



## The 2016 Auditor General's Report

Ignoring the Recommendations from the Auditor General's Report: A threat to Social and Economic Rights

### GOVERNMENT'S FINANCIAL PERFORMANCE FOR 2016

**Revenue** US\$ 2, 876 Billion

**Expenditure** US\$ 3, 84 Billion

**Deficit** US\$ 964 Million

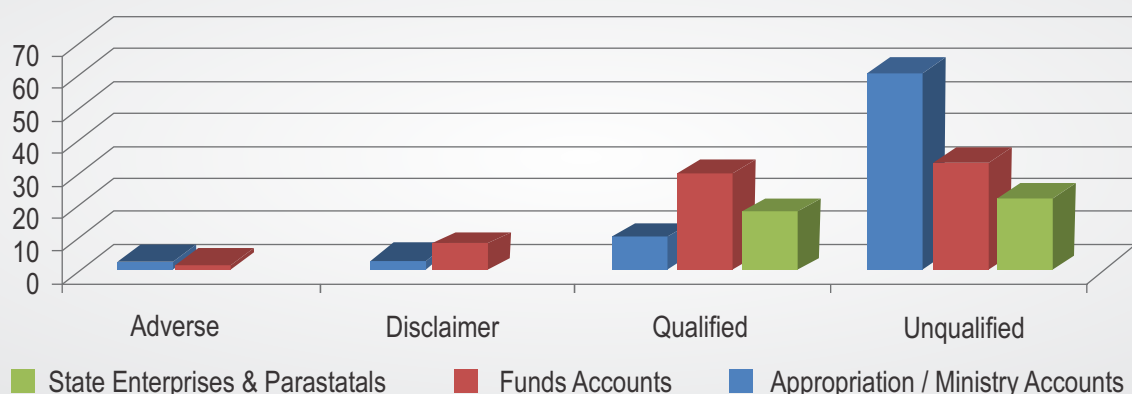


Despite a revenue shortfall of US\$282.5 million in 2016, the government of Zimbabwe exceeded its annual expenditure target by US\$520 million resulting in a budget deficit of US\$964 million. This fact sheet will be jointly used with the analysis report to engage duty bearers.

#### Audit Opinions

Despite an improvement in transparency and accountability in financial matters across the audited accounts as the majority of government departments and entities partly implemented recommendations from the previous reports, accounts of some State Enterprises and Parastatals, and Fund Accounts had adverse and disclaimer opinions as shown in the graph below.

#### Auditor General's Opinions



#### Audit Results for Appropriation and Fund Accounts

The Auditor General exposed the following irregularities from the Ministry and fund accounts;

- Maintenance of Accounting Records
- Fraudulent Activities
- Transfer of Moneys from Fund Accounts
- Suspense Account Balances in Fund Accounts
- Outstanding Payments to Suppliers of Goods and Services
- Direct Payments
- Unsupported Expenditure

- Use of Fund Resources as Collateral Security
- Budgetary Control
- Loans to Private and Public Enterprises
- Upload of Assets

- SAP Audit Management Module and Audit Log
- Violation of Procurement Regulations
- Amounts not collected from Debtors
- Posting Financial Transactions to Closed Financial Years

The table below summarises the financial implications of audit queries from Appropriation/Ministry and Fund Accounts;

Query	Amount in US\$	Implications
Fraudulent Activities	22 791	
Transfer of funds from Fund Accounts	894 251	The government fails to meet the objectives for which the funds have been created for
Suspense Account Balances	6 780 8568	Failure to investigate and clear the suspense account balance may lead to misstatement of financial statements.
Outstanding Payments to Suppliers	4 085 505	Ministries incur cost overruns on contracts and litigation costs
Unsupported Expenditure	8 315 064	fraudulent payments may be processed and the expenditure may not be incurred
Funds used as collateral security	1 879 755	The fund's investment will be taken over by the bank if loans are not paid back
Loans issued without loan agreements	91 787 307	The state will lose resources in the case of default payment
Violation of procurement regulations	1 025 384	No value for money from irregular purchases
Amounts not collected from debtors	91 409 864	Service delivery compromised as funds remain locked up in debtors
<b>Total</b>	<b>US\$286 200 777</b>	

The amount of money under query is an understatement of the implications of the material issues raised in the Auditor General's report. It excludes irregular employment costs some of which were in non-monetary terms, unretired imprest and other non-financial misdeeds. The understatement of the queries is also attributed to the 32.5% reduction in the number of stations visited to 316 from the 468 visited in 2015.

