



CITY OF HARARE

AUDIT COMMITTEE

MINUTES OF A MEETING OF THE ABOVE COMMITTEE HELD IN THE COUNCIL CHAMBER, TOWN HOUSE ON TUESDAY, 4th JUNE 2024 AT 12:40 PM

MEMBERS PRESENT: Councillors : B. Duma (Chairperson)
: J.C. Shoko (Vice-Chairperson)
: C. Chidagu
: S. Chuma
: Z. Duri
: C. Maimba
: K. Maburutse
: C. Mashozhera
: F. Mutasa

ATTENDANCE BY INVITATION : HLB Auditors & Auditor General
: Principal Auditors
H.M. Munyati
P. Mupambi

OFFICIALS PRESENT

W. Chiwawa : Acting Chamber Secretary
G. Kusangaya : Acting Finance Director
Dr F. Machipisa : A/Director of Housing & Community Services
Eng. C.T. Chigariro : Acting Director of Works
B. Matengarufu : Acting Human Capital Director
E. Mushava : Acting Legal Manager
N. Murerwa : Supply Chain Manager
D. Njanina : Committees Manager (*Not in for Item 5*)
K. Chikandamina : Town Clerk's Office (CVEM)
J. Masitala : Chamber Secretary's Department (Legal)
E. Marange : Town Clerk's Office (Audit)
N. Musoni : Town Clerk's Office (M and E)
B. Nhukarume : Finance Department
B. Phiri : Town Clerk's Office (Audit)
L. Chikadza : Chamber Secretary's Department
G. Katsande : Chamber Secretary's Department
S.K. Chimbetete : Chamber Secretary's Department
T. Chinyandura : Chamber Secretary's Department (Intern)

RECOMMENDATIONS : **17 to 21**

RESOLUTIONS : **1 to 16**

REPORTERS AND MOVERS : Councillors: B. Duma and J.C. Shoko

1. PRAYERS

The opening and closing prayers were led by Councillor C. Maimba and Mr. W. Chiwawa respectively.

2. CONFIRMATION OF MINUTES (A.3)

The Minutes of the Meetings of this Committee held on 4th April 2024 and 13th May 2024 had been circulated with the Agenda.

On proposals by Councillors C. Chidagu and J.C. Shoko, seconded by Councillors C. Mashozhera and C. Maimba respectively, the Committee:-

RESOLVED

- (1) That the Minutes of the Meeting of this Committee held on 4th April 2024 be taken as read and confirmed.
- (2) That the Minutes of the Meeting of this Committee held on 13th May 2024 be taken as read and confirmed after correcting them as follows:-

Page 1

Correcting the initial for the Town Clerk to read "Engineer H. Chisango"

Page 2

Deletion of the names S. Nhapi and O. Mutonhori.

(Whereupon the Minutes were signed by the Chairperson, Councillor B. Duma).

ACTION: A/CS: 5/06/24

3. PROPOSAL TO UPGRADE A CERTAIN POSITION IN COUNCIL SERVICE

(B.7(i))

Under matters for which the Chairperson's consent had been obtained, the Committee suggested consideration to elevate a position mentioned in this Meeting.

The Acting Chamber Secretary advised that jobs were graded in terms of a Job Evaluation exercise.

NOTED

4. ATTENDANCE AT AUDIT COMMITTEE MEETINGS AND WORKSHOPS BY THE LEGAL OFFICER ASSIGNED TO THE AUDIT COMMITTEE (4(i))

During discussion on modalities for fuel procurement and distribution in City of Harare referred to elsewhere in these Minutes, the Committee enquired why the Legal Officer assigned to this Committee was excluded from attending workshops organized for this Committee. It asserted that she must attend Meetings of this Committee.

RESOLVED

That the Acting Chamber Secretary ensures that a Legal Officer who is assigned to Audit Committee attends meetings and workshops organized for this Committee.

ACTION: A/CS, A/HCD & A/FD:5/06/24

5. CONVENING OF THE WORKSHOP FOR ADOPTION OF THE CITY OF HARARE'S ANTI-CORRUPTION POLICY (4(ii))

On 4th April 2024, this Committee (Item 4) had resolved:-

"That the Acting Chamber Secretary in liaison with Town Clerk (Audit Manager) organises a workshop for the Audit Committee on the presentation of the draft Anti-Corruption Policy document".

