



integrity transparency fairness

ZIMRA
Zimbabwe Revenue Authority

ZIMBABWE REVENUE AUTHORITY 2016 ANNUAL REPORT

We are here to serve...



OUR VISION

“To be a beacon of excellence in the provision of fiscal services and facilitation of trade and travel”

TABLE OF CONTENTS

ZIMRA Mission Statement.	2
List of Abbreviations	3
ZIMRA Quality Policy	5
ZIMRA Mandate	6
ZIMRA Board Chair’s Foreword	7
ZIMRA Board	14
1. 2016 main Strategic achievements	15
2. Revenue Mobilisation.	16
3. Forging Strategic Partnerships	25
4. Enhancing Operational Effectiveness	28
5. Technological Innovation	37
6. Human Capital Development	41
7. Audited Financial Statements.	44
8. ZIMRA Client Charter.	99





OUR MISSION STATEMENT

Our mission is to promote economic development through efficient revenue generation and trade facilitation. This is achieved by:

- Developing competent and motivated staff;
- Using environmentally sustainable processes; and
- Engaging with the global community in a socially responsible way.

LIST OF ABBREVIATIONS

AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
ASYCUDA	Automated Systems for Customs Data
ATAF	African Tax Administration Forum
ATM	Automated Teller Machines
BSC	Balanced Scorecard
CGT	Capital Gains Tax
CGWT	Capital Gains Withholding Tax
COMESA	Common Market for Eastern and Southern Africa
DFIR	Dividends on Fees, Interest and Remittances
GDP	Gross Domestic Product
IAS	International Accounting Standards
ICASA	International Conference on AIDS and STIs in Africa
ICT	Information Communication Technology
IMF	International Monetary Fund
IODZ	Institute of Directors Zimbabwe
IRBM	Integrated Results Based Management
ISO	International Standards Organisation
LAN	Local Area Network
MPO	Modernisation Projects Office
MOFED	Ministry of Finance and Economic Development
NEC	National Employment Council
ODA	Official Development Assistance
OSBP	One Stop Border Post
PAYE	Pay As You Earn
PPPs	Public Private Partnerships
QMS	Quality Management System
RBZ	Reserve Bank of Zimbabwe





RIB	Removal In Bond
SADC	Southern African Development Cooperation
SAP	Systems Application Programme
STIs	Sexually Transmitted Infections
TIP	Temporary Import Permit
VAT	Value Added Tax
WAN	Wide Area Network
WCO	World Customs Organisation
WTO	World Trade Organisation
ZCBTA	Zimbabwe Cross Border Traders Association
ZIMASSET	Zimbabwe Agenda for Sustainable Socio-economic Transformation
ZIMRA	Zimbabwe Revenue Authority
ZIMSTAT	Zimbabwe National Statistics Agency
ZINARA	Zimbabwe National Roads Administration
ZRA	Zambia Revenue Authority

ZIMRA QUALITY POLICY



ZIMBABWE REVENUE AUTHORITY QUALITY POLICY

The Zimbabwe Revenue Authority (ZIMRA) derives its mandate from the Revenue Authority Act [Chapter 23:11] and other subsidiary legislation. Its mandate is to collect revenue, facilitate trade and travel, advise Government on fiscal and economic matters and protect civil society.

ZIMRA is committed to providing quality service to its stakeholders and customers through:-

- ★ Implementing the Quality Policy in line with ZIMRA's vision, values and strategic commitments;
- ★ Upholding ethical business practices and strict customer confidentiality by complying with all applicable legal and regulatory requirements;
- ★ Setting quality objectives and achieving them through continually improving services and key business processes within the framework of the ZWS ISO 9001:2008 Quality Management System;
- ★ Periodically reviewing the performance of the Quality Management System, the Quality Policy and objective to ensure their continued applicability, effectiveness and suitability;
- ★ Allocating suitable and adequate resources for the effective operation of the business processes and activities;
- ★ Fully enhancing employees' competences by providing appropriate skills development and training;
- ★ Fully utilising employees' talent and dedication in achieving strategic goals and recognising employee achievement;
- ★ Empowering and motivating all employees;
- ★ Maintaining a good corporate image; and
- ★ Communicating to and ensuring the Quality policy is understood by all employees.


.....
Board Chairman
Stenford Moyo


.....
Fin. Audit & Risk Mngt
Committee Chairman
Jonas Mushosho


.....
Commissioner General
Gershem T. Pasi

Date: 01 February 2014

Version: No. 1

Issue: No. 1



OUR MANDATE

The Zimbabwe Revenue Authority derives its mandate from the Revenue Authority Act [*Chapter 23:11*] and other subsidiary legislation. Its mandate is to:

- Collect revenue;
- Facilitate trade and travel;
- Advise Government on fiscal and economic matters; and
- Protect civil society.

BOARD CHAIR'S FOREWORD



Mrs W. Bonyongwe, ZIMRA Board Chairman

It gives me great pleasure to present the Zimbabwe Revenue Authority (ZIMRA) 2016 Annual Report.

1. Operating Environment

The operating environment largely remained challenging for business. The Ministry of Finance and Economic Development (MOFED) revised the country's projected economic growth rate from 2.7% to 1.2% in 2016. The economic situation can be attributed to depressed international commodity prices, low production across the various economic sectors and a growing informal sector.

The country also experienced liquidity challenges due to the twin evils of fiscal and trade deficits that resulted in underfunded Nostro Accounts. Liquidity challenges negatively affected trading activities and production. Further, the financing of the budget deficit through issuance of Treasury Bills and recourse to Reserve Bank of Zimbabwe (RBZ) overdraft facilities crowded out the productive sector. As a result, incomes remained low resulting in low profitability achieved by many companies and low aggregate demand.





Corrupt activities, smuggling and tax evasion continued to negatively affect the country's operating business environment. These malpractices deprived the Government of the much-needed revenue that would otherwise have been deployed to critical social sectors such as health, education, social services and infrastructural development projects for the benefit of Zimbabwe.

We would want to commend the Government for introducing policies aimed at creating an environment conducive for profitable private sector business operations. The introduction of Statutory Instrument 64 of 2016 sought to protect the domestic industry from regional and international competition. This contributed to an increase in the level of capacity utilisation in the manufacturing sector from 34.3% in 2015 to 47.4% in 2016. Promoting domestic and inward foreign direct investment will help expand the tax base in the future.

In addition, the Reserve Bank of Zimbabwe (RBZ) introduced US\$4 million worth of bond notes to stimulate domestic production and address cash shortages.

ZIMRA stepped up its efforts to collect fiscal revenues despite the challenges facing the country. Measures to enhance revenue collection, expand the tax base, promote tax compliance, improve ZIMRA's efficiency, support the Ease-of-Doing-Business initiatives, and providing convenience to the taxpayers were implemented during the review period. Pragmatic measures were also introduced to fight rampant corruption, strengthen the internal control systems and Corporate Governance practices.

2. Revenue Performance

Annual gross collections amounted to US\$3.462 billion, which translated to 96% of the targeted US\$3.607 billion. Net collections were US\$3.248 billion representing 90.1% of the target. The net collections were negatively affected by an upsurge in refunds in Q3 and Q4, which constituted about 54% of the total refunds made during the year. Net collections for 2016 declined by 7.22% compared to 2015.

The 2016 performance was largely influenced by the prevailing difficult economic conditions and low tax compliance that stood at under 35% of the registered taxpayers. However, automation, measures to curb corruption, electronic cargo tracking and fiscalisation efforts are expected to improve collections in 2017.

3. Corporate Governance and Compliance

3.1 Statement of Compliance

The Authority fully complied with provisions of Section 23 of the Revenue Authority Act with regards to the submission of reports to the Minister of Finance and Economic Development on the organisation's operations, undertakings and activities. ZIMRA accounts and systems were audited by the Office of the Auditor General in accordance with the provisions of the Revenue Authority Act and Public Finance Management Act.

3.2 Forensic Audits

HLB Zimbabwe Chartered Accountants, and Deloitte and Touché did two external forensic audits covering ZIMRA's Executive payroll and ICT respectively. The main audit highlights include:

- ASYCUDA System Application Control weaknesses;
- Management overrides of internal controls;
- Falsified imports declarations;
- Mismanagement of the SAP system; and
- Weaknesses in procurement of goods and services.

Some weaknesses were observed in the security and governance of ICT systems including the use/misuse of passwords, recruitment and promotion policies, general lack of segregation of duties or roles in the administration of the PAYNET System, management of Temporary Import Permits (TIPS) and abuse of funds as well as financial indiscipline mainly in the management of Executive Payroll and Benefits.

The Board is now strengthening the Governance Structures, Risk Management Processes and implementing forensic audits recommendations to improve the control environment. Further, measures to increase supervision, monitoring and evaluation, segregate duties, promote transparency as well as strengthen the role of Internal Audit and Loss Control Divisions were introduced.

3.3 Corruption

Fighting corruption within ZIMRA remains a top priority strategic focus area for the Board. The following are some of the measures introduced during the year in order to eradicate corruption within the Authority:

- Launched externally managed toll-free hotlines in order to allow the public to freely report any acts of corruption;
- Staff members are required to periodically declare their assets;
- Enhance the audit method from mere integrity checks to proper life style audits which involve establishment of source of funds used to acquire assets;



- Conducting intensified audits that establish the offence perpetrator, recommend appropriate action to be taken by management within set timelines; and
- Automating the tax payment systems in order to reduce the level of direct interface between ZIMRA officials and taxpayers.

ZIMRA appreciates Government efforts particularly the establishment of an Inter-Ministerial Committee, aimed at fighting corruption. Further, in conjunction with other state agencies, the Authority will introduce polygraph testing for its staff members beginning with those working at the border posts.

4. Automation

The Authority introduced the Tax Management System, Electronic Cargo Tracking System and intensified the implementation of the fiscalisation project during the year. In view of the strategic importance of these projects, the Board established an Adhoc Committee on Fiscalisation and Cargo Tracking comprising of 3 Board members, ZIMRA Executive Management and the Heads of the 2 projects to expedite the implementation process. The performance in this area has been encouraging, and the impact of these initiatives will be fully covered in the Authority's 2017 Annual Report.

4.1 Tax Management System

Implementation of the Tax Management System (TMS) was pursued with amendments to VAT Act to incorporate all VAT registered clients including Categories A, B and D from January 2017 in addition to Category C clients. Focus was also on facilitating electronic collection of fiscal data from large clients to ZIMRA server. The distribution of the Fiscal Cash Registers (FCR) has been slow due to challenges faced by the approved suppliers of these gadgets particularly the availability of foreign currency to procure the devices.

A summary of major milestones in the rollout of the Tax Management System is given in Table 1.

Table 1: Major Milestones in the implementation of TMS in 2016

Total number of all registered clients in TMS	3,300
Taxi operators registered in TMS	54
Number of clients registered in TMS	2,912
Number of Fiscal Cash Registers (FCRs)	2,864
Number of devices and clients interfaced with ZIMRA server	5,513 devices for 1,876 clients
Number of clients who declared data by transmission discs	12,053
Number of Additional dongles issued	2,356
Automated Revenue Machines deployed	2 at Kurima House, Harare
Number of Category A, B and D clients instructed to fiscalise in line with 2016 Mid-Year Fiscal Policy Review Statement	985

4.2 Cargo Tracking

Electronic Cargo Tracking System (ETCS) was piloted on the three busiest transit routes linking Beitbridge, Forbes and Chirundu. Test run for the ECTS Project and rollout were successfully conducted from 10 December to 31 December 2016. The Control Room started running 24 hours on a shift system before the Christmas holiday of the year 2016. This ensured that Temporary Import Permits (TIPs) were acquitted within the statutory period of 3 days. Identified Potential Revenue for the period from June to December 2016 totalled US\$32.1 million from Departed T1s. Debt reduction from outstanding T1s by acquittals amounted to US\$27.5 million while recoveries from follow-ups on transit cargo were US\$0.213 million.

ZIMRA also played an important role in the implementation of the E-Government project. As at the time of reporting, appropriate infrastructure and technology for enabling E-government functions had been implemented.

Other notable automation projects in 2016 include:

- The ZIMRA/CVR Central Vehicle e-registration project that allows for electronic printing of new registration books for all imported vehicles;
- Single Payment Point for border related fees;
- Data Interchange in ASYCUDA World between Zambia Revenue Authority (ZRA) and ZIMRA;
- Automation of Customs Clearance Certificate in ASYCUDA World;
- ASYCUDA Systems Enhancement;
- E-Customs State Warehouse Management Module Pilot run;
- E-Licensing of Clearing Agents;
- Integration of ASYCUDA World with the RBZ Exchange Control System;
- Installation of a new server purchased courtesy of the African Development Bank (AfDB) support;
- Completion of Microsoft Office 365 deployment;
- Installed new network TelOne 2MB at Beitbridge Malindi Customs transit shed; and
- Upgraded Data Centre TelOne Internet platform from 20MB to 40MB.

5. Infrastructure Projects

The Authority completed the construction of Plumtree sewer superintendent office and generator room, Maitengwe water augmentation project and Kariba redeployable offices. Work is underway for Mlambapele offices, one redeployable and 2 bedroomed houses for staff accommodation as well as 8 cottages targeting 32 Officers at Chirundu. During the year, 4 x 15KVA generators at Mlambapele, Hwange, Large Client Office and Beitbridge town office. Further, 2 x 65KVA generators were installed at Victoria Falls town office and Kariba Most High office.





6. Stakeholder Relations

We remain committed to maintaining and nurturing cordial relations with key local, regional and international stakeholders. The Authority has, therefore, been involved in many initiatives in order to achieve this objective. As a result, the following events were successfully coordinated during the year:

- International Customs Day commemorations;
- Taxpayer Appreciation Day; and
- The Authority's Annual Charity Ball.

Liaison meetings were conducted with Zimbabwe Farmers' Union, Buy Zimbabwe Campaign, Zimbabwe Institute of Engineers, Radiation Protection Authority of Zimbabwe, National Business Council of Zimbabwe, Zimbabwe National Chamber of Commerce, Zimbabwe Tourism Authority, and Chinese Federation in Zimbabwe.

7. Systems and Processes

The implementation of ISO 9001:2008 Quality Management System (QMS) started in 2013. Progress as at the close of 2016 is briefly summarised next:

- Held awareness training by the Consultant;
- Developed the Quality Policy;
- Reviewed procedures after Quality Management System (QMS) audits; and
- Conducted QMS Internal Audits for all stations.

8. Outlook

The Board remains bullish about the Authority's potential performance in 2017. A positive economic outlook is expected on the back of a favourable 2016/17 agricultural season, rebound of international commodity prices and improved capacity utilisation due to the policy measures being implemented by Government in order to stimulate production. Further, ZIMRA will continue to explore ways to expand the tax base. It is also expected that the initiatives that include the Tax Management System, fiscalisation, Electronic Cargo Tracking System, fight against corruption, curtailing illicit financial outflows through transfer pricing and improved Corporate Governance practices will positively impact on revenue collections in 2017.

9. Gratitude

I am grateful to the Ministry of Finance and Economic Development as well as other arms of the state for their continued support and confidence they bestowed in me and my colleagues on the ZIMRA Board.

I also wish to thank and appreciate all taxpayers for contributing towards the financing of our country's development programmes.

I would also want to express my sincere gratitude to ZIMRA Management and Staff for their commitment, teamwork, hard work, unity of purpose and unwavering determination to serve the nation.

Finally, I thank God for the opportunity to serve Zimbabwe in this capacity. We rely on Him for vision, wisdom and guidance. "For unless the Lord builds the house, the builders labour in vain" (Psalm 127.1).

Thank You



ZIMRA BOARD CHAIRMAN



ZIMRA BOARD



Mrs W. Bonyongwe
Board Chairman



Mr. P. Toriro
Board Vice Chairperson



Mrs B. S. Katiyo
Board Member



Mrs N. M. Abu-Basutu
Board Member



Dr A. M. Chidakwa
Board Member



Ms S. Njerere
Board Member



Mr N. C. Madongore
Board Member



Mr H. Kuzvinzwa
Acting Commissioner General
and Board Member



Mr M. Nyoni
Board Member



Mr W. L. Manungo
Secretary for Finance
and Board Member

Paying taxes and duties on time and in full builds and dignifies Zimbabwe

1. 2016 MAIN STRATEGIC ACHIEVEMENTS

The main strategic achievements in 2016 are summarised in Table 2.

Table 2: 2016 Main Strategic Achievements

	OBJECTIVE	RESULTS
1.	To achieve a revenue collection rate of 27.5% of GDP	Gross Collections were US\$3.46 billion out of an estimated Nominal GDP of US\$14.11 billion representing 24.5% of GDP
2.	To collect 20% of the outstanding debt	Collected US\$1.124 billion or 51.9% of the outstanding debt of US\$2.061 billion at beginning of 2016
3.	To register 15,000 new taxpayers	Registered 14,375 new taxpayers, and collected US\$31.7 million from these new registrants
4.	To increase extra financial resources to fund operations from 5% to 6% of approved recurrent budget	US\$6.33 million or 5.8% was raised for recurrent expenditure from commissions, interest, rentals, and AfDB
5.	To secure 10% of capital funding from Private Partners	US\$4.09 million was raised from clearance fees and commissions for capital funding representing 11.6%
6.	To improve employee satisfaction index from 58% to 70%	The employee satisfaction index was 53.5 % in 2016 compared with 58% in 2015
7.	To achieve an 80% automation of business processes	91.70% automation
8.	To increase client satisfaction index from 60% to 70%	Slight improvement in customer satisfaction from 60% in 2015 to 63.4%
9.	To reduce cost of collection from 3.1% to 3%	The cost of collection in 2016 was 3.19%
10.	To implement trade facilitation benchmarks from 60% to 80%	Achieved 60% implementation of trade facilitation benchmarks (See update on Automation)



2. REVENUE MOBILISATION

2.1 Revenue Performance

2.1.1 Overall Performance

The 2016 gross revenue collections stood at US\$3.462 billion representing 96% of the targeted US\$3.607 billion. The performance was below its prior year level by 10.8%.

