

Auditing Government Institutions in Zimbabwe

Frameworks, Processes and Practices

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Abstract

Public Audit Offices are the guardian of the national purse and the pivot of the system of parliamentary control over finance. They help to institutionalize and nurture a culture of accountability, integrity, legitimacy and value for money in the conduct of public business. This in the long term serves as antidotes against institutional corruption. Study findings indicate that Zimbabwe's audit systems are in the main consistent with regional and global experiences. Efforts are being undertaken to reconstitute and strengthen legal frameworks governing public auditing. Notwithstanding this, legal frameworks did not go deep enough to strengthen the independence of supreme audit institutions. Appointment, funding and reporting frameworks still have peeling effects on the operational independence of the Comptroller and Auditor General. Scenarios aground also suggest that the political will to comply with extant frameworks is low note. Audit recommendations are not seriously taken by Treasury, Accounting Officers and government ministers. There is need to update legal and regulatory frameworks to strengthen the operational independence of the C&AG and also to give it sanction powers to compel Ministries and departments to observe and comply with the Treasury Instructions and other regulations regarding submissions of returns. Efforts should also be directed towards capacitating the C&AG in term of attracting and retaining skilled and experienced staff in the legal and accounting field.

Keywords: Audit; framework; process, government

1. Introduction

1.1 Conceptual Framework

Public audits provide key mechanisms through which financial accountability is enforced within government ministries and state bodies. Across the world, public audits have been institutionalised through the creation of Offices of the Comptroller and Auditor General which act as supreme audit institutions. They prevent “dishonesty and abuses” by instilling “fear of detection” and also enhance institutional financial accountability by providing an expert, independent and unbiased opinion on specified issues relating to the activities of an organisation (Rutherford, 1983, 91). Public audits also enhance legislative oversight by ensuring that appropriated expenditures are spent as espoused by legislation governing them. They also promote excellence in fiscal management providing reform measures that should be adopted to correct identified faults in systems and procedures. Review of contemporary audit practices and academic discourse suggest a paradigmatic shift from traditional fixation was with compliance to broader issues of value for money audits and governance (Diamond, 2002; IMF, 2011, Mikesell, 2011; Tongren & Warigen, 1997). Mahzan & Veerankutty, 2011 even see the scope and horizon of public sector auditing going beyond this as it strives to cope with e-governance reforms.

Audits are essentially evaluations or reviews of the activities and operations of entities to ensure that they are being performed in compliance with set objectives, budgets, rules and standards (Nigro and Nigro, 1984). This conceptualisation echoed by Mathison (2005:23) who defines audits as “procedures in which independent third parties systematically examine the evidence of adherence of some practice to a set of norms or standards”. It also resonates with definitions by Elder, et al, (2010: 4) where auditing is presented as the “accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria”. Emerging from these definitional perspectives is that audits are a way of checking the effectiveness of the internal control systems of the organisation. They help to identify at regular intervals, deviations which might require corrective action. Audits are thus watchdogs against corruption, resource wastage and inefficient decision making. Fixation with auditing therefore reflects a quest to institutionalize and nurture a culture of best practices in the management of fiscal resources at both the macro and micro of government.

1.2 Audit Typologies and Scope

Review of audit literature point to typological variants, each reflecting distinct roles and functions (Nigro & Nigro, 1984, Goel, 1995). Audits are generally categorized as internal or external, the former being reviews by staff within the ministry or department aimed at ensuring that relevant information on government programmes and services is readily available. Current audit literature places visible emphasis on the role of the internal audit function in promoting sound fiscal management (Diamond, 2002). External audits are those conducted by experts outside the organisation who may be supreme audit institutions or private consultancy firms. Separation of the internal and external audit functions strengthens the effectiveness as they will be done by different experts.

Audits are also classified on the basis of time of intervention, hence reference to pre-audits or post-audits. Pre-audits entail reviews executed prior to program implementation, usually, to check availability of requisite legal, institutional and governance frameworks as well as resources (Goel, 1995, 235). They essentially have a regularity focus. Their significance lies in “intercepting irregular payments before they come to be made” (Rutherford, 1995, 95). Post audits are those conducted after expenditure use, mainly to check if committed resources were expended in a responsible and effective manner. Post audits thus constitute an essential check on compliance, wastage and effectiveness. They check upon the judgments made by the responsible officials in the executive branch who may have erred or authorised illegal expenditures (Nigro and Nigro, pp: 315). It is instructive to note that funds can be spent legally but imprudently and wastefully. Post audits should therefore be broad enough to encompass questions of both efficiency and effectiveness in expenditures. Across the world, post-audits in government have become the responsibility of autonomous Offices of the Comptroller and Auditor General who work in close liaison with the legislature, reporting audit findings to designated committees such as the Public Accounts Committee (Mahzan & Veerankutty, 2011, Elder, et al, 2010; Diamond, 2002). If conducted in-house, their objectivity will be compromised due to the fact that same official will be involved in both pre-auditing and post-auditing. An official who approves expenditures in the pre-audit will unsurprisingly be less inclined to question personal judgment when making the post-audit.

