



**ZIMCODD**  
ZIMBABWE COALITION ON DEBT & DEVELOPMENT



# An Analysis of the COVID-19 Special Audit Report

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**August 2021**

# 1. INTRODUCTION

The Auditor-General released the 2021 Special Audit Report on the financial management and utilization of public resources in combating the COVID-19 pandemic by Ministries, Departments and Agencies (MDAs) in terms of Section 11 of the Audit Office Act [Chapter 22:18]. Whereas the Audit Report in itself is a step towards embracing transparency, accountability and the oversight role of statutory institutions such as the Parliament; the report exposes gross misappropriations, abuse and embezzlement of public resources – depicting a gloom atmosphere of a shadow pandemic in public resource governance.

The lack of compliance by MDAs to existing Public Finance Management (PFM) frameworks violates the social contract between government and the citizens. The poor resource governance has worsened the welfare of citizens, particularly extreme poverty and inequality given the diversion, misuse and abuse of COVID-19 resources. The estimated total of misappropriated funds (for the 6 provinces covered by the audit report) amount to USD15 408 and Z\$336 645 645. Harare and Bulawayo provinces were not covered by the audit report although the provinces (especially Harare) are synonymous with the COVID-gate and other scandals related to the abuse of COVID-19 funds. The lack of comprehensiveness of the audit report implies that more resources could have been misappropriated or embezzled yet no evidence exists to this effect.

Notable is that, the COVID-19 containment measures were associated with speedy acquisition and distribution of Personal Protective Equipment (PPEs), ICU equipment, hurried establishment of quarantine and isolation centers thereby jeopardizing transparency and oversight of government spending. The implications are destructive and affects progressive efforts to fight the pandemic as well as cushioning the vulnerable and the poor during the pandemic. This concise scrutiny of the 2021 Special Audit Report brings to light the key findings, issues of financial prejudices and possible recommendations.



## 2. KEY AUDIT FINDINGS

The report covers six provinces of the country where COVID-19 initiatives were introduced by government. These are Mashonaland West, Mashonaland Central, Manicaland, Masvingo, Midlands and Matabeleland South. The audit focused on disbursement of COVID-19 Relief Funds, Management of Quarantine Centers and Isolation Centers, Public Sector Investment Programmes (PSIP), Evaluation of Internal Controls, Management and Distribution of Donations, Procurement of Goods and Services, Expenditure Management, Research and Innovation Projects, Record Keeping, Stores Management, Cash Recording and Management and Fuel Management.

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### 2.1 Disbursement of COVID-19 relief funds

#### **Allocation of funds to undeserving beneficiaries**

The Audit Report shows that COVID-19 Youth Relief Funds were disbursed to undeserving beneficiaries due to lack of proof of business operations for at least six months before the first COVID-19 related lockdown of 2020. The Umzingwane District Office (Ministry of Youth, Sport, Arts and Recreation) disburse \$111 214 to 37 beneficiaries who did not meet the criteria set for beneficiaries of the fund. In Buhera District, allowances totaling \$26 400 for 88 beneficiaries were collected by third parties without written authority from beneficiaries as required.

#### **Poor record keeping**

The revelations of the Audit Report show that records of beneficiaries were not properly maintained thus the Ministry of Public Service, Labour and Social Welfare (MPSLSW) could not do either a reconciliation or do confirmation reports as provisioned by Section 63 (3) & (4) of the Public Finance Management (Treasury Instructions), of 2019 which requires that Accounting Officers institute internal controls for payments made.



Resultantly, either the government lost resources or the rightful recipients of the intervention did not benefit – protracting their misery. This section details a multiplicity of financial prejudices detected by the Auditor General.

