

## The Role of Public Sector Audits in the Anti-Corruption Agenda

21 November 2020

*“Supreme audit institutions are useful in managing public spending, ensuring financial accountability, and strengthening public institutions” World Bank, 2001.*

### Introduction

Public sector audits are a crucial component towards better public finance governance. However, despite its importance in the budget cycle, much emphasis is given to other components of the budget cycle such as budget formulation, budget approval and budget execution. The public audit is rarely given the attention it deserves. It is through an independent and objective assessment of public resources that the government and its citizens can be assured that public funds are expended in line with constitutional and other legal provisions. For example, section 298 (1)(d) of the Constitution of Zimbabwe Amendment (No. 20) Act 2013 (hereafter referred to as the Constitution) requires that public funds be “expended **transparently, prudently, economically and effectively.**” In this regard, the office of the Auditor General (the country’s supreme audit institution) is an important stakeholder in the accountability and anti-corruption chain. The annual reports by the Auditor General contribute immensely to parliamentary oversight of state revenue and expenditure as provided for in section 299 of the Constitution. These reports empower parliament to “monitor and oversee expenditure by the State and all Commissions and institutions and agencies of government at every level, including statutory bodies, government-controlled entities, provincial and metropolitan councils and local authorities, in order to ensure that all revenue is accounted for, all expenditure has been properly incurred and any limits and conditions on appropriations have been observed (section 299 (1)(a-c) of the Constitution). The timing of the Auditor General’s report is therefore important in ensuring that oversight institutions have ample time to exercise their constitutional obligations and citizens exercise their social accountability role. It is therefore worrying that at the time of writing this digest, the 2019 Auditor General’s report which was supposed to be out by the 30<sup>th</sup> of June 2020 is still work in progress. Transparency International Zimbabwe (TI Z) is concerned that the Minister of Finance will present the 2021 National Budget before the 2019 Auditor General’s report is submitted to parliament. This is against auditing standards and the principles of public finance management. It is against this background that this week’s Weekend Digest focuses on the functions of the Auditor General as an important stakeholder in the anti-corruption chain as well as the importance of public sector audits in enhancing public sector accountability.

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## The Auditor General

Before delving into the importance of public sector audits, it is important to outline the functions of the Auditor General, including how he/she is appointed and removed from office. The office of the Auditor-General is provided for in the Constitution (Chapter 17, Part 5). Although it is a public office it does not form part of the civil service (section 309(1) of the Constitution). This is an important provision as it ensures that the Auditor General can fulfil its independent and technical public sector external audit without any interference as provided for in section 311 of the Constitution.

### Functions of the Auditor General

- ◆ To audit the accounts, financial systems and financial management of all departments, institutions and agencies of government, all provincial and metropolitan councils and all local authorities.
- ◆ At the request of the Government, to carry out special audits of the accounts of any statutory body or government-controlled entity.
- ◆ To order the taking of measures to rectify any defects in the management and safeguarding of public funds and public property; and
- ◆ To exercise any other functions that may be conferred or imposed on him or her by or under an Act of Parliament.

Functions of the Auditor General (section 309 of the Constitution)

### Appointment of the Auditor General

- ◆ The Auditor General is appointed by the President with approval of Parliament
- ◆ The Auditor General must be a Zimbabwean citizen chosen for his/her integrity and must have been qualified to practice as an auditor for at least 10 years.

Appointment of the Auditor General (section 310 of the Constitution)

### Term of office (section 310 (3) of the Constitution)

The term of office of the Auditor General is a period of not more than six years.

Term of office (section 310 (3) of the Constitution)

### Remuneration (section 312 of the Constitution)

The remuneration and benefits of the Auditor General must be provided for in an Act of Parliament. In this instance it is the Audit Office Act [Chapter 22:18].

Remuneration (section 312 of the Constitution)

## Removal from office

The Constitution provides for security of tenure of the Auditor General. It states that the Auditor General may be removed from office only for his/her inability to perform the functions of his/her office due to mental or physical incapacity, gross incompetence or gross misconduct. Once the Minister responsible for Finance in agreement with the parliamentary portfolio for public accounts, informs the President that there is contemplation for the removal from office of the Auditor General on any of the grounds listed above, the President is obliged to appoint a tribunal to inquire into the matter. Such a tribunal must enquire into the question of removing the auditor General from office and report its findings to the President with recommendations whether the Auditor General should be removed.

The office of the Auditor General often carries out what is known as an external audit of public resources and finances, that is, an independent and objective assessment of whether public resources are being managed effectively and in compliance with laws and regulations. All public entities including commissions and institutions and agencies of government at every level are accountable to parliament for the use of public resources. Citizens by virtue of paying taxes are equally empowered to hold duty bearers accountable for the prudent use of public resources and this can only be possible when information is made available to the public to do so.

