



CITY OF HARARE

AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE ABOVE COMMITTEE HELD IN THE COUNCIL CHAMBER, TOWN HOUSE ON THURSDAY, 15th MAY 2025 AT 10:47 AM

MEMBERS PRESENT: Councillors : J.C. Shoko (Chairperson)
: C. Maimba (Vice-Chairperson)
: F. Chabuda
: C. Chidagu
: E. Dzinomurumbi
: K. Maburutse

APOLOGIES FOR ABSENCE: Councillors: K. Bote
Z. Duri
R. Jakopo
F. Mutasa
K. Mutapaire

PRESENT BY INVITATION: HLB Auditors :
H. Munyati : Partner of HLB Zimbabwe
D. Mupunda : Partner of HLB Zimbabwe

: Auditor General Principal Auditors

T. Mungwende
J. Chidavaenzi

OFFICIALS PRESENT

Eng. M.P. Moyo : Acting Town Clerk
W.S. Chiwawa : Acting Chamber Secretary
A. Nhekairo : Director of Housing & Community Services
G. Kusangaya : Acting Finance Director
T.R. Kunyadini : Acting Director of Harare Water
A. Nyamurova : Audit Manager
W. Mugobogobo : Acting ICT Manager

AUDIT COMMITTEE MINUTES
15th MAY 2025

D. Njanina	:	Committees & Administration Manager
D.S. Mavalwane	:	Head - Monitoring & Evaluation
J. Murimi	:	Town Clerk's Office (M. & E.)
K. Mugumbate	:	Human Capital Department
C. Marodza	:	Town Clerk's Office (CCD)
T. Mberikunashe	:	Town Clerk's Office
M. Magedi	:	Town Clerk's Office (M.&E.)
B. Mtonzi	:	Town Clerk's Office (CCD)
S. Sama	:	Town Clerk's Office
V. Ngwarati	:	Town Clerk's Office (Emergency Services)
B. Bwititi	:	Town Clerk's Office
B. Gava	:	Finance Department
E. Mudiwa	:	Finance Department
A. Masuku	:	Finance Department
T. Mapanga	:	Finance Department
B.T. Nhukarume	:	Finance Department
T.S. Tafireyi	:	Finance Department
L. Masuka	:	Chamber Secretary's Department (Committees Division)
L. Chikadza	:	Chamber Secretary's Department (Committees Division)
R. Maumburudze	:	Chamber Secretary's Department (Committees Division) (Intern)
P. James	:	Town Clerk's Office (ICT Intern)
P. M. Ndlovu	:	Town Clerk's Office (ICT Intern)
A. Kadzore	:	Town Clerk's Office (M & E Intern)
R. Chiwanya	:	Town Clerk's Office (M & E Intern)

RECOMMENDATIONS : 2

RESOLUTIONS : 1

REPORTERS & MOVERS : Councillors : J.C. Shoko and C. Maimba

1. PRAYERS (A.1)

The opening and closing prayers were led by Councillor E. Dzinomurumbi.

NOTED

2. PRESENTATION OF THE AUDIT REPORT AND AUDIT OPINION TO THOSE CHARGED WITH GOVERNANCE AT THE CITY OF HARARE FOR THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2021 BY HLB ZIMBABWE CHARTERED ACCOUNTANTS (B.1)

The Committee considered a confidential report (13th May 2025, circulated with the Agenda) by the Audit Manager recommending adoption of the Audit Report and Audit Opinion by the External Auditors, HLB Zimbabwe Chartered Accountants on the Audited Financial Statements for City of Harare for the year ended 31st December 2021.

The Audit Manager reported that the Audit Committee was mandated in terms of Section 98(d) of the Urban Councils Act (Chapter 29:15) to receive and consider reports of Internal and External Auditors and to make appropriate recommendations to the Council. He further reported that when Section 98(d) of the Urban Councils Act was read together with clauses 3(d)(iii) and 4(a)(ii) of the Approved Audit Committee's Terms of Reference, the Audit Committee was mandated to consider the External Auditor's annual letter, annual audit plans, relevant reports and the report to Those Charged with Governance on issues arising from the audit of the City's Books of Accounts.