- The MPSSLW could have been prejudiced of \$89,022,103 which was intended for vulnerable communities countrywide.
- COVID-19 allowances worth \$201 900 processed for 673 beneficiaries remained uncollected from Buhera District Social Welfare Office due to incorrect contact details in the database.
- In Buhera District, allowances totaling \$5,400 were transferred to Net One lines but the Officers did not have beneficiaries' names to facilitate distribution thereby depriving the beneficiaries.
- The Manicaland Provincial Social Welfare office could not avail for audit a consolidated report and copies of confirmation of receipt of the \$3 959 950 COVID19 allowances disbursed by Head Office to 18 349 beneficiaries in the Province.
- In Matobo District; the Youth, Sport, Arts and Recreation Office failed to provide evidence of the recipients of \$185 614 disbursed to an assortment of 116 SMEs and Youth beneficiaries through the Empower Bank – derailing the efficacy of the programme in the district. This lack of thoroughness contravenes section 157 (2) (b) of the Public Finance Management (Treasury Instructions), 2019 which requires Accounting Officers to put in place a cost effective system of internal control to safeguard money and property against loss.
- The Kwekwe and Zvishavane District Social Development Offices (DSDO) did not avail for audit inspection documentary evidence for vulnerability examination for beneficiaries who received cash disbursements totaling \$187 000 and \$3 806 300 respectively during the months of April, May, July and August 2020. The Urban Food Assistance Section 4 (3) of the Social Welfare Assistance Act [Chapter 17:06] requires that from time to time assessments be conducted to determine vulnerability status of beneficiaries.
- Poor record keeping accounted for duplicated beneficiaries such as the \$45,240 allowances disbursed to 58 beneficiaries who had same ID numbers, different D.O.B and different gender. Also, allowances totaling \$292,500 were paid to 375 beneficiaries with suspicious names and I.Ds.



## 2.2. Management of quarantine centers

Whereas quarantine centers ensure containment and isolation of individuals suspected to be COVID-19 positive, they have become constellations of infection due to significant infrastructure gaps relating to water, hygiene, sanitation and infection protection and control. The audit report notes the following challenges:

### Poor service delivery

Service delivery at quarantine centers is deplorable especially security and backup of electricity and water. The buildings at quarantine centers lack apt maintenance whilst lack of proper planning for maintenance works leads to shortage of materials to complete projects.

### Undocumented expenditures

With respect to bus fare payments for inmates, quarantine center could not avail payment schedules and large amounts of money remain unaccountable. At Mushagashe Quarantine Center, about \$42,930 was reported to have been paid to inmates for an undisclosed use. Also, about \$516,370 bus fares were paid but inmates did not sign acquittal forms. The Manicaland Provincial Social Welfare Office failed to account for cash amounting to \$30 000 received from the Head Office between May 20, 2020 and November 25, 2020 for bus fares to vulnerable quarantined returnees. This was contrary to Section 46 (21) and (25) of the Public Finance Management (Treasury Instructions), 2019 which requires receipting and recording of monies in the receipt book and cashbook.

### Payment irregularities

The audit unearthed innumerable payment irregularities with some suppliers being overpaid. For instance the Gwanda Provincial Social Welfare office overpaid Applridge Investments when it made three payments totaling \$1 938 340 for the same invoice number 012 in respect of catering services rendered at DDF and Beitbridge Quarantine Centers from August 3, 2020 to September 15, 2020. The same applies to another invoice amounting to \$579 570.

### Unapproved procurement

The Manicaland Province had no approved and documented requisitions from eight Quarantine Centers for the \$2 998 078 worth of goods procured against the number of inmates. This is in contravention of Section 67 (8) of the Public Finance Management (Treasury Instructions), 2019 which requires that all procurement requests be justified as to the need, so as to avoid fruitless and wasteful expenditure; surplus and redundancy.



### **Procurement without delivery**

A television set, overhead projector, printer, camera, smart phone and a radio could not be accounted for at the Rujeko Isolation Center in Masvingo despite \$474 458 having been allocated from the COVID-19 funds for the acquisition of the same. This depicts either a conversion of state property into private hands or non-delivery of acquired gadgets translating into a loss of state resources.