Net revenue declined by 7.2% to US\$3.248 billion in 2016 from US\$3,501 billion in 2015. The net collections for 2016 were 91.1% of the annual target.

2.1.2 2016 Quarterly Collections

Figure 1 depicts the quarterly revenue collections in 2016.

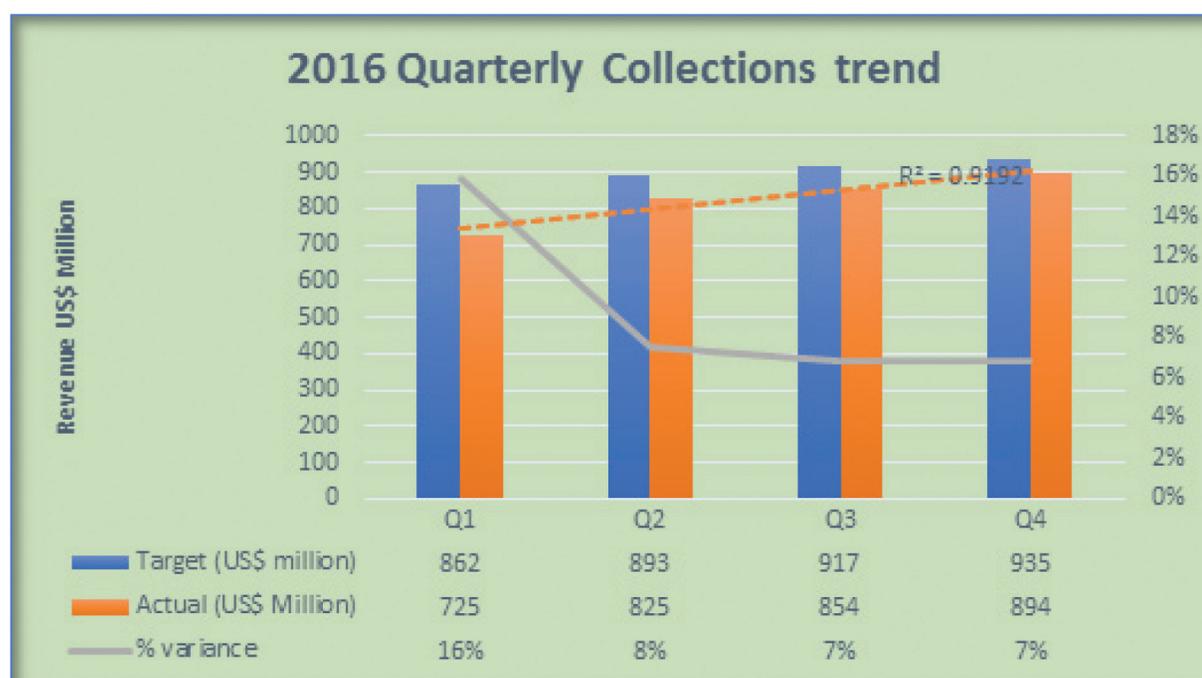


Figure 1: 2016 Quarterly Revenue Collections

The percentages on the right represent the variance between the target and the actual collections. Quarterly revenue collections consistently improved across all quarters during the year. Collections rose from US\$724.89 million in the first quarter to US\$893.89 million in the fourth quarter.

The actual net collections rose from Q1 to Q4 by 23.3% while the variance between actual collections and target declined from 15.9% in Q1 to 6.7% in the last quarter of the year.

The debt level rose from US\$1.97 billion in January 2016 to US\$2.67 billion in December 2016 largely due to measures instituted by the Authority to contain revenue leakages through intensified audits, automation, fight against corruption and improved skills to deal with transfer pricing among others. Huge recoveries were achieved in the Individual tax, VAT on

Local Sales and Corporate Income Tax categories. Collections are currently underway, and as at 31 December 2016, a total of US\$1.11 billion had been recovered. Furthermore, VAT refunds resulted in the refunds bill declining by 24.5% from US\$280.1 million in 2015 to US\$211.6 million in 2016.

The Authority’s efforts to deal with transfer pricing has unearthed many cases of ‘improper’ tax accounting by many companies. Work is already underway to resolve issues with the affected companies. Some cases are, however, before the Fiscal Court and hopefully will be concluded within the shortest possible time.

2.1.3 Performance of Individual Revenue Heads

The performance of individual tax heads in 2016 is summarised in Table 3.

Table 3: Performance of Individual Revenue Heads

TAX HEAD	TARGET 2016	ACTUALS 2016	ACTUAL 2015 (US\$)	2016 ACTUAL TO TARGET %VARIANCE	YEAR ON YEAR % CHANGE
[Redacted content]					

All the revenue heads failed to meet their targets except VAT on imports and Tobacco levy, which surpassed their respective targets by 3.9% and 31.9%.

Figure 2 compares collections for 2016 to the collections for 2015, and the 2016 targets per revenue head.



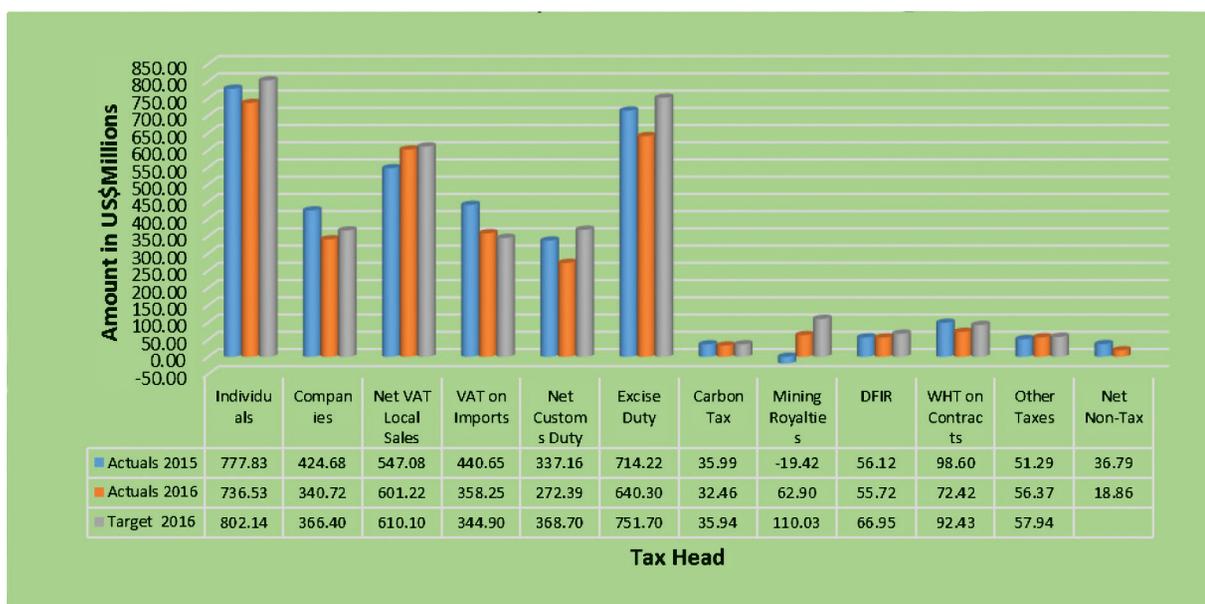


Figure 2: Revenue Performance

Collections on VAT on Local Sales and Mining Royalties both increased from their 2015 levels by 10% and 400% respectively. The rest of the revenue heads underperformed their 2015 levels.

2.1.4 Contribution of Individual Tax Heads

Table 4 compares the percentage contributions of individual tax heads to total tax revenue collections in 2015 and 2016.

Table 4: Contribution of individual Revenue Heads to Total Revenue

REVENUE HEAD	2016 % CONTRIBUTION	2015 % CONTRIBUTION	% CONTRIBUTION CHANGE 2016/2015

The percentage contribution of major individual revenue heads to the total revenue collected during the year are Individual Tax [23%], Excise Duty [20%], Net Value Added Tax (VAT) on Local Sales [19%], Company Tax [10%] and Customs Duty [8%].

Net VAT on Local Sales and Individual Tax increased in contribution from 2015 to 2016. The contributions of the rest of the revenue heads remained largely unchanged between years 2015 to 2016. Favourable performance of VAT on Local Sales was due to the implementation of the Tax Management System and increased usage of electronic payment platforms during the year.

2.1.5 2016 Analysis of Revenue Heads Performance

Individual Tax

A total of US\$736.43 million was collected from Individual Tax during the year. This represents 91.8% of the targeted US\$802.14 million, and a decline of 4.4% from the US\$770.04 million collected in 2015. The Pay as You Earn (PAYE) debt closed 2016 at US\$685.31 million compared to US\$595.84 million in 2015. The underperformance of this tax head can be attributed to downward reviews of remuneration packages, company closures and retrenchments during the year.

Corporate Income Tax (Company Tax)

Company Tax contributed US\$342.22 million to total collections in 2016, representing a 93.4% of the targeted US\$366.40 million. The tax head, however, fell by 21.6% from US\$436.28 million last year. Further, the associated debt was US\$786.61 million compared to US\$531.68 million in 2015.

The said performance was due to low profitability and tax evasion by companies. Our tax audits are revealing the extent of tax avoidance by companies. It is noteworthy that such audits have resulted in ZIMRA penalising deviant taxpayers leading to a rise in the Corporate Income Tax debt. Efforts are currently underway to recover the taxes due from non-complying companies.

VAT on Local Sales

Gross VAT on Local Sales collections, at US\$812.98 million, surpassed the annual target of US\$610.10 million by 33.2%. VAT refunds stood at US\$211.60 million, resulting in net collections of US\$601.38 million. Net revenue collections were 1.4% below the target. However, net revenue collections rose by 10% from US\$546.45 million in 2015.

VAT refunds in 2016 were 24.5% lower than US\$280.10 million in 2015 due to initiatives that the Authority implemented during the year that have been outlined in earlier sections of this report.

VAT on Local Sales debt was US\$1.07 billion in 2016 compared to US\$735.09 million in 2015. Debt was raised from non-compliant taxpayers who were unearthed during Audits and Investigations. The revenue head is expected to improve in tandem with improvements in capacity utilisation, automation and efforts to reduce leakages attributable to fraudulent refunds.

VAT on Imports

Collections at US\$358.25 million, surpassed the target of US\$344.9 million by 3.9% during the year. Collections, nonetheless, underperformed the 2015 level of US\$440.45 million by 18.7%.





The level of dutiable imports declined from US\$4.89 million in 2015 to US\$4.23 million in 2016 due to policy interventions by Government that sought to protect the local industry from the whirlwinds of foreign competition. The interventions included the SI 64 of 2016 and the managed foreign exchange system by the RBZ. Liquidity challenges also generally restrained imports by individuals. The performance has nevertheless been compensated for by the rise in domestic taxes.

Customs Duty

Annual gross collections amounted to US\$281.1 million, representing 76.2% of the targeted US\$368.70 million. Refunds were US\$2.66 million and hence net collections of US\$278.44 million. Customs duty collections were 20.4% below the 2015 level of US\$349.66 million.

Customs Duty reliefs, which include rebates, suspensions and trade agreements, amounted to US\$858.30 million. Revenue forgone through trade agreements amounted to US\$642.39 million, while US\$215.91 million was forgone from rebates and suspensions. There is need to closely interrogate the implications of customs duty reliefs to minimise any leakages that continue to threaten collections from this tax head.

Excise Duty

Revenue from Excise Duty amounted to US\$640.42 million against a target of US\$751.70 million. Collections were 85.2% of the target. Excise Duty on fuel was the major contributor to this tax head, with a contribution of 79.3%. Excise Duties on Beer and Airtime were 7.9% and 6.2%, respectively. The rest of the revenue was from Excise Duty on Tobacco, Wines and Spirits, Second-Hand Motor Vehicles and Electric Lamps. The 2016 revenue collections decreased by 10.3% from the US\$714.22 million collected in 2015. The revenue head's performance is underpinned by the following:

- A reduction in the import volumes of petroleum products in 2016. Diesel volumes declined from 863.69 million litres in 2015 to 826.12 million litres in 2016, while petrol volumes were 488.26 million litres and 456.15 million litres in 2015 and 2016 respectively. It is, however, estimated that the declared volumes are understated as some importers claimed their cargo was in transit and that they were importing paraffin. Paraffin now attracts duty and the cargo tracking should greatly reduce transit fraud; and
- Decline in the consumption of excisable products such as beer, tobacco, wines and spirits as well as airtime due to low disposable income.

Efforts by government to resuscitate the domestic industry will help expand the tax base on which excise duty is charged. Thus, it is anticipated that collections from this revenue head will improve in the outlook.

Withholding Tax on Contracts

Collections were US\$78.95 million representing 85.4% of the targeted US\$92.43 million in 2016. The revenue head, however, underperformed the 2015 level of US\$98.83 million by 20.1% largely due to depressed business activity in 2016.

Carbon Tax

Carbon Tax collections were US\$32.46 million against a target of US\$35.94 million. This represents 90.3% of the target. Collections, nonetheless, declined by 10.2% from the US\$36.15 million in 2015 due to a combination of smuggling as well as fall in import volumes of petrol and diesel.

Mining Royalties

Collections under this revenue head were US\$63.24 million, which translates to 57.2% of the targeted US\$110.03 million. The low performance was as a result of commodity prices volatility, and decline in the production of diamonds, platinum and gold. Therefore, improvements in the international commodity prices and production levels will positively influence the performance of this tax head in the future.

Dividends, Fees, Interest and Remittances

Collections were US\$56.08 million representing 83.8% of the targeted US\$66.95 million. The 2016 collections decreased by 0.3% from the 2015 level. This performance was on the back of depressed corporate profitability and low investment levels in the economy.

Other Taxes

The revenue head comprises Capital Gains Tax and Capital Gains Withholding Tax, Tobacco Levy and Other Indirect Taxes (Stamp Duty, Banking Levy, Presumptive Tax and ATM Levy).

Revenue collections at US\$60.25 million, were 4% above the targeted US\$57.94 million. Collections in 2016 fell by 45% from US\$109.63 million in 2015. Capital Gains Tax and Capital Gains Withholding Tax contributed the highest revenues under this tax head.

The future performance of this revenue head will depend on economic activity in the mortgage and equities market, as well as the success of the 2017 agricultural season, that has implications for the performance of Tobacco Levy.

2.2 Expenditure Analysis

Total budget for the year was US\$118,315 million comprising of Recurrent and Capital Expenditure (CAPEX) budgets of US\$109.56 million and US\$8.755million respectively.





Additional funding of US\$6.33 million was raised from commissions, interest, rentals and AfDB. These resources were used to fund recurrent expenditure.

A further US\$4.09 million was raised for CAPEX from Clearance Fees for the financing of the Tax Management System. Approval to retain these fees was granted by the Ministry of Finance and Economic Development.

2.2.1 Recurrent Expenditure Budget

Total recurrent expenditure was US\$124.99 million against Ministry of Finance and Economic Development grant of US\$109.56 million. Of this amount US\$14.547 million related to depreciation and amortisation that constituted 12% of the total expenditure. Table 5 shows the recurrent expenditure for the years 2015 and 2016.

Table 5: Recurrent Expenditure

The contributions of individual cost drivers to total expenditure were generally unchanged in the two years. While contributions of major expenses such as depreciation increased, staff and consultancy costs declined by 2 and 1 percentage point(s) during the review period. The contributions of the main expenses to the Authority's total expenditure is given in Figure 3.

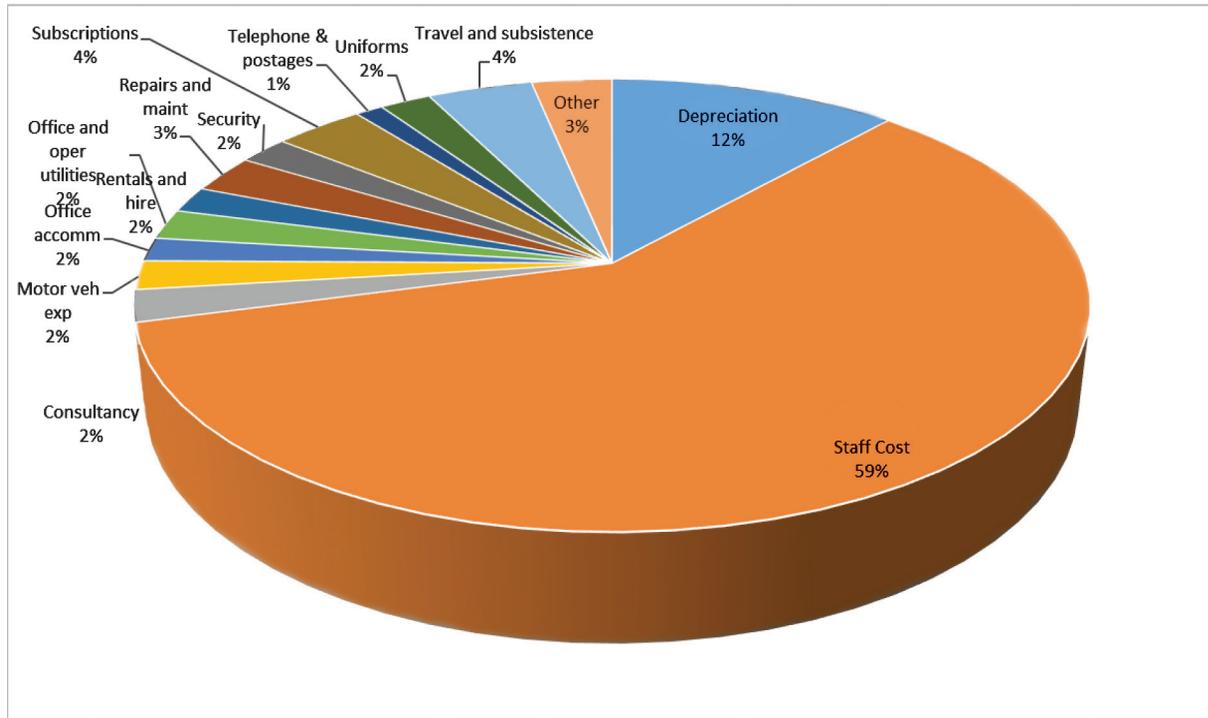


Figure 3: Composition of Recurrent Expenditure

- Major cost drivers were staff costs that accounted for 59% of the total expenditure followed by travelling and subsistence, as well as licensing and subscriptions at 4% each. Repairs and Maintenance of buildings and equipment was at 3%. Motor vehicle expenses, office accommodation, office and operational utilities, security, conference hire and uniforms were at 2% each.
- The cost of collection was 3.19% based on the Gross collections of US\$3.46 billion and recurrent expenditure of US\$124.99 million net of depreciation of US\$14.547 million.
- The Authority introduced some cost management strategies including renegotiating contracts with property owners and key suppliers of equipment and service providers among others. Further, discretionary expenditures were rationalised with a view to improving the Authority's efficiencies and managing costs. Savings from these initiatives were US\$500,000 during the year.