Arising from the previous Minutes dated 4th April 2024 the Committee enquired progress regarding convening of the workshop on the presentation of the draft Anti-Corruption policy document and then tasked the Acting Chamber Secretary to expedite convening of the workshop.

RESOLVED

That the Acting Chamber Secretary in liaison with the Acting Town Clerk (AM) expedites convening of the workshop referred to above.

ACTION: A/CS & AM:5/06/24

6. UPDATE REPORT ON WATER SOLUTIONS AND SUBMISSION OF ACQUITTALS BY NANOTECH WATER SOLUTIONS (4(iii))

On 2nd May 2024, the Environmental Management Committee (Item 3) had resolved:-

"That the matter be referred to the Audit Committee to investigate how USD\$1 million paid to Nanotech was used, why there were no full acquittals and who are the directors of the company".

On 14th May 2024, Council (Item of the Minutes of Environmental Management Committee dated 9th May 2024) had resolved:-

"That in terms of Section 100 of the Urban Councils Act (Chapter 29:15), Council appoints a Special Committee to investigate and make recommendations to Council on the performance of the contract awarded to Nanotech Water Solutions (Pvt) Ltd detailing the award of the contract, disbursement of USD\$1.1 million in advance, how that money was used, acquittals and Directors of the company, among other details".

The Committee now expressed concern that the report had taken long to be submitted to the relevant Committee and felt the need for the Audit Manager to investigate the matter and submit a comprehensive report to this Committee providing information on how Nanotech Water Solutions (Pvt) Ltd was awarded the contract and whether they were allocated the USD\$1.1million in accordance with the relevant laws and as outlined above.

The Committee also pointed out that the inquiry route could be adopted in the Nanotech matter in terms of Section 98 of the Urban Councils Act. It then agreed that after the investigations into the Nanotech Water Solutions matter that the Committee interviewed this contractor.

RESOLVED

- (1) That the Audit Manager proceeds with the investigation into Nanotech Water Solutions (Pvt) Ltd's contract performance in terms of the Environmental Management Committee resolution outlined in the preamble above and report to this Committee.
- (2) That the Committee interviews the contractor, Nanotech Water Solutions (Pvt) Ltd after submission of the Audit Manager's report on the above investigation.

ACTION: TC(AM): 05/06/24

7. INVESTIGATION INTO DOUBLE ALLOCATION OF STAND No. 78 THE GRANGE BORROWDALE (4(iv)

On 4th April 2024, this Committee (Item 6) had requested the Audit Manager to continue with the investigation of the corrupt activities which had resulted in double allocation of stand no.78 The Grange Borrowdale.

The Committee now enquired progress regarding the above investigation and requested the Audit Manager to continue with the investigation and give periodic reports.

RESOLVED

That the Audit Manager continues with the investigation and give periodic reports on the matter.

ACTION : TC(AM): 05/06/24

8. FORCED LEAVE: ALL STAFF IN THE ALLOCATIONS DIVISION, DEPARTMENT OF HOUSING AND COMMUNITY SERVICES (4(v))

On 4th April 2023, this Committee (Item 7) had resolved:-

"That the Acting Human Capital Director ensures that the Committee resolutions referred to in Item 8 of the Audit Committee Minutes dated 6th December 2023 is implemented or if there are reservations put it in writing in terms of Section 136(2)(ii) of the Urban Councils Act (Chapter 29:15).

(2) That in the event that the Acting Human Capital Director has reservations on the matter, he should put it in writing therein and submit reports to Human Resources and General Purposes Committee".

The Committee now enquired progress on the matter.

The Committee requested the Acting Human Capital Director to give an update report at the following meeting of the Committee.

RESOLVED

That the Acting Human Capital Director submits an update report at the following meeting of this Committee.

ACTION: A/HCD: 5/06/24

9. URGENT REDEPLOYMENT OF HARARE METROPOLITAN AND TRAFFIC ENFORCEMENT POLICE (HMP) OFFICERS BASED IN MBARE WHO ALLEGEDLY REFUSED TO BE ROTATED (4(vi))

On 4th April 2024, this Committee (Item 8) had requested the Acting Human Capital Director to check from the Collective Bargaining Agreement (NEC) whether Council resolution to promote the officials hinders the implementation of the Committee's resolution on rotation and redeployment of staff to other stations.

The Committee requested the Acting Human Capital Director to submit a report on the above matter at the following meeting of the Committee.

