In the Senate Thursday 24th February 2016
During Question Time

**ANSWER BY MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT
TO QUESTION ON HIS MINISTRY’S MEASURES TO
CURB ABUSE OF PUBLIC FUNDS**

**MEASURES TO CURB ABUSE OF PUBLIC FUNDS**

**HON. SEN. CHIMHINI** asked the Minister of Finance and Economic Development to inform the House –

a) What measures the Ministry is putting in place to effectively curb the abuse of scarce public funds, particularly in Government Ministries and parastatals as qualified in the Auditor-General’s reports;

b) Which Ministries and parastatals if any, have been sanctioned for such improprieties for and to state the nature of penalties applied if any as a way of showing Government seriousness to stop the rot.

**THE MINISTER OF POLICY CO-ORDINATION AND PROMOTION OF SOCIO-ECONOMIC VENTURES IN THE PRESIDENT’S OFFICE (HON. SEN. S.K. MOYO)** *on behalf of* **THE MINISTER OF FINANCE AND ECONOMIC DEVELOPMENT (HON. CHINAMASA):**

Thank you Mr. President. First, I want to convey the apologies of my colleague, Hon. Minister Chinamasa who is not able to be here because of circumstances beyond his control and I want to, on his behalf, thank Hon. Sen. Chimhini for the question which he has asked me to read to this august House. The response reads as follows;

Mr. President, the Auditor-General’s reports highlighted various areas of concern in the management of and accountability for public resources in Government ministries and public entities. The issues raised include, among others, governance challenges and non-compliance with approved frameworks, some of which have resulted in leakages.

As highlighted to this august House in the 2015 Mid-Term Fiscal Policy Review Statement, the opaqueness of our accountability system where some public entities are governed by both the statutes that establish the entity and the Public Finance Management Act has created some of these undesirable situations. To deal with these challenges, there is need for clarity of roles of the Treasury, the line ministries, entities’ boards of directors and other players in the public resource management chain.

Mr. President, consistent with Treasury’s mandate to exercise a general direction and control over public resources, my ministry will this year engage relevant ministries to implement appropriate corrective measures at both ministry level and in public entities under their purview. The engagement process will be complemented by the **review of the Public Finance Management Act** to strengthen the existing governance and accountability arrangements as contained in a Bill that has already been gazetted for consideration by this august House.

The **proposed amendments** seek to, among other things:

* clarify the roles of respective stakeholders in the operations of public entities;
* strengthen the sector ministries and Treasury’s oversight of public entities;
* provide for governance arrangements over statutory funds that are not adequately catered for in the current legislation;
* make it mandatory for supervising ministries to check for and ensure consistency of public entities annual corporate plans and budgets with the financial policies set by Government; and
* compel public entities to implement recommendations within timeframes agreed with the Auditor General.

Mr. President, the Public Finance Management Act empowers my Ministry to raise Treasury Orders for the recovery of losses of public resources arising from identified deficiencies in, damage to or destruction of State property, subject to due process as laid out in that statute. Treasury Orders have over the years been raised against individuals found responsible for deficiencies in, damage to or destruction of State property. While other transgressions by members of the Civil Service are handled by the Public Service Commission, seven officials from the Treasury were dismissed this year alone following disciplinary proceedings related to the handling of public resources.

**Financial Analysis Unit/Performance Audits**

Mr. President, Hon. Members will be aware that in the 2016 National Budget Statement, I created a dedicated Public Enterprises Reform and Monitoring Unit in the Accountant General’s Department under my Ministry to:

* vigorously monitor public performance;
* proactively coordinate the implementation of restructuring reforms; and
* analyse budgets and financial statements of public entities.

We are now in the process of setting up this unit to ensure

compliance with the provisions of the Public Finance Management Act by the public entities. The unit will be equipped with the requisite skills for the achievement of the objectives of increasing public enterprises’ contribution to GDP, reduction of their dependence on the fiscus, improvement of service delivery and enhanced accountability.

**Audit Response Unit**

Mr. President, in the 2015 Mid-Term Fiscal Policy Review, I highlighted that Government was instituting measures to address concerns raised in the Auditor-General’s Narrative Reports. The processes of amending the Public Finance Management Act to include monitoring and close oversight of public enterprises and local authorities is complete, and the Public Finance Management Amendment Bill was gazetteD on 23 November, 2015 and will soon be tabled in this august House.

In addition, Government is establishing another unit within the Accountant-General’s Department mandated to analyse audit reports, enforce issues of compliance raised by the Auditor-General and ensure that Government is responsive to issues raised by the Auditor-General and indeed, this august House. The mandate of this unit will also embrace compliance and accountability of ministries and departments in line with their obligations under Public Finance Management Act with regards to public resources.

**Measures to address public enterprises corporate governance**

Mr. President, Hon. Members will be aware that the Corporate Governance and Remuneration Framework for State Enterprises, parastatals and local authorities adopted by Cabinet in 2014 is now being converted into a **Public Sector Corporate Governance Bill** that seeks to, among other things;

* establish a Corporate Governance and Delivery Agency to monitor activities of boards, assess public entities’ compliance with the prescribed national code;
* set parameters for the appointment of public enterprises boards;
* provide for establishment of Board Committees; and
* make provision for the appointment, tenure of office, conditions of service and performance monitoring of public entities Chief Executives.

This measure will address the governance issues in public entities by putting in place a corporate governance framework that is mandatory and legally enforceable, in addition to establishing institutional arrangements for monitoring compliance.

Mr. President, the 2015 Mid-Term Fiscal Policy Review Statement also alluded to on-going stakeholder consultations with a view of coming up with a strategy for further parastatals reforms. The strategy that will emerge from these consultations will complement and reinforce the reforms already under way to ensure our public entities are properly managed to both discharge their core mandates and contribute to the development of our economy.

Mr. President, I want to assure Hon. Members of Government’s seriousness in ensuring full accountability in the management of public resources and addressing all maters raised in the reports of the Auditor General. I thank you.