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REPORT OF THE AUDITOR-GENERAL
TO
THE COUNCIL
AND THE MINISTER OF
LOCAL GOVERNMENT AND PUBLIC WORKS
IN RESPECT OF THE FINANCIAL STATEMENTS OF
CITY OF MUTARE

FOR THE YEAR ENDED DECEMBER 31, 2020.

Report on the Audit of the Financial Statements

Adverse Opinion

I have audited the accompanying financial statements of City of Mutare set out on pages 7 to 37, which comprise the statement of financial position as at December 31, 2020, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, because of the significance of the matter described in the Basis for Adverse Opinion section of my report, the accompanying financial statements do not present fairly, in all material respects the financial position of City of Mutare as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**REPORT OF THE AUDITOR GENERAL
IN RESPECT OF THE FINANCIAL STATEMENTS OF CITY OF MUTARE
for the year ended December 31, 2020**

Basis for Adverse Opinion

Opening balances translated at an inappropriate exchange rate

The prior year financial statements did not comply with the requirements of IPSAS 4 “The Effects of Changes in Foreign Exchange Rates”, as the Council had been unable to use an appropriate exchange rate on change of functional currency. The Council translated its comparative financial statements using the interbank rate which came into existence on February 22, 2019 through Exchange Control Directive RU 28 of 2019 issued by the Reserve Bank of Zimbabwe.

City of Mutare used February 22, 2019 as the date of change in functional currency and translated its foreign denominated balances to ZWL at a rate of 1:1 per Statutory Instrument 33 of 2019 which prescribed that all assets and liabilities that were denominated in US\$ before 22 February 2019 be deemed to be RTGS dollars at a rate of 1:1 and all transactions subsequent to February 22, 2019 at interbank rate. The Council’s inability to assess the appropriateness of using the interbank rate in achieving fair presentation was primarily due to the need to comply with SI 33 and the fact that there were no official exchange rates between October 2018 and February 2019 due to lack of an observable foreign exchange market. In that regard the Council’s 2020 opening balances misstatements have an impact on the current year financial statements.

Consolidation of investment in subsidiary

City of Mutare wholly owns Pungwe breweries (Private) Limited. The Council did not account for its investment in its subsidiary in the separate financial statements as required by IPSAS 34 “Separate financial statements”. IPSAS 34 Paragraph 12, requires that an entity prepares separate financial statements and that it should account for investments in controlled entities.

The Council did not consolidate its wholly owned subsidiary (Pungwe breweries) contrary to the requirements of International Public Sector Accounting Standards (IPSAS 35 “Consolidated financial statements”). IPSAS 35 paragraph 5, requires a controlling entity to present consolidated financial statements.

Assessment of impairment for investment properties

Council disclosed investment property at a carrying value of ZWL\$110 807 064. The Council did not assess its buildings for impairment in terms of IPSAS 21 “Impairment of Non-Cash Generating assets” despite the investment property having indications of impairment. I was not able to determine whether any adjustments were necessary.

Unreconciled balance on revenue

There was an unreconciled variance of ZWL \$ 21 024 771 on revenue from business licence fees. Total invoices amounted to \$61 362 222 while the ledger had a balance of \$40 337 451 resulting in a variance of \$21 024 771. I was not able to satisfy myself on the completeness and accuracy of revenue from business licenses fees and to determine whether any adjustment were necessary.

**REPORT OF THE AUDITOR GENERAL
IN RESPECT OF THE FINANCIAL STATEMENTS OF CITY OF MUTARE
for the year ended December 31, 2020**

Stands inventory

Council did not account for inventory of stands in the financial statements in terms of IPSAS 12 “Inventory”. I could not quantify the stands inventory through alternative means. As a result, I was unable to determine whether any adjustments were required to the financial statements arising from the stands inventory not brought to account.

Non-compliance with IPSAS 17, Property, plant and equipment

The Council was operating without a land bank register for effective accountability of its land. As a result, the Council did not recognize the value and disclose the size of its land. Council land qualifies as an asset in terms of IPSAS 17 “Property, Plant and Equipment” which should be accounted for as an item of property, plant and equipment in the statement of financial position.

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 City of Mutare in accordance with the ethical requirements that are relevant to my audit of the financial statements in Zimbabwe, 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 adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement were of most significance in my audit of the financial statements of City of Mutare for the year ended December 31, 2020. 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. I have determined the matters described below to be the key audit matters to be communicated in my report.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Valuation of receivables. Refer to note 9 Management has estimated the recoverable amount of the accounts receivable to be \$ 300 145 076 as at December 31, 2020 after providing an allowance for credit losses of \$ 97 432 293.	The audit procedures that I performed to address the risk of material misstatement relating to valuation of receivables and allowances for credit losses included: Assessing the recoverability of material long outstanding receivables based on the rate of collection in current year against prior year.

**REPORT OF THE AUDITOR GENERAL
IN RESPECT OF THE FINANCIAL STATEMENTS OF CITY OF MUTARE
for the year ended December 31, 2020**

With significant accounts receivables overdue for payment and the prevalent economic challenges, there is high likelihood that the full amount may not be recoverable. I considered the impairment of accounts receivables as a key audit matter as the estimation of recoverability of receivables and the determination of allowances for credit losses requires significant management judgement.	Analysing the debtors' age analysis for the long outstanding amounts and reasonability of provision for irrecoverable amounts. Evaluating the reasonability of management judgements and assumptions made in estimating the allowance for credit losses considering the nature and suitability of historic data used to support these. Assessing the appropriateness and adequacy of impairment disclosures made in the financial statements. Based on these procedures, I found the valuation, presentation and disclosure of trade receivables to be appropriate.
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Other information

The Councillors are responsible for the other information. The other information comprises the Mayor's statement, Town Clerk's report and Corporate Governance report, as required by the Public Finance Management Act [*Chapter 22:19*].