RESOLVED

That the Acting Human Capital Director submits a report regarding the redeployment of Harare Metropolitan and Traffic Enforcement Police (HMP) Officers based in Mbare who allegedly refused to be rotated.

ACTION: A/HCD: 5/06/24

10. MODALITIES FOR FUEL DISTRIBUTION IN CITY OF HARARE (4vii)

On 4th April 2024, this Committee (Item 9) had resolved:-

"That the Transport Manager ensures that the modalities for the procurement and distribution of fuel is done to the best advantage of Council and reports to this Committee for information".

Arising from the previous Minutes dated 4th April 2024, the Committee enquired progress regarding the matter.

The Committee was advised that the Town Clerk had set up a team which was looking into the procurement and distribution system and that a report would be submitted to the Committee.

The Committee expressed concern at the delay in implementing the resolution. It expressed the view that it was the responsibility of the Transport Manager to distribute fuel.

RESOLVED

That the Acting Chamber Secretary expedites submission of the report on modalities of procurement and distribution of fuel in Council services.

ACTION: TC (scm) & A/CS (Transp. Mnger): 05/06/24

11. PROCUREMENT OF GADGETS FOR AUDIT COMMITTEE OFFICERS (4viii)

Arising from the previous Minutes, the Committee enquired progress regarding the procurement of gadgets for the Audit Committee Officers. The Committee agreed that the Committee Officers be capacitated with the requisite gadgets as a matter of urgency.

Following discussion, the Committee:-

RESOLVED

That the Town Clerk (SCM) expedites the procurement of the requisite gadgets for the Audit Committee Officers.

ACTION: TC (SCM) & A/FD: 5/06/24

12. INVESTIGATION INTO OPERATION OF THE SUPPLY CHAIN DIVISION BY AUDIT (4 ix)

On 4th April 2024, this Committee (Item 16) had requested for an investigation of the entire Supply Chain Division by the Audit Manager.

The Committee now enquired progress regarding the investigation and then requested the Audit Manager to expedite the investigation.

RESOLVED

That the Audit Manager expedites submission of a report regarding investigations into operations of the Supply Chain Division.

ACTION : TC (AM): 5/06/24

13. REVIEW TO ASCERTAIN STOCK OF BOOKS AND OPERATIONAL FUNCTIONALITY OF CITY LIBRARIES (4(x))

On 4th April 2024 this Committee (Item 17) had deferred consideration of the above matter to allow the Committee to tour any of the three libraries and swimming pools.

The Committee now requested the Acting Chamber Secretary to organize the tour of the libraries and swimming pools.

RESOLVED

That the Acting Chamber Secretary organizes a tour of the libraries and swimming pools before the following meeting of this Committee.

ACTION : A/CS: 5/06/24

14. MATTERS REGARDING THE ALLEGED ILLEGAL SUB-DIVISION OF STAND 1575 TO 1730 HATCLIFFE TOWNSHIP HARARE (4(xi))

On 4th April 2024 this Committee (Item 5) had resolved:-

"(1) *That the Audit Manager's report on the investigations into the alleged subdivision of stand numbers 1575 to 1730 Hatcliffe*

Township be submitted at the following meeting of this Committee.

- (2) *That the Audit Manager submits periodic update reports on all investigations to the Committee for its information”.*

The Committee considered the matter, and :-

RESOLVED

That the Audit Manager expedites submissions of reports in terms of the above resolutions to this Committee.

ACTION : TC (AM): 05/06/24

15. SUBMISSION OF A REPORT ON THE STATUS OF ALLOCATION OF RESIDENTIAL STANDS TO SOME PAY SCHEMES IN GLEN VIEW, GLEN NORAH”A” NEAR THE POLICE STATION, BUDIRO AND MABVUKU (A.4)

Arising from the discussion on Item 22 of the Minutes of this Committee, dated 4th April 2024 regarding the investigation into allocation of stands in Mabvuku, Chizhanje area to a Housing Scheme identified in this meeting, a member drew the attention of the Committee to a Housing Pay Scheme named in this meeting in Glen View which had allegedly been allocated stands and paid land intrinsic value but could however not occupy the stands as they got invaded by another illegal settlers as detailed in this Meeting. He further reported that Council resolution to rectify the problem had not been implemented

The Committee further expressed concern at reported incidents when pay schemes were requested to pay for certain processes creating legitimate expectations on the pay schemes but were allegedly not considered for allocation. It also pointed out that the cases seemed to exist in other suburbs as well. It was also concerned at some Housing Pay Scheme which had not completed development of infrastructural services inclusive of roads.

