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Auditing practices and corporate governance in Zimbabwe's energy sector: Implications for openness and organisational performance

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Abstract

The nexus between auditing practices and corporate governance in Zimbabwe's energy State-Owned Enterprises (SOEs) and its implications for openness and organisational performance were investigated in this paper. Through qualitative desk-based analysis of secondary sources (official reports and scholarly literature), the research reveals persistent governance failures, a widening audit expectation gap, and implementation weaknesses that undermine transparency and sector efficiency, resulting in power shortages costing Zimbabwe approximately 6.1% of GDP annually [1]. This paper advocates for improved audit enforcement and depoliticised governance reforms as prerequisites to restoring sector performance and investor confidence necessary for revitalising Zimbabwe's energy sector.

Keywords: Zimbabwe; Corporate Governance; Auditing Practices; State-Owned Enterprises; Energy Sector; Transparency

1. Introduction

1.1. Background of Zimbabwe's energy sector

Zimbabwe's energy sector is an important part of the national economy since it provides the services that businesses, industries, and homes need to run smoothly [1]. The sector's stability and efficiency are closely linked to the country's overall economic health and its goals for development [2]. There are a lot of problems with Zimbabwe's energy situation, such as persistent power shortages and a heavy reliance on energy imports, especially oil and electricity [1]. Because the country relies on outside supplies, it is vulnerable to changes in world prices and problems in supply networks [2]. These problems in the energy sector have serious effects on the economy. Zimbabwe's power shortages are thought to cost the country about 6.1% of its Gross Domestic Product (GDP) per year [1]. Generation inefficiencies, substantial network losses, and the downstream costs of an inconsistent energy supply are the main reasons for the high economic burden [1]. Zimbabwe's goal of becoming an upper-middle-income country by 2030 is being held back by inefficiencies [1]. The poor performance of the energy industry is not just a problem for utilities; it is a problem for the whole economy [1]. This circumstance shows that Zimbabwe's national development program has a major weakness: problems in the energy sector immediately derail macroeconomic stability and competitiveness [3]. The size of these economic losses shows that a key economic pillar is holding back national progress instead of helping it [1]. State-Owned Enterprises (SOEs) have been important in Zimbabwe for a long time since they provide important public services, including power, water, and transportation. In the 1990s, state-owned firms (SOEs) made up 40% of the national GDP. However, this number has dropped a lot in the last several years to 15% [3]. The fact that this important industry is contributing far less to the economy is a major worry for the country's overall economic future [3].

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1.2. Problem Statement: Governance and performance challenges.

Zimbabwe's state-owned companies, notably those in the energy industry, are still having problems with corruption, poor financial management, and poor corporate governance. The structural problems have led to a lot of high-profile scandals that have eroded public trust and made operations much less efficient [3]. ZESA Holdings and its subsidiaries, such as the Zimbabwe Power Company (ZPC) and the Zimbabwe Electricity Transmission and Distribution Company (ZETDC), are well-known examples. These groups have been linked to a number of unacceptable behaviours, such as paying too much for services, buying old equipment, and not delivering goods even after full payment [3]. It is said that ZETDC paid $4.9 million for transformers that were never delivered after nine years [26]. ZPC also made an advance payment of $561,935 for transformers that were never delivered [3, 26].

The widespread problems show that the sector is not very accountable or open. The Auditor General's reports have always shown that these public organisations have had problems with money, poor internal controls, and not following the rules for managing money [4]. It is also worrying that the recommendations in these audit reports are not being followed more often, because this makes the situation worse and keeps the cycle of mismanagement going [4]. The fact that corporate governance problems keep happening and the Auditor General's recommendations keep not being put into action shows that there is a problem with the way matters are handled and enforced, not just a lack of rules or audit findings [4]. This shows that there is a lot of institutional or political opposition to accountability, which makes formal governance systems less strong. This shows that the accountability structure is seriously lacking, either because people break the rules and do not face enough consequences, or because politicians lack the will to make sure people follow the rules. This creates an environment where not following the rules is okay. This circumstance shows a major structural problem that goes beyond individual mismanagement and points to a huge gap in how matters are run.

Poor corporate governance and ineffective auditing methods have directly caused the energy sector to be unable to reliably and affordably meet national energy demand [1]. Additionally, it has made it much harder for the sector to get important private sector investment, which is necessary for improving infrastructure and operations [1].

1.3. Research objectives

This study aims to address the aforementioned challenges by focusing on three clear objectives:

- To examine the current state and effectiveness of auditing practices and standards in promoting corporate governance within Zimbabwe's energy sector SOEs.
- To analyse the extent to which corporate governance frameworks and their implementation contribute to openness/transparency in Zimbabwe's energy sector.
- To assess the impact of auditing and corporate governance practices on the operational and financial performance of energy sector SOEs in Zimbabwe.

1.4. Significance of the study

This study adds to the current academic literature by thoroughly looking at the complicated relationship between auditing and corporate governance in an important part of a developing economy. This paper gives real-world examples of the unique problems that state-owned businesses face in an environment with certain economic and political dynamics.

The results of this study will help policymakers locate the parts of the energy sector that need immediate changes to auditing standards, corporate governance frameworks, and enforcement mechanisms. Recommendations based on evidence can help make policies that work better.

The research aims to give information and help develop concrete plans to make state-owned energy companies more open, more accountable, and, in the end, better at what they do. These reforms are more than just good for business; they are also necessary for Zimbabwe's economic stability, competitiveness, and ability to reach its long-term development goals.