The Audit Manager further reported that HLB Zimbabwe Chartered Accountants were Council's outgoing External Auditors who were appointed by the Office of the Auditor General to audit the City of Harare's Financial Statements for a period of five (5) years from the year 2017 to 2021. He also reported that the External Auditors were going to present their Audit findings and the Audit opinion for the financial year under review to Those Charged with Governance at the City of Harare. The audit report covered the following areas:-

- introduction of the City's Audited Financial Statements and Audit Opinions since 2018 and the implications,
- the responsibilities to Those Charged with Oversight and Governance,
- the identified significant Audit Risks in the operations of the City of Harare,
- an overview assessment of the Internal Control Environment in the City of Harare,

- material misstatements in the City's Financial Statements for the year under review,
- highlights on other qualitative matters,
- declaration of independence by External Auditors in carrying out the audit and
- the audit costs.

The Audit Manager reported that the purpose of the report was to help Management, Audit Committee and Council to discharge their governance issues and to emphasize Council's oversight role on financial reporting process and governance requirements. He further reported that the report also provided a framework and the platform for External Auditors to discuss audit matters concerning City of Harare with the Audit Committee.

He also reported that the External Auditors had expressed an Adverse Opinion on the City of Harare's Audited Financial Statements for the year ended 31st December 2021. He reported that the basis of the opinion was largely due to non-compliance with a number of provisions of the IPSAS Accounting policies.

The Audit Manager further reported that in the majority of cases, the records as requested by the External Auditors during the assessments did not permit for consideration for necessitating obtaining of adequate and sufficient audit evidence to establish the completeness, accuracy and classification of data in the preparation of the Financial Statements under review.

The Audit Manager also reported that the Auditor General was formally invited to attend this Meeting.

Before presentation of the Audited Financial Statements, the Chairperson apologized for the late commencement of the Meeting and thanked all those who were present for patience. He proceeded to welcome officials from the Auditor General's Office and those from HLB Zimbabwe Chartered Accountants.

He reported that he had been in conversation with the External Auditor and he led the introductory formalities.

The Chairperson reported that the Auditor had produced three reports to :-

- Those Charged with Governance,

- Management Letter to Management and
- Audit Opinion.

The partner, Mr H. Munyati presented the 2021 Audited Financial Statements to the Committee. He proceeded on a section by section basis as follows: -

Section 1: Introduction

The partner reported that all appreciated that the City of Harare had been unable to submit credible Financial Statements since 2018. He reported that their audit opinion had been modified for material misstatement and management failure to submit sufficient information to support balances in the Financial Statements. He also reported that the material misstatements they reported in the previous audit opinions since 2018 had not been followed up and remained unresolved.

Year Ended 2018: Disclaimer of Opinion

Auditors did not get sufficient audit evidence to provide the basis for an audit opinion as the BIQ financial reporting system was closed in March 2019. Therefore, it was not possible to verify information hence they issued a disclaimer.

Year Ended 2019: Disclaimer of Opinion

There was no financial reporting system as the BIQ was withdrawn in March 2019. The Auditor could not verify the opening balances for 2018 and 2019. The City could also not bill the residents from March to June 2019 when the Sage Billing system was acquired. The Financial Accounting module was not activated in 2019 resulting in Financial Statements being prepared based on un-auditable informal records. The Auditor stated that there were no Cash books, Creditors' ledger, and General Ledger. Balances were derived from Excel spreadsheets prepared by Management and were not supported by underlying records and could not be independently verified as detailed in the report.

The Auditor had concluded that the financial statements were fraudulent.

Year Ended 31st December 2020

The City had the Sage System. However, the City had not processed all the transactions in the Sage accounting system:

- opening balances for the Sage system did not agree with the 2019 financial statements,
- absence of journals to capture payroll-related transactions processed in the Belina payroll system,

- payments made not properly captured in Cashbooks and Nominal Ledger as either revenue or capital expenditure,
- costs for goods and services from suppliers and payments (including prepayments) to suppliers were not completely and accurately captured in the Creditors and Nominal Ledgers,
- revenues not billed through the Sage billing system, were not being captured accurately and completely,
- no journals were passed for usage of inventory and for stock-take results,
- no journals were passed for depreciation of property, plant and equipment depreciation,
- no reconciliations and adjustments for reconciling items were performed and
- the basic 'Debit' and 'Credit' accounting principles were not observed.

Year Ended 31st December 2021

The Auditor had audited the Financial Statements in accordance with the International Standards on Auditing (ISAs) and were unable to obtain sufficient and appropriate audit evidence to provide a basis of an audit opinion that the City of Harare's Financial Statements were prepared in accordance with International Public Sector Accounting Standards IPSAS, the Urban Councils Act (Chapter 29:15) and the Public Finance Management Act (Chapter 22:19). The auditor had therefore passed a Adverse opinion.