2.2.2 Capital Expenditure Budget

The Authority's capital expenditure is shown in Table 6.

Table 6: Capital Expenditure in 2016 (US\$)

Buildings	664,311	0	664,311	664,311	
Computer Equipment	132,895		132,895	132,895	
Cargo Tracking	1,000,000		1,000,000		1,000,000
Construction Work in Progress	2,702,720	26,705	2,729,425	1,771,013	958,412
Furniture, Fixtures and Fittings	477,353	11,496	488,849	482,387	6,462
Network Equipment	310,132		310,132	310,132	
Soft ware	2,611,973		2,611,973	1,676,708	935,265
Office Equipment	22,647	0	22,647	22,647	
Plant and Machinery	323,439	0	323,439	323,439	
Land	9,530	0	9,530	9,530	
Motor Vehicles	500,000	0	500,000	436,702	

From the approved budget of US\$8.755 million, US\$5.83 million was expended, leaving a balance of US\$2.963 million. The balance will go towards financing of Cargo Tracking System, construction works and software in 2017.

3. FORGING STRATEGIC PARTNERSHIPS

The Authority engaged key stakeholders including the Government, business community, clients, regional and international bodies during the year in order to forge relationships that are key to achieving its strategic goals.

3.1. Budget Meetings

ZIMRA attended the weekly budgeting meetings at the MOFED where revenue collections and Government's expenditure requirements were discussed. These engagements enabled the Parties to promote joint commitments in national revenue mobilisation efforts.

3.2 Stakeholder Engagements

The Authority held various meetings with key stakeholders to enhance consultation and strengthen partnerships. ZIMRA interacted with the Zimbabwe Cross Border Traders Association (ZCBTA), the Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) and the Confederation of Zimbabwe Industries (CZI) during the year.

The Authority also collaborated with the representatives of private sector companies who attended its Annual Charity Ball on 25 November 2016, with the aim of raising funds for the less privileged.

Various feedback mechanisms were also utilised to help improve ZIMRA's service delivery. A Client Satisfaction Survey (CSS) conducted during the year revealed that 65.8% of clients were happy with ZIMRA's service delivery. The CSS results were communicated to all staff. Various strategies were implemented to address issues militating against excellent service delivery. The Authority also made efforts to address concerns raised by various companies. Client feedback was obtained through suggestion boxes at various ZIMRA stations and a suggestion box report was consolidated. Strategic measures are being implemented to deal with client's complaints.

3.3 International Engagements

The Authority engaged various international and regional organisations including World Customs Organisation (WCO), Common Market for Eastern and Southern Africa (COMESA), Southern African Development Community (SADC), African Tax Administration Forum (ATAF), International Monetary Fund (IMF) and World Trade Organisation (WTO) among others. Regional Revenue Authorities and International Organisations that visited ZIMRA for benchmarking exercises, study of the Tax Management System, exchange of information, MOUs, double taxation agreements include:

- Swaziland Revenue Authority (SRA), Botswana Unified Revenue Services, Zambia Revenue Authority, Malawi Ministry of Finance, Lesotho Revenue Authority came for study visits mainly on the ICT Tax system and to exchange information on operational issues. Netherlands visited to review the original Tax Treaty of 1989 and negotiations are in progress.



- General Administration Customs of Chinese (GACC) and ZIMRA held bilateral talks to exchange information. A draft MOU was sent to GACC and work to finalise negotiations is currently underway;
- Her Majesty Revenue Customs (HRMC) and UNCTAD Scoping Mission Workshop was held mainly to introduce the Mercator Programme, WCO instruments and tools, and UNCTAD National Trade Facilitation Programme. This helped unlock funding for ZIMRA to participate in follow-up meetings in Belgium;
- IMF and World Bank offered technical assistance in Post-Clearance Audits, Data Mining and Transfer Pricing. ZIMRA benefited from the enhanced audit skills and the adopted changes to the Transfer Pricing Legislation;
- ZIMRA assumed the AU Chairmanship for the year 2017 at the 8th African Union Ordinary Session of the Sub-Committee of Director Generals Conference and;
- An ATAF/ZIMRA Joint Workshop on Heads of ICT in Tax Administrations was held where Heads of ICT exchanged information.



Delegates pose for a group photo during an ATAF/ZIMRA Joint Workshop on Heads of ICT in Tax Administrations where the ICT Heads exchanged information

3.4 ZIMRA Brand

The Acting ZIMRA Commissioner General, Mr H. Kuzvinzwa scooped the Megafest Northern Region, Male Director of the Year 2016 Award. The Acting Commissioner General also assumed Chairmanship of the African Union (AU) Sub-Committee of Director Generals of Customs. ZIMRA participated at various provincial shows and exhibitions held throughout the country such as Zimbabwe International Trade Fair (ZITF), Mine Entra, Gweru Show, Kwekwe, Kadoma, Mutare, Masvingo, Chinhoyi, Chiredzi, Hwange, Marondera and Bindura.



Visionary leadershipZIMRA Acting Commissioner General, Mr Hapias Kuzvinzwa (middle), receives the Magafest Award

The Authority, through the ZIMRA Charity Trust, was actively involved in Corporate Social Responsibility Programmes as a means of assisting the underprivileged. ZIMRA supplied poultry projects for Jairos Jiri Southerton, Mother of Peace, Entembeni Old People's Home, Zororayi Old People's Home, Mucheke Old People's Home and provided piggery feeds to Jairos Jiri Rusape. The main thrust was to help Charity institutions so that they become self-reliant.

4. ENHANCING OPERATIONAL EFFECTIVENESS

Operational Effectiveness entails improving service delivery processes and systems to enhance productivity. It also involves creating an enabling environment in which clients contribute to the fiscus without difficulties and creating a workable relationship to improve voluntary compliance.

4.1 Corporate Strategy

ZIMRA's Corporate Strategy was guided by the Zimbabwe Agenda for Sustainable Socio-Economic Transformation (ZIMASSET) given its role in domestic resources mobilisation. The Authority's policy objectives, targets and measures were properly aligned to ensure the achievement of national priorities. ZIMRA uses Integrated Results Based Management (IRBM) framework as a strategy implementation and evaluation tool. The Strategic Plan communicated ZIMRA's vision, mission, key result areas, goals, impacts, outcomes, strategies, major programmes, projects and direction to stakeholders that the Authority focused on during the year. The initiatives from the Strategic Plan were monitored and evaluated quarterly and corrective action adopted promptly.

4.2 Modernisation

Modernisation Project seeks to continuously improve and adopt modern business systems, processes, policies and procedures. The implementation, monitoring and evaluation of all ZIMRA projects are done through the Modernisation Projects Office (MPO). The Authority has positioned itself to be the organisation of first choice, centre of excellence, pace-setter and benchmark organisation on Customs and Tax administration. Further, the MPO streamlined projects and rationalised the project register to ensure effective monitoring. PRINCE2 Project Management Methodology awareness campaigns were rolled out throughout the organisation. Outreach programmes on PRINCE2 were conducted for staff drawn from all divisions.



Participants at the ZIMRA Modernisation PRINCE 2 Training pose for a group photo

Paying taxes and duties on time and in full builds and dignifies Zimbabwe

4.3 ZIMRA Legal Activities

The Authority continued to strengthen its legislative, governance, litigation handling, advisory and corporate communication strategies. Next is a snapshot of the major developments during the year.

4.3.1 Litigation

The Legal and Corporate Services Division continued to monitor the Authority's litigation portfolio with a total of 191 cases pending before the courts at the beginning of the year. Seventy-one litigation cases were finalised as follows: 32 cases were decided by the Courts in the Authority's favour, and 4 against, 9 cases were settled out of Court and 26 were withdrawn from the Courts by the Clients who had taken the Authority to Court. A total of 109 new litigation cases were received during the course of the year, leaving a total of 229 cases pending before the courts at the end of the year.

4.3.2 Legal Drafting and Advisory Functions

Advisory and Legal Drafting services were provided to stakeholders, internal and external clients. Thirty - two legal opinions were rendered to internal clients on several matters. The Authority handled 263 contracts to formalise its contractual relationships with Third Parties. Of these 92 were signed by all Parties during the year and the rest are still to be finalised. In addition, 75 Legal Instruments were drafted to effect amendments to various pieces of legislation administered by the Authority and to give effect to the policy pronouncements by the Honourable Minister of Finance and Economic Development in the 2016 National Budget Statement.

4.4 Corporate Governance

The Authority is committed to implementing and upholding the principles of good Corporate Governance as set out in the in the various applicable statutes, the National Code on Corporate Governance as well as the Corporate Governance Framework for State Enterprises and Parastatals.

4.4.1 Board Constitution and Composition

The Authority has a duly constituted and appointed ten-member Board of Directors. Nine of the Board Members are non-executive except the Commissioner General who is the head of the Authority. The Board has four female members (40%) and six male members (60%). However, the posts of Non-Executive Directors are equally shared between females (4) and males (4).

A non-executive Chairperson who was duly appointed by the Minister of Finance and Economic Development heads the Board.

One Board Member, the Commissioner General was sent on leave in May 2016 and was later suspended in October 2016. As a result, the Acting Commissioner General has been attending Board meetings.



4.4.2 Activities of the Board

The Board established the following six Committees to which it has delegated certain functions:

- Human Resources Committee;
- Risk Committee;
- Audit Committee;
- Finance, Administration and ICT Committee;
- Technical Committee; and
- Ad Hoc Committee on Fiscalisation and Cargo Tracking.

The Ad Hoc Committee on Fiscalisation and Cargo Tracking was established in the fourth quarter of 2016, with a specific mandate to provide dedicated oversight on the implementation of fiscalisation and cargo tracking system.

The Board and Board Committees held 42 meetings during the year under review. Twenty-four of these meetings were Quarterly Scheduled Meetings while 18 were Special or Ad hoc Meetings which were convened to discuss urgent substantive matters.

Details of the number of Board meetings held during the year as well as the attendance of each Board member at those meetings are furnished in Table 7.

Table 7: Board meetings and attendance

Mrs W. Bonyongwe	4	4	100	10	10	100	100
Mr P. Toriro	4	4	100	10	8	80	85.7
Mrs N.M. Abu-Basutu	4	4	100	10	6	60	71.4
Mrs B.S. Katiyo	4	3	75	10	3	30	42.9
Mr N.C. Madongorere	4	4	100	10	9	90	92.9
Mr M. Nyoni	4	4	100	10	10	100	100
Ms S. Njerere	4	4	100	10	9	90	92.9
Dr A. M. Chidakwa	4	4	100	10	7	70	78.6
Mr W.L. Manungo	4	3	75	10	10	100	92.9
Mr G.T. Pasi (Mr H. Kuzvinzwa)	4	4	100	10	6	60	71.4

Table 8: Attendance at Board Committee Meetings

	Human Resources Committee		Risk Committee		Audit Committee		Finance Administration and ICT		Technical Committee		Ad-Hoc Committee		Attendance per individual Board Member
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	%
Mrs W. Bonyongwe	7	4**	4	4	5	3**	7	3**	4	2**	2	1**	100%
Mr P. Toriro	7	7	4	1**	5	*	7	7	4	*	2	1	83.33%
Mrs N.M. Abu-Basutu	7	*	4	*	5	1~	7	6	4	4	2	*	95.24%
Mrs B.S. Katiyo	7	7	4	4	5	4	7	*	4	*	2	1	82.5%
Mr N.C. Madongore	7	*	4	4	5	1**	7	7	4	4	2	2	100%
Mr M. Nyoni	7	*	4	*	5	5	7	*	4	4	2	*	100%
Ms S. Njerere	7	6	4	3-	5	*	7	6	4	*	2	*	82.14%
Dr A. M. Chidakwa	7	*	4	4	5	5	7	*	4	4	2	2	100%
Mr W.L. Manungo	7	*	4	*	5	1~	7	*	4	4	2	*	100%
Mr G.T. Pasi/ Mr Kuzvinzwa	7	7	4	3-	5	*	7	6	4	4	2	1**	90.18%
% of collective members' attendance													93.34%

Key

* not a member.

**not a member but attended the meeting by invitation.

- did not attend and an apology was noted.

~members were appointed into the Committee in the third quarter and attended the first meeting of the Committee in the fourth quarter.

*** Mr Pasi, the Commissioner General who is also a Board Member was on paid leave from the second quarter and was then suspended during the fourth quarter of 2016. Meetings held during the said period were attended by Mr H. Kuzvinzwa, the Acting Commissioner General.

The Human Resources Committee and the Finance, Administration and ICT Committee held a joint meeting to consider the 2017 ZIMRA budget. However, for purposes of compiling statistics of the number of meetings held by individual Committees, it has been presented as if the two Committees met separately.

4.4.3 Board Training and Development

As part of continuous training and development for Board Members, the Board received the following training during the year:

- ISO awareness training;
- IRBM training; and
- Performance Management.

Members of the Board visited the following stations during the year:

- Nyamapanda; and
- Forbes Border Posts.



Tour of Forbes Border Post and Mutare Station by the ZIMRA Board members

The Board together with the Minister of Finance and Economic Development received an in-depth walk-through of the Tax Management System at Kurima House on 5 February 2016. This gave Members an appreciation of the Authority's key automation programmes.



Minister Chinamasa is accompanied by guests on an in-depth walk-through of the ZIMRA Tax Management System

4.4.4 Internal Checks, Control and Auditing

The Authority has an effective Internal Audit function which reports directly to the Audit Committee. The Internal Audit Unit assists the Board and Management in ensuring that the Authority has robust risk management and internal control processes.

The Board increased the membership of the Audit Committee from 3 to 5 members in the third quarter of 2016. All members of this Committee are Non-Executive Directors. The Commissioner General attends this Committee by invitation. The Authority's Financial Statements are audited annually by the Auditor General or his or her nominee. The audited Financial Statements for 2015 were presented to, and approved by the Board. Management implemented strategies to address the various observations made during the 2015 audit.

The year was marked with increased Board oversight on the Authority's operations. This saw the Board, in the second half of the year, instituting two forensic audits of the Authority. HLB Zimbabwe Chartered Accountants and Deloitte & Touché conducted the forensic audits and have both presented their reports. The findings of the forensic audits culminated in disciplinary action being taken against some members of Management and staff. Further, the Authority has already started implementing strategies to improve efficiencies in response to the audit findings and recommendations.



4.5 Efforts to Fight Corruption

The results of an independent corruption perception survey conducted by an outsourced consultant in 2015 showed that 54.5% and 55.9% of ZIMRA's individual and corporate clients respectively perceived ZIMRA staff as corrupt. However, the actual corruption level was measured in 2016 and it indicated an index of 2.1% against a targeted corruption level of 0% and an alarm level of 5%. A total of 57 recorded annual corruption cases were measured against a total staff complement of 2,767 employees. Region 1 recorded the highest number of corruption cases which totalled 27, Head Office had 12, Region 2 had 11, Region 3 had 1 and Region 4 had 6.

The most dominant areas of corruption were:

- Undervaluation of goods especially motor vehicles;
- False RIT acquittals;
- Facilitation of smuggling;
- Tax evasion and fraud;
- Bribery; and
- Collusion.

The Authority is implementing pragmatic strategies to curb corruption. These include anti-corruption hotlines, whistle blower facility, lifestyle and integrity checks, risk based patrols and road blocks, post-clearance audits, and investigations. Clients and the public are also being educated on corruption and its ills through roadshows and workshops.