## UTILISATION OF FUNDS FROM FUND ACCOUNTS

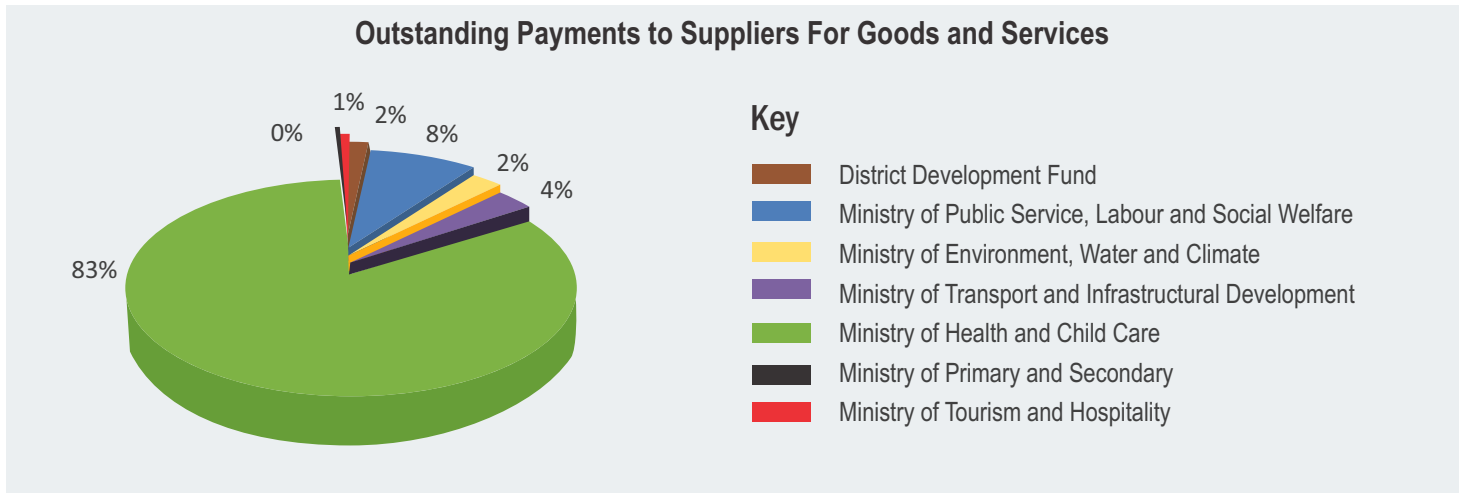
The Ministry of Public Service, Labour and Social Welfare and the Ministry of Finance and Economic Development were notorious for utilising money from Fund Accounts for Appropriation activities without authority (US\$ 984 251). About US\$770 438 (86%) was diverted from safeguarding social welfare of children, older people, disabled people and other disadvantaged groups whilst 14% was diverted from the Senior Officers Housing Fund which is administered by the Ministry of Finance and Economic Development.