## **2.3. Public Sector Investment Programme (PSIP)**

The Public Sector Investment Programme (PSIP) is designed to provide key infrastructure at health institutions as a way of augmenting the fight against COVID-19. However, the PSIP recorded financial prejudices and malpractices as detailed in this section.

### **Failure to provide clean water to health institutions as planned and budgeted**

The Manicaland Provincial DDF planned to drill 16 boreholes in health institutions but drilled only 9. Of the 9 boreholes, 7 were not functional as pumps were yet to be fitted. The 7 unfunctional boreholes were drilled at a cost of US\$8 750, an amount capable of financing 4 or 5 complete boreholes with fitted pumps. In Mutasa, 3 unfunctional boreholes were drilled at cost of US\$3,750. Also, US\$2,500 was spend on drilling 2 dry holes.

### **Misdirected funds**

PSIP project funds amounting to \$796 817 allocated to Chipinge District Hospital Isolation Center were used by Manicaland Provincial Public Works Department without the Accounting Officer's authority, to settle a cost overrun at Victoria Chitepo Provincial Hospital Isolation Center.

### **Lack of quality assessment of investments**

The drilling of dry holes testifies that assessment of water capacity and quality assessments for boreholes was not done. Assessments are key to determine water yield, quality and size of pumps required.

### **Violation of internal controls**

The audit report lays bare poor segregation of duties in the procurement of goods and services and maintenance of registers. One individual could maintain cashbook, cash receipt books and payment of bus fares to inmates. This is contravenes section 158 (2) of PFM (Treasury Instructions), 2019 which requires officers to segregate duties between order placements,





verification, and invoice approvals. In the case of Midlands, total deposits of \$936 000, \$13 817 171 and \$4 500 000 were auctioned by one person and not reviewed by top authority. Also, an individual was responsible for receipting, custody, payment and reconciling the \$685 000 without supervision or compensatory controls.

### Expenditure without competent authority

Members of staff stationed at Ministries, Departments and Agencies (MDA) shown in the Table 1 received COVID-19 allowances totaling \$2 654 089. These allowances were paid to members of staff who reported for duty during the COVID19 lockdown period from April to July 2020. The payments were made without competent authority in contravention of section 59 (15) of the Public Finance Management (Treasury Instructions), 2019. Furthermore, there were inconsistencies and lack of documented guidelines on payment of the COVID19 allowances across different Government departments. The amounts paid ranged from \$180 to \$320 per day.

**Table 1: Distribution of COVID-19 Allowances by MDA**

| <b>Ministry/Department/Agency</b>                              | <b>Amount \$</b>   |
|--|--------------------|
| Toronto Quarantine Centre                                      | 65 600             |
| Magamba Quarantine Centre                                      | 378 900            |
| Karoi District Hospital  | 14 450             |
| Matabeleland South Provincial Development Coordinator's Office | 96 160             |
| Matabeleland South Provincial Social Welfare                   | 1 846 099          |
| Manicaland Provincial Public Works                             | 135 000            |
| Manicaland Provincial Development Coordinator's Office         | 117 880            |
| <b>Total</b>   | <b>\$2 654 089</b> |

Also, a total of \$ 22 165 was spend on airtime purchased with COVID-19 funding by Ministries, Departments and Agencies. The purchases were not supported by a competent authority (Accounting Officer nor Treasury). This is against Section 53 (1) of the Public Finance Management (Treasury Instructions), 2019 – implying the fungibility of COVID-19 funds.

## 2.4 Donations

### Poor record keeping

The audit report noted that no proper records (updated registers) existed in accounting for and distribution of donations to intended beneficiaries. There was possibility of record manipulation for instance JMK Polytechnic received donations totaling \$300 133 from How Mine for infrastructure



refurbishment but the institution did not maintain a register for the donations.