2. Literature review

2.1. Conceptual framework: auditing practices and corporate governance in Zimbabwe's energy sector

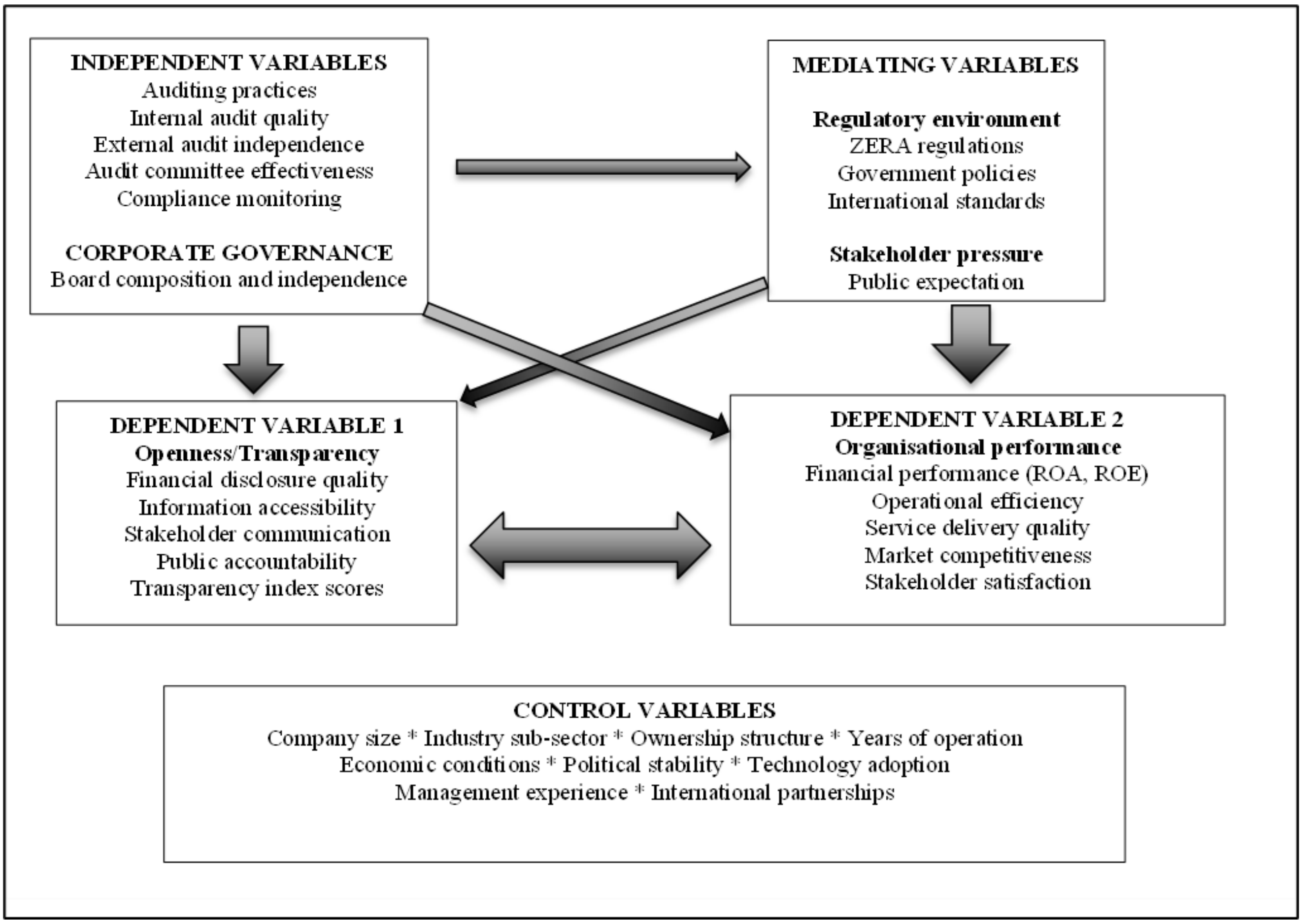


Figure 1 Conceptual framework: Auditing practices and corporate governance in Zimbabwe's energy sector

Assumptions

- Good auditing makes governance systems stronger.
- Transparency and openness are improved by sound governance.
- More openness makes the sector work better, keeps finances stable, and makes operations run more smoothly.
- Better performance attracts private investment and helps the country grow.

2.2. Theoretical Framework

Two complementary theories form the basis of this study as they give us a whole picture of how to look at the complicated connections between auditing, corporate governance, transparency, and performance in Zimbabwe's energy sector.

2.2.1. The Agency theory

The Agency theory looks at the difference between ownership and control in organisations. Berle and Means first came up with it in 1932 [5], while Jensen and Meckling expanded on it in 1976. In State-Owned Enterprises (SOEs), the government is the principal and gives managers the power to run the business. The managers are the agents. This delegating opens the door to "principal-agent problems," in which agents may put their own interests ahead of the organisation's performance and public accountability. Poor corporate governance, poor auditing standards, and a lack of transparency make agency conflicts worse, especially in politically charged areas like Zimbabwe's energy sector. Agency Theory stresses the need for robust governance structures, independent auditing systems, and more openness to reduce knowledge asymmetry, stop opportunistic behaviour, and make sure that managers' actions are in line with both company and societal aims [6].

2.2.2. The Stakeholders theory

Freeman came up with the Stakeholder theory in 1984 [7]. It says that businesses should be responsible to all of their stakeholders, not just shareholders, employees, consumers, regulators, and the community as a whole. Zimbabwe's energy sector is failing to meet the country's energy needs, and there have been scandals involving poor financial management and governance. This negatively affects a number of stakeholder groups, which makes it harder to achieve social welfare and national development goals [3]. This idea shows how important it is to have an open and fair government in order to develop trust, get people to invest, and encourage long-term sector performance [7].