*Corruption has no place in ZIMRA.....
ZIMRA Observes International Anti-Corruption Day 2016*

Paying taxes and duties on time and in full builds and dignifies Zimbabwe

4.6 Major Seizures by the Canine Unit (K9)

The Canine Unit maintained its coverage in all major ports of entry including International Airports. The Unit accounted for 115 detections in 2016 compared to 83 in 2015. The main seizures by the Unit during the year were:

- More than 3 tonnes of cannabis at Nyamapanda and Forbes Border Post with a street value of \$2.6 million. In 2015 cannabis recorded 6 detections of 631.7 kg valued at \$631,700;
- Prohibited substances, controlled veterinary and pharmaceutical drugs at Chirundu One Stop Border Post (OSBP) and Victoria Falls Border Post. Prohibited substances mainly skin lightening creams and bron-clear valued at US\$384,880 were recorded in 2015 and US\$102,226 in 2016. The decline may be a reflection of the effectiveness of the Unit that is discouraging smuggling of these products;
- A herbal drug (stimulant) called Khat suspected to be in transit to Europe was detected for the first time at Harare Central Sorting office. In 2015, herbal drug Khat recorded a nil detection while in 2016 K9 detected 160kgs of Khat drug indicating Zimbabwe was being used as a transit point for European destinations because there is no evidence of consumption of such a drug in the country; and
- Recoveries of dutiable smuggled goods like cell phones, fuel and bales of clothing.

4.7 Audit Assurance

The Authority's risk index closed the year at 7.7 compared with 7.6 at the beginning of the year. The major risks underpinning the risk score were:

- Rising debt levels;
- Major systems application control weaknesses; and
- Governance issues which included management overrides of internal controls.

Major weaknesses were noted in the control environment. A more proactive approach in addressing the risk exposures is being adopted to minimise the impact of the negative effects of control failures. There is now greater focus on effectively managing the various risks facing the Authority.

4.8 Audit Assignments

The Authority executed 24 out of 52 internal audit assignments on the 2016 Risk Based Internal Audit plan representing a 46% coverage. Further, ad-hoc assignments were conducted as requested by management including investigative and forensic audits. Quality Management System (QMS) Audits were also conducted during the year.

4.9 Forensic Audit Observations

Two forensic audit reports covering payroll and ICT matters were received from HLB Zimbabwe Chartered Accountants, and Deloitte & Touché. Major risks noted from these audits have been outlined in section 3.2 of this report.





Some weaknesses were observed in the Security and governance of the ICT systems including the use/misuse of passwords. Adequate ICT security measures are already being implemented to effectively and efficiently manage ICT systems.

Recruitment and promotion policies were not being consistently adhered to as some personnel were recruited and promoted to senior positions without holding the requisite educational qualifications.

There was general lack of segregation of duties or roles in the administration of the PAYNET System.

Weaknesses were noted in the management of Temporary Import Permits (TIPS) which have remained outstanding in the ASYCUDA system for longer periods.

Abuse of funds and financial indiscipline were noted mainly in the Executive payroll benefits management.

Financial prejudice through tax evasion was noted in the six vehicles imported by five executive managers which were not properly cleared.

The Board and Management are currently putting measures to correct the situation and strengthen the internal control systems.

4.10 ISO Certification

ZIMRA embarked on ISO 9001:2008 Quality Management System (QMS) implementation process in 2013. Implementation of ISO activities gathered momentum during the year, and certification is expected by 2017. All ZIMRA staff members were trained on ISO Certification. Non-conformities were noted and corrective action taken.

4.10.1 Awareness Training

Awareness Training was conducted by the Consultant and subsequent awareness trainings for new employees and those who missed the initial trainings were done by the divisional/station management representatives. Going forward new employees will be trained by management representatives.

4.10.2 Quality Policy

The Executive Management, with the help of the Consultant, developed the Quality Policy.

4.10.3 ISO Certification Process

Loss Control, ICT and Infrastructure Development, Region 3 Finance and Region 3 HR, Employee Relations and the Training School were trained on development and management of quality objectives and targets. The ISO Consultant and the facilitation team carried out subsequent refresher trainings on an ongoing basis.

QMS internal and follow-up audits were carried out for all stations. The Standards Association of Zimbabwe (SAZ) will be invited to conduct audits towards certification after all the procedures, objectives and targets are completed.

5. TECHNOLOGICAL INNOVATION

5.1 Tax Management System

Fiscalisation has several advantages for traders, the Authority and the economy. These include:

- Efficient recording systems for clients,
- Reduction in the cost of compliance for the registered operators;
- Efficient collection systems for the Authority;
- Reduction in the cost of administration for the Authority;
- Efficiency in business control and management for traders and ZIMRA;
- Less paper work for traders and the Authority;
- Shorter audit periods for ZIMRA and, therefore less business stoppages for the trader to accommodate auditors; and
- More revenue for the fiscus through minimising tax fraud.

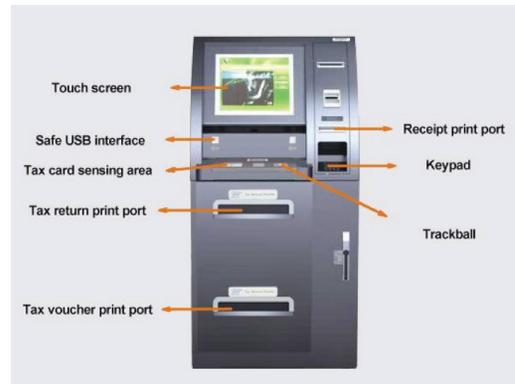
The fiscalisation project deployed 81 Large Corporates through the server to server integration into production environment. The integration included mostly all large retail corporates where they were connected to ZIMRA servers through the server to server interface. This has facilitated automated collection of fiscal data from several enterprises ranging from small to large corporates as an alternative or additional platform to connections through individual fiscal devices.

Fiscal devices were also connected to ZIMRA servers throughout the year. By year-end 5,531 devices had been connected. There was an increase in the registration of clients on the Tax Management Platform from across various sectors. A total of 2,864 devices were installed. The central platform was stable and reliable. It receipted data using the real-time and off line upload systems. Connectivity was boosted through procurement of 2,356 additional dongles. In addition, Taxi Meters were installed on 25 Taxis utilised during the International Conference on AIDS and STIs in Africa (ICASA) in November and December 2015.

The Tax Management Systems functionalities, PAYE and VAT self-services facilities of the Automated Revenue Machines were completed during the year. Two machines have been deployed at Kurima House for use as pilots. Customs Private Clearance functionality development was completed and is now under testing. Development of the payment function commenced in collaboration with CBZ Bank Limited.

Various engagement meetings were held with approved suppliers of fiscal devices with the objective of linking all fiscal devices to the ZIMRA Server. The engagements were necessitated by challenges faced by approved suppliers in interfacing the devices to the ZIMRA server as well as linking selected fiscalised clients' servers to the ZIMRA server. The solution to the challenge involved providing communication protocols or links through ZIMRA ICT Division and platform for testing the data format and state in the development mode.





Some of the Tax Management System equipment

The main highlights of the TMS project are:

- A total of 3,300 clients and 54 taxi operators were registered under Invoice Management System;
- A total of 5,513 devices were interfaced from 1,876 Category C clients during the year 2016 and data is being sent to server;
- A total of 4,622 inspections were conducted to ascertain use of devices by clients;
- 12,053 clients declared data by transmission discs and could use devices. Data declaration by transmission disks has declined since most clients were issued with dongles;
- Letters were sent to 985 clients in Category A, B and D advising them to fiscalise in line with the 2016 Mid Term Fiscal Policy Statement; and
- E-Services platform where clients are now able to perform the following functions from their offices:
 - Access their tax clearance certificates on-line;
 - Apply for new registrations on-line;
 - Amend existing registration details on-line;
 - Submit returns on - line;
 - Checking and viewing account status; and
 - Sending requests and queries on - line.

Information Communication Technology continues to play an instrumental role in enhancing revenue collection for the Authority. The policy by the Minister of Finance and Economic Development in his 2016 Mid Term Fiscal Policy Review to extend the Fiscalisation project to cover all clients registered for Value Added Tax is a welcome development. Incorporating VAT categories A, B and D into the Fiscalisation net enhances the Authority's monitoring of VAT and Income Tax.

5.2 Electronic Cargo Tracking System (ECTS)

The Electronic Cargo Tracking System entails placing of electronic seals and cables on transit tankers, containers and break bulk Cargo at the Point of Entry. The transit cargo will be monitored in Real Time from the Control Room throughout the trip up to the Point of Exit to ensure there is no offloading uncustomed goods in the country.



Cargo Tracking System Underway.....transit fraud will be a thing of the past

The 2016 phase of the Cargo Tracking System was financed by the AfDB to the tune of US\$1 million. An additional US\$1 million was received from the MoFED for the purchase of more tracking equipment.

The Test Run for the ECTS Project and Roll-out were successfully done from 10th December to 31st December on the three busiest Transit Routes of Beitbridge, Forbes and Chirundu Border Posts. For the pilot run, there were 200 master seals and 200 slave seals. The electronic seals allowed for the tracking of 5% of high risk cargo in real time between the 3 border stations. The Control Room began running 24 Hours on a 4 Shift System before the Christmas holiday of 2016.

Since the project started in June 2016, there has been an increase in the level of compliance by Clearing Agents in acquitting their Removals In Transit (RITs). There has been a sharp reduction in the number of agents suspended for failing to acquit RITs within the statutory period of 3 days. A total of 159 Clearing Agents were suspended for the period June to December 2016 as compared to 420 suspensions before the implementation of the Cargo Tracking system.

Identified Potential Revenue for the period amounted to US\$32.1 million from Departed T1s. A debt reduction from outstanding T1s by acquittals amounted to US\$27.5 million. This was achieved from the suspension of Agent Bond effected during the year. Revenue amounting to US\$213,225 was recovered from seizures done on transit cargo follow-ups.

The ECTS Project team did User Acceptance Test (UAT) of the ECTS in November 2016. The Command Centre Control Room staff received relevant training.



5.3 SAP and ASYCUDA World Upgrade

Compulsory registration of clients for e-Tax Clearance Certificates has enhanced the progress of ongoing Business Partner, and Master Data Clean-up in SAP.

5.3.1 Asycuda Upgrade

As part of the upgrade and enhancement of the Asycuda system, an e-Warehouse module was developed and rolled out at Plumtree Border Post as a first pilot site. It is to be replicated to other ZIMRA stations. Monitoring and perfecting the module were done during the year.

5.3.2 Non-Intrusive Scanner Inspection Systems

Non-Intrusive Scanner Inspection Systems have greatly reduced smuggling at the border posts. A notable number of seizures were made using scanners. In some incidences, scanners detected individuals in containers of haulage trucks crossing through Beitbridge Border Post. Additional staff was trained on new equipment usage to boost capacity.

5.4 Hardware and Systems Administration

Hardware maintenance and upgrade continued during the year. Of note, was the Kurima Data Centre core switch, which was upgraded from the Quidway S8500 to S9700 which now provides the required ten gig ports for the new Super Cluster Server. Ninety percent (90%) of the computers were upgraded from Windows 7 to Windows 10 and the Microsoft Office Suite from Office 2013 to Office 365.

The SPSS data mining system was procured through the AfDB funding. Specialised training for the data modelling techniques will be carried out during the first quarter of 2017.

The National Customs Enforcement Networks (NCEN) server was upgraded to 2.6.0. This has enabled ICT to directly update the NCEN application. The email servers were upgraded from Version-5 to Version-12 Cumulative Update to increase efficiency on the email system.

5.5 Networks

Two new sites were commissioned at Beitbridge and Malindi Transit Shade. They were connected to Kurima House initially through the dongles and later by fibre. At Victoria Falls, the ZB Station was commissioned to connect the Domestic Taxes Section that relocated from the Town House offices. Charles Prince Airport was also connected on fibre to the Kurima House.

The ZIMRA ICT Team was part of the Ministry of Home Affairs project team that spearheaded new CCTVs installations at the Beitbridge Border Post. The Solarwinds Monitoring System Software was upgraded from Version 11 to Version 12 to provide for IP address management. Further, in order to enhance internet connectivity and speed, the TelOne internet bandwidth was upgraded from 10mb to 40mb.

6. HUMAN CAPITAL DEVELOPMENT

ZIMRA is a learning organisation. Human Capital Development entails efficient and effective talent management, employee engagement and employee wellness. An effective, efficient and motivated human resource base is created through advancement of knowledge and skills development.

ZIMRA's current human capital levels are shown in Figure 4:

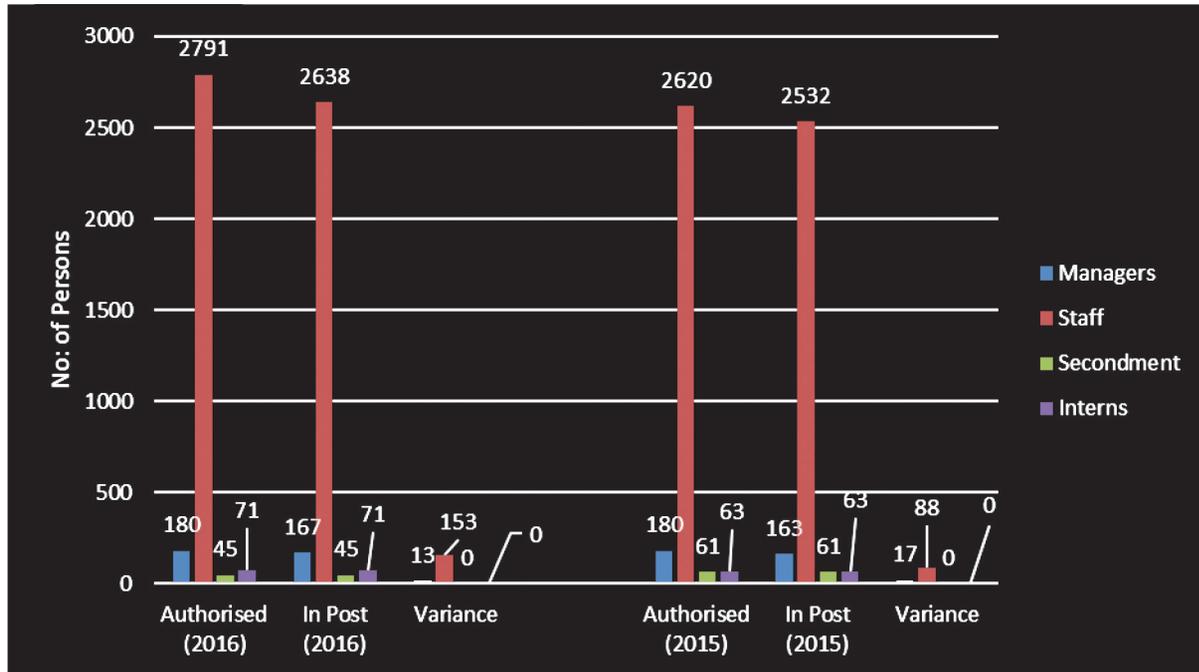


Figure 4: 2016 Human Capital Statistics

A total of 171 non-managerial staff positions were approved for 2016 bringing the total establishment to 2,791 while for managerial staff the complement remained unchanged at 180. The number of interns was reduced from 61 in 2015 to 45 in 2016 as part of cost management efforts. The Authority, however, had a staff shortfall of 153 non-managerial employees and 13 managers.

For managerial staff, the variance was as a result of 12 suspensions and one (1) dismissal. The recruitment of 100 Revenue Trainees scheduled for the end of 2016 could not be completed during the year due to the processes that could not be finalised on time.

6.1 Talent Management

The Authority recognises that its strength lies in its human capital. Human resources are the most valuable resource of any organisation. ZIMRA continues to nurture its available pool of talent. To this end, a total of 116 staff members were recruited as shown in Table 9.

Table 9: New Recruitments in 2016

Position	No. of Staff Recruited
Dog Handlers	22
ICT Officers	4
Image Analysts	30
Interns (Student Attachees)	44
Internal Auditor	1
Managers	2
Scanner Drivers	12
Webmaster	1
Total	116

Staff turnover for the year was 196 and of these, 56 were dismissals, 24 resignations, 11 deaths, 103 end of contract and 2 retirements.

Various training courses were offered internally and some outsourced to build and sustain capacity. The 2016 training evaluation revealed a 97% Satisfaction Index reflecting a 1.6 percentage point increase from 2015.

6.2 Employee Engagement

Management continuously engaged employees to promote and sustain good industrial relations. Works Council Meetings were held at station, regional and national levels. Two Employee Satisfaction Surveys were conducted during the year. Employee satisfaction levels rose from 50.4% in the first half to 53.5% in the second half of 2016. However, the employee satisfaction level dropped by 4.5 percentage points from 58% in the second half of 2015 largely due to a number of unresolved NEC issues, and inadequate tools of trade that would allow staff to effectively perform their jobs. Strategic interventions are already underway to address employee concerns.

6.3 Employee Wellness

The Authority is fully aware of the importance and benefits of maintaining a healthy workforce. The Employee Wellness and HIV/AIDS Policies were approved by the Board during the year. Further, various Health and Safety Workshops were conducted within the Authority. These include Fire Drills, Family Planning, Retirement Planning, World AIDS Day commemorations, Stress Management, Annual Health and Safety Galas and participation at the Inter Revenue Games which were held in Swaziland. Health and Safety meetings were conducted throughout the year. Stations were assisted in managing the testing and re-assignment of Thermoluminescent (TLD) badges. The readings obtained from the badges indicated that risk exposure to radiation was low. The Radiation Protection Authority of Zimbabwe (RPAZ) was engaged and confirmed the safety of the (TLD) badges used by the Authority. Industrial Relations as well as health and safety audits revealed that the working environment was generally good.

ZIMRA HEALTH AND SAFETY GALA -A MASSIVE FEAT



Numero Uno—the ZIMRA Gala was a real success

Paying taxes and duties on time and in full builds and dignifies Zimbabwe

7. AUDITED FINANCIAL STATEMENTS

All communication should be addressed to:

The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-04-793611/3/4, 762817/8/20-23
Telegrams: AUDITOR
Fax: 706070
E-mail: ocag@auditgen.gov.zw
Website: www.auditgen.gov.zw



OFFICE OF THE AUDITOR-GE
5th Floor, Burroughs House,
48 George Silundika Avenue,
Harare

Ref: SB 2

REPORT OF THE AUDITOR-GENERAL

TO

THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE REVENUE RETURN

OF THE ZIMBABWE REVENUE AUTHORITY

FOR THE YEAR ENDED DECEMBER 31, 2016.

