

NATIONAL SOCIAL SECURITY AUTHORITY

FORENSIC AUDIT FOR THE PERIOD 1 JANUARY 2015
TO 28 FEBRUARY 2018



BDO



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04 March 2019

Attention: M. Chiri

The Auditor General
5th Floor, Burrows House
Corner Fourth Street/ George Silundika
HARARE

Dear Madam,

RE: FINAL REPORT ON THE FORENSIC INVESTIGATION INTO THE AFFAIRS OF NATIONAL SOCIAL SECURITY AUTHORITY (NSSA)

At your request and as documented in our engagement letter dated 28 February 2018, we carried out a forensic investigation into the affairs of NSSA and now have pleasure in attaching our final report for your attention.


This final report contains our findings and observations together with our comments, where appropriate. The report is based on documentation, information and explanations supplied to us by NSSA staff, management and relevant third parties.

The report has been compiled solely to provide you with our findings in respect of the forensic investigation which we performed on your behalf, in terms of our mandate. Annexures and Exhibits have been attached to the report and should be read together with the report.

The final report is given in confidence and may only be used by the Auditor General and your appointed legal representative and may not be quoted, referred to, used, made available or distributed to any other person or for any other purpose without our prior written consent. We reserve the right to supplement or amend this report upon the receipt of additional information.

Should you have any queries or require clarification on any part of this final report please do not hesitate to contact Gilbert Gwatiringa at BDO Zimbabwe Chartered Accountants on 0242 703 877.

Yours faithfully,


BDO Zimbabwe
Chartered Accountants

BDO Zimbabwe, a Zimbabwean partnership, is a member of BDO International Limited, a UK company limited by guarantee and forms part of the international BDO Network of independent member firms.

A list of partner names is available for inspection at our registered office, No. 3 Baines Avenue, Harare.

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Abbreviations/Acronyms

The following abbreviations/Acronyms will be used throughout this report and their meanings are as explained below:

Abbreviation	Description
AG	Auditor General
Authority	National Social Security Authority
BIPC	Board Investment and Procurement Committee
BPS	Benefits Processing System
Board	Main Board for NSSA
CEO	Chief Executive Officer for NSSA
CSD	Central Security Depository
EIAR	Environmental Impact Assessment Report
EMA	Environmental Management Agency
GM	General Manager for NSSA
HAC	Housing Africa Corporation
HCZ	Housing Corporation Zimbabwe
ICT	Information Communication Technology
IPEC	Insurance and Pensions Commission
MIC	Management Investment Committee
MPSLSW	Ministry of Public Service, Labour and Social Welfare
NBM	National Merchant Bank of Zimbabwe
NSSA	National Social Security Authority
RBZ	Reserve Bank of Zimbabwe
RFHL	Renaissance Financial Holdings Limited
RMB	Renaissance Merchant Bank
RTGS	Real Time Gross Settlement
SAP	Systems Application Products
TBs	Treasury Bills
VAT	Value Added Tax

List of individuals

The following abbreviations/Acronyms will be used throughout this report and their meanings as explained below:

Individuals	Description
Dr. Chikova	Dr. Henry Chikova- Chief Occupational Health and Safety Officer for NSSA and Acting General Manager from October 2015 to July 2016.
Minister Mupfumira	Honourable Prisca Mupfumira- Minister of Public Service Labour and Social Welfare during the period under review up to November 2017.
Mr Byute	Ozias Byute- a Director and Group Chief Executive Officer for Metbank and 50% Shareholder in Metro Realty.
Mr Chawoneka	Ephraim Chawoneka- Director responsible for Executive Banking for Metbank
Mr Chihota	Kurauone Chihota- Chief Property Investment Officer for NSSA.
Mr Chitando	Ken Chitando- Managing Director for National Building Society.
Mr Chiuta	James Chiuta- Executive Assistant to the General Manager for NSSA.
Mr Duggan	Stephen Duggan- a Director for HCZ.
Mr Fusire	Richard Fusire- Investment Manager Money Markets NSSA.
Mr Hungwe	Herbert Hungwe- Chief Investments Officer for NSSA.
Mr Isaki	Isaac Isaki-Head Risk for NSSA.
Mr Kasukusa	Wilson Kasukusa- a NSSA employee in the Properties Division.
Mr Kundishora	Dunmore Kundishora- Executive Director for Metbank.
Mr Machiha	Bernard Machiha- an ICT Lead Consultant engaged by NSSA.
Mr Makwara	David Makwara-Investments Director for NSSA from January 2018.
Mr Manungo	Willard Manungo- Permanent Secretary in the Ministry of Finance and Economic Development.
Mr Masoka	Ngoni Masoka-Permanent Secretary in the Ministry of Public Service, Labour and Social Welfare
Mr Matiza	James Matiza- General Manager for NSSA up to October 2015.
Mr Matongera	Barnabas Matongera- Chief Contributions, Collections and Compliance Officer for NSSA.
Mr Mavondo	Erasmus Mavondo- Assistant Accountant for NSSA.
Mr Molai	Adam Molai- a Director for HCZ.
Mr Muchete	Reuben Muchete- a Director for Metro Realty .
Mr Mungwariri	Emerson Mungwariri- Chief Finance and Operations Officer for NSSA for the period 1 July 2016 to 30 November 2017 and Director Finance and Operations 1 December 2017 to current.
Mr Mutiswa	Chikuni Mutiswa- Chief Strategic Assets Officer for NSSA from July 2016 to December 2016.
Mr Muzenya	Edmore Muzenya- Director for Metro Realty.
Mr Ndebele	Belmont Ndebele- Managing Director for Metbank Limited and 50% Shareholder in Metro Realty.
Mr Nziradzemhuka	Chakanyuka Nziradzemhuka- Chief Strategic Assets Officer for NSSA from August 2017.
Mr Phiri	Eria Phiri- NSSA Board member.
Mr Ruwende	Fungai Ruwende- NSSA Board appointed investment expert
Mr Saruchera	Régis Saruchera- former Judicial Manager for Capital Bank.
Mr Takawira	Takudzwa Takawira- Legal Officer for NSSA.
Mr Vela	Robin Vela- NSA Board Chairman for the period July 2015 to March 2018.
Mr Vera	Shadreck Vera- former Director Investments for NSSA up to October 2017.
Ms Chimeura	Perpetual Chimeura- ICT & Digital Strategy Executive for NSSA.

Ms Chitiga	Elizabeth (Liz) Chitiga- General Manager or Chief Executive for NSSA from 1 July 2016 to March 2018.
Ms Madume	Daizy Madume- Personal Assistant to the General Manager
Ms Mugwira	Cynthia Mugwira- Group Legal Advisor & Board Secretarial Services Executive for NSSA.
Ms Mukondomi	Nester Mukondomi- Director Administration and Finance in the Ministry of Public Service, Labour and Social Welfare and Board Member for NSSA.
Ms Mukwehwa	Nester Mukwehwa- NSSA Board Member and Chairperson for the Human Resources Remuneration and Nomination Committee.
Ms Pwiti	Takura Pwiti- Human Capital and Talent Management Executive for NSSA.
Ms Tomana	Dephine Tomana- NSSA Board member
Ms Zawanda	Kiitumetsi Zawanda- Group Corporate Secretary and Head Legal for Metbank Limited

List of entities

Entity	Description
BancABC	A financier in the fertilizer loan facility.
Bard Real Estate	A company contracted to value properties for NSSA.
BDO Zimbabwe Chartered Accountants	The company that carried out the forensic investigation and author of this report.
C. B Richards Ellis Zimbabwe	A real estate company which carried out valuations for properties purchased from Metbank.
Capital Bank	Former Renaissance Merchant Bank
Clarion Insurance Company	An insurance company which guaranteed Metro Realty performance bond for off-take housing agreements.
Drawcard Enterprises (Private) Limited	A company contracted to construct houses under the off-take housing agreement.
Econet	A former shareholder at First Mutual Holding Limited.
FBC Limited	A bank which held NSSA treasury bills.
Gabroc Enterprises (Private) Limited	Seller of the Chegutu Hintonville land.
Green Plan Investments	A real estate company which carried out valuations for properties purchased from Metbank.
Housing Corporation of Zimbabwe (Private) Limited	A company engaged to construct houses under off-take agreements by NSSA.
Metbank Limited	A company which transacted with NSSA on TBs and perceived to own Metro Realty (Private) Limited.
Metro Realty (Private) Limited	A company contracted to construct houses under the off-take housing agreement.
Millytake Enterprises (Private) Limited	The company that sold Stateland for the Chinhoyi project to Metbank.
National Building Society NSSA	A subsidiary of NSSA. National Social Security Authority
Omnia Fertilizer (Private) Limited	A borrower of a fertilizer loan facility from NSSA.
Rainbow Tourism Group	An Investee company of NSSA.
Renaissance Merchant Bank	A wholly owned subsidiary of Renaissance Financial Holdings Limited
Reserve Bank of Zimbabwe	Central Bank of Zimbabwe
Sable Chemicals Industries Limited	A borrower of a fertilizer loan facility from NSSA.
Stanton Chase	A South African based company contracted to shortlist candidates for the Authority.
Trust Properties	A real estate company which carried out valuations for properties purchased from Metbank.
Twenty Third Century System	A business solutions provider which provided NSSA with the SAP system.
Windmill (Private) Limited	A borrower of a fertilizer loan facility from NSSA.
ZFC Limited	A borrower of a fertilizer loan facility from NSSA.
Zimnat Lion Insurance	An insurance company which guaranteed HCZ performance bond for off-take housing agreements.

List of Annexures

The following annexures should be read in conjunction with the contents of this report:-

Annexure	Description
Annexure 1	Engagement letter
Annexure 2	NSSA Act
Annexure 3	NSSA Investment Policy
Annexure 4	NSSA Human Resources Management Guidelines

List of Exhibits

The following exhibits should be read in conjunction with the contents of this report:-

Exhibit	Description
Exhibit 1	Minutes of the BIPC held on 14 September 2017.
Exhibit 2	NBS US\$78 million loan facility for off take housing project.
Exhibit 3	Minutes of NSSA Board dated 27 September 2012.
Exhibit 4	NBS resolution dated 18 August 2016.
Exhibit 5	Extracts of 17 October 2016 minutes of NBS Housing and Projects Committee meeting.
Exhibit 6	NSSA BIPC minutes dated 23 November 2016.
Exhibit 7	NBS drawdown and proof of transfer of US\$1,413,767.47 dated 31 March 2017.
Exhibit 8	Copy of Chinhoyi NBS Project loan deal note.
Exhibit 9	Chinhoyi NBS Project loan facility agreement.
Exhibit 10	Board resolution for NSSA to become guarantor on Africom loan.
Exhibit 11	Indemnity agreement with Fernhaven.
Exhibit 12	Board resolution to pay ZAMCO.
Exhibit 13	Bank transfer to ZAMCO.
Exhibit 14	Minutes of Meeting with Honourable Minister Mupfumira held on 17 December 2014 at Ministers Office.
Exhibit 15	Minutes of NSSA Board Meeting held on 24 December 2014 at NSSA Board Room.
Exhibit 16	Minutes of Meeting with Honourable Minister Mupfumira held on 29 December 2014.
Exhibit 17	Letter from Gapare Nyaundi Legal Practitioners confirming TBs balances with Metbank.
Exhibit 18	Certified extract of the BIPC meeting on the support for fertiliser production.
Exhibit 19	Letter from Metbank to NSSA on the fundraising proposal.
Exhibit 20A	Letter from BancABC to Metbank expressing interest in the fertiliser deal.
Exhibit 20B	Letter from Ecobank to Metbank expressing interest in the fertiliser deal.
Exhibit 21	Letter from IPEC dated 28 June 2017 to the Ministry of Finance and Economic Development citing grounds for denial of the Prescribed Asset Status.
Exhibit 22	Letter from Metbank to the Ministry of Public Service Labour and Social Welfare on the update of the Prescribed Asset Status.
Exhibit 23	Letter from Metbank to the Ministry of Finance and Economic Development challenging the grounds for rejection by IPEC.
Exhibit 24	Letter from IPEC to Metbank advising them on the awarding of the Prescribed Asset Status of the deal.
Exhibit 25	File copy of the letter dated 30 June 2017 from Metbank to NSSA for the request for transfer of TBs to be used as security.
Exhibit 26	Letter dated 30 August 2017 from Mr Kundishora to Mr Hungwe notifying him of the securing of \$21,000,000 in foreign currency and the request of the treasury bills.
Exhibit 27	Response letter from Mr Hungwe to Mr Kundishora notifying him of the information requested for him to make a recommendation to the Board.
Exhibit 28	Letter from Mr Kundishora to Mr Hungwe citing the request of the TBs and how they will be used.

- Exhibit 29 Letter from Mr Mungwariri to Metbank notifying them on the release of TBs worth \$62,250,000.
- Exhibit 30 Letter from Mr Chawoneka (Executive Director at Metbank) to Ms Chitiga notifying of the intended use of TBs with a face value of \$31,125,000.
- Exhibit 31 Email from Mr Hungwe to Ms Chitiga in reaction to the letter dated 22 September 2017 from Metbank on the intended use of TBs.
- Exhibit 32 Follow up email from Mr Hungwe to Mr Mungwariri on the issue of TBs.
- Exhibit 33 Letter from Mr Mungwariri to Metbank responding to the letter dated 22 September 2017 from Metbank.
- Exhibit 34 Letter from Mr Ndebele (MD for Metbank) to Mr Mungwariri dated 25 October 2017.
- Exhibit 35 Letter from NSSA signed by Mr Chiuta to Metbank giving them authority to use TBs worth \$37,350,000.
- Exhibit 36 Letter dated 30 October 2017 from Mr Ndebele to Mr Mungwariri in response to the letter dated 20 October 2017 from NSSA.
- Exhibit 37 Email dated 30 October 2017 from Mr Hungwe to Mr Mungwariri suggesting a response to the 30 October 2017 letter from Metbank.
- Exhibit 38 Letter dated 19 January 2018 from Mr Ndebele to Ms Chitiga.
- Exhibit 39 Minutes of the meeting between NSSA and Metbank on 26 January 2018.
- Exhibit 40 Letter dated 29 January 2018 from Mr Mungwariri to Mr Ndebele.
- Exhibit 41 Memorandum dated 25 April from Mr Chiuta to Mr Mungwariri in the capacity of Acting GM.
- Exhibit 42 WhatsApp message from Mr Vela to Mr Chiuta dated 2 October 2017.
- Exhibit 43 Suspension letter of Mr Chiuta dated 9 May 2018.
- Exhibit 44 Letter dated 28 March 2018 from Metbank to RBZ following up on the Deed of Guarantee.
- Exhibit 45 Letter dated 7 June 2018 from Legal representation of Metbank to NSSA.
- Exhibit 46 Extract of the WhatsApp message from Mr Vela to Mr Hungwe dated 18 October 2017.
- Exhibit 47 Extract of the resolution to the BIPC meeting held on 25 October 2016.
- Exhibit 48 Full minutes of the BIPC meeting held on 25 October 2016.
- Exhibit 49 Memorandum of Agreement between NSSA and Metbank on the custodial agreement.
- Exhibit 50 Email from Mr Vela on the issue of delays in TB movements to Metbank.
- Exhibit 51 Instruction from NSSA to CBZ Bank to transfer TBs worth \$11,883,382.48 dated 27 October 2016.
- Exhibit 52 Instruction from NSSA to FBC Bank to transfer TBs worth \$9,000,000 dated 8 November 2016.
- Exhibit 53 Request from Metbank to borrow treasury bills worth \$20,000,000 from NSSA and the approval thereof.
- Exhibit 54 Extract of the resolution to approve the borrowing of \$20,000,000 by Metbank in retrospect.
- Exhibit 55 Letter from NSSA to Metbank notifying the expiry of the Loan Agreement between the parties.
- Exhibit 56 Initial letter from Metbank requesting extension on the loan agreement dated 1 November 2017.
- Exhibit 57 Extract of the resolution approving the extension of the TBs for further 6 months.
- Exhibit 58 Agreement between NSSA and Metbank to extend the borrowing of the TBs for another 6 months.

- Exhibit 59 Letter from Metbank citing the reasons of not returning the TBs upon maturity of the 6-month facility.
- Exhibit 60 Loan agreement between NSSA and Metbank for \$20,000,000.
- Exhibit 61 Notarial Deed of Cessation in favour of NSSA from Metbank.
- Exhibit 62A Notarial special covering bonds in favour of NSSA from Windmill (Private) Limited.
- Exhibit 62B Notarial special covering bonds in favour of NSSA from ZFC Limited.
- Exhibit 63 Email to Mr Hungwe from Mr Vela with a term sheet for the \$20,000,000.
- Exhibit 64 Analysis done by Mr Hungwe and recommendations made to the \$20,000,000 facility.
- Exhibit 65A Signed contract with ZFC Limited a sub-borrower to the loan facility.
- Exhibit 65B Signed contract with Windmill Limited a sub-borrower to the loan facility.
- Exhibit 66 Schedule of disbursements done to Metbank under the \$20,000,000 loan facility.
- Exhibit 67 Letter from ZFC Limited to Mr Hungwe dated 2 March 2017 notifying him of the status of the loan.
- Exhibit 68 Extract of the WhatsApp message from Mr Vela to Mr Hungwe dated 4 November 2016.
- Exhibit 69 Minutes of a Board Meeting held on 29 June 2016.
- Exhibit 70 Extract of minutes of the main board meeting held on 29 June 2016.
- Exhibit 71 Letter dated 24 June 2016 from Mr Ndebele to Dr Chikova notifying him of the title deeds and registration of mortgage bonds.
- Exhibit 72 Mortgage bonds of properties registered in favour of NSSA by Metbank.
- Exhibit 73 Loan agreement between NSSA and Metbank on the \$6,000,000 advance.
- Exhibit 74 Agreements of sale on properties acquired through a debt swap.
- Exhibit 75 Letter from Mr Matongerera to Mr Masoka dated 18 December 2013.
- Exhibit 76 Memorandum dated 29 December 2014 from Ms Mukondomi to Mr Masoka.
- Exhibit 77 Valuation report done by Bard Real Estate dated 29 June 2015.
- Exhibit 79 Agreement of Sale for four Metbank properties bought by NSSA.
- Exhibit 80 Municipality of Chegutu Minutes of a Meeting held on 3 November 2017.
- Exhibit 81 HCZ Caledonia off-take housing contract.
- Exhibit 82A CR 14 for HCZ.
- Exhibit 82B Certificate of Incorporation for HCZ.
- Exhibit 83 Email dated 16 June 2017, from Mr Vela to Mr Chihota.
- Exhibit 84 Email dated 23 June 2017, from Mr Chihota to Mr Vela.
- Exhibit 85 Email dated 3 July 2017, from Mr Vela to Mr Chihota.
- Exhibit 86 Zimnat Advance Payment Guarantee dated 29 July 2017.
- Exhibit 87 NSSA letter claiming payment of bond dated 25 July 2017.
- Exhibit 88 Stateland contract
- Exhibit 89 St-Ives contract
- Exhibit 90 Memorandum from Investments Division dated 27 July 2017 to the Chairperson BIPC and committees members.
- Exhibit 91A Certificate of Incorporation for Metro Realty (Private) Limited.

- Exhibit 91B CR14 for Metro Realty (Private) Limited.
- Exhibit 91C Articles of Association for Metro Realty (Private) Limited.
- Exhibit 92 Letter dated 22 May 2018 from Mr Muchete, Director Metro Realty with attached documents.
- Exhibit 93A Advance Payment Guarantee MET/BG/1701 for Stateland by Metbank dated 24 July 2017.
- Exhibit 93B Advance Payment Guarantee MET/BG/1702 for Stateland by Metbank dated 03 August 2017.
- Exhibit 94 Payment of US\$1,710,000 to Metro Realty towards Stateland project.
- Exhibit 95 Letter dated 8 August 2018 Authorising cession of land.
- Exhibit 96 Proof of Payment of US\$3,145 million and US\$3 million for St-Ives project
- Exhibit 97 Performance Bond by Clarion Insurance Company for St-Ives project.
- Exhibit 98 Agreement of Cession between Metro Realty and NSSA for St-Ives land.
- Exhibit 99 Letter dated 3 August 2017 from Ms Mugwira to Ms Zawanda.
- Exhibit 100 Drawcard contract dated 3 August 2017.
- Exhibit 101 Letter dated 15 May 2018 from Mr Muchete, a Director for Metro Realty with attached documents.
- Exhibit 102 Deed of Surety in favour of NSSA.
- Exhibit 103 Letter by Reuben Muchete dated 10 November 2017 where he was forwarding Drawcard performance bond in favour of Drawcard.
- Exhibit 104 Confirmation of bond by Export Credit Guarantee Corporation.
- Exhibit 105 Payment of US\$3.5 million to Drawcard.
- Exhibit 106 Stanton Chase comprehensive profiles of potential candidates for the position of Chief Executive Officer.
- Exhibit 107 Interview Score Sheet for the position of General Manager.
- Exhibit 108 Interview list used by the interview panel.
- Exhibit 109 Ms Chitiga appointment letter.
- Exhibit 110 Proserve Consulting Group initial Shortlist Candidates Summary dated March 2016 for the position of Chief Finance and Operations Officer.
- Exhibit 111 Consolidated Interview Rating Summary for the position of Chief Finance and Operations Officer.
- Exhibit 112 Proserve advert for the position of Director Investments.
- Exhibit 113 Interview Score Sheet for the Position of Director Investments dated 14 December 2017.
- Exhibit 114 Report by Memory Nguwi Human Resources Expert.
- Exhibit 115 Stanton Chase Shortlist of Candidates April 2016 for Chief Property Investments Officer.
- Exhibit 116 Stanton Chase Comprehensive profiles of potential candidates for the position of Chief Investments Officer for NSSA.
- Exhibit 117 Interview Scoresheet for the position Chief Investments Officer . .
- Exhibit 118 Letter dated 26 May 2016 with the approved remuneration framework.
- Exhibit 119 Memorandum dated 24 June 2016, seeking approval of the management team.
- Exhibit 120 Minutes of the Special Human Resources, Remuneration and Nominations Committee Meeting of 12 September 2017.
- Exhibit 121 Memorandum on 2015 bonuses.

Exhibit 122	Memorandum on 2016 bonuses.
Exhibit 123	Certified resolution for the board meeting held on 30 November 2017.
Exhibit 124	Letter dated 17 November 2017 to the Permanent Secretary.
Exhibit 125	Board Minutes for meeting held on 30 November 2017.
Exhibit 126	Minutes of a Special Human Resources Remuneration and Nomination Committee held on 15 November 2017.
Exhibit 127	Performance Reward Proposal
Exhibit 128	NSSA November 2011 Organogram.
Exhibit 129	Minutes of the Human Resources, Remuneration & Nomination Committee of 15 June 2016.
Exhibit 130	Letter with the new executive structure addressed to the Permanent Secretary dated 17 November 2017.
Exhibit 131	Email by Mr Vela to Mr Chihota dated 8 June 2017.
Exhibit 132	Email by Mr Vela to Mr Chihota dated 9 July 2017.
Exhibit 133	Emails between Mr Chihota and Mr Vela dated 27 and 29 July 2017.
Exhibit 134	Email from Mr Vela on vehicle loan waiting period.
Exhibit 135	Minutes of Non-Executive Directors dated 26 September 2017 setting new Board fees.
Exhibit 136	Letter to Permanent Secretary seeking approval of board retainer fees.
Exhibit 137	Letter containing new Board fees rates signed by Mr Vela.
Exhibit 138	Mr. Mutasa's email to Mr. Vela rejecting a 100% increase in board fees.
Exhibit 139	Supporting schedule for the payment of \$14,785 to Mr Vela.
Exhibit 140	Supporting document for the payment of \$5,769 to Mr Vela.
Exhibit 141	Extract of minutes to the Human Resources, Remuneration and Nomination Committee meeting held on 12 September 2017.
Exhibit 142	Contract of employment for Mr Bernard Machiha.
Exhibit 143	Copy of Payslip for the month of February 2018 for Ms Madume.
Exhibit 144A	Housing loan payments for Ms Madume.
Exhibit 144B	Housing Loan Application for Ms Daisy Madume.
Exhibit 145	Copy of Payslip for the month of September 2017 for Mr James Chiuta.
Exhibit 146	Vehicle Loan Application for Mr James Chiuta.
Exhibit 147A	Ministry approval of Mr Ruwende as an Investments expert.
Exhibit 147B	Contract for Mr Ruwende the investments expert.
Exhibit 148	Payroll report for December 2017 with payment of US\$509549.39 to Mr Mutiswa.
Exhibit 149	Mr Makwara letter of termination.
Exhibit 150	Mr Makwara letter of reinstatement.

Questionnaires

Exhibit Q1	Questionnaire completed by Honourable Minister Prisca Mupfumira
Exhibit Q2	Questionnaire completed by Mr Barnabas Matongerera
Exhibit Q3	Questionnaire completed by Mr Emerson Mungwariri
Exhibit Q4	Questionnaire completed by Mr Erasmus Mavondo
Exhibit Q5	Questionnaire completed by Mr Hebert Hungwe
Exhibit Q6	Questionnaire completed by Mr Isaac Isaki
Exhibit Q7	Questionnaire completed by Mr James Chiuta
Exhibit Q9	Questionnaire completed by Mr Kurauwone Chihota
Exhibit Q10	Questionnaire completed by Mr Ngoni Masoka
Exhibit Q11	Questionnaire completed by Mr Richard Fusire
Exhibit Q12	Questionnaire completed by Mr Robin Vela
Exhibit Q13	Questionnaire completed by Ms Cynthia Mugwira
Exhibit Q14	Questionnaire completed by Ms Elizabeth Chitiga
Exhibit Q15	Questionnaire completed by Ms Memory Mukondomi
Exhibit Q16	Questionnaire completed by Ms Nester Mukwehwa
Exhibit Q17	Questionnaire completed by Ms Takura Pwiti

1 BACKGROUND

Based on our meeting held with the NSSA Acting General Manager, we understood the following:

- National Social Security Authority (NSSA) is a statutory corporate body established in terms of the NSSA Act of 1989 (Chapter 17: 04), tasked by the Government to provide social security. This is done by instituting public policy measures intended to protect an individual in life situations or conditions in which his/her livelihood and well-being may be threatened, such as those affected by sickness, workplace injuries, unemployment, invalidity, old age, retirement and death.
- NSSA is administering two schemes: Pension and Other Benefits Scheme and Accident Prevention and Workers' Compensation Scheme.
- The NSSA board of directors is constituted by a tripartite equal representation from Government, employer representatives (EM COZ) and employees' representatives (ZCTU and ZFTU).
- Investments by NSSA cover real estate, equities, fixed income and housing developments.
- NSSA is a long-term investor and so the investment strategy is designed to take into consideration a long-term view of the macro environment. Through the investments, it strives to achieve strong long-term capital returns above market benchmarks.
- NSSA is driven by a liability-based investment Management approach wherein investment strategies are informed by benefit levels and contribution rates of the schemes that it manages.
- NSSA also invests in projects that support the national development agenda while offering an acceptable return to the Authority.

2 SCOPE

2.1 Mandate

The Auditor General engaged BDO Zimbabwe Chartered Accountants to perform a forensic investigation covering the period 01 January 2015 to 28 February 2018 and any other specific transactions prior to this period. The forensic investigation covered the following areas¹:

A: Investments

- a) Establish if related party transactions, if any, were above board and identify and quantify any out of the ordinary transactions with related parties.
- b) Establish if investments done with Metbank were in line with NSSA investments policies, NSSA Act and Public Finance Management Act.
- c) Advise on way forward regarding Capital Bank outstanding issues and recommend best way to resolve disagreements.
- d) Establish if all properties acquired by NSSA are legally owned by NSSA.
- e) Securitization of NSSA funds of off-take housing agreements.