Audits are also categorized based on the basis of functions (Burkhead, 1967, 36; Goel, 1995, 236-238). Within this classificatory frameworks are ‘legal and regulatory audits’ whose basic function is to question if the agency respects the intent of the law. They seek to ensure conformity to laws, rules and regulations. However, effectiveness of this type of audit depends on the existence of clearly enunciated legal frameworks. Audits also serve preventive functions by locating procedural irregularities in the drawing and disbursing of funds. This is critical as oftentimes officers conducting these transactions may not be fully conversant with rules and procedures. Audits are also conducted to detect wasteful expenditure through close monitoring of traces of improper and avoidable expenditures. They ensure that officers exercise extreme care and discipline in the use of funds and that such funds are not put to private use. These audits are called ‘propriety audits’. Such audits are critical as oftentimes expenditures conducted legally and procedurally may turn out to have been wasteful. Public spending should not only be legal but desirable as well.

Closely related to these are audits whose primary purposes are to detect embezzlements and misappropriations. In the event of established evidence of fraud, disciplinary action is taken to recover the funds. Because of their investigative and remedial nature, these audits are referred to as ‘curative audits’. Audits also function to promote administrative improvements and reforms. These ‘promotive audits’ examine extant procedures and practices to ensure that they remain abreast with the ever-changing conditions, for instance, those arising from technological changes. As put by Mahzan & Veerankutty (2011:1) “advances in information technology (IT) continuously render control procedures obsolete”. Review of current audit systems and practices show a visible leaning towards audits that are sensitive to the social implications of financial transactions-hence focus on issues of economy, efficiency and effectiveness in resource use (The Institute of Internal Auditors (2006)/www.theiia.org;

Tongren & Warigen, 1997). The emphasis on distinguishing efficiency and effectiveness is critical as oftentimes expenditure targets are achieved at a huge cost to the nation. This type of audit is sensitive to the social implications of financial transactions.

Clearly emerging from this literature review is that audits are integral aspects of sound public administration. They institutionalize values of accountability, transparency, value for money (efficiency, effectiveness and economy), integrity, propriety, and financial solidity within the operations of government ministries and state bodies and in this way enhances state credibility and legitimacy (Elder *et al*, 2010). Equally visible is the close link between public audits and parliamentary financial control; in fact legislative oversight in the absence of sound audit systems is a nullity. These ensure the availability of accounting data (records and summary of the activities of an organisation in terms of money). These accounting records provide the basic information infrastructure upon which audit reports are made. Underlined here is the critical role of government ministries, departments and state companies in ensuring that by the prescribed audit period, all expenditure vouchers and other documents showing proposed or past financial transactions are available for audit. The need for such audits is compelling in developing countries where budgeting is mostly conducted under emaciated fiscal conditions.

Organisational independence, formal mandate, unrestricted access, sufficient funding, competent leadership and competent staff and clear-cut professional audit standards recurrently feature as integral elements of sound public audits (The Institute of Internal Auditors (2006)/www.theiia.org). Independence, according to Rutherford (1983, 91-92) is enhanced when the constitutional position of the auditor is separate from the body to be audited, when the body to be audited does not control the level of funding, when the auditor has unqualified right of access to the records of organisations, and also when parties who receive the audit report are clearly specified in the constitution governing the audit. Organisations being audited should not have the right to suppress or vary the contents of the report.

Public audit operational frameworks should be conceptualised within a 'principal-agent relationship, officials acting as the agents of the principals (Martmort, 2001). The agent must periodically account to the principal for the use and stewardship of resources and the extent to which the public's objectives have been accomplished (ibid). The principal relies upon the Comptroller and Auditor-General to provide an independent, objective evaluation of the accuracy of the agents accounting and to report on whether the agent uses the recourses in accordance with the wishes of the principal. The need for a third party to attest to the authenticity of the financial reporting, performance results and compliance justifies the importance of public audits.

2. Methodological Approach

This article is largely reflective in its approach. It commences by examining the legislative requirements, public pronouncements, government reports, press cuttings, media reports and relevant government auditing literature concerning the institutional arrangement, role, status and structural challenges of public sector auditing in Zimbabwe. There were also face to face

interviews with key informants drawn from the Public Accounts Committee, three members of the Office of the Comptroller and Auditor-General, Minister of Finance, Accountant-General and the Permanent Secretary of the Ministry of Finance, experts and academics, the Executive Director of the Southern African Parliamentary Support Trust. Their selection was purposively guided.

3. Review of Regional and Global Audit Systems

3.1. Kenya

In Kenya, the audit of government institutions is the sole responsibility of the Office of the Comptroller and Auditor General, whose establishment dates back to the colonial era. The Office draws its legal existence and mandates from the national constitution while its responsibilities are detailed in the Exchequer and Audit Act. The Comptroller and Auditor General is a presidential appointee, apparently with no obligations to consult with other specialised bodies (www.kenao.go.ke). Its roles and duties as derived from these two legal frameworks include auditing and reporting on all public accounts and local authorities, reviewing and authorizing withdrawals from the Consolidated Fund, examining funds approved by parliament and ensuring that expenditures conform with legislative intents (www.pfmr.go.ke). Although in principle, its legal framework acknowledged issues of independence and access of information and records is guaranteed in the constitution, gaps often exist between the 'ought' and 'practice'. Its audit functions are broad in scope, covering compliance, financial audits and value for money audits, submitting Annual Reports to Parliament. (www.treasury.go.ke). This coverage is generally consistent with regional and global audit practices. The Office is constitutionally mandated to present a report of government accounts to parliament once every year; matters reported to Parliament scrutinised by the Public Accounts Committee. However, as deduced from its website, the Kenyan Audit Office has over the years struggled to come up with yearly detailed reports of all government transactions, resorting to audit sampling techniques which in essence do not hold much in terms of ensuring overall financial accountability. Besides lack of trained staff and budgetary support, its operational effectiveness is also encumbered by lack of power to enforce its recommendations.