The Acting Director of Housing and Community Services advised that he needed time to get the correct details of the matter to enable him to provide correct responses.

While asserting the need for submission of reports and information in terms of Committees and Council resolutions, the Committee drew the attention of Management to Sections 97 and 98 of the Urban Councils Act (Chapter 29:15) relating to it as appointment and functions respectively. It stated the view that the Committee could meet officials and pass resolutions and refer the same for

implementation. It also stated that it could summon any official to attend its meeting and failure by such persons to attend such meetings constituted an offence, in terms of the code of conduct. The Committee further expressed the view that this provision should be included in the Harare Proceedings of Council By-Laws 1973 and that it should be taken as gross misconduct.

The Committee also requested the Director of Housing and Community Services (Housing Manager) to submit a comprehensive report, giving the status of all pay schemes in Glen View (Global Pay Scheme), Glen Norah (near Glen Norah Police Station) and Budiro which had the same status as Star Shine in Mabvuku, wherein the beneficiaries had used their resources for various stages of planning but were not considered for allocation for the same sites they had paid their monies for planning purposes.

Following discussion, the Committee:-

RESOLVED

That the Director of Housing and Community Services (Housing Manager) submits a detailed report on status of all pay schemes in Glen View (Global Pay Scheme), Glen Norah (near Glen Norah Police Station) and Budiro who have the same status as Star Shine in Mabvuku.

ACTION : DHCS: 05/06/24

16. PROPOSAL TO INCENTIVISE CERTAIN SKILLS IN COUNCIL AS A RETENTION STRATEGY (B.7(ii))

Under matters for which the Chairperson's consent had been obtained, the Committee suggested incentivizing certain skills in Council service as a retention strategy, and:-

RESOLVED

That the proposal to incentivize certain skills in Council service as a retention strategy be referred to the Human Resources and General Purposes Committee.

ACTION :A/HCD: 05/06/24

17. REQUEST BY THE TOWN CLERK TO DEFER CONSIDERATION OF SOME ITEMS ON THE MAIN AGENDA (B.7)

Before commencement of the Meeting, the Acting Chamber Secretary submitted the request by the Town Clerk for deferment of consideration of the Items which were on the Agenda as he wanted to be present during consideration of the Items. The Town Clerk was engaged elsewhere on Council business.

The Committee acceded to the request by the Town Clerk except for the confirmation of Minutes, matters arising from previous Minutes and the Supplementary Agenda.

However, during discussion, the Committee expressed concern that the previous Audit Committee Meeting was set as a joint meeting with Finance and Development Committee which was in violation of the Urban Councils' Act. The Joint Meeting was then cancelled and scheduled to sit as separate Committee meetings. The Committee then pointed that no Committee shall sit more than twice within the same month before another Committee sits.

(A.) RESOLVED

That consideration of items on the Agenda serve for the confirmation of Minutes, matters arising and the Supplementary Agenda be deferred to a date to be advised.

(B.) RESOLVED TO RECOMMEND

That Council notes that no Committee shall sit more than twice within the same month before other Committees sit.

ACTION : A/CS: 03/07/24

18. REPORT BACK ON THE ATTENDANCE AT A WORKSHOP ON ENTERPRISE RISK MANAGEMENT TRAINING FOR AUDITORS AND AUDIT COMMITTEE HELD IN BULAWAYO FROM 11th TO 12th APRIL 2024 (S.2)

The Committee considered a confidential report (16th April 2024, circulated with the Agenda) by the Audit Manager on the attendance by this Committee at the Enterprise Risk Management workshop held in Bulawayo from 11th to 12th April 2024.

The Audit Manager highlighted the following Key areas which were raised at the two (2) days' workshop;

- (a) Enterprise risk Management (ERM),
- (b) Risk Culture versus ERM,
- (c) Integrating Enterprise Risk Management with strategic planning,
- (d) Risk identification, assessment and prioritization,
- (e) Corporate governance,
- (f) Legal and regulatory framework,
- (g) Accountability and transparency,
- (h) Disclosure,
- (i) Elements of a risk management framework,
- (j) Risk management framework,
- (k) Risk management fundamentals and approaches.