B: Human resources

- a) Establish whether executive management recruited from 2015-2017 had been recruited in terms of NSSA policy and labour laws.
- b) Establish if current remuneration framework had been approved by the Board and parent Ministry.
- c) Establish whether the existing organizational structure and job grading had been approved by the Board and the parent ministry.
- d) Establish if Board and committee meetings are in line with the best practice of good corporate governance, Government directives and NSSA Act.
- e) Assess reasonableness of board expenses incurred and quantifying the same.

C: Pensioner database

Establish the accuracy of pensioner's database in terms of:

- a) Integrity of database;
- b) 23rd Century system appropriateness;
- c) Verifying existence of ghost pensioners;
- d) Weaknesses in database;
- e) Contributions against benefits;

¹ Annexure 1 - BDO Engagement Letter for the forensic investigation

D: Other

Investigate and report on any other issues that may arise.

2.2 Procedures Performed

We performed the following procedures:

A: Investments;

2.2.1 Establish if related party transactions, if any, were above board and identify and quantify any out of the ordinary transactions with related parties.

- We reviewed employee personal files to identify links to supplier companies involved in NSSA investment projects.
- We conducted company searches for suppliers involved in NSSA projects to confirm that the company shareholdings do not constitute a related party relationship.
- We requested and inspected company profiles for the companies involved in NSSA projects to establish related party relationships.
- Where related party relationship was established, we reviewed the board minutes and the declaration of interest registers to confirm proper approval and declaration.
- We obtained detailed ledgers of all known related parties and verified the transactions undertaken with the view of establishing that the transactions were above board and appropriately authorized by inspecting the underlying documentation.
- We evaluated and verified if the investments were in the best interest of NSSA and done at an arm's length value.
- We enquired with management and the head of internal Audit for more details on grey areas relating to related party transactions.

2.2.2 Establish if investments done with Metbank were in line with NSSA investments policies, NSSA Act and Public Finance Management Act.

- We obtained a thorough understanding of the NSSA investment policy, NSSA Act and the Public Finance Management Act.
- We requested for the investment movement schedules for all transactions entered with Metbank to establish the complete position.
- We reviewed all the investments done with Metbank and verified whether they were in compliance with the above statutes.

- We requested, inspected and reviewed Board minutes, contracts and other correspondences to verify whether all transactions entered with the bank were approved and bona fide.
- We requested and inspected internal audit reports to establish whether there were issues relating to Metbank which were raised before.
- We sought third party confirmations from Metbank and other related parties.
- We enquired of management, internal audit and NSSA legal officer of any irregularities noted.
- We performed company searches to establish the owners and relationships of companies associated with Metbank investments.
- Requested responses from responsible management officials through questionnaires.

2.2.3 Advise on way forward regarding Capital Bank outstanding issues and recommend best way to resolve disagreements.

- We enquired from management and reviewed the documentation in place to understand the background of the dispute.
- We documented the sequence of events from the start to current and detail all the outstanding issues
- We made recommendations on the way forward.

2.2.4 Establish if all properties acquired by NSSA are legally owned by NSSA.

- We Obtained a listing of all NSSA properties from Finance, Properties and Investments departments.
- We compared the two lists to identify differences to ensure completeness of the properties.
- We inspected copies of all title deeds from NSSA.
- We reconciled the title deeds with the list to identify any properties that do not have title deeds.
- We inspected the title deeds records at the Deeds and Intellectual Properties Office to identify any caveats, endorsements and deductions on the Title deeds.
- We agreed information from NSSA Deeds to Deeds Office information to identify mismatches.
- We investigated the reasons why some properties did not have title deeds.

- We verified ownership for properties without title by reviewing records at the Deeds office to identify the owner, reviewing agreements of sale if any.

2.2.5 Securitization of NSSA funds for off-take housing agreements.

- We obtained and reviewed Off-take housing agreements which NSSA entered with third parties.
- We obtained Board minutes and other correspondences to ensure that the Off-take housing agreements were properly approved.
- We requested for and inspected the security ceded to NSSA from the contractors for adequacy against the funds advanced.
- We sent confirmations to security providers to confirm the authenticity of the security cover.
- We sent confirmations to contractors under Off-take housing agreements to confirm receipts from NSSA.
- We reviewed and evaluated agreement documents to assess whether adequate investment appraisals were carried out.
- We conducted company searches for contractor companies to establish if these companies are not owned by NSSA officials.

B: Human resources;

2.2.6 Establish whether executive management recruited from 2015-2017 had been recruited in terms of NSSA policy and labour laws.

- We sought an understanding of the provisions of the NSSA Human Resources Policy and labour laws.
- We identified additions to executives through the analysis of changes to the payroll.
- We investigated the reasons resulting in the post being vacant or open.
- We verified if the post was approved at the appropriate level.
- We reviewed records to identify if the post was advertised as per NSSA policy.
- We obtained the list of shortlisted candidates and reconciled it to those interviewed to identify imposed candidates.
- We verified interview documents to identify any imposition of appointees by reviewing the list of shortlisted candidates.

- We inspected the appointees' personal files to;
 - o Identify if background checks were done for all appointees.
 - o Obtain proof that the appointees applied for the jobs.
 - o Check if appointees were interviewed.
- We reviewed personal files for all new appointments to verify if due process was followed on their appointment

2.2.7 Establish if current remuneration framework had been approved by the Board and parent Ministry.

- We read the NSSA provisions of the remuneration policy to understand the Authority's remuneration policy.
- We inspected documents to verify if the remuneration levels were approved by the board and the parent Ministry.
- We checked for any salary increases or addition of benefits to confirm if the increases/additions were duly approved.
- We inspected documents to verify if all other employment benefits were duly approved.
- We requested for and inspected payroll records of all executives to verify whether they adhered to the approved remuneration framework.

2.2.8 Establish whether the existing organizational structure and job grading had been approved by the Board and the parent Ministry.

- We obtained the organogram before changes were made to get an understanding of how it used to be.
- We requested and inspected the Board and Ministerial approval for the old organogram.
- For the revised organogram, we requested for and inspected Board minutes and Ministerial approval in which the matter to change the organisational structure and job grading was approved.
- We reconciled the current executives and their grades to the existing approved organogram.

2.2.9 Identify and establish if Board and committee meetings are in line with the best practice of good corporate governance, Government directives and NSSA Act.

- We obtained from the Company secretary Board attendance register for all meetings held during the period under review.
- We inspected the board rates for approval by the Parent Ministry.
- We reconciled the board fees ledger to the attendance register to identify undue payments.
- We verified if board sessions were following the NSSA Act to identify occurrence of more than unwarranted meetings.
- Reviewed the director's duties and responsibilities according to the NSSA Act.
- We identified any breach of ZIMCODE provisions by directors.
- We compared the committees of the NSSA Board against committees of other parastatals to assess whether they were within best practice of good corporate governance, Government directives and the NSSA Act.
- We inspected the calendar of the Board and Committee meetings to verify whether the frequency of the meetings was within the best practice.

2.2.10 Assess reasonability of board expenses incurred and quantifying the same

- We extracted the board fees payments from the system.
- We obtained and reviewed Board members engagement letters to verify their conditions of services and benefits thereof to establish if there are other payments or benefits paid to board members falling outside the approved benefits.
- We obtained a schedule of board fees approved by the Minister.
- We agreed the board fees rates to the schedule of board fees approved by the Minister.
- We established possible Board fees threshold regarded to be reasonable by comparing board fees paid to board members of other companies and/or parastatals.

C: Pensioner's database;

2.2.11 Establish the accuracy of the pensioner's database in terms of;

a) Integrity of database

- We obtained the database used by NSSA in-order to verify its integrity through applying data analytic procedures.
- We subjected the database to a sensitivity test for all numerical fields within the database in-order to verify whether there were negative numbers and nil values contained.
- We used data analytical tools to identify dates and periods outside set parameters.
- We enquired from management on all issues identified above to in-order for us to satisfy ourselves.

b) 23rd Century system appropriateness

- We obtained and reviewed board minutes in-order to understand the deliberations and appointment of 23rd Century System to undertake the project.
- We reviewed reports done by NSSA appointed expert over the SAP system in-order to understand all issues around the system.
- We evaluated the information from the minutes and the report above and came up with our own assessment about SAP system appropriateness.

c) Verifying existence of ghost pensioner

- We obtained databases of the contributors, beneficiaries, employments and payments which were extracted in our presence.
- Using data analytics procedures, we isolated all payments made to beneficiaries from the payment data base in-order to separate payments from secondary beneficiaries.
- We matched the payments made to principal beneficiaries to the contributions database in-order to verify whether all beneficiaries had made contributions in their life time.
- We also matched the payments made to principal beneficiaries to the employment database in-order to verify whether all principal beneficiaries were registered to any employer.

- For secondary beneficiaries, we matched all payments made to the contributions database in-order to link the beneficiaries to the contributor.
- We performed duplication tests of Social Security Numbers to verify whether they were cases of duplicated beneficiaries.
- We physically verified the files of beneficiaries which were paid but did not appear in the contributions database to determine whether they were ghost pensioners or not.

d) Weaknesses in database

- We interrogated and checked the database tables to determine whether it accepted and saved records with missing fields.
- We reviewed the database for design flow to determine whether it was working as intended.
- We obtained and reviewed internal audit reports to identify reported weaknesses and their continued implications on the database.

e) Contributions against benefits

- We matched paid benefits with contributions to ensure that benefits were paid to pensioners who had once contributed in the past.
- We performed an analysis of all contribution income and investment income done to determine how the two sources of income were contributing to the payment of benefits.
- We reviewed the quality of N SSA investments to determine whether they will generate adequate investment income to fund future N SSA pension benefits.

3 PERIOD EXAMINED

Our forensic investigation covered the period from 1 January 2015 to 28 February 2018 and any other specific transactions prior to this period.

4 LIMITATIONS AND SUBSEQUENT EVENTS

- We have included all information that we came across which is relevant to the scope of our work. However, it is possible that documents and information exist which were not made available to us or which we were unable to locate.

- Any document or information brought to our attention subsequent to the date of this report which would affect our findings will require our report to be adjusted accordingly.

5 REGULATORY AND POLICY FRAMEWORK

NSSA operations are subject but not limited to the following regulatory and policy framework:

- National Social Security Authority Act of 1989 (Chapter 17:04)
- Public Finance Management Act (Chapter 22:19)
- Companies Act [Chapter 24:03];
- Labour Act [Chapter 28:01];
- Income Tax Act [Chapter 23:06];
- Criminal Law (Codification and Reform) Act [Chapter 9:23].
- National Code on Corporate Governance Zimbabwe
- Money Laundering and Proceeds of Crime Act No. 4/2013
- Procurement Act & Procurement Regulations (Chapter 22:14)

6.2 Financial prejudice from the issues investigated

We summarise below actual and potential financial prejudice suffered by NSSA from the issues investigated;

Description	Value US\$
Potential financial loss	167,713,756
Treasury bills and loan exposures to Metbank	62,003,756
Off-take housing agreements - HCZ	104,000,000
- Metro Realty (Metbank guarantee)	1,710,000
Actual financial prejudice	7,536,375
Overpayment on Metbank debt swap	4,172,000
Metbank properties bought at overstated prices	2,055,000
Unapproved costs - Executive Management	306,195
- Non-Executive Directors	86,322
Payment on Africom debt factoring	303,140
Payment of unauthorised contract extension	15,000
Payments to unfairly dismissed employees	598,718
Total	175,250,131

6.3 Investments with Metbank Limited

NSSA entered into a number of transactions with Metbank during the period under investigation. Most of the transactions did not make economic sense from NSSA's view point. This resulted in huge exposures to NSSA which stood at US\$62,003,796 as at the date of this report. It is pertinent to note that NSSA management had assessed Metbank as a high-risk client which could not be granted new facilities.

However, because of pressure from the then Minister of Public Service, Labour and Social Welfare, Metbank ended up getting facilities which were not merited. The exposure to NSSA is broken down as follows:-

Description	Value US\$
Treasury Bills -First Tranche	37,350,000
-Second Tranche	20,000,000
Sub-Total	57,350,000
Loan facilities	4,653,796
Total exposure	62,003,796

i) First tranche of treasury bills

On the first tranche, NSSA gave Metbank treasury bills worth US\$62,250,000 on a custodial arrangement. Metbank proceeded to pledge NSSA TBs with a face value of US\$37,350,000 without getting appropriate authority from NSSA. The letter which authorised Metbank to use the TBs was written and signed by the Executive Assistant to the General Manager, who had no authority to act in such a manner.

ii) Second tranche of treasury bills

NSSA gave Metbank TBs with a face value of US\$20 million on a custodial arrangement. Metbank sought and was granted authority by NSSA, at the right level, to use the TBs.

iii) Legal dispute

When NSSA discovered that its TBs worth US\$37,350,000 had been used by Metbank without getting appropriate authority, they took the matter to court. The other TBs with a face value of US\$24,9 million which had not been used by Metbank, were returned into NSSA's custody.

Metbank then advised NSSA that henceforth it was freezing all transactions with NSSA until the issue of US\$37,350,000 TBs has been settled by the court. The position taken by Metbank resulted in the following:-

- Inability by NSSA to recover its TBs with a face value of US\$37,350,000 [First tranche] and US\$20 million [Second tranche].
- Inability by NSSA to recover loan advances of US\$4,653,796.
- Suspension of the two off-take housing projects which were being done by Metro Realty.

On off-take housing projects, this was despite the fact that the contracts were awarded to Metro Realty and not Metbank.

The Authority should put measures in place to ensure recovery of the outstanding treasury bills and loan advances amounting to US\$62,003,796. In future NSSA should strictly adhere to its investment policy in line with the NSSA Act. Lending to financial institutions should be guided by the NSSA Risk department approved counter party trading limits.

6.4 Off-take housing agreements

During the period under investigation, NSSA awarded four off-take housing projects. According to the then Board Chairperson, off-take projects were an effort to meet the housing targets set by the Government by delivering low cost houses. We however noted that a number of key processes were not done before awarding the contracts. These included not going to tender, non-performance of due diligence on prospective contractors, non-evaluation of investment proposals. The responsible officials indicated that this was due to pressure to award the contracts within a short time frame.

However, none of the projects have progressed at per the set time frames. The status of the projects is as follows:-

Project name	Developer	Contract date	Target houses	Houses delivered	Deposit paid	Current status
Caledonia	Housing Corporation Zimbabwe	14 July 2017	8,000	Nil	US\$16m	On suspension
Stateland	Metro Realty	August 2017	695	Nil	US\$1,71m	Not yet commenced
St Ives	Metro Realty	24 July 2017	809	Nil	US\$6,145m	On suspension
Gweru Housing Project	Drawcard	3 August 2017	1,000	Nil	US\$3,5m	Not yet commenced

NSSA management was pressured into awarding the two contracts to Metro Realty without following due process. The contractor is related to Metbank which was also getting favours from NSSA as a result of the then parent Minister.

Drawcard is also related to Metbank and it was awarded the contract without going to tender.

HCZ/HAC was introduced to NSSA officials by the then Board Chairperson. The Chairman put pressure for the contract to be awarded within a short period of time. The contract which was awarded to HCZ had 4 roomed houses with a unit cost to NSSA of \$38,000. NBS had delivered 4 roomed houses at a unit cost of \$25,000 on the Dzivarasekwa project. The design and building materials used/being used on the 2 projects are different. However, considering that the thrust of NSSA was to deliver low cost houses, there was no justification for engaging a contractor whose houses were \$13,000/unit more expensive than the NBS price. This exposes NSSA to a total financial prejudice of \$104 million on the HCZ/HAC contract by choosing a more expensive contractor.

We recommend that NSSA should engage a quantity surveyor to carry out a cost appraisal on the Caledonia off-take housing project. This will confirm the exact extent to which NSSA was financially prejudiced. In addition, the Surveyor's report can be used in court in the event of litigation. The exercise should also cover the other off-take housing projects awarded to Metro Realty and Drawcard.

The off-take housing projects have not been a success. This can be attributed to NSSA not following due process during the awarding of the contracts. This was mainly as a result of interference by the then parent Minister and the non-executive Board Chairperson Mr Robin Vela.

6.5 Ownership of properties by NSSA

There are a number of properties which were bought by NSSA for which title has not yet passed.

Conditions of sale not yet fulfilled

Title deeds for properties with a market value of US\$15,908,000 have not been issued to NSSA because the conditions of sale have not been fulfilled. The conditions include construction of certain structures and payment of outstanding amounts. NSSA will get title once it fulfils the outstanding conditions.

Properties owned by parent Ministry or Worker's Compensation Fund

There are 28 properties which are in the financial statements of NSSA, but the title deeds are either in the name of the parent Ministry or the Worker's Compensation

Fund. The parent Ministry is in the process of transferring the assets to the Authority.

NSSA should review circumstances in which title is held due to failure to satisfy council conditions and come up with a plan to ensure that such conditions are fulfilled. The Authority should also speed up the process of transferring title from the parent Ministry or Worker's Compensation into its name.

6.6 Capital Bank issue

There is a dispute between NSSA and RFHL emanating from the waiver settlement agreement. As a result of the agreement NSSA became the majority shareholder in RMB and FML. RFHL shareholders are challenging the legality of the waiver agreement which gave NSSA control. RFHL is claiming US\$526 million in damages.

NSSA should seek legal advice on how to proceed so that the issue can be finalised.

6.7 Recruitment of executives

The Authority recruited several executives including the General Manager during the period under investigation. NSSA Human Resources Management Guidelines require that jobs should be offered to interviewed candidates on merit. In most of the cases, candidates who came first during the interviews were not offered the jobs. Reasons for giving the jobs to candidates who came second or third during interviews were not given.

Human Resources Committee Chairperson told us that their mandate was to conduct the interviews and rank the candidates according to the interview results for onward submission to either Mr Vela or the General Manager. Interview results for the General Manager and Chief Finance and Operations Officer were handed to Mr Vela while the results for other executives were given to the General Manager. There is no evidence on how the final selection was arrived at.

The current executives should be appraised to establish if they are performing at the expected level.

6.8 Remuneration framework

The existing remuneration framework for executive management was not approved by the then Minister as per the NSSA practice. While all the previous frameworks were being approved by the Minister, the existing framework was approved by the Permanent Secretary. The approval by the Permanent Secretary resulted in an increase in executive staff costs by US\$306,195 for the 10 months ended 30 September 2018.

We recommend that the existing remuneration framework for executive management should be forwarded to the parent Minister for approval in line with the requirements of the NSSA Act.

6.9 Management structure framework

The management structures for the period 2015 to 2016 were authorised by both the Board and the Minister. However, the structure was changed in 2017 without the Minister's approval. The 2017 change in structure was approved by the Permanent Secretary following a request which was made by the NSSA Board.

6.10 Promotion to executive level

Six managers were promoted to executive positions in December 2017. Five of those promoted had spent less than a year in their previous roles and one was still on probation. Most of them moved more than one grade with one moving five grades. No performance appraisal was done before the promotions.

We recommend that performance appraisals should be conducted for all the six managers who were promoted without following due processes to determine the suitability of such candidates at the executive level.

6.11 Corporate governance issues

We identified that in a number of instances, the former Board Chairman was interfering with executive management issues that led to decisions which were not in the best interest of NSSA. He was involved in awarding an off-take housing contract worth US\$304 million to HCZ without going to tender. In addition, he was also involved in the creation of a treasury bills custodial arrangement with Metbank where NSSA is now being exposed to potential financial prejudice to the tune of US\$57,350,000.

NSSA should seek legal counsel on how to deal with the involvement of the former Board Chairman in exposing the Authority to potential financial prejudice.

6.12 Board expenses

From January 2015 until November 2017, all amounts paid to the board members were properly approved by the parent Minister as required by the NSSA Act. However, in November 2017, the Board Chairperson sought an increase of board fees from the Permanent Secretary and was granted. The approval by the Permanent Secretary was irregular as the NSSA Act requires all board fees and expenses to be approved by the Minister. On implementing the irregular approval by the Permanent Secretary, the Board Chairperson gave executive management figures which were higher than those approved by the Permanent Secretary. Mr Vela's rates are the ones which were used to pay board fees from November 2017 until the board was dissolved in October 2018. The overpayment as a result of the irregular increase by the Permanent Secretary and the unauthorised additional increase by Mr Vela amounts to US\$86,322.

NSSA should seek legal counsel on how to deal with the involvement of the former Board Chairman in overpayment of board fees. Board fees should be approved by the parent Minister in accordance with the requirements of the NSSA Act.

6.13 Integrity of database

There were several changes to the pensioner database that took place during the period. NSSA abandoned the SAP system and introduced an in-house database known as Benefits Processing System (BPS). From our review we noted that the first database which was implemented at NSSA had several irregularities. These range from fields with missing information such as contact details, social security numbers and national identification numbers. As a result, the integrity of the database was highly compromised.

The new database, Benefits Processing System ("BPS") is operating well, however, there are still some challenges relating to migration of some of the data from the old system.

DETAILED FINDINGS

7 INVESTMENTS

7.1 Related party transactions

Definition of related party transactions

IAS 24 (9) - Related Party Disclosures defines a related party transaction as follows;

"A transfer of resources, services, or obligations between related parties, regardless of whether a price is charged"

(a) A person or a close member of that person's family is related to a reporting entity if that person:

- a) Has control or joint control over the reporting entity;
- b) Has significant influence over the reporting entity; or
- c) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Based on the above definition, the following related parties to NSSA were identified;

Entity	Shareholding by NSSA
Africom Continental (Private) Limited	47.7%
CBZ Holdings Limited	11.2%
Dubury Investments	36.2%
FBC Holdings Limited	35%
Fidelity Life Assurance Limited	35%
First Mutual Holdings Limited	68.8%
National Building Society	100%
OK Zimbabwe Limited	20.8%
Rainbow Tourism Group	67.3%
Star Africa Corporation	31.5%
Turnall Holdings Limited	32.6%
ZB Financial Holdings Limited	33%

Key Management Personnel

- Board members
- Executive Directors/Managers

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Authority directly or indirectly.

We identified and examined all the transactions entered into between NSSA and the related parties. We detail below transactions with related parties where we noted exceptions;

7.1.1 Transactions with NBS

- a) US\$78,827,500 loan facility to NBS for various off take housing projects

Background

On 4 October 2017, NSSA entered into a drawdown loan facility with NBS to the tune of US\$78,827,500. The facility was for undertaking various off-take housing projects.

Requirement

- According to Section 8, Subsection 8.1.2 of the NSSA Investment Policy, all investments in housing must be approved by the Board.

Findings

- We established that the off-take housing projects earmarked for the facility are as detailed in the table below;

Project	Town	Number of houses	Project cost US\$	Developer
Dzivarasekwa	Harare	600	11,100,000	N-Frasys
Chikanga Extension	Mutare	1,000	18,500,000	Globeny Construction
Shropshire	Gweru	1,000	18,500,000	Globeny Construction
Lot 834 & 835	Zvishavane	715	13,227,500	N-Frasys
Elmswood	Marondera	1,000	17,500,000	Tarcon
Total		4,315	78,827,500	

- To date, US\$28,6 million of the facility has been utilised. We have only examined transactions between NSSA and NBS. We have not examined the detailed transactions between the developer companies and NBS since this is not within our mandate per the terms of reference.

- On 14 September 2017, the BIPC approved the loan facility². However, there is no evidence that the main Board approved the project as required.
- The loan facility agreement was signed on 4 October 2017³. The signatory for NSSA was Mr Mungwariri and witnessed by Ms Mugwira and Mr Chihota while Mr Lameck Danga represented NBS.
- We enquired from Mr Mungwariri about this issue who told us that in 2012, the Board authorised or delegated the BIPC to approve investments on its behalf.
- We inspected the said minutes and established that the Board still required to ratify the BIPC decisions⁴. Accordingly, the NBS facility was not properly authorised.

b) Development of NSSA land in Chinhoyi by NBS

Background

- On 12 May 2017, an agreement was entered into between NSSA and NBS where NBS was to develop the NSSA land bank in Chinhoyi into residential houses.
- NSSA agreed to fund the project through a loan facility to NBS.

Findings

Increase in project costs without justification.

- On 10 August 2016, NBS management came up with a proposal to construct 500 units at a cost of \$7,552,410⁵ which translates to a full cost per unit of \$15,105. The proposal was approved by NBS Board.
- On 17 October 2016, NBS Managing Director, Mr Chitando made a presentation at the NBS Board Housing and Projects Committee. He advised the meeting that the project was now for 723 housing units at a cost of \$15,523,000⁶. The unit cost had increased by 42% to \$21,470 in a space of three months.
- Total additional cost for the project was quantified and amounted to \$4,601,895 (723 housing units x (\$21,470 - \$15,105))
- On 23 November 2016, the NSSA Board Investment and Procurement Committee approved the project based on the revised figures⁷. On enquiry, Mr Nziradzemhuka, gave us a copy of a feasibility study done by an outsourced company showing that certain important cost elements were omitted from the initial proposal.

² Exhibit 1- Minutes of the Investments & Procurement committee held on 14 September 2017 (Paragraph 6.7)

³ Exhibit 2- NSSA NBS US\$78 million loan facility for off take housing project.

⁴ Exhibit 3- Minutes of NSSA Board dated 27 September 2012 (Paragraph 13.23).

⁵ Exhibit 4- NBS Resolution dated 18 August 2016 passed by Round Robin Resolution.

⁶ Exhibit 5- Minutes of the NBS Housing Projects Committee meeting held on 17 October 2016.

⁷ Exhibit 6- NSSA BIPC Board minutes dated 23 November 2016 (Paragraph 3).

- The above is evidence that the project appraisal had not been properly done.

Payment made before formal approval of the project

- The Authority made a payment of \$1,413,767.47 on 31 March 2017 to NBS before a formal agreement had been signed with NBS⁸. The payment was recommended by Mr Fusire and approved by Mr Hungwe on 30 March 2017⁹.
- The payment was made based on a Funding Term Sheet signed on 8 February 2017.
- The loan agreement was signed on 12 May 2017 where NSSA was represented by Ms Chitiga and NBS was represented by Mr Lameck Danga¹⁰.
- Mr Mungwariri confirmed that the payment was based on the Funding Term Sheet before formal approval of the project¹¹.

⁸ Exhibit 7- NBS drawdown and proof of transfer for US\$1,413,767.47 made on 31 March 2017.

⁹ Exhibit 8- Copy of Chinhoyi Project loan deal note.

¹⁰ Exhibit 9- Chinhoyi land loan agreement for US\$15,523 million.

¹¹ Exhibit Q3 - Questionnaire for Mr Mungwariri page 3

7.1.2 Transactions with Africom

Background

- Africom (Private) Limited had a loan with Afreximbank, where it was failing to meet its repayment obligations.
- The capital amount outstanding was US\$15.8 million, with interest accruing at 6.5% per annum. The lender then demanded that shareholders should give guarantees on the outstanding balance.

Requirement

- A Board resolution passed 14 October 2013 authorised management to issue a guarantee to the extent of its 4.5% shareholding in Africom¹².

Findings

- We noted that on 12 December 2013, NSSA, having a shareholding of 4.5% in Africom, became the sole guarantor to the loan¹³. This action was contrary to the Board resolution.
- We also noted that Fernhaven Investments which had 51% shareholding in Africom indemnified NSSA and provided its property, Longcheng Shopping Mall as security¹⁴.
- The approval for NSSA to become a guarantor was signed by the former Public Service, Labour and Social Welfare, Minister (Nicholas Goche) on 4 December 2013¹⁵.
- The Authority failed to comply with the Board approval, as it became the sole guarantor of the full debt of US\$15,8 million when it only had a shareholding of 4,5%.