3.2 Uganda

In Uganda, as is in Kenya, the responsibility of public auditing lies in the Office of the Auditor-General (A-G). It is designated as the supreme public audit institution whose legal existence is derived from Article 163 of Uganda Constitution, 1995 while detail of its responsibilities is outlined in the Public Finance Act (1984) and the Local Governments Act (www.taxation.east). However, unlike in Kenya, the A-G is appointed by the president with approval of parliament. Eligibility to this post is based on relevant accounting background, long experience (15 years) and moral integrity. Its duties and responsibilities are generally consistent with those in Kenya. They include auditing and reporting on all public accounts and conducting fiscal and value for money audits. Its reporting frameworks demand its audited reports be submitted annually to Parliament which is in turn obliged to have (within 6 months) debated, considered the report and take appropriate action. Also as in Kenya, the

independence of the Office is in principle protected by a clause that states that the Office is “not under the direction and control of any person or authority” (clause 7) and also that removal from Office is only done by the President *only* (my emphasis) on the basis of incompetence, misconduct, inability to perform. However, existence of these protective provisions should not be mistaken for practice. In practice, issues of incompetence and misconduct are liable to diverse interpretations.

3.3 South Africa

Review of public audit frameworks in South Africa locates the Auditor-General South Africa (AGSA) as the supreme auditing institution, constitutionally mandated to table annual reports to Parliament on the accounts and financial management of all government departments and state institutions (www.agas.co.za; www.saica.co.za). The Office of the Auditor-General is established on the basis of Section 181 of the Constitution of the Republic of South Africa. Section 188 (1) of the Constitution spells out the role and duties of the AG which, as in Kenya and Uganda, include the auditing and reporting on the accounts, financial statements and financial management of all national and provincial state departments and administrations, including all municipalities. The specifics of these roles and functions of the AG are detailed in section 2 of the Public Audit Act (Act 25 of 2004).

AGSA operates within a fairly elaborate institutional framework comprising Public Accounts Committees, Audit Committees, the Institute of Directors of South Africa (IoDSA), Institute of Internal Auditors in SA, South Africa Institute of Chartered Accountants (SAICA), Institute of Risk Management of South Africa, the National Treasury and Public Sector Audit Committee Forum (PSACF), among others (www.saica.co.za).

As in Kenya and Uganda, frameworks also oblige heads of ministries and public bodies to regularly called account to Parliament through the Public Accounts Committee. (www.parliament.co.za). It is also instructive to note that it is the practice in South Africa (as is the case in Zimbabwe, Uganda and Kenya) to have the committee of public accounts chaired by a member of the opposition parties. Such provisions strengthen national audit systems. In line with audit practices across the world, audit committees are an integral component of the national audit system. A Public Sector Audit Committee Forum (PSACF) was created in 2011 to reinvigorate the oversight functions of audit committees by securing skilled and experienced audit committee members. Notwithstanding this fairly comprehensive legal and institutional framework and the launch of the Operation Clean Audit in 2010, deficits in the form of weak compliance with laws and government regulations, failure to report on all transactions in the government sector, lack of transparency, lack of adequate skills combined with lack of political will to enforce audit recommendations compromise the effectiveness of AGSA. For instance, in its 2009/10 financial report of local authorities, AGSA reported that out of the 237 municipalities and 49 municipal entities, only seven (7) municipalities and ten(10) received “clean” audit reports (www.agas.co.za). This is despite the setting up of Operation Clean Audit by 2010.

3.4 Pakistan

In Pakistan, supreme audit functions lie in the Auditor General (AG), whose appointment is provided for in the Constitution of Pakistan of 1973 while functions, powers, terms and conditions of service are detailed in Ordinance 2001 (www.agp.gov.pk/human-res-html). As observed in most African countries, the AG is authorized to audit anybody or authority established by the government while its audits encompass range from certification audits, regulatory audits, receipt audits, corporate audits to performance audits. (<http://www.linkedin.com/title/director/at-auditor+general+or+pakistan>). Audit operational frameworks are generally in compliance with international standards such as INTOSAI Auditing Standards-which form the basis of the auditing methodology and process for the Office of the AG.

Legal frameworks also acknowledge and provides for the independence of the AG by guaranteeing protection in the conduct of its mandates as well as full powers to incur expenditures within the budgetary provisions. While as in Kenya, Uganda and South Africa, the AG in Pakistan is a presidential appointee, it is instructive to note that once appointed, the AG can only be removed by reference of the Supreme Judicial Council and affirmed by majority vote in the Parliament (www.agp.gov.pk/human-res-html). Argued here is that the appointing authority does not have unilateral termination powers. Section 14 of the AG Ordinance (2001) specifically outlines the powers of the AG in connection with access to all offices as well as guidance on how to deal with any person hindering the audit functions.