The Committee then:-

RESOLVED TO RECOMMEND

- (1) That Council recruits Compliance Officers for Audit Division.
- (2) That Heads of Department submit their comments of Audit reports to the Audit Manager within two (2) weeks from date of the adoption of the resolution by Council.
- (3) That the Town Clerk develops a Risk Management Framework and follows the Generic Method of producing conceptual framework and submit a report to the Audit Committee for approval.
- (4) That Council formulates a Risk Management Policy.
- (5) That the Auditors and Audit Committee be trained before the implementation of the ISO 31 000 framework.
- (6) That Council appoints Risk Coordinators within Departments.

- (7) That Council conducts awareness before implementation of the International Standards Organisation (ISO)31 000 standard.
- (8) That Council understands the organizational risk culture.
- (9) That both the Audit Committee and management should have a business focused solution to identified risks.
- (10) That both management and the Audit Committee be trained in risk management skills.
- (11) That Council engages a Consultant to formulate the Risk Management Matrix and Policy.
- (12) That all recommendations relating to appointment of personnel be referred to the Human Resources and General Purposes Committee for consideration.

ACTION : TC & HODs: 03/07/24

19. REPORT BACK ON THE ATTENDANCE AT THE WORKSHOP ON AUDIT GOVERNANCE FORUM: INSTITUTE OF INTERNAL AUDITORS HELD IN KARIBA FROM 27th TO 30th MAY 2024 (S.3)

The Committee considered a confidential report dated (30th May 2024, circulated with the Agenda) by the Audit Manager on the attendance by this Committee at the workshop on Audit Governance Forum which was held in Kariba from 27th to 30th May 2024.

The Audit Manager highlighted the following topics that were covered at the workshop,:-

- (1) Corporate governance and auditing in Public Sector
- (2) Impact of good governance and role of Internal auditors in governance,
- (3) External Forensic audits processes,
- (4) New Internal audit standards and the protection laws, bills for Whistle Blowers,
- (5) Public funds Accountability as defined in the Constitution of Zimbabwe/PEM/Circulars
- (6) Dealing with Corruption Waste and abuse,

- (7) Understanding budgetary control, financial reporting and interpretation,
- (8) Roles and responsibility of Audit Committee
- (9) Purpose of internal auditing,
- (10) Audit Committee Charters and composition,
- (11) Internal Audit governance,
- (12) Effectiveness and self-assessment for Audit Committee,
- (13) Enterprise-wide risk Management,
- (14) Emerging trends in Internal Auditing-future impact of artificial intelligence and Cyber Security,
- (15) Fraud risk awareness, detection and financial reporting,
- (16) Financial reporting oversight practices-interpretation of financial reports,
- (17) Internal Audit Stakeholder Management
- (18) Audit function performance and quality assurance,
- (19) The new internal audit standards
- (20) Internal audit and strategic alignment in the Public Sector

Following discussion, the Committee:-

RESOLVED TO RECOMMEND

- (1) That the Audit Committee and Internal Auditors should receive training on IPSAS Compliance Financial Reporting.
- (2) That the Head Audit Committee ensures that Head audit should be upgraded to the position of Head of Department in terms of good corporate governance and effectiveness. Reference was made to sections 238 and 239 of the Public Entities and Corporate Governance Act (Chapter 10:31).
- (3) That the Town Clerk ensures that the Audit Division is fully capacitated in terms of appropriate training and the tools of trade.
- (4) That the Audit Committee ensures that the Auditor General's recommendations on the Audited Financial Statements remain on the dashboard for continuous progress updates on implementation of the recommendations.
- (5) That the Audit Committee ensures that Council's Financial Statements are available for External audit within the stipulated time lines.
- (6) That the Audit Committee ensures that Council resolutions are implemented and outstanding resolutions are followed upon.

- (7) That Council notes the proposal by the presenter that Council has the option to hire External Consultants to assist it in drawing up its financial statements especially when they are lagging behind.
- (8) That the Audit Committee notes that it has an oversight role on the production and finalization of Council's Financial Statements.
- (9) That the Audit Committee's composition should include at least one person who is qualified to interpret financial statements.
- (10) That Internal Auditors be trained in effective report writing skills.
- (11) That the Audit Committee ensures that it meets not less than four (4) times per annum.
- (12) That the Audit Committee should have the tact to read Audit reports and have time with the Audit Manager to discuss pertinent issues on a regular basis.
- (13) That it be noted that if it is the responsibility of the Audit Committee to approve the Internal Audit Charter.
- (14) That the Audit Manager ensures that Quality Assurance and Improvement Programs (QAIP) is in place and reviewed periodically.
- (15) That the Audit Committee evaluates the performance of Internal Audit.
- (16) That the Audit Committee should have an attendance register for its members.
- (17) That the Audit Committee ensures that Internal Auditors receive continuous professional development.
- (18) That it be noted that one hundred and eighty- five (185) institutions have received training on Integrity Committee strategies from ZACC.
- (19) That it be noted that new Global Internal Audit standards were crafted and will be implemented fully by January 2025, hence the need for training of the Audit Committee and Internal Auditors; furthermore, the Audit Committee is required to review the Audit Charter in line with the new Global Internal Audit Standards (GIAS).