Section 2 : Responsibilities of Those Charged with Oversight and Governance

2.1) Responsibility of Those Charged with Governance for the Financial Statements.

Management and Councillors were responsible for the preparation and fair presentation of Financial Statements in accordance with the International Public Sector Accounting Standards (IPSAS) in compliance with the Urban Councils Act (Chapter 29:15) and the Public Finance Management Act (Chapter 22:19) and for such internal control as management determined was necessary to enable the

preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

2.2) Compliance with Laws and Regulations

It was the responsibility of Management and Councillors to ensure that the City's operations were conducted in accordance with laws and regulations. The responsibility for prevention and detection of non-compliance rested with management. The Auditor was not and can not be held responsible for preventing non-compliance with laws and regulations.

The Auditor found that the City had failed to comply with the Urban Councils Act and the Public Finance Management Act in areas outlined in the report.

Section 3 : Significant Audit Risks

3.1 Risk of Material Misstatement Due to Fraud

The Auditor assessed that the risk of material misstatement due to fraud at the City of Harare was high as Internal Controls were either not in place, not properly designed, were not implemented or not operating effectively as detailed in the report.

3.2 Risk of Management Override of Controls

In response to the risk, the Auditor considered controls relating to management judgements and journal entries which could have material effect on the Financial Statements. The Auditor assessed the rationale of significant and unusual adjustments at year-end. They completed the following audit procedures: -

- ❖ obtained understanding of the financial reporting process and controls over the segregation of duties, journal entries and other adjustments made in the preparation of the Financial Statements and tasked the appropriateness of a sample of such entries,
- ❖ reviewed accounting estimates (individually and collectively) and all provisions for bias could result in material misstatement,
- ❖ evaluated the rationale of unusual transactions, and
- ❖ reviewed management's estimates for reasonableness.

The findings were -:

- ❖ Financial Statements for year 2021 were not supported by proper underlying records,

- ❖ Cash books and Creditors Ledger were not consistently updated as transactions took place,
- ❖ accounting reconciliations were not being performed,
- ❖ payments for Suppliers were not based on the Creditors' Ledger or audible accounting systems,
- ❖ payments were not promptly and completely processed to Cash books, Creditors' and the General Ledgers,
- ❖ six materially different trial balances were received with dates ranging from 12th May 2021 (first TB) to last TB on 27th March 2025 and
- ❖ Management failed to submit formal authorized journals supporting material changes on the Sage IT accounting system after audit had commenced for employee costs, opening Net Assets/Equity, Property, Plant and Equipment, Trade Receivables, Cash and Cash Equivalents, Payables and foreign borrowings as detailed in the report.

The Auditor commented that: -

- ❖ management practice of overriding controls was pervasive at City of Harare,
- ❖ Auditor was unable to test the completeness, accuracy and validity of the journals processed in the accounting system,
- ❖ non-recording of accounting data whether intentionally or due to technical reasons, exposed the City of Harare to a high risk of fraudulent activities occurring and remaining undetected,
- ❖ high dependence on manually prepared records which were not processed in the accounting system exposed Council to a high risk of fraudulent financial reporting, and
- ❖ presentation to auditors of different versions of Trial Balances and Financial Statements resulted in significant audit budget overruns.

The Auditor concluded that the Financial Statement for the year ended 31st December 2021 were materially misstated due to unverified changes to the financial statements.

3.3 Risk of Fraud in Revenue Recognition

The Auditor assessed revenue recognition processes and controls to identify risks including those related to completeness, accuracy, cut-off, valuation, existence, presentation, and fraud. The Auditor reported that City of Harare's revenues for year ended 31st December 2021 were materially misstated bases, weak or missing financial controls and prevalence of overriding of controls by management was high. Non-performance of reconciliations of the General Ledger revenue balances and underlying Sage Revenue Billing records resulted in significant variances.

The Auditor covered the following aspects under Risk of Fraud in Revenue Recognition in his report: -

- (i) Property Tax Revenue,
- (ii) Grants and Subsidies,
- (iii) Licenses and Permits,
- (iv) Revenue Arising from Exchange of goods-water supply,
- (v) Solid and waste water removal,
- (vi) Rental revenue from Facilities and Equipment, and
- (vii) Other Income.