The Constitution places an obligation upon those responsible for the expenditure of public funds to safeguard the funds and ensure that they are spent only on legally authorised purposes and in legally authorized amounts (section 308(2)). Similarly, an obligation is also placed upon every person who has custody or control of public property to safeguard such property and ensure that it is not lost, destroyed, damaged, misapplied or misused (section 308(3) of the Constitution). Therefore, it is the duty of the Auditor General to carry out audits to ascertain whether the government's financial statements fairly reflect the revenues collected and expenditure incurred, and whether an implementing agency had appropriate authority for transactions undertaken and acted in accordance with relevant laws and regulations.

## Understanding the different Audit Systems

To understand public sector audit, it is important to reflect on the different types of audit systems used across the globe. This is particularly important in understanding the Audit System used in Zimbabwe in terms of its effectiveness in enhancing public finance management. The three audit models are illustrated in the table below.

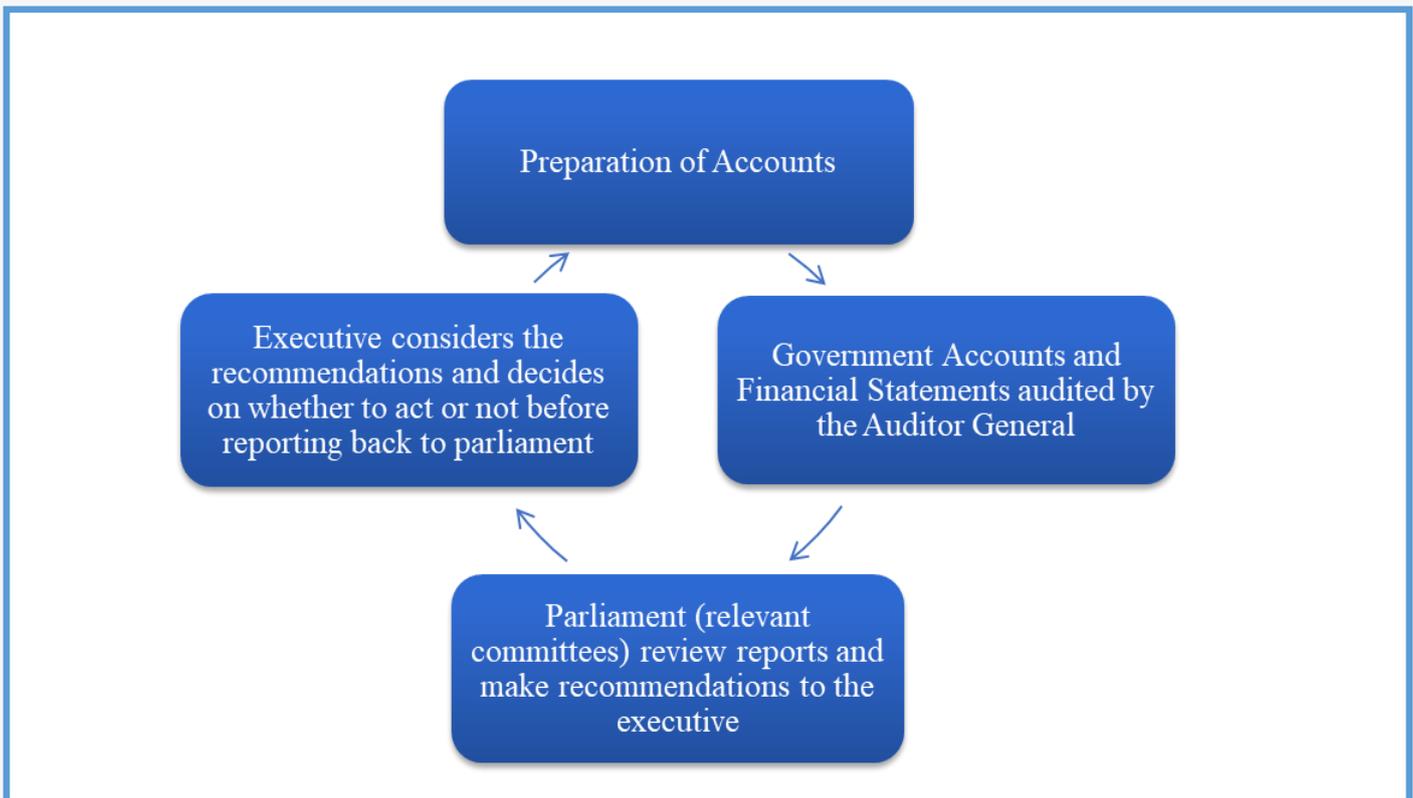
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Audit System	Characteristics
<a href="#">Westminster</a>	<ul style="list-style-type: none"> <li>◆ Commonly referred to as the Anglo-Saxon or parliamentary model.</li> <li>◆ The Audit Office is headed by the Auditor General.</li> <li>◆ The work of the Auditor General is directly linked to the system of parliamentary accountability.</li> <li>◆ The legislature authorises expenditure and revenue.</li> <li>◆ Government departments spend and produce annual accounts.</li> <li>◆ The Auditor General audits the implementation of the authorised expenditure and reports back to the legislature.</li> <li>◆ The Auditor General undertakes financial audits to test the accuracy of the financial records and the reliability of the systems underlying them and examines whether the accounts are in agreement with the records and thus fairly represent the transactions.</li> <li>◆ Compliance audits are also carried out to ensure that expenditure is in accordance with the intention of the legislature, has been authorised by the Department of Finance, and complies with the provisions of the relevant statute, regulations or other rules.