2.3. Auditing in developing economies - Energy Sector

Auditing is basically a methodical and unbiased way of gathering and analysing evidence about claims made about economic occurrences and actions [8]. The key goal is to find out how closely these claims match up with established standards and then share the results with the people who need to know [8]. In the energy industry, this broad definition often includes "energy audits," which are known to be useful tools for improving energy management, encouraging the sensible use of energy resources, and increasing the overall energy efficiency of businesses [9].

An energy audit looks closely at several issues, including energy management systems, how energy is currently being used, how energy flows, important energy consumption indicators, how well energy equipment works, and the expenses of energy. The main goal is to find areas that need improvement, suggest ways to fix them, and suggest ways to change technology to make it more energy-efficient and sustainable [9]. Audits can be different in terms of their scope and depth. For example, there are preliminary or "walk-through" audits and more specialised or complete "detailed energy audits," which sometimes include a financial analysis of possible energy-saving measures [9]. Teams that do energy audits need to have a lot of different abilities, such as knowing the laws that govern the electric power industry, being good at keeping track of energy savings, being good at accounting and managing money, and having experience with environmental issues [9].

The academic view on energy audits includes ideas from behavioural economics [10] in addition to the technical and financial aspects. This field knows that psychological, social, and emotional variables are very important in making economic decisions for both people and organisations [10]. Most energy audits presume that people act logically, which means that just giving them knowledge about how to save money is enough to get them to change their conduct [10]. According to behavioural economics, the human factors that determine the effectiveness of energy audit solutions are very important [10]. This shows that in a developing economy like Zimbabwe, where problems with governance can lead to behavioural biases or reluctance to change, technically sound audit suggestions may not work if human and cultural elements are not taken into account. Energy audits may work better if they deal with deep-seated behavioural biases, lack of incentives, or poor communication caused by bad governance, rather than just the technical accuracy of the results [10].

2.4. Corporate Governance Principles and Frameworks

Corporate governance is the set of rules, policies, and processes that guide and control a business [11]. The approach needs to take into account the needs of all the different stakeholders, like employees, shareholders, senior management, customers, suppliers, lenders, governments, and community groups [11]. The values of accountability, openness, fairness, responsibility, and risk management are the basis of good corporate governance [11].

For an organisation's long-term financial health, ability to attract investment, reputation, and ability to avoid potential financial losses, inefficiencies, hazards, and corruption, it is important to use good corporate governance procedures [11]. A corporation may lose money if it lacks good corporate governance [11].

The Zimbabwe Code on Corporate Governance (ZimCode), which was put into place in April 2015, was a massive step towards making good corporate governance practices a part of the law in Zimbabwe. The document aims to improve governance, accountability, and competition among all businesses, including state-owned enterprises, regardless of their kind of incorporation or sector. ZimCode follows the national Constitution and uses worldwide best practices. It focuses on concepts like efficiency, competence, accountability, transparency, personal integrity, and financial honesty [12]. The Public Entities Corporate Governance Act (2018) added more laws by controlling the makeup and behaviour of state-owned firm boards. The goal was to make them more accountable, open, and efficient [6].

Even though there are already established frameworks in place, such as the Public Entities Corporate Governance Act and ZimCode, there are still many examples of corporate governance failures in Zimbabwean state-owned companies. This shows that there is a great difference between de jure (legal and formal) and de facto (real and practical) governance [3]. It does not appear like the problem is a lack of good rules; instead, it seems like the rules are not being followed or enforced well enough, and the institutional culture is not strong enough [3]. This leads to a "governance-implementation gap," where the formal structure is there in principle but is often avoided or diminished in practice. This makes these reforms less legitimate and effective [3]. Even though there have been legislative and code-based fixes, the recurring stories of scandals and poor performance imply that the problem goes beyond formal structures. This shows that the rules of governance, such as ethical behaviour, independence, and accountability, have not been internalised or enforced properly [3].

2.5. The role of Openness and Transparency in Corporate Governance

Corporate governance transparency means that the company's decision-making procedures, accountability, and management practices are always transparent and open [13]. This is a key part of building and keeping stakeholder confidence, encouraging ethical governance, bringing in long-term investment, and making sure that rules are followed [13]. Transparency requires giving stakeholders quick and clear information about strategy, performance, and risks, as well as setting up open public accountability systems and making sure that board members fully disclose all relevant information [13]. Transparency is more than just being open; it also makes decisions better, makes roles and duties clearer, lowers operational risks, and encourages positive feedback loops in the company [13].

When it comes to sustainability, people are starting to realise that clear reporting of a company's performance in Environmental, Social, and Governance (ESG) data is becoming more important [14]. This makes the idea of transparency bigger by including not just financial indicators but also consequences on society and the environment as a whole [14].

There has been a clear lack of openness in Zimbabwe's business sector, notably when it comes to audit results and financial data [11]. This lack of openness creates a weak feedback loop that keeps bad behaviour going. Hiding financial problems and management actions weakens the power of shareholders and regulatory agencies, making it harder to hold management accountable [11]. This setting makes it easier for unethical behaviour to continue, which erodes overall market confidence [11]. This problem gets worse because auditors do not give extensive explanations of their findings, which means that investors do not know what's going on and ultimately fail to challenge questionable financial practices [11]. This lack of openness makes real investment harder and slows down economic progress. This creates a faulty feedback loop that negatively affects sector performance and national growth.

2.6. Corporate Performance in the Energy Sector

Corporate performance in the energy sector refers to the industry's capacity to consistently and affordably provide energy to homes, businesses, and industries [15]. This definition contains a number of important aspects that affect the sector's efficiency and its effect on the economy as a whole [15].