My opinion on the Council's financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the Council'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 financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

The Council's management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSASs) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**REPORT OF THE AUDITOR GENERAL
IN RESPECT OF THE FINANCIAL STATEMENTS OF CITY OF MUTARE
for the year ended December 31, 2020**

In preparing the financial statements, management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 is 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 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 Council's internal control;
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

**REPORT OF THE AUDITOR GENERAL
IN RESPECT OF THE FINANCIAL STATEMENTS OF CITY OF MUTARE
for the year ended December 31, 2020**

- 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 communicate with those charged with governance 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 my audit.

I also provide those charged with governance with a statement that I have complied with the 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 those charged with governance, 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 Urban Councils Act [*Chapter 29:15*], the Public Finance Management Act [*Chapter 22:19*] and other relevant Statutory Instruments.

June 7, 2022.

M. CHIRI (MRS),
AUDITOR – GENERAL.

**MUTARE CITY COUNCIL
STATEMENT OF FINANCIAL POSITION
as at December 31, 2020**

Note	Inflation adjusted		Historical cost	
	2020 \$	2019 \$	2020 \$	2019 \$
ASSETS				
Current assets				
Cash and cash equivalents	5	66 067 670	43 435 518	66 067 670
Inventory	7	6 364 674	945 320	3 166 503
Trade and other receivables	9	300 145 076	171 473 034	300 145 076
		372 577 420	215 853 873	369 379 249
Non current assets				48 108 464
Property, plant and equipment	4	6 259 514 561	6 446 055 918	1 449 949 291
Investment property	4.2	496 984 546	520 402 666	110 807 064
Investment in shares	6	-	292 042	-
		6 756 499 108	6 966 750 626	1 560 756 356
Total assets		7 129 076 527	7 182 604 499	1 930 135 604
				1 601 406 623
RESERVES AND LIABILITIES				
Liabilities				
Current liabilities				
Trade and other payables	11	89 651 068	137 490 191	89 651 068
Provisions	13	71 590 956	43 327 643	71 590 956
		161 242 024	180 817 834	161 242 024
Non current liabilities				40 314 922
Loans	12	2 456 798	20 521 312	2 456 798
Lease finance		-	1 200 439	-
		2 456 798	21 721 751	2 456 798
Total liabilities		163 698 822	202 539 585	163 698 822
Net assets		6 965 377 705	6 980 064 913	1 766 436 782
Reserves				1 556 248 646
Revaluation reserve		6 952 471 372	6 952 471 372	1 550 114 474
Accumulated surplus		12 906 333	27 593 541	216 322 308
Total reserves		6 965 377 705	6 980 064 913	1 556 248 646

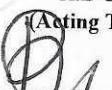
02/06, 2022.


R. Gunii, (Msc in Applied Accounting)
(Acting Finance Director).

02/06, 2022.


K.B Chafesuka,
(Acting Town Clerk).

02/06, 2022.


S. Chabuka,
(Mayor).

MUTARE CITY COUNCIL
STATEMENT OF FINANCIAL PERFORMANCE
for the year ended December 31, 2020

	Note	Inflation adjusted		Historical cost	
		2020	2019	2020	2019
		\$	\$	\$	\$
Revenue					
Revenue from non exchange transactions	14.1	644 840 225	94 322 129	313 029 235	21 007 156
Revenue from exchange transactions	14.2	816 002 008	207 438 018	396 117 479	46 200 004
Revenue from other government entities	15	272 009 283	68 187 740	132 043 341	15 186 579
Other income	16	110 884 994	13 300 014	13 273 806	2 962 141
Total revenue		1843 736 510	383 247 901	854 463 861	85 355 880
Expenses					
Employment costs	17	525 380 297	122 335 552	255 038 979	27 246 226
Councillors expenses	18	1 264 242	634 826	613 710	141 387
Depreciation	4.2	416 969 550	-	92 967 018	-
Repairs and maintenance	19	78 572 541	40 704 353	38 142 010	9 065 557
General expenses	21	351 588 715	123 348 297	227 756 853	27 471 781
Purchases	22	60 590 350	21 204 634	29 412 791	4 722 636
Finance cost		344 364	315 888	344 364	70 354
Total expenses		1 434 710 059	308 543 550	644 275 725	68 717 940
Surplus/(Deficit) on net monetary position		(423 713 659)	-	-	-
Surplus for the year		(14 687 208)	74 704 351	210 188 136	16 637 940

MUTARE CITY COUNCIL
STATEMENT OF CASH FLOWS
for the year ended December 31, 2020

	Note	Inflation adjusted		Historical cost	
		2020 \$	2019 \$	2020 \$	2019 \$
Cashflows from operating activities					
Surplus for the year		(14 687 208)	74 704 351	210 188 136	16 637 940
Adjustments for non cash movements					
Loan interest		344 364	315 888	344 364	70 354
Loss on net monetary position		423 713 659	-	-	-
Fair value(gain)/loss on investment		-	49 498	-	-
Reclassification of investment to receivables		292 042	-	-	11 036
Depreciation	4.4	416 969 550	-	65 113	-
Changes in working capital					
Decrease/(increase) in payables		(47 839 123)	20 100 836	58 996 424	4 481 658
Decrease/(increase) in leave pay provisions		28 263 313	27 608 055	61 930 678	6 155 458
Decrease/(increase) in receivables		(128 672 042)	(77 027 870)	(261 913 659)	(17 174 039)
Decrease/(increase) in inventories		(5 419 354)	4 078 942	(2 955 736)	909 513
Net cashflows from operating activities		672 965 202	49 829 700	159 622 338	11 091 919
Cashflows from investing activities					
Acquisition of property, plant and equipment	4	(346 890 521)	(12 932 687)	(100 490 327)	(2 883 456)
Net cash from investing activities		(346 890 521)	(12 932 687)	(100 490 327)	(2 883 456)
Cashflows from financing activities					
Loan repayment	12	(2 118 609)	(2 335 343)	(2 118 609)	(520 685)
Lease finance		(267 648)	(526 281)	(267 648)	(117 339)
Interest paid		(344 364)	(315 545)	(344 364)	(70 354)
Net cash from financing activities		(2 730 621)	(3 177 169)	(2 730 621)	(708 378)
Net (decrease)/increase in cash and cash equivalents		323 344 060	33 719 844	56 401 390	7 500 085
Cash and cash equivalents at the beginning of the year		9 666 280	9 715 674	9 666 280	2 166 195
Effects of inflation		(266 942 670)	-	-	-
Cash and cash equivalents at the end of the year	5	66 067 670	43 435 518	66 067 670	9 666 280

