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PUBLIC FINANCE MANAGEMENT IN ZIMBABWE

Enhancing Public Finance Management using the office of the Auditor General's Reports in Zimbabwe.

“An Analysis of the 2013 -2015 office of the Auditor General's Reports”

Executive Summary

This policy brief is a contribution by ZIMCODD to the Public Finance Management processes in Zimbabwe through enhancing the citizens' participation to demand accountability in public finance management. Reports from the Office of the Auditor General's (OAG) have been bringing out serious public resources mismanagement by public institutions and parastatals. From the analysis that ZIMCODD has done since 2015 (Analysis of the 2009 – 2014 Office of the Auditor General's reports) and the 2015 OAG's reports, there is great unaccountability in the use of public funds which present serious threats to the fulfilment of Social and Economic Rights by the government.

From the 2015 OAG's Analysis there is glaring evidence that the major drivers in public funds mismanagement remains unaddressed hence this policy brief would seek to proffer recommendations that are people centred to address the gaps that have continued to feed the breeding ground for corruption and mismanagement of public funds at the expense of social service delivery, poverty alleviations and fulfilment of social and economic rights.

Introduction

Summary of The Problem

The policy framework of public funds and public property administration is defined through Constitutional Amendment number 20; the Audit Office Act (Chapter 22:19) and Treasury Instructions. Section 309 of the Constitutional sets out the functions of the Office of the Auditor General and section 308 defines duties of the custodians of public funds and property. It is the duty of the OAG to audit all institutions, government agencies and when requested by government he/she carries out special audits of the accounts of any of the statutory body or government controlled entity.

It is laudable that the Office of the Auditor General has managed to produce the Audit Reports timeously, this has not the case in past years. Whilst the Office of the Auditor General's audit reports have managed to uncover misuse of public funds by public institutions and offered recommendations to improve efficient and transparent use of public resources, the policy direction to implement those recommendations have been lacking.

Beyond the Office of the Auditor General's audits, forensic audits of public institutions such as the Zimbabwe Revenue Authority (ZIMRA), National Railways of Zimbabwe (NRZ), NetOne among others have unearthed gross mismanagement of public resources thereby vindicating the findings of the Office of the Auditor General in the previous audit reports.

Zimbabwe's socio-economic and political challenges call for commitment towards ethical accounting and transparency in the administration of public funds. The ever growing citizens' discontent birthed by allegations of corruption, unreasonable government expenditure, high unemployment levels, deteriorating social service delivery and the lack of responsive policy

frameworks to the socio-economic context specifics, calls for an agency that mobilises against the socio-economic injustices caused by Illicit Financial Flows (both external and internal) by including the citizens in Public Finance Management processes which includes the Office of the Auditor General's reports. The major challenge remains the implementation and action on anomalies that are highlighted in the OAG's reports.

Analysis Methodology and Findings

ZIMCODD's analysis OAG's Audit reports is based on In-depth interviews with key stakeholders and experts in public finance management and desk Study of Auditor General's 2013 – 2015 OAG's Reports. Misstating of financial statements from balance of payments between Pay Master General Account or Exchequer Account on one hand and Line Ministries, Local Authorities, State Enterprises and Parastatals on the other hand was analysed. Tax evasions and cumulative losses were analysed.

The analysis noted that the amount of money lost during the period translate into approximately one billion United States Dollars. Some pointers to the total amount lost is the case of the 2013 Ministry of Finance and Economic Development statements where take-on balance and closing balance had a variance of USD5 000 000; line Ministries balances and Treasury balances had a variance of USD324 670 068; line Ministries' Appropriation Account expenditures and Treasury total expenditure had a variance of USD31 687 074; undocumented loan write-offs amounting to USD5 025 000 as well as non-recovered debt repayment for a private company amounting to USD11 833 443.

The 2013 – 2015 period, just like the previous periods, continued to be dogged by a crisis of governance in the administration of public funds. Effective governance requirements are not yet fulfilled. Poor maintenance of accounting records,

weak internal controls, unsupported expenditure, poorly constituted Boards of Directors, tax evasions and avoidance, violations of legal, policy and regulatory framework continue to drive public funds leakages. The absence of effective governance bred misstatement of financial statements, undervaluation, and high salary costs. ZIMCODD found that the governance, regulatory and fiscal preconditions remain important ingredients in the boiling pot of Public Finance Management, contemporary justice and rights question in Zimbabwe.

Financial irregularities within Ministries were presented through;

- Lack of budgetary systems, unsupported expenditures and use of cash to make payments instead of using bank transfers continued to haunt public institutions.
- The absence of Audit Committees remains an outstanding recommendation by the Office of the Auditor General in many line ministries and government departments falling within most ministries. Several Ministries do not have Audit Committees as required by Section 84 of the Public Finance Management Act (Chapter 22:19). For example as at 31 December 2015, the Ministry of Defense had no such committee. In 2014, the Defense Procurement Fund operated with no budget to guide, control and monitor allocation of resources.