Reporting frameworks appear different from those obtaining in the reviewed three African countries. In Pakistan, as is the case in India, AG reports are submitted to Parliament through the President. Parliament sends these reports to the Public Accounts Committee for detailed scrutiny. Legal and reporting frameworks of the AG seem to avoid often experienced delays when reports are submitted to parliament through a responsible minister. The major strength of the public sector auditing frameworks in Pakistan is that the Auditor General has remarkable autonomy and independence in designing audit programmes and plans.

3.5 Britain

The Office of the Comptroller and Auditor-General is the supreme public audit Office with responsibilities over the auditing of all government ministries and state bodies (<http://www.intosaitaudit.org/mandates/writeups/zimbabwe.htm>). The Office was created through the Exchequer and Audit Departments Act of 1866, its creation arising from the need to bring order to the system of parliamentary control over public money (Rutherford, 1983). The National Audit Act of 1983 also recognised the Comptroller and Auditor-General as an officer of the House of Commons, appointed by the Crown in consultation with the Chairmen of the Public Accounts Committee (PAC). The C&AG holds office on the basis of good behaviour and can only be dismissed following resolutions of both Houses. Such stringent dismissal conditions strengthen the independence of the C& AG. The National Audit Act of 1983 further consolidated the Office of the C& AG by creating an independent National Audit Office (NAO) with staff employed directly by the C&AG, creating a statutory Public Audit Commission to oversee the budget of the National Audit Office and the appointment of

its auditors. Membership of the Public Audit Commission consists of the Chairman of the PAC, the Leader of the House (a Cabinet Minister) and seven other Members of Parliament, none of whom can be Ministers. It is also instructive to note that the National Audit Act of 1983 moved the C&AG's centre of gravity away from the Treasury and towards the Commons, leaving the C&AG in an independent position between the two. The salary of the C&AG is paid directly from the Consolidated Fund and the salary is treated as Consolidated Fund Standing Services and in this way bypasses the annual supply procedure where by Parliament approves government estimates. The estimates for the NAO are prepared and laid before Parliament not by the Treasury, but by the Public Accounts Commission, a statutory Parliamentary Committee established by the 1983 Act (Parliament of Zimbabwe Report, 1998).

In the UK (in contrast to Pakistan and India), the C & AG reports are submitted directly to the House (Goel, 1995, 239). Parliament maintains oversight of the use of public funds through the C&AG who, assisted by the National Audit Office, is required to pay particular attention to issues of regularity and propriety. The C&AG has a role in investigating and reporting on impropriety encompassing fraud, corruption, and other forms of misconduct. The National Audit Act 1983 section 1(3) requires the C&AG to take into account proposals made by the committee of public accounts for examinations of value for money.

Reports prepared by the C&AG are considered by the Committee of Public Accounts who make public their own reports. The process of scrutiny by the PAC constitutes a significant deterrent against misconduct and acts as a powerful vehicle for promoting beneficial change in the management of public bodies. The PAC take a keen interest in ensuring appropriate disciplinary action has been taken against those responsible for misconduct.

4. Public Audit Systems and practices in Zimbabwe

4.1 Historical Background

The Office of the Comptroller and Auditor-General of Zimbabwe traces its origins to institutions established during the colonial era. Auditing systems relevant to Zimbabwe are the Anglo-Saxon and the German-Scandinavian systems. The Zimbabwe financial and auditing systems basically adhere to the Anglo-Saxon model (Kavran, 1989:55). The Southern Rhodesia Order in Council of 1898 stated: "Provision shall be made for full and sufficient audit once in every year of the accounts of the British South African Company relating to all sums received and moneys expended". The Southern Rhodesia Order in Council of 1915 provided for the appointment of an Auditor General with independent powers to examine all administrative revenue and expenditure and with authority to disallow payments made without proper authority. In 1924, following the granting of self governing status to the colony, the Audit and Exchequer Act (16/24) was promulgated. Since then, the Act underwent numerous alterations in 1948 and 1967 with the aim of enhancing the powers and duties of the Comptroller and Auditor-General. These included, inter alia, the audit of parastatals and carrying out value for money audits. The Audit and Exchequer Act of 1967 and ensuing amendments, set forth the requirements for the current Office of the C & AG.

4.2 The Office of the Comptroller and Auditor-General

The post of C&AG is established in terms of Section 105 and 106 of the Constitution of Zimbabwe. In terms of Section 105, the Office is a public office that however does not form part of the Public Service. As observed in most reviewed country experiences, the Office of the Comptroller and Auditor-General is the supreme audit institution (SAI). The C&AG is appointed by the President in consultation with the Public Service Commission (PSC), a departure from other jurisdictions where the appointment is made in consultation with Parliament. The incumbent is not a civil servant and holds office on terms and conditions fixed by the President. However, Part IV, Section 14 (1) establishes the Audit Office Commission which is mandated by Section 15(a) to appoint persons to the Audit Office and this effectively implies that they are not civil servants.

The need to protect the independence of the Office of the C& AG is also manifest in Section 106 (6) of the Zimbabwe Constitution which stipulates that the Comptroller and Auditor-General should not be subject to the direction and control of any person or authority other than Parliament in the exercise of his/her functions. Section 8 subsections (1-4) of the Audit Office Act (Chapter 22:18), empowers the C&AG power to have free access at all reasonable times to any records, books, vouchers, documents, public moneys or state property in the possession of an officer; to authorise any person to conduct on his behalf any examination, enquiry, inspection, or audit of any books and accounts; to cause search to be made and extracts taken from any book, document or record in custody or possession of an officer; to examine upon oath any person regarding the receipt/expenditure of public moneys, receipts/issue of any state property or any other matter necessary for the exercise of his/her duties; and also to lay before the Attorney-General a written case as to any question regarding which legal opinion is required.