</li> <li>◆ Once presented to Parliament, a multiparty public accounts committee usually reviews reports by the office of the auditor general, considers testimony by witnesses from government departments and agencies, and sends its reports to the full parliament for comment and action.</li> <li>◆ The full parliament either accept or reject the recommendations and follow up actions from the Committees</li> <li>◆ There are often recommendations or instructions requiring follow-up action by both the auditor general and government accounting officers</li> <li>◆ The recommendations may be referred to a different oversight institution for further action.</li> </ul>
<a href="#">Board or Collegiate Model</a>	<ul style="list-style-type: none"> <li>◆ The characteristics are similar to the Westminster Model.</li> <li>◆ The only difference is in the internal structure of the audit institution.</li> <li>◆ Instead of having an Auditor General, the audit office is governed by members who form its college or governing board and take decisions jointly.</li> <li>◆ The board still reports back to the legislature on the way in which authorised expenditure and revenue are treated.</li> </ul>
<a href="#">The Judicial Model</a>	<ul style="list-style-type: none"> <li>◆ The Supreme Audit institution is an integral part of the judicial system operating independently of the executive and legislative branches.</li> <li>◆ The Audit Office is part of the court system and its members are judges who can impose penalties or corrections on audited officials.</li> <li>◆ There is limited relationship with the national Parliament.</li> <li>◆ There are strong safeguards over the independence of the members of the Court who are usually appointed for a non-time-limited term until a fixed retirement age; the main focus of the audit work is to verify the legality of the transactions which have taken place;</li> <li>◆ Professional staff in the SAI tend to have legal rather than accounting or auditing backgrounds.</li> <li>◆ There is often no Public Accounts Committee in the national Parliament as the detailed task of holding officials to account is carried out by the Court; and</li> <li>◆ There is limited follow up of the Court's reports by Parliament.</li> </ul>

