

All communications should be addressed to
"The Comptroller and Auditor-General"

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REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL

TO

THE MINISTER OF HEALTH AND CHILD WELFARE

AND

THE BOARD OF DIRECTORS

IN RESPECT OF THE FINANCIAL STATEMENTS OF

NATIONAL AIDS COUNCIL OF ZIMBABWE

FOR THE YEAR ENDED DECEMBER 31, 2010.

Report on the Financial Statements

I have audited the accompanying financial statements of the National AIDS Council, which comprise the statement of financial position as at December 31, 2010, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 18.

Management's Responsibility for the Financial Statements

The Council's management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Council's Act (Chapter 15:14). This responsibility also includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of National Aids Council as at December 31, 2010, its financial performance and cashflows for the period then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In my opinion, the financial statements have been properly prepared in compliance with the disclosure requirements of the National Aids Council Act (Chapter 15:14) and relevant Statutory Instruments.

October 11, 2011.

M. Chiri
M. CHIRI,
COMPTROLLER AND AUDITOR-GENERAL.

NATIONAL AIDS COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2010

	Notes	31/12/2010	31/12/2009	1/1/2009
		US\$	US\$	US\$
CAPITAL EMPLOYED		12 009 770	14 942 705	4 976 537
Accumulated Fund		12 009 770	9 966 168	-
Functional Currency Change Reserve		-	4 976 537	4 976 537
CURRENT LIABILITIES		3 609 436	508 958	49 178
Trade Payables	3	3 071 033	287 006	49 178
Provisions	4	538 403	221 952	-
TOTAL EQUITY AND LIABILITIES		15 619 206	15 451 663	5 025 715
ASSETS				
NON-CURRENT ASSETS		1 773 510	1 529 456	1 650 239
Property, Plant and Equipment	5	1 773 510	1 529 456	1 650 239
CURRENT ASSETS		13 845 696	13 922 207	3 375 476
Accounts Receivable	6	45 789	1 936	-
Sundry Receivables	7	4 955 474	2 301 223	130 364
Implementing Partners	8	1 210 485	10 495 122	2 303 890
Cash and Cash Equivalents	9	7 633 948	1 123 926	941 222
TOTAL ASSETS		15 619 206	15 451 663	5 025 715

19/9, 2011.

19/9, 2011.

Image
 DR.T.MAGURE.
 (CHIEF EXECUTIVE OFFICER).

W.P. Kuchera
 REV. DR.M. KUCHERA.
 (CHAIRMAN).

NATIONAL AIDS COUNCIL

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED DECEMBER 31, 2010

		2010	2009
	Notes	US\$	US \$
INCOME		39 885 652	21 298 166
AIDS Levy		20 522 121	5 710 820
Revenue Grant	10	1 248 385	1 259 301
Global Fund		17 431 976	14 309 720
Investment Income	11	654 879	10 272
Profit on Disposal of non-current assets		14 202	6 300
Other Income		14 089	1 753
EXPENDITURE		42 791 006	11 331 998
HIV/AIDS Programmes/Intervention	12	9 683 548	1 572 461
Coordination/Capacity Building Costs	13	1 731 221	533 989
Global Fund For AIDS, Tuberculosis and Malaria.	14	26 938 785	6 885 587
Expanded Support Programmes	15	852 211	1 183 558
Administration Expenses	16	1 264 178	678 964
Board Expenses	17	54 154	35 830
Payroll Costs	18	2 266 909	441 609
DEFICIT/ SURPLUS FOR THE YEAR		(2 905 354)	9 966 168

NATIONAL AIDS COUNCIL

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED DECEMBER 31, 2010

	Capital Reserves US \$	Retained Earnings US \$	2010 Total US \$	2009 Total US \$
Balance at January 01, 2010	4 976 537	9 966 168	14 942 705	4 976 537
Prior Year Adjustments		-	(27 581)	
Deficit/Surplus for the year		(2 905 354)	(2 905 354)	9 966 168
Balance at December 31, 2010	<u>4 976 537</u>	<u>7 060 814</u>	<u>12 009 770</u>	<u>14 942 705</u>

NATIONAL AIDS COUNCIL

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED DECEMBER 31, 2010.

	Notes	2010 US\$	2009 US\$
Cash Flows From Operating Activities		6 287 262	1 68 998
Deficit/Surplus for the year		(2 905 354)	9 966 168
Adjusted for :		(221 797)	105 141
Depreciation		130 833	121 713
Provisions		316 451	-
Profit on disposal of non-current assets		(14 202)	(6 300)
Interest earned	12	(654 879)	(10 272)
Operating surplus before changes in working capital		(3 127 151)	10 071 309
Working Capital Changes		9 414 413	(9 902 311)
Decrease in Debtors		6 630 386	(10 362 091)
Increase in Creditors		2 784 027	459 780
Cash Flow from Investing activities		222 760	13 706
Proceeds from disposal of non-current assets		26 250	6 300
Purchase of property, plant and equipment		(386 935)	(930)
Prior year adjustments		(27 581)	
Interest Received	12	611 026	8 336
Net Increase in Cash and Cash equivalents		6 510 022	182 704
Cash and Cash equivalents at the beginning of the period		1 123 926	941 222
Cash and Cash Equivalents at the end of the period	9	7 633 948	1 123 926

NATIONAL AIDS COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

ACCOUNTING POLICIES

1 NATURE OF BUSINESS

The main business of the National AIDS Council which was set out by the Act of Parliament of Zimbabwe (Chapter 15:14) of 1999 is that of coordinating, stimulating, monitoring and mitigating an expanded epidemic, taking into account the comparative advantages of the different actors.