As gleaned from Section 106 of the Constitution of Zimbabwe and Section 5 of the Audit Office Act Chapter 22:18, the duties of the Comptroller and Auditor-General include examining, enquiring into and auditing the accounts of all Accounting Officers; safeguarding public moneys and state property; auditing all or contract out the audit of the designated bodies; prepare and submit reports and do any other duty required of him by any Statute; prepare memoranda for the committee of Public accounts; and to carry out value for money audits of the central government, local authorities and designated corporate bodies. These involve undertaking 'financial audits' which are designed to ensure that systems of accounting and financial controls are efficient and operating properly and also to ensure that financial transactions have been correctly authorised and accounted. They, as argued by Rutherford (1983) help to establish the reliability of specific financial information, compliance with relevant procedures. This helps to safeguard the assets. They also involve 'value for money' audits (also known performance audits), which effectively cover issues of economy, efficiency and effectiveness in the use of public funds. Such audits help to bring to light wasteful, extravagant or unrewarding expenditures. There are also 'specialised audits' which generally take the form of investigations which are primarily initiated by Parliament, though the C&AG can also instigate.

4.3 Legal and Regulatory Framework

Government auditing is undertaken within a fairly elaborate legal framework, with the constitution of Zimbabwe as the supreme legislation supported by the Audit Office Act (Chapter 22:18) and Public Finance Management Act (Chapter 22: 19). The last two pieces of legislation repealed the Audit and Exchequer Act (Chapter 22:03) of 1996. Chapter XI of the Constitution of Zimbabwe deals with matters of Finance. Section 101 of the Constitution provides for the Consolidated Revenue Fund (CRF) into which all fees, taxes and other revenues of the Republic shall be paid while Section 102 specify conditions under which monies can be withdrawn from the CRF. Section 103 deals with authorisation of expenditure from the fund and Section 104 addresses matters of debt. These sections form the basis upon with public accountability; rules, regulations, standards, and expectations are formulated. Section 105 establishes the Office of the Comptroller and Auditor-General, his appointment, qualifications for appointment, tenure and conditions of service and provisions of her removal from her office. Section 106 provides for its function, obligation to render annual and other reports, powers and duties. The Audit Office Act Chapter 22:18 provides comprehensively for the salary, powers and duties of the C&AG and his/her staff, reports, establishment of the Audit Office Commission and its function, condition of service of its members, to provide for the transfer of persons from the Public Service to the Audit Office.

4.4 Institutional Framework

4.4.1 The Public Accounts Committee (PAC)

The PAC is an important committee of Parliament expected to play a prominent role in the way public funds are managed in Zimbabwe. It is a post audit committee in the Parliament of Zimbabwe whose mandate is to examine the financial affairs and accounts of government departments and state-owned enterprises. It examines all reports of the C&AG and reports to Parliament. Standing Order 163 of the House of Assembly provides for the functions of the PAC as “those of examining the sums granted by Parliament to meet the public expenditure and such other accounts laid before Parliament as the committee may think fit”. However, closer analysis suggests that these terms of reference are not detailed enough. Examination of the sums granted by Parliament does not give PAC enough powers apart from merely reporting to Parliament. For instance, the 2009 First Quarter Special Report by the C&AG identified colossal abuse of public funds and assets in several ministries and government departments (Government of Zimbabwe: Public Accounts Report, 2012). The PAC scrutinised the audited report and invited submissions from the accounting officers and came up with two reports that were tabled in the House on February 3 and October 26 2010. The reports generated animated debates and also attracted extensive media coverage. Below is a summary of the findings and recommendations of the PAC:

The PAC was appalled by the glaring flouting of rules and regulations in the management of cash, public assets and human resources and lack of accountability by government ministries. The PAC ‘s findings on the Special Report of the C&AG for the First Quarter of the 2009 Financial year is an indication of the breakdown of system of management, accountability and a culture of non performance in government” (PAC Report, 2012).

Astoundingly, follow-up is yet to be taken on this committee reports. The implicated Ministers and senior government officials persist to serve in government as if nothing happened. This divulges that the PAC does not have teeth to bite.

4.5 Accountant General

The Public Finance Management Act (Chapter 22:19) section 9(1) establishes the position of the Accountant-General who is answerable to the Secretary and is also part of the Public Service. The Accountant-General's Office maintains the Government's books of accounts, consolidates transactions by all ministries and presents an analysis of budget performance every month in order to facilitate informed decision making. It manages the Public Finance Management System (PFMS) which is a computerised accounting system that links the Treasury with the line Ministries. It compiles financial returns for audit and subsequent publication in the C&AG's annual report. This recent reform, if carried to the later, is poised to strengthen public sector auditing.

4.6 Accounting Officers

The audit system also includes Accounting Offices who are required to prepare and submit financial returns pertaining to their ministries or departments in accordance with Treasury Instructions. They are responsible for the preparation and submission of annual appropriation accounts and statements together with any explanation as directed by the Treasury. They are required to offer explanations or replies to observations raised by the C&AG on the accounts of their ministries or departments.