- (20) That it be noted that both Heads of Department and Audit Committee have the responsibility to manage and respond to risk hence ensure there are internal control measures.
- (21) That it be noted that there is a Committee of Sponsoring Organizations (COSO) which met to create significant relationships between the risk and business landscapes. The COSO framework helps organizations to connect their internal controls to the business process. Hence Councils were encouraged to ride on this framework.
- (22) That it be noted that risk management has both financial and non-financial effects.
- (23) That Internal Audit and the Audit Committee should know their stakeholders hence should be able to do stakeholder engagement and mapping before making decisions.
- (24) That there is need to give feedback to their stakeholders e.g. give updated information on Audited reports.
- (25) That it be noted that it is the role of the Audit Manager to advise the Audit Committee (primary stakeholders) on areas of assurance, insight and objectivity so that they can make informed decisions.
- (26) That the Audit Manager ensures that the Audit Committee meets with the Auditor General when need arises.
- (27) That audit coverage and effectiveness should be focused on strategic issues.

ACTION : TC & HODs: 03/07/24

20. CITY OF HARARE'S AUDIT PLAN FOR THE YEAR ENDED 31st DECEMBER 2021 (S.1)

The Committee had before it, the City of Harare's Audit Plan for the year ended 31st December 2021 (22nd May 2024, circulated with the Agenda) by the Audit Manager recommending and approval of the Audit Plan.

The Audit Senior/Team Leader, Mr Donald Mufunda presented the City of Harare's Audit Plan for year ended 31st December 2021. HLB Zimbabwe

Chartered Accountants were the External Auditors assigned by the Auditor General to audit the City of Harare's accounts.

The Team Leader led the Committee through the Audit Plan whose major highlights were as follows:-

Section 1:

Responsibilities of those charged with oversight and Governance

Management and Councillors were responsible for the preparation and fair presentation of financial statements in accordance with the International Public Sector Accounting Standards (IPSASs) in terms of the Urban Council's Act (Chapter 22:19) the Public Finance Management Act (Chapter 22:19) and for such internal control as management determines is necessary to enable preparation of the financial statements which were free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Councillors and management were responsible for assessing the City of Harare's ability to continue as a going concern. Those charged with governance were also responsible for overseeing City of Harare's financial reporting process.

Section 2: Audit Objective and Methodology

1. Audit Objective

To enable HLB Zimbabwe to express an opinion whether the financial-statements of City of Harare are prepared, in all material respects, accordance with IPSASS in a manner that was consistent with the Urban Councils Act (Chapter 29:15) and the Public Finance Management Act (Chapter 22:19).

2. Methodology

HLB's audit work followed a four stage audit process outlined below:-

- (i) Audit Planning and identification of significant risks,
- (ii) Control evaluation,
- (iii) Substantive procedures, and
- (iv) Completion

The HLB audit was risk-based and would be conducted in accordance with International Standards on Auditing (ISAs). They were going to exercise professional judgement and maintain professional scepticism throughout the Audit. There were going to undertake the following activities:-

- Identify and assess the risks of material misstatements,
- Obtain an understanding of internal control relevant to the audit,
- Evaluate appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council members,
- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and evaluate the overall presentation, structure and content of financial statements, including the disclosure and the financial statements represent the underlying transactions and evaluate a manner that complies with the IPSAs, the Urban Councils Act, the Public Financial Management Act (Chapter 29:19).

4. Materiality

In carrying out the Audit, the Auditors were going to apply the concept of materiality in terms of ISA 320- Materiality in Planning Performing an audit Performing an Audit

- The standard stated that –with
“misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements”.

The Auditors were going to determine materiality for the statements as a whole as a proportion of City of Harare revenues.

- The Auditors were going to report to City of Harare's Audit Committee all misstatements in excess of the determined materiality.
- Misstatements below the threshold would also be considered if the Auditors consider them to be qualitatively material.