On the positive, there were some noticeable traction on the implementation of the Office of the Auditor General's recommendations especially in the Ministry of Finance and Economic Development. Prior to the current audit (2009 - 2014) audit reports, the Ministry of Finance and Economic Development had issues of misappropriation of funds, gaps on Treasury Instructions and absence of contracts for certain services rendered to the Ministry. The current reports show some efforts by the Ministry of

Finance to address the anomalies. All other ministries including local authorities have minimally addressed adopted recommendations except for the Ministry of Mines and Mining Development.

Conclusions – Opportunities And Limits of The Office of The Auditor General's Reports In Enhancing Public Finance Management In Zimbabwe

Zimbabwe's social- economic challenges call for prudent Public Finance Management that is responsive to the socio-economic context. Opportunities to improve Public Finance Management are available through the use of the Office of the Auditor General's audit reports. The production of the Office of the Auditor General reports have not provided the guarantee for accountability in public funds management. Instead there is need for a robust follow up action on irregularities noted in the Audit Reports. This action should be inclusionary and guided by the opportunities that are expounded in the Public Finance Framework which includes;

- The constitution – Chapter 17 which established the overarching framework of public finance management in Zimbabwe
- Public Finance Management Act- though this Act still needs alignment with the constitution
- ZIMASSET- Public administration, Governance and Performance Management Public Cluster

Limits continue to be presented through lack of political will to effect recommendations, policy gaps, lack of domestic currency and the fiscal challenges that have been a major contribution to leakages of finances through misinvoicing, under statements, undervaluing of assets among others.

Policy Recommendations

1. Support line ministries/ government departments in local authorities to implement the Office of the Auditor General's audits recommendations
2. Investigate Research in Public Finance Management – after the Office of the Auditor General's audit Reports thorough investigations on anomalies should be instigated and information should be available in the public domain for citizens to hold the duty bearers accountable
3. Citizen's involvement – currently citizens cannot hold their duty bearers accountable due to inaccessibility of information at all levels. The government and civil society can play a key role in ensuring that information on public finance management reaches the citizens in a user friendly manner.
4. There is an urgent call for the Synchronization of Public Finance Management policies, laws and regulations in order to create a framework that is easy to follow and implement as duty bearers are held accountable by the citizens.

References and Suggested Sources

- Constitution of Zimbabwe Amendment (No. 20) Act 2013
- Report of the Auditor-General for the Financial Year Ended December 31, 2015, on Appropriation Accounts, Finance, Accounts, Revenue Statements and Fund Accounts.
- Report of the Auditor-General for the Financial Year Ended December 31, 2015, on State Enterprises and Parastatals.
- Report of the Auditor-General for the Financial Year Ended December 31, 2015, on Local Authorities.
- Follow Up Audit Report of the Auditor-General on the Management of Government Vehicles by CMED (Pvt) Ltd.
- ZIMCODD Policy Brief on Public Finance Management of 2015
- Public Finance Management Act (Chapter 22:19)

About ZIMCODD

The Zimbabwe Coalition on Debt and Development (ZIMCODD), is a non-profit Social and Economic Justice coalition established in February 2000 to facilitate citizens' involvement in making public policy and practice pro people and sustainable. ZIMCODD views indebtedness, the unfair local and global trade regime and lack of democratic people-centred social economic and political governance as root causes of the socio-economic crises in Zimbabwe and the world at large. Drawing from community-based livelihood experiences of its membership, ZIMCODD implements programmes targeted at:

- Educating the citizen
- Facilitating policy dialogue among stakeholders
- Engaging and acting on socio-economic governance at local, regional and global levels.

Our Vision: Sustainable socio-economic justice in Zimbabwe through a vibrant people based movement.

Our Mission: To take action in redressing the Debt burden, Social and Economic Injustices through formulation and promotion of alternative policies to the neo-liberal agenda

- To raise the level of economic literacy among ZIMCODD members and citizens to include views and participation of grassroots and marginalised communities.
- To facilitate research, lobbying and advocacy in order to raise the level of economic literacy on issues of debt, trade and sustainable development.
- To formulate credible and sustainable economic and social policy alternatives.

To develop a national coalition and facilitate the building of a vibrant movement for social and economic justice. ZIMCODD is a member of regional and international networks working on Social and Economic Justice. In the SADC region, it is a member of the Southern African People's Solidarity Network (SAPSN), whose focus is to support the development of alternatives to neoliberal corporate led globalization, with a negative impact on national and regional policies. ZIMCODD hosted this vibrant regional network from 2003 – 2011 and continues to be a member of the SAPSN coordinating committee and the SAPSN Focal Point for Zimbabwe. Currently it is host to the Zimbabwe Social Forum (ZSF) and through this platform, ZIMCODD aims to develop a vibrant space for reflective thinking, democratic debate, formulation and exchange of alternative ideas to the neoliberal agenda in Zimbabwe and beyond.



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