

REPORT OF THE AUDITOR GENERAL
ON THE
ACCOUNTS OF THE GOVERNMENT
OF THE
REPUBLIC OF MALAWI

For The Year Ended 30th June, 2018

NATIONAL AUDIT OFFICE

- VISION** : “To be an independent Supreme Audit Institution that promotes good governance.”
- MISSION** : “To provide assurance on accountability, transparency, integrity and value for money in the management of public resources to all stakeholders through quality audits.”
- CORE VALUES** : Professional competence, behaviour and due care; Objectivity; Independence; Transparency and Accountability, Inclusiveness Creativity and Innovation and Public Interest oriented.

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31st December, 2018

The Right Honourable Speaker
National Assembly
Private Bag B362
Capital City
Lilongwe 3

Through: The Honourable Minister of Finance
Ministry of Finance, Economic Planning and Development
P.O. Box 30049
Lilongwe 3
Malawi

Dear Sir,

Pursuant to the provision of Section 184 (2) of the Constitution of the Republic of Malawi and the Public Audit Act Cap 37:01, I have the honour to submit my report on the results of the audit of the Accounts of the Government of the Republic of Malawi for the year ended 30th June, 2018 for tabling in the National Assembly.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'TKB'.

THOMAS K. B. MAKIWA
Acting Auditor General

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EXECUTIVE SUMMARY

In accordance with Section 6 of Public Audit Act Cap 37.01 (Act No.6 of 2003), I have, on behalf the National Assembly, examined and enquired into and audited the accounts of Controlling Officers, and Receivers of Revenue and persons entrusted with the collection, receipting custody or disposal of public moneys or public stores.

The audits have not been limited to the accounts for the year ended 30th June 2018, but have where necessary extended into the reviews of the preceding years wherever it has been considered significant and material.

The Government budgetary operation registered an expansion in both revenue and expenditure during the year under review. Total revenue collected increased favourably by K57.9 billion from K953.9 billion realized in 2016/2017 financial year compared to K1,011.8 billion in financial year 2017/18, which represents an increase of 6%. Total expenditure increased by K282 billion from K786.1 billion in 2016/2017 financial year to K1,068.1 billion which represents an increase of 35.9%. Domestic revenue remained relatively buoyant and continue to maintain an upward trend. This was mainly premised on the improved tax collection and administration by the Malawi Revenue Authority.

As earlier mentioned, Revenue Account registered K1,011.8 billion in revenue while the recurrent expenditure was K1,068.1 billion. However, some funds from the Recurrent Account were transferred to Development Account Part I and II amounting to K188.2 billion and K73.2 billion respectively. This brings the total expenditure on Recurrent Budget to K1,329.5 billion. The overall picture of the recurrent expenditure was a net deficit of K317.6 billion.

Development Receipts increased by K101.4 billion from K160.0 billion in 2016/2017 to K261.4 billion in 2017/18. Total expenditure charged to the Development Account was K202.6 billion which increased by K46.9 billion when compared to K155.7 billion for 2016/17 financial year representing an increase of 30.1%.

The fiscal year 2017/18 is considered as another year of remarkable achievements in terms of financial reporting because Controlling Officers continued to prepare financial statements using the approved and acceptable format introduced in 2011/2012 for the ministries and departments. So far, MDAs are preparing their financial statements using cash basis International Public Sector Accounting Standards (IPSAS). However, the Accountant General should now migrate to accruals accounting considering the fact that the local councils have already adopted this.

Although ministries and departments are now getting used to preparing their own financial statements for reporting and audit purposes, there are still a lot of challenges that should be mitigated in order to ensure timely preparation of the financial statements. The Accountant General should continue to train accounting personnel into professional development in various ministries and departments in order to enhance capacity and improve quality of the financial statements prepared by MDAs. The objective is to improve compliance with International Public Sector Accounting Standards (IPSAS), application of provisions of Public Audit Act (Cap37.01), Public Finance Management Act (Cap 37.02), Public Procurement and Disposal of Public Assets (Cap 37.03), and other related Acts on public financial management, Treasury Instructions Finance and Stores and other various Regulations on public financial management.

Summary and analysis of findings

The analysis using values below provide an overview of the general picture of how Ministries, Departments and Agencies (MDAs) have failed to comply with various financial Laws, regulations and procedures.

Categorisation of the findings

The findings from the compliance and Financial Statements audit are grouped into four categories as follows:

(a) Major Findings by Value

The main findings from the audit which account for 73% of the irregularities by value include: Stores not traced to the stores ledger, fraudulent payments to personal accounts, Supporting documents not provided for audit inspection, Payment vouchers not provided for audit inspection, fuel not recorded in the fuel register, operating account used for unrelated activities, fake remittance advices created leading to abuse of public funds, passport not presented for verification of external travel, payments made before rendering services and misallocations of public funds. The finding on fraudulent payments to personal accounts relate to the audit of the Malawi Mission in Ethiopia.

Figure 1 below depicts the major findings.

Bar Chart of Major Findings by Value: K2,489,018,096.96

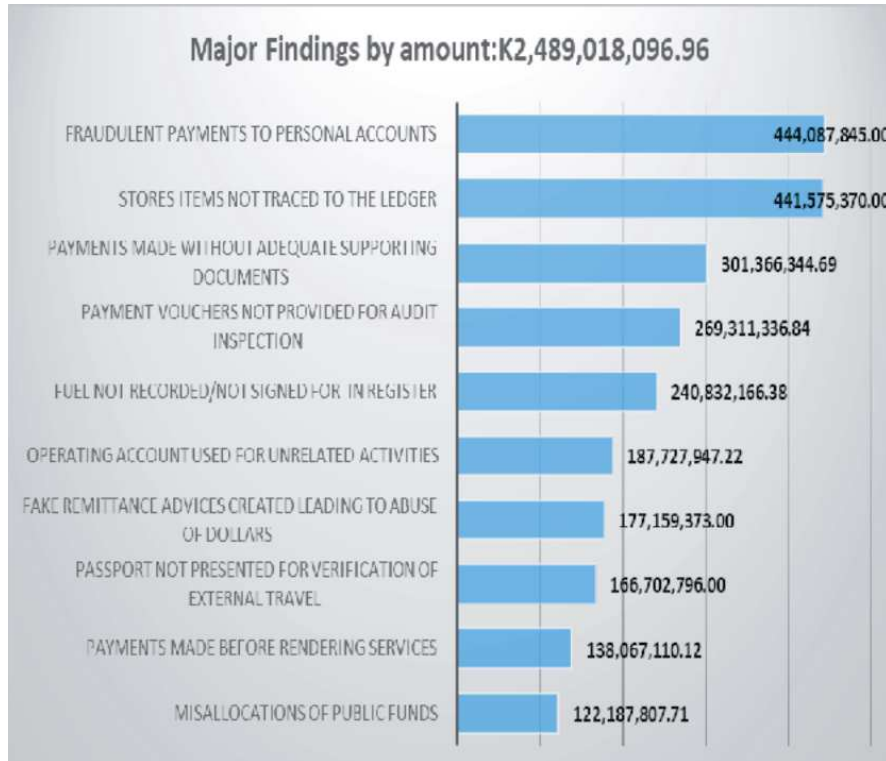


Figure 1: Summary of Major Common Findings in Malawi Kwacha

(b) Other significant irregularities by value

The other significant irregularities which account for 23% of the irregularities by value include: procurement made without evidence of sourcing at least three quotations, subsistence allowances paid without being substantiated by activity reports, general materials not accounted for, payment vouchers bearing wrong cheques numbers, non-current assets not in fixed assets register, procurements made outside procurement plans, payments made without IPDC approval, revenue from foreign mission not accounted for, revenue collected but not banked, general materials not delivered, failure to recover loans, advances and external allowance not accounted for, fraudulent payments collected for personal use, no authorization on request to leave duty station forms.

Figure 2 below depicts other significant findings.

Bar Chart of Other Significant Irregularities: K611,661,453.79

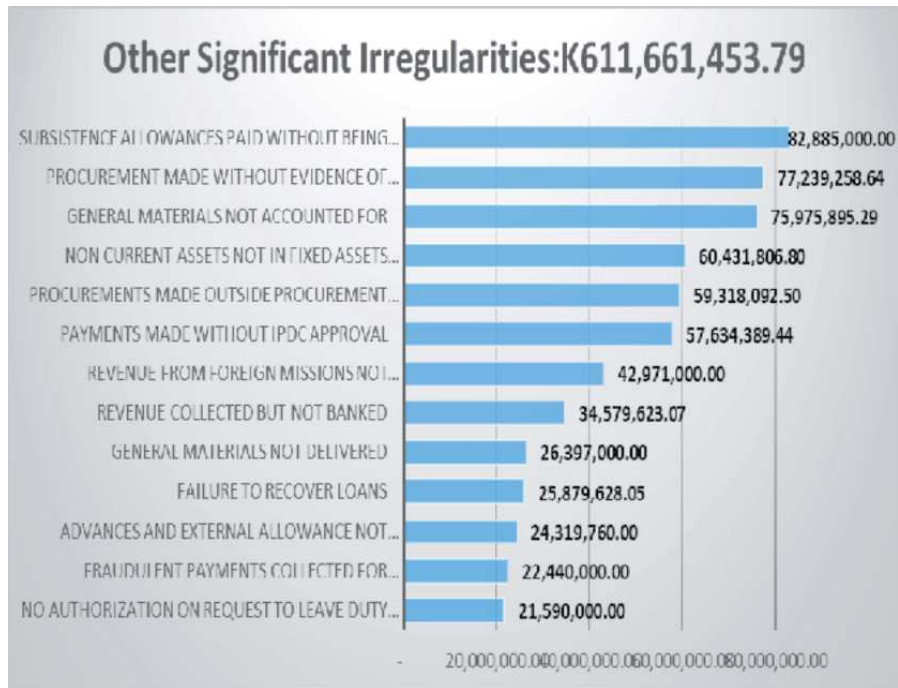


Figure 2: Summary of Other Significant Irregularities in Malawi Kwacha

(c) Other isolated irregularities by Value

This category includes some isolated irregularities that are unique to particular MDAs. These isolated irregularities which account for 4% of all irregularities by value include: payment of subsistence allowance without attaching request to leave duty station forms, payment based on photocopied supporting documents, nugatory expenditure on cancelled Air tickets, payments made without certificate of completion, airtime not accounted for, payment for projects related activities from ORT without authority, payment of allowances “for staff” instead of through officer’s bank accounts, un authorised payments, road camp houses not paid for, payment of external travel allowances on a fully funded trip, allowance paid without attaching approved loose minute, procurements made to suppliers not registered under Public Procurement and Disposal Act, payment of professional allowances (top up allowances) to legal aid advocates without treasury approval, maintenance of motor vehicles without P.V.H.E.S.

inspection reports, payments made for un-delivered items, late payment of pay as you earn (P.A.Y.E), payments made in cash to service provider, payment of subsistence allowances to officers working within duty station, revenue not reflected in the financial statements, spending without due regard to economy, efficiency and effectiveness, payments made without raising internal requisition form, external travel allowances paid for a trip not undertaken.

Figure 3 below depicts other isolated irregularities:

Bar Chart of Other Isolated Irregularities: K135,530,965.98

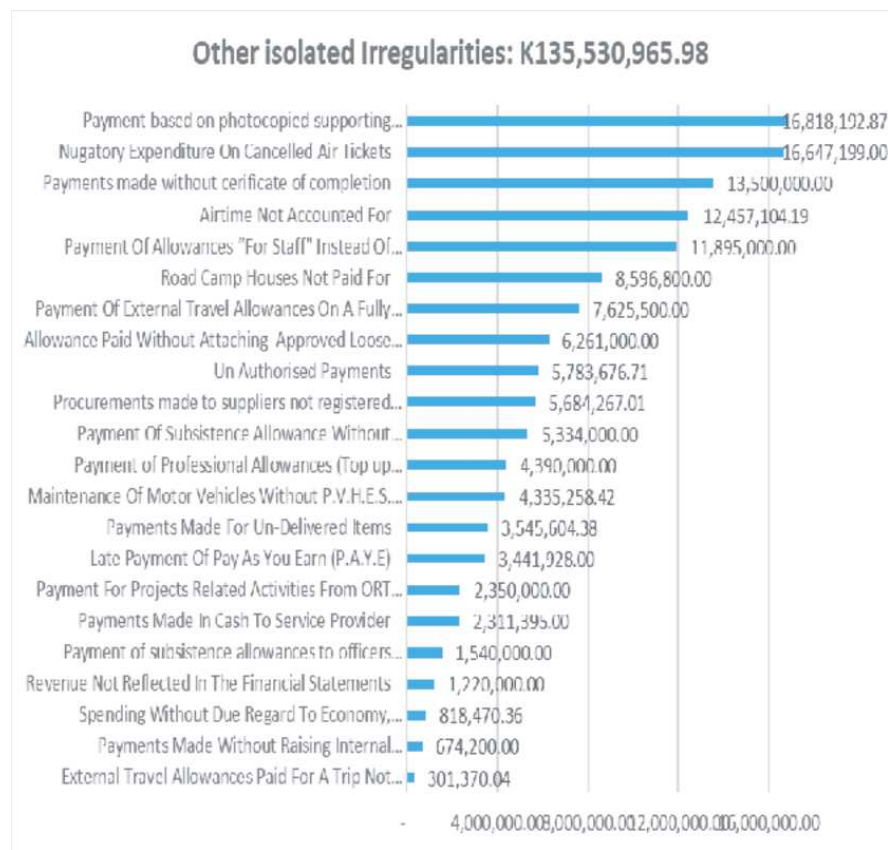


Figure 3: Summary of Other Isolated Irregularities in Malawi Kwacha

(d) Other areas of Non-Compliance Not by Value

There are other qualitative material findings without monetary value. They include:

- Abandonment of motor vehicles in the garages
- Failure to prepare and maintain Fixed Asset Register
- Failure to produce planned outputs for audit inspection
- Manual interface between payroll and related systems
- Inadequate checking mechanism for completeness of pensioner's payroll changes
- Incomplete fixed asset register
- Failure to submit quarterly returns of asset registers
- Failure to maintain a disposal of assets plan
- Failure to produce monthly returns from Importer of Registration plates
- Failure to prepare bank reconciliation
- Failure to prepare financial Statements
- Failure to prepare cash controls

PART I

INTRODUCTION

AUDIT OF PUBLIC ACCOUNTS

1. I am required under Section 184 (1) of the Constitution of the Republic of Malawi to audit and report on the public accounts of the Government of Malawi, and to exercise such other powers in relation to Ministries Departments and Agencies (MDAs) accounts, and accounts of the other public authorities and bodies as may be prescribed by an Act of Parliament, in so far as they are compatible with the principal duties of my office.
2. Section 184 (2) requires me to submit reports at least once a year to the National Assembly through the Minister responsible for Finance. Section 15 of the Public Audit Act requires me to report to the President and the Speaker of the National Assembly. Although the provision of Section 15 of the Public Audit Act is deemed inconsistent with the Constitution in a way, it gives me as an opportunity to submit a copy of my report direct to the Speaker of National Assembly whilst respecting the Constitution as a supreme law by reporting through the Minister Responsible for Finance. Consultations with the Ministry of Justice and Constitutional Affairs and the Law Commission have been initiated to have the deemed inconsistency cleared. Following the institutional Review of National Audit Office undertaken in 2010/11 financial year by the Department of Public Service Management in the Office of the President and Cabinet and this was confirmed in the 2015 Public Sector Reforms report. The review report, which was approved by the Government, has included a recommendation that I should be reporting directly to the National Assembly. Recent developments are that a Constitutional Amendment Bill on Section 184 of the Constitution and Public Audit Bill were sent to National Assembly for possible amendment of the two inconsistencies. During the Parliament sitting of November 2016, these were tabled and deliberated. However, the plenary noted some gaps, referred to three committees for further scrutiny, and make some proposals on the amendments. The committees are: Legal and Constitutional Affairs, Public Accounts, and Budget and Finance Committees. The objective was to harmonise and comply with INTOSAI declarations of Lima, October 1977, Mexico, November 2007 and also UN resolutions 66/209 and 66/288 of 22 December 2011 and 20 November 2014 respectively which call for independence of SAIs as a way of fostering sound public financial management and administration. The bills were re-tabled in February 2018 Parliamentary Session, only Public Audit Amendment bill was passed leaving Constitutional Amendment Bill

Section 184 at its second reading. The Public Audit Amendment Act was assented to by the State President of the Republic of Malawi. The amended Act is awaiting implementation to be facilitated by the Ministry of Finance, Economic Planning and Development.