## 2.5 Procurement of goods and services

### **Absence of procurement plans**

Some procurement entities had no procurement plans for goods procured for Quarantine Centers contrary to provisions of Section 67 (7) of PFM. With no evidence of a developed procurement plan, Manicaland Provincial Social Welfare office procured groceries worth \$2 998 078. Manicaland Provincial Public Works office awarded tenders worth \$20 800 000 without evidence of timely response to PRAZ requirements.

### **'Illegal' contracts**

Some procurement contract documents were not binding at law as they were not signed by the Accounting Officer. Other contract documents for tender had no contact details of the supplier such as names of directors, company address or nature of service to be provided. This may have prejudiced government huge amounts of money. For instance Mashonaland West Provincial Public Works Office awarded a tender contract worth \$3 580 127 without contact details of the supplier.

### **Inadequate supplier capacity assessment, planning, and monitoring by procuring entity**

Contracts with stipulated 3-week execution worth \$4 288 864 and \$3 770 427 for the supply, fixing and installation of medical gas equipment at Nyanga and Chipinge District Hospitals were at 30% and 45% completion after 3 months. The delays in the execution of contracts affected service delivery at health centers.

### **Violation of tender procedures**

The acquisition of consumables by institutions flouted some tender procedures. For instance, Bindura University of Science and Education (BUSE) selected a supplier of Hydrogen peroxide 3% charging \$24,680 when there was another supplier who quoted the exact product at \$7,350 (and was the cheapest). Also, SI 5 of 2018 stipulates that when Request for Quotation method is used, bids must be valid for a minimum of 30 days and quotations may not be altered or negotiated. Accordingly, Midlands Provincial Medical Director's office could have been prejudiced of \$56,073 when it did not cancel purchase orders totaling \$161,377 awarded to suppliers who later increased prices to a total of \$217,450 after award of orders. The violation of tender procedures prejudiced the state of its resources.

### **Expenditure mismanagement**

The audit report shows that there was an increased use of funds for non-prioritized COVID-19 related costs while other provinces had unutilized bank balances. For example, on September 18 2020, the Masvingo PMD's office received \$14 295 000 for village health workers' allowances. However, as of December 10 2020, the money remained unutilized.





## 3. RECOMMENDATIONS

To address the anomalies raised in the Auditor General's report, the government (Ministries, Departments, and Agencies) ought to:

- i. Investing in upgrading and updating databases for ease of reaching beneficiaries.
- ii. Invest in resource tracking – Resource trackers are essential in monitoring multiple programs simultaneously. This ensures efficient use of resources for intended purposes only as well as timeous completion of programs.
- iii. Internal audits – All expending MDAs must constantly undertake internal audits. This reduces incidences of embezzlement of funds within these entities.
- iv. Strengthen PRAZ – COVID-19 has highlighted some weaknesses of the existing procurement laws in the country as evidenced by the bypassing or violation of procurement procedures. This is key in reducing issues of conflict of interest and financial prejudice.
- v. Overhaul internal control systems to enhance proper recordkeeping – The audit report raised issues of insufficient records for transactions entered by some government MDAs. Transactions involving public funds must be transparent enough to promote accountability.
- vi. Develop chain of commands – The audit report also highlighted a lack of segregation of duties thereby exposing public resources to potential misuse. For this reason, there should be a clear chain of command in public entities. Also, the Accounting Offices should not be understaffed as this increase cases of fraud.
- vii. Competitive bidding – competitive bidding should be followed to afford all potential suppliers a fair shot. It is not economical to purchase the exact products from expensive suppliers when cheaper suppliers exist.
- viii. Law enforcement – This is crucial in deterring the misappropriation of public resources. The 'catch and release' stunt must be abandoned and all perpetrators must be brought to justice. This will lead to the recovery of lost funds thereby improving social service delivery.
- ix. The institution of the Parliament and ZACC must take the lead in the oversight and scrutiny of COVID-19 earmarked resources. This is key in plugging leakages, abuse, and misuse of public resources.
- x. Political will and commitment must be demonstrated by the Executive in the implementation of Office of the Auditor General's recommendations.





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