The Auditor's comments on the above were overall in the negative as outlined in the report.

3.4 Risk of Material Misstatement of Payments and Expenditure

The Auditor stated that the risk of material misstatement of payments and expenditures at City of Harare was high and arose through ways outlined in the report. The Auditor also reported that there was inadequate documentation of payments and expenditures resulting in the auditor

being unable to verify the accuracy of transactions as detailed in the report.

3.5 Going Concern

The auditor was not able to comment on management assertion that there were no events or conditions identified that could significantly affect the going concern status of the City of Harare as outlined in the report.

SECTION 4: Internal Controls

The Auditor reported that the City's internal controls were either not in place, not properly designed, not implemented or were not operating effectively. He reported that the internal control deficiencies detailed in the report had not been addressed since 2018-:

- (a) absence of formal business risk assessment framework,
- (b) poor governance,
- (c) inadequate Financial Leadership- absence of a substantive Finance Director since 2018,
- (d) Weak Financial Management, and
- (e) Weak IT Controls.

The Auditor had provided the following schedule of drivers of internal controls at City of Harare all of which he found to be weak and requiring urgent intervention as outlined in the report: -

- A. Leadership,
- B. Financial and Performance Management,
- C. Governance.

Section 5: Material Misstatements

Audit Procedures were applied on the following areas as detailed in the report: -

1. Corrected Material Misstatements of Inflation –

Adjusted Prior Year Balances

The errors were corrected to the Auditor's satisfaction.

6. Current Year Material Historical Cost Misstatements

A number of material misstatements in the financial statements that were not prevented or detected the City of Harare's system or internal controls in connection with various accounts were outlined in the report.

7. Material Misstatements that were not corrected.

The misstatements that were identified but were not corrected by management formed the basis for the modification of the audit opinion on the financial statements for the year ended 31st December 2021 and value or quantities thereof were listed and indicated in the report.

8. Balances that Auditor was Unable to Verify

The Auditor was not able to verify balances for the following: -

- (i) Material misstatement of revenue from non-exchange transactions (IPSAS 23) and revenue from exchange transactions,
- (ii) Material misstatement of expenditures,
- (iii) Non-compliance with (IPSAS 7)-Property Plant and Equipment,
- (iv) Non-compliance with (IPSAS 6) – Investment Property,
- (v) Non-compliance with (IPSAS 2) – Inventory,
- (vi) Accounts Receivable were materially misstated,
- (vii) Cash and Cash Equivalence balances materially misstated,
- (viii) Material misstatement of Financial liabilities,
- (ix) Material misstatement of provisions,
- (x) Related Party Transactions and balance,
- (xi) Emphasis of matter – material uncertainty to going concern.

SECTION 6: Other Qualitative Matters for Those Charged with Governance

These included the following as detailed in the report: -

- ❖ Ethical considerations,
- ❖ Litigations,
- ❖ Legal and regulatory compliance,
- ❖ Fraud and illegal acts,
- ❖ Related parties,
- ❖ Disagreements with management,
- ❖ Concerns regarding management,
- ❖ Written representations, and
- ❖ Limitations on audit of the financial statements.

SECTION 7: Independence

The Auditor confirmed compliance with all the relevant ethical requirements regarding independence in terms of the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants and relevant Laws and regulations in Zimbabwe.

SECTION 8: Audit Costs

The Auditor reported that he was initially advised that the audit was going to commence in November 2023 and scheduled to be completed before 31st December 2023. However, management had submitted the first TB in May 2024. Onsite audit had started in June 2024 and was budgeted to be completed by 31st July 2024.

He further reported that due to challenges acknowledged by management and detailed in the report, provide with the audit had been ongoing since June 2024 to May 2025.

He also reported that there were many significant material misstatements which took long to be quantified and adjusted as outlined in the report. The Auditor

had assisted management to produce technically presentable financial statements as detailed in the report.

He also reported that their unit charge out rates had remained constant as per budget.

SECTION 9: Purpose of Audit Report and Responsibility Statement

The Auditor reported that the report was designed to assist management, Audit Committee and Councillors to discharge their governance duties. The report also represents one way in which the Auditor fulfilled their obligation to communicate with Councillors regarding the oversight of the financial reporting process and their governance requirements.

He further reported that the Auditors had received seven (7) versions of trial balance from May 2024 where the last trial balance. was received on 27th March 2025 and had audited the Trial Balances and different sets of financials statements as they were labeled .