Financial prejudice resulting from the guarantee

- In September 2015 after Africom had persistently defaulted on servicing the debt, payment was demanded from the guarantor (NSSA).
- As per the indemnity agreement, NSSA should have foreclosed on the Fernhaven pledged Longchen property in order to raise the money to settle the debt.
- We were not availed with evidence of the Authority making efforts to foreclose on the pledged property. Instead, NSSA approached Zimbabwe Asset Management Company (ZAMCO) to take over the debt.
- A Board resolution dated 26 September 2017 gave instruction to pay ZAMCO a transaction cost of \$600,000 provided that management engaged the Ministry of Defence with the hope of getting them to pay part of the amount¹⁶. Ministry of Defence is the parent company for Fernhaven.

¹² Exhibit 10- Board resolution for NSSA to become guarantor on Africom loan

¹³ Exhibit 11- Indemnity agreement with Fernhaven

¹⁴ Exhibit 11- Indemnity agreement with Fernhaven (Paragraph 2.3)

¹⁵ Approval for NSSA to be guarantor could not be produced.

¹⁶ Exhibit 12- Board resolution to pay ZAMCO

- ZAMCO subsequently took over the debt on 16 January 2018 after NSSA had paid a transaction cost of \$606,279¹⁷.
- The Ministry of Defence is repaying 50% of the transaction cost (\$303,140) over an agreed period. This means the financial loss to NSSA on the transaction has been reduced to \$303,140.

¹⁷ Exhibit 13- Bank transfer to ZAMCO of US\$606,278.85

7.1.3 Organisations which got favourable treatment

Background

We have also identified other entities which do not meet the requirement of IAS 24 (Related party disclosures) but received favourable treatment during the period under investigation. These have been identified as follows;

Entity/person	Nature of transactions
Metbank	Treasury bills, investment properties and loan facilities
Metro Reality (Private) Limited	Off-take housing projects
HCZ	Off-take housing project
Drawcard	Off-take housing project
Stanton Chase	Human resources consultants and recruitment

a) Transactions with Metbank

Favourable treatment given to Metbank is evidenced by the following;

- Minister of Public Service, Labour and Social Welfare, Honourable P. Mupfumira, instructed NSSA to help Metbank with funding so that it could get out of its liquidity crisis.
- NSSA continued granting loans to Metbank whilst the bank had been ranked in the high-risk category and had a zero-counterparty trading limit.
- Metbank executives would put undue pressure on NSSA officials to get their transactions approved.
- We summarise in the table below transactions between NSSA and Metbank relating to TBs and other loan facilities;

Date	Description	Amount US\$	Repaid amount US\$	Outstanding balance US\$
29/06/2016	Loan facility	6,000,000	4,440,500	1,559,500
7/11/2016	Use of NSSA TBs by the bank to secure loans	20,000,000	-	20,000,000
8/11/2016	Fertilizer Loan facility	20,000,000	16,905,704	3,094,296
4/09/2017	Treasury bills released for safe custody	62,250,000	24,900,000	37,350,000
Total		108,250,000	46,246,204	62,003,796

- On 8 January 2014, NSSA entered into a debt swap arrangement with Metbank. It was agreed that the bank's debt of US\$25,336,161 be set off against the bank's investment properties which were pledged as security against the debt.
- On 15 September 2015, NSSA purchased Metbank properties for \$4,908,750. This was after Minister Mupfumira had directed that the NSSA Board should assist Metbank so that that it could come out of its liquidity crisis.

Findings

Findings on Metbank transactions have been adequately covered and reported separately under Investments section xxxx of the report.

b) Transactions with Metro Realty (Private) Limited

Background

- Metro Realty got favourable treatment from NSSA because of its links with Metbank. The company is owned by Mr Bvute and Mr Ndebele who are the executive directors of Metbank. Mr Ozias Bvute is the Group Chief Executive Officer of Metbank while Mr Belmont Ndebele is the Managing Director of the Bank.
- Favourable treatment given to Metro Realty is evidenced by the following;
 - Metro Realty was awarded two off-take housing agreements same day without going to tender.
 - According to Mr Chihota, the award of the two contracts was made at a meeting held at the Mr Vela's offices in the presence of the Minister and Metbank officials.
 - This was despite the fact that Metro Realty did not submit project proposals for consideration. In addition, the company did not have a track record of executing projects of a similar nature.

Transactions

- NSSA awarded two off-take housing contracts to Metro Realty without going to tender. The projects are St-Ives and Stateland both in Chinhoyi. The St-Ives contract was signed on 24 July 2017 while the Stateland was signed in August 2017.
- In Stateland contract, the developer was supposed to construct 695 houses. The units would be developed as follows;
 - 133 units on 300 square metres and
 - 562 units on 200 square metres
- On the St-Ives contract the developer was supposed to deliver 809 houses.

Findings

Findings on Metro Reality (Private) Limited transactions have been adequately covered and reported separately under Securitisation of NSSA funds of off-take housing agreements item 8.8.3 in this report.

c) Transactions with Housing Corporation Zimbabwe (Private) Limited (HCZ)

Background

HCZ got favourable treatment from NSSA after it was introduced to NSSA by the then Board Chairperson, Mr Vela. Mr Vela put pressure on NSSA officials to fast track the awarding of the contract. The favourable treatment to HCZ is evidenced by the following;

- The company was awarded a contract of US\$304 million without going to tender when it was a week old (i.e. from date of incorporation).
- The contract was awarded without following NSSA due process. No due diligence or investment appraisal was done.
- HCZ had no track record of executing projects of the same magnitude.
- HCZ was given the contract despite not having title to the land.

Transactions

- NSSA entered into an off-take housing agreement with HCZ. HCZ intended to acquire 3 pieces of land for the purpose of constructing 8,000 (eight thousand) housing units. The housing units were to be constructed in phases of 2,000 (two thousand) over a space of 30 months. The contract had a cost of US\$304 million which translates to US\$38,000 per housing unit.
- NSSA paid a deposit of US\$16 million towards the project.

Findings

Findings on HCZ transactions have been adequately covered and reported separately under Securitisation of NSSA funds of off-take housing agreements item 8.8.2 of this report.

d) Transactions with Drawcard Enterprises (Private) Limited

Background

Drawcard got favourable treatment from NSSA because of its relationship with Metbank and Metro Reality (Private) Limited.

The favourable treatment to Drawcard is evidenced by the following;

- Drawcard was awarded an off-take housing contract without going to tender.
- The contract was awarded without following NSSA due process. No due diligence or investment appraisal was done.

Transactions

- NSSA entered into an agreement with Drawcard Enterprises (Private) Limited. The agreement was for the construction of 1,000 units in Muzenya, Gweru which were to be delivered in four batches. The agreement provided that the houses were going to be constructed on land owned by Drawcard and was signed on 3 August 2017.
- NSSA paid a deposit of \$3,5 million and the deposit was fully secured by a performance bond issued by Export Credit Guarantee Corporation (Private) Limited in favour of NSSA.

Findings

Findings on Drawcard transactions have been adequately covered and reported separately under Securitisation of NSSA funds of off-take housing agreements item 8.84 of this report.

7.2 Investments with Metbank Limited

Background

- National Social Security Authority ("NSSA") has money market investments with Metbank ("the bank") dating back to 2011.
- For money market investments, NSSA deals directly with the bank. The money market investments include treasury bills custodial agreements, treasury bills lending and loan advances.

7.2.1 Minister Mupfumira's involvement in transactions between NSSA and Metbank

- The then Minister of Public Service Labour and Social Welfare, Honourable P. Mupfumira, was involved in some investment transactions between NSSA and Metbank. The Minister held joint and separate meetings with Metbank and NSSA executives.
- In one instance, she directed that NSSA Board should assist Metbank despite the bank having a default history and overdue loans with the Authority.
- We detail below relevant extracts from minutes of the meetings showing the extent of the Minister's involvement in Metbank transactions with NSSA;
 - Meeting 1: 17 December 2014 at the Minister's Office

A meeting held on 17 December 2014 at the Minister's Office at 1700 hours¹⁸.

Present: Hon P Mupfumira (Chairperson), Mr N Masoka (Permanent Secretary MPSSLW) Mr J Matiza (GM-NSSA), Mr R Fusire (Acting Director- Investments NSSA), Mr I. Isaki (NSSA), Mr O Bvute (Metbank), Mr B Ndebele and a third official from Metbank.

The summary of salient matters emerging from the meeting were;

- Mr E. Kamushinda from Metbank had made his presentation to the Minister and a solution to Metbank liquidity crisis was to be found.
- The Minister had heard both parties' arguments and had decided to dialogue with them to find a workable solution considering the need to promote indigenisation under ZIMASSET.
- Both parties were given an opportunity to make their presentations.
- The Minister requested NSSA to treat the matter as urgent and have recommendations submitted by the 29th of December 2014.

¹⁸ Exhibit 14- Minutes of Meeting with Honourable Minister Mupfumira held on 17 December 2014 at Ministers Office.

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¹⁸ Exhibit 14- Minutes of Meeting with Honourable Minister Mupfumira held on 17 December 2014 at Ministers Office.

o Meeting 2: 24 December 2014: NSSA Board Room

The second meeting was held on 24 December 2014: NSSA Board Room at 1000 hours¹⁹.

Present: Mr N Masoka (Permanent Secretary MPSSLW-Chairperson), Ms M Mukondomi (Director Finance-MPSSLW), Mr J Matiza (GM-NSSA), Mr R Fusire (Acting Director- Investments NSSA) and Mr H Chikova (Benefits Director-NSSA).

The summary of matters in the meeting were;

- Metbank had revised its request up to US\$20 million from US\$15 million.
- The Board recommended an outright purchase of Metbank properties worth US\$6.7 million. The US\$6.7 million was going to be split into US\$5 million for payment of small creditors and US\$1.7 million towards settlement of capital gains tax for properties bought from Metbank by NSSA.
- The Board, considering NSSA's cashflow position, would have to stop some of its projects and fund the purchase of the properties.

o Meeting 3: 29 December 2014: Minister's Office

A meeting was held on 29 December 2014 at the Minister's Office at 1030 hours²⁰

Present: Hon P Mupfumira (Chairperson), Mr N Masoka (Permanent Secretary MPSSLW), Mrs. Mukondomi (Director Finance MPSSLW) and Mr Vera (Director Investments-NSSA).

The meeting was a follow up to the meeting held on 17 December 2014 in which it was agreed that NSSA and Metbank should work out a solution to assist Metbank and promote indigenisation under ZIMASSET²¹.

The summary of key matters in the meeting were;

- NSSA had no appetite to purchase the Bank's assets and had no option suitable to assist Metbank given its previous record of failure to honour NSSA maturities. Since the Bank had a non-performing loan, it was difficult for NSSA to issue another loan.
- Mr Vera presented the NSSA proposal where the Board had agreed to do a revaluation of the Bank's properties which were held as security and purchase them up to a maximum of US\$6.7 million.
- Honourable Minister Mupfumira gave a directive to NSSA through the Office of the Permanent Secretary to meet Metbank officials to convey the way forward.

¹⁹ Exhibit 15- Minutes of NSSA Board Meeting held on 24 December 2014 at NSSA Board Room

²⁰ Exhibit 16- Minutes of Meeting with Honourable Minister Mupfumira held on 29 December 2014.

²¹ Minutes reported it was a follow up to meeting held on 19 December 2017 when the meeting was held on 17 December 2014.

7.2.2 Potential financial prejudice

According to the confirmation we obtained from Metbank, through their lawyers, PTG Attorneys, on 15 August 2018, the Authority was owed US\$57,350,000 worth of treasury bills by the bank²². In addition, there were other loan facilities outstanding which were not included on the confirmation. Details of exposure for both the TBs and loan facilities are shown below;

Description	Value US\$
Treasury Bills -First Tranche	37,350,000
-Second Tranche	20,000,000
Sub-Total	57,350,000
Other Loan facilities	4,653,796
Total exposure	62,003,796

a) First Tranche of TBs (US\$37,350,000)

Origins of the transaction

- In an extract of the BIPC meeting minutes indicated as held on 17 March 2017, it was agreed that management should put up a structure to support fertiliser companies using treasury bills as security. The total facility raised under the structure would be for a maximum of US\$30,000,000²³. The extract was dated 20 June 2017 and signed by Mr Vela and Mr Takawira.
- On 28 April 2017, Metbank wrote to NSSA requesting it to participate in the fundraising of US\$30,000,000 towards the importation of fertiliser and fertiliser raw materials. In this letter, they wanted NSSA to perform a dual role of providing security in the form of TBs to the syndicate of funders and underwriting the entire US\$30,000,000²⁴.
- The initial structure was meant to be financed by BancABC²⁵ and Ecobank²⁶ who had expressed interest in the structure and NSSA was coming in to provide the TBs as security. Metbank was the broker of the facility and the borrowers were Sable Chemical Industries Limited ("Sable Chemical") and Omnia Fertiliser Zimbabwe (Private) Limited ("Omnia Fertiliser").

²² Exhibit 17- Confirmation of TBs balances with Metbank by Gapare Nyaundi Legal Practitioners.

²³ Exhibit 18- Certified extract of the BIC meeting on the support for fertiliser production.

²⁴ Exhibit 19- Letter from Metbank to NSSA on the fundraising proposal.

²⁵ Exhibit 20A- Letter from BancABC to Metbank expressing interest in the fertiliser deal.

²⁶ Exhibit 20B- Letter from Ecobank to Metbank expressing interest in the fertiliser deal.

Conditions from Metbank for the fertiliser transaction to succeed

- Metbank wanted the deal to be awarded a prescribed asset status with IPEC. In a letter dated 28 June 2017 addressed to the Ministry of Finance and Economic Development copied to Metbank, IPEC did not recommend a conferment of prescribed asset status as it considered Metbank as financially unsound. It also indicated that the bank was under close monitoring by the Reserve Bank of Zimbabwe²⁷.
- On the same day, Metbank through Mr Kundishora, wrote a letter to Ms Mukondomi (Director of Finance in the Ministry of Public Service, Labour and Social Welfare and NSSA Board member) updating her of the status of the transactions. He indicated that they failed to obtain the Prescribed Asset Status and were hoping to use the office of the Director to obtain this status as this credit enhancement feature was specifically requested by the financiers²⁸.
- On 30 June 2017, Metbank wrote another letter to the Ministry of Finance and Economic Development addressed to Mr Manungo challenging the position taken by IPEC²⁹.
- On 25 August 2017, IPEC wrote to Metbank where they granted the Prescribed Asset Status to the deal³⁰.
- The deal failed to take off as Metbank failed to secure a deed of guarantee from the Reserve Bank of Zimbabwe which was a prerequisite from Ecobank to legally enter into agreement with Metbank.
- At this point, NSSA had not tendered any TBs to Metbank for safe keeping through the custodial arrangement which was already in place.

Representation by Metbank on the status of the transaction and the transfer of treasury bills

- On 30 June 2017, Metbank wrote to NSSA advising them that the bank was ready to receive security of TBs with a total face value of US\$62,250,000 against a double cover exposure of US\$31,125,000 including transaction cost. The letter was stamped 4 July 2017 by the office of Chief Investments Officer³¹. The reason behind the US\$62,250,000 was that the financiers wanted double cover for the US\$31,125,000.
- At this point, NSSA did not have a board resolution to release the TBs of this amount to support the transaction into the custody of Metbank.

²⁷ Exhibit 21- Letter from IPEC dated 28 June 2017 to the Ministry of Finance and Economic Development citing grounds for denial of the Prescribed Asset Status.

²⁸ Exhibit 22- Letter from Metbank to the Ministry of Labour and Social Welfare on the update of the Prescribed Asset Status.

²⁹ Exhibit 23- Letter from Metbank to the Ministry of Finance and Economic Development challenging the grounds for rejection by IPEC.

³⁰ Exhibit 24- Letter from IPEC to Metbank advising them on the awarding of the Prescribed Asset Status of the deal.

³¹ Exhibit 25- File copy of the letter dated 30 June 2017 from Metbank to NSSA for the request for transfer of TBs to be used as security.

- On 30 August 2017, Metbank wrote to NSSA (care of Mr Hungwe and copying Mr Chiuta) informing them that they had secured US\$21 million in foreign currency for the transaction. They also requested NSSA to tender TBs worth US\$62,250,000 but under a custodial arrangement³².
- On 31 August 2017, Mr Hungwe (of NSSA) responded to Metbank indicating that in order to seek board approval, NSSA needed to know who the borrowers were, information on subscribers, source of the foreign currency and any signed agreements between various parties to the deal. Once this information was provided, Mr Hungwe would make a recommendation to the board to consider the release of the said TBs³³.
- On the same day, Metbank responded to the letter from Mr Hungwe copying Ms Chitiga and Mr Vela insisting that NSSA should tender the TBs to Metbank under the custodial arrangement. Metbank committed to use the TBs for the purposes of the fertiliser transaction and also the release of the TBs would be after NSSA granted formal approval for the use³⁴.
- Despite Mr Hungwe's letter of 31 August 2017 setting conditions before the TBs could be released, on 4 September 2017, Mr Mungwariri authorised the release of TBs with a face value of US\$62,250,000 as requested by Metbank. He however, directed that the TBs should only be used for the said transaction and that there should be a formal approval to release the TBs from NSSA first³⁵. No Board approval to release the TBs was sought and Mr Mungwariri is insisting that at this level it was just for custodial arrangement³⁶.
- Mr Mungwariri exposed the Authority by his actions because based on Metbank letter of 31 August 2017, it shows that Metbank was desperate to use the TBs and he himself was also aware of the nature of the transaction.
- Mr. Mungwariri stated that the release of the TBs was done in consultation with the former Board Chairman, Mr. Vela, who was also Chairman of the BIPC³⁷.

Notification by Metbank to use the treasury bills and the responses by NSSA's executives

- On 22 September 2017, Metbank wrote to Ms Chitiga of NSSA notifying her that RBZ had signed a deed of guarantee in favour of the providers of the nostro dollars. They now wanted to use TBs of 120% of the amount to be raised as security, that is, US\$37.35 million³⁸.
- On 26 September 2017, Mr Hungwe wrote an email to Ms Chitiga copying Mr Mungwariri, Mr Chiuta and Mr Nziradzemhuka all from NSSA pointing out that

³² Exhibit 26- Letter dated 30 August 2017 from Mr Kundishora to Mr Hungwe notifying him of the securing of \$21,000,000 in foreign currency and the request of the treasury bills.

³³ Exhibit 27- Response letter from Mr Hungwe to Mr Kundishora notifying him of the information requested in order for him to make a recommendation to the Board.

³⁴ Exhibit 28- Letter from Mr Kundishora to Mr Hungwe citing the request of the TBs and how they will be used.

³⁵ Exhibit 29- Letter from Mr Mungwariri to Metbank notifying them on the release of TBs worth \$62,250,000.

³⁶ Exhibit Q3- Questionnaire for Mr. Mungwariri page 6.

³⁷ Exhibit Q3 - Questionnaire for Mr. Mungwariri page 6 (6b).

³⁸ Exhibit 30- Letter from Mr Chawoneka (Executive Director at Metbank) to Ms Chitiga notifying of the intended use of TBs with a face value of \$31,125,000.

NSSA currently did not have the board approval for the use of the TBs held by Metbank for the said transaction. He indicated that he had enquired on who the funders were and the underlying conditions, but this information was not received from Metbank³⁹.

- After almost three weeks without action on Metbank's letter of 22 September 2017, Mr Hungwe wrote another email to Mr Mungwariri copying Mr Chiuta citing that there was a need to respond to Metbank's letter. He drafted the letter to be sent to Metbank in-order to obtain sufficient information underlying the transaction⁴⁰.
- On 20 October 2017, Mr Mungwariri in the capacity of the Acting General Manager wrote a letter to the Managing Director of Metbank, Mr Ndebele responding to the 22 September 2017 letter. He reiterated that in order for NSSA to seek board approval for the release of the TBs, NSSA needed information on who the proposed borrowers were and other information regarding the other parties to the transaction. He pointed out that there should be a prior formal approval from NSSA for the release of the TBs⁴¹. This shows that it took NSSA a full month to respond to the issue of its TBs in the hands of Metbank.
- On 25 October 2017, Metbank, through Mr Ndebele, responded to the 20 October 2017 letter from NSSA. It was addressed to Mr Mungwariri pointing out that the TBs were already used as there was a written authority from NSSA which was also attached to the response⁴². We obtained this letter in the files availed to us by Mr Hungwe which he indicated had been given to him by Metbank. The letter was stamped received from the office of the Chief Social Security Officer on 27 October 2017. On enquiry with the secretary of the Chief Social Security Officer, she could not find where the letter had been booked as it was common practice to book all letters received from third parties.
- Mr Mungwariri told us that he was not aware of this letter. He also indicated that the attachment authorising Metbank to use NSSA TBs only came to light during internal investigations on the issue of the TBs. We were therefore not availed the original copy of the letter.
- Metbank pointed out that it had already used TBs worth US\$37,350,000 as it had been granted written approval for use of the TBs. They attached a letter dated 3 October 2017 from NSSA emanating from the General Manager's office but signed by Mr Chiuta on behalf of the General Manager⁴³. Again, Mr Mungwariri and Mr Hungwe insisted that they only became aware of the explicit authority given to Metbank by NSSA in 2018 and not in October 2017 as indicated in the 25th October 2017 letter from Metbank⁴⁴.

³⁹ Exhibit 31- E-mail from Mr Hungwe to Ms Chitiga in reaction to the letter dated 22 September 2017 from Metbank on the intended use of TBs.

⁴⁰ Exhibit 32- Follow up e-mail from Mr Hungwe to Mr Mungwariri on the issue of TBs.

⁴¹ Exhibit 33- Letter from Mr Mungwariri to Metbank responding to the letter dated 22 September 2017 from Metbank.

⁴² Exhibit 34- Letter from Mr Ndebele (MD for Metbank) to Mr Mungwariri dated 25 October 2017.

⁴³ Exhibit 35- Letter from NSSA signed by Mr Chiuta to Metbank giving them authority to use TBs worth \$37,350,000.

⁴⁴ Exhibit Q3 - Questionnaire for Mr. Mungwariri page 7 (9).

- On 30 October 2017, Mr Ndebele responded again to the 20 October 2017 letter from NSSA assuring NSSA that the bank was committed to see the transaction go through and there was no intention to deviate. As for the information that had been requested by NSSA, he pointed out that most information was already in the custody of NSSA. However, he committed that he would provide the same information not later than 17 November 2017⁴⁵. In this communication, there was no indication on whether Metbank had utilised the TBs or not.
- Mr Hungwe wrote an email to Mr Mungwariri on the same day (30 October 2017) stating that what Metbank was doing was not acceptable and the TBs should be returned. He suggested that Mr Mungwariri should write a very strongly worded letter insisting on the return of the TBs⁴⁶.

Subsequent events from the use of treasury bills by Metbank

- Despite the disagreement between NSSA and Metbank regarding the issue of TBs, the Board went on to extend a US\$20,000,000 loan facility of TBs for another 6 months which had been granted in November 2016.
- There was no evidence to suggest that the NSSA board was aware of the on-goings regarding the TBs tendered for the fertiliser transaction. This is evidenced by their non-action in recalling the TBs from Metbank and 2018 when the new Minister, Honourable Petronella Kagonye wanted to know the state of affairs of all transactions between NSSA and Metbank.
- On 19 January 2018, Mr Ndebele wrote to Ms Chitiga confirming that they had received TBs with a face value of US\$62,250,000 from NSSA under a custodial arrangement. He reiterated that on 3 October 2017, NSSA agreed to commit TBs with a face value of up to US\$37,350,000 towards securing funding mobilised by Metbank. He confirmed that the structure was yet to be finalised as they were currently waiting for a Deed of Guarantee from the Reserve Bank of Zimbabwe⁴⁷.
- From our enquiry from the executives at NSSA, they all insisted that they had not seen the letter giving Metbank express authority to use NSSA TBs by 19 January 2018.
- There was a meeting between NSSA and Metbank on 26 January 2018 to discuss the issues around the treasury bills. In attendance from NSSA were Mr Mungwariri, Mr Chiuta and Mr Mangoma and from Metbank, there was Mr Kundishora. In the meeting, it was argued that NSSA had given authority to commit a portion of the TBs. On enquiry with Mr Mungwariri, he said still at this point he had not seen the letter dated 3 October 2017 from NSSA to Metbank. In the same meeting, Mr Mungwariri proposed that Metbank should return TBs with a face value of US\$24,900,000 being the remainder from US\$62,250,000 and Metbank should apply for them if they wanted to use them⁴⁸.
- On 29 January 2018, Mr Mungwariri wrote a letter to Mr Ndebele in which he was responding to the 19 January 2018 letter and the meeting held between

⁴⁵ Exhibit 36- Letter dated 30 October 2017 from Mr Ndebele to Mr Mungwariri in response to the letter dated 20 October 2017 from NSSA.

⁴⁶ Exhibit 37- E-mail dated 30 October 2017 from Mr Hungwe to Mr Mungwariri suggesting a response to the 30 October 2017 letter from Metbank

⁴⁷ Exhibit 38- Letter dated 19 January 2018 from Mr Ndebele to Ms Chitiga

⁴⁸ Exhibit 39- Minutes of the meeting between NSSA and Metbank on 26 January 2018.

both parties on 26 January 2018. He wanted Mr Ndebele to provide the 3 October 2017 letter in which NSSA had given Metbank authority to use the TBs. Also, he wanted information about the borrowers, financiers, source of nostro funding, copies of agreements and the Deed of Guarantee from RBZ. He also wanted Metbank to transfer back TBs worth US\$24,900,000⁴⁹.

- On the same day (29 January 2018), Metbank transferred a parcel of TBs with a face value of US\$24,900,000 to NSSA's CSD account held at FBC bank. This was acknowledged by Mr Mungwariri in a letter to Metbank.

Establishment of the approval letter from NSSA to use the treasury bills

- According to the questionnaire from Mr. Mungwariri, he stated that on 22 March 2018, Ms. Chitiga told him that she had found the letter, signed on her behalf by James Chiuta, in her office authorising Metbank to use the TBs⁵⁰.
- Mr Chiuta gave a formal statement addressed to the Acting General Manager⁵¹. He detailed what had transpired to the point of signing the letter. He indicated that he had received a Whatsapp message on 2 October 2017 from Mr Vela⁵².
- The contents of the conversation were that Mr Vela indicated that Metbank had secured funding and wanted NSSA to release the TBs and some representatives of the bank would visit him the following day. In his response, Mr Chiuta confirmed to have spoken to Mr Kundishora and that he promised that he would see to it that the TBs are released by end of the week.
- Mr Chiuta confirmed that on the morning of 3 October 2017, Mr Bvute, Mr Ndebele and Mr Kundishora all from Metbank visited him requesting for a letter that would authorise them to use NSSA TBs which were already in their custody. He confessed that he erroneously did not keep a file copy and that because of how busy he had been, he forgot that he had signed such a letter.
- On 9 May 2018, Mr Chiuta was served with a suspension letter for acting without authority in authorising Metbank to use NSSA TBs in their safe custody⁵³.
- According to Mr. Vela, he told us that he cannot recall the said whatsapp message by Mr. James Chiuta hence could not comment on the same⁵⁴.

Status of the fertiliser transaction in 2018

- As at 28 March 2018, Metbank had not obtained a Deed of Guarantee from the RBZ as confirmed by their follow up letter to the Reserve Bank of Zimbabwe dated 28 March 2018⁵⁵.

⁴⁹ Exhibit 40- Letter dated 29 January 2018 from Mr Mungwariri to Mr Ndebele.

⁵⁰ Exhibit Q3 - Questionnaire for Mr. Mungwariri page 9 (12).

⁵¹ Exhibit 41- Memorandum dated 25 April from Mr Chiuta to Mr Mungwariri in the capacity of Acting GM.

⁵² Exhibit 42- Image of WhatsApp message from Mr Vela to Mr Chiuta dated 2 October 2017.

⁵³ Exhibit 43- Suspension letter of Mr Chiuta dated 9 May 2018.

⁵⁴ Exhibit Q12 - Questionnaire for Mr. Vela page 4 (6a).