MUTARE CITY COUNCIL
STATEMENT OF CHANGES IN NET ASSETS
as at December 31, 2020

	Historical cost		
	Revaluation reserve	Accumulated fund	Total reserves
	\$	\$	\$
Balance as at January 01, 2019	38 538 943	(10 503 768)	28 035 175
Surplus for the year	-	16 637 940	16 637 940
Revaluation surplus	1 511 575 531	-	1 511 575 531
Total recognised revenue and expense for the period	1 511 575 531	16 637 940	1528 213 471
Balance as at December 31, 2019	1 550 114 474	6 134 172	1 556 248 646
Balance as at January 01, 2020	1 550 114 474	6 134 172	1 556 248 646
Surplus for the year	-	210 188 136	210 188 136
Total recognised revenue and expense for the period	-	210 188 136	210 188 136
Balance as at December 31, 2020	1 550 114 474	216 322 308	1 766 436 782

MUTARE CITY COUNCIL
STATEMENT OF CHANGES IN NET ASSETS
as at December 31, 2020

	Revaluation reserve	Accumulated fund	Total reserves	Inflation adjusted
	\$	\$	\$	\$
Balance as at January 01, 2019	172 852 330	(47 110 809)	4	125 741 520
Surplus for the year	-	74 704 351	74 704 351	
Revaluation surplus	6 779 619 042		-	6 779 619 042
Total recognised revenue and expense for the period	<u>6 779 619 042</u>	<u>74 704 351</u>	<u>6 854 323 393</u>	
Balance as at December 31, 2019	<u>6 952 471 372</u>	<u>27 593 541</u>	<u>6 980 064 913</u>	
Balance as at January 01, 2020	6 952 471 372	27 593 541	6 980 064 913	
Surplus for the year	-	- 14 687 208	- 14 687 208	
Total recognised revenue and expense for the period	-	- 14 687 208	- 14 687 208	
Balance as at December 31, 2020	<u>6 952 471 372</u>	<u>12 906 333</u>	<u>6 965 377 705</u>	

**MUTARE CITY COUNCIL
BUDGET AND ACTUAL AMOUNTS
for the year ended December 31, 2020**

Comparison of Budget and Actual amounts

	2020		
	Budgeted Amount	Actual amount	Performance difference
	\$	\$	\$
Revenue			
Fees, penalties, licences and levies	482 364 162	313 029 235	169 334 927
Other income	50 090 427	13 273 805	36 816 622
Grants	95 825 945	132 043 341	(36 217 396)
Rental revenue from facilities and equipment	8 318 287	56 601 924	(48 283 637)
Estates	4 279 000	179 658 391	(175 379 391)
Rendering of services	<u>382 343 108</u>	<u>159 857 164</u>	<u>222 485 944</u>
Total	<u>1 023 220 929</u>	<u>854 463 861</u>	<u>168 757 068</u>
Expenditure			
Employment costs	131 205 950	255 038 979	(123 833 029)
Councillors' expenses	2 900 000	613 710	2 286 290
Depreciation and amortisation expenses	317 975 239	64 358 160	253 617 079
Repairs and maintenance	113 036 595	38 142 010	74 894 585
Finance costs	48 000	344 364	(296 364)
General expenses	<u>442 265 243</u>	<u>257 169 643</u>	<u>185 095 600</u>
Total	<u>1 007 431 028</u>	<u>615 666 867</u>	<u>391 764 161</u>
Surplus			<u>238 796 994</u>

MUTARE CITY COUNCIL
Notes to the financial statements
For the year ended December 31, 2020

1. General information

Mutare City Council was established under the Urban Councils Act [*Chapter 29:15*]. The Council's principal activities are the provision of water, sewer, refuse, health and social services and provision of infrastructure.

Mutare City Council, Civic Centre No. 1 Queens Way, P O Box 910, Mutare.

2. Basis of preparation

2.1 Statement of compliance

The financial statements for the year ended December 31, 2020 have been prepared in conformity with International Public Sector Accounting Standards (IPSASs). The financial statements are presented in United States Dollars, which is the functional and reporting currency of the Council. The statement of cash flows is prepared using the indirect method. The financial statements are prepared on an accrual basis. A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

2.2 Basis of measurement

The financial statements have been prepared from statutory records that are maintained under the historical cost convention as modified by the revaluation of properties. The Public Accountants and Auditors Board in October 2019 confirmed the market consensus that the Zimbabwean economy had met the characteristics of a hyperinflationary economy and prescribed the application of inflation accounting for the years ended on or after 1 July 2019. The Council adopted the guidance as issued by PAAB. For the year ended 31 December 2020, the country continued experiencing hyper-inflationary pressures, with the inflation rate closing at 348, 59% as at 31 December 2020.

