

Finance ministry fails to account for US\$10bn unauthorised expenditure

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Finance minister Mthuli Ncube

THE mystery over the US\$10 billion budget overrun by the government from 2015 to 2018 is deepening, with Auditor-General Mildred Chiri yet to gain access to documents revealing how the money was spent, while legislators are pressing public officials to account for the massive taxpayer funds.

Treasury officials say major expenses incurred by the government during the period in question include Command Agriculture, the 2017 military coup preparations and execution, as well as the 2018 general elections.

This comes at a time Finance and Economic Development minister Mthuli Ncube last month announced a ZW\$929 billion supplementary budget as a result of the dual effects of over-spending and inflation.

The Finance ministry has over the past two years failed to avail documents to the Auditor-General's office and the National Assembly, prompting Parliament to seek to escalate the matter. Parliament's Public Accounts Committee gave the ministry a seven-day ultimatum to provide the required documentation, last week, to no avail.

Under pressure to bare its teeth in line with the constitutional mandate to provide oversight, the committee is scheduled to meet on Monday to decide on the next course of action. In 2020, the government brought a Financial Adjustment Bill to Parliament as it sought condonation for the unapproved expenditure between 2015 and 2018 totalling US\$9.6 billion.

According to the Bill, in 2015 Treasury exceeded the national budget by over US\$25m (US\$25,305,741), which ballooned to over US\$1bn (US\$1,490,888,789) in 2016 and trebled to more than US\$4bn (US\$4,562,064,124) in 2017.

The government overshot the budget by more than US\$3bn (US\$3,560,343,130) in 2018.

The Public Accounts Committee, then chaired by opposition Citizens' Coalition for Change senior leader Tendai Biti, however, requested that the Auditor-General first audit the budget overrun to determine if the public funds were used for genuine government expenses.

The Finance ministry has however failed to furnish Chiri with the books despite numerous requests. The Public Accounts Committee has also failed to get access to the books despite summoning ministry officials four times between 2020 and 2022, leading rise to suspicions that there is an attempt to conceal how the money was spent.

"Due to overspending for the period 2015 to 2018, the committee asked Chiri to audit and verify the US\$9.6 billion figure which came under the Financial Adjustment Bill. They (government) wanted us to just approve the budget overrun without asking questions, but we couldn't," Biti said.

"We wanted them to explain how the money was used and to determine whether it was used for genuine government expenses.

"The problem is that they start by spending the money without prior approval by Parliament and then come for approval later. The reason is that they are running a parallel government, it's a regime which doesn't go through formal government procedures."

Parliamentarians believe Treasury is taking advantage of the lapsing of the Financial Adjustments Bill (2016 to 2018) in October 2020 to sweep the US\$9.6 billion over-expenditure under the carpet. The Bill was published on 12 November 2019, seeking condonation for the unlawful expenditure of amounts totalling US\$9,638,602,782.

The proposed condonation lapsed before it reached the second reading stage when the 2019-20 parliamentary sessions ended. Parliament, through the Public Accounts Committee, has however continued to pursue the matter.

The committee has held four oral evidence hearings with representatives of the Finance ministry who have promised to submit validation documents to show how the US\$9.6bn was spent. The ministry has however failed to avail the required documents.

Two weeks ago, the committee grilled Treasury's acting accountant-general Edwin Zvandasara, who was standing in for Finance permanent secretary George Guvamatanga, over the failure to furnish the Auditor-General's office and Parliament with adequate information justifying the unauthorised expenditure.

During the meeting, MPs accused the Finance ministry officials of disrespecting Parliament and the people of Zimbabwe. They gave the ministry a seven-day ultimatum to submit unauthorised expenditure information to the Auditor-General's office for validation purposes and bring copies to Parliament.

Dzivaresekwa legislator Edwin Mushoriwa, who was the acting committee chairperson when the Finance ministry was issued the seven-day ultimatum, told The NewsHawks in an interview: "The ministry of Finance failed or neglected to adhere to the deadline of 10:00hrs on Monday 1 August 2022 which was given by the committee on the meeting held with the ministry of Finance on 25 July 2022.

“The Public Accounts Committee will meet on the 15th of August to make a determination on whether or not the non-submission of requisite documents for validation process by the ministry of Finance is a violation of the Parliamentary Privileges Act and take decisive action from there.”

The development comes at a time the ministry has also failed to adequately account for US\$300 million in foreign direct payments on behalf of 16 government ministries without the required parliamentary approval and without the knowledge of beneficiary ministries, as revealed by Auditor-General Mildred Chiri’s 2020 report on Appropriation Accounts, Finance and Revenue Statements and Fund Accounts.

The 2021 reports are not yet out. The report sheds light on how government finances continue to be in a shambles, with Treasury and ministries making payments without supporting documentation in numerous cases, resulting in blatant corruption and loss of millions of taxpayer dollars.

Several government ministries lost revenue after paying for goods, including cars, which were not delivered, while in many cases, purchased assets were not recorded in official registers.

The Finance ministry, according to Chiri, made unauthorised excess transfers of ZW\$100,690,788,418 without condonation from Parliament as required by section 307 of the constitution, among many other anomalies.

“I observed that Treasury made foreign direct payments on behalf of 16 ministries amounting to US\$300, 599,941. However, I noted that a number of the ministries were not aware of these payments and did not acknowledge these transactions,” Chiri says.

“As at November 15, 2021, five line ministries disputed Treasury disbursements from direct payments totalling US\$183,638,970 (approximately ZW\$14,763,681,058).”

Chiri expresses concern that the direct payments were not uploaded onto the respective ministries’ votes in the public finance management system. As a result, the ministries did not report the amounts in their appropriation accounts for 2020.

Treasury made a foreign direct payment of US\$155,703,721 on behalf of the ministry of Mines, but the ministry was aware of only US\$486,501, leaving a variance of US\$151,217,220. A foreign direct payment of US\$15,044,768 on behalf of the Energy ministry was made without its knowledge.

Treasury made a foreign payment of US\$12,345,758 on behalf of the ministry of Defence without its knowledge. A total of US\$10,254,123.77 was paid on behalf of the Health ministry, but the ministry was only aware of a payment of US\$5,252,688, leaving a variance of US\$5,001,436.

Treasury also made a foreign direct payment of US\$1,688,376 on behalf of the Public Service Commission, which was however only aware of US\$1,658,586, giving a variance of US\$29,787. In addition, the ministry made payments to its foreign suppliers and service providers which were questioned by Chiri.

“My review of the direct payments register showed that Treasury made various foreign payments totalling US\$20,691,044 (approximately ZW\$770,646,758 when converted to Zimbabwe dollars using RBZ [Reserve Bank of Zimbabwe] spot rates for 2020). The payments were made to suppliers and service providers on behalf of the ministry of Finance and Economic Development during the year ended December 31, 2020.

The expenditure was not uploaded in the public financial management system and hence, this expenditure was not accounted for in the ministry's appropriation account for the year 2020," the report reveals.

The Auditor-General says whereas the approved budget for unallocated reserves as per the Appropriation Act was ZW\$1,394,632,000, the ministry of Finance transferred ZW\$102,085,420,418 to line ministries, resulting in unauthorised excess transfers of ZW\$100,690,788,418.

The excess expenditure was not approved by Parliament as stipulated by law.

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