17 November 2017

Country Manager for Zimbabwe
World Bank
Block 3, Arundel Office Park
107 Norfolk Road
Mt. Pleasant, Harare

Attention: R. Mukami Kariuki

RE: ZIMBABWE PUBLIC PROCUREMENT MODERNISATION PROJECT: EXTERNAL AUDIT REPORT FOR THE YEAR ENDING 31st DECEMBER 2016

The above subject refers.

We submit in terms of Part VI: Appraisal Summary, item B, Clause 45 and Annex 3: Implementation Arrangements, Clause 15 of the Project Appraisal Document, the Audit Certificate and the Management Letter for the period ending 31st December 2017 duly issued by the Auditor General.

In addressing the issues raised by the External Audit, the project shall:-

i) Correct with the guidance from the Attorney General the Local Legal Drafter’s contract terms and conditions as well as the contract sum, as per the Audit Recommendations. The timing is when the manual contract shall be uploaded on the World Bank STEP system.

ii) Expedite the implementation of other project deliverables in view of the clearance by H. E. the President of the Public Procurement and Disposal of Public Assets (no. 5 of 2017) Act [Chapter 22: 23] that was on the critical path of other project activities.

iii) Project assets procurement shall be accounted for appropriately by the Administrator in the Office of the President and Cabinet.
The project request that the Project Team Leader expedite the clearance of the additional scope for the Institutional and Legislative Review contract that is on the critical path of the project. Please also note that the acknowledgement and comments from the Bank on the Internal Audit Report submitted with our letter of 11th October 2017 are still outstanding.

In view of the 31st March 2017 project closing date, we request that the World Bank works closely with the Zimbabwe Public Procurement Modernisation project to achieve in time, all project deliverables.

You usual cooperation is anticipated.

Dr R. C. Ndhukula
Deputy Chief Secretary to the Office of the President and Cabinet
OFFICE OF THE PRESIDENT AND CABINET

Cc
Dr M. J. M. Sibanda
Chief Secretary to the President and Cabinet
OFFICE OF THE PRESIDENT AND CABINET

Mr W. L. Manungo
Secretary for Finance and Economic Development
MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

Mr D. Muchemwa
Accountant General
MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT
November 15, 2017

The Project Manager Zimbabwe Public Procurement Modernization Project

MANAGEMENT LETTER: ZIMBABWE PUBLIC PROCUREMENT MODERNIZATION PROJECT FUNDED BY THE WORLD BANK ACCOUNT FOR THE PERIOD DECEMBER 1, 2015 TO DECEMBER 31, 2016

INTRODUCTION

The audit of the Zimbabwe Public Procurement Modernization Project for the period December 1, 2015 to December 31, 2016 was completed and the purpose of this letter is to bring to your attention the findings that were revealed during the audit.

SCOPE AND DETERMINATION OF RESPONSIBILITY

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and International Standards on Auditing (ISAs). These standards require that the audit is planned and performed so as to obtain reasonable assurance that, in all material respects, fair presentation is achieved in the annual financial statements.

An audit includes:

Examination on a test basis of evidence supporting the amounts and disclosures in the financial statements; assessment of the accounting principles used and significant estimates made by management; and evaluation of the overall financial statement presentation.

The audit also includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The matters mentioned in this letter are therefore those that were identified through tests considered necessary for the purpose of the audit and it is possible that there might be other matters and/or weaknesses that were not identified.

The preparation of financial statements, maintenance of effective control measures and compliance with laws and regulations are the responsibility of the Accounting Officer. My responsibility is to express an opinion on these financial statements.
AUDIT FINDINGS

The audit findings, which were identified during the course of the audit, are detailed on the memorandum attached.

MANAGEMENT COMMENTS

It would be appreciated if your comments on these findings could be submitted within seven days after the date of this report.

APPRECIATION

I would like to express my appreciation for the courtesy extended and assistance rendered by your staff during the audit.

A. NYAGUYO

for: AUDITOR-GENERAL

cc. Secretary for Finance and Economic Development
### SUMMARY OF FINDINGS

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MEMORANDUM OF MATTERS ARISING FROM THE AUDIT

1 GOVERNANCE ISSUES

1.1 Legal Drafting Consultancy Contract

Finding

I noted that there were inconsistencies in the contract for the Local Legal Drafter under Section 3(a) and 3(b). According to Section 3(a), the client shall pay the Local Legal Drafter an amount not to exceed a ceiling of US$22 560 while under Section 3(b) the client shall pay the Local Legal Drafter for Services rendered at the rate of $480 per day for a 48 day resulting in a contract price of US$23 040.

The US$22 560 includes all of the Local Legal Drafter costs as well as tax obligations that may be imposed on him under Section 3(a), under Section 3(b) the Legal Drafter will be exempted from income tax.

Risk/implication

If disputes arise, it may be difficult to enforce the contract if they are inconsistencies.

Recommendation

The project administrators should consult the Attorney General’s Office when drafting contracts.

Management response

The observation is noted. There was an error on the computation of the value of preparation of 2nd draft of regulations. The figure was presented as US$2 160 at US$450 X 5 days for both the reviews of the Act and Regulations. The contract shall be adjusted to read US$2 040 after the correction of the reviews that should read US$2 400.

1.2 Rate of Delivery

Finding

My examination of the project eligible expenditure revealed that an amount of $407 515 was spent on the project out of the Grant total of $2 000 000.00. The expenditure incurred represents only 20.4% of the Grant amount for a period of 13 months.

I am also concerned that as at December 31, 2016 only 1 (one) deliverable (Sub Component 3.1: Technical Assistance) had been fully completed, the other components/deliverables were either partially complete or had not started. The project’s completion date given in the contract is March 31, 2018.
2 MANAGEMENT OF ASSETS

2.1 Project Assets

Finding

The physical verification of Project assets bought using grant funds revealed that there were no inventory lists in the offices for easy identification and control of assets.

Risk/implication

If there are no inventory lists, it may be difficult to monitor and control the movement of assets.

Recommendation

The project administrators should ensure that there are inventory lists in every office.

Management response

The observation is noted. The Administration officer shall implement the recommendations.