The restatement of the historical cost numbers on the conversion factors derived from Consumer Price Index (CPI) issued by the Zimbabwe Central statistical office (CSO),. Notwithstanding the fact that the changes in prices of some commodities were directly linked to the exchange rate movements, the Council does not support using exchange rate movements as a direct proxy for average price movements in the economy. The Council believes the CPI best represents average price movements in the economy during 2020 and have applied it in the preparation of these financial statements.

The indices and conversion factors used to restate the accompanying financial statements as at 31 December 2020 are given below:

Dates	Indices	Conversion factors
31 December 2019	551.63	4.49
31 December 2020	2474.5	1
Average for the year		2.06

MUTARE CITY COUNCIL
Notes to the financial statements
For the year ended December 31, 2020

The indices have been applied to the historical costs of transactions and balances as follows:

All comparative figures as of and for the periods ended 31 December 2019 and 31 December 2020 have been restated by applying the change in the index from the date of last re-measurement to 31 December 2020;

Income statement transactions have been restated by applying the change in the index from the approximate date of the transactions to 31 December 2020;
Gains and losses arising from the monetary assets or liability positions have been included in the income statement;

Non-monetary assets and liabilities have been restated by applying the change in the index from the date of the transaction to 31 December 2020;

The net impact of applying the procedures above is shown in the statement of comprehensive income as the gain or loss on net monetary position.

IPSAS 10 discourages the publication of historical results as a supplement to the inflation-adjusted results. However, historical results have been published to allow comparability of the results during the transitional phase in applying the Standard.

2.3

Critical accounting judgments, estimates and assumptions

In preparing the financial statements, Council management is required to make judgments, 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:

2.3.1

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

The Council 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 3.4.1 and no changes to these useful lives have been considered necessary during the year. Council management has set residual values for all classes of property, plant and equipment at zero.

2.3.2

Impairment and provisioning policies

At each statement of financial position date, the Council 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.

MUTARE CITY COUNCIL
Notes to the financial statements
For the year ended December 31, 2020

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 Going concern

Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue with its mandate for the foreseeable future. However, management believe that under the current economic environment a continuous assessment of the ability of Council to continue to operate as a going concern need to be performed to determine the continued appropriateness of the going concern.

The financial statements set out in this report have been prepared by management in accordance with (IPSASs). The statements are based on the appropriate accounting policies which were supported by reasonable and prudent judgements and estimates.

Council's accounting and internal control systems are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of its assets. Such controls are based on established written policies and procedures and all employees are required to maintain the highest ethical standards in ensuring Council's practices are conducted in the manner which in all reasonable circumstances is above reproach. Issues that come to the attention of Council have been addressed and management confirms that the systems of accounting and internal control are operating in a satisfactory manner. In light of the current financial position, management is satisfied that Council is a going concern and has continued to adopt the going concern basis in preparing the financial statements.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Council's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

MUTARE CITY COUNCIL
Notes to the financial statements
For the year ended December 31, 2020

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, 2019.

3.1 Revenue recognition

3.1.1 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the Council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Transactions that do not generate revenue but are incidental to the main revenue generating activities are presented by netting any revenue with related expenses arising on the same transaction.

Sale of goods

Revenue from the sale of goods is recognised when the following conditions have been satisfied:

- the Council has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the Council retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the Council; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Stand sales

The housing policy prescribes that stands are deemed sold when the purchaser has met a number of conditions which include;

- Where a deposit is paid prior to the issue of offer letter, a stand is deemed sold when the purchaser is issued with an offer letter and pays subsequent instalments for land

MUTARE CITY COUNCIL
Notes to the financial statements
For the year ended December 31, 2020

-Where an offer letter is issued prior to the payment of any amount to Council, a stand is deemed sold when the purchaser pays the required deposit within the stipulated period and agrees to pay subsequent instalments remaining to settle the full purchase price.

Stand sales are therefore revised from being recognized at the point of payment of full purchase price for the stand, to being recognized when the purchaser fulfills the conditions set above.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
 - it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;
 - the stage of completion of the transaction at the reporting date can be measured reliably; and;
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest, royalties, rental income and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the Council, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

- Dividends, or their equivalents are recognised, in surplus or deficit, when the Council's right to receive payment has been established.
- Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

3.1.2 Revenue from non-exchange transactions

Fees, taxes, fines, penalties and licenses

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The Council recognizes revenues from fees, taxes, penalties and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Measurement and recognition

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest.

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Fines and penalties

Revenue from the issuing of fines and penalties is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Council; and
- the amount of the revenue can be measured reliably.

The Council has spot fines. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Council; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;

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Notes to the financial statements
For the year ended December 31, 2020

- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;
- historical information on declarations previously submitted by defaulting levy payers; and;
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Council and can be measured reliably.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Government grants are recognized when there is reasonable assurance that:

The Council will comply with the conditions attached to them and the grants will be received as support to the entity. Government grants are recognized as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognized as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by reducing the grant in arriving at the carrying amount of the assets.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;

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Notes to the financial statements
For the year ended December 31, 2020

- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Taxation

The Council is exempted from paying income tax in terms of the Income Tax Act [*Chapter 23:06*], except for Pay As You Earn (P. A.Y.E) levied on Council employee's salaries.

The Council charges Value Added Tax (VAT) on water charges for commercial use, sewerage and refuse removal charges. It also claims input tax on all purchases it makes which are from organisations registered for VAT as per the VAT Act [*Chapter 23:12*].

3.2 Property, plant and equipment

3.2.1 Recognition and Measurement

Property, plant and equipment is tangible non-current assets (including infrastructure assets) that is held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used for more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the Council; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

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Notes to the financial statements
For the year ended December 31, 2020

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The gross carrying amount is restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

The revaluation surplus included in equity in respect of an item of property, plant and equipment is transferred to accumulated surplus when the asset is de-recognised.

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Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus.

The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in statement of financial performance.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Property, plant and equipment is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Land have an unlimited useful life and therefore not depreciated.