3. The Public Audit Act provides, inter alia, for the administration, control and audit of the public finances of Malawi. In discharging these duties, I am required in terms of Section 6 (4) (d) to determine whether the procedures and systems of internal control of each ministry, department, agency and public authority or body do ensure that;—
 - (a) Revenue is properly assessed and collected;
 - (b) Expenditure is validly and correctly authorised;
 - (c) Revenue, expenses, assets and liabilities are properly recorded and accounted for;
 - (d) Resources are employed and managed in an economic, effective and efficient manner;
 - (e) There has been no waste or extravagance;
 - (h) Outcomes or provisions produced are consistent with those specified in any Appropriation Act;
 - (i) Relevant government policies and legislation are being complied with;
 - (j) All expenditure is charged against the relevant allocation appropriated by the National Assembly; and
 - (k) The accounts and records have been properly kept.
4. Section 6 (2) of the Act requires me to undertake an audit programme to review and approve the audited accounts of statutory bodies and conduct audits of any statutory body that has not had its financial statements audited by a firm of auditors, this includes where I do not approve the audited financial statements.
5. Section 6 (3) of the Act requires me to audit and examine transactions, books and accounts and other financial records associated with any project, programme, and any other activity receiving funding in whole or in part from money or public resources which in my opinion justifies further investigations.
6. In fulfilling my duties, powers and responsibilities lawfully conferred on me under Section 7 (1) of Public Audit Act (cap37 .01), I am required and any person authorized by me to;

- (a) Have full access at all reasonable times to all documents, books and accounts, public funds, public securities, government contracts, and books and accounts relating thereof and subject to audit; and to any place where they are kept;
- (b) Request any person to supply any information or answer any questions relating to documents, books and accounts, money or operations subject to audit and examination by me;
- (c) Give notice in writing, requiring any person having possession or control on any documents, books and accounts subject to audit and examination by my office to deliver all or any of them at a time and place and to such a person specified in the notice;
- (d) Inspect, measure or test any real or personal property to which any Government contract relates; and
- (e) Enter any land, building, or place, other than a dwelling house, where a government contract is being performed that is subject to audit and examination by me.

SUBMISSION OF FINANCIAL STATEMENTS

- 7. Section 83 (1) of the Public Finance Management Act requires the Secretary to the Treasury to prepare, sign and transmit to me the Consolidated Statements of Accounts within a period of four (4) months, but not later than 31st October after the closure of each financial year. The form and content of the financial statements are as follows:—
 - (a) A consolidated Operating Statement showing revenue and expenditure and the surplus or deficit for the reporting period;
 - (b) A statement of Financial Position showing the assets, liabilities and net financial position as at statement of financial position's date of the reporting period;
 - (c) A Statement of Cash Flows showing the receipts and cash payments during the reporting period, and cash balance as at statement of financial position's date of the reporting period;
 - (d) A Statement of Cash Balance showing breakdown of the balance held by type of holding;
 - (e) A Statement of Statutory Expenditure showing details of domestic debt serving, external debt servicing, statutory remuneration and other material items of expenditure;

- (f) A Statement of Investment showing the nature or type of investment and current and non-current investments;
- (g) A Statement of Borrowings showing total debt and the breakdown of current and non-current debts; and for each showing the opening and closing balances for the reporting period and the nature of the movement during the period, the impact of exchange rate movements, average interest rate, and loan balances available for breakdown;
- (h) A Statement of Ex-Gratia Payments approved under the provisions of an Act, budgets, actual performance and variations between actual and budget;
- (i) A Statement showing for each account in the Trust Fund, balances at the beginning and end of the reporting period, and the nature of the movement in the reporting period; and
- (j) A Statements of Accounting Policies setting out the significant accounting policies on which the financial statements are prepared; and other information specified by the Secretary to the Treasury in Treasury Instructions as required to provide more detailed information or explanations.

CONTROLLING OFFICERS' RESPONSIBILITY

8. In terms of Section 10 of the Public Finance Management Act, it is the Controlling Officers' responsibility to maintain proper financial management systems. This involves keeping appropriate financial records, and where applicable, following generally accepted accounting principles. Responsibilities of management also include ensuring that: -
 - (a) Public funds are only used to the extent, and for the purpose intended by the National Assembly;
 - (b) All necessary precautions are taken to safeguard the collection and custody of public money;
 - (c) All necessary precautions are taken to safeguard public resources;
 - (d) All expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste;
 - (e) There is no over-expenditure of over-commitment of funds and a review is undertaken each month to ensure that there is no such over-expenditure or over-commitment; and
 - (f) The collection of public moneys is according to approved plans and the estimates.

The Controlling Officers prepared financial statements of their ministries, departments and agencies for the 2017/2018 financial year and submitted them for audit before they were consolidated by the Accountant General. In the year 2017/2018, most Controlling Officers submitted their financial statements for audit in time.

SCOPE OF AUDIT

9. In line with Section 13 (1) of the Public Audit Act (Cap.37.01), I am required to use Generally Accepted Auditing Practice (GAAP). In order to comply with the GAAPs, the audit of public accounts is performed in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audit is intended to provide an overall assurance of the general accuracy and propriety of Government's financial and accounting transactions. Although the audit is conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs), it does not guarantee absolute accuracy of the accounts or detection of every error, financial irregularities and fraud. However, I provide an assurance in my audit opinion as to whether or not the financial statements fairly present in all material respects the consolidated financial position of the Government of Malawi as at 30th June, of each year, and of its consolidated financial performance for the year then ended. In addition, commencing year ended 30th June 2013 each Controlling Officer is issued with a separate audit opinion on their individual financial statements.

The Public Audit Act Cap37:01 empowers me to use discretion and make tests in any particular case. The extent of audit examinations varied depending on the strength of internal control systems in operation and the nature of transactions involved. Substantive tests were made on selected areas of various ministries, departments and agencies, which form part of public accounts in order to form an opinion as to whether or not public money is expended economically, and in conformity with the wishes of the National Assembly. The audits have not been limited to the accounts for the year ended 30th June 2018 but have where necessary extended into the reviews of the preceding years.

AUDIT METHODOLOGY

10. The core objective of the external audit function is to ensure accountability of public funds. To discharge this responsibility my approach to audit involves the following:—
 - (a) Planning the audits to obtain relevant information in the most efficient manner and to determine the audit procedures employed;

- (b) Evaluation and testing of the accounting and internal control systems;
- (c) Testing of controls to ensure that procedures have been applied and that the relevant laws and regulations have been complied with, including the test for validity, completeness and accuracy of the accounts; and
- (d) Reporting the audit findings based on the audit procedures performed and evidence gathered.

RESPONDING TO AUDIT REPORTS

11. Section 14 (1) of the Public Audit Act requires a Controlling Officer, Head of an agency, statutory body or other affected person in respect of any matters that may relate to an audit, to respond to the Auditor General within fourteen (14) days of receiving the report.

Despite some progress, a significant number of Controlling Officers are unable to respond to audit reports in time as required by the Public Audit Act. The value of prompt feedback from Controlling Officers cannot be overemphasized.

On many occasions, Controlling Officers have been reminded of their responsibilities for the control and management of public funds entrusted to their care and their ultimate accountability to the National Assembly.

REPORTING PROCEDURE

12. In the course of preparing this report, each Controlling Officer was sent an appropriate draft paragraph for his/her comments and confirmation of the correctness of the facts presented. Where comments were received in good time and happened to be materially satisfactory, the affected draft paragraphs were amended accordingly, or dropped altogether. In cases where it was not possible for Controlling Officers to provide comments in the time available, the draft paragraphs formed part of this report without amendment.

This report is therefore, submitted in accordance with the requirements of Section 184 (2) of the Constitution of the Republic of Malawi and in terms of Section 15 of the Public Audit Act.

AUDIT OPINION ON THE ACCOUNTS

13. I am required to express an opinion on the public accounts based on my audit. My audit opinion on the public accounts for the financial year ended 30th June, 2018 is unmodified with Emphasis of Matter as follows:

Opinion

I have audited the accompanying Consolidated Annual Appropriation Accounts of the Government of Malawi for the year ended 30th June, 2018 and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the Consolidated Annual Appropriation Accounts of the Government of Malawi present fairly, in all material respects, the financial position of the Government of Malawi as at 30th June, 2018, and of its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the provisions of the Public Finance Management Act.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Malawi Government in accordance with the International Standards of Supreme Audit Institutions 30- Code of ethics (ISSAI 30) as promulgated by the International Organisation of Supreme Audit Institutions (INTOSAI), and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

I draw your attention to audit matters which require further action in the financial reporting for the current period with respect to the following:

Improvement from last year's observations

- (a) Misallocations have improved by reducing to K122,187,807.71 compared to K136,178,292 for the financial year ended 30th June, 2017 which represents an improvement of 10%.
- (b) Missing payment vouchers improved by reducing to K283,964,149.56 compared to K2,033,810,685.59 for the year ended 30th June, 2017 which represents an improvement of 86%.
- (c) Unsupported payment vouchers improved by reducing to K368,494,809.68 compared to K5,315,251,031.00 for the year ended 30th June, 2017 which represents an improvement of 93%.

Areas that have not improved from last year's observations

- (a) Reconciliation of Government Account Number One though on a steady improvement path needs some further improvement. There are some reconciling figures outside the IFMIS system which need to be cleared so that they do not appear in the reconciliations of the subsequent years (an amount of K25,050,250,804.00 relating to the 2014/2015 financial year appearing on the reconciliation as a balancing figure which was also used in the same way in the 2015/2016 reconciliation). It was indicated that the adjustment of IFMIS balances was awaiting the results of the forensic audit conducted by my office. Since the forensic audit was finalized, I, therefore, urge the Secretary to the Treasury to ensure that the process of effecting the adjustments is expedited. On another note, timely submission is needed for me to have ample time to audit the reconciliation.
- (b) Secondly, there is need for an improvement in terms of reconciliation of the Salaries Account. So far, only the net salaries are being reconciled leaving out the deductions and respective remittances. I have drawn comfort from the fact that the net salaries processed through the Automated Transfer System (ATS) facility account for over 60% of the total Personal Emoluments bill. The total gross expenditure on Personal Emoluments for the 2017/2018 financial year, stood at K305 billion.

My opinion was not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Consolidated Annual Appropriation Accounts of the current period. These matters were addressed in the context of my audit of the Consolidated Annual Appropriation Accounts as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

I determined that there are no key audit matters to be communicated in my report.

PART II

OVERALL BUDGET PERFORMANCE 2017/2018

BUDGET OUTTURN—REVENUE

14. Total revenue collected during the period ended 30th June, 2018 was K1,011.8 billion which reflected an increase of K57.9 billion (6%) over the 2016/17 amount of K953.9 billion. The main sources of revenue were Tax Revenue K854.0 billion, Non-Tax Revenue K88.6 billion, Dedicated Grants K24.9 billion and Project Grants K44.3 billion.

The approved budgeted revenue was K1,104.8 billion and revised downwards to K1,009.7 billion (8.6%). The main revenue category that affected this was tax revenue which had a reduction of K63.9 Billion (7.3%). Actual revenue collection for the 2017/18 financial year was more by a net of K2.1 billion as compared to the revised amount of K1,009.7 billion. The over-collection was mainly on Tax Revenue amounting to K40.2 billion, Non Tax Revenue amounting to K1.6 billion and Dedicated Grants amounting to K1.4 billion which in total amounted to K43.2 billion. There was an under collection of K41.1 billion on Project Grants which reduced the total over collection to a net amount of K2.1 billion. The trend of revenue collection for the past four years is tabulated in Table 1 below:

Table 1: The trend of revenue collection for the past four years

Year	Approved Provision K'000	Revised Provision K'000	Actual Collection K'000	Percentage/ Over	
				Over/(Under) Collection K'000	(Under) Collection %
2014/2015	539,893,378	683,384,000	636,417,483	(46,966,517)	(7%)
2015/2016	699,852,567	785,646,869	742,229,582	(43,417,287)	(6%)
2016/2017	829,949,871	988,065,000	953,910,389	(34,154,611)	(4%)
2017/2018	1,104,784,111	1,009,749,629	1,011,827,903	2,078,274	0.2%

With reference to Table 1 above, the general assessment of budget provision compared to the actual collection indicates that for the past three years, though the differences have been negative they are not significant especially for the 2016/17 financial year. It is therefore, encouraging that the budget planning and forecasts were close to realistic.

BUDGET OUT TURN—EXPENDITURE

15. During the year under review, total recurrent expenditure charged to the Consolidated Fund was K1,068.1 billion resulting into an increase in expenditure of K282 billion when compared to the total expenditure of K786.1 billion for 2016/2017 financial year representing an increase of 35.9%. During the financial year under review, funds amounting to K261.4 billion from the Recurrent Account were transferred to Development Account Part I and II amounting to K188.2 billion and K73.2 billion respectively. This brings the total expenditure on Recurrent Budget to K1,329.5 billion. The overall performance of the recurrent expenditure had a net deficit of K317.6 billion which compared unfavorably to a net surplus of K7.8 billion for the financial year 2016/2017. The other contributing factor apart from the transfers to the development budgets is the deficit (total revenue versus total expenditure) of K56.3 billion.