4.7 Reporting by the Comptroller and Auditor-General

How reporting frameworks are constituted can either enable or disable the effectiveness of the Office of the C&AG. Section 10(1) of the Audit Office Act (Chapter 22:18) provides that the Comptroller and Auditor-General, after examining the accounts transmitted to him or her in terms of Section 35(6) and (7) of the Public Finance Management Act (Chapter 22:19) prepare and submit to the minister (not later than the 30th of June in each year), a report on the outcome of his or her examination and audit of the accounts, and also to transmit to the appropriate minister an audit report (certified report). This means that after the year end the C&AG's Office has six (6) months to conclude its audits and reports before submitting to the minister in charge of finance. In order to safeguard the tabling of reports, Section 106 (4) of the Zimbabwe Constitution provides as follows:

The Comptroller and Auditor-General shall submit every report made by him or her in accordance with subsection (1) to the Minister for the time being responsible for Finance who shall, on one of the seven (7) days on which Parliament sits next after he/she has received the report, lay it before Parliament.

To ensure that reports are indeed laid before Parliament within the stipulated period, Section 12 (subsections (1) and (2) of the Audit Office (Chapter 22:18) provides that:

Any report transmitted in terms of Section 10 or 11 shall be laid by the Minister or appropriate Minister, as the case may be, before the House of assembly on one of the seven days on which the House of Assembly sits next after he or she has received such report.

Where the Minister or appropriate Minister fails to lay any report before the House of assembly in terms of subsection (1) within the period specified therein, the Comptroller and Auditor-General shall transmit a copy of such report to the Speaker of the House of Assembly for the Speaker to lay it before the House of Assembly.

This requirement is also reinforced by the Public Finance Management Act (Chapter 22:19) section 15 (2). It prevents possible delays in the tabling of audited report to Parliament by ministers by authorizing the C&AG to submit it directly to the Speaker of the House of the Assembly, in the event of perceived delays. Situations where the C&AGs are not reporting directly to Parliament have peeling effects on their operational independence. In countries such as the UK and South Africa, the C&AGs submit their reports directly to the House. In the USA, under the Reorganisation Act of 1946, the Comptroller and Auditor General reports direct to Congress (Goel, 1995, 239). Upon tabling of the report in Parliament, the C&AG is required to present a memorandum to the Public Accounts Committee (PAC) which highlights the audit observations raised on accounts of the various government departments or parastatals. The memorandum brings to the attention of the PAC areas of concerns which need to be followed up with relevant accounting officers.

5. Observed Gaps and Strengths

5.1 Current State of Audits and Reports

The C&AG is required by law to audit public accounts and to report to Parliament the results of such audits on an annual basis. However, for the past years this requirement has not been complied with. The Office could not produce annual reports for tabling during the period 2000 to 2005. The blame was apportioned on ministries that failed to produce the necessary statements and returns upon which year-end audits would be conducted. As a result, the Ministry of Finance in most cases failed to produce the Consolidated Revenue Fund Statement for audit. Audit inspections of government offices and other costs centres both inside the country and at Missions abroad has “declined over the years from 11.75% in 1983/4 to nil in 2008” (Government of Zimbabwe, Public Accounts Committee Report, 2009:5). Auditing of public accounts which should be conducted at least once every financial year has been greatly curtailed over the years.

However, there has been an improvement since 2009. The C&AG managed to table the annual report for 2006. This was tabled in the House of Assembly on 19th February 2009. One special report on the management of construction projects by the Ministry of Public Works and National Housing was also tabled on 17th June 2009. The 2007 annual report and the interim report were tabled before the House of Assembly in September 2009. By the end of 2009, the 2008 annual report was almost concluded and finalised. The 2008 annual report was not tabled before the House of Assembly because the Public Accounts Committee had the opinion that Parliament had to waive the requirement for the 2008 audits, as it did not make economic sense to use the scarce United States dollars to audit expenditures which were in valueless Zimbabwean dollars. The C&AG proposed to issue a disclaimer or adverse opinion especially on asserts instead of conducting the actual audit, which it subsequently did. Interviews with C&AG revealed that issues and problems examined in performance audits

are “highly and extremely sensitive” in that the audit reviews the quality of the work performed by senior civil servants and politicians. This requires political commitment and support. If the political will wavers, especially when findings show inadequacies of government performance or policies (or both), it could not be meaningful to attempt to develop performance auditing.

Over the years, the C&AG has repeatedly complained about unsatisfactory state of affairs, for instance, brain drain. The Kavran Report notes that “the C&AG staff have had to reconstruct the financial records before being able to audit them the department of Printing and Stationery, the Central Mechanical and Equipment Department(CMED), and the Furniture Stores”(Kavran,1989:52). The work at the CMED involved reconstructing financial statements for 3-4 years back. The study notes that the failure to produce reports in time in Zimbabwe is a perennial challenge. Most of the difficulties experienced by accounting officers in the areas of financial administration result from a lack of competent and effective budgetary control. This defeats the rationale for auditing. Audits serve to “verify economic information” (Kavran, 1989:57). Authentication would be used both to present irregularities and as a basis for decision-making. Timely submission of audit reports is therefore of utmost importance.