The external Auditors gave an Adverse Opinion on the following basis: -

1. **Non-compliance with International Public Sector Accounting Standards (IPSAS-3): Accounting Policies Changes in Accounting Estimates and Errors**

The External Auditors were unable to obtain sufficient appropriate audit evidence that financial statement balances did not contain significant misstatements. They also stated that they did not get audit evidence that the prior year misstatements had been followed up and resolved in the current year under review. The City of Harare had not corrected material prior period errors retrospectively as follows:-

- Restating the comparative amounts for errors that occurred in the year ended 31st December 2020 and
- Restating the opening balances of assets, liabilities and net assets /equity for errors that occurred prior to 1st January 2020.

They also observed that the financial effects of misstatements in prior periods were not fully quantified and were material.

2. **Non-Compliance with International Public Sector Accounting Standard (IPSAS-4): The Effects of Changes in Foreign Exchange Rates in Prior Financial year:**

City of Harare changed its functional currency from USD to ZWL on 22 February 2019 instead of 1st October 2018 and this was a departure from the requirements of International Public Sector Accounting Standard (IPSAS-4):

3. **Non-Compliance with International Public Sector Accounting Standard (IPSAS-35): - Consolidated Financial Statements:**

The City of Harare did not prepare Consolidated Financial Statements. The auditor's opinion was modified in the previous years as the City had not prepared consolidated financial statements.

4. **Non-Compliance with International Public Sector Accounting Standard (IPSAS-24): Presentation of Budget Information**

The External Auditors failed to obtain sufficient and appropriate audit evidence that the Statement of the Comparison of Budget and Actual Amounts for the year ended 31st December 2021 was fairly stated in accordance with International Public Sector Accounting Standards (IPSAS-24) as detailed in the report.

5. **Non-disclosure of Financial Information by Segments per Requirements of International Public Sector Accounting Standard (IPSAS-18): Segment Reporting**

The City of Harare did not disclose financial information by segments based on the major goods and services the City provided, the programs it operated or other activities it undertook, hence its failure to comply with International Public Sector Accounting Standards (IPSAS-18).

6. **Material Misstatement of Revenue from Non-Exchange Transactions (IPSA 23) Revenues from Exchange Transactions: International Public Sector Accounting Standards (IPSAS-9)**

The City of Harare did not comply with the above regulations as detailed in the report. As a result of audit matters detailed in the report the auditor was unable to establish the completeness, accuracy, classification and clarification of revenue as outlined in the report.

7. **Material Misstatement of Employee Costs**

The City of Harare employee costs were for the year ended 31 December 2021. The auditor did not get sufficient audit evidence to confirm the accuracy and classification of employee costs for the year ended 31st December 2021 as indicated in the report.

8. **Material misstatement of Depreciation and Impairment Expense: The City of Harare did not comply with the requirements of International Public Sector Accounting Standards (IPSAS-21)**

Impairment of non- cash generating Assets and International Public Sector Accounting Standard (IPSAS-26)- Impairment of Cash –generating Assets. The auditor had concluded that City of Harare’s Depreciation and Impairment expense for the year ended 31st December 2021 was not fairly stated.

9. **Material Misstatement of Repairs and Maintenance, Bulk Purchases and General Expenses**

The auditor concluded that the City of Harare’s repairs and maintenance, bulk purchases and general expenses for the year ended 31st December 2021 were not fairly stated as detailed in the report.

10. **Material Misstatement of Allowance for Credit Losses Expenses**

There was no sufficient appropriate audit evidence to confirm the accuracy of Allowance for Credit Losses Expenses for the year ended 31st December 2021.

11. **Material Misstatement of Deferred Value Added Tax (VAT) Expense**

Vat was not supposed to be an Expense to the City of Harare and that the concept of Deferred Value Added Tax (VAT) did not exist.

12. **Material Misstatement of Exchange Gains and Losses**

The External Auditor could not obtain sufficient appropriate audit evidence to confirm the completeness of exchange gains/losses.

13. **Material Misclassification of the Impairment of Inventory Cost**

The Impairment of Inventory Cost was not correctly classified and disclosed in the statement of financial performance.

14. **Non -compliance with International Public Sector Accounting Standard (IPSAS-17): Property, Plant and Equipment**

The property, plant and equipment balance was not fairly stated according to International Public Sector Accounting Standard (IPSAS-17) above.