1.1 Basis of presentation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 Transition to IFRS

The Council is resuming presentation of IFRS financial statements after early adoption of Revised IFRS 1 (First Time Adoption of International Financial Reporting Standards) issued on 20 December 2010. The Council failed to present IFRS financial statements for the financial year ended 31 December 2009 due to the effects of severe hyperinflation as defined in Revised IFRS 1.

The effect of the application of this amendment is to render the opening statement of financial position prepared on 01 January 2009 (date of transition) IFRS compliant. The statement of financial position was reported in prior years as not being compliant with International Accounting Standards 21 (Effect of Changes in Foreign Exchange Rates) and IAS 29 (Financial Reporting in Hyperinflationary Economies)

The Council's previous functional currency, the Zimbabwe dollar (ZW\$) was subjected to severe hyperinflation before the date of transition to IFRS because it had both the following characteristics:

- a) A reliable general price index was not available to all entities with transactions and balances in the ZW\$; and
 - b) Exchangeability between the ZW\$ and a relative stable foreign currency did not exist.
- The Council changed its functional and presentation currency from ZW\$ to the United States dollar (US\$) with effect from 01 January 2009.

1.3 Deemed cost exemption

The Council elected to measure certain items of property, plant and equipment, trade and other receivables, trade and other payables at fair value and to use the fair values as deemed cost of those assets and liabilities in the opening statement of financial position.

Property, Plant and Equipment	Valuations for the property, plant and equipment were done basing on a director's valuation on February 1, 2009.
Implementing Partner	USD2 303 890 represents the amount not yet acquitted by the implementing partners for various programmes.
Sundry Receivables	USD 130 364 Represents outstanding sundry receivables.
Bank Balances	1. Global Fund FCA account had a take on balance of USD891 533. 2. National Aids Council Stanbic FCA had a take on balance of USD49 689.
Trade Payables	USD49 178 represents amount owed to suppliers who had quoted in USD.

1.4 Comparative Information

The financial statements comprise of three statements of financial position, two statements of comprehensive income, statements of changes in equity and statements of cash flows as a result of the retrospective application of the Amendments to IFRS.

1.5 Reconciliation to previous basis of preparation

The Council's financial statements for the prior reporting period ended 31 December 2009 claimed compliance with IFRS except certain of the requirements of IAS 1 (Presentation of Financial Statements), IAS 21 (The Effects of Changes in Foreign Exchange Rates) and IAS 29 (Financial Reporting in Hyperinflationary Economies). However, after the application of the exemption of fair value as deemed cost, no measurement differences exist between the amounts previously presented and to the comparative amounts presented as at 01 January 2009 and for the period ended 31 December 2009. As a consequence, no reconciliation has been presented between the IFRS results and the previous basis of preparation.

1.6 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be

reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other services. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

1.6.1 Property, Plant and Equipment

Property, Plant and Equipment is shown at cost less accumulated depreciation. Depreciation is provided for on a straight line basis over the assets' expected economic useful life as follows:

Motor Vehicles	20% per annum
Computers	33.3% per annum
Office Equipment	10% per annum
Furniture and Fittings	10% per annum

2 Accounting Convention

The financial statements were prepared in terms of the historical cost convention.

2.1 Revenue Recognition

The receipts are accounted for on accrual basis. Interest income is accrued over the period in which it is earned based on the underlying agreements. Other income is recognised in accordance with the underlying transactions and events.

2.2 Disbursements to implementing agents

Disbursements to implementing agents are treated as cash advance and relevant expense accounts are debited at the time of processing.

2.3 Financial Instruments

Marketable securities are carried in the statement of financial position at the lower of cost or market value. Profit arising from the increase in the market value of marketable securities is only taken to income when realized.

2.4 Provisions

Provisions are recognized when the Council has a present obligation (Legal and Constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2.5 Cash Resources

Cash on hand, in banks and short term deposits which are held to maturity are stated at cost. Cash resources are defined as cash on hand, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to significant risk of changes in value.

2.6 Retirement Benefits

Retirement benefits are provided for the Council employees through independently administered and defined contribution or defined benefit funds, including the National Social Security Authority. Contributions to the defined contribution fund are charged to income as they fall due. The cost of retirement benefits applicable to National Social Security Authority is determined by the systematic recognition of legislated contribution.

2.7 Grants

Capital grants are recorded as deferred income when used to purchase assets and are amortized over the economic useful life of the assets. Revenue grants are recognized as income in the year in which they are received.

2.8 Investments

Investments are initially recorded at cost. Subsequently financial instruments, with the exception of certain fixed maturity investments and originated loans and receivables, are measured at fair value. Fixed maturity investments which the Council intends to hold to maturity are amortized over the life of the instrument based on the underlying effective interest rate. Assets valued at amortized cost are subjected to a test for impairment. Amounts relating to amortization and fair value adjustments are included in income for the year.