Report on the Audit of Revenue Return

Opinion

I have audited the Revenue Return of the Zimbabwe Revenue Authority set out on pages 5 to 7 for the year ended December 31, 2016. The return reflects assessed Revenue as at December 31, 2016.

In my opinion, the Revenue Return presents fairly, in all material respects, the Revenue as at December 31, 2016.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Revenue Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Revenue Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Revenue Return for the year ended December 31, 2016. These matters were addressed in the context of my audit of the Revenue Return as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the Key Audit Matter
<p>Validity of Value Added Tax (VAT) refunds. Refer to note 2.3 of the Revenue Return.</p> <p>There is presumed risk of VAT refunds to false input tax claims by clients. During the period under review, VAT on goods and services refunds amounting to \$211 599 592 was processed by the Authority and this amount was significant to this return.</p>	<p>My audit procedures to address the risk of material misstatement relating to Revenue recognition, which was considered to be a significant risk, included:</p> <ul style="list-style-type: none"> • Testing of controls over the Authority’s information technology VAT refunds system assisted by my information technology specialist. • Testing and evaluation of the Authority’s authorisation and processing procedures • Evaluation and scrutinising of tax audits performed by the Authority <p>From the detailed analysis of the refunds processed, I obtained satisfactory evidence over the controls that prevent fraudulent claims.</p>
<p>Presentation and disclosure of the collections into their respective tax heads. Refer to the revenue returns.</p> <p>The Authority collects various forms of taxes and this statutory return is expected to disclose the collections into their respective tax heads. This requires a systematic recording and correct allocations of tax collections.</p>	<p>My audit procedures to address the risk of material misstatement relating to Revenue recognition, which was considered to be a significant risk, included:</p> <ul style="list-style-type: none"> • Testing of controls over the Authority’s information technology tax collections and allocation system assisted by my information technology specialist. • Testing and evaluation of the Authority’s allocation procedures. <p>From the detailed analysis of the revenue return and the processes, I obtained satisfactory evidence over the controls that prevent misallocations.</p>





Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2016 annual report other than the revenue returns and my auditor's report thereon ("the Other Information").

My opinion on the Authority's revenue returns does not cover the Other Information and I do not express any form of assurance conclusion thereon. In connection with my audit of the Authority's revenue returns, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's revenue returns or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

The Authority's directors are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Revenue Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of my audit are to obtain reasonable assurance about whether the Revenue Return as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's reports that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, my exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In my opinion, the Revenue Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

May 20, 2017.

M. Chiri
M. CHIRI,
AUDITOR – GENERAL.



ZIMBABWE REVENUE AUTHORITY

Revenue Return

for the year ended December 31, 2016

	ACTUAL 31/12/2016 USD\$	BUDGET 31/12/2016 USD\$	ACTUAL 31/12/2015 USD\$	BUDGET 31/12/2015 USD\$
TOTAL REVENUE	3 248 139 377	3 607 219 000	3 500 710 127	3 708 055 000
1 TAXES ON INCOME AND PROFITS	1 158 384 686	1 263 485 000	1 286 358 741	1 335 000 000
1.1 Income Tax				
Individuals	758 525 741	802 140 000	806 231 154	835 000 000
Companies	352 486 266	366 400 000	436 281 305	448 000 000
Aids Levy	(32 359 573)	-	(36 189 683)	-
	1 078 652 434	1 168 540 000	1 206 322 776	1 283 000 000
1.2 Capital Gains				
Capital gains taxes	20 281 703	-	20 497 169	-
Capital gains tax on companies	794 022	-	-	-
Capital gains tax withholding	2 713 595	-	3 300 968	-
	23 789 320	28 000 000	23 798 136	52 000 000
1.3 Domestic dividends & Interest				
Non resident shareholders' tax-executive directors	3 029 165	21 000 000	4 409 302	-
Non resident tax on fees	31 038 000	11 700 000	27 307 839	-
Non resident tax on royalties	4 239 496	1 945 000	1 435 984	-
Non resident tax on remittance	1 439 350	11 253 000	1 736 250	-
Non resident tax on interest	48 031	2 400 000	240 430	-
Non resident shareholders' tax	8 503 427	11 000 000	11 284 721	-
Resident shareholders' tax	3 000 690	2 660 000	3 987 548	-
Resident tax on interest	4 644 772	4 987 000	5 835 755	-
Non Executive Directors Fees	-	-	-	-
	55 942 932	66 945 000	56 237 829	-
2 TAX ON GOODS AND SERVICES	1 878 491 830	2 075 400 000	2 049 404 212	2 031 000 000
2.1 Customs Duties				
Prime and surtax	273 628 146	368 700 000	339 626 064	390 000 000
Less Duty refunds	(2 664 387)	-	(1 839 088)	-
Deposits made in advance	7 481 187	-	11 869 660	-
	278 444 946	368 700 000	349 656 636	390 000 000
2.2 Excise Duties				
Beer	51 336 585	98 840 000	63 128 868	120 140 000
Tobacco	23 104 388	23 040 000	26 036 808	24 040 000
Wine & spirits	16 434 804	16 895 000	17 895 294	16 895 000
Second hand motor vehicles	2 775 198	9 725 000	5 472 726	9 725 000
Fuel	507 217 614	561 878 000	560 844 042	419 200 000
Electric lamb	9 943	12 000	10 959	-
Airtime	39 538 469	41 310 000	39 236 084	-
	640 417 002	751 700 000	712 624 781	590 000 000
2.3 Value Added Tax				
On local sales	812 980 222	610 100 000	826 771 564	641 100 000
Import tax	358 249 252	344 900 000	440 451 609	409 900 000
Less Refunds	(211 599 592)	-	(280 100 378)	-
	959 629 882	955 000 000	987 122 794	1 051 000 000
3 OTHER TAXES	211 262 861	268 334 000	164 947 174	342 055 000
Tobacco levy	13 787 338	10 450 000	17 828 239	11 500 000
Clearance fees	-	-	-	-
Presumptive tax (Informal traders tax)	4 430 891	4 041 000	6 288 503	10 334 940
Withholding tax on contracts	78 954 322	92 430 000	98 831 031	137 859 260
Intermediate Money Transfer	3 950 280	1 865 000	1 772 003	2 460 920
Stamp duties and fees	5 661 583	13 065 000	2 892 017	2 808 960
Mining royalties	63 240 340	110 025 000	82 130 167	146 025 000
Less Refunds	-	-	(101 551 820)	-
Carbon tax	32 464 516	35 940 000	36 145 415	30 530 000
ATM Levy	1 219 442	518 000	708 888	535 920
Miscellaneous	520 350	-	239 045	-
Accounting fees	336 320	-	350 710	-
Fines	2 585 031	-	3 392 490	-
Interest	726 654	-	945 207	-
Cancellation fees	76 950	-	18 831	-
Rummage sales	2 097 794	-	3 409 635	-
Less rummage sale expenses	(354 205)	-	(372 154)	-
Business licences	68 194	-	66 360	-
State warehouse rent	858 249	-	1 180 693	-
Unreceipted	629 822	-	10 671 914	-
	211 262 861	268 334 000	164 947 174	342 055 000

19/5 2017

19/5 2017

19/5 2017

E. Maniwa
E. MANIWA
(Acting Director Fin. Comp. Planning & Modernization)

H. Kuzvinzwa
H. KUZVINZWA
(Acting Commissioner General)

W. Bonyongwe
W. BONYONGWE
(Board Chairperson)

ZIMBABWE REVENUE AUTHORITY
ACCOUNTING POLICIES AND NOTES TO THE REVENUE RETURN
for the year ended December 31, 2016

1. MANDATE OF ZIMBABWE REVENUE AUTHORITY

The Zimbabwe Revenue Authority (ZIMRA) started to operate as an Authority on September 1, 2001 from the former Department of Taxes and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Revenue Return for the year ended December 31, 2016, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11] and Public Finance Management Act [Chapter 22:19].

2.2. Basis of measurement

The Revenue Return was prepared based on the statutory records that were maintained under the cost basis.

2.3. Reporting currency

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar.

3. ACCOUNTING POLICIES

The Revenue Return was prepared based upon accounting policies which have been consistently applied from the preceding years.

3.1. Taxes revenue

All tax revenue collected by the Zimbabwe Revenue Authority is paid direct into the Exchequer account except otherwise stated.

3.2. Revenue return

All collections by way of taxes, duties, royalties, fees and refunds are reflected in the Revenue Return.





ZIMBABWE REVENUE AUTHORITY
ACCOUNTING POLICIES AND NOTES TO THE REVENUE RETURN
for the year ended December 31, 2016

NOTES TO THE REVENUE RETURN

3.3. Deposits made in advance

Deposits made in advance are amounts which are deposited into a clearing agent business partner account for consignments which are levied customs duties when coming into the country. The payments are made in advance. During the year under review deposits made in advance amounted to USD7 481 187 (2015 USD11 869 660).

3.4. Amounts not receipted

Amounts not receipted arise when a client deposits a tax obligation without adequate details to the Authority's bankers. These deposits will remain unreceipted until the clients provide adequate details which will facilitate receipting. The amount not receipted was remitted to Treasury in 2016. During the year under review the amount not receipted was USD 629 812 (2015 USD10 671 914).

All communication should be addressed to:
The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-04-793611/3/4, 762817/8/20-23
Telegrams: AUDITOR
Fax: 706070
E-mail: ocag@auditgen.gov.zw
Website: www.@auditgen.gov.zw



OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House,
48 George Silundika Avenue,
Harare

Ref: 582

REPORT OF THE AUDITOR-GENERAL
TO
THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT
AND
THE BOARD OF DIRECTORS
IN RESPECT OF THE RECEIPTS AND DISBURSEMENTS RETURN
OF THE ZIMBABWE REVENUE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2016.

Report on the Audit of Receipts and Disbursements Return

Opinion

I have audited the Receipts and Disbursement Return of the Zimbabwe Revenue Authority set out on pages 5 to 7 for the year ended December 31, 2016. The return reflects assessed Receipts and Disbursements as at December 31, 2016.

In my opinion, the accompanying Receipts and Disbursements Return presents fairly, in all material respects, the Receipts and Disbursements as at December 31, 2016.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Receipts and Disbursement Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Receipts and Disbursement Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Zimbabwe Revenue Authority's Receipts and Disbursements Return for the year ended December 31, 2016. These matters were addressed in the context of my audit of the Receipts and Disbursements Return as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the Key Audit Matter
<p>Validity of Value Added Tax (VAT) refunds. Refer to the Receipts and Disbursement return.</p> <p>There is presumed risk of VAT refunds to false input tax claims by clients. During the period under review, VAT on goods and services refunds amounting to \$205 003 924 was processed by the Authority and this amount was significant to this return.</p>	<p>My audit procedures to address the risk of material misstatement relating to Receipts and Disbursements, which was considered to be a significant risk, included:</p> <ul style="list-style-type: none"> • Testing of controls over the Authority's information technology VAT refunds system assisted by my information technology specialist. • Testing and evaluation of the Authority's authorisation and processing procedures over disbursements. • Evaluation and scrutinising of tax audits performed by the Authority <p>From the detailed analysis of the refunds processed, I obtained satisfactory evidence over the controls that prevent fraudulent claims.</p>

Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2016 annual report other than the revenue returns and my auditor's report thereon ("the Other Information").

My opinion on the Authority's revenue returns does not cover the Other Information and I do not express any form of assurance conclusion thereon. In connection with my audit of the Authority's revenue returns, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's revenue returns or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

The Authority's directors are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Receipts and Disbursement Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of my audit are to obtain reasonable assurance about whether the Receipts and Disbursements a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's reports that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, my exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



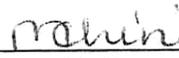


From the matters communicated with directors, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In my opinion, the Receipts and Disbursement Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

May 20, 2017.



M. CHIRI,
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

Receipts and Disbursements account

for the year December 31, 2016

Description	Historical Cost			
	2016		2015	
	Dr US\$	Cr US\$	Dr US\$	Cr US\$
Opening balance as @ 01.01.2016	47,848,697		12,963,672	
Opening Investment Bank Balances as @ 01.01.2016	3,842,704		3,842,704	
Deposits	3,562,742,597		3,906,198,030	
Refunds		205,003,924		282,601,969
Exchequer account		3,159,447,429		3,349,269,094
Retention		118,315,000		122,760,000
Clearance fess		4,088,961		4,172,312
Bank charges		34,393		47,500
Aids levy		35,693,885		33,255,799
NOCZIM levy		39,279,671		43,600,869
Vehicle registration		4,254,011		5,983,417
Commissions		701,524		1,021,345
Motor insurance		4,184,651		6,332,490
Kariba Toll fees		28,319		26,517
Strategic levy		18,749,429		20,194,321
Petroleum levy		2,453,455		2,047,373
Transit Fees		68,204		
Road access fees		904,572		
Vertinary services		10,987		
Inspection Fees-Ministry of Health		123,095		
Inspection Fees- Research services		155,010		
Closing Investment Bank Balances as @ 31.12.2016		3,842,704		3,842,704
Main account bank balance as at December 31		17,094,774		47,848,697
TOTAL	3,614,433,998	3,614,433,998	3,923,004,406	3,923,004,406

1915 2017.

E. Maniwa
E. MANIWA,
(Acting Director Fin, Corp Planning & Modernization)

1915 2017.

H. Kuzvinzwa
H. KUZVINZWA,
(Acting Commissioner General).

1915 2017.

W. Bonyongwe
W. BONYONGWE,
(Board Chairperson).



ZIMBABWE REVENUE AUTHORITY
ACCOUNTING POLICIES AND NOTES TO THE RECEIPTS AND DISBURSEMENTS RETURN
for the year ended December 31, 2016

1. MANDATE OF ZIMBABWE REVENUE AUTHORITY

The Zimbabwe Revenue Authority (ZIMRA) started to operate as an Authority on September 1, 2001 from the former Department of Taxes and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Receipts and Disbursements Return for the year ended December 31, 2016, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11] and Public Finance Management Act [Chapter 22:19].

2.2. Basis of measurement

The Receipts and Disbursements Return was prepared based on the statutory records that are maintained under the historical cost basis.

2.3. Reporting currency

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar.

3. ACCOUNTING POLICIES

The Receipts and Disbursements Return was prepared based upon accounting policies which have been consistently applied from the preceding years.

3.1. Taxes revenue

All tax revenue collected by the Zimbabwe Revenue Authority is paid direct into the Exchequer account except otherwise stated.

3.2. Receipts

Collections from clients for various statutory obligations are accounted for as receipts.

3.3 Disbursements

Payments to Exchequer, third parties and Treasury are accounted for as disbursements.

ZIMBABWE REVENUE AUTHORITY
ACCOUNTING POLICIES AND NOTES TO THE RECEIPTS AND DISBURSEMENTS RETURN
for the year ended December 31, 2016

4. NOTES TO THE RECEIPTS AND DISBURSMENTS RETURN.

4.1 Motor Insurance

The Authority entered into an agreement with the Motor Insurance Pool to sell third party insurance cover to foreign registered vehicles entering Zimbabwe at all border posts. In accordance with the existing agreement, the Pool shall pay ZIMRA an issuing and collection fee of ten percent (10%) of the total collected from issued policies.

4.2 Investments

For the fiscal year ended December 31, 2016 the Authority have an investment of USD3 842 704 in treasury bill which relates to amounts that was taken over by the Reserve bank which will be redeemed in 2017.

4.3 Exchange gains

Included in the transfers to Exchequer accounts are exchange gains relating to duties, taxes and fees paid in another currency which results in a gain when the amount is converted to USD.

4.4 Retention

The retention relates to taxes that the Authority retains from collections for use in their operations.

4.5 Commissions

The commission relates to amounts the Authority retains from acting as an agent.



All communication should be addressed to:
The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-04-793611/3/4, 762817/8/20-23
Telegrams: AUDITOR
Fax: 706070
E-mail: ocag@auditgen.gov.zw
Website: www.@auditgen.gov.zw



OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House,
48 George Silundika Avenue,
Harare

Ref: 582

REPORT OF THE AUDITOR-GENERAL
TO
THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT
AND
THE BOARD OF DIRECTORS
IN RESPECT OF THE OUTSTANDING REVENUE RETURN FOR THE
ZIMBABWE REVENUE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2016.

Report on the Audit of Outstanding Revenue Return

Qualified Opinion

I have audited the Outstanding Revenue Return of the Zimbabwe Revenue Authority, as set out on pages 6 to 9 for the year ended December 31, 2016. The return reflects assessed Outstanding Revenue as at December 31, 2016.

In my opinion, except for the effects of matters described in the Basis for Qualified Opinion section of my report, the accompanying Outstanding Revenue Return presents fairly, in all material respects, the Outstanding Revenue as at December 31, 2016.

Basis for Qualified Opinion

- i) The interest module in the Systems Application and Products (SAP) system was not automatically charging interest for outstanding taxes. As a result, some business partners were not charged interest at all on outstanding amounts. I could not establish the extent of the understatement.
- ii) Removal in Transit (regional consignments) entries amounting to \$19 008 102 which originated at ports of entry had not been acquitted as at December 31, 2016. Some of the entries date back to the year 2013. As a result, the extent of outstanding duty payable to be

included in the outstanding revenue return could not be ascertained as some of the goods could have been consumed locally.