15. **Non-compliance with International Public Sector Accounting Standards (IPSAS-16): Investment Property**

The investment property balance was not fairly stated in accordance to International Public Sector Accounting Standards (IPSAS-16).

16. **Non- Compliance with International Public Sector Accounting Standard (IPSAS-12): Inventory and International Public Sector Accounting Standard (IPSAS-27): Agriculture**

The inventory balance as at 31st December 2021 was not fairly stated in accordance with International Public Sector Accounting Standards (IPSAS-12) and International Public Sector Accounting Standards (IPSAS-27) as detailed in the report.

17. **Material Misstatement of Accounts Receivable**

The external Auditors concluded that Trade and other receivable balance as at 31 December 2021 was not fairly stated in accordance with International Public Sector Accounting Standard (IPSAS-29) (Financial Instruments: Recognition and Measurement) and International Public Sector Accounting Standard (IPSAS-30) (Financial Instruments Disclosures).

18. **Material Misstatement of Cash and Cash Equivalents**

Receipts and payments made during the year were not being accurately and completely captured in the City of Harare's accounting records. It was therefore concluded that cash and cash equivalents balances as at 31st December 2021 were not fairly stated in accordance with International Public Sector Accounting Standards (IPSAS-29) Financial Instruments:

Recognition and Measurements and International Public Sector Accounting Standard (IPSAS-30) - Financial Instruments.

19. **Material Misstatement of Trade and Other Payables**

Trade and Other Payables balance was not fairly stated in accordance with International Public Sector Accounting Standards (IPSAS-29) outlined above and detailed in the report.

20. **Material Misstatement of Employee Obligations**

Employee obligations balance was not fairly stated in accordance with International Public Sector Accounting Standards (IPSAS-29): Financial Instruments, Recognition and Measurement.

21. **Material Misstatement of Provision for Leave Pay**

Leave pay provision balance was not fairly stated in accordance with International Public Sector Accounting Standards (IPSAS-19) - Provisions, Contingent Liabilities and Contingent Assets.

22. **Material Misstatement of Deferred Value Added Taxes (VAT) Provision**

Value Added Taxes (VAT) Provision was not fairly stated in accordance with International Public Sector Accounting Standards (IPSAS-19) Provisions, Contingent Liabilities and Contingent Assets.

23. **Non-compliance with International Public Sector Accounting Standard (IPSAS-20) Related Party Disclosures**

The External Auditors could not obtain sufficient appropriate audit evidence to confirm that related party balances as at 31 December 2021 and transactions for the year ended 31st December 2021 were fairly stated. They then concluded that related party balances and transactions for the year ended 31st December 2021 were not fairly stated in accordance with International Public Sector Accounting Standards (IPSAS-20) above.

24. **Non-disclosure of Contingent Liabilities and Contingent Assets**

The External Auditors concluded that the City of Harare's financial statements did not comply with International Public Sector Accounting Standards (IPSAS-19): Provisions, Contingent Liabilities and Contingent Assets as detailed in the report.

25. **Material Uncertainty Relating to Going Concern**

There was no formal assessment of going concern by management to support preparation of financial statements on a going concern basis. As a result, the External Auditors could not substantiate the City of Harare's going concern position as at 31 December 2021.

26. **The City of Harare failed to comply with the provisions of the Urban Councils Act (Chapter 29:15) and Public Finance Management Act (chapter 22:19)**

The External Auditors concluded that there was weak financial management in the City of Harare. It implored the Audit Committee to take an effective role in ensuring that issues raised in the External Audit report were corrected.

The Audit Committee Chairperson implored the Central Accounts Division of the Finance Department and the Information Communication Technology (ICT) to work with the incoming external Auditors by providing timely the requested information and to ensure completion of the audit of the 2022 to 2024 Final Accounts.

**Report of the Independent Auditors to Councillors of City of Harare:
Report on the Audit of consolidated Financial Statements**

Adverse Opinion

The Auditor reported that they were engaged to Audit the inflation adjusted Financial Statements of the City of Harare which comprised the Statement of Financial Position as at 31st December 2021, the Statement of Financial Performance, the Statement of Changes in Equity/Net Assets, and the Statement of Cash flows for the year then ended as well as Notes to the Financial Statements and a Summary of Significant Accounting Policies.