⁵⁵ Exhibit 44- Letter dated 28 March 2018 from Metbank to RBZ following up on the Deed of Guarantee.

- NSSA through the office of the Acting General Manager, Mr Mungwariri wrote to Metbank on several occasions demanding the balance of TBs worth US\$37,350,000 without success.
- Metbank suggested that an escrow agreement be signed between the parties with Metbank being the custodian of the account. NSSA was not in agreement with this and sought recovery through their lawyers Mawere and Sibanda.
- Metbank in their response through their lawyers, Gapare Nyaundi Legal Practitioners, detailed all the transactions it had with NSSA and accused NSSA of wanting to breach agreements. As such, Metbank put all transactions with NSSA on hold including other transactions not involving the TBs.⁵⁶
- From the review of the 2018 main Board and the BIPC minutes availed to us, there were no discussions on the issue of the recovery of the TBs and other loans from Metbank.
- The NSSA investment procedure manual section 8.4, gives guidelines on the quality of security and how this should be applied on banks wanting to deal with the Authority. All the TBs and loans granted to Metbank should have been adequately secured. Management proceeded to approve loans and release TBs to Metbank without complying with the NSSA investment policy guidelines hence exposing the Authority to potential financial prejudice.
- According to Mr. Mungwariri, he was guided by the terms and conditions of the Custodial agreement with Metbank⁵⁷.

b) Second Tranche of TBs (US\$20,000,000)

Establishment of the custodial agreement

- On 18 October 2016, Mr Vela sent a WhatsApp message to Mr Hungwe requesting for information on the issue of treasury bills to Metbank. The message suggested that there was some pressure on Mr Vela for the deal to happen as he highlighted that he was being put in a difficult position due to the delays. He indicated that this would only be a custodial arrangement and there would be no risk to NSSA⁵⁸.
- There was a resolution availed to us making reference to a BIPC meeting held on 25 October 2016 in which the BIC members voted for the creation of the custodial account with Metbank. The members signed the resolution on 15 November 2016⁵⁹.
- However, when we inspected the minutes of the BIPC for the meeting held on 25 October 2016, there was nothing referring to the creation of custodial account with Metbank⁶⁰.

⁵⁶ Exhibit 45- Letter dated 7 June 2018 from Legal representation of Metbank to NSSA.

⁵⁷ Exhibit Q3 - Questionnaire for Mr. Mungwariri page 6 (6a).

⁵⁸ Exhibit 46- Extract of the WhatsApp message from Mr Vela to Mr Hungwe dated 18 October 2017.

⁵⁹ Exhibit 47- Extract of the resolution to the BIC meeting held on 25 October 2016.

⁶⁰ Exhibit 48- Full minutes of the BIC meeting held on 25 October 2016.

- A custodial agreement solely for safe keeping of the treasury bills was signed on 26 October 2016⁶¹. The agreement required Board approval for any deviation from custodial arrangement.
- According to Mr Vela on 7 November 2016, NSSA had not yet released TBs to the bank for safe keeping. This prompted Mr Vela to write an email to Ms Chitiga, Mr Hungwe and Mr Mungwariri. He cited that the BIPC had directed that TBs amounting to at least US\$20m held by CBZ be moved to Metbank. This was supposed to have happened before 31 October 2016. He wanted to know why there was a delay and who had caused the delay⁶². This suggests that Mr Vela was involved in the transaction, yet the arrangement was just for safe custody.
- However, this contradicts the information that we obtained from the Treasury back office which showed that TBs worth US\$11,883,382.48 from CBZ Bank had been transferred on the 27th of October 2016⁶³, which was a day after the agreement had been signed. A parcel of US\$9,000,000 worth of TBs was also transferred from FBC bank on 8 November 2016⁶⁴ bringing the total to US\$20,883,382.48.

Request by Metbank to use treasury bills held in custody

- On the 7th of November 2016, Metbank wrote to Ms Chitiga requesting to borrow treasury bills in the sum of US\$20,000,000 to secure short-term market deposits and RBZ accommodation. The tenor was for 1 year. This was in line with the initial custodial agreement contract signed between the parties in which an approval was to be sought before the use of the TBs by the bank. Mr Mungwariri authorised on behalf of Ms Chitiga for NSSA⁶⁵. The letter was stamped 9 November 2016 by NSSA as date of receipt. Mr Mungwariri acted in contravention of the NSSA investment policy by investing the Authority's TBs without Board approval.
- In return, NSSA earned a flat fee of 0.75% of the borrowed amounts. This was the first time such a transaction had happened.
- From a copy of the resolution availed to us which was drafted by Mr Hungwe and sent to Mr Vela on the 14th of November 2016, all the other members of the BIPC voted for the release of the TBs. However, Mr Ruwende, the Board appointed investment expert had his reservations that he raised. This resolution was by round robin where members of the BIPC were to vote either for or against the resolution⁶⁶. This shows that management released TBs to the bank on 7 November 2016 for use before the BIPC approved the transaction on 14 November 2016.
- We also noted that the above BIPC round robin resolution was not ratified by the main Board at its next meeting as required by the NSSA Act.

⁶¹ Exhibit 49- Memorandum of Agreement between NSSA and Metbank on the custodial agreement.

⁶² Exhibit 50- Email from Mr Vela on the issue of delays in TB movements to Metbank.

⁶³ Exhibit 51- Instruction from NSSA to CBZ Bank to transfer TBs worth \$11,883,382.48 dated 27 October 2016.

⁶⁴ Exhibit 52- Instruction from NSSA to FBC Bank to transfer TBs worth \$9,000,000 dated 8 November 2016.

⁶⁵ Exhibit 53- Request from Metbank to borrow treasury bills worth \$20,000,000 from NSSA and the approval thereof.

⁶⁶ Exhibit 54- Extract of the resolution to approve the borrowing of \$20,000,000 by Metbank in retrospect.

- According to the questionnaire from Mr. Mungwariri, he is insisting that the release of the TBs was approved by the BIPC on 26 October 2016⁶⁷. This is contrary to the fact that the request for the TBs by Metbank was only made on 7 November 2016. In addition, the minutes of 25 October 2016 do not contain anything relating to release of TBs to Metbank.
- There was no security for the release of the TBs which resulted in an unsecured loan to Metbank.

Request for extension by Metbank on the borrowed treasury bills

- Near the maturity of the 1-year tenor which was 7 November 2017, NSSA wrote to Metbank notifying them to prepare for the return of the borrowed TBs on 31 October 2017⁶⁸. Metbank responded the following day requesting for an extension of an additional 6 months⁶⁹.
- In a resolution of the BIPC dated 15 December 2017 signed by Mr Vela and Ms Mugwira, the approval was granted⁷⁰. In this resolution, it was agreed that Metbank was to pay a fee of 1% of the borrowed amount payable upfront. However, Metbank paid an upfront fee of 0.75% resulting in financial prejudice of US\$50,000.
- Despite the lost revenue, on 18 December 2017, a contract was signed between NSSA and the bank for the extension⁷¹ up to 18 June 2018. Mr Mungwariri signed for NSSA.
- According to Mr. Mungwariri, the approved rate was 1% per annum and the rate was negotiated upwards to 1,5% per annum. This translates to 0,75% for 6 months⁷². However, the board minutes only talk of a tenor of 6 months at an upfront flat fee of 1%.
- On maturity, Metbank did not return the TBs arguing that NSSA had not given a 2 weeks prior notice as stipulated in the agreement and thus had rolled forward for another 6 months⁷³. According to Mr. Mungwariri, NSSA had no intention to rollover the TBs and therefore section 7 of the Funding Term Sheet did not apply which require giving of notice⁷⁴.
- On review of BIPC minutes of a meeting held on 13 March 2018, we noted that one unnamed member of the committee commented that the resolution on Metbank was that there would be no further investment in the bank after a request had been made for the extension. The decision to rescind had not been made at the BIPC and therefore it was a puzzle as to how the extension was granted. This contradicts the BIPC resolution of 15 December 2017 signed by Mr Vela and Ms Mugwira.

⁶⁷ Exhibit Q3 - Questionnaire for Mr. Mungwariri page 9 (13).

⁶⁸ Exhibit 55- Letter from NSSA to Metbank notifying the expiry of the Loan Agreement between the parties.

⁶⁹ Exhibit 56- Initial letter from Metbank requesting extension on the loan agreement dated 1 November 2017.

⁷⁰ Exhibit 57- Extract of the resolution approving the extension of the TBs for further 6 months.

⁷¹ Exhibit 58- Agreement between NSSA and Metbank to extend the borrowing of the TBs with 6 months.

⁷² Exhibit Q3 - Questionnaire for Mr. Mungwariri page 10 (14).

⁷³ Exhibit 59- Letter from Metbank citing the reasons of not return the TBs upon maturity of the 6 month facility.

⁷⁴ Exhibit Q3 - Questionnaire for Mr. Mungwariri page 10 (15b).

- NSSA TBs worth US\$20,000,000 are held by Metbank without security. These TBs are part of the investments held back by Metbank pending the outcome of the court case. NSSA is exposed to financial prejudice to the tune of US\$20,000,000 plus interest.

c) Other loan facilities to the bank - US\$4,653,756

i. US\$20,000,000 loan facility

Request for a loan facility by Metbank

- NSSA entered into a US\$20,000,000 loan facility agreement with Metbank on the 8th of November 2016. This loan had 2 sub borrowers ZFC Limited and Windmill (Private) Limited who were going to draw down from the facility equally from Metbank⁷⁵.
- The loans were secured by a notarial deed of cessation in favour of NSSA from Metbank⁷⁶ and notarial special covering bonds from Windmill (Private) Limited and ZFC Limited⁷⁷. The sub-borrowers pledged their output and debtors as security. This kind of security was first of its kind for NSSA and not documented anywhere in the investment operations manual.
- On the 6th of October 2016, Mr Vela sent an email to Mr Hungwe with a term sheet attached for the US\$20,000,000 funding for review. The term sheet was already signed by Mr Chawoneka for and on behalf of Metbank Limited and stamped 5 October 2016⁷⁸, an indication that Metbank had already discussed the issue of funding with Mr Vela.
- In his response on the same date, Mr Hungwe indicated that he did not have much experience in trade finance. But he indicated that the structure in his opinion was not in the best interest of NSSA⁷⁹.

Analysis performed by Mr Hungwe to the loan proposal

- On 1 November 2016, Mr Hungwe sent an analysis he had done to alter the structure brought forward by Mr Vela⁸⁰. In the same email, he indicated that he had sent the same analysis to the Management Investment Committee ("MIC") and the majority of the members were in agreement with this analysis compared to what was initially put forward by Mr Vela.
- In his response to the email on the same date copied to Ms Chitiga, Mr Mutiswa and Mr Ruwende (board appointed investment expert), Mr Vela indicated that the deal could go on as re-structured by Mr Hungwe though he indicated that he was not approving the deal. He stated that his reasons for disapproving were mentioned to Mr Hungwe telephonically and on several other occasions.

⁷⁵ Exhibit 60- Loan agreement between NSSA and Metbank for \$20,000,000.

⁷⁶ Exhibit 61- Notarial Deed of Cessation in favour of NSSA from Metbank.

⁷⁷ Exhibit 62A- Notarial special covering bond in favour of NSSA from Windmill (Private) Limited and Exhibit 62B- Notarial special covering bond in favour of NSSA from ZFC Limited.

⁷⁸ Exhibit 63- E-mail to Mr Hungwe from Mr Vela with a term sheet for the \$20,000,000 attached.

⁷⁹ Refer to Exhibit 63: Response e-mail from Mr Hungwe to Mr Vela dated 6 October 2017.

⁸⁰ Exhibit 64- Analysis done by Mr Hungwe and recommendations made to the \$20,000,000 facility.

- In his closing remarks in the same email, Mr Vela said the following:
*"We will then execute on the basis of the same and indeed evaluate management on the success or failure of their suggestion. I would like it explicitly understood that this is management's determined direction"*⁸¹.
- Mr Hungwe did not pursue the route he had recommended as he concluded that the board chairman did not support the whole arrangement as structured by him.

Approval of the loan facility to Metbank

- A draft resolution from a BIPC meeting held on the 25th of October 2016 was sent to Mr Vela on the 14th of November 2016, where all members voted for the resolution by round robin on the 15th of November 2016⁸².
- Contracts with sub-borrowers were signed between 8 and 10 November 2016⁸³. Documents provided from treasury back office department, showed that the loan was disbursed to the bank in 4 instalments with the first disbursement on the 25th of November 2016 and the last disbursement on the 21st of December 2016⁸⁴.
- On the 2nd of March 2017, ZFC Limited, one of the sub-borrowers to the facility wrote a letter to NSSA with reasons why they had not drawn on the facility. They indicated that they wanted to make foreign payments using the proceeds of the facility, but the bank had failed to avail foreign funding⁸⁵. This was in contradiction with the communication in a WhatsApp message sent to Mr Hungwe by Mr Vela on 4 November 2016 which said once the amount was transferred to Metbank, the sub-borrowers would access it all at once⁸⁶.
- Note that this loan facility was being serviced properly and on time. However, due to the issue of the TBs that triggered a legal route to recover the balance of US\$37,350,000 from Metbank, all transactions were put on hold pending the outcome of the case. The outstanding balance on this loan including interest was US\$3,094,296 at the time. This is the potential financial prejudice on this loan facility.

ii. US\$6,000,000 loan facility

- In a board meeting held on 29 June 2016, it was resolved that Metbank had to be supported since it was one of the remaining indigenous banks left in Zimbabwe⁸⁷.

⁸¹ Exhibit 64- E-mail from Mr Vela to Mr Hungwe on the issue of the \$20,000,000 loan facility.

⁸² Refer To The Bic Meeting of 25/10/16 and the Resolution done 15/11/16

⁸³ Exhibit 65A- Signed contract with ZFC Limited a sub-borrower to the loan facility.

Exhibit 66B- Signed contract with Windmill Limited a sub-borrower to the loan facility.

⁸⁴ Exhibit 66- Schedule of disbursements done to Metbank under the \$20,000,000 loan facility.

⁸⁵ Exhibit 67 - Letter from ZFC Limited to Mr Hungwe dated 2 March 2017 notifying the status of the loan.

⁸⁶ Exhibit 68- Image of the WhatsApp message from Mr Vela to Mr Hungwe dated 4 November 2016.

⁸⁷ Exhibit 69- Minutes of a Board Meeting held on 29 June 2016.

- It was agreed that the bank be allocated a facility of US\$6 million which would go towards low cost housing mortgage loan and/or self-liquidating structured loans⁸⁸.
- The loan was to be secured by TBs and properties which were supposed to be valued by NSSA appointed valuers. On 3 October 2016, NBS carried out a valuation of the properties put forward by Metbank. These properties were once mortgaged in favour of NSSA by Metbank in 2011. In January 2016, NSSA had written to Metbank to cancel the mortgage bonds but this had not been effected. Therefore, the same mortgage bonds registered in 2011 were still valid and were also used in this regard^{89 90}.
- On the 4th of October 2016, a loan agreement granting US\$6,000,000 to the bank was signed⁹¹.
- Due to the issue of the TBs, loan repayment is on hold. The outstanding balance to the loan including interest is US\$1,559,500 which is the potential financial prejudice to date.

Total potential financial exposure to NSSA from other loan facilities amounted to US\$4,653,756 (3,094,296 + 1,559,500)

7.2.3 Metbank debt swap

- The bank had outstanding maturities from funds advanced by NSSA from 2013 going backwards. The total outstanding amount as at 31 December 2013 was US\$25,336,161.
- NSSA agreed to a debt swap arrangement with the bank to clear the outstanding amount. Metbank offered five properties as settlement. An agreement was reached in January 2014. However, no property valuations were done near the date of settlement. Three properties had last been valued by a Metbank appointed valuer in 2011 and one in 2012. NSSA had valued the fifth property in 2013. This was in contradiction to the investment operations manual which stipulates that valuations are to be done by a NSSA appointed valuer.
- Agreements of sale for the properties were signed on 8 January 2014⁹².
- In a letter referenced *SV/rf/18/12/13* written to Mr Masoka by Mr Matongera (Acting GM at this time) dated 18 December 2013, it was agreed to use the average between the market sale value and the forced sale value. Mr Masoka agreed to this recommendation⁹³. This however contradicted the investment operations manual which stipulated that the forced sale value should be used when dealing with debt swaps. The following properties were acquired:

⁸⁸ Exhibit 70- Extract of minutes of the main board meeting held on 29 June 2016.

⁸⁹ Exhibit 71- Letter dated 24 June 2016 from Mr Ndebele to Dr Chikova notifying him of the title deeds and registration of mortgage bonds.

⁹⁰ Exhibit 72- Mortgage bonds for properties registered in favour of NSSA by Metbank.

⁹¹ Exhibit 73- Loan agreement between NSSA and Metbank on the \$6,000,000 advance.

⁹² Exhibit 74- Agreements of sale on properties acquired through a debt swap.

⁹³ Exhibit 75- Letter from Mr Matongera to Mr Masoka dated 18 December 2013.

Table 1: List of properties acquired through a debt swap arrangement;

Property	Valuer	Valuation date	Forced sale value US\$	Market value US\$	Average value US\$
83 stands Lot J, Borrowdale Estate	Trust Properties	17/01/2013	11,000,000	14,564,000	12,782,000
80 stands Lot J, Borrowdale Estate	CBRE	07/12/2012	6,500,000	9,580,000	8,040,000
Sub division A of Oaklands	CBRE	20/12/2011	3,000,000	3,840,000	3,420,000
Sub division A of stand 6 Lot C of Borrowdale	CBRE	31/08/2011	180,000	200,000	190,000
Sub division B of Oaklands	CBRE	20/12/2011	3,000,000	3,840,000	3,420,000
Total			23,680,000	32,024,000	27,852,000

- Using the average value resulted in NSSA paying an extra US\$4,172,000.
- On subsequent valuations carried out by NSSA, the Authority has suffered a potential financial prejudice to the tune of US\$22,257,529 through impairment for the three years from 2015 to 2017. The financial prejudice suffered is shown in the table below per property;

Property description	Impairment/Loss (US\$)
83 stands Lot J Borrowdale Estate	11,451,012
80 stands Lot J Borrowdale Estate	6,363,092
Subdivision A of Oaklands	2,220,000
Subdivision A of stand 6 Lot C of B/Dale Estate	-
Subdivision B of Oaklands	2,223,425
Sub total	22,257,529

- There was gross negligence on the part of management as it failed to independently value the properties taken over from Metbank at the time of debt swap and this led to a significant potential financial prejudice to the Authority.

7.2.4 Loss on outright purchase of Metbank properties

- In October 2014, Metbank approached NSSA requesting funding of US\$15,000,000. The issue was tabled in the MIC and a memorandum was written to the interim board chaired by Mr Masoka on 29 December 2014⁹⁴. Honourable Mupfumira was also in copy.

⁹⁴ Exhibit 76- Memorandum dated 29 December 2014 from Ms Mukondomi to Mr Masoka.

- In the same communication, a recommendation was made to outrightly acquire properties worth US\$5,000,000 from the bank as the bank had indicated that this amount would turn around its performance.
- The recommendations were approved by both Mr Masoka and Minister Mupfumira⁹⁵.
- Valuations for the properties were done by Bard Real Estate. Bard produced its valuation report on 29 June 2015 as indicated below:

Table 2: List of properties acquired per the valuation report produced by Bard Real Estate⁹⁶

Property description	Market value US\$	Forced sale value US\$	Median value US\$	Purchase price US\$	Variance US\$
	A	b	$c=(a+b)/2$	d	e=d-b
Lot 1 of stand 1659 Salisbury township: Colban Court	805,000	603,750	704,375	1,076,250	472,500
Lot 1 of stand 1720 Salisbury township: Banbury Court	1,200,000	900,000	1,050,000	1,303,750	403,750
Lot 1 of stand 1598 Salisbury township: Connaught House	1,000,000	750,000	875,000	1,443,750	693,750
Lot 2 of stand 1312A.Salisbury township: Icombe Court	800,000	600,000	700,000	1,085,000	485,000
TOTAL	3,805,000	2,853,750	3,329,375	4,908,750	2,055,000

- If NSSA had used the forced sale values, as guided by its investment policy, the Authority would have paid US\$2,853,750 which is US\$2,055,000 lower than what was actually paid.
- The agreement of sale for the properties was signed on 15 September 2015⁹⁷. Departure from the Bard Real Estate valuations could not be explained. We requested for an explanation from Properties and we are still waiting for response.

⁹⁵ Refer to Exhibit 76 Memorandum dated 29 December 2017.

⁹⁶ Exhibit 77- Valuation report done by Bard dated 29 June 2015.

⁹⁷ Exhibit 79- Agreement of Sale for four Metbank properties bought by NSSA

7.3 Advise on way forward regarding Capital Bank outstanding issues and recommend best way to resolve agreements

Background

NSSA had treasury dealings with Renaissance Merchant Bank (RMB) (A wholly owned subsidiary of Renaissance Financial Holdings Limited (RFHL)) which the bank failed to settle on maturity. The bank subsequently changed its trading name to Capital Bank after acquisition by NSSA. The bank was placed under curatorship under Mr Saruchera of Grant Thornton Chartered Accountants by the RBZ to manage its operations. At the time of the bank being placed under curatorship on 2 June 2011, it had outstanding amounts of US\$8,471,033 owed to NSSA. Other amounts owed to or from other parties which are relevant were:

- US\$13.3 million owed by RFHL to RMB.
- US\$5.7 million owed by RFHL to Econet, for which Econet asserted that Mr Timba had pledged the RFHL's shareholding in FMHL as security.

RFHL through its subsidiaries had 33% shareholding in First Mutual Holdings Limited (FMHL), formerly known as AFRE. RFHL had a bilateral agreement with Econet Wireless which owned 19% of FMHL. This gave the two parties pre-emptive rights over each other's shares in FMHL and effectively made RFHL the controlling shareholder.

In mid-June 2011, RFHL together with its subsidiaries entered into a deed of cession with the curator wherein they agreed to cede their shareholding in FMHL to RMB if the US\$13.3 million owed was not paid by end of June. This was contested by Econet as the same shares had been pledged to Econet as security through a court order. At around the same time, the bilateral agreement between Econet and RFHL was terminated which termination is still being challenged by RFHL.

7.3.1 Composite waiver and settlement agreements

In trying to settle the dispute between Econet and RFHL, the curator brought all the parties together and advocated for a composite waiver and settlement agreement signed on 19 December 2011 with an expiration date of 31 January 2012. The parties to the composite agreement were as follows:

- The curator of RMB
- RFHL
- Renaissance Investment Banking Corp Limited in its capacity as a subsidiary of RFHL and a holder of FMHL shares
- Renaissance Securities Nominees in its capacity as a subsidiary of RFHL and a holder of FMHL shares
- Econet Wireless Private Limited
- EW Capital Holdings Private Limited in its capacity as a shareholder in FMHL
- NSSA
- RMB (under curatorship)

The signing of this agreement gave effect to the following transactions:

- Shares in FMHL held by RFHL and its subsidiaries were transferred to RMB as settlement for the US\$13.3 million debt owed by RFHL to RMB
- NSSA took over and agreed to repay the US\$5.9 million debt owed by RFHL to Econet including interest

- Econet agreed to sell its 19% shareholding in FMHL to NSSA
- NSSA would effectively inject approximately US\$24 million into RMB (being US\$5.9 million paid to Econet including interest, US\$8.47 million of deposits already held at RMB and US\$9.8 million of fresh capital). This would result in NSSA holding 84% in RMB, with RFHL being diluted down to 16% shareholding.

Subsequent to the signing of the agreement, RFHL held an Extraordinary General Meeting (EGM) at which those RFHL directors who signed the composite agreement on behalf of RFHL were summarily dismissed. The curator challenged this dismissal but a High Court judgement upheld the dismissal of the directors. An appeal has since been lodged against the judgment.

On 1 March 2012, a re-instatement and amendment agreement was signed with an expiration date of 31 March 2012. Another agreement termed the Implementation agreement was signed on 2 March 2012 with no expiration date.

The curatorship was lifted in March 2012 and the bank was rebranded to Capital Bank. An additional US\$6 million was injected by NSSA in early 2013 and NSSA also supported the bank through placement of money market deposits.

7.3.2 Winding up of the bank and cases filed against Capital Bank

In October 2013, NSSA took a decision to wind up the bank and surrender the trading licence to the RBZ. As such, the board of Capital Bank wrote to the Registrar of Banks in January 2014 requesting cancellation of the bank's license. The directors resigned on 3 June 2014 and the licence was cancelled by the RBZ on 4 June 2014. An application for the liquidation of the bank was filed on 18 June 2014. The foreclosure of the bank was challenged by the employees of Capital bank and RFHL. According to them, they did not believe that the bank could not trade as a going concern and there were other remedies that could be implemented. The case is still before the courts. The keys to the banks building were surrendered to the RBZ who currently have them in their custody.

There was no liquidator appointed by RBZ as is the norm. Instead, the application for liquidation had to go before the courts. As such, this has created challenges for NSSA as there has been no Board to act on behalf of Capital Bank. This has resulted in various parties including Mr Timba issuing summons against Capital Bank and have obtained default judgments as there was nobody to act on behalf of the bank.

In June 2014, Mr Timba again filed a claim against the bank for RFHL to take transfer of half of the shares in FMHL held by the bank. A default judgement was passed in his favour. NSSA challenged this and a judgment has been reserved.

RFHL claimed US\$10.9 million from the bank arising from re-capitalisation funds deposited with the bank from September 2009 to March 2010. A default judgment in favour of RFHL was delivered.

7.3.3 Subsequent events and new Board appointments

NSSA appointed a five-member board to Capital Bank in July 2017 made up of the current NSSA executive management. Mr Timba was invited but declined to attend an EGM in October 2017 to confirm the appointment of the directors.

7.3.4 Investment in FMHL by NSSA

NSSA made a total investment of US\$16 million in FML through the acquisition of Econet's shareholdings and subsequent rights issue exercise. This resulted in NSSA holding 51% of the shares effectively becoming a majority shareholder.

7.3.5 Summary of investments made by NSSA

The following is a summary of investments made by NSSA in both Capital bank and FMHL:

Capital Bank (Formerly RMB)

- NSSA entered into a debt to equity arrangement for the US\$8.47 million unpaid maturities.
- NSSA paid the debt owed to Econet of US\$5.9 million including interest.
- NSSA made direct cash injection of US\$9.8 million as part of the acquisition cost.
- NSSA injected a further US\$6 million through a rights issue which it followed alone.
- NSSA had investment placements of US\$9.4 million secured by property cessations and 26 million FMHL shares pledged as top security.
- The bank utilised US\$3 million intended for the financing of a plant upgrade for Star Africa Corporation to settle the bank's depositors balances. The amount was not recovered but was later secured by the 26 million FMHL shares.
- NSSA settled an amount of US\$1.97 million to NORSAD Finance Limited on behalf of Capital bank in 2015.
- NSSA paid US\$8 million to Econet for the 19% shareholding.
- NSSA paid US\$1.8 million in a rights issue exercise.
- NSSA paid an additional US\$6.3 million as part of a rights issue.

7.3.6 Claims by Mr Timba against NSSA and Others

Mr Timba is claiming that he has suffered losses on RMB (currently known as Capital Bank) and AFRE (currently known as FMHL) having been caused by a waiver and settlement agreement signed on 19 December 2011.

The loss was calculated to be US\$526.6 million for the period from 2 March 2012 to date. The amount was arrived at after taking into consideration what Mr Timba is asserting to be signed deals that were in place but could not be implemented due to the changes that took place. He argues that the agreement was signed by former directors of RFHL who acted without authority and in violation of the provisions of the Companies Act and RFHL's Articles of Association.

7.3.7 Way forward

Before NSSA can decide on the position to take, we recommend the following:

Challenging all default judgments handed against Capital Bank

Capital Bank through their appointed Board should challenge all default judgements delivered against it. All cases should be awarded a fair trial and representation.