In the energy sector, key performance indicators usually include:

- *Energy security* - means having enough energy supply at appropriate prices. This includes matters like being dependent on imports, having a variety of energy sources, and having energy infrastructure that can withstand shocks [15].
- *Energy efficiency* - evaluates the quantity of energy used to provide a certain output or service. Higher efficiency means less energy waste and lower costs [15].
- *Grid reliability* - means that the electrical grid can provide power to customers without any problems [15].
- *Affordability* - is the cost of energy for people and businesses, which is a key factor in social fairness and economic competitiveness [15].

The energy sector's performance is very important for the economy because it supports transport, industry, and housing demands, which are the building blocks of national growth [15]. In this field, performance evaluation is an ongoing process that needs to alter as technology improves, governmental frameworks change, market mechanisms change, and society's expectations about sustainability change [15]. To meet the growing need for energy, especially in emerging countries, a lot of money needs to be spent. By 2035, projections say that developing countries will need to invest more than twice as much in power generation each year. More than half of this money will likely come from the private sector because state financing is limited [16].

The energy sector in Zimbabwe does not just depend on technical ability or market forces; it also suffers a lot since energy businesses are in poor financial shape. The financial instability seen is often a direct outcome of extensive problems with corporate governance and corruption found in state-owned companies (SOEs) [3]. The financial instability makes it very hard to get important private investment, which makes it hard for the industry to satisfy its key performance measures, such as reliability, affordability, and energy security. The weak financial situation is a major problem that is caused by problems with governance and makes operations less efficient [1].

Table 1 Core Corporate Governance principles and their application to Zimbabwe's energy sector

Principle	Definition/Importance (Source)	Relevance/Application in Zimbabwe's Energy Sector
Accountability	The obligation of an individual or organisation to account for its activities, accept responsibility for them, and transparently disclose the results [11].	Frequently violated in SOEs, with Auditor General reports consistently highlighting financial irregularities and non-implementation of recommendations [4].
Transparency	Openly and continuously disclosing how decisions are made, who makes them, and how the firm is managed, providing timely and concise information on strategy, performance, and risks [13].	Significant deficit, particularly in financial reporting and audit findings, leading to shareholder passivity and perpetuating misconduct [11].
Fairness	Ensuring equitable treatment of all stakeholders, including minority shareholders, employees, and the community [11].	Often compromised by political interference, preferential treatment in procurement, and executive excesses within SOEs [3].
Responsibility	The board and management acting in the best interests of the company and its stakeholders, considering long-term financial viability and broader societal impact [11].	Weakened by instances of directors treating entities as personal property and prioritising self-interest over organisational goals [3].
Risk Management	Identifying, assessing, and mitigating financial, operational, and strategic risks to safeguard company assets and ensure long-term success [11].	Pervasive weaknesses in financial controls and internal audit functions expose SOEs to significant risks of fraud and corruption [6].
Independence	Ensuring that board members and auditors can exercise objective judgment without undue influence from management, controlling shareholders, or political actors [11].	A major obstacle, with auditors' independence being questioned due to long-standing relationships and political interference in SOE boards [3].

Source: Compiled by the author based on [11,4,3]

Table 1 Core corporate governance principles and their application in Zimbabwe's Energy State-Owned Enterprises

3. Methods

3.1. Research Design

This study uses a qualitative, desk-based method [17]. This strategy works especially well for looking at complicated linkages and getting more detailed meanings from existing textual data [17]. This study focuses on analysing secondary data, which allows for a thorough look at documented information about auditing and corporate governance processes in Zimbabwe's energy sector [1,4,6].

3.2. Data Collection

A thorough review of the relevant research materials covering the period 2015–2025 [17] gave us the data for this study. This included academic papers [3,6], official papers from government agencies like the Auditor General and the Public Accountants and Auditors Board (PAAB) [4,19], and papers from international organisations like the World Bank [1,16]. We chose the sources because they were directly related to the Zimbabwean energy sector, corporate governance, auditing standards, and issues of openness and performance [1,4]. Documents were identified through structured searches of Google Scholar, Scopus, and official websites using terms related to "Zimbabwe energy SOEs," "auditor-general reports," and "audit expectation gap." Approximately 65 documents were screened, with 42 meeting the inclusion criteria of credibility, relevance, and coverage of auditing, governance, or performance in Zimbabwe's energy SOEs. The focus was on finding complete and reliable sources to make sure the evidence was reliable [17].

3.3. Data analysis approach

We used two main qualitative methodologies to look at the data we collected: thematic analysis and content analysis [17]. We used thematic analysis to find common themes, problems, and connections between audits, corporate governance, transparency, and performance in Zimbabwe's energy industry [17]. The technique involved carefully going through the research material to find common themes and underlying problems [17]. We also used content analysis on important papers to identify specific examples, proof, and in-depth information about problems with corporate governance, audit results, and performance metrics [17]. This made it easier to sort and understand textual data in a systematic way, which gave empirical credence to the claims made [17]. This study used these analytical methods to give a complete and evidence-based look at the link between auditing and corporate governance in Zimbabwe's energy sector [1,4,6].

4. Results

4.1. Current state of auditing practices and standards in Zimbabwe's energy SOEs

The Office of the Auditor General (OAG) and the Public Accountants and Auditors Board (PAAB) are the two main organisations that oversee the auditing framework in Zimbabwe's public sector, especially when it comes to state-owned energy companies. The Constitution of Zimbabwe Amendment (No. 20) Act 2013 set up the Office of the Auditor General (OAG), and the Audit Office Act [Chapter 22:18] gives it more powers. Its job is to check the accounts of all public institutions and report to Parliament on them. This includes certain corporate boards and statutory funds [18]. The OAG's job is to check not just the accuracy of financial statements but also the quality of service delivery. This includes making sure that public resources are used in a way that is accountable, open, efficient, and effective. The OAG's reports are important for holding the government accountable since they give citizens information about how money is spent and how the budget is used [4].