Section 3: Significant Audit Risks

- Assessment of risk would be based on Auditors' Knowledge of City of Harare operations and the economic environment in which the City operated.
- Due to levels of uncertainty, the Auditors anticipated increased likelihood of significant risks emerging throughout the audit cycle

that were not identified (or in existence) at the time they planned their audit.

- In the event of that they would identify such items, the auditors were going to amend their audit approach to City of Harare's Audit Committee.

- The Auditors identified the significant audit risks listed below:-
 - (i) Presumed risk of management override of controls
 - (ii) Presumed risk of fraud in revenue recognition,
 - (iii) Fraud risk over expenditure
 - (iv) Presumed risk of material misstatement due to fraud, incomplete disclosures of transactions with related parties
 - (v) Application of IPSAs 10-Financial
 - (vi) Reporting in Hyperinflationary Economies principle, and going concern considerations.

The Team Leader proceeded to describe in detail each of the above seven significant risks and the planned response by the Auditors as outlined in his report.

Section 4: Internal Control Environment

- The Auditors stated that based on significant deficiencies identifies that during previous years audit of the Financial Statements, their view was that Internal Controls were either not in place or were not properly designed, were not implemented or were not operating effectively.

- Intervention was required to design and/or implement appropriate controls.

- The City of Harare did not capture transaction especially revenue and capital expenditures as they occurred on the SAGE software that was being operated throughout 2020 and 2021,

- Reconciliations were not adequately and frequently performed and reconciling items or variances were not cleared.

Internal Audit

The External Auditors were going to consider the work of Internal Audit as follows:-

- Consider activities of Internal Audit and their effect, if any on external audit procedures,
- Understanding Internal Audit activities to assist in planning the audit and developing an effective audit approach,
- To perform a preliminary assessment of the Internal Audit function if it appears that internal audit was relevant of the out of financial statements in specific audit areas, and
- To evaluate and test the work of Internal Audit, where use was made of that work in order to confirm its adequacy for external audit purposes.

Section 5: Performing Substantive Procedures

Due to the preliminary assessment of the level of inherent and control risks, the Auditors were not going to rely on the Internal controls and focus on enhanced substantive tests which would be performed on individual account balances and xxx of transactions.

ISA500, "Audit Evidence" lists the assertions embodied in financial statements as:-

- (i) Existence
- (ii) Rights and Obligations
- (iii) Occurrence
- (iv) Valuation and measurement
- (v) Presentation and disclosure

The Auditors were going to perform the following procedures to address the above assertions: -

- Inspection,
- Observation
- Inquiry and confirmation,
- Computation and
- Analytical procedures

Section 6: Quality Assurance

HLB Zimbabwe was going to institute quality control procedures to ensure that sufficient appropriate evidence was obtained through inspection, observation, inquiries and confirmations to afford a reasonable basis for an opinion regarding the audit.

The audit was going to be performed in compliance with various international standards as indicated in the report.

Section 7: Independence

The auditors confirmed the engagement team and others within HLB Zimbabwe, complied with all relevant ethical requirements regarding independence, including compliance with various standards indicated in the report.

Section 8: HLB Auditors Team (Our Team)

Engagement Partner : M. Ruzengwe

Engagement Consultant : H.M. Munyati

Audit Senior/Team Leader : D. Mufunda

The responsibilities of the Audit Team were listed in the report.

Section 9: Communication & Timetable

- The timing of External audit procedures was designed to meet City of Harare's reporting timetable.
- They were going to work closely with management and were going to communicate the nature and timing of their audit requirements in a timely manner.
- The Auditor provided a schedule of appropriate expected timing, form and general content of their reporting communication with management and the Audit Committee.
- They expected to complete the audit and to submit the following reports by 31st July 2024.
- Opinion on Financial Statements,
- Management letter
- Summary report at the Auditors works to those charged with governance.

Section 10: And Budget and Fees

Audit fees were going to be the same previous year.

Section 11: Purpose of Auditors Report & Responsibility Statement

- To establish Auditors' responsibilities in relation to the financial statements audit and to agree on their audit plan. The report included:-
- HLB Zimbabwe Chartered Accountants' Audit Plan including significant risks and the planned audit scope and timing of audit procedures.
- Audit not designed to identify all matters that could be relevant to Councillors, Audit Committee and Management.
- The report had been prepared for City of Harare Councillors and the Audit Committee as a body, and the Auditors accepted responsibility for its contents as outlined in the report.