Analyse and evaluate all cases with the assistance of a legal expert

NSSA should engage the services of a legal expert who can evaluate all the existing legal cases relating to Capital Bank. This will help the Authority to build its case before going for arbitration and know whether it will be acting from a point of strength or weakness.

Follow the arbitration route

There should be arbitration between all parties involved for a win-win outcome. This should come after all cases have been assessed by NSSA and try to seek a bargaining position.

Pursue the legal route

If the arbitration fails, NSSA should continue pursuing the legal route. This may however, take time to get judgment which may increase legal costs.

7.4 Verification of title deeds for NSSA properties

7.4.1 Properties without title deeds

- We established that there were twenty properties valued at US\$15,908,000 which are in the books of NSSA without title deeds. We examined the respective agreement of sale documents to confirm that the properties are owned by NSSA.
- The properties in question and the reasons for failure to have title deeds are detailed in the table below;

Property name	Nature of property	Area	Market value (US\$)	Reasons for not having title
1. Stand 115 - 116 Dips & Chemicals Factory Ventersburg Off Mutare Road Msasa Industrial Complex	Industrial	Mutare	760,000	Payment of rate clearance fees outstanding before property can be transferred.
2. Twalumba and Attachards (No agreement of sale)	Residential	Harare	The properties have not been transferred from Twalumba, as part of debt settlement by Capital bank therefore the values of the properties were not determined. Ownership yet to be transferred. We were not availed the original agreement of sale for Twalumba properties.
3. FBC Bank & Hotel on NSSA Land. Portion of Stands 1454-1509 and stands 1582-1590 Beitbridge	Commercial	Beitbridge	2,600,000	NSSA has not obtained title deeds for Beitbridge stands because it did not pay for stands 1582-1590 which amount to \$317,530.42. NSSA thus must pay for these stands to obtain the deed of grant from the Beitbridge Town Council.

4.	NSSA Office Complex Beitbridge	Commercial	Beitbridge	600,000	Property is in the name of the Government of Zimbabwe.
5.	Compensation House- (Stand 366 Chiredzi T/ship) (no agreement of sale)	Commercial	Chiredzi	690,000	Payment of rates outstanding before the property can be transferred to NSSA.
6.	Stand 161 & 162 Odendaal Avenue,	Commercial	Chipinge	1,600,000	Title deeds have not yet been obtained due to failure by NSSA to install outstanding works of traffic lights pursuant to condition 1 of the Special Conditions of Occupation.
7.	No. 5896 Sakubva Shopping Mall	Commercial	Mutare	2,410,000	The development of the property is still in progress. However, the title deed shall only be transferred upon completion of development as stipulated in the agreement with the local authority.
8.	Stands Lot 1 of Lot 3 Brundish	Residential	Chinhoyi	1,800,000	The land value of \$3,419,000 was written off in the 2016 financial statements. See comment on note 8.4.3 below
9.	Hintonville Stands	Residential	Chegutu	3,419,000	Executive management is considering cancelling the acquisition of the property. The property was offered as a
10.	Stand No. 7863 Karoi Property	Land	Karoi	90,000	

						debt swap in lieu of outstanding NSSA contributions by the local authority.
11.	NSSA House Kariba Stand No. 423 & 3235, Nyamhunga, Township,	Commercial	Kariba	25,000	Property has not been developed as stipulated in the agreement of sale with the local authority.	
12.	Stand 7515	Land	Rusape	nil	Agreement of sale was cancelled. (Comment still outstanding)	
13.	3045 Spitzkop North Extension		Municipality of Gwanda	900	The Authority has not yet complied with the terms of the sale agreement	
14.	3297 Spitzkop North Extension		Gwanda	1,100	The Authority has not yet complied with the terms of the sale agreement	
15.	Stand 64 Marondera		Marondera	100,000	The Authority has not yet complied with the terms of the sale agreement	
16.	Stand 3261 Kopje		Gweru	37,000	The Authority has not yet complied with the terms of the sale agreement	
17.	Stand No. 74 Umtali Township Herbert Chitepo (vacant)		Mutare	160,000	The Authority has not yet complied with the terms of the sale agreement	
18.	Stands 385 & 386 Township (Ex-Reserve Bank)		Masvingo	220,000	The Authority has not yet complied with the terms of the sale agreement	
19.	Rusike Phase II		Marondera	125,000	The Authority has not yet complied with the terms of the sale agreement	
20.	Runyararo west high-density housing site		Masvingo	1,270,000	The Authority has not yet complied with the terms of the sale agreement	
	Total			15,908,000		

7.4.2 Properties with title not under NSSA's name

The Authority has twenty-seven properties which it controls but the title is not registered in its name. The list of such properties is detailed below:

	Description of property	Stand number	Town	Title name
1.	Ndoda Street, Bindura	Stand 576 Bindura	Bindura	The Worker's Compensation Fund
2.	Ndoda Street, Bindura	Stand 576 Bindura	Bindura	The Worker's Compensation Fund
3.	Compensation House Bulawayo	Stand 129 Bulawayo Township	Bulawayo	The Minister of Public Service, Labour and Social Welfare as trustee of the Workers Compensation Fund
4.	Rehabilitation Centre (WCRC), Vera Rd, Barbourfields	Stand 3021A Bulawayo T/ship	Bulawayo	The Minister of Public Service, Labour and Social Welfare as trustee of the Worker Compensation Fund
5.	Compensation House Chinhoyi, Masonic Lane	Stands 58 - 59 Sinoia T/ship	Chinhoyi	The Minister of Public Service, Labour and Social Welfare as trustee of the Workers Compensation Fund
6.	Stand 361 Chinhoyi t/s49 High Street	Stand 361 Chinhoyi Township	Chinhoyi	The Minister of Public Service, Labour and social Welfare as trustee of the Workers Compensation Fund
7.	Stand 1561 Tshovani Chiredzi	Stand 1561 Tshovani Township	Chiredzi	The Minister of Public Service, Labour and Social Welfare as trustee of the Worker Compensation Fund
8.	Stand 1562 Tshovani Chiredzi	Stand 1562 Tshovani Township	Chiredzi	The Minister of Public Service, Labour and Social Welfare as trustee of the Worker Compensation Fund
9.	Stand 1175 Tshovani	Stand 1175 Tshovani Township	Chiredzi	The Worker's Compensation Fund
10.	Stand 1176 Tshovani	Stand 1176 Tshovani Township	Chiredzi	The Worker's Compensation Fund
11.	Stand 1175 Tshovani	Stand 1175 Tshovani Township	Chiredzi	The Worker's Compensation Fund
12.	Stand 1176 Tshovani	Stand 1176 Tshovani Township	Chiredzi	The Worker's Compensation Fund

13.	Compensation House Gweru	Stand 242 Gweru T/ship	Gweru	The Minister of Public Service, Labour and Social Welfare as trustee of the Worker Compensation Fund
14.	Stand 4355 Mkoba Gweru	Stand 4355 Mkoba Township	Gweru	The Minister of Public Service, Labour and Social Welfare as trustee of the Worker Compensation Fund
15.	Stand Senka 854	Stand 854 Senka	Gweru	The Minister of Public Service, Labour and Social Welfare as trustee of the Worker Compensation Fund
16.	Stand Senka 866	Stand 866 Senka	Gweru	The Minister of Public Service, Labour and Social Welfare as trustee of the Worker Compensation Fund
17.	22 Wentworth Rd, Southdowns	Stand 3060 Gweru T/ship	Gweru	The Minister of Public Service, Labour and Social Welfare as trustee of the Worker Compensation Fund
18.	Snake Park Properties	R/E/Glaudina A	Harare	The Minister of Public Service, Labour and Social Welfare as trustee of the Worker Compensation Fund
19.	Compensation House-Harare	Stand 3974 Salisbury T/ship	Harare	The Minister of Public Service, Labour and Social Welfare as trustee of the Worker Compensation Fund
20.	ST Tropez Apartments	Stand 13301 Salisbury T/ship	Harare	The Worker's Compensation Fund
21.	ST Tropez Apartments	Stand 13301 Salisbury T/ship	Harare	The Worker's Compensation Fund
22.	593 Empumalanga	Stand 593 Hwange T/S	Hwange	The Worker's Compensation Fund
23.	593 Empumalanga	Stand 593 Hwange T/S	Hwange	The Worker's Compensation Fund
24.	595 Empumalanga	Stand 595 Hwange T/S	Hwange	The Worker's Compensation Fund
25.	597 Empumalanga	Stand 597 Hwange T/S	Hwange	The Worker's Compensation Fund

26.	Compensation House Masvingo	Stand 142 - 144 Fort Victoria	Masvingo	The Worker's Compensation Fund
27.	7457 Tsvoritsvoto Rd.	Stand 7457 Muccheke Township	Masvingo	The Worker's Compensation Fund
28.	7458 Tsvoritsvoto Rd.	Stand 7458 Muccheke Township	Masvingo	The Worker's Compensation Fund

- The properties are in the name of the fund or the parent Ministry. This may create challenges in future should the responsible ministry claim ownership of the properties.
- To avoid these potential ownership challenges, it is advisable to have the title in the name of NSSA.

7.4.3 Property written off from NSSA's books

- Land valued at US\$3,419,000 was written off in the 2016 financial statements.
- This is Chegutu Hintoville land sold by Gabroc Investments to NSSA. Title deeds had not yet been obtained due to legal disagreements between Chegutu Municipality and Gabroc Investments.
- Initially, there were reports that the land could not be located. However, management reported to the Ministry that the land had been located.
- On further enquiry we were provided minutes of the Municipality of Chegutu Council meeting held on 3 November 2017⁹⁸. At the meeting, the Council resolved that Gabroc Investments be allocated 526 hectares of land subject to them paying rates and service charges from the date of purchase.
- NSSA is following up with Gabroc Investments so that they can get title to the land.

⁹⁸ Exhibit 80- Municipality of Chegutu Minutes of a Meeting held on 3 November 2017.

7.5 Securitisation of NSSA funds of off-take housing agreements

7.5.1 Requirements

Investment Policy-dated 22 September 2014

- Section 8.1.2 requires all investments in properties to be approved by the Board.

Procurement regulations - Statutory Instrument No 18 of 2015

- Formal tenders for goods and services start at US\$500,000 while those for construction works have a higher threshold of US\$2 million.
- In 2018, the threshold for construction works was revised upwards to US\$5 million.

Off-take agreement

- Prior to commencement of works, the developer shall secure title, development rights and deliver the title deeds or copy of development rights to NSSA nominated conveyancers or held in safe custody for the duration of the project OR prove that title is held securely by a reputable conveyancer, bank or other institution.

NSSA Act

- Section 16 requires members to declare direct or indirect interest in companies intending to do business with the Authority.

7.5.2 Off-take housing agreements

This is an arrangement where someone with title to land and the capacity to develop houses approaches NSSA and makes a proposal. The proposal would be to develop houses and then sell them to NSSA at pre-agreed prices. NSSA pays the contracted party a deposit which would be secured by the land and where the value of the land is not enough, the developer should take out an advance payment guarantee with a reputable financial institution.

During the period under investigation, NSSA entered into the following off-take housing contracts:-

Project Name	Developer	Date contract awarded	Cost	Deposit paid	Status
Caledonia	Housing Corporation Zimbabwe (Private) Limited	14 July 2017	US\$304m	US\$16m	Suspended
Stateland-Chinhoyi	Metro Realty (Private) Limited	August 2017	US\$16,955,125	US\$1,71m	Suspended
St-Ives-Chinhoyi	Metro Realty (Private) Limited	24 July 2017	(i) & (ii)	US\$6,145m	Suspended
Muzenya-Gweru	Drawcard (Private) Limited	3 August 2017	(ii)	US\$3,5m	Not yet started

- i. The contract does not state the mix of the houses to be delivered. See item 8.8.3 of this report.
- ii. The contract does not state the price to be paid by NSSA for each house.

It is pertinent to note the following;

- i. There was no competitive bidding which was done before awarding the contracts thereby exposing NSSA to overcharging.
- ii. None of the projects has progressed as per the time frames which are in the contracts.
- iii. All the contracted developers have been identified elsewhere in this report as related parties exposing the Authority to conflict of interest. There is no evidence that NSSA invited other developers to submit proposals for similar projects. This could have been done by placing an advert in one of the local newspapers.
- iv. Save for Drawcard, none of the developers has a track record of executing projects of the same magnitude.
- v. The contracts were awarded without following NSSA due process. No due diligence or investment appraisal was done.

7.5.3 Housing Corporation Zimbabwe (Private) Limited - Caledonia Project Harare

Background

- NSSA signed an off-take housing contract with Housing Corporation Zimbabwe (Private) Limited (HCZ) on 14 July 2017. The contract was for the construction of 8,000 houses in Caledonia, Harare⁹⁹ at a unit cost of US\$38,000 which translates to US\$304 million for the whole project. Ms Chitiga signed the contract on behalf of NSSA, while Mr Stephen Duggan signed for HCZ.
- The agreement provided that the houses were going to be constructed on land which HCZ had secured title.

Findings

a) Awarding of contract to Housing Corporation Zimbabwe (Private) Limited ("HCZ") or Housing Africa Corporation ("HAC")

HCZ/HAC was introduced to NSSA by the then Board Chairperson, Mr Vela. HAC is a South African company which was about a year old before being awarded the contract. The initial negotiations were between NSSA and HAC. However, a week before the contract was signed, HCZ, a Zimbabwean entity, was formed and replaced HAC in the contract papers. The people behind HAC and HCZ are the same and these are Mr Adam Molaj, Mr Alec Nyatanga and Mr Stephen Duggan¹⁰⁰.

It is pertinent to note that a contract of US\$304 million was awarded to a company that was a week old despite the following¹⁰¹:

- Local established developers were not invited to express an interest in delivering a similar project.
- HCZ was given the contract despite not having title to the land, the land is owned by Caledonia Enterprises (Private) Limited. It is also pertinent to note that there are other parties who claimed ownership of the same land from Caledonia Enterprises. However, the other parties lost the case.
- We did searches with the Registrar of Companies. According to our search, we established that there was no company called Caledonia Enterprises (Private) Limited.

b) Involvement of Mr. Vela in awarding the contract

- According to Mr Chihota, NSSA officials came to know about HAC through Mr Vela. Mr Vela put pressure on NSSA officials to fast track the awarding of the contract to HAC/HCZ¹⁰². This is evidenced by the following e-mail communications:-

⁹⁹ Exhibit 81- HCZ Caledonia off-take contract.

¹⁰⁰ Exhibit 82A-HCZ CR14

¹⁰¹ Exhibit 82B- Certificate of Incorporation for HCZ

¹⁰² Exhibit Q9 - Questionnaire for Mr. Chihota page 6 (9b).

- In an e-mail dated 16 June 2017, Mr Vela wrote to Mr Chihota indicating that he wanted the HCZ housing off-take agreement to be approved at the next BIPC meeting¹⁰³. He went further to state that there was no time and would want 10,000 units as soon as possible.
- An e-mail dated 23 June 2017, Mr Chihota wrote to Mr Vela and stated that he had met with the HCZ Technical Consultant and they had agreed to commence the project. Mr Chihota also mentioned that he was trying to negotiate the unit price down to the US\$25,000¹⁰⁴ proposed by NBS.
- In an e-mail dated 3 July 2017, Mr Vela stated that he wanted the three off-take agreements, including HCZ, to be signed within that week without fail¹⁰⁵.
- According to Mr. Vela, he admitted that he passed on the HCZ/HAC proposal to NSSA. However, he indicated that the first proposal from Mr. Molai of HCZ was received in February 2017 and the one in June 2017 was a second submission¹⁰⁶.
- As a result of the pressure from Mr Vela, the following procedures were not done:-
 - Conducting a due diligence on HAC/HCZ.
 - Appraising the proposal. According to Mr Chihota, NBS had indicated that houses which were being proposed by HCZ should not cost more than US\$25,000 per unit¹⁰⁷. This was based on the costs incurred on the Dzivarasekwa NSSA project where the building society delivered 4 roomed houses at a price of \$25,000 per unit. This based on Based on the contract unit price of US\$38,000, this exposed NSSA to a potential financial prejudice of US\$104 million on this project.
 - Had it not been for the undue pressure from the Board Chairperson, the proposed cost would have been properly interrogated resulting in a fair price being agreed on.
 - Also because of the pressure to award the contract, the proposal went straight to the main board without being evaluated by the MIC and BIPC.
- We recommend that NSSA should engage a quantity surveyor to carry out a cost appraisal on the Caledonia off-take housing project. This will confirm the exact extent to which NSSA was financially prejudiced. In addition, the Surveyor's report can be used in court in the event of litigation.

c) Securitisation

- On 4 August 2017, NSSA paid an Off-take deposit of US\$16 million to HCZ.

¹⁰³ Exhibit 83- Email dated 16 June 2017, from Mr Vela to Mr Chihota.

¹⁰⁴ Exhibit 84- E-mail dated 23 June 2017, from Mr Chihota to Mr Vela.

¹⁰⁵ Exhibit 85- Email by Mr Vela to Mr Chihota.

¹⁰⁶ Exhibit Q12 - Questionnaire for Mr. Vela page 9 (14a).

¹⁰⁷ Exhibit Q9 - Questionnaire for Mr. Chihota page 8 (12a).

- The US\$16 million deposit was secured by an advance payment guarantee issued by Zimnat Lion Assurance Company Limited (Zimnat) dated 29 July 2017¹⁰⁸.

d) Performance by HCZ

- According to the contract, from date of payment of the deposit, HCZ should have delivered 250 houses within 180 days. The deadline for the delivery of the first batch of houses was during the second week of February 2018.
- The audit team visited the construction site on 16 August 2018 and noted that there was no activity taking place.
- We noted that HCZ had completed 53 houses with 57 at various stages of completion. This is contrary to the requirement of the contract.
- According to Mr Chihota, when HCZ failed to deliver the houses as per the contract, NSSA tried to recover the deposit it had paid by liquidating the US\$16 million advance payment guarantee at Zimnat¹⁰⁹. However, HCZ got an interdict from the court to stop the payment to NSSA.

7.5.4 Metro Realty (Private) Limited - Chinhoyi Housing Projects

Background

- NSSA entered into an agreement with Metro Realty (Private) Limited. Metro Realty was awarded two off-take housing contracts on 24 July 2017. The projects are Stateland and St-Ives projects in Chinhoyi.
- In Stateland contract, the developer was contracted to construct 695 houses. The units would be developed as follows¹¹⁰:
 - 133 units on 300 square metres stands and
 - 562 units on 200 square metres stands
- On the St-Ives contract, the contractor was supposed to construct 809 houses¹¹¹.
- For both contracts Ms Chitiga signed on behalf of NSSA and witnessed by Ms Mugwira, the Group Legal Advisor & Board Secretarial Services. Mr Reuben Muchete signed on behalf of Metro Realty and witnessed by Ms Zawanda, Metbank Group Corporate Secretary and Head Legal.

¹⁰⁸ Exhibit 86- Zimnat Advance Payment Guarantee dated 29 July 2017.

¹⁰⁹ Exhibit 87- Letter dated 25 July to Zimnat demanding the advance payment of US\$16 million.

¹¹⁰ Exhibit 88- Stateland project contract.

¹¹¹ Exhibit 89- St Ives project contract.

Findings

a) Board Approval

- The Authority did not provide evidence that the Stateland and St-Ives projects were approved by the Board before signing as required.
- However, we established that on 27 July 2017 a Memorandum by the Investments Division was circulated to the Chairperson of the Investment and Procurement Committee and the members for approval¹¹².
- The project was approved by the BIPC members, Mr Vela, Ms Mukondomi, Mr Gundane and Ms Tomana. Ms Chitiga was the only executive who signed the Memorandum. We requested explanations from Mr Chihota on why, as the head of investment properties, he did not sign the memorandum. Mr Chihota told us that he did not sign because he did not believe that Metro Realty had the capacity to deliver the two projects given his knowledge of Metbank and its sister company¹¹³.
- Further to this, we did not see evidence of the Board complying with Section 8 of the NSSA Act, as the proposal was supposed to be ratified at the next meeting of the Board.

b) Identification of the developer

- We noted that Metro Realty is an Estate Agent company incorporated on 8 July 2015 trading under company number 5044/2015¹¹⁴. The company was formed six months after the executive directors of Metbank and NSSA had a series of meetings in Minister Mupfumira's office where she insisted that NSSA should help Metbank to solve its liquidity crisis in support of ZIMASSET.
- Metro Realty directors and owners Mr Ozias Bvute and Mr Belmont Ndebele are senior executives at Metbank¹¹⁵.
- Mr Ozias Bvute is the Group Chief Executive Officer of Metbank while Mr Belmont Ndebele is the Managing Director of the Bank.
- From correspondences between NSSA and Metbank, Metro Realty is considered to be a subsidiary of Metbank. As a result, all business transactions entered with Metro Realty were assumed to have been entered with Metbank.
- Metro Realty's operations are closely associated to Metbank operations. For instance, Ms Zawanda who is the Group Corporate Secretary and Head Legal for Metbank witnessed the signing of Metro Realty off-take agreements.

¹¹² Exhibit 90-Memorandum from Investments Division dated 27 July 2017 to the Chairperson Investment and procurement Committee and its committees' members.

¹¹³ Exhibit Q9 - Questionnaire for Mr. Kura Chihota page 11 (18)

¹¹⁴ Exhibit 91A- Certificate of Incorporation for Metro Realty (Private) Limited

¹¹⁵ Exhibit 91B- CR 14 for Metro Realty (Private) Limited

Exhibit 91C- Articles of Association for Metro Realty (Private) Limited showing the two shareholders

- Metro Reality was awarded the two off-take housing agreements contracts without going through tender process as required.
- We enquired from Mr Chihota the basis which was used to award the two contracts to Metro Reality. Mr Chihota told us that the decision was made at a meeting held at Mr Vela's offices at Anesu House in Harare. At this meeting, NSSA was directed by the Minister to sign the two off-take housing agreements within 48 hours¹¹⁶. The people who were present at that meeting were Honourable Minister, P. Mupfumira, Mr Vela (NSSA), Mr Bvute (Metbank), Mr Ndebele (Metbank), Mr Kundishora (Metbank), Mr Chihota (NSSA) and Mr Hungwe (NSSA). However, he told us that there were no minutes taken on this meeting.
- According to Mr. Vela, he admitted that the above meeting indeed took place at his offices with the Honourable Minister P. Mupfumira and Metbank officials in attendance¹¹⁷.

c) Involvement of the Minister in awarding the contracts

As a result of the undue pressure from the Minister, the following were not done.

- Due diligence on Metro Realty. This exposes NSSA to awarding contracts to developers who have no capacity to deliver.
- Investment appraisal and competitive bidding - This exposes NSSA to financial prejudice by being overcharged as the proposed price would not have been interrogated.

d) Off-take price

- The off-take price for Stateland project houses exclusive of VAT is summarised below:

Description	Land Size	
	200 sqm	300 sqm
Two roomed	US\$20,348	US\$23,723
Three roomed	US\$22,665	US\$26,040
Four roomed	US\$23,750	US\$27,125

- The St-Ives project had no stipulated price and the mix of the houses to be constructed. This exposes the Authority to financial prejudice in the event of future disputes.

e) Conditions Precedent

We examined all the conditions precedent to the project contracts to verify if they were complied with. We detail below the conditions precedent where we noted exceptions;

¹¹⁶ Exhibit Q9 - Questionnaire for Mr. Kura Chihota page 10 (15)

¹¹⁷ Exhibit Q12 - Questionnaire for Mr. Vela page 12 (15)

Stateland

#	Condition	Met condition (Yes/No)	Comments
3.1.1	Approval of the project by the Board of Directors of the Developer	No	No evidence availed
3.1.2	Approval of the project by the Board of Directors of NSSA	No	No Board approval.

St-Ives

#	Condition	Met condition (Yes/No)	Comments
3.1.1	Approval of the project by the Board of Directors of the Developer	No	Payment to the developer was made before the condition was met. The Authority was furnished with the document on 22 May 2018 ¹¹⁸ .
3.1.	The developer furnishing NSSA with an unconditional and irrevocable performance bond of US\$6,145 million issued by an insurance company or a bank in the form acceptable to NSSA and valid for the duration of the project.	No	Payment to the developer was made before the condition was met. The Authority was furnished with the document on 22 May 2018 ¹¹⁹ .
3.1.4	The developer submitting to NSSA all regulatory and municipal approvals to implement the project including but not limited to Physical Planning, Environmental Agency Approval and City Building permission	No	Payment to the developer was made before the condition was met. The Authority was issued with the document on 22 May 2018 ¹²⁰ .

¹¹⁸ Exhibit 92-Letter dated 22 May 2018 from Mr Muchete Director Metro Realty with attached documents.

¹¹⁹ Exhibit 92-Letter dated 22 May 2018 from Mr Muchete Director Metro Realty with attached documents.

¹²⁰ Exhibit 92-Letter dated 22 May 2018 from Mr Muchete Director Metro Realty with attached documents.

f) Securitisation

Stateland project

At first the project was secured by Metbank performance bonds on behalf of NSSA broken down as shown in the table below:

Date	Guarantee Number	Description	Amount Guaranteed
24 July 2017	MET/BG/1701 ¹²¹	Being total consideration of 84 hectares land in Chinhoyi	US\$4,682,323.35
3 August 2017	MET/BG/1702 ¹²²	To cover servicing costs of the land.	US\$3,172,676.65

- According to NSSA records, Metbank was facing liquidity crisis. At first this resulted in NSSA refusing to accept the guarantee issued by Metbank.
- On 4 September 2017, Metro Realty was paid a deposit of US\$1,710,000 of the US\$5,100,000 deposit required leaving a balance of US\$3.4 million¹²³.
- The deposit paid is secured by an Agreement of Cession over the land entered into between Metro Realty and NSSA in August 2017. Metro Realty signed the cession agreement after Millytake Enterprises (Private) Limited, the seller of the land, had given Metro Realty authority to cede the land to NSSA¹²⁴.

St-Ives project

- NSSA paid an off-take deposit of US\$6,145 million. The deposit was paid in two instalments of US\$3 million and US\$3,145 million on 4 August 2017 and 6 September 2017 respectively¹²⁵.
- The project was secured by a performance bond of US\$3,145,000.00 from Clarion Insurance Company, referenced as BO/2017/9/000278¹²⁶.
- The bond covered the period from 24 July 2017 to 25 July 2018 and was for the construction of 200 units.
- The US\$3 million for the land was secured by a cessionary agreement in favour of NSSA¹²⁷.

¹²¹ Exhibit 93A-Advance Payment Guarantee Stateland by Metbank dated 24 July 2017

¹²² Exhibit 93B-Advance Payment Guarantee Stateland by Metbank dated 03 August 2017

¹²³ Exhibit 94- Payment of US\$1,710 million deposit for the Stateland project.

¹²⁴ Exhibit 95- Letter dated 8 August 2017 to Metro Realty authorising ceding of land to third parties.

¹²⁵ Exhibit 96- Payments of US\$3 million and US\$3,145 million to Metro Realty.

¹²⁶ Exhibit 97- Performance Bond by Clarion Insurance Company for St-Ives.

¹²⁷ Exhibit 98- Agreement of Cession between Metro Realty and NSSA for St Ives land. Please note the agreement is not dated.

g) Delivery

Stateland project

The project had not yet commenced as at the date we visited the site on 15 August 2018. The reason given is that Metro Realty stopped work on all NSSA projects following the dispute on NSSA TBs with Metbank.

St-Ives project

- By the date we visited the site on 15 August 2018, a total of 202 houses had been completed.
- We inspected one house (other houses were locked hence could not be inspected) and it had developed cracks on the floor before occupancy. This raises questions on the quality of work done and exposes the Authority to potential financial losses.