- iii) The SAP system allowed creation of duplicate contract accounts for the same revenue head under one business partner number. Evidently, assessments by the Authority and payments from clients were posted to the different contract accounts for the same business partner thereby distorting outstanding revenue for the individual business partners. I was unable to determine the amount of adjustment necessary on the multiple business partner numbers and duplicate contract accounts in the SAP system.
- iv) Temporary Import Permit Vehicles that enter the country temporarily are given temporary import permits (TIP). As at reporting date, 26 996 Temporary Import Permits with potential duty at stake of over \$42 million had not been acquitted despite the fact that they had expired. Some of the vehicles may have been localised as they are long outstanding.
- v) The E-services was not charging civil penalties for some outstanding returns. As a result, some business partners with outstanding returns were not charged civil penalties on all outstanding returns. I could not establish the extent of the understatement.
- vi) Tobacco levy returns were not captured in the system and as a result, the client balances were in credit. Credit balances misrepresent tax status of the clients. Had the returns been captured, the credit balances would have been cleared. There was a backlog on the capturing of returns (billing) in the system leaving some clients with a credit balance. I could not establish the extent of the understatement

Opinion on Outstanding Revenue Return

In my opinion, except for the possible effects of matters described in the Basis for Qualified Opinion paragraph, the Outstanding Revenue Return presents fairly, in all material respects, the Outstanding Revenue as at December 31, 2016.

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Outstanding Revenue Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Outstanding Revenue Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Without further qualifying my opinion, I draw your attention to the following:



Transfers to banks that are under liquidation or Curatorship

Included in the Outstanding Revenue Return is \$3 566 528 which relates to taxes transferred by clients to the Authority's bank accounts. These banks were subsequently placed under curatorship or liquidation before the funds had been transferred to the Commissioner General's Account for onward transfer to the Exchequer Account. The recoverability of the full amount is doubtful.

Clients under Judicial management

There were clients under judicial management owing the Authority \$50 756 261 as at year end.

Fraudulent value added tax refunds

During previous years' fraudulent value added tax refunds were made to some business partners amounting to \$1 239 083. The amount has not been included in the outstanding revenue return and the issue is outstanding in the courts of law.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Zimbabwe Revenue Authority's outstanding revenue return for the year ended December 31, 2016. These matters were addressed in the context of my audit of the Outstanding Revenue Return as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section I have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How my audit addressed the Key Audit Matter
<p>Existence of Fraudulent Value Added tax (VAT) refunds.</p> <p>There is presumed risk of VAT refunds to false input tax claims by clients. During the period under review, VAT refunds amounting to \$211 599 592 was processed by the Authority and this amount was significant to this return.</p>	<p>My audit procedures to address the risk of material misstatement relating to outstanding revenue recognition, which was considered to be a significant risk, included:</p> <ul style="list-style-type: none">• Testing of controls over the Authority's information technology VAT refunds system assisted by my information technology specialist.• Testing and evaluation of the Authority's authorisation and processing procedures• Evaluation and scrutinising of tax audits performed by the Authority <p>From the detailed analysis of the refunds processed, I obtained satisfactory evidence over the controls that prevent fraudulent claims.</p>

Other Information in the Annual Report

Annual Report

The Directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2016 annual report other than the revenue returns and my auditor's report thereon ("the Other Information").

Forensic Audit

Forensic audit into the operations of the Zimbabwe Revenue Authority for the period 2014 to 2016 was conducted at the request of Board. The Authority and Board is currently investigating and implementing the findings of the forensic audit. Debt established from the undervaluation of the motor vehicles purchased by management amounted to \$172 747 with a penalty of 100%. The cases are still being finalised by the Authority and recoveries could have a material impact on the audited outstanding return. The effect of this matter cannot be determined until the implementation of forensic audit findings is completed.

My opinion on the Authority's revenue returns does not cover the Other Information and I do not express any form of assurance conclusion thereon. In connection with my audit of the Authority's revenue returns, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's revenue returns or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

The Authority's directors are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Outstanding Revenue Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of my audit are to obtain reasonable assurance about whether the outstanding revenue as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's reports that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, my exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:



- Identify and assess the risks of material misstatement , whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In my opinion, the Outstanding Revenue Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Public Finance Management Act [Chapter 22:19] and other relevant Statutory Instruments.

May 20, 2017.

M. Chiri
M. CHIRI,
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

Outstanding Revenue Return

as at December 31, 2016

REVENUE HEAD	Note	OUTSTANDING AMOUNT	
		31/12/2016 US\$	31/12/2015 US\$
ATM Levy		198 668	-
Capital gains tax (CGT)		20 251 992	4 191 756
Capital gains withholding tax		9 631 651	-
Carbon tax		269 507	-
Customs duty		25 036 944	52 033 250
Excise duty		15 006 272	3 203 274
Non - executive directors fees		4 471 240	7 285 828
Non - residence shareholder tax		646 900	-
Non - residence tax on fees		51 610 802	-
Non - resident tax on Interest		9 529	-
Non - resident tax on remittance		5 459 763	-
Non - resident tax on royalties		1 120 087	-
Special excise		3 660	-
Resident shareholders tax		1 151 685	70 023 600
Resident tax on interest		725 813	-
Income tax companies		786 613 930	531 681 483
Intermediate money transfer tax		492 855	-
Noczim levy		244 754	-
Other debtors	4.3	9 632 860	9 476 842
Pay as you earn (PAYE)		685 314 858	595 838 330
Penalty		2 263 177	1 146 242
Presumptive tax		7 040 894	6 773 814
Royalties on minerals		42 167 713	34 756 900
Stamp duties		21 409 725	25 441 666
State warehouse rent		760 571	708 416
Surtax		1 443 707	1 203 066
Pension directives		7 141 511	9 669 297
Tobacco levy		1 052 953	1 805 629
Fines		12 057	3 936 535
Value added tax (VAT)		1 072 299 819	735 087 817
Value added tax (VAT) on imports		14 488 361	9 691 098
Withholding tax on tenders		33 184 836	38 512 531
TOTAL	4.1	2 821 159 092	2 142 467 374

19/5 2017.

Alanwa
E. MANIWA,
(Acting Director Fin, Corp Planning & Modernization)

19/5 2017.

H. Kuzvinzwa
H. KUZVINZWA,
(Acting Commissioner General).

19/5 2017.

W. Bonyongwe
W. BONYONGWE,
(Board Chairperson).



ZIMBABWE REVENUE AUTHORITY
ACCOUNTING POLICIES AND NOTES TO THE OUTSTANDING REVENUE RETURN
for the year ended December 31, 2016

1. MANDATE OF ZIMBABWE REVENUE AUTHORITY

The Zimbabwe Revenue Authority (ZIMRA) started to operate as an Authority on September 1, 2001 from the former Department of Taxes and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Outstanding Revenue Return for the year ended December 31, 2016, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11] and the Public Finance Management Act [Chapter 22:19].

2.2. Basis of measurement

The Outstanding Revenue Return was prepared based on historical records of assessed tax and audit of tax returns.

2.3. Reporting currency

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar.

3. ACCOUNTING POLICIES

The Outstanding Revenue Return was prepared based upon accounting policies which have been consistently applied and which are supported by the reasonable judgments of estimates.

3.1. Taxes revenue

All tax revenue collected by the Zimbabwe Revenue Authority is paid direct into the Exchequer account except otherwise stated.

3.2. Domestic taxes outstanding revenue

Domestic taxes outstanding revenue is calculated based on the due dates for the various tax heads. This outstanding revenue excludes revenue that may subsequently be established through tax audit assessments.

ZIMBABWE REVENUE AUTHORITY
ACCOUNTING POLICIES AND NOTES TO THE OUTSTANDING REVENUE RETURN
for the year ended December 31, 2016

3.3. Customs and excise outstanding revenue

Customs and excise outstanding revenue is calculated based on customs duty on cleared bills of entry and excludes bills of entry for Removal in Transit (RITs).

4. NOTES TO THE OUTSTANDING REVENUE RETURN

4.1 Outstanding revenue

	December 31, 2016 US\$	December 31, 2015 US\$
Opening balance	2 142 467 374	1 434 832 626
Less : receipts for amounts owing	(465 393 597)	(363 260 335)
	<u>1 677 073 776</u>	<u>1 071 572 291</u>
Outstanding amounts established through tax audits	868 504 227	880 582 694
Assessments for the year	275 581 588	190 312 389
	<u>2 821 159 592</u>	<u>2 142 467 374</u>

4.2 Removal in Transit (RIT) not yet acquitted

	December 31, 2016 US\$	December 31, 2015 US\$
Total Removal in Transit (RITs) not acquitted	<u>19 008 102</u>	<u>42 427 486</u>

The total Removal In transit not yet acquitted as at December 31, 2016 amounted to \$19 008 102.

4.3 Other Debtors

	December 31, 2016 US\$	December 31, 2015 US\$
Opening balance	9 476 842	13 176 359
Less: recoveries made	-	(1 173)
Transfer to receipts and disbursements	-	(3 842 704)
Amounts established through audits	156 018	144 360
	<u>9 632 860</u>	<u>9 476 842</u>





ZIMBABWE REVENUE AUTHORITY
ACCOUNTING POLICIES AND NOTES TO THE OUTSTANDING REVENUE RETURN
for the year ended December 31, 2016

5. Fraud Case

A fraud was picked in February 2016, which involved an accounting officer responsible for disbursing VAT refunds to various clients' bank accounts. Vat refunds are being processed using the paynet system and 105 transactions were disbursed to parties connected to the accused person including his wife. The fraud had been taking place since April 2010. The matter was reported to the police under case number CRB9044/16. The total amount of prejudice is USD 1,236,712.02 and the case is still pending before the courts.

All communication should be addressed to:
The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-04-793611/3/4, 762817/8/20-23
Telegrams: AUDITOR
Fax: 706070
E-mail: ocag@auditgen.gov.zw
Website: www.auditgen.gov.zw



OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House,
48 George Silundika Avenue,
Harare

Ref: SB 2

REPORT OF THE AUDITOR-GENERAL
TO
THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT
AND
THE BOARD OF DIRECTORS
IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE
ZIMBABWE REVENUE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2016.

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Zimbabwe Revenue Authority, as set out on pages 7 to 27, which comprise the statement of financial position as at December 31, 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in reserves and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Zimbabwe Revenue Authority as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Revenue Authority Act [*Chapter 23:11*].

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the ethical

requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matter	How my audit addressed the Key Audit Matter
<p>Valuation and impairment of property plant and equipment. Refer to note 2.4.1-2.4.2 on the accounting policy and note 4.</p> <p>The Authority has a several items of property, plant and equipment across the country in areas with varied terrain and varied operating hours. These assets has a significant net carrying value of \$135 542 113 as at December 31, 2016 after charging depreciation of \$7 588 254 for the year ended December 31, 2016.</p> <p>The carrying amounts of the Authority's items of property, plant and equipment (non-current assets) are reviewed continuously to determine whether there are any indications of impairment with reference to internal and external factors.</p> <p>In addition the carrying value and estimated depreciation rates are reviewed annually by management with reference to current, forecast and relevant technical factors. This involves a significant degree of management judgment and assumptions when making these estimates. There is a risk the estimates used in the calculations for both depreciation rates and recoverable amounts may differ from the actual outcome.</p> <p>Due to the abovementioned accounting estimates, including estimation uncertainty, I consider valuation and impairment of property plant and equipment to constitute a key audit matter in the audit of the Authority.</p>	<p>My audit procedures to address the risk of material misstatement relating to valuation and impairment of property plant and equipment included:</p> <p>My procedures in relation to management's assessment of the carrying value of the property, plant and equipment included:</p> <ul style="list-style-type: none"> • Evaluating management's estimates regarding useful lives and residual values of these assets in relation to the Authority's historical experience, best practice and future operating plans. • Evaluating the reliability of estimates used by management by comparing forecasts made in prior years to actual outcomes • Reviewing of documentary evidence of the state / condition of the property, plant and equipment in comparison with physical items. • Assessing the methodology used by management team to estimate the useful life various classes of property, plant and equipment taking into account the Authority's future plans. <p>Based on the evidence gathered, I found management's assumptions reasonable. The disclosures in note 2.4.1 and note 4 to b appropriate.</p>
<p>Recognition of development costs as intangible assets. Refer to note 3.1.1 on the accounting policy and note 5.</p>	<p>My audit procedures to address the risk of material misstatement relating to recognition c</p>

Key Audit Matter	How my audit addressed the Key Audit Matter
<p>The conditions for recognition of intangible assets affect the costs that the Authority capitalize and recognise an intangible assets. The costs of computer application software development expenditure capitalized during the current amounted to \$2 706 508, and represent a material amount of the Authority's total additions for the year.</p> <p>The process to consider the amount of development expenditure to capitalise and recognised as intangible assets, including the determination of the appropriate timing of recognition, involves significant management judgment.</p> <p>The application of the management's judgement and estimation the recognition of intangible assets was considered to be a matter that requires special audit consideration. This is also because the nature of costs incurred may not meet the specific recognition criteria in IAS 38 and material misstates the carrying amounts of intangible assets.</p>	<p>development costs as intangible assets included:</p> <ul style="list-style-type: none"> • Assessment of the recognition criteria against the provisions in IAS 38 that includes assessment of how the assets will generate future economic benefits to the Authority. • Evaluation of the nature of the type of the research and development expenses incurred that are capitalised into intangible assets. • Evaluation of the reliability of estimates and judgements applied by management by comparing forecasts made in prior years to actual outcomes • Testing of management's controls over capitalisation of development costs <p>The capitalization of development costs and recognition of intangible assets was assessed to be appropriate. I concluded that the useful economic lives assigned to these intangible assets are appropriate based on the evidence obtained. The disclosures on note 3.1.1 and note 5 to be appropriate.</p>
<p>Completeness of contingent liabilities and provisions Refer to accounting policy note 3.8.5 and notes to the accounts note 20</p> <p>The Authority had pending labour cases and contractual obligations for capital projects of which the provision recognised amounted to \$1 714 524 for the current period. In addition the Authority has disclosed significant open legal cases and other contingent liabilities in Note 20.</p> <p>The assessment of the existence of the present legal or constructive obligation, analysis of the probability of the related payment and analysis of a reliable estimate, requires management's judgement to ensure appropriate accounting or disclosures. Due to the level of judgement relating to recognition, valuation and presentation of provisions and contingent liabilities, this was considered to be a key audit matter.</p>	<p>As part of my audit procedures:</p> <ul style="list-style-type: none"> • I have assessed management's processes of identifying new possible obligations and changes in existing obligations for compliance with Authority's policy and IAS 37 requirements. • Reviewing management estimates for reasonableness. Including testing the effectiveness of the controls around the identification of claims and proceedings and the recording and continuous re-assessment of the related (contingent) liabilities and provisions and disclosures. • I analysed significant changes from prior periods and obtain a detailed understanding of these items and assumptions applied. • I obtained legal representation letters on the main outstanding legal cases.



Key Audit Matter	How my audit addressed the Key Audit Matter
	<ul style="list-style-type: none"> • I assessed the appropriateness of presentation in the financial statements. <p>Based on the evidence gathered, I found management’s assumptions in relation to completeness of contingent liabilities and provision for claim reasonable. The disclosures in note 3.8.5 and 20 to be appropriate.</p>
<p>Validity of payroll costs Refer to note 15 A significant part of the Authority’s operating cost structure consists of employee-related costs. The Authority as an agent, management and staff are entitled to performance related bonus upon meeting revenue collection targets set by the Principal. Due to the performance personnel rewarding system there is an incentive to manipulate the revenue collection targets. The validity and disclosure of the payroll costs amounting to \$73.9 million were significant and required special audit consideration.</p>	<p>My audit procedures included :</p> <ul style="list-style-type: none"> • Assessment of the payroll internal control environment and also testing of the operating effectiveness of the related key controls. • Reviewed documentary evidence on agreed targets in comparison to the actual results achieved. • Evaluated payments in comparison with approved board policies on payroll cost and also management contracts of employment. <p>I found the disclosures in note 15 to be appropriate.</p>

Other Matter

Annual Report

The Directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority’s 2016 annual report other than the financial statements and my auditor’s report thereon (“the Other Information”).

Forensic Audit

Forensic audit into the operations of the Zimbabwe Revenue Authority for the period 2014 to 2016 was conducted at the request of Board. The Authority and Board is currently investigating and implementing the findings of the forensic audit. The Authority is still to recover amounts pending outcome of the hearings. Recoveries from the hearings could have a material impact on the audited financial statements. The effect of this matter cannot be determined until the implementation of forensic audit findings is completed.

My opinion on the Authority’s financial statements does not cover the Other Information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the Authority’s financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially

inconsistent with the Authority's financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Revenue Authority Act [Chapter 13:16] and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of my audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during our audit. I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to





communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In my opinion, the financial statements have, in all material respects, been properly prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], and other relevant Statutory Instruments.

May 20, 2017.

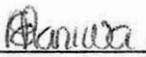
M. Chiri
M. CHIRI,
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY
STATEMENT OF FINANCIAL POSITION

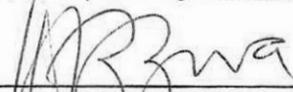
as at December 31, 2016.