The Committee noted the Annual Audit Plan for the year 2021 and expressed the view that the gives deadline of 31st July 2024 be adhered to. It further requested the External Auditor to communicate through management of the face on challenges.

Following discussion, the Committee: -

RESOLVED TO RECOMMEND

That Council approves the City of Harare's Audit Plan for year ended 31st December 2021 dated 22nd May 2024 by HLB Zimbabwe Chartered Accountants copy of which is filed with the Town Clerk (Audit Manager) Acting Finance Director and Acting Chamber Secretary and also pasted in the Minute Book.

ACTION : TC (AM) & A/FD: 03/07/24

21. SUBMISSION OF REPORTS TO THE AUDIT COMMITTEE ON JOINT VENTURE CONTRACTS AND HOUSING POLICY (()

Arising from consideration of Item 22 of the Minutes of this Committee dated 4th April 2024 regarding investigation into allocation of stands on Layout Plan Number TPX/ER/02/13/2 Mabvuku Township, Chizhanje to a Housing Pay Scheme named in those Minutes, the Committee wanted information relating to joint venture companies or agreements entered between the City of Harare and other partners for the purposes of housing development and commercial ventures from the Director of Housing and Community Services, Acting Chamber

Secretary (Legal) and the Town Clerk (Acting City Valuer and Estates Manager) respectively from 2017 to 31st December 2023.

The Committee cited joint ventures in housing development including Memorandum of Understanding, Cluster houses development by Banks: CABS in Budiro, FBC in the Kuwadzana/High Glen Roundabout, Fidelity, IDBZ, Pure Gold, Flats development inclusive of the site in Gludina (Minutes of the Education, Health, Housing and Community Services dated 23rd March 2020 – Item 3) IDBZ and Waneka (Pvt) Ltd, George Stark Flats in Mbare, Global Pay Scheme, Fambai Nevamwe Pay Scheme, Shelter Zimbabwe as examples of residential development partnerships or agreements. It was referring to with regard to commercial venture agreements, it cited Mabvazuva Village, Road Port, and others as contracts whose details it needed. The Acting Chamber Secretary (Legal Division) was requested to submit information relating to joint venture contracts and transfers from 2009 inclusive of Mabvazuva Village and Road Port.

The Committee also recommended the Education, Health, Housing and Community Services and Licensing and Finance and Development Committees not to consider applications for allocation of land which was more than one hectare to individuals and that should put on hold and to cease allocation of land to individuals or companies as compensation for work done or debt compensation.

RESOLVED TO RECOMMEND

- (1) That the Director of Housing and Community Services (Manager) and the Town Clerk (A/CVEM) submit reports at the following meeting of this Committee providing information which includes contracts, Joint Venture Agreements, Memorandum of Agreements, transfer of land purchase, prices paid in relation to land for residential and Flats development and for commercial Joint Venture Agreements including names of Directors of companies involved respectively as outlined in the preamble above.
- (2) That the Committee hereby recommends that the Education, Health, Housing and Community Services and Licensing and Finance and Development Committees to stop allocation of land measuring more than 1 hectare to individuals without Council approval.
- (3) That the Education, Health, Housing and Community Services and Licensing and Finance and Development Committees stop compensation of land for residential and commercial purposes.

- (4) That the Acting Chamber Secretary (Legal Division) submits information relating to Joint Ventures and transfers of land from 2009 as indicated in the report.
- (5) That in view of the volume of information required, only lists of the Joint Venture arrangements be submitted at its rescheduled Meeting the following week.
- (6) That the Director of Housing and Community Services (Manager) submits a report on status Housing Allocation Policy to this Committee.
- (7) That the Committee recommends that the Education, Health, Housing and Community Services and Licensing and Finance and Development Committees should not allocate land to individuals or companies as compensation for work done or debt compensation.
- (8) That the Town Clerk (A/CVEM) submits report giving information on transfers done and avail the policy used for such transfer and its cost to Council and a list all companies or individuals awaiting land compensation.
- (9) That the Director of Housing and Community Services and Acting Finance Director stop allocating more than one unit for sites earmarked for cluster development but should draw beneficiaries from the Housing waiting list.

ACTION : DHCS, TC(CVEM) &A/CS(LLEGAL): 03/07/24

THE MEETING ENDED AT 2:00PM
LSC/ntr