be submitted to relevant Committees on progress.

(B) RESOLVED TO RECOMMEND

- (1) That it be noted that postings of unreconciled items in the cash book are now being incorporated to complete the bank reconciliation accounts.
- (2) That it be noted that currently, Council holds 776 approved Standard Operating Procedures (SOPs) as at 30th November 2022.
- (3) That the Acting Town Clerk ensures that all the outstanding items raised in the Auditor General's recommendations are addressed.

ACTION: ATC &(AM) & HODs: 24/02/23

THE MEETING ENDED AT 5:45 PM

LSC/ntr