Utilisation of Funds from Parastatals and Fund Accounts

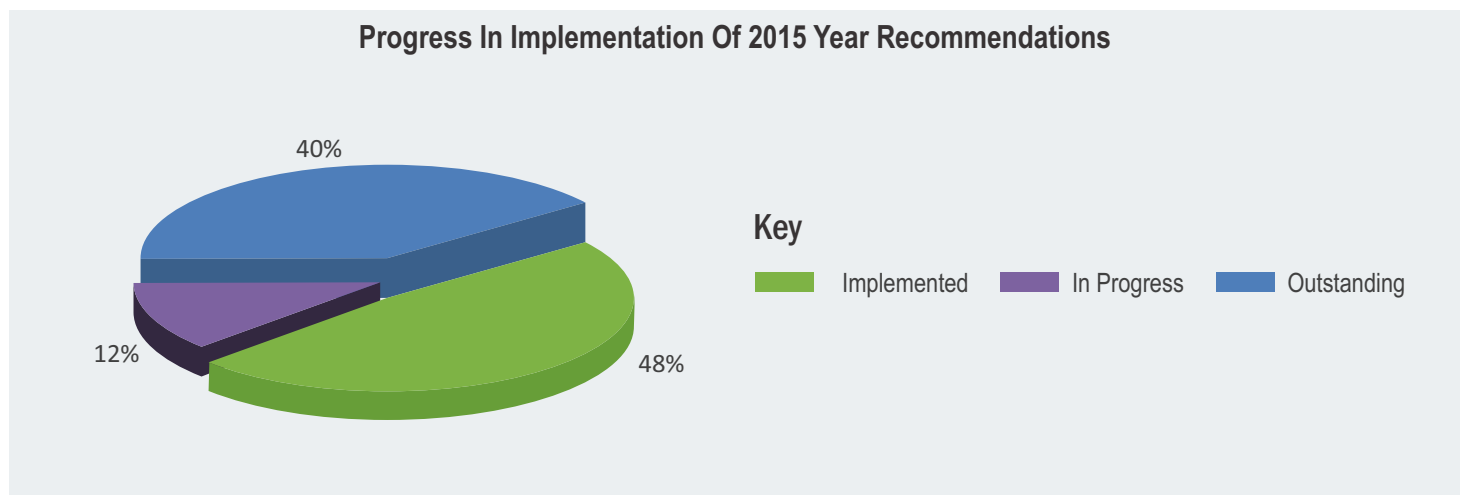


## Outstanding Payments to Suppliers of Goods and Services

Ministries continued to acquire goods and services without financial resources to meet the expenditure. By the end of the 2016 financial year, the Ministry of Health and Child Care had the highest outstanding payments \$70.1 million which constitute 83% of the total amount (US\$84.1 million) owed to suppliers of goods and services. On the other hand, out of the US\$ 91.4 million owed to the government, US\$ 23 million (25%) is owed health service providers. This further weakens the health delivery system in Zimbabwe which is already crippled.



The progress in the implementation of recommendations from 2015 leaves a lot to be desired. Out of the 151 audit recommendations raised in 2015, 48% were implemented, 12% were in progress whilst 40% remained outstanding. The slow pace in the implementation of the recommendations is largely attributed weak parliamentary power to hold the executive accountable.



Issues	Norton		Chitungwiza		Goromonzi		Mhondoro Ngezi	
	Query	Implication	Query	Implication	Query	Implication	Query	Implication
<b>Governance</b>			<ul style="list-style-type: none"> <li>No risk assessment policy</li> <li>Operating without Policy documents (eg solid waste management, housing, IT, Cell phone, Laptop and asset replacement)</li> <li>Unsupported expenditure</li> <li>Financing of day to day operations through overdrafts</li> </ul>	<ul style="list-style-type: none"> <li>Exposes the Council to the risk of failing to adapt quickly to changing environment</li> <li>Financial loss due to poor operating decisions</li> <li>The purchased goods may not have been received</li> <li>Debt financing is costly</li> </ul>	<ul style="list-style-type: none"> <li>Individuals residing on un-serviced stands contrary to the permits issued by the Department of physical planning</li> </ul>	<ul style="list-style-type: none"> <li>Loss of potential revenue to the council</li> </ul>	<ul style="list-style-type: none"> <li>No risk assessment policy</li> <li>Council Farm project continuously making losses</li> <li>Council chairperson was a signatory to the Council's bank accounts</li> </ul>	<ul style="list-style-type: none"> <li>Exposes the Council to the risk of failing to adapt quickly to changing environment</li> <li>Council resources meant for service delivery diverted to finance a loss making entity</li> <li>Violates principles of good governance</li> </ul>
<b>Employment Cost</b>							<ul style="list-style-type: none"> <li>Double allowances for Councilors without approval from the Ministry</li> <li>Non Taxation of Loan benefits to the CEO</li> </ul>	<ul style="list-style-type: none"> <li>Council resources meant for service delivery diverted to finance a loss making entity</li> </ul>
<b>Revenue Collection, Management and Debt Recovery</b>			<ul style="list-style-type: none"> <li>Unremitted statutory deductions to NSSA, Pension, and ZIMRA)</li> <li>41% of water meters not working</li> </ul>	<ul style="list-style-type: none"> <li>Financial loss due to penalties and fines</li> <li>Tax revenue to government through ZIMRA is affected</li> </ul>		<ul style="list-style-type: none"> <li>33 accounts on debtors' list without names</li> </ul>	<ul style="list-style-type: none"> <li>Fraud and errors may go unnoticed in the system</li> </ul>	
<b>Service Delivery</b>	<ul style="list-style-type: none"> <li>Inadequate financial, technical and human resource at council Hospital</li> </ul>	<ul style="list-style-type: none"> <li>Health delivery system is compromised</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate water supply 11/45 megalitres per day</li> <li>Shortage of drugs</li> </ul>	<ul style="list-style-type: none"> <li>Threat to human life through water borne</li> <li>The right to clean and portable water is violated</li> <li>Health of people is threatened</li> </ul>		<ul style="list-style-type: none"> <li>No EMA approved dump site</li> </ul>	<ul style="list-style-type: none"> <li>Financial loss due to penalties and fines</li> </ul>	

**FACT SHEET**



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