The unsatisfactory state of affairs is substantiated by the C&AG report of 2009. The C&AG made shocking revelations that expose gross abuse of state resources, with government vehicles taken away by top government officials and state assets, fuel coupons and cash misappropriated. In C&AG’s report of the First Quarter of 2009 financial year tabled in Parliament, 14 vehicles donated to the Ministry of Public Service, Labour and Social Welfare by the Reserve Bank of Zimbabwe (RBZ) in 2008 were neither recorded in the vehicle register nor the donations registered. State assets such as laptops, computers, fax machines, cell phones and spares of cars were stolen but no police reports were made (C&AG Report 2009). At the climax of economic meltdown, a number of government ministries were engaged in barter trade for various goods and services violating treasury regulations which stipulate that such actions must be authorised while unprofessionalism was rampant in ministries.

During the interview with the C&AG, the study was informed that in the past some accounting officers have been complaining about their inability to resist pressure from above to do or incur improper expenditures alleging that they were prevailed upon. The provisions of section 46 of the Audit and Exchequer Act were designed to provide them with an avenue to deal with such a scenario but the problem persisted. The Act (now repealed by Audit Office Act) had specifically provided that if an accounting officer is directed by a Minister or Deputy Minister to do something involving public money, the Accounting Officer or their staff should raise their objections in writing to the Minister or Deputy Minister. If after objecting in writing the Minister or deputy Minister insist on the action, the accounting Officer or his/he staff should comply and immediately submit a report to the Treasury and C&AG. Despite this provision, interviews with the C&AG revealed that no a single Accounting Officer has ever invoked these provisions of the Act.

5.2 Challenges Faced by the C&AG's Office

The Office has over the years been facing a myriad of challenges largely caused by shortcomings in the enabling legal instruments, unattractive conditions of service and budgetary constraints. While the new Audit Office Act (Chapter 22:18) which was effective since July 2011 seeks to mitigate some of these challenges, it is too early to make comprehensive assessment.

There are gaps in the enabling legal instruments. Both the Constitution and the Audit Office Act do not give the C&AG any sanction powers to compel Ministries and departments to observe and comply with the Treasury Instructions and other regulations regarding submissions of returns. As a result, recent reports of the C&AG have revealed delayed submissions and in other instances almost total failure by ministries and departments to produce certain returns and statements required for audit. This impacted negatively on the ability of the Audit Office in producing the annual reports as well as meeting the statutory deadlines for tabling of such reports in Parliament. Again, the law does not provide enforcement mechanisms with regards to audit recommendations. A scrutiny of published reports revealed a uniformity of audit observations raised from year to year, which is evidence that little or no action was being taken on observations made. Through a combination of under resourcing and poor responses by government ministries and departments, the C&AG is years behind in delivery of annual reports to Parliament. The C&AG has however, managed to expand its work in the area of value for money audits.

5.3 Unattractive remuneration

The playing field regarding the recruitment of technical skills is currently heavily skewed in favour of the private sector as conditions in the public sector are regarded as sub-economic. This problem has some legal basis as noted by the C&AG, the Audit and Exchequer chapter 22:03 effectively places the rest of the staff under the Public Service Commission. This has since changed with the Audit Office Act which repealed the Audit and Exchequer Act and created the Audit Office Commission to deal with staff recruitment and their welfare. Over the past years, the Audit Office has been experiencing high staff turnover among the technically qualified and experienced staff. Departing staff members were not readily replaced as the recruitments were done by the Public Service Commission. There is also currently a freeze on filling vacant posts. As at August 2010, the Audit Office was operating with a vacancy rate of 50 per cent. The C&AG informed this study that "every year the Office of the Comptroller and Auditor-General loses an average of about 60 staff members against an establishment of 316 hampering the attainment of goals. The current vacancy rate stands at 74". Due to skills shortage the Audit Office could not conduct examinations and audit of accounts of designated statutory bodies and resorted to contracting out to private accounting firms. The promulgation of the Audit Office Act may go a long way in strengthening public finance management provided it is enforced.

5.4 Budgetary constraints

The Audit Office activities are funded from the fiscus. Over the past years, the budgetary allocation has been shrinking due to the prevailing unfavourable macroeconomic

environment. Hence all the Office's field activities were greatly curtailed. The Office failed to undertake audit touring programmes locally and abroad. Ideally the Office of C&AG should visit each government station every three years. The Office was not able to procure most of the consumables owing to the limited budget allocation.

The Office of the Accountant General has been facing capacity constraints necessitated by the lack of resources to update the legal and regulatory framework, to bring them in line with the current demands as well as for monitoring to ensure compliance. The lack of resources, compounded by the loss of skilled and experienced personnel as a result of uncompetitive remuneration, has adversely affected the quality and timeliness of financial reports produced by Ministries. The highly inflationary environment of 2006, 2007 and 2008 culminated in the Public Finance Management System (PFMS)'s design failing to cope with the number of digits the Government was dealing with. The subsequent revaluations of the Zimbabwe dollar put pressure on the limited skills available to develop and implement coping mechanisms. This caused transactions during 2008 to be processed outside the system and in turn affected the production and quality of financial returns.

6. Conclusions and Recommendations

6.1 Conclusions

The study observed that the challenges facing the Office of the Comptroller and Auditor-General are severe in nature and need urgent government attention if government is committed to restoring and adhering to principles of prudent financial management and control of public funds and State property. The recommendations are informed by interviews with C&AG, Accountant General, Permanent Secretary for the Ministry of Finance, Minister of Finance, Academics and members of the Public Accounts Committee.