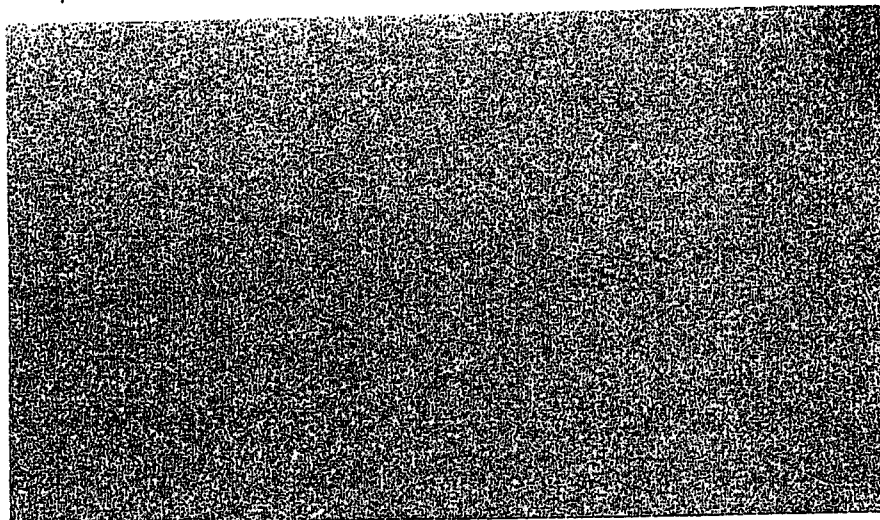


Image: Cracked Floor of a 2 roomed house inspected which has not been occupied.

h) Dispute between NSSA and Metbank affecting the project

- There is a dispute over TBs between NSSA and Metbank which has spilled into the courts.
- The dispute resulted in Metbank advising NSSA that due to the court process they were putting all transactions with NSSA on hold.
- This court process has stalled the off-take housing projects.
- As a result of the dispute, NSSA is now exposed to the tune of US\$5,1 million, being the deposit secured by a guarantee from Metbank.

7.5.5 Drawcard Enterprises (Private) Limited-Gweru Housing Scheme

Background

- NSSA entered into an agreement with Drawcard Enterprises (Private) Limited. The agreement was for the construction of 1,000 units in Muzenya, Gweru which were to be delivered in four batches. The agreement provided that the houses were going to be constructed on land owned by Drawcard and was signed on 3 August 2017.
- The contract was signed by Mr Barnabas Matongera who was the Acting General Manager and witnessed by Ms Mugwira, the Group Legal Advisor & Board Secretariat Services on behalf of NSSA¹²⁸.
- Mr Muzenya signed the contract on behalf of Drawcard and witnessed by Ms Zawanda the Group Corporate Secretary and Head Legal for Metbank.

Findings

a) Board Approval

- There was no evidence that the Drawcard project was approved by the Board.
- The above is in contravention of the provisions of Paragraph 8, Subparagraph 8.1.2 of the NSSA Investment Policy.

b) Identification of the developer and investment appraisal

- There was no evidence that the selection of Drawcard went through a tender process as required.
- There is evidence that Drawcard was awarded this contract because of its relationship with Metbank as evidenced by the following;
 - In a letter dated 3 August 2017, Ms Mugwira forwarded copies of the off-take agreements between NSSA and Drawcard to Ms Zawanda the Group Corporate Secretary and Head Legal for Metbank¹²⁹.
 - On signing of the Drawcard agreement, Ms Zawanda witnessed on behalf of Drawcard. She also witnessed Metro Realty off take housing agreements for Stateland and St-Ives.
 - We noted correspondences dated 10 November 2017 and 15 May 2018, written by Mr Muchete a Director at Metro Realty addressed to Mr Chihota communicating Drawcard project issues¹³⁰.
- Note that Metro Reality (Private) Limited was also awarded two off-take housing projects on 24 July 2017 as reported in item 8.8.3 of this report.

¹²⁸ She stated that she was not involved in the drafting of the contract, she only witnessed.

¹²⁹ Exhibit 99- Letter dated 3 August 2017 from Ms Mugwira to Ms Zawanda.

¹³⁰ Exhibit 100- Drawcard contract dated 3 August 2017.

c) Off-take price

- The agreement did not provide the price at which NSSA was going to buy the houses. By the nature of the project, price is a key element of the contract. This exposed the Authority to financial prejudice in the event of future disputes.
- We have noted that the project has not yet commenced due to disagreements relating to the purchase price of the houses.
- We interviewed Ms Mugwira and she told us that the NSSA legal department was not involved in drafting the contract. She revealed that the Authority engaged Dube Manikai and Hwacha Legal Practitioners to do the contract. However, we noted that she witnessed the signing of the contract.

d) Conditions precedent

We examined all the conditions precedent to the project contract to verify if they were complied with. We detail below the conditions precedent where we noted exceptions;

#	Condition	Met Condition (Yes/No)	Comments
3.1.1	Approval of the project by the Board of Directors of the Developer	No	A deposit was paid to the developer before the condition was met. Payment was made on 29 September 2017 and the Drawcard Board approval was forwarded to NSSA on 15 May 2018 ¹³¹ .
3.1.2	Approval of the project by the Board of Directors of NSSA	No	There was no Board approval as required by the Investment Policy.
3.1.3	The developer furnishing NSSA with an unconditional and irrevocable performance bond of US\$3 million issued by an insurance company or a bank in the form acceptable to NSSA and valid for the duration of the project.	No	Payment to the developer was made on 29 September 2017, this was before the bond was registered. The Authority received the proof of the bond dated 9 November 2017 as evidenced by Mr Muchete's letter dated 15 May 2018 ¹³² .
3.1.4	The developer submitting to NSSA all regulatory and municipal approvals to implement the project including but not limited to Physical Planning, Environmental Agency Approval and City Building permission	No	The Environmental Management Agency and City building approval were not in place. However, EMA application was done on 12 February 2018 as indicated on fee note 20054501 ¹³³ .

¹³¹ Exhibit 101- Letter dated 15 May 2018 from Mr Muchete, a Director Metro Realty with attached documents.

¹³² Exhibit 101- Letter dated 15 May 2018 from Mr Muchete, a Director Metro Realty with attached documents.

¹³³ Exhibit 101- Letter dated 15 May 2018 from Mr Muchete, a Director with Metro Realty

e) Securitization

Servicing of land

- Servicing of the land at a cost of US\$3,5 million was secured by a Mortgage Bond against the land under bond number 0001928/2017¹³⁴ in favour of NSSA. The bond was registered on 22 September 2017.

Performance guarantee

- Performance was secured by a performance bond of US\$3 million issued by the Export Credit Guarantee Corporation of Zimbabwe (Pvt) Limited (ECGC)¹³⁵. The bond was issued on 9 November 2017, under Guarantee Number: BND/2017/000161. It covered the period from 9 November 2017 to 8 November 2020.
- Confirmation received from ECGC showed that outstanding premiums of US\$45,000 had not been paid by Drawcard¹³⁶. This exposes the Authority to potential financial prejudice.

f) Deposit

- The total deposit stipulated in the contract was US\$6,5 million.
- Despite non-availability of Board approval, we noted that on 28 September 2017, Mr Chihota wrote a Memorandum to the Chief Finance and Operations Officer, wherein he was requesting release of funds to Drawcard. Approval was granted by Mr Matongera.
- On 29 September 2017, NSSA paid a deposit of US\$3,5 million for servicing of land leaving a balance of US\$3 million for performance¹³⁷.
- Mr. Matongera stated that he approved the payment based on the recommendation made by Mr. Chihota that the developer had fulfilled conditions to have the mortgage bond in place¹³⁸. On the other hand, Mr Chihota stated that he was requested by the Strategic Assistant, Mr. James Chiuta to make the requisition of the US\$3,5 million while the performance guarantee was being processed¹³⁹. Both Mr. Matongera and Mr. Chihota did not consider the fact that the project was not approved by the Board before approving the payment.

g) Delivery

The project has not commenced due to the dispute over the purchase price of the houses.

¹³⁴ Exhibit 102- Deed of Surety in favour of NSSA.

¹³⁵ Exhibit 103- Export Credit Guarantee Corporation performance bond in favour of Drawcard.

¹³⁶ Exhibit 104- Confirmation of bond by Export Credit Guarantee Corporation

¹³⁷ Exhibit 105- Payment of US\$3.5 million to Drawcard.

¹³⁸ Exhibit Q2 - Questionnaire for Mr. Matongera page 4 (5b)

¹³⁹ Exhibit Q9 - Questionnaire for Mr. Chihota page 15 (27b)

8 Human Resources

8.1 Establish whether executive management recruited from 2015 - 2017 had been recruited in terms of NSSA policy and labour laws

8.1.1 Requirements on recruitment

- NSSA Act
 - Appointment of the General Manager is provided by Section 25(1)(a) of the Act which requires approval by the Minister.
 - Appointment of other employees is guided by Paragraph 9 of the Schedule to Section 22 of the Act which states that approval rests with the Authority.
- The NSSA Human Resources Management Guidelines ("The Guidelines")
 - Paragraph 1.1 (a)- provides that if a vacancy occurs, existing employees must first be considered for the position. Reasons why an internal candidate was not suitable must be written down and kept.
 - Paragraph 1.2- provides that candidates who qualify for the vacancy shall be shortlisted and these candidates will be the ones to be interviewed.
 - Paragraph 1.3 (c)- provides that an offer shall be made in writing and if an offer is not accepted within ten working days, it shall be deemed to have been rejected. The next suitable candidate may then be given the offer, or the post may be re-advertised.
 - Section C -Recruitment Sources- the Authority should make use of the following recruitment sources; press adverts, unsolicited applications, circulation of vacancies, Universities, Ministry of Public Service Labour and Social Welfare and employment agencies.
 - Paragraph 2.3- states that "It is Authority's policy that promotion from within should occur whenever possible. Internal candidates must be accorded the courtesy of an interview depending on whether they meet the prerequisites.

Findings

8.1.2 Schedule of Executive Managers recruited from 2015-2017

We show below the list of executives recruited from 2015 to 2017:

Name	Job title	Grade	Engagement date
Elizabeth Chitiga	General Manager	E1	1 August 2016
Emerson Mugwariri	Director Finance & Operations	E2	1 July 2016
David Makwara	Investments Director	E2	10 January 2018
Kurauwone Chihota	Chief Properties Investments Officer	E3	1 July 2016
Herbert Hungwe	Chief Investments Officer	E3	1 August 2016
Chikuni Mutiswa	Chief Strategic Assets Officer	E3	1 July 2016
Promoted from senior managers to Executive roles in November 2017			
Chakanyuka Nziradzemhuka ¹⁴⁰	Chief Strategic Assets Officer	E3	1 September 2012
Vimbaï Farisai Dirorimwe	Finance & Cost Management Executive	E3	1 April 2017
Cynthia Tendai Mugwira	Group Legal Advisor & Board Secretarial Services Executive	E3	1 July 2017
James Tirivavi Chiuta	Strategic Assistant to the General Manager	E3	1 April 2017
Takura Pwiti	Human Capital & Talent Management Executive	E3	1 April 2017
Tambudzai Perpetua Chimeura	ICT & Digital Strategy Executive	E3	18 September 2017

Recruitment process

8.1.3 Appointment of the General Manager

- We established that the Authority outsourced the services of identification and shortlisting of candidates to Standton Chase¹⁴¹.
- The interviews for the position were held by Board Members Ms Mukwehwa, Mr Phiri and Ms Mukondomi on 7 April 2016.

¹⁴⁰ Mr Nziradzemhuka is a NSSA employee who was promoted to this vacant position.

¹⁴¹ Exhibit 106- Stanton Chase - Comprehensive profiles of potential candidates for the position of: Chief Executive Officer NSSA.

- Stanton Chase shortlisted five candidates who are Ms Nothando Ndebe, Ms Rachel Kupara, Ms Tanya Chikanza, Mr Michael Nyamazana and Mr Henry Chikova a NSSA Employee¹⁴².
- The interview panel compiled an interview score sheet which we analysed, and the outcome is shown below¹⁴³.

Name	Interview score/Percentage	Ranking
Rachel Pfungwa Kupara	90%	1 st
Tanya Chikanza	85%	2 nd
Elizabeth Chitiga	83%	3 rd
Rita Likukuma	60%	4 th
Nothando Ndebele	Absent	Absent

- Mr Chikova an internal candidate who was on the shortlist was not interviewed. The guideline requires consideration of employees first. We did not see evidence supporting why he was not considered as required.
- Our investigation revealed that Ms Elizabeth Chitiga and Ms Rita Likukuma were interviewed when they had not been shortlisted. This was a contravention of paragraph 1.2 of the Guidelines.
- The document used by the interview panel had two additional candidates Ms Chitiga and Ms Likukuma and dropped Mr Nyamazana and Mr Chikova¹⁴⁴.
- The job was offered to Ms Elizabeth Chitiga who came third in the interviews. Ms Mukwehwa advised us that she forwarded the results of the interviews to Mr Vela and she does not know what further considerations were made to recommend the third best candidate to the parent Ministry¹⁴⁵.
- According to Mr. Vela, the names of the top candidates received from the HR Committee were passed to the parent Ministry for approval and vetting process. The Ministry approved the candidate to be appointed¹⁴⁶. However, there is no written evidence to show Ministerial approval.
- Ms Chitiga's appointment was approved by the Minister on 27 July 2016 with the effective date of employment being 1 July 2016¹⁴⁷.

¹⁴² Mr Chikova was the Director Benefits in NSSA.

¹⁴³ Exhibit 107- Interview score sheet for the position of General Manager.

¹⁴⁴ Exhibit 108- List of shortlisted candidates used for the interview of the General Manager

¹⁴⁵ Exhibit Q16 - Questionnaire for Ms. Mukwehwa page 5 (5c)

¹⁴⁶ Exhibit Q12 - Questionnaire for Mr. Vela page 6 (9).

¹⁴⁷ Exhibit 109- Ms Chitiga appointment letter.

8.1.4 Appointment of Other Executives

a) Chief Finance and Operations Officer

- The interviews for this position were conducted by Mr Phiri, Ms Mukwehwa and Ms Mukondomi on 4 April 2016.
- The Authority outsourced the services of identifying and shortlisting of candidates to Proserve Executive Appointments Consulting Group (Proserve)¹⁴⁸.
- Proserve shortlisted seventeen external candidates and five internal candidates.
- Five external candidates and one employee Mr Stanley Kuodza were interviewed for the job.
- An analysis of interview score sheets and the outcome is as shown below¹⁴⁹.

Name	Interview score	Ranking
Michel Gotore	45	1 st
Emerson Mungwariri	44	2 nd
Farai Manyemba	43	3 rd
Heritage Nhende	42	4 th
Clemence Muzondo	23	5 th
Stanley Kuodza	14	6 th

- The post was filled by Mr Emerson Mungwariri who came second in the interviews.
- We were not availed with a copy of job offer to Mr Michel Gotore who came first in the interviews. This is contrary to the Guidelines.
- We noted that the Authority recruited external candidates without first assessing or considering internal employees contrary to the Guidelines.
- Ms Mukwehwa told us she forwarded the interview results to Mr Vela and she does not know what further considerations were made to appoint the second-best candidate¹⁵⁰.
- According to Mr. Vela, the names of the top candidates received from the HR Committee were passed to the Ministry for approval and vetting process. The Ministry approved the candidate to be appointed¹⁵¹. However, there is no written evidence to show Ministerial approval also according to the NSSA Act, the position is not designated hence did not require approval by the Minister.
- We can confirm that the provisions of Paragraph 1.3 (c) on offer of employment was not complied with.

¹⁴⁸ Exhibit 110- Proserve Consulting Group - Initial Shortlist Candidates Summary: March 2016 for position of Chief Finance and Operations Officer.

¹⁴⁹ Exhibit 111- Consolidated Interview Rating Summary for position of Chief Finance and Operations Officer.

¹⁵⁰ Exhibit Q16 - Questionnaire for Ms Mukwehwa page 6 (6b).

¹⁵¹ Exhibit Q12 - Questionnaire for Mr. Vela page 6 (10).

b) Director Investments

- The interviews for the position of the Director Investments were held on 14 December 2017. The interview panel consisted of Ms Mukwehwa, Ms Tomana, Mr Phiri, Ms Mukondomi and Ms Chitiga was the executive manager on the panel.
- We noted that the Authority outsourced the services of identifying and shortlisting of candidates to Proserve Consulting Group (Proserve)¹⁵².
- There were no documents provided to prove that internal candidates were considered first for this position as required. This could have disenfranchised internal candidates who would have wanted to apply.
- Proserve submitted Curriculum Vitae for six candidates who were all interviewed.
- Tabulated below is the summary of interview results¹⁵³ and the Human Resources Expert Report analysis¹⁵⁴.

Name	Interview Score Percentage	Interview Ranking	Human Resources Expert Report/ Psychometric Evaluation.
Mathias Ndlovu	85%	1 st	High Risk
David Makwara	80%	2 nd	High Risk
Robert Chihota	70%	3 rd	High Risk
Zvenyika Zvenyika	70%	3 rd	Low Risk
Phoebe Lynn Goremusandu	60%	4 th	-
Regererai Tapiwa John Mapiye	55%	5 th	-

- The job was offered to Mr David Makwara who came second in the interviews and was a High-Risk candidate according to the Human Resources Expert Report.
- Mr Ndlovu, who came first was not offered the job. There was no evidence of a job offer and decline by Mr Ndlovu.
- Ms Mukwehwa said that she forwarded the interview results to Ms Chitiga and she does not know why the second-best candidate was given the job¹⁵⁵.
- Ms Chitiga was not available to comment on the matter.

c) Chief Property Investments Officer

- The interviews for the position of the Chief Property Investments Officer were held by Board members Mr E. Phiri, N Mukwehwa and M Mukondomi on 8 April 2016.

¹⁵² Exhibit 112- Proserve advert for the position of Director Investments.

¹⁵³ Exhibit 113-Interview Score Sheet for the Position of Director Investments dated 14 December 2017.

¹⁵⁴ Exhibit 114- Part of the Report by Memory Nguwi Human Resources Expert

¹⁵⁵ Exhibit Q16 - Questionnaire for Ms Mukwehwa page 7 (7a).

- The Authority outsourced the services of identifying and shortlisting of candidates to Stanton Chase¹⁵⁶.
- There was no evidence to prove that internal candidates were considered first for this position as required. This could have disenfranchised internal candidates who would have wanted to apply.
- On 24 March 2016, Stanton Chase shortlisted four candidates to be interviewed.
- All the candidates were interviewed.
- An analysis of interview score sheets and the outcome is as shown below.

Name	Interview score Percentage	Ranking
Kurauwone Chihota	90%	1 st
Boni Muvevi	88%	2 nd
Justin Dowa	80%	3 rd
Alan Khatso	55%	4 th

- The job was offered to Mr Kurauwone Chihota.

d) Chief Investments Officer

- The interviews for the position of the Chief Investments Officer were held by Board Members Mr E. Phiri, N Mukwehwa, Mr Biyam and Ms Mukondomi on 8 April 2016.
- The Authority outsourced the services of identifying and shortlisting of candidates to Standton Chase¹⁵⁷.
- The Authority did not provide evidence that internal candidates were considered first for this position as required. This could have disenfranchised internal candidates who would have wanted to apply.
- On 24 March 2016, Stanton Chase shortlisted five candidates to be interviewed.
- An analysis of interview score sheets and outcome is as shown below¹⁵⁸.

Name	Interview score Percentage	Ranking
Herbert Hungwe	90%	1 st
Chikuni Mutiswa	90%	1 st
Tawanda Munaiwa	88%	2 nd
Ritesh Anad	65%	3 rd
Tapiwa Maswera	55%	4 th

¹⁵⁶ Exhibit 115- Stanton Chase - Initial Shortlist Candidates for Chief Property Investments Officer: April 2016

¹⁵⁷ Exhibit 116- Stanton Chase - Comprehensive profiles of potential candidates for the position of: Chief Investments Officer NSSA

¹⁵⁸ Exhibit 117- Interview Scoresheet position of Chief Investments Officer

- The post was filled by Herbert Hungwe. Mr Hungwe had the same score with Mr Chikuni Mutiswa. As a result the Board Chairperson wrote to the Minister on 11 June 2016 seeking authority to appoint Mr Mutiswa to a new role of Chief Strategic Asset Officer. This was duly approved by the parent Minister.

8.1.5 Managers promoted to the executive role

There are 6 managers who were promoted to executive levels during the period under investigation. They are as follows:

Name	Job title	Date Joined	Date of promotion	Period in previous grade
Chakanyuka Nziradzemhuka ¹⁵⁹	Chief Strategic Assets Officer	1 Sep 2012	31 Oct 2017	7 months
Vimbai Farisai Dirorimwe	Finance & Cost Management Executive	1 Apr 2017	1 Dec 2017	8 months
Cynthia Tendai Mugwira	Group Legal Advisor & Board Secretarial Services Executive	1 Jul 2017	1 Dec 2017	5 months
James Tirivavi Chiuta	Strategic Assistant to the General Manager	1 Apr 2017	1 Dec 2017	6 months
Takura Pwiti	Human Capital & Talent Management Executive	1 Apr 2017	1 Dec 2017	8 months
Tambudzai Perpetua Chimeura	ICT & Digital Strategy Executive	18 Sep 2017	1 Dec 2017	

8.1.6 Significant change of grades

- NSSA has grades for its staff and managers, which are Grade 1 to Grade 18, with Grade 18 being senior managers. It also has grades for executives, which are E1, E2 and E3, with E1 being the General Manager.
- When the above managers were promoted to executive roles, we noted instance where one of them moved from grade 14 to E3. The analysis for all managers promoted on 1 December 2017 is as follows:

¹⁵⁹ Mr Nziradzemhuka is a NSSA employee who was promoted to this vacant position.

Name	Job title	Grade before promotion	Grade after promotion	Grades moved
Chakanyuka Nziradzemhuka	Chief Strategic Assets Officer	15	E3	4
Vimbai Farisai Dirorimwe	Finance & Cost Management Executive	16	E3	3
Cynthia Tendai Mugwira	Group Legal Advisor & Board Secretarial Services Executive	18	E3	1
James Tirivavi Chiuta	Strategic Assistant to the General Manager	14	E3	5
Takura Pwiti	Human Capital & Talent Management Executive	15	E3	4
Tambudzai Perpetua Chimeura	ICT & Digital Strategy Executive	16	E3	3

- Moving more than one grade at a time is unusual and there would have to be justification as to why. In this instance, no performance appraisals were done. Except for Mr Nziradzemhuka all other managers had been in their roles for less than a year.
- Ms Chitiga who made the recommendations for promotions to the Board was not available to comment.

8.1.7 Initial appointment of Ms Mugwira

Four of the five managers who were appointed by the Robin Vela led board came first in their interviews except for Ms Mugwira. Ms Mugwira came second and Ms Mukwehwa who chaired the interview panel did not have an explanation as to how she got the job ahead of the best candidate. Ms Mukwehwa referred us to Ms Chitiga who was not available to comment.

8.1.8 Promotion of James Chiuta

Mr Chiuta jumped four grades from Grade 14 to Grade E3. This is unusual considering that no formal performance appraisal was done to motivate the fact that he was an exceptionally good performer. Mr Chiuta was promoted despite the fact that he had acted without authority by writing a letter to Metbank authorising them to use US\$37,350,000 NSSA treasury bills which were in their custody. The act exposed NSSA to a potential financial loss of US\$37,350 million and the TBs have not been recovered to date. Mr Chiuta wrote the letter in question on 7 October 2017 and he was promoted on 1 December 2017. He is currently on suspension because of the Metbank letter issue.

It is also pertinent to note that when Mr Chiuta was recruited, he was awarded an average score of 100% by five panellists. This is very unusual. On enquiry from Ms Mukwehwa who was Chairperson of the panel, she confirmed that Mr. James Chiuta's performance at the interview was outstanding¹⁶⁰. We are yet to receive Ms Chitiga's comment in regard to the promotion of Mr. Chiuta.

¹⁶⁰ Exhibit Q16 - Questionnaire for Ms. Nester Mukwehwa page 15 (16).

8.2 Establish if current remuneration framework had been approved by the Board and parent Ministry

8.2.1 Requirements

NSSA Act

- Paragraphs 9 and 10 of the Schedule to Section 22 of the Act gives the Authority powers to;
 - Employ and set terms and conditions to persons as may be necessary for conducting its affairs and
 - To pay remuneration and allowances and grant such leave of absence with the approval of the Minister.

NSSA Human Resources Management Guidelines ("The Guidelines")

- Paragraph 3.4 (a) requires the Authority to classify posts by grade and title which are approved by the Board upon recommendations from management.
- Paragraph 3.4 (b) provides that employees are appointed at the first step of the salary scale of that grade.

Findings

8.2.2 Remuneration framework from July 2015 to March 2016

- The existing board took office in July 2015. Upon taking office, the Board adopted a remuneration framework that was in place¹⁶¹.

8.2.3 Remuneration framework from April 2016 to June 2016

- We noted that on 29 March 2016, the Authority forwarded a Memorandum to the Minister seeking approval of the remuneration framework.
- The Minister approved the proposed remuneration framework on 5 April 2016.
- The remuneration framework approved was for eight executives and details of the positions and remuneration are shown below;

¹⁶¹ Exhibit 118- Letter dated 26 May 2016 with the approved Remuneration Framework. (Refer to page with the Current Structure)

Job Title	Grade	Basic Salary	Housing Loan Benefit	Telephone	Vehicle Allowance	School Fees	University	Professional Fees	Medical Aid	Total
General Manager	E1	13,767.51	283.70	283.70	7,685.96	961.54	666.67	80.51	308.18	24,037.77
Director Finance	E1	7,775.13	344.56	145.06	5,707.85	961.54	666.67	80.51	308.18	15,989.50
Director Benefits	E2	7,775.13	358.56	145.06	5,707.85	961.54	666.67	80.51	308.18	16,003.50
Contributions & Compliance	E2	7,775.13	174.21	145.06	5,707.85	961.54	666.67	80.51	308.18	15,819.15
Corporate Services Director	E2	7,775.13	204.94	145.06	5,707.85	961.54	666.67	80.51	308.18	15,849.88
Investments Director	E2	7,775.13	418.40	145.06	5,707.85	961.54	666.67	80.51	308.18	16,063.34
ICT Executive	E3	6,489.64	212.54	145.06	4,386.72	810.00	512.82	78.08	308.18	12,943.04
Chief Audit Executive	E3	6,240.04	272.61	145.06	4,386.72	810.00	512.82	78.08	308.18	12,753.51
Total		65,372.84	2,269.52	1,299.12	44,998.65	7,389.24	5,025.66	639.22	2,465.44	129,459.69

*We noted that the table sent to the Minister for approval did not cast by US\$20,892,59. This was because of omission of Director Finance remuneration of US\$15,989.5 and other benefits for all executives of US\$4,903.09.

8.2.4 Remuneration Framework from July 2016 to November 2017

- In a Memorandum dated 11 June 2017, Mr Vela wrote to the Minister seeking approval of a proposed management team¹⁶².
- The proposed management comprised of seven managers as detailed in the table below.

Name	Job title
Elizabeth Chitiga	General Manager
Emerson Mugwariri	Chief Finance and Operations Officer
Herbert Hungwe	Chief Investments Officer
Chikuni Mutiswa	Chief Strategic Assets Officer
Kurawone Chihota	Chief Property Investments Officer
Henry Chikova	Chief Social Security Officer
Barnabas Matongera	Chief Contributions and Compliance Officer
Betty Nyereyegona	Chief Occupational Health and Safety Officer
Andrew Nyakonda	Chief Audit Executive ¹⁶³

- The Memorandum highlighted the issue of the recently approved remuneration framework where he proposed to give the team monthly salaries capped as follows;
 - Chief Executive Officer US\$17,230
 - All other executives US\$15,080
- The effect of the Memorandum changed the structure and remuneration framework approved on 5 April 2016. It sought to align the new appointments to the remuneration framework.
- Special mention of Henry Chikova (Chief Social Security Officer) and Barnabas Matongera (Chief Contributions and Compliance Officer) was made and they were getting US\$16,587 and US\$16,403 respectively. An attempt was going to be made to align their salaries with the other Executives.
- The Minister approved the new proposed management team and the remuneration framework on 28 June 2016.