CONSOLIDATED REVENUE ACCOUNT

16. The consolidated revenue account worsened in performance during the 2017/2018 financial year since the account had a cumulative deficit of K389 billion as at 30th June, 2018, as compared to a cumulative deficit of K71.4 billion as at 30th June, 2017 and was arrived at as follows:

Table 2: The Consolidated Revenue Account as at 30th June, 2018

Description	K'000
Deficit balance brought forward as at 1st July, 2017	(71,397,762)
<i>Add:</i> Revenue for the year	1,011,827,903
<i>Less:</i> Expenditure for the year	(1,068,055,444)
Transfer to Development Part II	(73,165,053)
Transfer to Development Part I	(188,208,017)
Cumulative Deficit carried forward as at 30th June, 2018	<u>(388,998,373)</u>

The planned recurrent surplus for the year under review was K135.1 billion since the Government planned to collect and spend K1,104.8 billion and K1102.1 billion respectively but the actual position was a deficit of K317.6 billion as at 30th June, 2018. The actual Revenue Account out-turn as at 30th June, 2017 was a Surplus of K7.8 billion as shown in Table 3 below.

The annual deficit is largely attributed to lack of financial discipline on expenditure management which registered an over-expenditure on the recurrent budget.

Table 3: Recurrent Budget Performance for the past four years is as follows:—

Years	2014/2015	2015/2016	2016/2017	2017/2018
Amount in	K'000	K'000	K'000	K'000
Actual Revenue	636,417,483	742,229,582	953,910,389	1,011,827,903
<i>Less:</i> Actual Expenditure	(585,307,849)	(720,320,857)	(786,057,755)	(1,068,055,444)
Transfer to Dev. Part II	(21,888,812)	(22,155,630)	(26,345,854)	(73,165,053)
Transfer to Dev. Part I	—	(103,279,358)	(133,694,011)	(188,208,017)
Surplus/(Deficit)	<u>29,220,822</u>	<u>(103,525,262)</u>	<u>7,812,769</u>	<u>(317,600,611)</u>

Details of actual receipts and payments are articulated in statements 3 and 4 of the Appropriation Accounts.

The following is an analysis of the votes under Recurrent Budget. Eleven (7) votes on Central Government recorded an over expenditure of K28.0 billion. The votes are as follows:

Table 4: Votes with Over expenditure of K28.0 Billion

Vote	MDA	Amount (K'000)
274	Roads Fund Administration	24,312,758
050	State Residences	2,873,582
273	Malawi Revenue Authority	412,692
090	Office of the President and Cabinet	284,481
341	Malawi Police Service	65,189
275	Sub vented Organizations	53,005
240	Office of the Vice President	3,680
		<u>28,005,387</u>

Except for vote 273 Malawi Revenue Authority and vote 274 Roads Fund Administration which had no immediate explanation, the rest of overspent votes had extra budgetary allocations which were duly approved. However, I was not furnished with the approved Revised Appropriation Act reflecting the same.

Thirty-Nine (39) votes recorded under expenditures of K14.2 billion. The largest unspent balances occurred in the following votes:

Table 5: Votes with under-expenditure of K14.2 Billion

Vote MDA	Amount (K'000)
420 Roads Authority	3,000,000
260 Ministry of Foreign Affairs and international Cooperation	2,965,256
250 Ministry of Education Science and Technology	2,323,623
190 Ministry of Agriculture, Irrigation and Water Development	1,854,847
276 National Statistical Office	644,966
270 Ministry of Finance, Economic Planning and Development	516,172
	<u>12,299,253</u>

The underperformance relate to decreased activities and low funding. In the 2017/2018 Financial Year, the Government experienced a shortfall on budgetary support hence most of the votes with an overall under expenditure, had experienced some cuts in terms of funding.

The overall state of affairs of the Recurrent Budget as at 30th June, 2018 was a net deficit of K317.6 billion, registering a decrease of K309.8 billion from a surplus of K7.8 billion recorded at the end of the 2016/2017 financial year. This indicates that there was poor budget performance in the Recurrent Budget.

The Revised Estimates figures on the Consolidated Annual Appropriation Accounts as provided by the Secretary to the Treasury showed differences with the Integrated Financial Management Information System (IFMIS) Revised Estimates Figures provided by the Accountant General. The latter are referred to as system figures. The total Revised Estimates figures from Treasury were K583.1 billion while the system had a total revised figure of K625.6 billion giving a difference of K42.5 billion.

CONSOLIDATED DEVELOPMENT ACCOUNT

17. The total expenditure charged to Development Account for the year ended 30th June, 2018 amounted to K202.6 billion reflecting an increase of K46.9 billion over the previous year's expenditure of K155.7 billion.

A comparative analysis of expenditure out-turns of the Development Account for the past four years is as follows:

Table 6: Trend analysis of expenditure for four years of consolidated development account

Years	2014/2015	2015/2016	2016/2017	2017/2018
Amount in	<u>K'000</u>	<u>K'000</u>	<u>K'000</u>	<u>K'000</u>
Approve Estimates	196,160,831	216,095,677	246,674,936	336,274,000
Revised Estimates	192,939,579	202,495,205	246,674,936	357,496,451
Actual Expenditure	<u>60,537,416</u>	<u>118,695,952</u>	<u>155,680,420</u>	<u>202,577,247</u>
Under Expenditure	<u>132,402,163</u>	<u>83,799,253</u>	<u>90,994,516</u>	<u>154,919,204</u>
Under expenditure %	<u>69%</u>	<u>41%</u>	<u>37%</u>	<u>43%</u>

The following is an analysis of the sampled votes under development account. Only Office of the Vice President and Cabinet (Vote 240) recorded an over-expenditure of K5.3 billion. Twenty-Six (26) votes recorded under expenditures of K160.2 billion.

The largest unspent balances occurred in the following votes;

Table 7: Largest unspent balances per MDA of K157,745,612

Vote	MDA	Amount (K'000)
190	Ministry of Agriculture, Irrigation and Water Development	59,359,522
272	Local Development Fund	19,270,595
330	Ministry of Information and Civic Education	17,003,953
274	Road Fund Administration	16,013,253
310	Ministry of Health	13,280,976
250	Ministry of Education Science and Technology	13,094,696
470	Ministry of Natural Resources, Energy and Mining	10,658,870
275	Subvented Organisation	4,590,475
370	Ministry of Labour, Youth and Man Power Development	2,882,329
170	Ministry of Civic Education, Culture and Community Development	1,590,944
		<u>157,745,612</u>

The unspent balances on the Development votes could be a reflection of projects which were not implemented in full due to delays and low disbursements from project donors and lack of expertise on implementation.

The overall state of affairs of the Development Account as at 30th June, 2018 was a cumulative Surplus of K43.5 billion, registering an increase of K58.8 billion from a cumulative deficit of K15.3 billion recorded at the end of the 2016/2017 financial year. Details are in Table 8 below:

Table 8: Cumulative deficit in Development Account

	<u>Amount (K'000)</u>
Receipts during the year	261,373,070
<i>Less:</i> Payments	(202,577,247)
Surplus/(Deficit) for the year	58,795,823
<i>Add:</i> Opening balance	<u>(15,258,230)</u>
Cumulative Surplus as at 30th June, 2018	<u>43,537,591</u>

CONSOLIDATED FUND

FINANCING OF THE DEFICIT

18. The Budget Statement for 2017/2018 financial year envisaged a deficit of K188.4 billion on the total Recurrent Budget since total revenues and grants were projected at K1,108.8 billion and total expenditure and net lending were projected at K1,297.2 billion, while the Development Budget was expected to break-even at K348.4 billion.

During the year under review, the Recurrent Revenue Account collected K1,011.8 billion while the Recurrent Expenditure was K1,068.1 billion resulting into a deficit of K56.3 billion.

The Development Account realized K261.4 billion; registering an increase of K101.4 billion when compared to K160.0 billion of 2016/2017 financial year. Expenditure for the year was K202.6 billion resulting into a surplus of K58.8 billion.

Table 9: The combined net cumulative position of the Recurrent and Development Accounts for the past four years is as follows:

<u>Year</u>	<u>Combined (Deficit)/Surplus K'000</u>
2014/15	102,852,990
2015/16	(98,828,207)
2016/17	(86,655,992)
2017/18	(345,460,782)

It is envisaged that strict compliance with the provisions of the Public Finance and Management Act and Public Procurement Act will further improve public financial management and control in Ministries, Departments and other Government Agencies.

PREPARATION OF FINANCIAL STATEMENTS BY MINISTRIES AND DEPARTMENTS

19. The Controlling officers started preparing financial statements for their ministries and departments from 2011/2012 financial year when an acceptable format for presenting the financial statements was approved and introduced in the ministries and departments.

Although ministries and departments started preparing own financial statements from 2011/2012 financial years, there are still a lot of challenges, which need to be mitigated in order to ensure timely preparation of the financial statements. The Accountant General should continue to train accounting personnel in the ministries, departments and agencies in the preparation of the financial statements and accounts in order to enhance capacity and improve quality of the financial statements.

The financial statements of the votes listed below for the financial year ended 30th June, 2018 were submitted to me for audit.

VOTE MDA

93	Department of Human Resource Management and Development
101	National Defence
120	Local Government and Rural Development
130	Lands, Housing and Urban Development
190	Agriculture, Irrigation & Water Development
240	Office of the Vice President and Disaster Management Affairs
250	Education, Science and Technology
260	Foreign Affairs and International Cooperation
270	Finance, Economic Planning & Development
271	Accountant General
276	Health (Department of Nutrition)
320	Gender, Children, Disability and Social Welfare
330	Civic Education, Culture and Community Services
340	Homeland Security
370	Labour, Sports, Youth and Manpower Development
390	Industry, Trade and Tourism

400 Transport and Public Works
460 Electoral Commission
470 Natural, Resources, Energy and Mining
520 Legal Aid Bureau
560 Law Commission
Staff Development Institute
National Youth Council
Cotton Council of Malawi
Animal Health and Livestock Development Fund
Public Land Development Fund
Housing Management Fund
Research Services Fund
Public Homeownership Fund

PART III

MINISTRIES, DEPARTMENTS AND AGENCIES

DEPARTMENT OF HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT

20. An audit inspection of the financial and other information for Department of Human Resources Management and Development for the year ended 30th June, 2018 was completed in November, 2018. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as.

Overall Performance on the Recurrent Budget

This was budgeted at K34,208,060,000 and revised to K920,601,000. However, the actual out-turn was K919,722,000 representing 99.9% of utilization of the revised total budget.

Overall Performance Development Budget

The approved development budget was K150,000,000 and revised to K150,000,000. However, the actual out-turn is K150,000,000 representing 100% utilization of the revised budget.

(a) Subsistence Allowances Paid Without Authority To Leave Duty Station Forms: K21,590,000.00

Accountant Generals Desk Instruction 6.7ii and Circular 16/06/04 dated 16.01.1986 requires that payment vouchers should be fully supported by relevant documentation. In case of subsistence allowances a duly completed 'Request to Leave Duty Station Form' is supposed to be attached to the payment voucher.

Contrary to the above requirement, an examination of payment vouchers for subsistence allowances disclosed that the ministry paid officers subsistence allowances amounting to K21, 590,000.00 without authority to leave duty station forms.

STAFF DEVELOPMENT INSTITUTE

21. An audit inspection of the financial and other information for Staff Development Institute for the year ended 30th June, 2018 was completed on 20th August, 2018.

The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented in paragraphs below;

(a) Under Banking of Revenue Collected: K1,800,600.00

Treasury Instruction 2.6(1) (d) of 2004 requires the controlling officer to have all the mechanism of revenue management in place so that all necessary precautions are taken to safeguard the collection and custody of public money.

A review of general receipts against the bank deposits for the period between October 2017 and June, 2018 revealed under banking of the revenue. The Institute collected K9,579,300.00 and out of this amount, K7,778,700.00 was banked leaving the balance of K1,800,600.00 under banked.

(b) Stores Items Not Traced To The Ledger: K4,841,374.75

Treasury Instructions (2004) 11.7, among other things, requires that receipts and issues of all stores be recorded in the stores ledger for proper accountability.

Contrary to the requirement a review of payment vouchers and stores registers revealed stores items amounting to K4,841,374.75 were not recorded in the ledger as per the above requirement.

(c) Payment Vouchers Without Supporting Documents: K5,673,012.50

Treasury Instructions 2004 section 5.9(a), state that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions and that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff.

Inspection of payment vouchers disclosed that payments amounting to K5,673,012.50 were submitted for audit without supporting documents.

MINISTRY OF NATIONAL DEFENCE

Reviews for 2016/2017 Not Cleared

22. An audit inspection of the financial and other information for Ministry of National Defence for the year ended 30th June 2017 was completed on 12th October, 2017. The audit disclosed weaknesses in financial and internal controls.

The observed weaknesses from the audit of the Ministry of National Defence are presented below:

(a) Misallocation Of Expenditure:—K11,059,734.00

Treasury Instruction (2004) 4.14 (1) stipulates that specific approval is required before any allocations can be vired or transferred between outputs. If the Controlling Officer is satisfied that the provision against a programme/item will be inadequate, he/she may submit an application to the Secretary to Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed by the Controlling Officer. If the Secretary to the Treasury is satisfied with the application for virement, he shall issue a numbered virement Warrant.

An examination of payment records in respect of Other Recurrent Transactions (ORT) and the Development (Part II) account established that expenditure amounting to K11,059,734.00 incurred between 16th September, 2016 and 30th June, 2017 was charged to incorrect expenditure line items. There was no evidence to indicate that approval to transfer funds within the sub items was sought from the Secretary to the Treasury and that no measures were taken to correct the situation.

(b) Stores Purchases Not Recorded In The Stores Ledger:—K17,328,260.00

Treasury Instruction 11.7 of 2004 requires that all purchased of stores should first be recorded in the stores ledger and that issues should be recorded and signed for by the recipients to acknowledge receipt.

An examination of payment vouchers and the delivery notes disclosed that purchases valued at K8,040,760.00 and K9,287,500.00 in respect of Other Recurrent Transactions and Development Part 2 account respectively which were purchased between 22nd September, 2016 and 30th June, 2017 were not recorded in the stores ledger. In the absence of the signed disposal records, it was very difficult for the auditors to ascertain proper accountability of the purchased items.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

23. An audit inspection of the financial and other information for Ministry of Local Government and Rural Development for the year ended June 2018 was completed in October, 2018. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Overall Performance for Other Recurrent Transactions

The approved budget for Ministry of Local Government and Rural Development was at K2,889,111,000 and was revised to K2,381,666,000. However, the actual out-turn was K2,381,945,000 representing 100% utilization of the revised estimates.