## The Audit Cycle



Source: CHR Michelsen Institute, 2005

### Effectiveness of Public Audits in Zimbabwe

Public audits in Zimbabwe are done in accordance with the Westminster system which provides for auditing of accounts of government entities by the Auditor General and the submission of the report to parliament. Section 309 (2) of the Constitution as read with section 10 of the Audit Office Act [Chapter 22:18], requires the Auditor General to examine the public accounts submitted to him/her in terms of section 35 (6) and (7) of the Public Finance Management Act [Chapter 22:19], and thereafter prepare and submit a report to the Minister of Finance, not later than June 30 of each year.

On an annual basis, the Auditor General produces a report which is presented before parliament. The report is then shared with Parliament who then usually refer this report to the different parliamentary portfolio committees (usually the parliamentary portfolio committee on Accounts). The committees further examine and debate on the findings of the report and summon heads of departments to provide answers to the issues raised. The committee will produce and present a report with recommendations and comments in plenary for debate. It is the plenary which either accepts or rejects the recommendations from the respective committees before conveying the recommendations for actioning by the executive through the different arms of the state. Where corruption practices are identified, the recommendations are made to the anti-corruption bodies to investigate further.

Whilst the Auditor General has been commended for being objective and independent in conducting her duties, of concern are the recurring issues raised in audit reports year in and year out. This highlights that government departments seldom implement the recommendations highlighted in the Auditor General's report. For example, out of 435 recommendations made in the 2017 Auditor General's report, only 108 had been implemented at the time the 2018 audit was carried out. Recurring issues included unauthorised expenditures, excessive expenditures, poor maintenance of accounting records, outstanding payments to suppliers of goods and services, poor assets management and violation of procurement rules and procedures. In 2018 alone unauthorised excess expenditure was 70% of the total budget. The USD

\$3.2 billion which was incurred by the Ministry of Finance and Economic Development in 2018 was in violation of section 307 of the Constitution which provides that if, it is found that more money has been expended on a purpose than was appropriated to it, or that money has been expended on a purpose for which no money was appropriated, the Minister responsible for finance must introduce a Bill into the National Assembly seeking condonation of the unauthorized expenditure.

Considering issues raised by TI Z in a [previous Weekend Digest](#) concerning the negative effect of the whipping system in parliament on anti-corruption initiatives, should Zimbabwe continue with the Westminster model? It is also important to note that in 2018, South Africa extended the powers of the Auditor General as a way of mitigating some of the challenges that Zimbabwe is currently facing with regards to implementation of the Auditor General's recommendations. Through amendments made to the [Public Audit Act](#), the Office of the Auditor-General South Africa (AGSA) now has the mandate to refer material irregularities to relevant public bodies for further investigations, issue a certificate of debt for failure to implement the Auditor General's recommendations if financial loss was involved and to take binding remedial action for failure to implement the Auditor General's recommendations. TI Z posits that similar powers should be extended to the Office of the Auditor General in Zimbabwe.

## Conclusion

Whilst it has been noted that the public audits carried out by the Auditor General have an important role in anti-corruption agenda, challenges exist in terms of following up on recommendations. Furthermore, the delay in the finalisation of the 2019 Auditor General's report compromises adherence to constitutional, legal and other policy frameworks governing public finance management. It limits the effectiveness of the audit reports to detect and deter public corruption, including fraud, waste, or abuse, and other misuses of the power and resources entrusted to public officials. The report is important in identifying corruption risks and vulnerabilities in the management of public resources and finances. As citizens await the 2019 Auditor General's Report in anticipation, the question remains, is there guarantee that the issues raised in the 2018 report were addressed? It is only through the 2019 Auditor General's report that progress on the implementation of such recommendations can be tracked.

Transparency International Zimbabwe, therefore, makes the following recommendations:

- ◆ The Ministry of Finance and Economic Development should disclose to the public the reasons for the delay in publishing the audit results for the 2019 financial year in order to retain public trust.
- ◆ The Parliament of Zimbabwe must champion the coordination and enforcement of the Auditor General's recommendations by the various oversight and anti-corruption institutions. This will ensure that the findings of the Auditor General remain relevant in promoting transparency and accountability in public finance management.
- ◆ The Ministry of Finance and Parliament of Zimbabwe must ensure adequate funding of the Auditor General's office to increase its efficiency. This will go a long way in speeding up the audit process and guarantee the quality of the audit results.
- ◆ The powers of the Auditor General should be extended to provide enforcement mechanisms.

Transparency International Zimbabwe also believes the Auditor General should audit COVID-19 resources and funds. [Click here](#) for our statement on the role of the Auditor General during emergencies or disasters.

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## About Transparency International Zimbabwe

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Transparency International Zimbabwe (TI Z) is a non-profit, non-partisan, systems-oriented local chapter of the international movement against corruption (Transparency International). The organisation was established in Zimbabwe in 1996 and exists to fight corruption and promote transparency, accountability, and integrity at all levels and across all sectors of society. TI Z currently operates from three regions in Zimbabwe, that is, Harare, Bulawayo and Mutare. However, its community presence reaches to more than ten districts across the country as a result of its vibrant community structures made up of ordinary men and women who have a passion to see Zimbabwe as a corrupt-free country (Accountability Monitoring Committees). TI Z uses a four-unit approach in carrying out its work:

**Policy, Legislation, and Institutional Monitoring (PLIM)** - engages policy makers and other relevant anti-corruption stakeholders in both the public and private sector. It lobbies and advocates for the development and implementation of effective national anti-corruption strategies to combat corruption in Zimbabwe.

**Research and Communications (R&C)** - produces knowledge that advances knowledge in the area of anti-corruption and good governance in Zimbabwe, for example the Annual State of Corruption in Zimbabwe Series and periodic researches that respond to key issues such as the 2019 Study on Corruption in the distribution and management of Humanitarian Aid (the case of cyclone idai and cholera outbreak)

**Advocacy and Legal Advice Centre (ALAC)** - provides free legal aid services to victims and witnesses of corruption and seeks to empower citizens to demand accountability and transparency from public and private institutions.

**Community Mobilization and Advocacy (CMA)** - targets ordinary citizens with the aim of ensuring maximum participation and involvement of citizens in the fight against corruption.

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