8.2.5 Existing remuneration framework from December 2017 to date

- a) Approval of the Remuneration framework without evidence of Minister involvement

¹⁶² Exhibit 119- Memorandum dated 24 June 2016, seeking approval with the management team

¹⁶³ We have included Andrew Nyakonda, the Chief Internal Auditor was not included in the Memorandum.

- We noted that on 12 September 2017, the Human Resources, Remuneration and Nominations Committee held a meeting. At that meeting a resolution was passed to review management remuneration framework¹⁶⁴.
- The minutes did not detail the managers, grades and remuneration levels to be affected.
- On 17 November 2017, Mr Vela wrote to Mr Masoka, Permanent Secretary in the Ministry, seeking approval of a new executive management structure and review of the remuneration structure.
- We noted that the approval was granted by Mr Masoka. According to the NSSA Act approval was supposed to be from the Minister.
- NSSA effected changes to the remuneration framework based on this approval with effect from December 2017.
- As a result of the Permanent Secretary's approval of the remuneration framework to executive management, payroll costs increased.

b) Quantification of salary increase

- We quantified the salary increase resulting from the Permanent Secretary's approval for ten months from December 2017 to September 2018.
- Quantification is shown in the table below.

Name	Job title	Grade	Total Salary & Benefits as per the Minister Approval US\$	Total Salary & Benefits After Permanent Secretary Approval US\$	Difference Per Month US\$	Number of Months	Total Salary Not Approved by the Minister US\$
Elizabeth Chitiga	General Manager	E1	17,470	18,939	1,469	4	5,876
Barnabas Matongera	Director Contributions & Compliance Director	E2	15,210	16,453	1,243	10	12,430
Vacant	Director Benefits	E2	15,210	16,453	1,243	0	-
Emerson Mugwariri	Director Finance & Operations	E2	15,210	16,453	1,243	10	12,430
David Makwara ¹⁶⁵	Investments Director	E2	-	16,453	16,453	3	49,359

¹⁶⁴ Exhibit 120- Minutes of the Special Human Resources, Remuneration and Nominations Committee Meeting of 12 September 2017.

¹⁶⁵ This is a new position created after the Permanent Secretary's approval

A Nyakonda	Chief Audit Executive	E3	12,650	12,650	.	10	.
Herbert Hungwe	Chief Investments Officer	E3	15,210	15,210	.	10	.
B. Nyereyegona	Chief OHS & Rehabilitation Officer	E3	15,210	15,210	.	10	.
Kurauwone Chihota	Chief Properties Investments Officer	E3	15,210	15,210	.	10	.
	Chief Social Security Officer	E3	15,210	15,210	.	10	.
C. Nziradzemhuka	Chief Strategic Assets Officer	E3	15,210	15,210	.	10	.
Vimbai Farisai Dororimwe	Finance & Cost Management Executive	E3	9,189	12,650	3,461	10	34,610
Cynthia Tendai Mugwira	Group Legal Advisor & Board Secretarial Services Executive	E3	9,415	12,650	3,235	10	32,350
Takura Pwiti	Human Capital & Talent Management Executive	E3	8,890	12,650	3,760	10	37,600
Tambudzai Perpetua Chimeura	ICT & Digital Strategy Executive	E3	9,415	12,650	3,235	10	32,350
James Tirivavi Chiuta	Strategic Assistant to the General Manager	E3	6,291	15,210	8,919	10	89,190
Total			195,000	239,261	44,261		291,089

- Additional cost to NSSA resulting from the Permanent Secretary's approval amounted to US\$291,089 as shown in the above table.

8.2.6 Approval of bonuses

a) Financial year 2015

In 2015, the Authority paid a 13th cheque or one-month basic salary as bonus to all non-managerial employees. Managers and executives were paid 50% of their monthly basic salaries as bonus¹⁶⁶.

¹⁶⁶ Exhibit 121- Memorandum on payment of 2015 bonus.

There was no evidence that the Minister approved the bonuses as required by the NSSA Act.

b) Financial year 2016

No bonus was paid to employees. This is supported by a Memorandum dated 5 December 2016 from the General Manager, addressed to all staff¹⁶⁷.

c) Financial year 2017

- According to the resolution dated 16 February 2018 signed by Mr Vela:
 - Non-managerial employees were paid a 13th cheque and the total cost to the Authority was US\$800,099.
 - Managerial and executive employees were paid 60% of their annual basic salary in accordance with the performance reward framework. The total payment was US\$1,029,939.
 - The total bonuses amounted to US\$1,830,039¹⁶⁸.

The following irregularities were noted:

- Mr Vela sought approval for payment of the bonuses from Mr. Masoka on 17 November 2017 before board approval on 30 November 2017. Mr Vela misrepresented in his letter that the Board had already approved the bonuses¹⁶⁹.
- Approval of bonuses were granted by the Permanent Secretary instead of the Minister as required by the NSSA Act.
- The performance bonus was based on a Performance Reward Proposal document for which we did not see evidence of its approval by the parent Minister¹⁷⁰.
- Relating to the Permanent Secretary approval, Mr. Vela told us that his understanding is that it is the Parent Ministry and not the Minister that gives the approval. He explained that the approval was granted by the Permanent Secretary when there was a Ministerial vacancy on 17 November 2017. He stated that in the absence of an appointed Minister, the Permanent Secretary is the authority for approval¹⁷¹.

¹⁶⁷ Exhibit 122- Memorandum on non-payment of 2016 bonuses by the General Manager.

¹⁶⁸ Exhibit 124- Letter dated 17 November 2017 addressed to the Permanent Secretary Mr Masoka.

¹⁶⁹ Exhibit 124- Letter dated 17 November 2017 addressed to the Permanent Secretary Mr Masoka.

¹⁷⁰ Exhibit 126- Performance Reward Proposal for 2017.

¹⁷¹ Exhibit Q12 - Questionnaire for Mr. Vela page 7 (11a).

8.3 Establish whether the existing organisational structure and job grading had been approved by the Board and parent Ministry

8.3.1 Requirements

NSSA Act

- o Appointment conditions for the General Manager are provided for under Section 25(1)(a) of the Act and must be approved by the Minister.
- o Appointment of other employees is guided by Paragraph 9 of the Schedule to Section 22 of the Act which gives the Authority power to employ people it may consider fit for conducting its affairs.

Findings

8.3.2 Organizational Structure from July 2015 to March 2016

- We noted that the Board last approved the structure on 15 November 2011 and there was no evidence of Ministry approval¹⁷².
- The structure and Grades as per approved November 2011 organogram are shown in the table below.

Position	Grade
General Manager	E1
Director Benefits	E2
Director National Health	Ungraded
Director Contributions and Compliance	E2
Director Investments	E2
Director Finance	E2
Director Corporate Services	E2
Director OSH	E2
ICT Executive	E3
000Chief Internal Audit	E3

- The new board adopted the existing structure when it took office in July 2015.

8.3.3 Organisational Structure from April 2016 to June 2016

- The Authority revised the adopted structure. In the revised structure, the position of Director National Health was dropped.
- At the time the Authority sought approval of the new remuneration framework from the Minister on 29 March 2016, the management structure was as follows;

¹⁷² Exhibit 117- November 2011 Organogram

Position	Grade
General Manager	E1
Director Benefits	E2
Director Finance	E2
Director Contributions and Compliance	E2
Director Investments	E2
Director Finance	E2
Director Corporate Services	E2
ICT Executive	E3
Chief Internal Audit	E3

8.3.4 Organisational Structure from July 2016 to November 2017

- The Human Resources, Remuneration & Nomination Committee held a meeting on 15 June 2016 and passed the following resolutions¹⁷³;
 - Management functions of NSSA be restructured, with a new organisational structure of an eight-member management executive team.
 - The Board Chairman was going to sign the employment contracts on behalf of the Board.
- On 11 June 2016, Mr Vela wrote a Memorandum to the Minister seeking approval of the management team¹⁷⁴.
- On 24 June 2016, Ms Mukondomi forwarded Mr Vela's Memorandum to the Minister for approval.
- Attached to the same request was the Board Chairman's Memorandum dated Saturday 11 June 2016 addressed to the Minister. The Memorandum was seeking approval of an additional position of the Chief Strategic Assets Officer.
- It is evident from the above events, that Mr Vela sought Ministerial approval before the restructuring was approved by the Human Resources, Remuneration & Nomination Committee. His letter was of 11 June 2016, yet the Committee approved restructuring on 15 June 2016.
- The Minister approved the new proposed management team on 28 June 2016.
- The Board sat and approved the management team on 29 June 2016¹⁷⁵. It can also be seen that the Minister approved the team before the Board approval.

¹⁷³ Exhibit 129- Minutes of the Human Resources, Remuneration & Nomination Committee of 15 June 2016 (Paragraph 4.19 on page 8).

¹⁷⁴ Exhibit 119- Memorandum Seeking approval of the management team addressed to the Minister.

¹⁷⁵ Exhibit 70- Minutes of the Board held on 29 June 2016 (Paragraph 2.1 on page 2).

- Shown in the table below are the approved positions and grades.

Job title	Grade	Ministry Approval
General Manager	E1	Yes
Chief Finance and Operations	E2	Yes
Benefits Director	E2	Yes
Chief Investments Officer	E3	Yes
Chief Strategic Assets Officer	E3	Yes
Chief Property Investment Officer	E3	Yes
Chief Contributions, Collections and Compliance Officer	E2	Yes
Chief OHS & Rehabilitation Officer	E3	Yes
Chief Social Security Officer	E3	Yes
Chief Audit Executive	E3	Yes

- We also observed that the request for approval of the management team was made after the Authority or the Board had already conducted interviews for the new employees.
- According to the advertisement for the position of General Manager, Chief Finance and Operations Officer, Chief Investment Officer and Chief Property Investment Officer, the last date of accepting applications was on 4 March 2016.

8.3.5 Existing management structure and job grading from December 2017 to date

- We noted that on 17 November 2017, Mr Vela wrote a letter to Mr Masoka requesting for the approval of a management structure and job grading. This also covered review of the remuneration structure¹⁷⁶.
- The approval was granted by Mr Masoka. According to the NSSA Act, the approval was supposed to be granted by the Minister.
- The Permanent Secretary's approval had the effect of changing both the structure and remuneration framework for management. The implication on the remuneration framework was dealt with separately on Section 8.6.6.4.1 of this report.

¹⁷⁶ Exhibit 130- Letter with the new executive structure addressed to the Permanent Secretary dated 17 November 2017.

- We have shown in the table below the existing management structure as approved by the Permanent Secretary;

Job title	Name	Grade
General Manager	Vacant	E1
Director Finance and Operations	Emerson Mungwariri	E2
Director Investments	David Makwara	E2
Director Benefits	Vacant	E2
Director Contributions, Collections and Compliance	Barnabas Matongera	E2
Chief Properties Investments Officer	Kurauwone Chihota	E3
Chief Investments Officer	Herbert Hungwe	E3
Chief Contributions, Collections and Compliance	Shepard Muperi (Acting)	E2
Finance & Cost Management Executive	Vimbai Dirorimwe	E3
Group Legal Advisor & Board Secretarial Services Executive	Cynthia Mugwira	E3
Strategic Assistant to the General Manager	James Chiuta	E3
Human Capital & Talent Management Executive	Takura Pwiti	E3
ICT & Digital Strategy Executive	Perpetual Chimeura	E3
Chief Audit Executive	Andrew Nyakonda	E3
Chief Strategic Assets Officer	Chakanyuka Nziradzemhuka	E3
Chief OSHRF and WOF Officer	Betty Nyereyegona	E3

8.4 Board and committee meetings compliance with best practice of good corporate governance, Government directives and NSSA Act

8.4.1 Requirements

- Section 12 (2) of the NSSA Act provides that the Board should hold its meetings at least once every three months which translates to four meetings per annum.
- Section 12 (3) of the Act provides that the chairman at the request in writing of not fewer than 2 members, convene special meeting of the board.
- Section 13 (1) of the Act allows the Board to establish one or more committees with the consent of the Minister.

Findings

8.4.2 Board and Committee meetings held

The number of meetings held during the period under review are shown below;

Year	Minimum for the Board and Committees	Main Board	Board, Investments and Procurement Committee	Legal and Litigation Committee	Human Resource, Remuneration and Nominations Committee	ICT, Finance and Contributions Committee	Audit and Risk Committee	Actuarial, Benefits and Occupational Security and Health Committee	Public Relations, Communications and Corporate Social Responsibility Committee	Other Ad hoc Committees
2015	2	5	5	-	4	2	2	2	3	-
2016	4	6	8	2	5	4	6	4	6	9
2017	4	6	4	9	6	7	5	8	4	7

- The Board was appointed in July 2015. Within six months of that year, the Board held five meetings compared to a minimum of two meetings as recommended.

8.4.3 Ministerial approval of committees set by the Board

- We established that as shown in the above table, the Board set up seven committees to assist it.
- We noted that when the Board came in there were six committees. In 2016, the Legal and Litigation Committee was created.
- We did not see the Minister's consent approving the above committee set by the Board as required. Enquiries were made with Mr Takawira and he stated that he had no record of the Minister's consent on setting up of the committees.

8.4.4 Corporate governance issues - Mr Vela's interference with executive management's issues

We noted that in a number of instances, Mr Vela interfered with executive management decisions as evidenced by the following;

a) Metbank transactions involvement

Custodial arrangement and release of TBs

- o On 18 October 2016, Mr Vela sent a WhatsApp message to Mr Hungwe requesting for information on the issue of treasury bills to Metbank. The message suggested that there was some pressure on Mr Vela for the deal to happen as he highlighted that he was being put in a difficult position due to the delays. He indicated that this would only be a custodian arrangement and there would be no risk to NSSA¹⁷⁷.
- o On 7 November 2016, Mr Vela wrote an email to Ms Chitiga, Mr Hungwe and Mr Mungwariri. He pointed out that the BIC had directed that TBs amounting to at least \$20 million held by CBZ be moved to Metbank. He emphasised that this was supposed to have happened before 31 October 2016 and wanted to know why there was a delay and who had caused the delay¹⁷⁸.
- o The above is evidence of Mr Vela's pressure on management to set up a custodial arrangement and release NSSA treasury bills to Metbank. This was despite the fact that Metbank was assessed as high risk by NSSA risk department and had nil counterparty trading limit.
- o After it was established that Mr Chiuta, the Executive Assistant in the office of the General Manager, was the one who had authored and signed the letter without authority that gave Metbank green light to use NSSA TBs worth \$37,350,000, Mr Chiuta gave a formal statement addressed to the Acting General Manager. He detailed what had transpired to the point of signing the letter. He indicated that he had received a WhatsApp message on 2 October 2017 from Mr Vela¹⁷⁹.
- o The contents of the conversation were that Mr Vela indicated that Metbank had secured funding and wanted NSSA to release the TBs and some representatives of the bank would visit him the following day. Mr Chiuta confirmed that on the morning of 3 October 2017, Mr Bvute, Mr Ndebele and Mr Kundishora all from Metbank visited him requesting for a letter that would authorise them to use NSSA TBs which were already in their custody.

Fertiliser loan facility

- o On the 6th of October 2016, Mr Vela sent an email to Mr Hungwe with a term sheet attached for the \$20,000,000 fertilizer funding for review. The term sheet was already signed by Mr Chawoneka for and on behalf of Metbank

¹⁷⁷ Exhibit 46- Image of the WhatsApp message from Mr Vela to Mr Hungwe.

¹⁷⁸ Exhibit 50- Email from Mr Vela on the issue of delays in TB movements to Metbank.

¹⁷⁹ Exhibit 42 - Copy of WhatsApp message to Mr Chiuta from Mr Vela.

Limited date stamped 5 October 2016. This showed that Metbank had already discussed the issue of funding with Mr Vela.

- o On 1 November 2016, Mr Hungwe sent an analysis he had done to alter the structure brought forward by Mr Vela. In the same email, he indicated that he had sent the same analysis to the Management Investment Committee ("MIC") and the majority of the members were in agreement with this analysis as compared to what was initially put forward by Mr Vela.
- o In his response to the email on the same date copied to Ms Chitiga, Mr Mutiswa and Mr Ruwende (Board appointed investment expert), Mr Vela indicated that the deal could go on as re-structured by Mr Hungwe though he indicated that he was not approving the deal. He stated that his reasons for disapproving were mentioned to Mr Hungwe telephonically and on several other occasions. In his closing remarks in the same email, Mr Vela said the following:

"We will then execute on the basis of the same and indeed evaluate management on the success or failure of their suggestion. I would like it explicitly understood that this is management's determined direction".

- o As a result, Mr Hungwe withdrew what he had proposed for fear of victimisation and the initial structure as brought by Mr Vela went through.

b) Engagement of Housing Cooperation of Zimbabwe (HCZ)

- o The relationship between NSSA and HCZ was initiated by Mr Vela. This was after some communication between Mr Vela and Mr Chihota through an e-mail dated 16 June 2017, in which Mr Vela stated that he wanted HCZ housing off-take agreement to be approved at the next BIC meeting¹⁸⁰.
- o On 3 July 2017 Mr Robin Vela wrote to Kura Chihota and said that he wanted to see all the 3 projects (Derbyshire, HCZ and NUST) signed off and initial disbursements done in the same week without fail. He also instructed Kura Chihota to get the guarantees for funds from the bank¹⁸¹.
- o The off-take housing agreement valued at \$304 million was awarded to HCZ, a company which was one week old.

c) Other off-take housing developments

- o Mr Robin Vela wrote an email on 8 June 2017 suggesting to Kura Chihota some developers who had approached him. Mr Vela went further to say that he was not going to wait for NBS to get through their management¹⁸².
- o On 9 July 2017 Mr Vela wrote to Kura Chihota telling him that he was under pressure on performance. As such he wanted quick implementation from the

¹⁸⁰ Exhibit 131- Email by Mr Vela to Mr Chihota dated 8 June 2017.

¹⁸¹ Exhibit 85- Email by Mr Vela to Mr Chihota dated 3 July 2017.

¹⁸² Exhibit 131 - Email by Mr Vela to Mr Chihota dated 8 June 2017.

properties officials. He also said that he wanted to know the reasoning for lack of progress and persons responsible for failing¹⁸³.

- o Mr Kura Chihota wrote to Mr Vela to advise him that the proposed cost of Metbank land of \$6.15/sqm was too high. Mr Vela responded on 29 July 2017 and said that the off-take price was fixed and could not be altered¹⁸⁴.
- d) Waiver of vehicle loan waiting period to Ms Mugwira
 - o In an email dated 16 August 2017, Mr Vela sent an email to Mr Mungwariri, copied to Ms Mugwira and Ms Chitiga authorising the waiver of Ms Mugwira's waiting period to get a vehicle loan¹⁸⁵.
- e) Overriding management computations of increase in Board fees rates
 - o Mr Vela discarded computations done by management on implementation of a 50% increment on retainer fees which had been sanctioned by the Permanent Secretary. Mr Vela refused to take management figures and gave them his own computations. This resulted in implementation of wrong Board fees rates where the increment was 94% for the Board Chairman and 100% for the other Board members.

According to Mr. Vela's questionnaire, he disputed all the management interference allegations saying the allegations are either false or the interference was necessary under the circumstances¹⁸⁶.

8.5 Reasonableness of Board expenses incurred and quantification

8.5.1 Requirements

- Section 14 (a) of the Act states that the Board or a member shall be paid such remuneration with the approval of the Minister.
- Section 14 (b) of the Act states that the Board or a member shall be paid such allowances with the approval of the Minister responsible for finance.

Findings

8.5.2 Approval of Board fees by the Minister

- We noted that on 20 October 2015, the Minister approved Board fees and allowances as follows;

¹⁸³ Exhibit 132 - Email by Mr Vela to Mr Chihota dated 9 July 2017.

¹⁸⁴ Exhibit 133- Emails between Mr Chihota and Mr Vela dated 27 and 29 July 2017.

¹⁸⁵ Exhibit 134- Email from Mr Vela on vehicle loan waiting period

¹⁸⁶ Exhibit Q12 - Questionnaire for Mr. Vela pages 14-17 (a-h)

	Quarterly Retainer Fees	Board sitting allowance	Committee sitting allowance
	(\$)	(\$)	(\$)
Chairman	3,325	900	720
Deputy chairperson	2,595	780	560
Ordinary member	2,145	650	560

- From our analysis, the fees approved by the Minister are comparable with other Parastatals and market trends. We can confirm that the rates were reasonable.
- We established that the approved Board fees rates were properly and correctly applied for the years 2015 and 2016.

8.5.3 Quantification of Board fees expenses for the period

- The following table is a summary of NSSA Board expenses incurred for the period from 10 July 2015 to 31 December 2017;

Year	Retainer Fee	Board Sitting Allowances	Committees Sitting allowances	Investment-Expert Allowance	Other expenses	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
2015	37,682	28,550	39,120	2,500	-	107,852
2016	83,740	31,150	92,967	10,000	35,460	253,317
2017	88,030	34,910	106,000	10,000	56,454	295,394

- Other Board expenses are broken down as follows;

Activity	2016	2017
	(\$)	(\$)
Board interviews expenses	11,840	16,960
Nyanga Board Retreat	23,620	-
Board training and evaluation	-	18,990
Mr Vela's allowances on other NSSA official business	-	14,785
Mr Vela's Mauritius trip	-	5,769
Total	35,460	56,454

- Board interviews expenses relate to the sitting allowances paid to Board members when they were conducting interviews for the appointment of the new executive management team. Other items are reported separately on note 5.2.4 below.
- We established that there were Board expenses which were not approved by the Minister and relate to the following;

- o Increase in Board fees approved by the Permanent Secretary.
- o Irregularity in implementing Permanent Secretary's approval.
- o Other Board events

8.5.4 Increase in Board fees due to approval by the Permanent secretary

- The Board sat on 26 September 2017 and proposed changes to the Non-Executive Directors remuneration framework through the following resolutions;¹⁸⁷
- Subject to the Ministerial approval, the retainer fees paid to Non-Executive Directors every quarter be increased by 50% effective from the 4th quarter of 2017 and the sitting fees to remain the same.
- Board members carrying out official NSSA business during working hours and having to travel be paid a fee equivalent to a sitting allowance fee, daily per diem and a travel allowance in line with NSSA's current policy for its staff from 1 July 2017.
- Two months later, on 20 November 2017, Mr Vela sought approval of the above resolutions from Mr Masoka, Mr Masoka approved the above resolutions on the same day¹⁸⁸.
- The above is in contravention of the requirements of the Act which requires that the approval should be from the Minister, not the Permanent Secretary.
- According to Mr. Vela, he told us that his understanding is that it is the Parent Ministry and not the Minister that gives the approval. He explained that the approval was granted by the Permanent Secretary when there was a Ministerial vacancy on 20 November 2017. He stated that in the absence of an appointed Minister, the Permanent Secretary is the authority for approval¹⁸⁹.
- After the 50% increment, Board fees rates should have been as follows;

	Quarterly retainer Fees	Board sitting allowance	Committee sitting allowance
	(\\$)	(\\$)	(\\$)
Chairman	4,988	900	720
Deputy chairperson	3,893	780	560
Ordinary member	3,218	650	560

- However, on implementation, we noted that management implemented different rates from the above. The actual rates implemented had the

¹⁸⁷ Exhibit 135- Minutes of Non-Executive Directors dated 26 September 2017. Refer to Paragraph 3.5. Note the Minutes are not signed.

¹⁸⁸ Exhibit 136- Letter dated 20 November 2017, seeking approval of Board fees by Permanent Secretary.

¹⁸⁹ Exhibit Q12 - Questionnaire for Mr. Vela page 7 (11a).

Chairman's rate increased by 94% and other Board members by 100%. The incorrect rates implemented were as follows;

	Quarterly retainer Fees ¹⁹⁰	Board sitting allowance	Committee sitting allowance
	(\$)	(\$)	(\$)
Chairman	6,450	900	720
Deputy chairperson	5,190	780	560
Ordinary member	4,290	650	560

- On enquiry with Mr Mungwariri, we were told that management came up with the correct computations as approved by the Permanent Secretary. He pointed out that management computations were overridden by Mr Vela who provided his own figures which they implemented.
- According to Mr. Vela, he is insisting that what he gave to management for implementation is what was approved by the Permanent Secretary and is not aware of any other figures¹⁹¹. This is despite the fact that the same issue was raised by a board member, Mr. Mutasa in December 2017. Mr. Mutasa wrote a letter to Mr. Vela advising him of his refusal to accept a 100% increase in board fees¹⁹². Mr. Vela responded through email dated 20 December 2017 copied to all board members and Mr. Mungwariri, where he insisted that he was not aware that board fees were increased by 100%¹⁹³.

8.5.5 Quantification of Board fees overstated as a result of the 50% increment and the irregular implementation

- As a result of the Permanent Secretary's actions, with effect from the 4th quarter of 2017, Board members were paid incorrect and unapproved Board fees. We have treated all payments made as a result of Mr Masoka's approval and the irregular implementation as an overstatement.

¹⁹⁰ Exhibit 137- Letter containing new Board fees rates signed by Mr Vela.

¹⁹¹ Exhibit Q12 - Questionnaire for Mr. Vela page 7 (11b).

¹⁹² Exhibit 138- Mr. Mutasa's email dated 20 December 2017 to Mr. Vela rejecting a 100% increase in board fees.

¹⁹³ Exhibit 138 - Mr. Vela's email to Mr. Mutasa on the issue of 100% increase in board fees.

- We quantified the overstatement resulting from the 50% increment as follows;

Director	Retainer fee approved by Minister (\$)	Retainer fee with 50% increase (\$)	Overpaid (\$)	Quarters paid	Total overpaid (\$)
	(a)	(b)	(b)-(a)		
R. Vela	3,325	4,988	1,663	2	3,326
D. Tomana	3,325	4,988	1,663	2	3,326
D. Tomana	2,595	3,893	1,298	2	2,596
S.T. Biyam	2,145	3,218	1,073	4	4,291
P. G. Mutasa	2,145	3,218	1,073	4	4,291
N. Mukwehwa	2,145	3,218	1,073	4	4,291
J. Mateko	2,145	3,218	1,073	4	4,291
R. Gundane	2,145	3,218	1,073	4	4,291
M. Mukondomi	2,145	3,218	1,073	4	4,291
E. Phiri	2,145	3,218	1,073	4	4,291
C. Mutisi	2,145	3,218	1,073	4	4,291
Total					43,576

- We also quantified the overstatement resulting from the irregular implementation as follows;

Director	Retainer fee paid at 94% and 100% (\$)	Retainer fee at 50% (\$)	Overstatement (\$)	Quarters paid	Total overpaid (\$)
R. Vela	6,450	4,988	1,462	2	2,924
D. Tomana	6,450	4,988	1,462	2	2,924
D. Tomana	5,190	3,893	1,297	2	2,594
S.T. Biyam	4,290	3,218	1,072	4	4,288
P. G. Mutasa	4,290	3,218	1,072	4	4,288
N. Mukwehwa	4,290	3,218	1,072	4	4,288
J. Mateko	4,290	3,218	1,072	4	4,288
R. Gundane	4,290	3,218	1,072	4	4,288
M. Mukondomi	4,290	3,218	1,072	4	4,288
E. Phiri	4,290	3,218	1,072	4	4,288
C. Mutisi	4,290	3,218	1,072	4	4,288
Total					42,746

- The total overstatement due to the 50% increment and the irregular implementation amounted to \$86,322 as at end of third quarter of 2018.
- Up to October 2018, when the NSSA board was dissolved, Non-Executive Directors were still being paid retainer fees based on incorrect and overstated rates provided by Mr. Vela.