Overall performance for development Expenditure

The approved development budget comprising donor funded projects (Part I) and locally funded projects (Part II) was K8,520,000,000 and was not revised to K12,270,000,000. The actual expenditure for the period was K11,912,155,000 representing 97% budget utilization.

The observed weaknesses from the audit of the Ministry of Local Government and Rural Development are presented below:

(a) Procurements Made from Suppliers Not Registered Under Public Procurement and Disposal Act (PPD) Act: K5,684,267.01

Public Procurement and Disposal of Public Assets section 52 states that in order to be eligible to be awarded a procurement contract, a bidder shall be registered, depending upon the nature of the contract, with the Registrar of Companies, or with the National Construction Industry Council of Malawi, or such other entity as may be prescribed by regulations.

A review of suppliers contracted by the Ministry indicated that procurements amounting to K5,684,267.01 were made to suppliers not registered with the PPDA. With such type of procurements, value for money could not be achieved.

(b) Maintenance of Motor Vehicles at Private Garages without PVHES Inspection Certificate: K1,743,000.00

Circular Reference number HVMC 1006 of 12th August 2006 from the Controller of Plant and Vehicles requires all Government motor

vehicles to pass through Plant and Vehicle Hire Engineering Service (PVHES) for inspection before and after repairs to ensure that proper maintenance and repair procedures are followed and to ensure value for money in the procurement of maintenance services.

An examination of payment vouchers revealed that an amount of K1,743,000.00 was used to pay for maintenance of motor vehicles at private garages without PVHES inspection certificate by the Plant and Hire Engineering Services. The PVHES inspection assures the Ministry of quality service of the vehicles.

(c) Fuel Not Accounted for: K3,560,000.00

Treasury Instruction 11.6 of 2004 and Section 20.2 of the Local Authorities Accounting and Financial Management and Procedures Manual, require all fuel purchased to be recorded in the fuel registers, and issues signed for by the recipients. Fuel drawn into vehicles should be recorded in the respective motor vehicles log books. Government Circular Ref. N0. CS/S/001 dated 2nd March, 2010 on Measures on the Management of Government Fleet (13–14) from the Chief Secretary to the Government states that Controlling Officers shall be obliged to submit monthly motor vehicle returns to the Chief Secretary to the Government with copies to the Auditor General and the Accountant General.

A review of payments for purchase of fuel revealed that failed to produce document to account for fuel valued at K3,560,000.00 purchased during the period under review. It was, therefore, difficult for the audit team to ascertain the disposal and accountability of the fuel.

(d) Payment Vouchers Without Supporting Documents: K113,432,000.00

Treasury Instructions No 5.15.1 states that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit Office.

An examination of payments revealed that payment vouchers amounting to K113,432,000.00 were submitted for audit without supporting documents. Consequently, the audit team failed to ascertain the validity of the payments.

(e) Procurements Made Without Procurement Plan: K54,273,142.50

Treasury Instruction 4.14(1) requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another as represented by codes in the Integrated Financial Management Information System. In addition to this section 39(1) of Public Procurement and Disposal Act (2017) states that procuring and disposing entities shall plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in this Act.

An examination of procurement plan, payment vouchers, cashbook, vote's ledgers and expenditure statement by cost centre revealed that expenses for some items amounting to K54,273,142.50 were procured even though they were not budgeted and planned for.

MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT

24. An audit inspection of the financial and other information for Ministry of Lands, Housing and Urban Development for the year ended 30 June 2018 was completed on 30th October, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Overall Performance on the Recurrent Budget

This was budgeted at K15,196,623,000 and revised to K14,670,620,00. However, the actual out-turn was K13,676,230,000 representing 93.2% of utilization of the revised total budget.

Overall Performance Development Budget

The approved development budget was K2,350,000,000 and revised to K950,000,000. However, the actual out-turn is K785,364,000 representing 82.7% utilization of the revised budget.

The observed weaknesses from the audit of the Ministry of Lands, Housing and Urban Development are presented below:

(a) Misallocation Of Expenditure: K9,737,263.51

Treasury Instructions No. 4.14(1) (2004) requires that all expenditures should be charged to an appropriate vote and that the expenditure should be classified strictly to in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another as represented by codes in the Integral Financial Management Information System.

An examination of expenditure records for the Ministry revealed that during the period under audit, payments amounting to K9,737,263.51 were charged against wrong expenditure codes.

MINISTRY OF AGRICULTURE IRRIGATION AND WATER DEVELOPMENT

25. An audit of financial statements of Ministry of Agriculture, Irrigation and Water Development for the financial year ended 30th June, 2018 was completed on 5th December, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Overall Performance on the Recurrent Budget

This was budgeted at K77,194,497,000 and revised to K116,670,859,000. However, the actual out-turn was K114,816,012,000 representing 98.4% of utilization of the revised total budget.

Overall Performance Development Budget

The approved development budget was K2,350,000,000 and revised to K950,000,000. However, the actual out-turn is K785,364,000 representing 82.7% utilization of the revised budget.

The observed weaknesses from the audit of the Ministry of Agriculture Irrigation and Water Development are presented below:

(a) Misallocation Of Expenditure Charges: K13,314,738.40

Treasury Instruction 4.14(1) (2004) requires that all expenditures should be charged to an appropriate vote and that the expenditure should be classified strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer

funds from one expenditure line to another as represented by codes in the Integrated Financial Management Information System (IFMIS).

An examination of payment vouchers for the period under audit revealed that expenditure amounting to K1,007,969.65 for Ministry Headquarters and K12,306,768.75 for Crops Department was charged against wrong expenditure codes or vote and there was no prior approval from the Secretary to the Treasury to regularise the transactions.

(b) Payment Vouchers Not Presented For Audit Inspection: K2,149,750.00

Public Audit Act (2003) 7 (1) (a) stipulates that the Auditor General and every person authorized by him shall have full access at all reasonable times to all documents, books and accounts, relating thereto and subject to audit, and to any place where they are kept.

An examination of payment vouchers for the Ministry revealed that payment vouchers for the period under audit, amounting to K2,149,750.00 for the Department of Animal Health and Livestock Development (DAHLD) were not presented for audit inspection.

OFFICE OF THE VICE PRESIDENT AND DISASTER MANAGEMENT AFFAIRS

26. An audit inspection of the financial and other information for Office of the vice President and Cabinet for the year ended 30 June 2018 was completed on 6th November, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Overall Performance on the Recurrent Budget

This was budgeted at K5,206,819,000 and revised to K2,163,087,000. However, the actual out-turn was K2,166,767,000 representing 100.2% of utilization of the revised total budget.

Overall Performance Development Budget

The approved development budget was K3,090,000,000 and revised to K7,668,600,000. However, the actual out-turn is K12,919,474,000 representing 168.5% utilization of the revised budget.

(a) Payment Vouchers Not Presented For Audit Inspection: K16,025,610.95

Public Audit Act number 6 of 2003 section 7 (1) (a) states: For the purpose of fulfilling the functions and Auditor General duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

An examination of both OVP-Headquarters operation account and DoDMA cashbook and vouchers in the box files revealed that OVP-Headquarters operation account and DoDMA Other Recurrent Transaction (ORT) account payment vouchers worth K5,979,610.95 and K10,046,000.00 respectively totaling to K16,025,610.95 were not presented for audit inspection.

(b) External Travel Allowance Not Accounted For: K1,467,900.00

Treasury Instruction number 4.13.2.2 (2004) states that, unless otherwise indicated in the notes in the approved estimates, every Controlling Officer shall ensure that expenditure is in accordance with budgetary provisions, and that there are no over-expenditures.

An examination of payment vouchers and other related documents disclosed that Gloria Mtukule, an employee at the OVP, was paid external travel allowance totaling K3,449,565.00 for her trip to New York. Out of the total amount paid, an amount of K1,467,900.00 was reserved as contingency and was transferred to her bank account at FDH bank.

However, it is not known how this money was used since the expenditure details and supporting documents for the contingency money were not provided for audit inspection. Consequently, it was difficult for the inspecting auditors to ascertain the propriety of the expenditure.

(c) Payments Made Without Evidence Of IPDC Approval: K1,658,750.00

Desk Instruction for Public Procurement 11, says, Internal Procurement and Disposal Committees (IPDC's) must be established in all procuring entities. The IPDC's main responsibility is to ensure that the procuring entity's procurement activities are conducted in

compliance with the Act. This is done by reviewing key recommendations and documents submitted to it by the procurement unit, at key stages throughout the procurement process and approving or rejecting those recommendations and documents.

An examination of payment vouchers and its related documents revealed that the management made payment to various service providers worth K1,658,750.00 without evidence of the involvement of Internal Procurement and Disposal Committee.

(d) Fuel Not Accounted For: K1,870,728.72

Treasury Instruction number 5.9 (b) (2004) requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger.

An examination of fuel register and logbooks for OVP-Headquarters and DoDMA revealed that fuel worth K1,870,728.72 purchased during the year under review had no records of receipt and issue. In the circumstances the audit team could not ascertain how the fuel purchased was accounted for.

(e) Payment Vouchers Without Supporting Documents: K18,463,856.72

Treasury Instruction No 5.15.1(2004) states that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit Office.

An examination of payment vouchers disclosed that payment vouchers amounting to K18,463,856.72 were submitted without supporting documents. Consequently, it was difficult for the inspecting auditors to ascertain the propriety of the expenditure.

(f) Procurements Made Without Sourcing Three Quotations: K15,730,935.62

The Accountant General Desk Instruction 5.2.1(iii) (2007) stipulates that a procuring entity shall request quotations from at least three bidders.

Payment vouchers were posted to quotations and it was discovered that the office procured items amounting to K15,730,935.62 using the

request for quotation method without evidence of sourcing at least three quotations.

(g) Airtime Not Accounted For: K3,273,000.00

Treasury Instruction 5.9(b) (2004) requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger.

An examination of payment vouchers revealed that airtime for office operations worth K3,273,000.00 purchased between February 2018 and April 2018 had no records of receipt and issue. It was, therefore, difficult for the audit team to ascertain their accountability.

(h) Stores Items Not Accounted For: K4,443,124.50

Treasury Instruction 5.9(b) (2004) requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger.

An examination of payment vouchers revealed that stores items for OVP- Headquarters and DoDMA worth K21,182,843.00 purchased between April 2018 and June 2018 had no evidence that the stores in question were received. It was, therefore, difficult for the audit team to ascertain their accountability.

National Disaster Appeal Fund (NDAF)

(a) Procurements Made Without Sourcing Three Quotations: K8,741,650.00

The Accountant General Desk Instructions 5.2.1(iii) (2004) stipulates that a procuring entity shall request quotations from at least three bidders to obtain maximum value for money.

An examination of payment vouchers revealed that goods and services worth K8,741,650.00 were purchased without sourcing at least three quotations. They also had no delivery notes and this made physical verification impossible. This was against the Public Procurement regulations and procedures.

(b) Stores Not Accounted For: K3,016,350.00

Treasury Instructions 11.7.1.5 (2004) provides that stores ledger for the purpose of recording the receipts and issues of all stores will be kept for each store.

An examination of payment vouchers and other documents during the period under audit review revealed that stores purchase worth K3,016,350.00 were not recorded in the stores ledger. It was, therefore, difficult for the audit team to ascertain their accountability.

(c) Fuel Not Accounted For: K7,381,632.47

Treasury Instructions 11.7.1.5 (2004) provides that stores ledger for the purpose of recording the receipts and issues of all stores will be kept for each store. This includes fuel which has to be recorded in fuel register and its issue needs to be signed for to ensure accountability.

An examination of payment vouchers and other documents during the period under audit review revealed that fuel purchases worth K7,381,632.47 had no records of receipt and issue. It was, therefore, difficult for the audit team to ascertain how the fuel in question was utilized.

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

27. An audit inspection of the financial and other information for the Ministry of Education, Science and Technology for the year ended 30 June 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Overall Performance on the Recurrent Budget

This was budgeted at K36,074,368,000 and revised to K37,413,818,000. However, the actual out-turn was K35,090,195,000 representing 93.8% of utilization of the revised total budget.

Overall Performance Development Budget

The approved development budget was K38,700,000,000 and revised to K32,718,277,000. However, the actual out-turn is K19,623,582,000 representing 60% utilization of the revised budget.

The observed weaknesses from the audit of the Ministry of Education, Science and Technology are presented below:

(a) Misallocation Of Expenditure: K3,277,011.00

Treasury Instruction (2004) 4.14 (1) stipulates that specific approval is required before any allocations can be vired or transferred between

outputs. If the Controlling Officer is satisfied that the provision against a programme/item will be inadequate, he/she may submit an application to the Secretary to Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed by the Controlling Officer. If the Secretary to the Treasury is satisfied with the application for virement, he shall issue a numbered virement Warrant.

An examination of payment records in respect of Other Recurrent Transactions (ORT) for Ministry of Education Headquarters, Nalikule College of Education and Lilongwe Teachers Training College disclosed that expenditure totaling K3,277,011.00 which was incurred during the year 2017/ 2018 was charged to incorrect expenditure line items. There was no evidence to indicate that approval to transfer funds within the sub items was sought from the Secretary to the Treasury and that no measures were taken to correct the situation.

(b) Fuel Not Accounted For: K19,600,000.00

Treasury Instruction (2004) 11.7 states that where consumable stores like fuel are received in bulk for subsequent issue on small lots, transactions shall be entered in a consumable stores ledger.

A review of payment vouchers for Lilongwe Teachers Training College disclosed that fuel amounting to K19,600,000.00 which was purchased between 11th August, 2017 and 4th May, 2018 was not recorded in the fuel register and was not supported with motor vehicle log books. It was, therefore, difficult for the audit team to ascertain proper accountability and disposal of the fuel.

(c) Stores Purchases Not Accounted For: K25,864,195.00

Treasury Instructions (2004), section 11.7 require that all purchased stores should first be recorded in the stores ledger and that issues should be recorded and signed for by the recipients to ensure proper accountability.

An examination of payment vouchers disclosed failure by management to adhere to the requirement of the above Treasury Instructions. It was noted that purchases totaling K25,864,195.00 which were purchased between 30th July, 2017 and 28th June, 2018 were not recorded in the stores ledger. It was, therefore, difficult for the audit team to ascertain proper accountability and disposal of the purchases in question.

MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

28. An audit inspection of the financial and other records of the Ministry of Foreign Affairs and International Cooperation for the financial year ended 30th June 2018 was completed in October, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Overall Performance on the Recurrent Budget

This was budgeted at K21,375,766,000 and revised to K18,100,438,000. However, the actual out-turn was K15,135,182,000 representing 84% of utilization of the revised total budget.