	Note	Historical cost	
		31-Dec-16 USD	31-Dec-15 USD
ASSETS			
Non current assets		162,435,506	155,014,829
Property, plant and equipment	4	135,542,113	144,570,856
Intangible assets	5	19,588,997	4,559,082
Biological assets	6	48,625	56,125
Held to maturity investments	7.1	7,255,771	5,828,767
Current assets		42,288,412	36,852,721
Consumables		1,876,094	2,173,973
Trade and other receivables	8	3,827,461	3,663,100
Assets held for sale		16,000	40,650
Held to maturity investments	7.2	4,525,241	2,629,457
Cash and cash equivalents	9	31,784,869	26,819,653
Prepayments		258,747	1,525,888
Total assets		204,723,918	191,867,550
RESERVES AND LIABILITIES			
Reserves		105,900,550	103,570,492
Non distributable reserve		90,854,867	90,854,867
Retained earnings		3,238,744	908,687
Revaluation reserves		11,806,938	11,806,938
Deferred income	10	61,187,298	60,649,447
		37,636,067	27,647,611
Non current liabilities		331,963	331,963
Finance lease obligation	11	331,963	331,963
Current liabilities		37,304,104	27,315,648
Short term portion of finance lease	11	17,395	17,500
Provisions	12	15,125,431	13,376,092
Payables	14	22,161,278	13,922,056
Total reserves and liabilities		204,723,918	191,867,550

19/5 _____, 2017.


E. MANIWA,
(Acting Director Fin, Corp Planning & Modernization)

19/5 _____, 2017.


H. KUZVINZWA,
(Acting Commissioner General).

19/5 _____, 2017.


W. BONYONGWE,
(Board Chairperson).



ZIMBABWE REVENUE AUTHORITY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended December 31, 2016.

	Note	Historical cost	
		31-Dec-16 USD	31-Dec-15 USD
Continuing operations			
Income		127,396,637	128,885,876
Government grant		109,560,000	113,960,000
Amortised capital grant	10	14,546,609	10,314,062
Interest earned		2,018,643	2,911,040
Rental income		396,192	294,754
Other income	13	875,193	1,406,021
Less operating expenses		(124,988,513)	(121,116,871)
Employment costs	15	(74,262,906)	(73,798,903)
Administrative costs	16	(50,725,607)	(47,317,968)
Operating surplus		2,408,124	7,769,005
Finance costs		(78,064)	(62,407)
Surplus for the year		2,330,060	7,706,599
Other comprehensive income		-	-
Total comprehensive income for the year		2,330,060	7,706,599

ZIMBABWE REVENUE AUTHORITY
STATEMENT OF CHANGES IN RESERVES

for the year ended December 31, 2016.

	Historical cost			Total
	Accumulated loss	Revaluation reserve	Non distributable reserve	
Balance at January 1, 2015	(6,797,915)	11,806,938	90,854,867	95,863,890
Total comprehensive income	7,706,599	-	-	7,706,599
Balance at December 31, 2015	908,684	11,806,938	90,854,867	103,570,489
Balance at January 1, 2016	908,684	11,806,938	90,854,867	103,570,489
Total comprehensive income	2,330,060	-	-	2,330,060
Balance at December 31, 2016	3,238,744	11,806,938	90,854,867	105,900,549



ZIMBABWE REVENUE AUTHORITY

STATEMENT OF CASH FLOWS

for the year ended December 31, 2016.

		Historical cost	
	Note	31-Dec-16 USD	31-Dec-15 USD
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated /(utilised) by operating activities		11,877,671	5,374,748
Operating loss before working capital changes		2,153,020	7,725,586
Operating profit for the year		2,330,060	7,706,599
Adjustments to reconcile profit to net cash flows:		(177,040)	18,988
Loss on disposal of property, plant and equipment		200,334	398,407
Depreciation of property, plant and equipment	4	7,588,254	9,567,529
Amortisation of intangible assets	5	6,958,355	739,285
Change in fair value	6	3,786	(48,876)
Amortised grant	10	(14,546,609)	(10,314,062)
Unrealised exchange gain		(120,685)	(161,372)
Gain from disposal of other assets		(25,236)	-
Increase in provision		1,749,339	2,584,820
Impairment loss on tangible assets		-	36,438
Net (loss)/gain on price differences		(23,750)	7,541
Obsolete stock written off		57,815	120,317
Interest earned		(2,018,643)	(2,911,040)
Working capital adjustments		9,724,651	(2,350,838)
(Increase) in accounts receivables		(164,361)	(1,083,475)
Decrease in prepayments		1,267,141	2,673,171
Decrease in assets held for sale		24,650	-
Decrease in consumables		297,879	94,242
Increase in payables		8,299,342	(4,034,776)
CASH FLOWS FROM INVESTING ACTIVITIES		(19,756,614)	(26,390,193)
Interest received		1,867,315	2,671,286
Proceeds from sale of property, plant and equipment		113,663	20,485
Purchase of financial investments		(3,322,789)	(2,773,917)
Proceeds from financial investments		71,137	1,215,997
Purchase of intangible assets		(2,706,508)	(139,631)
Purchase of property, plant and equipment		(15,779,432)	(27,384,413)
CASH FLOWS FROM FINANCING ACTIVITIES		12,844,161	12,987,912
Government capital grant		8,755,000	8,800,000
Clearance fees		4,089,161	4,187,912
Net (decrease)/ increase in cash and cash equivalents		4,965,217	(8,027,533)
Cash and cash equivalents at beginning of the year		26,819,653	34,847,187
Cash and cash equivalents at end of the year	9	31,784,869	26,819,653

ZIMBABWE REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

1. NATURE OF BUSINESS

The Zimbabwe Revenue Authority (ZIMRA) started operations on September 1, 2001 and is constituted in term of the Zimbabwe Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond. ZIMRA is funded by the Government of Zimbabwe through grants.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

2.2. Basis of measurement

The financial statements are based on the statutory records that are maintained under the historical cost basis, except for the following material items in the statement of financial position:

- Property, plant and equipment measured at fair value.
- Biological assets measured at fair value.

2.3. Functional and presentation currency

These financial statements are presented in United States Dollar (US\$) which is the Authority's functional currency. All the financial information presented has been rounded to the nearest dollar.

2.4 Critical accounting judgments, assumptions and estimates

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the amounts presented in the financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Significant judgments include the following:



ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

2.4.1 Impairment and provisioning policies

At each statement of financial position date, the Authority reviews the carrying amount of its assets to determine whether there is an indication that those assets suffered any impairment. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment is treated as a revaluation decrease.

In the event that, in the subsequent period, an asset that has been subject to an impairment loss is no longer considered to be impaired, the value is restored and the gain is recognised in the statement of comprehensive income. The restoration is limited to the value which would have been recorded had the impairment adjustment not taken place.

2.4.2 Useful lives and residual values of property, plant and equipment

The Authority assesses useful lives and residual values of property, plant and equipment each year taking into account past experience and technology changes. The depreciation rates are set out in note 3.2 and no changes to these useful lives have been considered necessary during the year. Management has set residual values for all classes of property, plant and equipment at zero.

2.4.3 Uncollectable accounts receivable

The Authority estimates the allowance for uncollectible accounts based on management's assessment of collection indicators to determine the rate applied.

2.4.4 Fair value measurement

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset

Or

- In the absence of a principal market, in the most advantageous market for the asset.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

ZIMBABWE REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

External valuers are involved for valuation of land and buildings. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained.

2.5 New and revised standards and interpretations

2.5.1 New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2016 and not early adopted

A number of new standards and amendments to standards were issued and have not been applied in preparing these financial statements. Earlier application is permitted, however, the Authority has not early adopted the following standards but intends to adopt these standards, where applicable, when they become effective.

i. IFRS 9 Financial Instruments effective January 1, 2018

a. Classification and measurement of financial assets

All financial assets are measured at fair value on initial recognition, adjusted for transaction costs if the instrument is not accounted for at fair value through profit or loss (FVTPL).

Debt instruments are subsequently measured at FVTPL, amortised cost or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL.

However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) (without subsequent reclassification to profit or loss).

b. Classification and measurement of financial liabilities

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.



ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

All other IAS 39 Financial Instruments: Recognition and Measurement classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

c. Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortised cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases. Entities are generally required to recognize either 12-months.

ii. IFRS 15 Revenue from Contracts with Customers, effective for annual periods beginning on or after 1 January 2018

IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licenses, warranties, rights of return, principal-versus agent considerations, options for additional goods or services

ZIMBABWE REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

- iii. **IFRS 16, Leases effective for annual periods beginning on or after 1 January 2019, with early application permitted but only if the entity is also applying IFRS 15, Revenue from contracts accounts with customers.**

Under the new standard, IFRS 16, Leases, a lessee recognizes a right of use asset and a lease liability. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest.

3. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those applied in the financial statements for the year ended December 31, 2015.

3.1 Property, plant and equipment

Property, plant and equipment is initially recognised at cost. Work in progress, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate major components of property, plant and equipment.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being disposed is transferred to retained earnings.

An item of property, plant and equipment is derecognised upon disposal or loss when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss section of the statement of profit or loss and other comprehensive income in the year the asset is derecognised.



ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

3.2 Depreciation

Provision for depreciation is based on straight line basis over the asset's expected useful life. Land and work in progress are not depreciated. The depreciation rates are set out below, no changes to these useful lives have been considered necessary during the year.

The annual rates used for this purpose are:

Fixtures & Fittings	10%
Furniture & Equipment	10%
Plant and Machinery	10%
Motor Vehicles	20%
Buildings	2%
Computer Equipment	33,33%
Biological Assets	33,33%

3.3 Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less cost to sale. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in the profit or loss. Once classified as held for sale, the non-current assets are no longer depreciated.

3.4 Revenue grants and donations

Revenue grant is recognised as income during the year in which it is received. Donations are recorded as income when received.

3.5 Capital grants and donations

Capital Grant is recorded as deferred income in the balance sheet when it becomes receivable and is then recognised as income on a systematic basis over the period necessary to match the grant with the related costs which they are intended to compensate. Grant amortised is credited to the income statement over the expected useful lives of the respective assets, on a straight line basis.

3.6 Employee benefits

i. Short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Authority has a present

ZIMBABWE REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii. Defined contribution plan

Obligations for contribution plans are expensed as the related service provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

iii. Termination benefits

Termination benefits are expensed at the earlier of when the Authority can no longer withdraw the offer of those benefits and when the Authority recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

3.7 Inventories

Inventories are initially measured at cost and subsequently at lower of cost and net realisable value. Any write-down to net realizable value is recognised in the Statement of Comprehensive Income. Inventories are valued using the moving average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.8 Financial Instruments

3.8.1 Recognition

Financial Instruments are recognised when the Authority becomes a party to the contractual provisions of the instruments are generally carried at their estimated carrying value.

3.8.2 Classification

The Authority classifies non derivative financial assets into the following categories: held to maturity financial assets, financial assets at fair value through profit or loss, available for sale financial assets and loans and receivables. Non derivative financial liabilities are categorised under financial liabilities at fair value through profit or loss and other financial liabilities.

The non-derivative financial instruments which are carried in the Authority's statements of financial position comprise: cash and short term investment, trade and other receivables, trade and other payables and amounts owing to and from related parties. These instruments are recognised initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below:





ZIMBABWE REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

3.8.3 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and bank balances including short term investments.

3.8.4 Trade and other receivables

Trade and other receivables are stated at net of allowance for credit loss.

3.8.5 Liabilities and provisions

Provisions are recognised where there is a present legal or constructive obligation as a result of past events and a reliable estimate to the amount of such obligations can be made. Obligations payable at the demand of the creditor or within one year of the Statement of Financial Position date are treated as current liabilities in the Statement of Financial Position. Liabilities payable after one year from the Statement of Financial Position are treated as non-current liabilities in the Statement of Financial Position.

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position.

3.8.6 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Authority intends to sell in the short term or it has designated as at fair value through profit or loss.

3.6.7 Held-to- maturity financial assets

Held-to- maturity financial assets are non-derivative financial assets with fixed assets with fixed or determinable payments and fixed maturities, other than those that meet the definition of loans and receivables , which the Authority`s management has the positive intention and ability to hold to maturity. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held to maturity investments are measured at amortised cost using the effective interest rate. Interest earned on held to maturity investments is included as finance income in the statement of profit or loss.

ZIMBABWE REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

3.8.7 Risk management

3.8.7.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the unforeseen changes in interest rates. The Authority's exposure to the risk of change in market interest rates relates primarily to the held to maturity investments.

Exposure to interest rate risk is managed at management level on a proactive basis. Management mitigates interest rate risks by investing in shorter maturity securities.

3.9 Foreign currency transaction and balances

While the Authority records are maintained in United States Dollar, some of its transactions are conducted in other major foreign currencies including South African Rand, Pula, British Pound and Euros. Transactions in foreign currencies are translated to United States Dollar at rates of exchange ruling at the time of the transactions. Transaction and translation gains and losses arising on conversion of settlement are dealt with in the statement of comprehensive income in determination of the operating income.

3.10 Taxation

The Authority is exempt from income tax in terms of the third schedule to the Income Tax Act [Chapter 23:04].

3.11 Development costs

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically feasible, future economic benefits are probable and the Authority intends to and has sufficient resources to complete development and to use the asset. Otherwise expenditure is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

Any expenditure capitalised is normally amortised over three years.





ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

3.12 Leases

3.12.1 Operating leases

The Authority operates in leased premises in some of the locations. Leases under which the risk and benefits of ownership are effectively retained by the lessor are classified as operating leases. Obligations incurred under operating leases are charged to the statement of comprehensive income in equal instalments over the period of the lease, except when the alternative method is more representative of the time pattern from which benefits are derived. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.12.2 Finance leases

Finance leases are recognised as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce constant periodic rate of interest on the remaining balance of a liability.

3.13 Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Authority. Software acquired separately is measured on initial recognition at cost. Following initial recognition, it is carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite. Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset is reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern or consumption of amortisation period or method as appropriate and are treated as changes in accounting estimates. The amortisation expense is recognised in the statement of comprehensive income.

ZIMBABWE REVENUE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016

Amortisation is recognised in the statement of comprehensive income on straight line basis over the useful life of the software. Amortisation methods, useful lives and residual lives are reviewed at each financial year end and adjusted if appropriate.

The estimated economic useful life applied is as follows:

SAP Operating software	3 years
Other software	3 years

3.14 Biological assets

Biological assets are measured at fair value less cost to dispose, with any change therein recognised in profit or loss.



ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016.

4 Property, plant and equipment	Buildings		Land		Plant and Machinery		Office Equipment		Furniture, Fixtures, Fittings and Equipment		Computer Motor Vehicles Equipment		Network Equipment		Construction Work In Progress		Totals	
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
Opening carrying amount	82,182,444	4,043,851	15,353,571	801,453	2,145,988	453,612	2,467,364	1,412,453	35,710,139	144,570,856	130,468,978							
Gross carrying amount	87,850,056	4,043,851	27,081,146	1,246,899	3,783,718	12,838,125	9,908,895	2,133,166	35,710,139	184,585,794	161,569,690							
Accumulated depreciation	(5,667,612)	-	(11,727,575)	(445,246)	(1,637,750)	(12,384,512)	(7,441,530)	(720,713)	-	(40,024,938)	(31,100,713)							
Additions at cost	558,044	9,530	4,991,493	22,647	482,387	8,555,174	436,702	1,192,742	1,771,013	18,019,731	24,145,083							
Disposal - carrying amount	(15,942)	-	(1,775)	(854)	(151,952)	-	(24,854)	-	-	(195,378)	(388,597)							
Disposal at cost/deemed cost	(16,918)	-	(1,504)	(1,554)	(210,713)	(11,087)	(126,347)	-	-	(388,124)	(1,078,388)							
Depreciation on disposals	976	-	(271)	701	58,761	11,087	101,493	-	-	172,746	679,741							
Reclassification	120,103	-	642,171	-	-	171,658	-	-	(20,198,775)	(19,264,843)	-							
Reclassification to non current assets held for sale	-	-	-	-	-	-	-	-	-	-	(40,650)							
Depreciation charge for the year	(1,891,502)	-	(1,658,763)	(56,588)	(247,960)	(2,982,931)	(418,079)	(332,431)	-	(7,588,254)	(9,567,529)							
Impairment loss	-	-	-	-	-	-	-	-	-	-	(36,438)							
Closing carrying amount	80,953,146	4,053,381	19,326,697	766,659	2,228,442	6,197,513	2,461,133	2,272,765	17,282,377	135,542,113	144,570,856							
Gross carrying amount	88,511,284	4,053,381	32,713,306	1,267,792	4,055,391	21,553,869	10,219,249	3,325,908	17,282,377	182,982,568	184,569,794							
Accumulated depreciation	(7,558,138)	-	(13,386,609)	(501,132)	(1,826,949)	(15,356,357)	(7,758,116)	(1,053,143)	-	(47,440,445)	(40,024,938)							

During the year, the Authority acquired property, plant and equipment with an aggregate cost of USD (2016:USD18,019,731) included in the total is equipment worth USD2,240,298.92 received as donations.

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016.

	Historical cost	
	USD 31-Dec-16	USD 31-Dec-15
5 Intangible assets		
SAP software and development cost		
Opening carrying amount	4,559,082	1,463,143
Gross carrying amount	20,169,461	16,334,237
Accumulated amortisation	(15,610,379)	(14,871,094)
Additions at cost	1,041,054	139,631
Development costs	1,665,454	3,695,592
Reclassification from work in progress	19,281,762	
Amortisation charge for the year	(6,958,355)	(739,285)
Closing carrying amount	19,588,997	4,559,082
Gross carrying amount	42,157,731	20,169,461
Accumulated amortisation	(22,568,734)	(15,610,379)
6 Biological assets		
Opening balance	56,125	7,249
Disposal	(7,500)	-
Change in fair value	-	48,876
Closing balance	48,625	56,125
The fair value measurement of canine dogs has been categorised as Level 1 fair values based on market prices of dogs of similar age, weight and market values.		
7 Held to maturity investments		
7.1 Non- current		
Mortgage support investment	7,255,771	5,828,767
7.2 Current		
Money market investments	4,525,241	2,629,457
	11,781,012	8,458,223
Mortgage support investments are held to maturity and generate fixed interest income for the Authority.		
8 Trade and receivables		
Other debtors	856,626	959,818
Rent receivable	197,938	103,464
Commission receivable	477,513	522,942
Staff debtors	2,023,238	1,878,803
Travelling and subsistence advances	120,817	120,216
Accrued interest	151,329	77,856
	3,827,461	3,663,100



ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016.