Item	Average useful life
Buildings	50 years
Sewer and water reticulation	25 years
Plant	25 years
Equipment	10 years
Roads and Culverts	10 years
Furniture and equipment	10 years
Motor vehicles	5 years
Computer and printers	5 years

The residual value, the useful life and depreciation method of each asset are reviewed at least at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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Items of property, plant and equipment are de-recognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. The gain or loss arising from de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. Property, plant and equipment which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

3.2.2 Impairment of property, plant and equipment

An impairment loss on property, plant and equipment is recognized when test for impairment indicate that there is loss in future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation.

In assessing whether there is any indication that an asset may be impaired, Council consider as a minimum, the following indications:

- Cessation, or near cessation of demand or need for services provided by the asset;
- Significant long term changes with an adverse effect on Council have taken place during the period, or will take place in the near future, in the technological, legal or government policy environment in which Council operates;
- Evidence is available of physical damage of an asset;

Significant long-term changes with adverse effect on Council have taken place during the period, or are expected to take place in the near future, in the extent to which or manner in which, an asset is used or expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which the asset belongs, or plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite;

- A decision to halt the construction of the asset before it is completed or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

3.3 Investment property

Recognition and initial measurement

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

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Notes to the financial statements
For the year ended December 31, 2020

- use in the production or supply of goods or services; or
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Council, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is de-recognised.

Subsequent measurement

Investment property are subsequently depreciated.

IPSAS 16.39 allows an entity to choose as its accounting policy either the fair value model paragraph 42-62, or the cost model in paragraph 65.

Cost model

After initial recognition an entity that chooses the cost model shall measure all its investment property in accordance with IPSAS 17's requirements for that model i.e. at cost less any accumulated depreciation and any accumulated impairment losses.
Council uses the cost model.

Investment property is depreciated on the straight line basis over their expected useful lives to their estimated residual value.

3.4 Financial instruments

Initial recognition and Initial measurement

Financial instruments are recognised initially when the Council becomes a party to the contractual provisions of the instruments.

The Council classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

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Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

3.4.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

3.4.2 Held-to-maturity investments and loans and receivables

The Council assesses its loans and receivables (including trade receivables) and its held-to-maturity investments at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Council evaluates the indicators present in the market to determine if those indicators are indicative of impairment in its loans and receivables or held-to-maturity investments.

Where specific impairments have not been identified the impairment for trade

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receivables, held-to-maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

3.5 Inventories

Inventories are initially measured at cost and subsequently at lower of cost and net realizable value. Any write-down to net realizable value is recognized in the Statement of financial performance as an expense. Where inventory was received through non exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials: purchase cost using the weighted average cost method;

Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

3.6 Provisions

Provisions are recognised when:

The entity has a present obligation as a result of a past event;

It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and

A reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits. If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

Has a detailed formal plan for the restructuring, identifying at least:

- the activity/operating unit or part of a activity/operating unit concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for services being terminated;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

Has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- Necessarily entailed by the restructuring; and
- Not associated with the ongoing activities of the entity.
- No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- The amount that would be recognised as a provision; and
- The amount initially recognised less cumulative amortization.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

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The entity recognizes a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
 - defaults or delinquencies in interest and capital repayments by the debtor;
- 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.

3.7 Contingent liabilities

The Council does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

3.8 Employee benefits

Retirement benefits plans

The Council provides a fixed funeral grant support to the employees and their immediate family. This is done for all current permanent employees of Council. Funeral assistance is provided at most within 48 hours of the occurrence of death.

Medical aid: continued members

The Council does not have medical aid contribution for the year under review.

Short and long term employee benefits

The cost of all short term employee benefits, such as leave pay, is recognised during the period in which the employee renders the related service. The Council recognised the expected cost of performance bonuses only when Council has a present legal or constructive obligation to make such payment, and a reliable estimate can be made.

3.9 Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

3.10 Related parties

The Council regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Council, or vice versa.

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Notes to the financial statements
For the year ended December 31, 2020

Councilors and key management staff are regarded as related parties and comprise the Chief executive officer and head of departments/ senior managers.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the Zimbabwean Government. As a consequence of the constitutional independence of the three spheres of government in Zimbabwe, only entities within the national sphere of government are considered to be related parties.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

3.11

Leases

Council has entered into property leases of certain properties. Council has determined, based on an evaluation of the terms and conditions of the arrangements, (such as the lease term not constituting the substantial portion of the economic life of the commercial property) that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

3.12

Budget information

Council is subject to budgetary limits in the form of budget authorizations, which is given effect through legislation.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/01/2020 to 31/12/2020.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

4 Property, plant and equipment

Historical cost

	Land and Buildings	Furniture & equipment	ICT equipment	WIP	Motor vehicles	Plant	Roads and street lights	Sewer & Water Reticulation	Total	Total
Opening carrying amount	\$ 208 750 805	\$ 16 919 952	\$ 3 006 743	\$ -	\$ 37 454 180	\$ 144 346 411	\$ 352 408 718	\$ 674 317 898	\$ 1 437 204 707	\$ 27 974 228
Gross carrying amount	208 750 805	16 919 952	3 006 743	-	37 454 180	144 346 411	352 408 718	674 317 898	1 437 204 707	32 588 326
Accumulated depreciation	-	-	-	-	-	-	-	-	-	(4 614 097)
Additions at cost	1 568 171	11 200 822	9 088 880	64 217 565	13 883 919	-	530 970	-	-	-
Revaluation	(4 206 380)	(2 812 077)	(2 419 125)	-	-	(10 267 620)	(5 773 856)	(35 293 969)	(26 972 716)	(87 745 743)
Depreciation for the year										2 833 456
Closing carrying amount	206 112 596	25 308 697	9 676 498	64 217 565	41 070 479	138 572 555	317 645 719	647 345 182	1 449 949 291	1437 204 707
Gross carrying amount	210 318 976	28 120 774	12 095 623	64 217 565	51 338 099	144 346 411	352 939 688	674 317 898	1 537 695 034	1437 204 707
Accumulated depreciation	(4 206 380)	(2 812 077)	(2 419 125)	-	(10 267 620)	(5 773 856)	(35 293 969)	(26 972 716)	(87 745 743)	-