He further reported that in their opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion Section of their report, (which

is summarized here under) the inflation – adjusted Financial Statements did not present fairly, the financial position of the City of Harare as at 31st December 2021, and its Financial Performance and its Cash Flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the requirements of the (Urban Councils Act Chapter 22:15), and the Public Finance Management Act (Chapter 22:19).

Basis for Adverse Opinion

Other Information

The Auditor reported that Harare City Councillors were responsible for Other Information. The Other Information comprised the statement of Councillors Responsibility for Financial Reporting. However, this did not include the inflation adjusted financial statements and the Auditors' report. He reported that the Auditors' responsibility was to read the Other Information and in doing so, consider whether the Other Information was materially inconsistent with the inflation adjusted Financial Statements or the Auditor's knowledge obtained in the audit. Or otherwise appeared to be materially misstated.

The Auditor further reiterated that as stated in the Basis for Adverse Opinion section above, the City of Harare's inflation adjusted Financial Statements did not comply with IPSASs Accounting Standards.

They had concluded that the Other Information was materially misstated for the same reasons.

Responsibility of Councillors for the Financial Statements

The Auditor reported that Councillors were responsible for the preparation and fair presentation of the Financial Statements in accordance with IPSASs and provisions of the Urban Councils Act (Chapter 29:15) and the Public Finance Management Act (Chapter 22:19) and for such Internal Controls as Councillors determined were necessary to enable the preparation of Financial Statements that were free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Councillors were responsible for assessing the City's ability to continue as a Going Concern, disclosing, as applicable, matters related to Going Concern and using the Going Concern basis of accounting unless Councillors either intended to liquidate the City or to cease operations, or have no realistic alternative to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

The Auditor reported that their objectives were to obtain reasonable assurance about whether the inflation adjusted Financial Statements as a whole were free from material misstatements as well as free from material misstatement, whether due to fraud or error and to issue an Auditors' report which included their opinion.

He clarified that reasonable assurance was a high level of assurance but was not a guarantee that an audit conducted in terms of IPSAS would always detect a material misstatement when it existed. Misstatements could arise from fraud or error and were considered material if, individually, or in the aggregate, it could reasonably be expected to influence the economic decisions of users taken on the basis of the inflation adjusted statements.

The Auditor also reported that further to the audit in accordance with International Standards in Auditing (ISA), they had exercised professional judgement and maintained profession skepticism throughout the audit and other procedures they had undertaken as outlined in the report.

Non-Compliance with Laws and Regulations

The Auditor reported that the City of Harare had failed to comply with the provisions of the Urban Council's Act (Chapter 29:15) and the Public Finance Management Act (Chapter 22:19) as outlined in the report.

During presentation, the Auditor requested this Committee to follow up on findings which were disclosed at this and earlier meetings with the auditor. The Auditor also reported on audit overruns and stated that the unit of charge per hour had remained the same and that only the number of hours had changed.

The Auditor also underscored that BIQ balances needed to be reviewed. The Auditor General's officials also reported that he had found out that BIQ had not yet been re-opened for verification of account balances. He stated that BIQ was of critical importance to Auditors and the Parliamentary Portfolio Committee on Public Accounts.

He warned that the need to verify the BIQ balances was going to haunt the City and that it was going to take forever for the City to have a better audit opinion.

He appealed to the Committee to avail the 2018 accounts balances which were imbedded in the BIQ computer system.

The Auditor also stated that the last Valuation Roll update was 2008 and he hoped the property roll had now been updated. He also recommended that Council comes up with a proper billing system for licenses. They also expressed

dissatisfaction with billing for water basing on property database but to consider smart water meters.

The Auditor also reported that they had noted that certain Creditors required prepayment for goods and services but there was no system to monitor prepayments and to check delivery of procured goods and services.

The auditor also reported that Trade and Other Payables were not verified and that the Suspense Account was also not reconciled.

Reactions to the Presentation

Under reactions, the Auditor General's official reported that the issue of audit opinion was critical. He pointed the need for the whole of Government approach to the issue of Financial Statements in order to get a better Audit opinion. He expressed the view that the system of control had broken down and expressed concern at the issues that had been reported by the Auditor.

The official enquired what was being done and what was going to be done to improve financial reporting in City of Harare in order to get clean audits. He reported that almost all local authorities were worried about how to achieve clean audits. He asserted the need to come up with an Action Plan for implementation of issues raised in the audit report.