The Public Accountants and Auditors Board (PAAB) was set up by the Public Accountants and Auditors Act (1995) and is in charge of setting national standards for the accounting profession in Zimbabwe. The mandate includes setting auditing, accounting, and financial reporting standards that apply in Zimbabwe. The International Auditing and Assurance Standards Board (IAASB) often endorses and adopts International Standards on Auditing (ISA) [20]. The PAAB sets and enforces ethical standards and disciplinary actions for qualified public accountants and auditors. It also does audits to check the quality of its work and examines its practices [20]. The ideals clearly include honesty, independence, accountability, and openness [21].

Regardless of the rules and processes that are already in place, auditing Zimbabwe's state-owned energy companies is very difficult. The "audit expectation gap" is still there, showing the differences between what people think external auditors should do and what external auditors actually do [22]. People often anticipate that auditors find fraud and corruption in the public sector; however, auditors may say that this assumption does not match their main goals [22]. The "performance gap" makes the existing gap worse. This is when the OAG is said to not be doing what it is supposed to do according to the legislation and international standards [22]. This shows that auditing is not very effective because there is not enough enforcement and a culture that values responsibility, even though there are regulatory organisations like the PAAB and the OAG's mission. This is not because the standards themselves are not good enough. The difference between the formal audit procedure and how it actually affects behaviour and outcomes shows a major problem in the accountability framework [22].

The Auditor General's reports always show "repeated, serious, and sustained failures of basic governance" and "weak or non-existent financial controls" in ministries, local governments, and parastatals, including state-owned energy companies. The results show that money was spent without the right approvals, payments were made without the right paperwork, and duties were not properly separated. All of these matters greatly raise the danger of fraud, mismanagement, and corruption [8]. OAG reports always bring up the problem of not getting goods or services even after paying in full. For example, ZETDC and ZPC paid for transformers but never got them [3,23,26]. Additionally, many public organisations find it very difficult to quickly provide audited financial accounts, which is a major violation of their duty to be open and accountable to the public [13].

4.2. Corporate Governance landscape and challenges in Zimbabwe's energy SOEs

In Zimbabwe, State-Owned Enterprises (SOEs) are meant to be important tools for social and economic growth by providing important public services. State-owned businesses constituted about 40% of the country's GDP at its height in the 1990s [3]. However, this contribution has dropped dramatically in recent years to only 15%. Many state-owned businesses have lost a lot of money and become a burden on public budgets. The drop is a clear sign of ongoing problems with corporate governance, which are marked by pervasive misconduct and poor financial management [3]. This condition is a structural drain on public resources, which makes it harder for the state to reach its national development goals and provide public services [4].

There are a lot of problems with the way that Zimbabwe's state-owned energy companies are run, and there have been a lot of scandals. The Zimbabwe Electricity Supply Authority (ZESA) Holdings, along with its subsidiaries ZETDC and ZPC, has been at the centre of many revelations [7]. Forensic audit investigations have shown that companies have done a lot of malpractices, like stealing millions of dollars from the US by overpaying, buying old equipment, and not following the rules for granting contracts [7]. ZETDC paid Piot Investments $4.9 million for transformers that were never delivered after nine years [26]. ZPC did the same thing and paid $561,935 for transformers that were also never delivered [3,26]. The decline of financial integrity is shown by examples of executive extravagance, such as ZESA managers spending large amounts of money on expensive cars [7].

Problems with the composition of boards, their independence, and political involvement make it very hard for state-owned businesses to be run well. Boards often have the wrong mix of members, which is caused by a lack of openness and efficiency in the recruitment process. This makes the board less independent and leads to unstable tenures [6]. Political interference through ministerial orders is a problem since it can lead to actions that are not in the best interests of the business [3]. The "wrong and illegal behaviour" that directors sometimes engage in, in which they see entities as personal assets, is an example of agency difficulties that go against the basic principles of good governance [3].

The ZimCode (2014) and the Public Entities Corporate Governance Act (2018) are examples of frameworks that were created to encourage best practices and improve the performance of state-owned companies (SOEs). However, putting them into action has been very difficult. There are still scandals going on, which suggests that current laws have not been able to stop unethical behaviour [6]. The Auditor General's report from 2020 said that the basic rules of corporate governance, such as transparency, discipline, accountability, fairness, responsibility, and independence, were mostly ignored, which is why state-owned companies (SOEs) are in such poor shape [5].

Table 2 Overview of auditing and regulatory bodies in Zimbabwe's energy sector

Body	Mandate/Role (Source)	Relevance to Energy Sector
Zimbabwe Energy Regulatory Authority (ZERA)	Independent regulator responsible for creating an enabling environment, establishing fair play through licensing regulations, product/service standards, and investment promotion; protects consumers and ensures affordable pricing [1].	Sector-wide regulation, licensing, standards, and investment promotion are central for energy supply and pricing.
Office of the Auditor General (OAG)	Mandated to audit and report to Parliament on accounts of all public entities (ministries, departments, agencies, SOEs, statutory funds); assures governance, accountability, efficiency, and effectiveness of public resource utilisation [4].	Audits the energy sector SOEs (e.g., ZESA Holdings and its subsidiaries) for financial integrity, compliance, and performance, exposing mismanagement and corruption.
Public Accountants and Auditors Board (PAAB)	Regulator of the Accountancy Profession; sets and enforces high standards of corporate governance, reporting, and audit; endorses International Accounting Standards (IAS), International Standards on Auditing (ISA), and International Public Sector Accounting Standards (IPSAS); monitors audit quality and ethical practice [19].	Prescribes auditing and accounting standards applicable to energy SOEs, ensuring the quality and ethical conduct of auditors in the sector.