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 NOTES TO THE FINANCIAL STATEMENTS
 for the year ended December 31, 2020

Inflation adjusted

4.1 Property, plant and equipment	Land and Buildings	Furniture & equipment	ICT equipment	WIP	Motor vehicles	Plant & equipment	Roads and street lights	Sewer & Water Reticulation	Total	Total 2019
	\$ 936 275 367	\$ 75 888 254	\$ 13 485 644	\$ -	\$ 167 987 022	\$ 647 413 018	\$ 1 580 600 378	\$ 3 024 406 235	\$ 6 446 055 918	\$ 125 468 167
Opening carrying amount	936 275 367	75 888 254	13 485 644	-	167 987 022	647 413 018	1 580 600 378	3 024 406 235	6 446 055 918	146 163 013
Gross carrying amount										(20 694 845)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-
Additions at cost	3 230 432	23 073 693	18 723 094	132 288 184	28 600 872	-	1 093 798	-	207 010 073	12 932 667
Revaluation	(18 866 179)	(12 612 543)	(10 850 100)	-	-	(46 051 653)	(25 896 319)	(158 298 186)	-	6 286 960 218
Depreciation for the year										20 694 845
Closing carrying amount	920 639 621	86 349 405	21 358 638	132 288 184	150 536 241	621 516 499	1 423 395 989	2 903 429 985	6 259 514 561	6 446 055 918
Gross carrying amount	939 505 800	98 961 947	32 208 738	132 288 184	196 387 894	647 413 018	1581 694 175	3024 406 235	6 653 065 991	6 446 055 918
Accumulated depreciation	(18 866 179)	(12 612 543)	(10 850 100)	-	(46 051 653)	(25 896 319)	(158 298 186)	(120 976 250)	(393 551 430)	

MUTARE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

	Inflation adjusted		Historical cost	
	2020	2019	2020	2019
	\$	\$	\$	\$
4.2 Depreciation				
Property, plant and equipment				
Investment property				
393 551 430		-	87 745 743	
23 418 120		-	5 221 275	
	416 969 550		92 967 018	
5 Cash and cash equivalents				
Cash at bank				
66 067 670		43 435 518	66 067 670	9 666 280
	66 067 670	43 435 518	66 067 670	9 666 280
6 Investments				
Opening balance				
Reclassified to receivables	9	65 113 (65 113)	292 042 -	65 113 -
Closing balance				
Kingdom Bank was liquidated. Council Bank balance on 24 February 2015 amounting to \$ 77 434 remained and was converted into liquidation dividends. The outstanding balance was reclassified to receivables.			292 042 -	65 113
7 Inventory				
Stores and materials				
6 364 674		945 320	3 166 503	210 767
	6 364 674	945 320	3 166 503	210 767
9 Trade and other receivables				
Gross trade receivables				
Smartvest liquidation dividends				
Less: allowance for credit losses				
add: estates debtors				
Net trade receivables				
397 508 135		352 417 413	397 508 135	78 574 553
65 113		-	65 113	-
(97 432 293)		(180 973 247)	(97 432 293)	(40 349 573)
4 121		28 868	4 121	6 436
	300 145 076	171 473 034	300 145 076	38 231 417
10 Investment property				
Carrying amount				
Gross carrying amount				
Accumulated depreciation				
Additions				
Net gain/(loss) from fair value adjustments				
Depreciation for the year				
Carrying amount				
Gross carrying amount				
Accumulated depreciation				
11 Trade and other payables				
Trade payables				
Payroll payables				
Service creditors				
VAT, presumptive tax, withholding tax				
4 766 398		1 920 128	4 766 398	428 109
5 322 541		46 716 854	5 322 541	10 415 932
62 318 294		75 601 431	62 318 294	16 855 914
17 243 836		13 251 778	17 243 836	2 954 689
	89 651 068	137 490 191	89 651 068	30 654 644

MUTARE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

	Inflation adjusted		Historical cost	
	2 020	2 019	2 020	2 019
	\$	\$	\$	\$
12 Loans				
Opening balance				
Loans	4 843 055	24 583 375	4 843 055	5 481 079
Short term loan	4 843 055	14 167 373	4 843 055	3 158 740
FBC-Lease finance	-	8 689 284	-	1 937 352
Interest	-	1 726 718	-	384 987
Principal loan repayment	344 364	315 545	344 364	70 354
Lease finance repayment	(2 118 609)	(2 335 343)	(2 118 609)	(520 685)
Interest paid	(267 648)	(526 281)	(267 648)	(117 339)
Closing balance	2 456 798	21 721 751	2 456 798	4 843 055
Lease finance refers to an overdraft liability that was converted into a loan on August 10, 2017. The resulting loan repayment period was 5 years				
13 Provision				
Leave pay	57 935 385	31 952 119	57 935 385	7 124 218
Value Added Tax	13 562 547	10 958 312	13 562 547	2 443 036
Audit fees	93 024	417 212	93 024	93 024
	71 590 956	43 327 643	71 590 956	9 660 278
14 Revenue				
14.1 Revenue from non-exchange transactions				
Fees, fines, penalties and licenses	<u>644 840 225</u>	<u>94 322 129</u>	<u>313 029 235</u>	<u>21 007 156</u>
14.2 Revenue from exchange transactions				
Sales	370 096 286	100 143 567	179 658 391	22 303 690
Rendering of services	329 305 759	80 852 818	159 857 164	18 007 309
Rentals	116 599 963	26 441 634	56 601 924	5 889 005
	816 002 008	207 438 018	396 117 479	46 200 004