He further expressed concern that the outgoing Auditor could be viewed as having failed to make an impact on City of Harare's audits. He enquired the statuses of the 2022, 2023 and 2024 Financial Statements audits. He pointed out that nothing could be corrected in the 2022 to 2024 Financial Statements and that more qualifications would be made on the audit of the Financial Statements in question.

He stated that the City needed to now focus on how to get clean audits, and strategies of how to be up to date with audit of Financial Statements.

The official recommended that the Audit Committee had to ensure that transparency and accountability were restored at City of Harare. Apart from an Action Plan the official suggested further a tracking matrix for progress on the outstanding audits.

He stated that some actions which were needed to address the Auditor's findings did not require money. He cited systems of control which could be put in place at no cost.

The official also acknowledged that the City of Harare needed clean audits and should come up with an Action Plan to address all areas pointed by the Auditor. He also reported that once the results of the audit were included in the Auditor

General's Report, the City of Harare was going to be invited to account for the findings to the Parliamentary Portfolio Committee on Public Accounts.

The Chairperson of the Committee emphasized the need for an Implementation Matrix and to appreciate and compare the Auditor's findings and the status of financial reporting in City of Harare up to year 2025 and address all deficiencies raised by the Auditor in order to improve financial reporting and audit opinion on the 2025 financial statements.

The Chairperson requested Management to avail the Auditors with all the information they required for the 2022 to 2024 audits. He thanked the Auditors and expressed the view that the City was going to work with them again in future and he excused them from the Meeting.

The Chairperson requested Management to go and digest the audit report as discussion of the same would continue. He tasked the Acting Finance Director (Central Accounts Division) to ensure he puts his house in order and to work hard.

He also called upon the Information Communication Technology to effectively discharge its complementary and support role to financial reporting. He warned relevant staff about serious implications of failing to be up to the task at hand.

The Committee requested the Acting Finance Director to come up with a list of officials to provide requisite information for the pending audits. The Chairperson also reported that incoming Auditors had promised to complete the 2022 and 2023 Audits in two months and to be current by end of the year.

Following discussion, the Committee: -

(A) RESOLVED

- (1) That the Central Accounts Division of the Finance Department and the Information Communication Technology division work together to ensure timely provision of information requested by the incoming External Auditors to enable completion of the year 2022 to 2024 final accounts without delay.
- (2) That the Audit Manager develops an Action Plan to track implementation of all the External Audit findings.
- (3) That the Acting Finance Director compiles a list of officials who should provide requisite information required by the Auditors for the 2022 to 2023 audits.

- (4) That the Acting Finance Director and Acting Town Clerk ensures that the Central Accounts Division and the ICT effectively discharge their roles in order to improve financial reporting in City of Harare with the view of achieving clean audits in years 2025 and in future or risk appropriate action.
- (5) That the Acting Town Clerk and Heads of Department acclimatize with the audit report as it is subject for continuing discussion.
- (6) That the Acting Finance Director ensures Accountants appreciate issues raised in the audit report and compare the same with the obtaining status of accounting and reporting and take corrective measures in order to improve the 2025 audit opinion.
- (7) That the comment on the need for an updated Property Roll be referred to the Finance and Development Committee for necessary action.
- (8) That the proposal to bill excess water consumption using smart water meters be referred to the Finance and Development Committee for consideration.
- (9) That the Acting Town Clerk (PMU) comes up with a system for monitoring prepayments for goods and services and delivery of the same.

(B) RESOLVED TO RECOMMEND

- (1) That Council adopts the Audited Financial Statements for the City of Harare for the year ended 31 December 2021 by (HLB) Zimbabwe Chartered Accountants (copy of which is pasted in the Minute Book as an Annexure to these Minutes).
- (2) That subject to adoption of recommendation (1) above, the report on the 2021 Financial Accounts be referred to the Finance and Development Committee for implementation of the recommendations and findings contained in the External Audit report.
- (3) That Council notes the concerns and comments made by the official of the Auditor General's Office as outlined in the preamble above and authorize necessary actions to address or implement issues he raised.

- (4) That Council notes the need to retrieve the 2018 account balances in the BIQ ERP for review by all parties as such balances are of interest to Council, Auditors, Auditor General's office and the Parliamentary Portfolio Committee on Public Accounts.
- (5) That Council notes that failure to review the 2018 account balances which are in the BIQ, entails taking forever for Council to get better audit opinions.

ACTION: ATC(PMU, ICT),AFD,,HoDs:11/06/25

THE MEETING ENDED AT 1:00 P.M

LSC/ntr