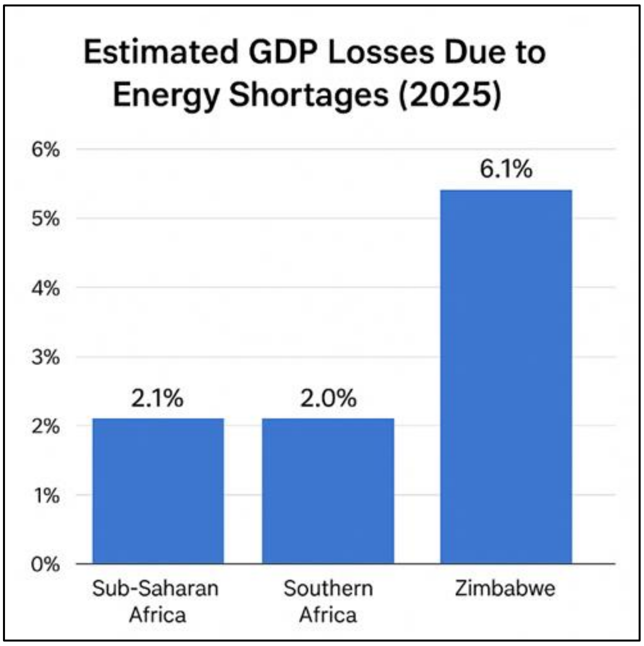
Source: Author's synthesis from [1,4,19].

Table 2: Auditing and regulatory bodies overseeing Zimbabwe's Energy Sector

4.3. Manifestations of Openness and Performance in the sector

The transparency and performance of Zimbabwe's state-owned energy companies show the main problems with corporate governance and audits. There is a concerning lack of transparency, which is necessary for building confidence with stakeholders and stopping unethical behaviour. Corporate governance transparency is often low, which means that a firm does not share enough information with the public about its internal policies, choices, performance, and leadership behaviour [22]. Shareholders and the public fail to hold executives accountable since auditors do not give clear explanations of their findings [11]. When matters a vague, investors do not know what's going on, which makes it harder for them to challenge questionable financial practices and makes them less likely to make important investments [11]. Public entities making their audited financial accounts available on time makes this problem worse because it is a huge violation of transparency and accountability [13].

The problems with governance have a major impact on the energy sector's ability to operate and make money. Zimbabwe has a lot of power shortages since the generation capacity often fails to keep up with peak demand, which leads to long power outages [2]. Energy security, energy efficiency, grid dependability, and affordability are just a few of the key performance indicators that are often not met [24]. These electricity outages have a significant effect on the economy, costing about 6.1% of GDP each year [1, 2].



Sources: World Bank [1], Energy News Africa [27], OECD [28].

Figure 2 Estimated GDP losses due to energy shortages in Zimbabwe and regional comparisons (2025)

According to World Bank estimates, power shortages cost Zimbabwe approximately 6.1% of its GDP annually, significantly higher than regional averages [1]. Broader Sub-Saharan Africa faces GDP reductions of around 2.1%, while countries in Southern Africa, notably South Africa, experience losses close to 2.0%, largely driven by power crises [27,28].

The sector has a lot of trouble getting the private sector investment it needs to meet rising energy demand and improve infrastructure [2]. Uncertainty about whether foreign currency will be available for payments under Power Purchase Agreements (PPAs) makes investors even more hesitant. It is widely accepted that the main reason for power shortages and limited access to energy in Zimbabwe is the financial instability of the country's electricity firms. The financial fragility, which is caused by long-standing problems with corporate governance and corruption, has a domino effect [2]. Companies fail to invest in new generation, transmission, and distribution assets or get commercial financing for sector investment plans since they have low revenues and high debt [2]. This keeps the energy crisis going and directly stops the expansion of the national economy [2].

Table 3 Identified Corporate Governance and Auditing challenges in Zimbabwe's energy SOEs

Challenge Category	Specific Examples/Evidence (Source)					
Financial Mismanagement & Corruption	- ZESA Holdings and subsidiaries siphoned millions through overpayments, obsolete equipment, luxury vehicles [7].	- ZETDC paid USD 4.9 million for undelivered transformers (9 years later) [4,26].	- ZPC paid USD 561,935 for undelivered transformers [4,26].	- Payments made without supporting documentation [8].	- Unexplained suspense balances (e.g., Air Zimbabwe) [4,6].	- Public funds wasted in duplicate payments [8].
Lack of Openness & responsibility	- Auditors fail to provide comprehensive explanations, making shareholder accountability difficult [4].	- Issues with the timely submission of audited financial statements by local authorities and SOEs [8].	- Opaque transactions and lack of due diligence in procurement [6].	- Reluctance to address Auditor General's recommendations [4].		
Weak Internal Controls & Oversight	- Weak or non-existent financial controls, pervasive across ministries, local authorities, and parastatals [8].	- Failure to segregate duties of officials charged with financial management [8].	- Boards failing in their oversight roles, leading to scandals and financial malpractices [6].			
Board & Governance Structure Issues	- Poorly composed boards, inefficient and non-transparent appointment processes [6].	- Limited board independence and unstable tenures [6].	- Political interference through ministerial instructions [3].	- Directors occasionally treat entities as their properties, leading to illicit conduct [3].		
Audit Effectiveness & Expectation Gap	- Widening audit expectation gap between public and auditors' roles regarding fraud detection [22,25].	- Performance gap where OAG is accused of not performing work as required [22,25].	- Questionable independence of auditors due to long-standing relationships with companies [4].			
Impact on Performance	- Weak financial state	- Insufficient revenues	- Policy uncertainty	- SOE contribution		

& Investment	of energy companies driving power deficits [2].	and high debt constraining investment in infrastructure[2].	and foreign currency issues deterring private sector investment [14].	to GDP declined from 40% to 15% [3].		