Overall Performance Development Budget

The approved development budget was K4,100,000,000 and revised to K3,600,000,000. However, the actual out-turn is K3,600,000,00 representing a 100% utilization of the revised budget.

The observed weaknesses from the audit of the Ministry of Foreign Affairs and International Cooperation are presented below:

Ministry Headquarters

(a) Nugatory Expenditure On Cancelled Air Tickets: K16,647,199.00

Section 10(h) and (i) for the Public Finance Management Act states that the Controlling Officer should ensure that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste and all necessary precautions are taken to safeguard public resources.

A review of payment vouchers showed that the ministry paid air tickets for various officers but they were canceled without any explanation. Consequently, the ministry was charged with cancellation penalty fee on the cancelled air tickets.

(b) Payment Of External Travel Allowances On A Fully Funded Trip: K7,625,500.00

Section 10(p) of the finance management act states that the controlling Officer is responsible to ensure that an effective system of internal control is developed and maintained and, unless the Secretary to the

Treasury approves otherwise in circumstances provided for in Treasury Instructions, an effective internal audit function is developed and maintained. One of the internal controls put in place by the Secretary to the Treasury is that no allowance shall be paid for a trip or an activity which is fully funded.

An inspection of payment vouchers and other financial documents revealed that some officers went for a conference meeting in China from 23rd to 25th November, 2017. According to an invitation letter from the organizers' of the meeting, transport, accommodation and meals in China would be met by the Chinese Government. However, the officers were paid external travel allowances.

(c) External Travel Allowances Paid For A Trip Not Undertaken: K301,370.04

Section 10(e) of the Public Finance Management Act (2003) states that, all expenditure, including salaries and other personal emoluments, is properly authorized and applied to the specific purposes for which it is appropriated.

An inspection of payment vouchers revealed that Dr I. M. Munlo was supposed to go to Mozambique for a conference meeting. This trip was cancelled but Dr I. M. Munlo got external travel allowances amounting to K301,370.04 on Voucher number 260PV6000217 dated 11th August 2017 which was paid on Cheque Number 169983 but as at the time of audit nothing was refunded.

(d) Abandonment of Motor Vehicles in the Garages

Section 10(i) of the Public Finance Management Act (2004) states that the Controlling Officer ensure that all necessary precautions are taken to safeguard public resources.

Inspection of Motor Vehicle files revealed that four motor vehicles belonging to the ministry were not in the custody of the ministry for over a year. This is contrary to the above requirement and management did not provide proper reasons why the vehicles were not in their custody.

Inspection of motor vehicle files revealed that four motor vehicles belonging to the ministry were abandoned at the garages and driver's home for over a year as at the time of audit. On enquiry, it was reported that the vehicles were waiting to be repaired but management was not making any effort to have the vehicles repaired since had stayed for too long in the garages and the driver's home.

(e) Payment Of Allowances “For Staff” Instead Of Through Officer’s Bank Accounts: K11,895,000.00

The Secretary to the Treasury on 10th December, 2010 issued a circular letter Reference Number ST/87 that stopped payment of subsistence allowance in cash to any government employee and directed that all payments should be made through individual officer’s employee’s bank account.

An inspection of payment vouchers showed that the Ministry made payments “For Staff” instead of paying direct to officers’ bank accounts as required. Management did not produce any authority from the Secretary to the Treasury allowing the use of payment “For Staff”.

(f) Fuel Not Accounted For: K29,000,000.00

Government Circular Ref. No CS/S/001 dated 2nd March, 2010 on Measures on the Management of Government Fleet (13-14) from the Chief Secretary to the Government states that controlling officers shall be obliged to submit Monthly Motor Vehicle Returns to the Chief Secretary to the Government with copies to the Auditor General and the Accountant General. It further stipulates that before such submissions are made, Internal Auditors shall examine the authenticity and accuracy of the log books and the Monthly Motor Vehicle Returns.

A review of payment vouchers, fuel register, log books for the period under review and enquiries from management disclosed that monitoring of fuel given to various officers was not effective. It was observed that fuel totaling K29,000,000.00 had no record to ensure its accountability. As such it was difficult to establish how the fuel was utilized.

(g) Stores Not Accounted For: K5,676,784.75

Treasury Instructions 11.6.1.3 States that where consumable stores are received in bulk for subsequent issue in small lots, the transactions must be recorded in the consumable ledger.

An examination of payment vouchers and fuel register revealed that during 2017/2018 financial year, the office purchased stores amounting to K5,676,784.75 which had no record as evidence that the stores were delivered. As a result, accountability of these stores items could not be ascertained.

(h) Unverified External Travel Allowances: K165,234.896.00

Section 7 (a) of the Public Audit Act, 2003 states that ‘For the purpose of fulfilling the functions and duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

A review of payment vouchers for external travel allowances and the related individual passports was carried out with a view to ascertain whether the trips were actually undertaken. It was, however, observed that travel passports for officers who were paid external travel allowances totaling K165,234.896.00 for trips to various countries were not presented for audit. In the circumstance, the audit team could not establish whether the external trips were undertaken or not.

(i) Failure To Prepare And Maintain Fixed Assets Register

Treasury instruction 5.32.1 states that all Controlling Officers shall maintain asset registers for all fixed assets bought using public resources in both electronic and hard copies. The Asset Registers shall conform to the format provided by Secretary to the Treasury for all classes of fixed assets. An inventory record of all office equipment and furniture (GP 207) must be kept in the room in which they are used and the details must include number of items and serial numbers, in case of office equipment or machines, copies of an inventory must be signed by the officer using the items with the original copy to the item holder and the duplicate in the equipment file with location indicated.

Inspection of financial record and observation in offices disclosed that the ministry had some assets and inventories in different Missions and at headquarters which were not recorded in the assets register nor on inventory sheets.

Enquiry from management revealed that Ministry Headquarters did not maintain the Asset Register in which to record its acquisitions and disposal of assets. The inventory sheets were outdated and in some offices they did not exist.

(j) Failure To Produce Planned Outputs For Audit Inspection

Section 7 (a) of the Public Audit Act, 2003 states that ‘For the purpose of fulfilling the functions and duties lawfully conferred or imposed on

the Auditor General, the Auditor General and every person authorized by him-shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books; and accounts relating thereto and subject to audit, and to any place where they are kept’.

However, the Ministry did not furnish the audit team with information of what it planned to achieve during the year under review. It was therefore difficult for the audit team to analyse and assess the effectiveness of the implementation of the 2017/2018 budget in terms of planned against actual outputs.

Foreign Missions

Reviews for 2016/2017 Not Cleared

MALAWI EMBASSY IN ETHIOPIA

29. An audit investigation of Ethiopia Embassy covering the years from 2013 to 2017 was completed in December, 2017. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management report addressed to the Controlling Officer which was issued and are presented below:

(a) Fake Remittance Advices Created By Mr. Grant Chabwera Kaipa Leading To Abuse Of US\$241,033.16 (K177,159,373.00)

A review of available documentation and interviews with some officers in the Ministry revealed that a senior accounts clerk, Mr. Grant Chabwera Kaipa was given the responsibility of managing the funding process that included preparation of Remittance Advices and communicating with the Mission on the same. It is normally signed by the Head of Finance and countersigned by the Head of Administration. The figures were manipulated such that the amounts indicated on remittance advices sent the mission were different from the ones actually remitted as evidenced by the remittance advices retained at the Ministry of Foreign Affairs and International Cooperation (Headquarters).

The Senior Accounts clerk would then collect the signed Remittance Advices, scan them and send the scanned copies to Heads of Missions through email copying the Head of Finance and Head of Administration of the Ministry. The senior accounts clerk, a Mr. Grant Chabwera Kaipa took advantage of loose internal checks to abuse public funds using a network of officials from the Ethiopian Malawi

Mission to manipulate the Remittance Advices. The senior accounts clerk took advantage of the weakness by creating parallel RAs, and scan the signatures and then send the fake RAs to Missions. This was by deliberately not copying these fraudulent RAs emails to the authorized signatories or Controlling Officer except those which were not tampered with. The senior accounts clerk single handedly prepared and submitted these RAs. We therefore conclude that he was responsible for these fake RAs. According to the entrance meeting in Ethiopia it was confirmed that RAs that were filed were being sent by Grant Chabwera Kaipa through emails from Malawi. These fake remittance advices had reduced funding amount and the difference in terms of the actual funding and indicated the amount that was being cashed by the Mrs. Doreen Kapanga and Fletcher Mada Chowe.

(b) Fraudulent Payments To Personal Accounts Of Mrs. Doreen Chavula Kapanga, Fletcher Mada Chowe And M. Muleta—K444,087,845.00

The audit team having gone through the documentation such as bank statements, payment vouchers and report issued by Internal Auditors of the Ministry of Foreign Affairs and International Cooperation discovered that the two officers at the Mission deliberately had an intention to defraud the Government by acting in collusion on various transactions. Their plans were premeditated with a careful well-rehearsed decided to defraud the Government funds in the following manner:

- Fake remittance advices (which usually reflected smaller figures than the original ones) were emailed to the embassy by the senior accounts clerk, Mr. Grant Kaipa. Then the Deputy Head of Mission, Mrs. Doreen Kapanga would download the email and put the fake remittance advices on official file. Apparently, she was well aware of the actual/original funding figures having been informed by Mr. Grant Kaipa. The plan was to hide the actual funding figures from other diplomats who were not involved in the scheme so that they could easily cash and deposit the difference between the fake RAs and the genuine ones into the personal accounts of Mrs. Doreen Kapanga and Fletcher Mada Chowe without any suspicion.
- Upon successfully executing their scheme of manipulating Remittance advices and deceiving others, the two officers would then issue cheques disguised as payment for rentals, shipments of

goods for recalled diplomats and advances. The advances were actually not recovered.

- Fake supporting documents were used to fraudulently make transactions using the public funds. Payment vouchers were dubiously written in the name of the landlords. However, the cheques were not paid to the landlords, instead the two officers used to cash them and deposit the cash in their personal accounts. We obtained cheque images from the bank and also relied on other images already obtained by Internal Auditors of the Ministry of Foreign Affairs and International Cooperation). We believe the names of payee on the cheque were interchangeably written with the intention to mislead whoever would be following up these fraudulent transactions.

See Table 10 below for details:

Table 10: Fraudulent transactions and the recipients' details

Date	Cheque No	Amount (USD)	Payee Name	Details
27.10.15	1085533	39,455	Chowe Fletcher Mada	Deposited into personal account No. 1000052441068 of-Chowe Fletcher Mada
01.10.15	1085530	29,500	Chowe F. Mada	Cashed by Chowe F. Mada
10.09.14	857866	34,000	Yohannes Debebe	Dubiously indicated as Rent for DHM who already left after recall. Deposited into personal account No. 1000052441068 of-Fletcher Mada Chowe
27.08.14	1067870	8,000	Chowe Fletcher Mada	Deposited into personal account No. 1000052441068 of-Chowe Fletcher Mada
27.02.15	1116509	40,000	Chowe F. Mada	Deposited into personal account No. 1000052441068 of-Chowe F. Mada
22.12.15	1131462	49,474.99	Chowe Fletcher Mada	Deposited into personal account No. 1000052441068 of-Chowe Fletcher Mada
03.09.15	1131460	4,500	Cash	Cashed by Accountant Muskerem Muleta for personal use
03.09.15	1131459	4,000	Cash	Cashed by Accountant Muskerem Muleta for personal use
17.03.15	1131451	49,000	Doreen Chavula Kapanga	Cashed by Doreen Chavula. Kapanga
09.03.15	1131452	58,000	Fletcher Mada Chowe	Cashed by-Fletcher Mada Chowe
05.06.15	1131453	48,458.16	Chowe Fletcher Mada	Cashed by Chowe Fletcher Mada
07.07.15	1131455	45,000	Chowe F. Mada	Cashed by Chowe F. Mada
03.09.15	1131456	40,000	Chowe F. Mada	Cashed by Chowe F Mada
03.09.15	1131457	26,813	Doreen. Chavula Kapanga	Cashed by Doreen Chavula Kapanga
20.03.15	1085508	58,000	Malawi Embassy	Cashed by Chowe Fletcher Mada
30.09.15	1085529	5,300	Doreen Chavula Kapanga	Cashed by Doreen Chavula Kapanga
27.10.15	1085531	6,000	Doreen Chavula Kapanga	Cashed by Doreen Chavula Kapanga
03.09.15	1131458	4,000	Cash	Cashed by Accountant Muskerem Muleta for personal use

Date	Cheque No	Amount (USD)	Payee Name	Details
03.09.15	1131458	4,000	Cash	Cashed by Accountant Muskerem Muleta for personal use
16.03.15	1085507	49,500	Tigsit Moges	Dubiously indicated as rent for Ambassador, however his rentals truly paid on cheque numbers 1085518. Failed to get images
Total		604,201	Equivalent Kwacha	MK444,087,845.25

(c) Advances And External Allowance Not Accounted For By Mrs. Doreen Kapanga: K24,319,760.00

Our investigative audit exercise involved reviewing advances that were obtained by officers on the understanding that they would be recovered. We asked for the advances register, however the advances register that was provided did not record the deduction of the advances. We noted that payment vouchers were being approved by the same two officers who were beneficiaries as shown in the table 11 below. Details are as follows;

Table 11: Fraudulent payment vouchers approved by the same two officers who were beneficiaries

Date	Details	Amount (USD)	Amount K	Beneficiary
17.04.14	Advance payment to First Secretary A to be recovered from his salary in Malawi	15,000	6,274,650	Mr. Chowe Fletcher Mada
17.04.14	Advance payment to DHM to be recovered from his salary in Malawi	25,000	10,457,750	Doreen Kapanga
22.01.15	External travel allowance payable to officers from Malawi to attend AU Summit from Rentals	9,222	4,285,917	Mrs Meskerem Muleta
26.03.15	External travel allowance payable to officers from Malawi to attend COMESA Heads of State and Government Summit from PE	7,380	3,301,443	Mrs Meskerem Muleta
	Total	56,602	24,319,760	

We also noted that there were no recordings of all the monies that were withdrawn as cash from the bank on the understanding that these were meant to be external travel allowances for some officers from Malawi arriving in Addis for meetings. No liquidation sheets or any evidence was provided to show that the monies were indeed received by the rightful beneficiaries. We cross checked with the cheque pads to identify those officers who benefited, however it was discovered that the monies were collected by Mrs. Doreen Kapanga.