MUTARE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

	Inflation adjusted		Historical cost	
	2020 \$	2019 \$	2020 \$	2019 \$
14.2.1 Sales				
Water charges	279 961 528	94 116 355	135 903 654	20 961 326
Bin Sales	2 954	1 935	1 434	431
Health collections	1 048 280	-	508 874	-
Sales of fire extinguishers	-	698 635	-	155 598
Interest on Sale stand	-	75 754	-	16 871
Plant Sales	-	304 440	-	67 804
Land sales	89 083 524	4 946 453	43 244 429	1 101 660
	370 096 286	100 143 572	179 658 391	22 303 690
15 Income from government				
Grants	69 934 002	52 052 778	33 948 545	11 593 046
Donations	171 811 444	6 200 673	83 403 614	1 380 996
Zinara Grant	30 263 837	9 934 288	14 691 183	2 212 536
	272 009 283	68 187 740	132 043 341	15 186 579
16 Other income				
Miscellaneous income	11 614 226	13 300 014	5 637 975	2 962 141
Interest	8 714 616	-	4 230 396	-
Gain on foreign exchange	7 015 196	-	3 405 435	-
Decrease in allowance for credit losses	83 540 954	-	-	-
	110 884 994	13 300 014	13 273 806	2 962 141
17 Employment costs				
Basic salaries	194 187 600	48 549 075	94 265 825	10 812 712
Bonus	36 456 039	3 952 768	17 697 106	880 349
Allowances and other benefits	140 074 128	33 936 751	67 997 150	7 558 296
Pensions	31 329 546	7 553 333	15 208 517	1 682 257
Cash in lieu of leave	3 340 437	581 974	1 621 571	129 616
Leave pay provisions	104 671 004	22 405 918	50 811 167	4 990 182
Medical Aid	6 655 483	3 795 161	3 230 817	845 247
Overtime	8 620 741	1 497 271	4 184 826	333 468
Other staff costs	45 320	63 302	22 000	14 098
	525 380 297	122 335 552	255 038 979	27 246 226
18 Councillors expenses				
Monthly councillors allowances	1 264 242	634 826	613 710	141 387
19 Repairs and maintenance				
Motor vehicles	872 851	1 747 686	423 714	389 240
Office furniture and equipment	3 558 852	302 983	1 727 598	67 480
Building repairs and maintenance	25 123 574	11 996 174	12 195 910	2 671 754
Plant and equipment	2 292 676	1 311 921	1 112 950	292 187
Survey equipment	2 691 828	235 649	1 306 712	52 483
Water reticulation	29 374 419	13 243 206	14 259 427	2 949 489
Roads maintenance	14 006 777	7 637 430	6 799 406	1 700 987
Street light	215 006	3 929 605	104 372	875 191
Computers	436 558	299 699	211 922	66 748
	78 572 541	40 704 353	38 142 010	9 065 557
20 Related parties remuneration				
20.1 Compensation of key management personnel				
	Basic	Allowances	Bonus	
Management staff	2 103 623	1 575 403	646 984	8 911 581
Councillors	-	613 710	-	1 264 242
	10 175 823		3 042 256	4 939 720
Key management personnel comprise of executive directors and Councilors.				677 563

MUTARE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

	Inflation adjusted		Historical cost	
	2020	2019	2020	2019
	\$	\$	\$	\$
21 General expenses				
Administration expenses	1 805 114	35 831	876 269	7 980
Advertising	6 030 987	1 506 840	2 927 664	335 599
Audit fees	5 401 229	417 678	2 621 956	93 024
Anti-malaria chemicals	608 041	141 077	295 165	31 420
Bank charges	20 938 374	10 560 850	10 164 259	2 352 082
Cleaning materials	3 684 684	60 287	1 788 681	13 427
Discount allowed	4 675 112	18 165	2 269 472	4 046
Dog food	250 491	73 365	121 598	16 340
Fuel and oils	2 334 021	1 312 674	1 133 020	292 355
Funeral assistance	1 201 935	8 228	583 464	1 833
Other expenses	112 619 402	26 668 110	54 669 613	5 939 445
Grant - Publicity association	97 138	1 334 793	47 155	297 281
Hire of plant	1 722 217	1 133 379	836 028	252 423
Insurance	7 921 147	1 596 445	3 845 217	355 556
Internet charges	2 027 779	290 215	984 359	64 636
Investment promotion	347 654	-	168 764	-
Laboratory expenses	406 948	850 132	197 547	189 339
Laundry expenses	509 199	170 522	247 184	37 978
Legal expenses	13 902 779	3 044 165	6 748 922	677,988
Materials	5 108 560	1 190 764	2 479 884	265 204
Consumables for medical equipment	1 626 530	73 752	789 578	16 426
Pabx rental	2 083 067	1 326 009	1 011 198	295 325
Patient food	461 093	80 621	223 831	17 956
Pest control	178 880	147 779	86 835	32 913
Printing and stationery	16 305 594	4 308 530	7 915 337	959 583
Promun licences	1 770 501	452 191	859 466	100 711
Protective clothing	7 280 290	1 664 856	3 534 122	370 792
Increase in allowance for credit losses	-	26 029 066	57 082 720	5 797 119
Public convenience	596 900	138 083	289 757	30 753
Purchase of books	27 161	44 863	13 185	9 992
Railage and delivery charges	69 014	5 676	33 502	1 264
Rates	1 415 989	602 772	687 373	134 248
Rentals	592 166	29 836	287 459	6 645
Staff training	6 915 059	1 748 755	3 356 825	389 478
Travel and subsistence	23 060 476	7 168 009	11 194 406	1 596 438
Tar and bitumen	1 075 320	2 957 540	522 000	658 695
Telephone and postage	6 151 556	714 896	2 986 192	159 220
Tools and equipment	12 235 075	1 814 309	5 939 357	404 078
Transport	42 796 348	15 092 831	20 774 926	3 361 432
Water, lighting and sanitation	35 308 901	8 514 345	17 140 243	1 896 291
Wayleave	45 985	20 060	22 323	4 468
	351 588 715	123 348 297	227 756 853	27 471 781
22 Purchases				
Drug purchases	665 002	25 525	322 816	5 685
Water chemicals	29 569 165	12 656 141	14 353 964	2 818 740
Water extraction charges	30 356 183	8 522 969	14 736 011	1 898 211
	60 590 350	21 204 634	29 412 791	4 722 636