Source: Author's thematic analysis based on [3,4,6].

Table 3: Major Corporate Governance and Auditing Challenges Identified in Zimbabwe's Energy SOEs

5. Discussion

5.1. The Interplay between Auditing and Corporate Governance in Zimbabwe's Energy Sector

Good auditing is an important part of making company governance stronger. Audits provide independent control that makes sure rules are followed, operations run more smoothly, and financial reports are accurate [16]. In a perfect world, the outcomes of financial and energy audits would lead to changes that would make state-owned businesses in the energy sector more accountable and improve their performance overall [16].

In Zimbabwe's energy sector, there are substantial problems with the link between auditing and corporate governance. Poor corporate governance, which includes political involvement, poorly organised boards, and not enough independence, makes auditors much less effective and trustworthy [3]. When auditors seem to be too influenced by the CEOs and boards they monitor, especially when they have worked with the same audit companies for a long time, people question their impartiality [4]. This weakens the credibility of the financial statements they back.

The audit expectation gap in Zimbabwe shows that the public generally lacks an understanding of the technical parts of an audit and is also a great indicator of deeper flaws in the system [22,25]. This shows a huge gap, where auditors' independence and authority are weakened by ongoing problems with corporate governance, notably in state-owned enterprises (SOEs) [3]. This situation creates a negative cycle: auditors may not properly challenge management decisions or fully disclose discrepancies because their independence is compromised. This creates a "performance gap" in which the OAG is seen as not fully fulfilling its oversight duties, even though it has a mandate to do so [22,25]. Because of this, people lose faith in audit reports and the systems of accountability they represent. This creates a climate where audits do not lead to real change [22].

5.2. Implications for Transparency and Accountability

The energy sector in Zimbabwe lacks transparency and accountability because of poor auditing and corporate governance. To build trust with stakeholders and stop wrongdoing, there must be transparency, which means being open about choices, policies, and performance [22]. Local governments and parastatals have shown that they fail to consistently present audited financial statements on time, which is a major violation of this guideline [8].

This lack of openness has far-reaching effects. Auditors not giving full explanations of their conclusions makes it harder for shareholders and other stakeholders to hold management accountable for financial problems and mismanagement [4]. Without information, people are more likely to do wrong, which allows financial wrongdoing to go unchecked. People lack trust in state-owned businesses as much when the government fails to follow the Auditor General's advice.

The fact that the Auditor General's recommendations have not been followed through on and that audited financial statements have not been submitted on time shows that the accountability structure is seriously broken [4,8]. Without political will or the ability to enforce their conclusions, formal supervision mechanisms like audits and regulatory frameworks like the ZimCode become ineffective [6]. These audit recommendations frequently fail to trigger tangible corrective measures, reinforcing a cycle of poor accountability and governance inertia. The ZimCode was meant to make matters more open and accountable, but systemic problems have made it hard to put into practice.

5.3. Impact on Energy Sector Performance and Economic Development

The energy sector in Zimbabwe suffers from poor operational and financial performance because of the link between poor auditing and bad governance practices. The Zimbabwe Electricity Transmission and Distribution Company

(ZETDC) and the Zimbabwe Power Company (ZPC) are examples of organisations that have made poor financial decisions and been involved in corruption, such as overpaying for goods that were never delivered. This has directly led to the poor financial health of Zimbabwe's electricity companies. This weak financial situation is not just a sign of poor operations; it is also a direct result of long-standing problems with corporate governance and corruption [3].

The weak financial situation has a domino effect that greatly derails the sector's ability to execute. Energy businesses fail to invest in important new production, transmission, and distribution assets because they do not make enough money and have too much debt [2]. This keeps the current power disparities going, which are expected to cost the country some 6.1% of its GDP each year [2]. Not being able to reliably and affordably meet energy demand negatively affects industrial output, business operations, and residential living, which slows down national economic growth and competitiveness.

Lack of good governance and openness makes it harder for private sector investment to happen, which is necessary for the sector to grow and modernise [2]. Investor uncertainty makes the Zimbabwean energy sector less appealing to potential investors. This uncertainty is made worse by policy instability and problems getting foreign currency for important payments [14]. The fact that SOE's contribution to GDP dropped from 40% to 15% [3] shows how bad governance may negatively affect public resources and slow down national progress.

5.4. Challenges and Opportunities for Reform

The study finds important problems that make it hard to do good audits and run businesses in Zimbabwe's energy sector. There is a widespread implementation gap, which means that existing laws and audit recommendations are not always followed or enforced [12]. Political intervention in the operations and board appointments of state-owned firms impairs their independence and accountability [3]. These problems get worse since there are inefficient internal controls, and there are no consequences for mismanaging money [8]. A culture that allows "wrong and illegal behaviour," where directors can see companies as their own property, is a big problem for change [3].

Even with these severe problems, there are ways to make matters better. It is important to provide regulatory bodies like the Public Accountants and Auditors Board (PAAB) and the Zimbabwe Energy Regulatory Authority (ZERA) more independence and power to enforce rules. Following the ZimCode and the Public Entities Corporate Governance Act, especially when it comes to board composition, independence, and performance contracts, could lead to better results [6]. Stable and clear policies, such as a clear USD payment policy for electricity transactions, may encourage private sector participation and bring in much-needed investment while easing the burden on public funding [2].

Reforming anything means more than just making new laws or rules. The main problem is that there is a lack of implementation and enforcement, and there is a culture that allows bad behaviour [4]. Policy proposals should not just suggest new laws, but they should also deal with the main cultural and political barriers to good governance [4]. To make sure that people follow the rules and face serious consequences if they fail to, there needs to be a significant change in the way politics works and how people are held accountable [4]. This means encouraging a strong culture of responsibility and doing the right thing that goes all the way up to the highest levels of government and down to all levels of management in state-owned energy companies.

