



THE Weekend Reader

"Your Weekly Read on Debt, Development & Social & Economic Justice"

SPECIAL EDITION ON THE AUDITOR GENERAL'S REPORT

Highlights from the 2019 Office of the Auditor General's (OAG) Report

The much-awaited 2019 Auditor General's Report was tabled in Parliament this Wednesday, 16th of June 2021.

Major issues from the report include:

Unauthorised Excess Expenditure - As previously reported in the prior years, Treasury continued to incur unauthorised excess expenditure on the budget. In 2019 excess expenditure of \$6 806 340 654 which arose from Unallocated Reserve transfers made to line Ministries amounting to \$7 386 995 654 that exceeded the approved budget of \$580 655 000 in contravention of Section 305 (5) of the Constitution of Zimbabwe Amendment (No. 20) Act, 2013. The failure by Treasury to adhere to legal provisions on the sanctioning of excess expenditure by Parliament substantiates the lack of political will to deal with challenges of poor corporate governance.

Diversion of Resources - The Ministry of Higher and Tertiary Education bought a pool vehicle, registration number AFG 1799, for \$1 775 000 and fuel worth \$240 380 on December 24, 2019, using funds meant for Zimbabwe Council for Higher Education (ZIMCHE), \$1 775 000 and Manicaland State University of Applied Sciences and Harare Institute of Technology, \$240 380. This deprived the implementation of programmes under the respective institutions.

Financial Irregularities: -

Payment vouchers with expenditure amounting to \$2 093 988 were processed and paid without authority. They were not signed in the spaces provided for passed for "payment or certified correct". Inadequate supervision contributed to the anomaly. Treasury Instruction 0669 states that 'the Director of Finance, before passing a voucher for payment, must be satisfied that it has been subjected to scrutiny by an examining officer to ensure that it is in order in accordance with Instruction 0655, that the payee is the person entitled to

payment, that the invoice has not been previously paid and that it is properly classified'

Variations in Salary Bills Treasury Circular B/1/88 dated June 5, 2018, requires Ministries to perform monthly reconciliations in respect of Salary Service Bureau (SSB) figures and those disclosed in the Public Finance Management System (PFMS). The report observed that the Ministry disclosed employment costs totalling \$17 845 838 while the SSB bill showing total payment of \$19 201 444 giving an unreconciled variance of \$1 355 606.

Most ministries failed to produce evidence to show that monthly reconciliations were being done in compliance with the Treasury Circular B/1/88 of June 2018 which directs Directors of Finance and line Ministries to perform monthly reconciliations of billed amounts by Salary Service Bureau against employment cost expenditure shown in PFMS ledgers.

Unreconciled Devolution Expenditure - The Appropriation Account submitted for audit had expenditure amounting to \$649 758 860 under Constitutional and Statutory Appropriations whilst the Consumed Budget as per the Public Finance Management System (PFMS) ledger revealed an amount of \$649 556 860 resulting in an unexplained variance of \$202 000. The accuracy of the figure reported could not be validated in the absence of a reconciliation. This was contrary to the provisions of Section 53 of the Public Finance Management (Treasury Instructions), 2019 which requires that all payments made are appropriately authorized, all transactions are accurate and complete and there is adequate supporting documentation.

Violation of stipulated procedures – in the Auditor General's report for the year ended December 31, 2018, she highlighted that revenue from Departmental Surcharges, Treasury Orders, Penalties and Fines dating as far back as 2009 remained uncollected and the cumulative effect of such non collections prejudiced the State of a total amount of \$2 455 872. She pointed out that this was in contravention of Treasury Instruction 0501 which stipulates that officer responsible for collecting debts shall take adequate steps to collect any sums due to the Government on due date and shall on no account allow a debt to become extinguished through lapse of time. However, as of December 31, 2019, the figure had risen to \$4 419 362. She therefore noted that the Ministry's debt recovery system was ineffective.

Most Audit Committees in government ministries are failing to carry out their oversight functions on the financial reporting processes and reviewing

internal controls – Ministries appoint Audit Committees to monitor financial reporting, internal control systems, risk management systems and the internal and external audit functions as spelt out in the Public Finance Management Act [Chapter 22:19]. The audit report noted that in some Ministries there was no evidence in the form of minutes of meetings or attendance register that the Audit Committee met and deliberated on its mandate. Thus the committees are not carrying out their oversight functions on the financial reporting processes and reviewing internal controls, including the scope of the internal audit programmes and making recommendations on the appropriate actions that need to be taken.

Employment Cost Finding: -

Ministry of Local Government, Public Works and National Housing reported employment costs amounting to \$38 116 882 which did not agree with the Salary Service Bureau (SSB) payroll printout figure of \$45 846 325 resulting in a variance of \$7 729 443 which was not reconciled. Further, monthly reconciliations were not performed between the SSB figures and the PFMS figures as required by Treasury Minute B/1/88.

Ministry of Transport reported total employment costs in the Appropriation Account as \$13 422 238 whilst the return from the Salary Services Bureau (SSB) reflected a total of \$17 868 413. The variance of \$4 446 175 remained unreconciled as at the date of this report.

Health not a priority - Treasury is not committed to fund the health sector regardless of the deplorable state of the sector. While the Ministry of Health and Child Care had budgeted \$155 464 000 for implementation of key programmes including the procurement of ambulances, provision of water at referral centres medical equipment and refurbishment of health institutions, treasury only released \$2 137 277 (1%) of the budget which was utilised on construction works of 4 provincial hospitals.

Service deliveries continue to plunge, posing a health risk - Masvingo Provincial Hospital had expired dangerous/classified drugs not disposed of contrary to section 90 of the Public Procurement and Disposal of Public Assets Act [Chapter 22:23] which requires disposal of all obsolete, surplus, and unserviceable assets. The drugs had expired between the years 1995 and 2019. In addition, the AG was not availed with application letters for disposal of expired drugs worth \$31 696 whose board of surveys had been conducted in April and November 2019. It was also not clear whether the hospital had applied for such authority after the board of survey was conducted. Marondera Provincial Hospital was granted authority to dispose of expired drugs worth \$7 140 on July 26, 2019. However, as at the time

of the audit, the expired drugs were still at the hospital.

Ministries operating without key policy document – The Ministry of Mines had not yet finalised the risk management policy which has remained in draft form for the past three years.

Low uptake of audit findings & recommendations from previous years – the 2019 OAG report reveals that out of the 356 recommendations made by the OAG in 2018, only 26% were fully implemented, 25% partially implemented and 49% were not implemented at all. The same trend can be witnessed from the 435 recommendations made in 2017 where 25% were fully implemented; 19% partially implemented and 56% not implemented at all. This again illustrates the lack of political will and commitment to implement the OAG recommendations.

The above pointers underscore the need for a watertight PFM legislation which provide for sanctioning of those found on the wrong side of the law