(d) Fraudulent Payments Collected By Mr Grant Chabwera Kaipa And Collin Kako Mpelembe For Personal Use-US\$30,000 (K22,440,000.00)

Malawi Mission in Ethiopia apart from facilitating bilateral cooperation between Ethiopia and Malawi, also acts as Malawi Mission to the African Union in all cooperation related to African Union. By its mandate, therefore, it facilitates Malawi Government involvement in all the meetings of the African Union and not any other Mission or consulate. However, we noted that Mr. Grant Chabwera Kaipa and Collin Kako Mperembe, the senior accounts clerks at MoFAIC and Ministry of Lands respectively fraudulently cashed funds amounting to \$30,000 (an equivalent to MK22,440,000.00) from the mission in the name of external travel allowances. According to our investigation, Mr. Grant Chabwera Kaipa and Mr. Collin Kako Mperembe his friend abused their positions and took advantage of the internal control lapses at MoFAIC to defraud government in an apparent collusion with the top embassy officials. The Mission's Accountant, Meskerem Muleta cashed the money from the bank on behalf of Mr. Grant Chabwera Kaipa and Collin Kako Mperembe. According to the documents reviewed, the two were disguised as delegates proceeding to Dubai to meet the Malawi Consulate . However, this was found to be pure fraud as there was no time that Malawi Government sent officers to UAE. The payment was fraudulently disguised as rentals on the payment voucher but further investigation revealed that the payment was actually in respect of upkeep allowance for the purported travel to Dubai by the two officers. The letter instructing the bank to make the fraudulent payment and identifying the two officers noted above as beneficiaries was signed by Mr. Fletcher Mada Chowe and Mrs. Doreen Chavula Kapanga. According to the bank statement, the transaction reference number was TT14367X88 dated 29/12/14 amounting to US30, 000. It is apparent that the signatories of the letter and the accountant knew what they were doing and therefore are accomplices to the fraud.

Reviews For Malawi Embassies for 2013/2014, 2014/2015 and 2016/2017 Not Cleared

30. An audit Malawi Embassy Missions covering the years from 2014 to 2016 was completed in December, 2016. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management report addressed to the Controlling Officer which was issued and are presented below:

A. LONDON, UNITED KINGDOM

i. Engagement Of A gardener At Kwacha House Without Formal Contract–K615,973.57

An examination of payment vouchers revealed that the Mission engaged E. Mustafa of Purdy ST, London E 33 PD to cut and remove trees, trim hedges, dig flower beds in front and back, clean the pavements and skip hire at the Official Residence (Kwacha House) in June, 2014 at a cost of GBP 970.00 (MK615,973.57).

Mr. E Mustafa was paid MK615,973.57 through payment voucher number 01 of 29 July, 2014 and cheque number 001 under the Development Account of the Mission. It was however observed during the audit that Mr. Mustafa was engaged to do the gardening at the Official residence without a formal contract.

ii. Wasteful Expenditure On The Rehabilitation Of The Official Residence-K2,637,440.00

The Malawi High Commission London decided in 2010 to rehabilitate and renovate Kwacha house (Official Residence of the High Commissioner) to put it in a habitable state and consequently meet all the stipulated building requirements by the British Government. In the circumstance the Mission had to first of all identify a consultant to assess the building and identify the works that ought to be done to the building. Management of the Mission then recommended that Oxford Consultants a firm which had earlier on supervised other rehabilitation works carried out at the Chancery by G. D. Construction.

It was revealed that the idea to engage Oxford Consultants to do the assessment of the Official Residence was abandoned after the office of the Director of Public Procurement had communicated its decision to withhold the NO Objection for the engagement on

the basis that procurement procedures were not adhered to through letter Ref. No.ODPP/03/28 dated 16 October, 2014.To this effect advertisements were floated in the newspapers to procure the services of a consultant to do the assessment of the building.

A review of records pertaining to the rehabilitation of the Kwacha house and payment vouchers revealed that whilst the Mission was in the process of recruiting a consultant to do the assessment of the Official Residence, Solutions 4 Interiors Ltd of 145-147 St John Street, London, EC1V4PW were paid a sum of GBP3, 936.00 through payment voucher number 5, dated 27 May, 2015 for having done the assessment of the Official Residence.

It was also noted that there was no evidence to indicate that the engagement of Solution 4 was approved by the internal procurement Committee.

In view of the fact that the Mission was obliged to engage another Consultant to assess the Kwacha House, the amount of GBP GBP3,936.00 equivalent to K 2,637,440.00 paid to Solutions 4 Interiors Ltd is considered to be wasteful expenditure leading to loss of public funds.

iii. Cash Withdrawn For State Residences But Not Accounted For: GBP58,000

A review of payment voucher number 36 dated 26th November 2015 revealed that the Mission paid GBP58,000 on cheque no 000112, to a member of staff of State residences who was not identified purported to be used for the official visit, further there was no records of any handover of the said funds.

B. BELGIUM AND MISSION TO THE EUROPEAN UNION

i. Payments Charged To Wrong Account—K7,211,807.64

Treasury Instruction (2004) 4.14(1) requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates.

An examination of payment vouchers relating to rent and schools fees for the period between July, 2013 and June, 2014, revealed that there were other payments not related to rent and school fees that were paid from this account. Such payments amounted to K7,211,807.64.

ii. Failure To Substantiate Loan Over Deduction—K456, 599.86

A review of transactions for the embassy disclosed that Miss Grace Banda was refunded an over deduction of her loan amounting to K456, 599.86 through payment voucher number 2142 dated 3rd February 2014. However, no supporting documents were provided to the audit team to substantiate how the loan came about.

iii. Abuse Of Government Scholarship Facility—K275,662.50

Section 4:691 of MPSR Book IV and the relevant circular issued by the Secretary for Foreign Affairs, provides for the payment of diplomat's children school fees or an allowance to allow the children to attain proper education.

A review of rent and school fees account and payment vouchers disclosed that the mission made a payment to The British School of Brussels for a school trip, for Elsie Mwachande's (First Secretary) daughter and Colleen Kagwembere amounting to K275,662.50 through cheque number 4038 dated 24th September 2014 . The payment was not in accordance with the requirement stated in the preceding paragraph.

iv. Remittance Without A Corresponding Deposit: MK18,605,864.00

A review of remittances advice note against bank statement for rent and fees revealed that a remittance of MK18, 605, 864.00 was not reflected on the bank statement for the related period as per the date of the remittance advice. The Mission could not trace the funding as such this was not accounted for.

v. Received Voucher Not Produced For Audit—K769,701.91

Government procedure requires that all monies that are received on behalf of other officers must be dully signed by the recipient as evidence that indeed the intended beneficiary received the money.

It was observed that a payment of K769,701.91 made to Gladys Chimpokosera on voucher number 1387 dated 30th June, 2015 from the visa account as allowances for Mrs Christie Chatima and Mrs Bridget Chiwaula paid by JT International through embassy's account was not signed for by the recipients. It was therefore difficult to ascertain if indeed the monies were received by the beneficiaries.

vi. Self-Authorisation Of Allowances—K12,634,076.03

A test check of internal control in respect of authorisation and countersigning of payment vouchers covering the period between August, 2014 and June, 2015 disclosed that payments amounting to Euro 24,241.12 (K12,634,076.03) in respect of foreign allowances and air tickets were signed by officers actually benefitting from the payment. The absence of segregation of duties depicted serious lack of internal controls in the mission.

vii. Failure To Substantiate Loan Over-Deductions—K696,318.60

A review of transactions for the embassy disclosed that during the months of February and March, 2016, Mr. Memory Chibwana was refunded an over deduction of his loan amounting to \$942.65 (K696, 318.60) through payment voucher number 2224. The audit team was not provided with supporting documents to substantiate the loan. As a result, the audit team could not ascertain the validity and accuracy of the loan refunds.

C. BERLIN, GERMANY

i. Differences in funding figures from treasury and actual funding received: K34,774,991.00

Berlin Mission receives funding from treasury through ministry of Foreign Affairs.

An examination of treasury funding, remittances to Berlin, and the Bank statements revealed that there were some differences in the amount of figures that treasury claim to have sent and the amounts received, the total difference amounted to K34,774,991.00.

ii. Embassy Funds Used For Unbudgeted Activities—K30,940,834.87

Treasury Instruction (2004) 4.13.2.3 stipulates that if a demand arises during the financial year, for a new type of expenditure, which although not included in the description in the Estimates, can be charged to an existing programme, the Controlling Officer shall seek Treasury Authority to incur that expenditure; and every such expenditure should be made within the approved budget and shall not be treated as extra budgetary expenditure.

It was noted that the Mission went on to bankroll certain expenditures that were not budgeted for by the Berlin Mission. Further the instructions were at times signed by any senior official in the Ministry instead of Secretary to the Treasury. This included payments to officials from Ministry of Justice. The audit team was not provided with any evidence to show how these funds amounting to 22,483,241.51 for the financial year 2014/2015 and K8,457,953.36 for the financial year 2015/2016 totalling K30,940,834.87 were accounted for by the Mission or the Ministry and evidence of any refund by the Ministry of Justice.

iii. Local Staff Working Without Contracts

An inspection of the personal files and interviews with the local staff showed that two employees had no contracts as at the time of the audit. These are Mr Kelo Turay (Utility driver) and Mr. Maximo Magtibay (Chauffer). In the absence of such contracts, the Mission and Government will be caught in a situation where hefty sums of monies will need to be paid if local staff provide unusual demands that will be outside the envisaged contract already prepared but not signed.

iv. Poorly Drawn Up Local Contracts—K120,301,065

Generally, any basic employment contract should provide for time period of employment, calculation of gratuities and severance pay and reasons of dismissal. Berlin Mission contracts were lacking in so many aspects giving an opportunity for employees to manipulate the contract and demand unentitled public monies. A review of the contracts documents revealed the following gaps:

- Contracts signed before 2014 did not provide a provision for severance pay or gratuity. The contracts only talked about severance pay and gratuity in sections 10 and 11 for dismissal purposes.
- Section 10 and 11 states that for dismissal on special reasons which are closure of the embassy and reduction of responsibilities, the employee will be entitled to severance pay which is two months' salary. However, the contract did not have an explanation of what would mean by 'reduction of responsibilities'.

- The contracts provided for yearly increment of 5% which was unsustainable and not in accordance with Government Policy. At the pace of increment then the local staff were bound to have salary increments several times higher than Foreign Service Allowance for diplomats which would create some imbalances.
- For new contracts that have been prepared the calculation of terminal benefits is indicated as ‘Annex’ but this is not referred to anywhere in the contract.
- Due to failure by the Mission to renew contracts and pay gratuity accordingly, local staff are demanding huge sums amounting to €140,703 which is equivalent to MK120,301,065 at the December 2016 current exchange rate.

D. BEIJING, CHINA

i. Payment Of Advances From Deposit Account— K8,056,533.55

Treasury Instructions (2004) 5.4.1.1 states that no advance may be made except from an advances account. Applications for authority to open an advance account should be addressed in writing to the Secretary to the Treasury.

Contrary to the above requirement, the embassy paid out advances through cheque numbers 1328423, 1431879 and 1431884 to members of staff totalling K8,056,533.55 from deposit account. The payment of advances from deposit account contravenes the requirement of section 5.4.1.1 of Treasury Instructions.

ii. Misallocation Of Funds:—K18,766,388.28

Treasury Instruction (2004) 4.14(1) requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates. The provision further requires that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another as represented by codes in the Integrated Financial Management Information System.

An examination of the expenses for the period under review revealed that some of the expenditure incurred was charged to wrong budget lines. Expenses which were charged to wrong budget lines during the year under review amounted to K18,766,388.23.

iii. Funds Borrowed From Deposit Account Not Refunded—K18,475,004.72

An examination of bank statement and payment vouchers for deposit account revealed that funds amounting to K18,475,004.72 that were withdrawn from deposit account were not paid back.

This would distort the financial position and related balances of the mission.

E. TOKYO, JAPAN

i. Non-Remittance Of Visa Funds From South Korea: K26,438,750.01.

South Korea is one of the accredited countries for the mission in Japan whose Honorary Consul collects visa fees on behalf of the Embassy of Japan.

An examination of records for the collection of revenue in South Korea revealed that revenue amounting to K26,438,750.00 was not remitted to the Embassy between November 2012 and March, 2013.

ii. Use Of Immigration Revenue Without Authority: K5,951,790.60

An examination of Immigration revenue records revealed that most of the immigration revenue was used for operational activities without authority. A total of US\$38,000.29 (K23,079,729.36) for the year ended 30th June 2015 was paid out of the revenue account.

F. CAIRO, EGYPT

i. Misallocation Of Funds From PE To ORT—K19,329,829.86

Treasury Instruction 4.14(1) requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates. The provisions

further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line items to another as represented by codes in the Integrated Financial Management Information System.

An examination of expenditure records revealed that the Mission made payments from the Personal Emoluments amounting to K14,870,909.50 for 2013/2014 and K4,458,920.36 for 2014/2015 financial years respectively, totaling to K19,329,829.86, which were charged to wrong budget codes such as office supplies, Public Utilities and Internal Travel.

ii. Loan Repayment To Ambassador's Forum On Behalf Of Former Ambassador J. Mussa–K5,449,194.45

A review of payment vouchers revealed that the Mission paid an amount of K5, 449,194.45 through cheque number 287631 and payment voucher number 218 dated 30th March 2014 to the Ambassador's forum, a grouping of ambassadors, on behalf of Ambassador Jaffalie Mussa, who misappropriated funds that were in his custody.

The Ambassador should have made good the amount he misappropriated on his own hence nugatory expenditure.

iii. VISA Revenue Not Accounted For–K3,425,013.47

It is a requirement that all revenue collected is banked intact and this information is reflected in the bank statement.

A review of the VISA revenue collection receipts, deposit slips, cashbook and bank statements revealed that the amount shown on bank statement was not agreeing with the corresponding amount shown in the cashbook. In some cases, the revenue collected could only be reflected in the cashbook without corresponding reflection in the bank statement while in other cases the amount banked was less than the amount collected. This resulted into none accountability of revenue totaling to K3,425,013.47, (K1,079,150.11 for 2014/15 and K2,345,863.36 for 2015/2016 financial year).

iv. Over Payment Of Settling In Allowance To Ambassador Mrs. C. Bwanali Mussa–K2,606,473.99

Book 4 provides for the payment of settlement allowance to officers who are taking up their posts at diplomatic missions. The amount provided for is US\$1680.00 (K824,058.65).

Contrary to this requirement, the records show that the Ambassador apart from the US\$1680.00, was also paid an additional US\$4,589.00 (K2,606,473.99).

G. NEW DEHLI, INDIA

i. Over Funding Beyond Approved Estimates-K194,457,929.04

An examination of budget, funding instructions against the funds receipted on general receipts, remittance advice note and credit advice disclosed that the mission was over funded by K194,457,929.04.

ii. Funds Transferred From One Account To Untraced Account-K16,347,075.00

An examination of bank statements disclosed that on 28th January, 2014, the mission had transferred \$39,500.00 which is equivalent to K16,347,075.00 from deposit account number 149773 to unknown account. Management failed to explain the purpose of the funds transfer and its accountability.

iii. Visa Fees Not Collected: K132,921,589.77

The Public Finance Management Act section 10 (1) (j) states that each Controlling Officer is responsible for ensuring that any tax, duty, fee, levy or any charge imposed by legislation for which the Ministry is responsible is collected promptly and to the fullest extent.