6. Conclusion

6.1. Summary of Key Findings

This study has shown that there is a strong link between auditing and corporate governance shortcomings in Zimbabwe's energy sector, especially when it comes to its State-Owned Enterprises (SOEs). The results show that even though there are regulatory bodies like the Office of the Auditor General (OAG) and the Public Accountants and Auditors Board (PAAB) [19,20], as well as corporate governance frameworks like the ZimCode and the Public Entities Corporate Governance Act [6,19], the sector still has a lot of corruption, poor financial management, and serious problems with transparency [4,8].

An ongoing "audit expectation gap" and "performance gap" [22,25] make auditing far less effective. This is made worse by auditors not being independent [4] and the fact that audit recommendations are not being carried out [4,8]. Political intervention, poorly organised boards, and a culture of impunity that lets illegal activity go unpunished are some of the matters that negatively affect corporate governance in state-owned businesses [3,6]. The lack of good governance makes it hard for stakeholders to see and hold accountable, which makes it easier for unacceptable behaviour to continue [11,13]. The energy sector is not doing well in terms of operations or finances. There are significant power shortages, inefficiencies, and failure to attract the private investment that is needed [2,14]. Zimbabwe has to pay a lot of money because of the poor performance, which makes it harder to reach its national development goals [2].

6.2. Policy Recommendations

The results point to a number of policy suggestions that would improve the link between auditing and corporate governance. This would make Zimbabwe's energy sector more open and productive:

Make institutions more independent and able to enforce rules. Give the Auditor General's Office and the Public Accountants and Auditors Board (PAAB) more freedom to run their own businesses and financial independence. Give these groups strong enforcement tools so they may punish people who fail to follow the rules and make sure that audit recommendations are always followed within the time frames set.

Put into action the suggestions made by the audit: Set up a legally obligatory system to make sure that all of the Auditor General's recommendations are carried out fully and on schedule. This may include public reports on how well the implementation is going and ways to hold management and boards accountable if they fail to follow the rules.

Make State-Owned Enterprise (SOE) boards more independent and professional. To reduce political influence, set up strict, open, and merit-based nomination processes for board members of state-owned enterprises. Set term limitations for board members and senior executives to bring in new ideas and stop people from getting too comfortable in their roles. Boards need to be able to provide good oversight and strategic guidance by having the right skills, knowledge, and independence.

Make financial reporting and purchasing more open. Require all companies in the energy industry, especially state-owned ones, to include full, quick, and transparent information about their financial performance, conflicts of interest, and hazards in their annual reports. Use digital platforms in public procurement processes to make issues more open, lower the danger of corruption, and make it easier for companies to compete against one another.

Look into matters that make it hard to invest and make sure that policies stay the same: Set up and keep stable and predictable energy regulations. For example, for private sector investors, set up a clear structure for foreign currency transfers, like a USD payment policy for power purchase agreements (PPAs). This will reduce uncertainty for investors and bring in the private cash needed for infrastructure growth and capacity building.

Encourage a culture where people are responsible and act in an ethical way. Encourage the development of a strong ethical culture led by the highest levels of government and state-owned businesses. Create robust training programs to fight corruption and measures to protect whistleblowers so that anyone may disclose wrongdoing without fear of retaliation.

6.3. Limitations and Avenues for Future Research

The fact that this study only used secondary data is its biggest flaw. The study material gave useful ideas and real-world proof, but it did not directly involve stakeholders or gather primary data that is relevant to how matters are currently working. This hinders the examination of nuanced perspectives, recent unreported changes, or the specific causal paths of certain observed events.

Future research may enhance this foundation by:

Conducting primary qualitative research through in-depth interviews with key stakeholders, such as SOE management, board members, auditors, regulators, policymakers, and private sector investors, to obtain deeper insights into the practical challenges of implementation and stakeholder perceptions of governance effectiveness.

Conducting quantitative empirical studies to statistically analyse the relationship between specific corporate governance indicators, such as board independence and audit committee effectiveness, and performance metrics, including energy efficiency and financial viability, within a larger sample of Zimbabwean state-owned enterprises.

Conducting comparative studies of energy sectors in other developing economies that have effectively implemented corporate governance reforms to find best practices and lessons applicable to the Zimbabwean situation.

Investigating the effects of particular policy measures, such as the enforcement of the Public Entities Corporate Governance Act, on the performance and transparency of state-owned firms over time, employing longitudinal data when accessible.

Abbreviations

AfDB	African Development Bank
ESG	Environmental, Social, and Governance
GDP	Gross Domestic Product
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
ISA	International Standards on Auditing
OAG	Office of the Auditor General (Zimbabwe)
PAAB	Public Accountants and Auditors Board (Zimbabwe)
PPA	Power Purchase Agreement
SDGs	Sustainable Development Goals
SOEs	State-Owned Enterprises
USD	United States Dollar
ZERA	Zimbabwe Energy Regulatory Authority
ZETDC	Zimbabwe Electricity Transmission and Distribution Company
ZimCode	National Code on Corporate Governance (Zimbabwe)
ZPC	Zimbabwe Power Company
ZESA	Zimbabwe Electricity Supply Authority

Compliance with ethical standards

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The authors declare no conflict of interest.

Author Contributions

Conceptualisation, F.F. and W.M. Methodology, F.F. and G.M. Formal Analysis, F.F. and C.T. Investigation. F.F. and G.M. Resources, F.F. and W.M. Original Draft Preparation, F.F. Writing, F.F. and C.T. Review & Editing, G.M. and C.T. Visualisation, F.F.

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