	Historical cost	
	USD 31-Dec-16	USD 31-Dec-15
9 Cash and cash equivalents		
Bank balances	7,468,251	7,100,522
Funds on call and deposits	24,316,618	19,719,131
	<u>31,784,869</u>	<u>26,819,653</u>
10 Deferred income		
Opening balance	60,649,447	57,969,836
Additions during the year	15,084,460	12,993,673
Amortised during the year	(14,546,609)	(10,314,062)
Closing balance for the year	<u>61,187,298</u>	<u>60,649,447</u>
11 Finance lease		
<p>Finance lease relates to land with a 99 year lease term. Annual Instalments are payable in advance. The Authority's obligations under the finance lease are secured by the lessor's title to the leased assets. There is an annual escalation of lease rentals of not more than 5% on the minimum lease instalments. The future minimum lease payments payable under the finance lease are as follows:</p>		
Reconciliation between minimum lease payments and their present value:		
Total minimum finance lease payments	1,725,494	1,725,494
Not later than one year	17,500	17,500
Later than one year but not later than five years	70,000	70,000
Later than five years	1,637,994	1,637,994
Finance costs	(1,376,031)	(1,376,031)
Accrued finance costs for current year	(17,417)	(17,417)
Finance costs still to be recognised over lease term	(1,358,614)	(1,358,614)
Present value of minimum lease payments	349,358	349,463
Not later than one year	17,395	17,500
Later than one year but not later than five years	70,000	70,000
Later than five years	261,963	261,963
12 Provisions		
Performance award	1,852,549	2,617,693
Provisions for pending labour disputes	8,990,319	6,651,637
Leave pay provision	4,282,563	4,106,763
	<u>15,125,431</u>	<u>13,376,092</u>

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016.

	Historical cost	
	31-Dec-16 USD	31-Dec-15 USD
13 Other income		
Auction income	13,892	5,742
Insurance commission	459,623	714,246
Clearing of vehicles (Central Vehicle Registration)	209,640	314,653
Exchange gain	120,685	161,372
Gain from price difference	23,750	21,392
Gain from disposal of assets	25,236	51
Tender documents sales	6,660	2,483
Other commissions	9,535	-
Kariba dam toll fees	2,880	2,993
Miscellaneous	3,293	183,090
	<u>875,193</u>	<u>1,406,021</u>
14 Payables		
Printing and stationery	-	700
Bandwidth	249,930	42,500
Electricity and rates	131,618	75,180
Cellphone charges	104,836	77,378
Hotel accommodation	100,920	69,433
Consultancy	408,700	440,000
Cash in lieu of leave	-	16,000
Hire of conference facilities	1,475	4,770
Legal fees	46,614	104,200
Salary arrears	-	20,000
Repairs and maintenance of motor vehicles	46,585	70,889
Training	-	3,800
Security	22,089	-
Books and courier services	1,162	1,913
Performance award	-	-
Operational utilities	2,896	25,269
Licencing and subscriptions	109,492	234,717
Repairs and maintenance	2,363,528	2,900,041
Marketing and publicity	86,935	17,853
Protective clothing	1,955	-
Travelling and subsistence	34,323	43,660
Rentals	280,767	121,602
Benefit allowance	15,300	-
Hire of computer equipment	1,600	-
Canine operations	520	-
Fuels and oils	700	-
Trade creditors	5,730,192	8,624,216
Invoice management system	11,189,773	-
Retention for default liability on projects	501,366	495,763
Tax liabilities	728,002	532,172
	<u>22,161,278</u>	<u>13,922,056</u>
15 Payroll costs		
Cash in lieu of leave	510,342	157,742
Overtime	1,659,306	1,328,091
Medical expenses	3,273,947	3,345,342
Pension contributions	4,200,530	4,173,586
Social security contributions	1,154,401	1,123,877
Salaries and benefits	62,429,766	62,660,101
Zimbabwe manpower development and standard levy	1,034,613	1,010,165
	<u>74,262,906</u>	<u>73,798,903</u>

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016.

		Historical cost	
		31-Dec-16 USD	31-Dec-15 USD
16	Administration costs		
	Impairment loss	-	36,438
	Board fees and allowances	265,526	117,559
	Cleaning	870,032	657,992
	Consultancy and legal fees	2,843,057	3,121,428
	Depreciation and amortisation	14,546,609	10,314,062
	Obsolete stock written off	57,815	120,266
	Write down of consumables to net realisable value	3,786	28,933
	Loss on disposal of property, plant and equipment items	200,334	398,407
	Marketing and publicity	1,143,416	727,289
	Motor vehicle expenses	2,577,742	2,932,473
	Office accommodation	2,118,425	2,279,477
	Office and operational utilities	2,707,321	2,781,529
	Printing and stationery	780,886	722,120
	Protective clothing	14,534	17,979
	Recruitment fees	555	6,915
	Rentals and hire	2,349,904	2,390,311
	Repairs and maintenance	3,265,465	5,043,804
	Security	2,532,648	2,498,451
	Staff welfare	-	5,288
	Subscriptions and licensing	4,523,148	4,783,226
	Telephone and postages	1,413,833	1,375,734
	Training costs	295,120	712,033
	Uniforms	2,579,161	624,804
	Contracts termination costs	-	71,226
	Audit fees and disbursements	346,770	67,576
	Travel and subsistence	5,289,521	5,424,765
	St Lucia winding up expenses	-	57,884
		50,725,607	47,317,968
17	Related party transactions		
17.1	Board of directors		
	The board of directors consist of ten members. The current board was appointed with effect from June 26, 2015. Gross sitting allowances and fees for the directors for the year ended December 31, 2016 were as follows:		
	Board fees	185,000	72,633
	Board chairperson	24,000	8,250
	Vice Board chairperson	20,000	6,833
	Other board members	141,000	57,550
	Sitting allowances	83,225	48,776
	Board chairperson	10,850	5,700
	Vice Board chairperson	9,725	5,367
	Other board members	62,650	37,710
	Total fees and allowances	268,225	121,409

17.2 Key management compensation

The Authority's executive management consists of ten directors. Remuneration of executive directors of the Authority comprise of an annual base salary, annual bonus, social security contribution, pension contributions, medical aid contribution and other benefits. The bonus is based on actual performance

ZIMBABWE REVENUE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

for the year ended December 31, 2016.

	Historical cost	
	31-Dec-16 USD	31-Dec-15 USD
17.3 Short term employee benefits	2,666,090	4,544,577
Basic salary	763,262	923,532
Benefit allowance	253,377	377,202
Subscriptions	25,447	42,542
Motor vehicle allowance	830,145	890,004
School fees	339,319	480,909
Performance Award	126,077	142,902
Board fees	16,500	-
Clothing allowance	61,521	67,295
Secondment Allowance	-	52,200
Gardner's allowance	11,893	14,271
Cook's allowance	11,893	14,271
Housing allowance	12,982	15,578
Holiday allowance	162,417	349,101
Medical aid	47,134	41,621
Cash in lieu of leave	-	118,450
Gratuity	-	1,014,700
Acting allowance	4,124	-
	130,242	158,095
Post employment benefits		
Pension	114,495	138,538
NSSA	2,695	3,234
Group life assurance	11,525	14,477
Funeral fund	1,526	1,847
Total	2,796,332	4,702,672

18 Pension arrangements

18.1 Pension scheme

The Authority operates a Defined Contributory Scheme plan administered by Old Mutual. The retirement benefits for the Fund administered by Old Mutual are determined by reference to the employee's contributions plus employer's contribution and interest earned on the Fund and contributions by the employer. Currently 15% of pensionable income is charged to the statement of profit or loss. During the year under review pension fund contributions amounted to USD4 200 530 (2015:USD4 173 586).

18.2 National Social Security Authority (NSSA)

The National Social Security Authority was introduced on 1st October 1994 and with effect from that date all employees are members of the scheme, to which both the company and its employees contribute as follows:

Employees: 3.5% of the monthly basic salary
 Authority: 3.5% of the monthly basic salary

Amount charged through the statement of profit or loss during the year under review amounted to USD1 154 401, (2015: USD 1 123 877).

19 St Lucia Park Training and Conference Centre (Pvt) Ltd

The Authority held 100% interest in its subsidiary, St Lucia Park Training and Conference Centre (Pvt) Ltd. The financial statements of the subsidiary were consolidated from January 01, 2013 to December 31, 2014. Effective January 01, 2015, operations of St Lucia Park Training and Conference Centre (Pvt) Ltd were put in abeyance. The company was thus placed under inoperative mode until such a time it can be used as a special purpose vehicle for the Authority.

The assets and liabilities of St Lucia Park Training and Conference Centre (Private) Limited were derecognised on the date the subsidiary was put in abeyance.

All communication should be addressed to:
The Auditor-General
P. O. Box CY 143, Causeway, Harare
Telephone 263-04-793611/3/4, 762817/8/20-23
Telegrams: AUDITOR
Fax: 706070
E-mail: ocag@auditgen.gov.zw
Website: www.@auditgen.gov.zw



OFFICE OF THE AUDITOR-GENERAL
5th Floor, Burroughs House,
48 George Silundika Avenue,
Harare

Ref: 5/13/2

REPORT OF THE AUDITOR-GENERAL
TO
THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT
AND
THE BOARD OF DIRECTORS
IN RESPECT OF THE TAX RESERVE CERTIFICATES RETURN
OF THE ZIMBABWE REVENUE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2016.

Report on the Audit of Tax Reserve Certificate Return

Opinion

I have audited the Tax Reserve Certificate Return of the Zimbabwe Revenue Authority set out on pages 4 to 5 for the year ended December 31, 2016. The return reflects Tax Reserves as at December 31, 2016.

In my opinion, the Tax Reserve Certificates Return presents fairly, in all material respects, the Tax Reserves for the year ended December 31, 2016.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) and International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Tax Reserve Certificate Return section of my report. I am independent of the Authority in accordance with the ethical requirements that are relevant to my audit of the Tax Reserve Certificate Return, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of Zimbabwe Revenue Authority's Tax Reserve Certificates Return for the year ended December 31, 2016. I have determined that there are no key audit matters to communicate in my report.

Other Information in the Annual Report

The directors are responsible for the Other Information. The Other Information comprises all the information in the Zimbabwe Revenue Authority's 2016 annual report other than the revenue returns and my auditor's report thereon ("the Other Information").

My opinion on the Authority's revenue returns does not cover the Other Information and I do not express any form of assurance conclusion thereon. In connection with my audit of the Authority's revenue returns, my responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the Authority's revenue returns or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Directors for the revenue returns

The Authority's directors are responsible for the preparation of this Return in a manner required by the Revenue Authority Act [Chapter 23:11], Tax Reserve Certificate Act [Chapter 23:10] and the Public Finance Management Act [Chapter 22:19]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Tax Reserve Certificate Return that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of my audit are to obtain reasonable assurance about whether the tax reserve certificates return as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor's reports that includes my opinion. Reasonable assurance is a high level of assurance, but it's not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this return.

As part of an audit in accordance with ISAs, my exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. I also:

- Identify and assess the risks of material misstatement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is





sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I am required to communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

I am also required to provide directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with directors, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In my opinion, the Tax Reserve Certificates Return has, in all material respects, been prepared in compliance with the disclosure requirements of the Revenue Authority Act [Chapter 23:11], Tax Reserve Certificate Act [Chapter 23:10], Public Finance Management Act [Chapter 22:19], and other relevant Statutory Instruments.

May 20, 2017.

M. Chiri
M. CHIRI,
AUDITOR – GENERAL.

ZIMBABWE REVENUE AUTHORITY

Tax Reserve Certificates Return

as at December 31, 2016

REVENUE HEAD	TAX RESERVES	
	31/12/2016 US\$	31/12/2015 US\$
Value of Certificates not converted	-	-
Add sales from January to December	-	-
Less Conversions from January to December	-	-
Balance at year end	-	-
Total	-	-

19/5, 2017

E. Maniwa
E. MANIWA,
(Acting Director Fin, Corp Planning & Modernization)

19/5, 2017

H. Kuzvinzwa
H. KUZVINZWA
(Acting Commissioner General).

19/5, 2017

W. Bonyongwe
W. BONYONGWE,
(Board Chairperson).



ZIMBABWE REVENUE AUTHORITY
NOTES TO THE TAX RESERVE CERTIFICATES RETURN
for the year ended December 31, 2016

1. MANDATE OF ZIMBABWE REVENUE AUTHORITY

The Zimbabwe Revenue Authority (ZIMRA) started operations on September 1, 2001 and is constituted in terms of the Revenue Authority Act [Chapter 23:11] of 1999. Its core business is the collection of revenue for the Government of Zimbabwe, administration of tax laws and the facilitation of trade and economic development in the region and beyond.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Tax Reserve Certificates Return for the year ended December 31, 2016, has been prepared in accordance with the Revenue Authority Act [Chapter 23:11], Tax Reserve Certificates Act [Chapter 23:10] and Public Finance Management Act [Chapter 22:19].

2.2. Basis of measurement

The Tax Reserve Certificate Return was prepared based on the statutory records that are maintained under the historical cost basis.

2.3. Reporting currency

This return is presented in the United States Dollar (USD) which is the reporting currency. All the financial information presented has been rounded to the nearest dollar.

3. ACCOUNTING POLICIES

The Tax Reserve Certificate Return was prepared based upon accounting policies which have been consistently applied from the preceding years.

3.1. Taxes revenue

All tax revenue collected by the Zimbabwe Revenue Authority is accounted for on a cash basis as received.

3.2. Tax Reserves

Tax reserves are amounts which have been prepaid by clients in relation to tax reserves granted by the Commissioner General and are paid into the Consolidated Revenue Fund.

8. ZIMRA CLIENT CHARTER

8.1 Core Values

Our core values are Integrity, Transparency and Fairness.

8.2 Service Delivery

- We commit ourselves to meeting the following minimum standards in our service delivery: Answer the telephone promptly and courteously.
- Acknowledge all correspondence within 48 hours and respond in 14 working days.
- All objections will be determined and the decision communicated to clients within 60 days from the date of receipt of the letter of objection.
- All members of the public who call at our inland offices will be attended to within 15 minutes of arrival.
- Upon meeting requirements for VAT or PAYE, clients will be registered within one working day.
- Upon meeting requirements for Customs, commercial consignments will be cleared within three working hours from the submission of correct and complete documentation unless selected for physical examination.
- Income Tax assessments will be issued within three months from the date the correct return is submitted.
- All passengers on a flight will be cleared within two hours.
- A bus load with bona-fide travellers will be cleared within an hour.
- Physical examination of road, air and containerised cargo will be done within 48 hours.

8.3 ZIMRA's Obligations to Clients

- We are accountable to the nation of Zimbabwe.
- We shall conduct our business within the confines of the Law.
- We do not tolerate smuggling, tax evasion, corruption, favouritism and discrimination.
- We are here to serve you and we are open to your suggestions, criticisms and advice.
- We shall carry out our duties professionally, diligently and courteously.
- We shall clearly explain the procedure and your rights should you be required to undergo a physical search.
- We promise to handle your information with strict confidence and to maintain your privacy.
- We are committed to minimising your compliance costs.
- We shall carry or wear the proper identification at all times as we carry out our duties.





8.4 Information

We are committed to providing proactive client education which includes:

- Making relevant information available to clients, orally and in the print/electronic media as well as on our website (www.ZIMRA.co.zw).
- Making available pamphlets, posters and relevant material.
- Access to a Client Care staff member at any station.

8.5 Client's Obligations

In return, the Zimbabwe Revenue Authority requires you to comply with all relevant laws, by providing accurate and complete information. More specifically:

- To treat our staff fairly and with courtesy.
- To submit statutory returns and make payments due within the required time.
- To be open and honest in providing any additional information that may be requested.
- To be fully co-operative in all business dealings with the Zimbabwe Revenue Authority.
- To report and refrain from corrupt tendencies in all dealings with the Zimbabwe Revenue Authority.
- To ensure that you have accurately completed all the necessary forms before departure from or arrival into Zimbabwe.
- To be aware that all travellers, baggage or cargo are subject to physical examinations.
- To use the services of a licensed clearing agent if you are importing or exporting commercial cargo. The list of licensed clearing agents can be accessed on our website (www.zimra.co.zw).

*Honesty and
integrity
ensure success*

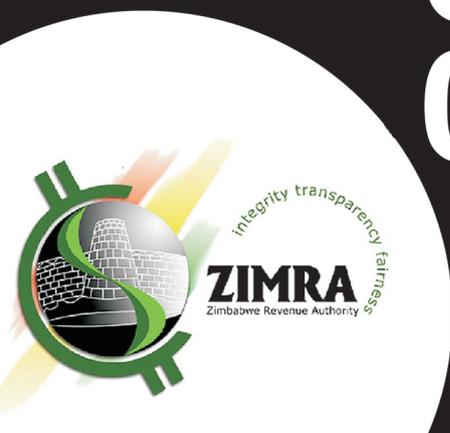


SAY "NO" TO CORRUPTION

Call our Toll Free Hotline on:

0800 4174

0800 4185



"We are here to serve"



integrity transparency fairness

ZIMRA

Zimbabwe Revenue Authority

Integrity, Transparency, Fairness