An examination of revenue receipts for the period ending 30th June 2015 and general receipts revealed that the Mission collected revenue in the form of Visa processing fee. The mission issued the visa letters without indicating how and where the visa fees should be collected and accounted for. Such Visa fees amounted to K132,921,589.77.

iv. Visa Processing Fees Collected Not Banked—K24,873,954.90

The Public Finance Management Act section 10 (1) (d) states that Each Controlling Officer is responsible for ensuring that all necessary precautions are taken to safeguard the collection and custody of public money.

An examination of revenue receipts for the period ending 30th June 2015 and general receipts and deposit slips revealed that the

Mission collected revenue in the form of sale of visa processing fees. However the whole amount of K24,873,954.90 reported to have been collected was not reflected on the bank statements.

**v. Unaccounted And Unapproved Funds Transfers–
K14,403,024.62**

Treasury Instruction 5.22.1 & 2 states that every Controlling Officer shall ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment and that no officer of a Ministry, Department and Agencies (MDA) shall spend or commit public money without the approval, either in writing or duly authorized electronic means of the Controlling Officer or a properly delegated officer or authorized officer of that MDA respectively.

An examination of bank statements revealed that transfers were made to personal accounts without payment vouchers, authorizations, approvals and proper accountability. Most of them were from visa and deposit USD account. Such funds amounted to K14,403, 024.62.

**vi. Duplicated Payment Of Allowances On The Same Dates–
K1,002,693.22**

Treasury Instruction 5.19.1(b) states that adequate internal controls shall exist within each Ministry Department and Agencies (MDA). And that expenditure is only incurred if appropriation exists, and is always validly and correctly authorized.

An examination of payment vouchers, cash book and bank statements revealed that double payments of subsistence allowances totalling K1,002,693.22 were paid to Mr. Davie Matope and Dr. Lewis P. Mbilizi for compiling a consolidated health report and closing 2014/2015 financial year report which occurred on the same dates from 27th June 2015 to 29th June 2015 and on the same venue Jay Pee Vasant.

**vii. Payments Made Without Supporting Documents:
K138,124,710.94**

Treasury Instruction 5.15.1 states that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full

supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit Office.

An examination of payment vouchers revealed that payments amounting to K138,124,710.94 were made without adequate and relevant supporting documents. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

viii. Non-Contribution Towards Utility Bills–MK7,958,229.58

Circular Ref. No. EA/1/4/82 dated 30th April 2008 titled “Operational Guidelines on Expenditure Control Measures” requires the Head of Mission to contribute 30% and the Diplomats to contribute 40% towards water and electricity bills.

An examination of payment vouchers and utility invoices disclosed that the Diplomats were not contributing anything on water and electricity. The total amount not contributed on utility bills was K7,958,229.58.

ix. Use of Unofficial General Receipts (GRs) To Collect Revenue

An examination of revenue records revealed that the mission was using unauthorised GRs to collect revenue in form of visa processing fees which was sourced and paid for to local printers instead of using the official government of Malawi General Receipts.

The improvised GRs were printed by Pundir Computer Printer. The weakness of the improvised GRs was that they did not have duplicate or book copies.

H. JOHANNESBERG, SOUTH AFRICA

i. Payments To Suppliers Made In The Name Of Staff: K2,313,757.48

Treasury Instruction 5.19.3 of 2004 requires that payments for all vouchers must be made by cheque or direct debit to a bank account. The payment is supposed to be paid direct to the supplier.

The above Instruction is re-affirmed with Circular Ref. No. EA/1/4/82 dated 30th April 2008 where Missions are advised to

refrain from making cash transactions for procurement of goods and services.

An examination of payment vouchers revealed that payment vouchers amounting to K2,313,757.48 which is an equivalent of US\$3, 004.88 were paid to suppliers through cheques drawn in the name of staff.

ii. Under Banking Of Revenue Generated From Sale Of Visa– K10,947,260.00

Treasury Instructions of 2004, section 5.8.2.1 stipulate that all revenue collected be banked intact and promptly. The Consulate has different sources of generating income such as sale of Visas, renewal of passports, issuing of temporary travel documents and others. These revenues are supposed to be banked intact and promptly as it is stipulated above upon their receipt.

An examination of general receipt and Visa sticker books, and bank deposits revealed that a total of MK7,723,260.00 for the financial year 2015/2016 and K3,224,040.00 for the financial year 2014/2015 totalling K10,947,260.00 was under banked.

iii. Visa Sticker Books Not Recorded In Security Document Register–K21,26,960.00

Verification of Visa sticker books dispatched by the Ministry of Foreign Affairs and International Cooperation to the Consulate disclosed that the Consulate did not record some of the Visa sticker books in a security documents register. A sample of the records showed that a total of 7 visa books were sold for MK21,236,960.00 equivalent to US\$27, 580.47 and not recorded in the security document register.

iv. Under-Contribution On Utility Bills: K6,493,162.02

Circular Ref. No. EA/1/4/82 dated 30th April 2008 titled “Operational Guidelines on Expenditure Control Measures” requires the Head of Mission to contribute 30% and the Diplomats 60% towards water and electricity.

An examination of payment vouchers and utility invoices disclosed that the Head of Mission and the Diplomats were contributing a flat rate of MK3,208 an equivalent to US\$4.17, less than what was required on paid water and electricity bills per month. The total under-contribution on sampled utility bills for

the 2014/2015 financial year was K6,493,162.02 an equivalent to U\$8,432.68.

v. Over-Expenditure On Approved Budget: K35,572,711.13

Treasury Instructions 4.13.2.1 of 2004 states that unless otherwise indicated in the notes in the approved estimates, every Controlling Officer shall ensure that expenditure is in accordance with budgetary provisions, and that there are no over-expenditure. Section 4.14.1 further states that specific approval is required before any allocations can be vired or transferred between outputs and that the application should be in writing and should be signed personally by the Controlling Officer.

An examination of the budget and actual expenditure through expenditure ledgers for the year 2014/2015 revealed that the Consulate overspent on its approved budget by K35,572,711.13 an equivalent to U\$46,198.33. For instance, city rates was over spent by 725%, fuel and lubricants was overspent by 397%, water and sanitation over spent by 289% and telephone charges was over spent by 239%.

I. DAR-ES-SALAAM, TANZANIA

i. Missing Visa Book

An examination of the security documents register revealed that Visa Book with serial number 351480-351539 which was issued to the Mission on 22/12/2015 went missing as the mission did not receive it.

Effort to trace it by management of the mission proved futile as a result the visa book could improperly be used by unscrupulous official.

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT

Ministry Headquarters

31. An audit of the financial statements of the Ministry of Finance, Economic Planning and Development for the financial year ended 30th June, 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Recurrent Budget Overall performance

This was budgeted at K6,687,449,000 and revised to K6,674,938,000. However, the actual out-turn is K6,158,766,000. Representing a Budget utilization of 87%.

Development Budget Overall performance

This was budgeted at K2,425,000,000 and revised to K2,225,000,000. However, the actual out-turn K1,624,527,000. Representing a Budget utilization of 92%.

The observed weaknesses from the audit of the Ministry of Finance, Economic Planning and Development are presented below:

(a) Spending Without Due Regard To Economy, Efficiency And Effectiveness: K818,470.36

Public Finance Management Act Section 10.1h requires that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

An inspection of the sampled payment vouchers revealed that the Ministry made a payment of K818,470.36 for motorcycle servicing. This amount was enough to buy another motorcycle and therefore value for money was not observed.

THE ACCOUNTANT GENERAL'S DEPARTMENT

32. An audit of the financial statements of the Accountant General's Department for the financial year ended 30th June, 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Recurrent Budget Overall performance

This was budgeted at K17,395,266,000 and revised to K8,586,198,000. However, the actual out-turn is K8,182,486,000. Representing a Budget utilization of 95%.

Development Budget Overall performance

This was budgeted at K300,000,000 and revised to K300,000,000. However, the actual out-turn was K299,967,000. Representing a Budget utilization of 100%.

The observed weaknesses from the audit of the Accountant General's Department are presented below:

(a) Manual Interface Between Payroll And Related Systems

The audit team observed that pensioner's payroll data was being transmitted in plain text and subjected to manipulation.

Processing of pensions involves three different standalone software namely, Human Resource Information Management System (HRMIS), and IFMIS and TIBCO. The three software are not interfaced and as such files are not transmitted through the systems. Outputs from HRMIS are transferred to TIBCO using removable storage devices.

(b) Inadequate Checking Mechanism For Completeness Of Pensioners' Payroll Changes

The audit team conducted a review of change sheets documentations and noted that there was no evidence that changes being introduced on the pensioner's payroll were being checked for completeness, accuracy and validity.

MINISTRY OF HEALTH

Reviews for 2013 not Cleared

Improving Access To High Quality Comprehensive HIV Related Services In Malawi Project

33. An audit of the Fund Accountability Statement for the period ended 30th June, 2014 was completed in July, 2018. The audit disclosed some weaknesses in financial control and other related gaps which were detailed in the management report addressed to the Controlling Officer.

(a) Overspent Budget Lines: K938,857,046.37

Treasury Instruction 4.13.2.2 requires that unless otherwise indicated in the notes in the approved estimates, every Controlling Officer shall ensure that expenditure is in accordance with budgetary provisions, and that there is no over-expenditure.

A review of budgets and expenditure records of the project revealed that personnel costs and travel costs had exceeded their relevant approved budgets by US\$ 46,010.00 and US\$2,752,184.00 representing 100% and 114% respectively.

The over expenditures on the two budget lines may have resulted in other planned activities not being implemented.

(b) Payment Vouchers Without Supporting Documents: K58,840,930.65

The Public Finance Management Act requires MDAs to keep proper accounts and records of its transactions and does all things necessary to ensure that all payments are made correctly and are properly authorized and shall maintain adequate internal control over its assets, or assets in its custody, and over the incurring of liabilities by it. Each MDA is also required to keep the accounts and records referred to in such a way as to facilitate the preparation of financial statements and enable them to be conveniently and properly audited.

It was observed during the audit that payment vouchers amounting to US\$175,371.04 (K58,840,930.65 were not supported by recipients' signatures, invoices and receipts. As such it was difficult to ascertain that the expenditure was proper charge to project funds.

(c) Missing Payment Vouchers: K31,287,990.44

Treasury Instruction (2004) 5.9 (a) states that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit office staff.

An examination of payment vouchers and the related cash books disclosed that payment vouchers amounting to US\$ 93,251.54 (K 31, 287,990.44) were not presented for audit review. In the circumstance the validity and accuracy of the payments could not be established.

(d) Unbudgeted Expenses: K31,916,219.23

Treasury Instruction 4.13.2.2 requires that unless otherwise indicated in the notes in the approved estimates, every Controlling Officer shall ensure that expenditure is in accordance with budgetary provisions, and that there are no over-expenditure.

A review of expenditure records for the year under review revealed that some expenses amounting to US\$ 95,123.93 (K31, 916,219.23) included in the personnel costs, supplies and equipment were not provided for in the approved budget.

Reviews for 2014 not Cleared

Improving Access To High Quality Comprehensive HIV Related Services In Malawi Project

34. An audit of the Fund Accountability Statement for the period ended 30th June, 2014 was completed in July, 2018. The audit disclosed some weaknesses in financial control and other related gaps which were detailed in the management report addressed to the Controlling Officer.

(a) Overspent Budget Line: K33,395,255.00

Treasury Instruction 4.13.2.2 requires that unless otherwise indicated in the notes in the approved estimates, every Controlling Officer shall ensure that expenditure is in accordance with budgetary provisions, and that there is no over-expenditure.

A review of budgets and expenditure records of the project revealed that equipment costs had exceeded the approved budget by US\$84,942.00 (K33,395,255.00) representing 72%. There was no evidence that efforts were made to regularize the situation.

The over expenditures on the two budget lines may have resulted in other planned activities not being implemented.

(b) Unsupported Payment Vouchers: K74,571,123.77

The Public Finance Management Act requires MDAs to keep proper accounts and records of its transactions and does all things necessary to ensure that all payments are made correctly and are properly authorized and shall maintain adequate internal control over its assets, or assets in its custody, and over the incurring of liabilities by it. Each MDA is also required to keep the accounts and records referred to in such a way as to facilitate the preparation of financial statements and enable them to be conveniently and properly audited.

It was observed during the audit that payment vouchers amounting to US\$187,493.00 (K74,571,123.77) were not supported by recipients' signatures, invoices and receipts. As such it was difficult to ascertain that the expenditure was proper charge to project funds.

(c) Payment Vouchers Not Presented For Audit Inspection: K4,256,891.00

Treasury Instruction (2004) 5.9 (a) states that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in

such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit office staff.

An examination of payment vouchers and the related cash books disclosed that payment vouchers and their related supporting documents amounting to US\$ 10,703.08 (K4,256,891.00) were not presented for audit inspection. In the circumstance the validity and accuracy of the payments could not be established.

(d) Questionable Allowances: K11,054,304.00

Treasury Instructions (2004) 5.13.1 (b) require that adequate internal controls must exist within each Ministry/Department or Agency so as to ensure that expenditure is only incurred if appropriation exists, and is always validly and correctly authorized. In addition, OMB Circular No. 122 requires that costs must be reasonable for the performance and necessary to the overall operation of the project

It was, however, observed during the audit that subsistence allowances amounting to US\$27,794.00 (K11,054,304.00) were processed and paid to undeserving officers during the year under review.

(e) Training And Workshop Expenses Not Supported By Activity Reports: K114,511,005.00

A review of payment vouchers and the related supporting documents revealed that payments towards training and workshops amounting to US\$287,914.00 (K114,511,005.00) made during the year under review were not supported by activity reports. In the absence of the activity reports it was difficult to establish whether the trainings/workshops were actually conducted.

(f) Difference On The Reported Closing Funds: US\$390,708.00: K199,992,559.00

A review of the Fund Accountability Statement alongside the bank statements for the project for the period under review brought to light that there was a material difference of US\$390,708.00 (K199,992,559.00) between CDC funds reported in the Fund Accountability Statement and the closing bank balances. There was no evidence that the cash book balance was reconciled to the bank balance.

(g) Failure To Source At Least Three Quotations: K75,475,450.00

The Accountant General Desk Instruction 5.2.1(iii) (2007) stipulates that a procuring entity shall request quotations from at least three bidders.

A review of procurement records revealed that the project failed to source at least three comparative quotations for purchases amounting to K75,475,450.00 made during the year under review. In the absence of comparable quotations, it was difficult to determine whether goods and services were procured at fair prices.