6.2 Recommendations

6.2.1 The independence of the Office of the Comptroller and Auditor-General

While section 106 (6) of the Constitution of Zimbabwe stipulates that the C&AG shall not be subject to the direction and control of any person or authority other than Parliament in the exercise of his or her duties and in this way creates the impression that the Office enjoys a great deal of independence, scenarios aground to some extent compromise the Office of the C&AG. In as much as the President in consultation with the PSC appoints the C&AG and Parliament is not involved and the Treasury determines and controls the budget of the Audit Office, genuine independence of the Audit Office is far from being realised. The Audit Office Act (Chapter 22:18) which superseded the Audit and Exchequer Act does not address this problem. It maintains the status quo. Therefore it is recommended that for a Supreme Audit Institution to be independent from the Executive regarding the appointment of the C&AG, the legislature should be consulted. This is in line with the current developments brought by Constitutional Amendment No.19 which have seen the House of Assemble playing a centre stage in the appointment of Commissioners for various commissions such as the Human rights, the Zimbabwe Media Commission and Zimbabwe Electoral Commission. This recommendation was guided by the international standards on the independence of Supreme Audit Institutions. According to the International Organisation of Supreme Audit Institutions

(INTOSAI) and the African organisation of Supreme Audit Institutions (AFROSAI) criteria the Parliament should be involved in the appointment of the C&AG. An interview with Professor Geoffrey Feltoe of the Law Faculty of the University of Zimbabwe revealed that the C&AG is not an independent public servant in that “she is appointed by the President after consultation with the Public Service Commission”. The only role Parliament may play is to “remove C&AG if more than half of Members of Parliament resolve that she is unable to discharge her functions” he further argued. The Public Accounts Committee chairperson, Honourable Tapiwa Mashakada argued that the “appointment process of C&AG has impacts both upon the quality of appointment and an equal opportunities”. A candidate for the Office must have held the post of Secretary, Deputy Secretary or Under Secretary in a Ministry or been a senior official for not less 5 years. No doubt such experience is valuable for understanding the machinery of government. But the rule disqualifies, for example, Chartered accountants and other who possess financial knowledge and competence. The House of Assembly should be directly involved in selecting the C&AG and suitably qualified should be able to apply from outside the public sector to raise standards of applicants, promote equal opportunities and enhance independence.

6.2.2 Executive response to audit reports

The study observed that audit observations are repeated from year to year which is an indication that they are not taken seriously by both the Treasury and the Accounting Officers. Thus audit reports do not have any impact as they do not lead to any remedial action. As a result, the Audit office is rendered a watchdog institution without teeth to bite. Thus, an enabling legislation should be amended to include a provision which requires the Ministry of Finance to table in the House of Assembly a remedial plan of action. The study notes that audit reports are to have the desired impact; the enabling legislation should place an obligation upon the Treasury and the accounting officers whose accounts have been qualified to respond with a remedial action plan to the C&AG’s annual report. The C&AG would then follow up on the action plan and report on action taken in its next annual audit report.

6.2.3 High turnover among professionals in the accounting

The Accountant General’s office and the C&AG’s office have been over the years experiencing mass exodus of professionals in the accounting field. This has resulted in ministries failing to produce quality reports and within the stipulated timeframe. Consequently, the Ministry of Finance is also failing to produce the Consolidated Revenue statement upon which audits are based. The study notes that if public funds are not properly accounted for, conditions for corruption, misuse, abuse embezzlement and decision making will be easily manipulated towards self-interests. The current global economic crisis also calls for need to be prudent in the management and control of public resources as recovery is largely dependent on the public purse. There is therefore need for government to attract and retain skilled and experienced staff to ensure that public funds and state properties are properly accounted for.

6.2.4 Update legal and regulatory framework

The study commends the Ministry of Finance for repealing the Audit and Exchequer Act,

replacing it with two Acts namely the Audit Office and the Public Finance Management which have given the C&AG the powers to employ, appoint, promote and discipline who assist the C&AG in the discharge of the mandate. This is extremely commendable because it enhances the independence of the C&AG. Notwithstanding this, the Audit Office Act does not give the Ministry of Finance sanction powers to compel Ministries to submit appropriation accounts. Though section 6 (6) of the Constitution of Zimbabwe states that “the Comptroller and Auditor-General shall not be subject to the direction or control of any person or authority other than the House of Assembly”, the Audit Office Act Chapter 22:18 Part VIII section 30 requires the Minister to give policy directions to the Audit Office Commission in the national interest. Section 30 (4) of the Audit Office Act Chapter 22:18 state that “The Commission shall take all necessary steps to comply with any direction given to it in terms of subsections (2)”. This scenario might be manipulated by the Minister to influence the Audit Office Commission.

6.2.5 Capacity Gaps

There is need to immediately address capacity gaps in the Audit Office Act. Once this is done, the C&AG would be in a position to submit reports within the stipulated time frame. The study hopes the transfer of officers from the Public Service to the Audit Office would be accompanied by a proportionate improvement in conditions of service in order to attract and retain highly qualified auditors. The Government must hasten the implementation of the Audit Office Act.

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