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Ethiopia: Audit Report Shows No Improvement in Public Finance Administration

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- Over two billion birr remains unaccounted for

The Office of the Federal Auditor General has released the 2013/14 fiscal year audit report. The report says most audited federal offices had failed to show any progress while over two billion birr remained unaccounted for among federal institutions.

The 64-page analysis of its audit findings into the accounts of ministries and other agencies of the federal government for the 2013-2014 fiscal year addresses a raft of issues of critical concern.

The office has carried out the auditing in 143 of 145 federal institutions, which are entitled to be audited for their budgetary appropriation. The Office has audited 137 institutions by itself while Audit Service Corporation audited the remaining five institutions.

The scathing annual report submitted to House of Peoples' Representatives (HPR) on Tuesday mainly emphasizes financial irregularities and the need for a performance report after a serious deliberation undertaken in federal government institutions.

The report recommends that parliament should act on the issue immediately highlighting several shortcomings that have been going unchecked and in which the auditor general described the shortcomings as getting worse rather than bringing any improvement.

One troubling matter in the concluding part of the federal auditor general's report has it that the failure of these institutions funded by budgetary appropriation to close their accounts on time and submit an audit report needs to be tackled administratively and legally.

According to the audit findings, 52 percent of the audited institutions were not able to complete their ledger as per the proper time they should submit.

"This should have been improved and this problem should be considered seriously and is in need of a very urgent action," Gemechu Dubiso, auditor general, appealed to the House, adding that this matter should be considered along the supply and expense system.

Among the numbers included in the latest report are: two billion birr unaccounted for, one billion birr receivable account which has not been collected yet, 368 million birr in unsubstantiated expenditures, 957 million birr in procurement expenditure against law and regulation.

Among his core findings, Gemechu highlighted critical areas the House should consider for immediate action.

According to his report, some 2,025,166.72 birr was found unaccounted in 78 offices. The report also indicated that this combined amount of uncounted money was found from audited offices including Public Procurement and Property Removal Service (over 660 million birr), Ministry of Education (over 433 million birr), Agricultural, Technical, Vocational and Academic Coordinator (174 million birr), and Ministry of Defense (144.3 million birr).

Like what had been reported the previewed year, public universities have been found for their unaccounted money. Mizan Tepi, Wolayeta Sodo and Arba Minch universities recorded unaccounted 102.2, 77.5, and 69.9 million birr respectively. Similarly, the Ministry of Agriculture and Federal Police were audited for 64.4 and 39.3 million birr unaccounted for.

Revenue collection problems including tax revenue were found uncollected based on the proclamation and regulation. During the auditing task to determine the budget implementation, some 176,939,859.99 birr was identified as uncollected after auditing in 25 offices and 11 branches under the Ethiopia Revenues and Custom Authority (ERCA). Moreover, in 12 branch offices of ERCA, a total of 1,039,493,043.58 birr was not collected though they were legally responsible to collect the revenue.

The auditor's report also disclosed that over 72 million birr was undocumented on revenue accounts from six universities. Meanwhile, the audit report found Mekele University to have collected 12.9 million birr with income receipt without the recognition of the Ministry of Finance and Economic Development (MoFED).

The auditor general's report emphasized that some major problems that it found were similar misconducts that it had reported in the previous years. Accordingly, balances that rolled from revenue and payment balances rolled over from the past year. Procurements in violation of regulation and directives, repeated problems in relation to government revenue tariff setting, and domestic revenue collection, utilization and documentation are among the major findings.

Similarly, the report revealed that there are great concerns, which need urgent correction mechanisms, especially public property handling and utilization in all federal institution which are to be audited.

"Particularly, those receivable revenues which have not been collected for a few years and purchasing for construction works being undertaken by higher education institutions...I would like to urge that they need special treatment with a mechanism." Gemechu told MPs.

Referring to the Finance Administration Proclamation (648/2009), he explained that 71 institutions failed to submit their balance sheets. Though they did submit it after the deadline they were also supposed to prepare themselves for audit three months after the end of the fiscal year.

According to the proclamation, each public institution should close and similarly account to the auditor general within three months of the end of the fiscal year.

Gemechu told the MPs that he presented only some of the core findings of financial misconduct, mismanagement and the overall performance audit of institutions his officials had carried out in 2013/14 fiscal years.

Gemechu also revealed that there have been project delays in government construction which have not been completed on schedule. He called for these related problems, including some construction projects whose construction have been halted for months and years, to be given urgent action.

Beyond the auditing of federal institutions, the auditor general also investigated the budget utilizations and performance implementation in the regional states, which are responsible for implementing Protection of Basic Service (PBS) whose fund was secured from the World Bank. PBS is also part of the Federal Auditing Office, who, as per the agreement of Fiduciary Responsibility, has to submit its audit report to MoFED whereby the latter is expected to report to the World Bank.

Stating that these and numerous other irregularities have not been dealt with despite the fact that they were brought to the attention of parliament in previous occasions, the auditor general called on parliament to take the appropriate corrective measures.

For the first time, the auditor general submitted the full report and findings to MoFED and the Federal Ethics and Anti-Corruption Commission which Gemechu believes will help better improve the recurrent problems found during audits. The office used to submit its report to the HPR and the Office of the Prime Minister.

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