MUTARE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020

23 Segment reporting financial position

	Rates	Parking	Estates	Housing	Health	Total	Inflation adjusted
Assets							
Current assets							
Cash and cash equivalents	17 983 192	34 771 970	328 204	3 302 071	9 682 233	\$ 66 067 670	\$ 66 067 670
Inventories	3 166 503	-	-	-	-	3 166 503	6 364 674
Receivables	122 787 847	-	4 121	90 926 611	86 426 497	300 145 076	300 145 076
Non current assets	143 937 542	34 771 970	332 325	94 228 682	96 108 730	369 379 249	372 577 420
Property, plant and equipment	1145 883 044	-	1 281 177	68 351 070	198 825 293	1449 949 291	6259 514 561
Investment property	36 428 406	-	2 806 108	34 407 616	37 164 934	110 807 064	496 984 346
Total assets	1326 248 992	34 771 970	4 419 610	196 987 368	332 098 957	1560 756 355	6756 499 107
Reserves and liabilities							
Liabilities							
Current liabilities							
Trade and other payables	89 651 068	-	-	-	-	89 651 068	89 651 068
Provisions	71 590 956	-	-	-	-	71 590 956	71 590 956
Non current liabilities	161 242 024	-	-	-	-	161242023.94	161 242 024
Loans	2 456 798	-	-	-	-	2 456 798	2 456 798
Total liabilities	163 698 822	-	-	-	-	163 698 822	163 698 822
Net assets	1162 550 170	34 771 970	4 419 610	196 987 368	332 098 957	1766 436 782	6965 377 705
NET ASSETS /EQUITY							
Capital contributed by:							
Revaluation reserves	1315 992 626	-	8 833 462	133 643 477	91 644 909	1550 114 474	-
Accumulated surpluses/(deficits)	139 030 296	15 167 663	54 717 533	107 150 940	(71 135 267)	216 322 308	6965 377 705
Total net asset/ equity	1455 022 922	15 167 663	63 550 995	240 794 417	20 509 642	1766 436 782	6965 377 705

24 Segment reporting financial performance

**MUTARE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2020**

	Rates	Parking	Estates	Housing	Health & welfare	Total	Inflation adjusted
Revenue from non-exchange transactions							
Fees, fines, penalties and licenses	26 312 527	7 867 383	-	63 544 751	34 869 401	-	132 594 062
Owner's rates	164 682 171	-	-	-	-	164 682 171	273 143 768
Levies	11 755 017	-	-	3 997 985	-	-	339 245 273
202 749 715	7 867 383	-	67 542 737	34 869 401	-	313 029 235	644 840 225
Revenue from exchange transactions							
Sales	152 645 488	-	-	26 504 029	508 874	-	179 658 391
Rendering of services	77 547 994	4 519 343	33 798	5 848 482	71 907 547	-	159 857 164
Rental revenue from facilities & equipment	2 047 190	-	39 025 681	15 138 760	350 293	-	329 305 759
232 240 672	4 519 343	39 059 479	47 491 271	72 806 714	-	56 601 924	116 599 963
Revenue from other government entities							
Zinara Grant	14 691 183	-	-	-	-	36 117 479	81 600 008
Government Grants							
Donations	10 183 863	-	-	-	-	14 691 183	30 263 837
77 870 200	-	-	-	-	-	33 948 545	69 934 002
102 745 246	-	-	-	-	-	83 403 614	171 811 444
Other Income							
Interest	2 732 842	-	102 134	921 008	474 412	-	4 230 396
Decrease in allowance for credit losses	-	-	-	-	-	-	8 714 616
Gain on Foreign Currency Exchange	2 605 014	-	-	-	-	-	83 540 944
Miscellaneous	4 640 402	-	-	-	800 421	-	3 405 435
9 977 858	102 134	933 757	985 223	-	-	5 637 975	11 614 228
Total	547 713 491	12 386 725	39 161 613	115 967 765	139 234 267	13 273 806	110 884 994
Expenses							
Employment costs	146 602 729	1 409 218	-	12 134 488	94 892 544	-	255 038 979
Councillors' expenses	613 710	-	-	-	-	-	525 380 297
Depreciation	54 595 356	-	156 427	5 942 794	3 663 584	-	613 710
Repairs and maintenance	26 789 837	-	-	2 310 445	9 041 708	-	64 358 160
General expenses	156 765 305	-	27	16 148 861	54 842 660	-	38 142 010
Purchases	29 134 854	-	-	-	277 937	-	227 756 853
Finance costs	292 091	-	-	-	52 273	-	29 412 791
Total expenses	414 703 902	1 409 218	156 454	36 536 588	162 770 706	-	344 364
Impairment loss	-	-	-	-	-	-	-
Surplus/(deficit) on net monetary	-	-	-	-	-	-	-
Surplus / (deficit) for the period	132 919 590	10 977 507	39 005 159	79 431 177	(23 536 440)	-	(423 713 659)
						238 796 994	(14 687 208)