8.5.6 Other Board expenses where no evidence of Ministerial approval was availed

a) Nyanga Board retreat

In 2017 the full Board held a strategic retreat in Nyanga for four days where the Board Members were paid daily sitting allowances equivalent to \$720 for the Chairman and \$560 for other members. Total sitting allowances for this seminar amounted to \$23,620 and there is no evidence that this Board event was sanctioned by the Minister.

b) Board members' training retreat and evaluation

In 2017, the Board held a three-day Board training retreat and a Board evaluation at a total cost to NSSA of \$18,990. Directors were paid an equivalent of the Board sitting allowance per day for the three days. There is no evidence that this cost was approved by the Minister.

c) Payments to Mr Vela

- On 4 December 2017, Mr Vela was paid \$14,785 relating to carrying out other official NSSA business backdated to 1 July 2017¹⁹⁴. This was over and above his normal retainer and sitting allowances. This payment was in line with the approval sanctioned by the Permanent Secretary as mentioned on note 5.2.2.1. The payment was not approved by the Minister.
- Mr Vela was also paid \$5,769¹⁹⁵ for a Mauritius trip. Minister's approval for this trip was not availed.
- According to Mr. Vela's questionnaire, he stated that the payments above were based on the Permanent Secretary approval granted on 20 November 2017¹⁹⁶. This was despite the fact that all foreign trips require Cabinet authority¹⁹⁷.

¹⁹⁴ Exhibit 139- Supporting schedule for the payment of \$14,785

¹⁹⁵ Exhibit 140- Supporting document for the payment of \$5,769

¹⁹⁶ Exhibit Q12 - Questionnaire for Mr. Vela page 8 (12).

¹⁹⁷ Exhibit Q3 - Questionnaire for Mr. Mungwariri page 14 (22).

9 PENSIONER DATABASE

9.1 Integrity of database

- We obtained backup pensioner database from the IT which was prepared using SQL Server 2016 software. The backup database was in "bak" format which is not readable using the data analytics tools we use at BDO. We restored the database to be able to view its contents and import the information contained to our data analytics software.
- The pensioner database had 3 individual databases, that is, the first database which was being used by NSSA before it migrated all the data to SAP system (the database which supported SAP system) and the current database in use. SAP system had several issues unresolved before it was signed off. Because of that, NSSA had to develop a new system to cater for pensioner database. We reviewed the first database and the current database in use at NSSA.

9.2 Appropriateness of 23rd Century system

- When we were appointed to execute this Forensic Audit, NSSA had already abandoned SAP system.
- NSSA made visits to countries like Kenya, Zambia and Tanzania enquiring about the appropriateness of the SAP system. Kenya was the only country that was using a minor portion of SAP system to perform social security related business.
- Several issues were noted in management meetings including:
 - i. The system failed to produce a clean and complete payroll during the time it was being tested.
 - ii. The system could allow capturing of duplicate records which would then affect the integrity and accuracy of the database.
 - iii. Payroll processing involved manual intervention outside SAP system. The manual intervention in Excel was prone to manipulation, therefore it was condemned by the internal auditors.
 - iv. At inception, Twenty Third Century Systems had assured that it was going to address NSSA's requirements. However, Twenty Third Century Systems developed a system which was not fit for NSSA's purpose.
 - v. Instead of completing the project in 12 months, TTCS were over 36 months behind the agreed completion date.
- We agree with NSSA management that SAP system is not appropriate for the social security related business operation of the Authority hence support the decision to abandon it.

9.4.1 Records without contact details

- We noted that 371,000 records did not have contact phone numbers.
- Telephone details are necessary whenever the Authority may want to communicate with pensioners.
- A sample of records is as shown on the colored column below:

Employee Surname	Employee First-Name	ID-Number	Gender	Contact Phone Number
Dube	Makhosi	73-026890D73	M	
Sibanda	Tsubayi	79-101944Y79	F	
Moyo	Mkonzwa	73-037958J73	M	
Chikukutu	Samuel	18-058005Q07	M	
Sibindi	Siyangiso	79-101406N26	M	
Ndiweni	Njabulo	41-063970Z41	M	
Ncube	Nobuhle	08-752542G28	F	
Kadzima	Stanford wengai	34-081814Z34	M	
Chari	Walter taurai	63-1126769G71	M	
Derera	Joel	44-066177S44	M	
Shumba	Shewakatipa	03-114745R03	M	
Rusvaya	Golden	42-099133B07	M	

9.4.2 Employee records without monthly salaries

- A total 989,000 database records did not have contributors' monthly salaries. Salaries are used to calculate pension. Most of these pension contributors show the default contact phone numbers as 723822 as shown on sample below.
- A sample of records is as shown on the colored column below:

Surname	First Name	ID Number	Monthly Salary	Contact Phone Number
Dube	Sibonokuhle		0	723822
Moyo	Bongani	41-045845Y41	0	723822
Dube	Makhosi	73-026890D73	0	723822
Mudzingwa	Brian		0	723822
Mpofu	Charity	08-717258E08	0	723822
Ncube	Admire	08-011081R53	0	723822
Ncube	Mduduzi	26-119061H23	0	723822
Ndlovu	Thobekile	53-039809Q53	0	723822
Dube	Eslinah	73-064569J73	0	723822
Mhlanga	Mthandazo	08-700059K13	0	723822
Ncube	Thabani	08-736703Q21	0	723822
Mudimba	Peter	06-029366H06	0	723822

9.4.3 Employee records with no employee numbers

- A total of 880,000 database records did not have employee numbers which is a prerequisite when applying for and claiming pension.
- A sample of records is as shown on the colored column below:

Social Security Number	Employee Number	Employee Surname	Employee First-Name
3152671C		Dube	Sibonokuhle
3152685N		Moyo	Bongani
3152696S		Dube	Makhosi
3152706S		Mudzingwa	Brian
3152710J		Mpofu	Charity
3152724Z		Ncube	Admire
3152735C		Ncube	Mduduzi
3152740S		Ndlovu	Thobekile
3152744D		Dube	Eslinah
3152747J		Mhlanga	Mthandazo
3152749N		Ncube	Thabani
3152754G		Mudimba	Peter
3152756K		Moyo	Ntokoza

9.4.4 Employee records with no National identity numbers

- A total of 79,000 database records did not have national identity numbers. A sample of records are as shown on the colored column below:

Social Security Number	Employee Surname	Employee First-Name	ID-Number
3152671C	Dube	Sibonokuhle	
3152706S	Mudzingwa	Brian	
3152756K	Moyo	Ntokoza	
3152767P	Ndhlovu	Simosabo	
3152768R	Mamane	Ndabezinhle	
3152778Z	Nyoni	Phathisani	
3152835G	Mhlanga	Nhlanhla	
3152836X	Mpofu	Sibonginkosi	
3152930A	Ncube	Ephraim	
3152982T	Mpofu	Zakaria	
3153041Z	Ndlovu	Fisolwami	
3153138M	Banda	Amos	
2940287K	Lupahla	Maxwell	
2814683N	Hute	Austin	
2814934M	Jack	Celia	
2815077W	Jalasi	Tsungirirai	

9.4.5 Employee records with over 75 years of Service

- More than 4,000 records had total service period which was above 75 years.
- Service period denotes the time frame a contributor was contributing to NSSA.

- We were expecting to see service period of at most 24-25 years. The 25 years is the period almost equivalent to commencement of NSSA contributions. NSSA contributions commenced in 1994.
- A sample of records is as shown on the colored column below:

Employee Surname	Employee First-Name	Date of Birth	Commencement Date	Total Service
Jack	Clive	1990-07-18 00:00:00.0000000	1910-03-01 00:00:00.0000000	108
Katenhe	Lenard	1991-10-07 00:00:00.0000000	1921-02-04 00:00:00.0000000	97
Mapuranga	Emma Eunice	1978-05-06 00:00:00.0000000	1910-12-01 00:00:00.0000000	108
Tshuma	Morris	1987-02-09 00:00:00.0000000	1912-10-01 00:00:00.0000000	106
Mapfumo	Edson	1991-07-21 00:00:00.0000000	1910-10-01 00:00:00.0000000	108
Muusha	Tatenda	1986-08-26 00:00:00.0000000	1910-10-01 00:00:00.0000000	108
Sibanda	Sabelo mdingwa	1986-01-19 00:00:00.0000000	1911-04-01 00:00:00.0000000	107
Matanhire	Costa	1980-11-10 00:00:00.0000000	1910-09-01 00:00:00.0000000	108
Mugande	Khumbulani	1985-08-08 00:00:00.0000000	1910-10-01 00:00:00.0000000	108
Siso	Mxolisi	1982-01-08 00:00:00.0000000	1910-10-01 00:00:00.0000000	108
Moyo	Dumisile	1990-02-10 00:00:00.0000000	1910-10-01 00:00:00.0000000	108
Dube	Leonard	1991-03-26 00:00:00.0000000	1911-10-01 00:00:00.0000000	107
Sibanda	Thembelani	1980-02-26 00:00:00.0000000	1910-10-01 00:00:00.0000000	108
Moyo	Lokukhanya	1987-04-05 00:00:00.0000000	1912-02-01 00:00:00.0000000	106
Moyo	Gracious	1987-04-05 00:00:00.0000000	1910-11-01 00:00:00.0000000	108
Ncube	Sizwile	1984-12-10 00:00:00.0000000	1911-01-01 00:00:00.0000000	107
Munemo	John	1987-07-20 00:00:00.0000000	1911-05-01 00:00:00.0000000	107
Kachule	Ronald	1985-07-17 00:00:00.0000000	1911-05-01 00:00:00.0000000	107
Hlabangana	Admire	1967-01-16 00:00:00.0000000	1911-01-01 00:00:00.0000000	107
Nyoni	Nomathemba	1974-09-01 00:00:00.0000000	1911-05-01 00:00:00.0000000	107

9.4.6 Employee records with negative years of service

- There were 7 records with a negative total service period. The expectation was that, the total service would be a positive number.
- The commencement field had invalid commencement dates.
- A sample of records are as shown on the colored column below:

Employee First-Name	ID-Number	Date of Birth	Commencement Date	Total Service
GXX		1901-01-01 00:00:00.0000000	9946-03-01 00:00:00.0000000	-7928
BENJAMIN	08-255769L26	1962-06-10 00:00:00.0000000	9994-10-01 00:00:00.0000000	-7976
ENOCK SILAS	58-086978T26	1961-04-04 00:00:00.0000000	2206-04-20 00:00:00.0000000	-188
PEDIAS	03-047260N03	1972-09-26 00:00:00.0000000	2216-05-09 00:00:00.0000000	-198
PATIENCE	43-064894R18	1979-06-03 00:00:00.0000000	3013-03-01 00:00:00.0000000	-995
FANI GREEN		1940-01-12 00:00:00.0000000	9999-12-31 00:00:00.0000000	-7981
MIDDIA	63-921897X38	1973-07-24 00:00:00.0000000	2201-07-01 00:00:00.0000000	-183

9.4.7 Employee records with no contributors' date of birth

- A total of 167 database records did not have contributor's date of birth. Date of birth was supposed to be used to calculate pension.
- Some did not have correct employee surnames.
- A sample of records is as shown on the colored column below:

Employee Number	Employee Surname	Employee First-Name	ID Number	Date of Birth
3799983H		Tafirei	Ronald	
3799980B		Mashiri	Senety	
1818706L		Mupanga KANGWARE	Jack	
5021175W		Javangwe	Gift	
5047257Z		Mabhodho	Mathias	
1	Cassi		Saidi	
	Gandiwa Agaya	Judith	Tarisai	
2679845Y		Mashingaidze	Pascal C	
1126857C		Chavarika	Henry	
1398490E		Davison	Maureen Rosemary	
1406470K		Musundire	Gladys	
2403737R		Mpama	Munyaradzi	

9.4.8 Employee records with no contributors' SSN

- 35,000 database records did not have social security numbers. A sample of records are as shown on the colored column below:

Social Security Number	Employee Surname	Employee First Name	ID Number
	Mupanduki	Theresa	63-756052F42
	Ngorima	Gilbert	08-541311V04
	Ngoro	Elson	38-0125802N38
	Ngulube	Oriel	20-03371100
	Ngulube	Richard	30-062812503
	Ngulube	Thomas	08-0205705T28
	Ngwarati	James	26-0115542H23
	Ngwaru	Isiah	14-094305W14
	Ngwenya	Anele	19-545210Y19
	Ngwenya	Macebo	08-0766289Z19
	Ngwenya	Rifi	08-0461825N39
	Ngwenya	Wotho	56-0048292F56

9.4.9 Contributor records with monthly salaries above \$40,000

- There were some contributors who were said to have monthly salary of more than US\$40,000. An employee of St-Annes Goto Secondary School was said to be getting \$48,000 per month which in our knowledge of teachers' salaries is impractical.
- Note that the salary has no implication on the cost of a benefit since there is a ceiling of \$700.
- A sample of records is as shown on the colored column below:

Employee Surname	Employee First-Name	ID Number	Date of Birth	Monthly Salary
Ngoma	Brian	67-107529Q03	1988-01-01 00:00:00.0000000	467,467.00
Chiutsi	Trevor		1989-09-03 00:00:00.0000000	100,000.00
Makuzha	Agnes	63-107984Z225	1978-01-21 00:00:00.0000000	48,184.00
Mazambani	Tinotenda Cynthia	05-120539C42	1992-07-30 00:00:00.0000000	45,165.00
Mukava	Jane		1957-07-20 00:00:00.0000000	44,084.00

9.5 Irregularities in the current Benefits Processing System (BPS)

- National Railways of Zimbabwe is listed as "Nrz Historical Committee" as its trade name and its main business activity as "Health Services" in the database.

- Furthermore, the database suggests that NRZ only has 121 employees registered with NSSA which is a highly unlikely number for an organization that had 7,543 in the year 2008.

9.6 Establishing ghost pensioners

- To perform an analysis to verify if there were ghost pensioners or not, we grouped payments into separate groups by beneficiary type. Thus, we had all payments made to principal beneficiaries in one group, and all payments made to secondary beneficiaries in another group to make sure the payments made to one group were independent from the other.
- We then matched all payments made to principal beneficiaries with the contributions to check if all the principal beneficiaries paid had matching records of contribution.
- Using the contributor business partner number, we matched all payments made to secondary beneficiaries with contributions to check if all secondary beneficiaries paid were linked to a primary beneficiary with a matching record of contribution.

Results

A total of 3.1 million records of payments made to principal beneficiaries and 4.8 million records of payments made to secondary beneficiaries.

- A total of 2,6 million records of payments were made to principal beneficiaries without matching records of contribution.
 - Ideally, benefits are only supposed to be given to pension contributors.
 - From the schedule of payments made to the primary beneficiaries, we sorted them into regions. We then drew a sample from Harare region and requested for benefits files for the individual.
 - From the files, we checked whether the P9/10 forms (A claim form filled by both the employee and employer upon leaving employment) were duly completed and whether the person had attached the payslips to show that they were contributing towards NSSA.
 - We were satisfied that in all the files we selected, these were being filed and respective employers were certifying that the employment contract had been terminated.
 - We enquired on why these names of people could not be traced back to the data base of contributions and noted that these people were appearing in the old system and had not been migrated to the new system called the Business Processing System (BPS).
 - We however could not view individual contributions made by an employee as the system does not allow for this. An employee is only linked to an employer (A company).
 - We traced the selected people paid to the employment database and noted that they were indeed registered and linked to an employer.

- We therefore conclude that that there is a gap in the current system due to data migration which has resulted in other information to be missing.
- ii. A total of 4.3 million records of payments were made to secondary beneficiaries with principal beneficiaries without matching records of contribution.
- These secondary beneficiaries were able to access benefits without records of contributions.
 - From the schedule we obtained, we selected a sample of benefits files for the payees.
 - On review of the files, we inspected whether the P9/10 forms were completed and also whether the payees could be linked to the contributor.
 - From our sample, we linked the payees to the primary contributors and then to the employer whom the contributor was registered under.
 - We therefore conclude that these were not ghost payees but a system error. This is however compensated through the physical vetting done when benefits are being paid.

10 OTHER ISSUES

10.1 Investigate and report on any other issues that may arise

10.1.1 Financial prejudice due to poor investment appraisal and overstatement of costs

The Board and Management through the Board Chairman's statement in the 2016 annual report acknowledged that they had erred by allowing the Authority to manage Beitbridge Hotel construction project without the relevant project management skills. The Forensic Audit Report on the Hotel revealed that the Authority spent US\$49 million instead of US\$3 million which was budgeted for. Subsequent revaluations of this property resulted in a write-off of US\$42 million due to impairment.

The report highlighted the following key issues and weaknesses on the project;

- The proposal from Rainbow Tourism Group (RTG) did not have a bill of quantities and basis of the estimated costs.
- There was no evidence of NSSA performing an investment appraisal for the project.
- No action was taken on abnormal variance between tender amount and actual cost.
- Abnormal consultancy fees which were not budgeted for were not queried.

There was evidence that the Board and Management failed to capitalise on lessons learnt from Beitbridge project. Almost all the off-take housing projects in progress as detailed in Section 7.8.6 above have similar weaknesses and challenges. These are likely to result in financial losses if corrective action is not taken. Due to some of these weaknesses, the Authority ended up writing-off US\$88 million of investment properties through fair value adjustment during the period investigated.

Based on our review, other NSSA forensic and internal audit reports, we noted that of the \$88 million, US\$78,968,365 was established to be a result of mismanagement, inefficiencies, absence of investment appraisal and inflated costs. The properties and the respective losses are shown in the table below;

Investment Property	Impairment/loss US\$
Beitbridge RTG Hotel	42,611,852
Metbank debt swap properties	23,072,231
Celestial Park	11,806,385
Gateway Investments	889,897
Ballantine Park	464,000
Nyanga Chalets	124,000
Total	78,968,365

a) Financial prejudice from properties taken over from Metbank

This item is reported separately on Section 7.2.3; Metbank debt swap.

b) Celestial Park

Celestial park was purchased for US\$32 million based on a second valuation report which was done 20 months after the initial valuation report that had recommended US\$25.6 million. A cumulative impairment loss of \$11,806,385 was suffered on this property alone from subsequent revaluations carried out in the three years under review. The Authority ordered a forensic audit to investigate this irregularity and the forensic audit report is on record.

c) Gateway Investments properties

Cornerstone House, which is part of Gateway Investments properties, was refurbished at a cost of US\$890 000 which is greater than its purchase price of \$650 0000. It has not generated revenue since its refurbishment and continues to incur operating costs of US\$6,062 per month as at 1 February 2018.

Gateway Investments properties recorded a net impairment loss of US\$889,887 during the 3 years under audit.

d) Christmas Gift Gweru

Christmas Gift was purchased for US\$7,465,167 after a second valuation report's recommendation which was made 4 months after the initial valuation report that had recommended a purchase price of US\$4.8 million. There was an increase in price of 56% yet there were no improvements made on the stand.

e) Ballantyne Park

Ballantyne Park was purchased for US\$2,2 million yet the valuation report recommended a price ranging between US\$1 405 000 and US\$1,500 ,000. The property was eventually impaired resulting in a net financial prejudice of US\$464 000 based on subsequent revaluations carried out in the three years under review.

f) Nyanga Chalets

The Authority undertook the Nyanga Chalets refurbishment at a total cost of US\$221,333 without a board approval and without a project appraisal to ascertain its financial viability. Other quotations showed a price of US\$155,305 resulting in a variance of US\$66,028.

However, on subsequent revaluations carried out in the three years under review, the property was impaired by US\$124 000, confirming that costs incurred were likely overstated.

10.1.2 Appointment of ICT Project Lead- Mr Bernard Machiha

- The Authority engaged an ICT Expert, Mr Machiha to provide ICT Services as an ICT Project Lead. In the selection process, we did not see evidence that other candidates were invited to express interest in providing ICT services to the Authority.
- In addition, we did not see documentation initiating the recruitment of Mr Machiha.
- There was no evidence of Board approval for his appointment.
- Mr Machiha's appointment was communicated as a notification to the Human Resources, Remuneration and Nomination Committee meeting held on 12 September 2017¹⁹⁸.
- Mr Machiha was employed on a six-month fixed contract from 1 May to 31 October 2017¹⁹⁹. His monthly salary was pegged at US\$20,000 which translates to US\$120,000 for the period.
- The contract states that Mr Machiha was appointed according to Section 25 of the NSSA Act, a section that covers the appointment of the General Manager.
- Mr Machiha's contract of employment was signed by the General Manager, Ms Chitiga, witnessed by Ms Pwiti and Mr Mungwariri.
- It could not be determined how the salary awarded to Mr Machiha was arrived at. The remuneration framework approved by the Minister at the time had the highest salaries pegged at US\$17,470 for the General Manager and US\$15,210 for other directors.
- In response to our enquiry, Mr Mungwariri stated that Mr Machiha's appointment was approved by the Human Resources Committee²⁰⁰. However, Mrs Mukwehwa disputed this and told us that Mr. Machiha was appointed by management without the involvement of her Committee.

10.1.3 Salary advance to ICT Project Lead - Mr Bernard Machiha

- Mr Machiha was given a salary advance amounting to US\$74,413 in August 2018. We noted that at that time he had accrued US\$60,000 in unpaid salaries.
- \$59,413 of the advances were approved by Mr Mungwariri while the balance of US\$15,000 was approved by Mrs. Dirorimwe.
- US\$69,406 of the advances was recovered through payroll deductions resulting in an under recovery of US\$5,007, as at 30 September 2018. The

¹⁹⁸ Exhibit 141- Extract of Minutes to the Special Human Resources, Remuneration and Nomination Committee meeting held on 12 September 2017

¹⁹⁹ Exhibit 142- Mr Bernard Machiha Contract of Employment.

²⁰⁰ Exhibit Q3 - Questionnaire for Mr. Mungwariri page 12 (18).

US\$5,007 is still owed to the Authority. This is despite the fact that Mr Machiha left the Authority on 31 October 2017.

- We also noted that Mr Machiha was paid US\$11,345 cash in lieu of leave in November 2017 without recovering the amount he owed the Authority. There is no evidence that action is being taken to recover the outstanding amount.
- Mr Mungwariri admitted in his questionnaire that this was an oversight.²⁰¹

10.1.4 Housing and vehicle loans

- The Authority has a housing and vehicle loan policy for its employees.
- According to Paragraph 5.3 (b) of the Human Resources Management Guidelines, the housing loan benefit entitlement is capped at 3.5 times of annual basic salary.
- Based on employment contracts, the vehicle loan benefit entitlement is equivalent to one's basic annual salary.

a) Housing loan to Daisy Madume

- Ms Daisy Madume, a Personal Assistant to the General Manager, benefited more than her entitlement based on her salary as at February 2018.
- Based on her February 2018 monthly basic salary of US\$3,500, her housing benefit should have been capped at US\$147,000 yet she was availed a loan amounting to US\$189,000²⁰².
- She used the benefit to purchase a house costing US\$151,291 and had a balance of US\$37,710 to spare²⁰³.
- The loan benefit was calculated at 4.5 times of the annual salary instead of the approved 3.5.
- The loan was recommended by the General Manager, Ms Chitiga and approved by Mr B. Matongera²⁰⁴.
- We enquired from Mr Matongera and he told us that he approved the loan of US\$189,000 on the assumption that the Human Resources officials had already checked compliance with the policy. He stated that this was evidenced by the Human Resources Manager's signature on the loan application form²⁰⁵.

²⁰¹ Exhibit Q2- Question 19 of page 12 of Questionnaire completed by Mr Mungwariri.

²⁰² Exhibit 143- Copy of Payslip for the month of February 2018 for Ms Daisy Madume

²⁰³ Exhibit 144A- Housing loan payment forms for Ms Daisy Madume

²⁰⁴ Exhibit 144B- Housing Loan Application by Ms Daisy Madume

²⁰⁵ Exhibit Q2 - Questionnaire for Mr. Matongera page 5 (6).

- b) Vehicle loan to James Chiuta
 - Mr James Chiuta benefited more than his entitlement based on his salary as at September 2017. Based on his monthly basic salary of \$3,735, he was entitled to a benefit of US\$44,820. However, he was granted a vehicle loan of US\$57,000²⁰⁶.
 - The loan was approved by the General Manager, Ms Chitiga²⁰⁷.
 - Mr Mungwariri told us that Mr. James Chiuta's loan amount was based on an increased salary²⁰⁸. The salary review was effected in December 2017 yet the loan was given in September 2017.

10.1.5 Board appointment of Investments Expert

- On 11 November 2015, Ministerial approval was obtained for the appointment of an Investments Expert to the committee of the NSSA Board²⁰⁹.
- The terms of the appointment as approved by the Minister were as follows;
 - A fixed quarterly fee of US\$2,500 plus the cost of airfare and hotel (including food) when he travels to Harare for meetings.
 - There is no additional cost or cost per meeting entitlement.
 - The appointment is for 1 year and can be terminated mutually by giving a quarter's notice either way.
- The Board appointed Mr Fungai Ruwende as the Investments expert on 11 November 2015.
- Contrary to the Minister's approval, Mr Vela entered into a fixed term employment contract with Mr. Ruwende for a period of two years seven months. The contract was from 1 December 2015 to 30 June 2018.²¹⁰
- For the 4th quarter of 2015, Mr Ruwende received a full payment of US\$2,500 (US\$2,250 after withholding tax) despite serving for only one month in this quarter.
- Financial prejudice to NSSA resulting from unapproved extension of Mr. Ruwende's contract amounted to US\$15,000 (2,500 x 6).

10.1.6 Unfair dismissal of employees resulting in significant costs

We noted two instances when the Authority incurred significant costs to the tune of US\$598,718 due to unfair dismissal of two executive employees. The executives in question are as follows;

²⁰⁶ Exhibit 145- Copy of Payslip for the month of September for Mr James Chiuta
²⁰⁷ Exhibit 146- Vehicle Loan Application by Mr James Chiuta
²⁰⁸ Exhibit Q3 - Questionnaire for Mr. Mungwariri page 14 (23)
²⁰⁹ Exhibit 147A- Ministry approval of Mr Ruwende as an Investments expert.
²¹⁰ Exhibit 147B- Contract for Mr Ruwende the investments expert.

a) Mr Mutiswa

- Mr Mutiswa was employed by the Authority as Chief Strategic Assets Officer with effect from 1 July 2016 and was subject to serving a three-month probation period.
- He was alleged to have failed probation and the Authority wanted to extend his probation period. Mr Mutiswa disputed this arrangement as he thought it was against the Labour laws and this resulted in litigation.
- An out of court agreement was reached and the Authority signed a settlement agreement with Mr Mutiswa²¹¹. Mr Mutiswa was paid US\$500,000 as a result through the payroll system²¹².

b) Mr Makwara

- Mr Makwara who was employed as Investments Director in January 2018. His employment contract was terminated on 6 April 2018 by Mr Mungwariri who was the Acting General Manager²¹³.
- Mr Makwara left the Authority and was reinstated on 12 October 2018, after it emerged that he was unfairly dismissed²¹⁴.
- According to his re-instatement conditions, Mr Makwara will be paid salary arrears for six months from April 2018 to September 2018 amounting to US\$98,718.

We noted that in both instances, the decisions to dismiss the employees were made by the Board. We recommend that the Authority should seek relevant expert advice in all labour issues to avoid unnecessary costs.

²¹¹ Settlement Agreement between Mr Mutiswa and NSSA could not be located.

²¹² Exhibit 148- December 2017 Payroll report extract with payment of US\$509,549.39 to Mr Mutiswa.

²¹³ Exhibit 149- Mr Makwara letter of termination of employment dated 6 April 2018.

²¹⁴ Exhibit 150 - Mr Makwara letter of reinstatement dated 12 October 2018.