(h) Fuel Not Accounted For Through Motor Vehicle Log Books: K7,760,800.00

Treasury Instructions No 5.15.2 states that all transactions shall be recorded in a primary Government record or ledger.

An examination of expenditure records revealed that fuel worth K7,760,800.00 purchased during the year under review was not accounted for through motor vehicle log books. In the absence of the records it was difficult to ascertain how the fuel was accounted for.

(i) Failure To Remit P.A.Y.E To Malawi Revenue Authority: K2,322,717.28

The Taxation Act Section 10(1) (2000) requires that every employer shall pay to the Commissioner the amount of any income tax deducted under rule 3 (1) within fourteen days of the end of the month in which it was deducted.

It was however observed during the audit that there was no evidence that Pay As You Earn (P.A.Y.E.) deducted in the year under review amounting to K2,322,717.28 was not remitted to Malawi Revenue Authority.

(j) Failure To Remit Withholding Tax To Malawi Revenue Authority: K4,510,536.02

Taxation Act Section 6(1) (2000) stipulates that a person who, under regulation 3 (1), has deducted from a payment to any other person an amount representing withholding tax shall remit such amount to the Commissioner within fourteen days from the end of the month in which such deduction was made.

Contrary to the above requirement, it was observed that withholding tax deducted on payments amounting to K4,510,536.02 made during the year under review was not remitted to Malawi Revenue Authority.

Department Of Nutrition, HIV And AIDS

35. An audit inspection of the financial and other information for the Department of Nutrition, HIV and AIDS, under the Ministry of Health, for the year ended 30th June 2018 was completed on 7th November, 2018. The audit disclosed some weaknesses in financial control and other related gaps which are presented below:

(a) Fuel Not Accounted For: K2,003,252.00

Treasury Instruction 11.7.1.5 (2004) provides that a stores ledger for the purpose of recording the receipts and issues of all stores will be kept for each store. Additionally, Treasury Instruction (2004) 5.16.1 requires every Controlling Officer to ensure that internal controls exist with the department or ministry to ensure that all revenue, expenditure, assets and liabilities are properly recorded and accounted for.

An examination of payment vouchers, fuel registers and logbooks revealed that fuel worth K2,003,252.00 purchased during the year under review was not accounted for, as no record was produced as a way of its accountability. In the circumstance the audit team could not ascertain how the fuel purchased was disposed of.

(b) Misallocation Of Expenditure: K2,350,000.00

Treasury Instruction 4.14(1)(2004) requires that all expenditures should be charged to an appropriate vote and that expenditure should be allocated strictly in accordance with estimates as approved by the National Assembly. The provisions further require that funds should be spent on the intended activities, otherwise Treasury approval must be sought to transfer funds from one budget line to another expenditure line to another.

An examination of IFMIS system expenditure records for Other Recurrent Transaction for the year under review disclosed that the Department of Nutrition made payments amounting to K2,350,000.00 which were charged against wrong expenditure budget lines.

(c) Payment For Projects Related Activities From ORT: K2,350,000.00

Treasury Instruction number 4.14(1)(2004) requires that all expenditures should be charged to an appropriate vote and that expenditure should be allocated strictly in accordance with estimates. The provisions further require that funds should be spent on the

intended activities otherwise Treasury approval must be sought to transfer funds from one budget line item to another.

An examination of Other Recurrent Transaction IFMIS system expenditure records for 2017/18 financial year revealed that the Department of Nutrition made payments amounting to K2,350,000.00 which were charged against wrong expenditure codes.

(d) Airtime Not Accounted For: K3,257,529.19

Treasury Instructions 11.6.1.3 (2004) among other things, requires that receipts and issues of all stores be recorded in the stores ledger for proper accountability.

An examination of payment vouchers and invoices and ledgers disclosed that management failed to produce for audit review accountability records in respect of airtime valued at K3,257,529.19 purchased during the year under review. As a result, it was difficult to confirm whether airtime purchased was delivered and properly utilized by the Department.

(e) Activity Reports Not Provided For Audit Inspection: K12,240,000.00

Treasury Instructions No 11.5.1(2004) stipulates that in terms of the Public Audit Act, 2003, the Auditor General and his staff shall at all times be entitled to have access to all books, records, or returns relating to accounts, and all Controlling Officers shall give them every facility for inspecting such documents.

The audit inspection team noted that some payments amounting to K12,240,000.00 made towards planned activities were not verified to activity reports. Consequently, it was difficult to verify whether the activities were undertaken or not.

(f) Incomplete Fixed Assets Register

Treasury instruction 5.32.1(2004) states that all Controlling Officers shall maintain asset registers for all fixed assets bought using public resources in both electronic and hard copies. The Asset Registers shall conform to the format provided by Secretary to the Treasury for all classes of fixed assets. An inventory record of all office equipment and furniture (GP 207) must be kept in the room in which they are used and the details must include number of items and serial numbers. In case of office equipment or machines, copies of an inventory must be signed by the officer using the items with the original copy to the item holder and the duplicate in the equipment file with location indicated.

An inspection of financial records and observation in offices disclosed that the department had some assets which were not recorded in the fixed assets register. As such, it was difficult to establish how many items the department has.

(g) Unreasonable Monthly Recovery Amount For Damaged Vehicle: K2,000,000.00

Employment Act No. 6 of 2000, Section 56 (4) states that an employer may deduct an amount of money from an employee's wages as restitution for property damaged by the employee. Section 56 (5) further adds that, in deciding whether the employer has acted reasonably, regard shall be had to the nature of the violation, the employee's duties, the penalty imposed by the employer, the procedure followed by the employer, the nature of any damage incurred and the previous conduct & the circumstances of the employee.

An examination and inspection of file No.NHA/2/16 revealed that the driver belonging to Department of Nutrition (Mr. Madalitso Banda) who was allocated with vehicle No 090 MG 071 for official office errands was involved in a road accident in Area 25 on a Sunday of 22nd November, 2009 and the vehicle was extensively damaged.

The disciplinary charge letters Reference No. NHA/PF/34 and NHA/PF/34 dated 15th April 2010 and 27th April 2010, stated that the Driver was charged K2,000,000.00 to refund the Government as a result of the damage. This was to be paid through monthly deduction of K2,000.00 per month from his salary with effect from May 2010.

The deduction of K2,000.00 per month would take 83 years to recoup the K2,000,000.00 and as such it is unreasonably small.

MINISTRY OF GENDER, CHILDREN, DISABILITY AND SOCIAL WELFARE

36. An audit of the financial statements of the Ministry of Gender, Children, Disability and social Welfare for the year ended 30th June, 2018 was completed in December, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented in paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Overall Performance for Other Recurrent Transaction (ORT)

This was budgeted at K4,476,265,000 and revised downwards to K3,942,546,000. However, the actual out-turn was K3,832,784,000 representing 97% utilization of the revised budget.

Overall performance for development Expenditure

The approved development budget comprising donor funded projects (Part I) and locally funded projects (Part II) was K123,000,000 and revised downwards to K50,000,000. The actual expenditure for the period was K49,995,000 representing 100% budget utilization.

The observed weaknesses from the audit of the Ministry of Gender, Children, Disability and Social Welfare are presented below:

(a) Misallocations Of Public Funds: K8,145,640

Treasury Instructions No 4.14.1(2004) stipulates that if the Controlling Officer is satisfied that the provision against a programme/item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application shall be in writing and shall be signed personally by the Controlling Officer.

However, the Ministry spent funds amounting to K8,145, 640 meant for other activities on un-related activities without obtaining a virement from Treasury.

MINISTRY OF CIVIC EDUCATION, CULTURE AND COMMUNITY SERVICES

37. An audit of the financial statements of the Ministry of Civic Education, Culture and Community Services for the year ended 30th June, 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Overall Performance for Other Recurrent Transaction (ORT)

This was budgeted at K36,074,368,000 and revised downwards to K37,413,818,000. However, the actual out-turn was K35,090,195,000 representing 96% utilization of the revised budget.

Overall performance for development Expenditure

The approved development budget comprising donor funded projects (Part 1) and locally funded projects (Part II) was K38,700,000,000 and revised downwards to K32,718,277,000. The actual expenditure for the period was K19,623,582,000 representing 60% budget utilization.

The observed weaknesses from the audit of the Ministry of Civic Education, Culture and Community Services are presented below:

(a) Fuel Not Accounted For: K3,332,277.27

Treasury Instructions 11.7 (2004) states that items of stores like fuel should be recorded in the fuel register before being issued out. The authority further states that Controlling Officers shall nominate an officer-in-charge to keep a file containing duplicate copies of the inventories recording stores held by their department officers.

Contrary to the requirement, an examination of payments in respect of fuel purchase for the period disclosed that a total of K3,332,277.27 was paid to fuel suppliers, but no record was produced to account for the fuel bought. As such it was difficult to ascertain how it was disposed of.

(b) Misallocation of Expenditure: K7,474,222

Treasury Instructions 4.14.1 (2004) states that specific approval is required before any allocations can be vired or transferred between a Programme/item within the same Vote. The section further states that if the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury in writing to vire or transfer funds between a Programme/item within the same Vote.

An examination of payment voucher revealed that the ministry diverted funds from ORT totaling K7,474,222 to meet other budget lines, compromising the achievement of the objectives of the funds without seeking approval for virement of funds from the Secretary to the Treasury.

(c) Stores Not Accounted For: K4,715,050.00

Treasury Instruction 11.7.1.5 (2004) recommends that office supplies once purchased should be recorded in stores ledger. Subsequent issuing out should be properly recorded.

An examination of payment vouchers against the stores ledger revealed that some general stores and consumables totaling K4,715,050.00 were not entered in the Stores Ledger. There was therefore no sufficient evidence to support that the goods were ever delivered.

MINISTRY OF HOMELAND SECURITY

Ministry Headquarters

38. An audit of the financial statements of Ministry of Home Affairs and Internal Security for the financial year ended 30th June, 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented in paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Recurrent Budget Overall performance

This was budgeted at K11,037,166,000 and revised to K11,380,930,000. However, the actual out-turn is K10,992,762,000. Representing a Budget utilization of 97%.

Development Budget Overall performance

This was budgeted at K500,000,000 and revised to K430,000,000. However, the actual out-turn K430,000,000. Representing a Budget utilization of 100%.

The observed weaknesses from the audit of the Ministry of Homeland Security are presented below:

(a) Failure To Submit Quarterly Returns Of Asset Registers.

Treasury Instructions (2013) 5.32.6 requires that Controlling Officers shall submit a return of updated Asset Registers to the Office of the President and Cabinet, and the Accountant General on quarterly basis to enable the Secretary to the Treasury account for assets in the financial statements.

A review of transactions for the department disclosed that the Ministry headquarters as well as the National Registration Bureau, failed to submit a return of updated Asset Registers to the office of President and Cabinet, and Accountant General on quarterly basis for year 2017/2018. This anomaly is a recipe for failure to account for fixed assets.

Malawi Police Service

39. An audit inspection of the financial and other information for Malawi Police Service for the year ended June 2018 and was completed in November, 2018. The audit disclosed some weaknesses in financial controls. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Recurrent Budget Overall performance

This was budgeted at K28,203,403,000 and revised to K46,893,672,000. However, the actual out-turn is K46,958,86,000 representing a budget utilization of 100.001%.

Development Budget Overall performance

This was budgeted at K1,000,000,000 and revised to K450,000,000. However, the actual out-turn K430,566,000, representing a budget utilization of 96%.

The observed weaknesses from the audit of the Malawi Police Service are presented below:

(a) Failure to Produce Asset Register Quarterly Reports

Treasury Instructions 5.32.6 of (2013) requires Controlling Officers to submit a return of updated Asset Registers to the Office of the President and Cabinet, and the Accountant General on quarterly basis to enable the Secretary to the Treasury account for assets in the financial statements.

Inquiry with senior officers to furnish the team with an asset register quarterly report as required by the instruction above, it was established that no such reports were prepared during the year under review. Failure to comply with this instruction may lead to the risk of asset mismanagement.

(b) Misallocation Of Funds—MK3,496,049.50

Treasury Instructions 4.14(1) (2004), requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates.

An examination of payment vouchers revealed that expenditure amounting to MK3,496,049.50 was charged to wrong budget lines/codes.

Misallocation of funds impacts on the credibility of the financial statements, since the figures reported therein do not reflect true amounts expended on the affected expenditure items.

(c) Failure To Maintain A Disposal Of Assets Plan

Procurement and Disposal of Assets Act 2017 (39.1) requires that procuring and disposing entities to plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in the Act. Any person who contravenes the above said clause in the Act shall be guilty of an offence and shall, upon conviction, be liable to a fine of K500, 000 and imprisonment for two years.

Inquiries as to whether the department has a procurement and disposal of asset plan revealed that the department does have a procurement plan but does not have a disposal of assets plan.

Immigration and Citizenship Services

40. An audit of the financial statements of the Immigration and Citizenship Services was completed on 20th January, 2018. The audit disclosed weaknesses in financial and internal controls. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Recurrent Budget Overall performance

This was budgeted at K2,209,636,000 and revised to K2,457,116,000. However, the actual out-turn is K2,436,173,000 representing a budget utilization of 99%.

Development Budget Overall performance

This was budgeted at K250,000,000 and revised to K100,000,000. However, the actual out-turn K100,000,000. Representing a Budget utilization of 100%.

The observed weaknesses from the audit of the Department of Immigration and Citizenship Services are presented below:

(a) Revenue From Foreign Missions Not Accounted For: K42,971,000.00

Treasury Instructions 5.6.4 (2004) states that revenue collectors may collect and account for revenue and other public moneys falling within

their control in accordance with instructions issued by the designated Receiver of Revenue.

Contrary to this requirement, the audit of revenue from passports revealed that revenue generated through issuing of passport to embassies was not received by the Immigration Department as a sole issuer of passport. This revenue could therefore not be accounted for.

It has been noted that a figure of 1,138 passports worth K42,971,000 .00 were issued to embassies but no revenue was received. There is a high risk that revenue may have been used at source and easily be abused.

(b) Payment Vouchers Not Presented for Audit Inspection: K179,026,416.20

Treasury Instruction 11.6.1(2004) states that in terms of the Public Audit Act, 2003, the Auditor General and his staff are at all times entitled to have access to all books, records, or returns relating to accounts, and all Controlling Officers must give them every facility for inspecting such documents.

Contrary to the regulation, a cross-check of the expenditure cashbook against payment vouchers revealed that payment vouchers valued at K179,026,416.20 comprising of K135,213,303.43 for office supplies and other expenses and K43,813,115.72 for food and ration were not presented for audit.

(c) Stores Items Not Accounted For Through the Stores Ledger: K24,005,594.41

Treasury Instruction 11.7.1.2(2004) states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be recorded in a consumable stores' ledger.

To the contrary, an inspection of payment vouchers, delivery notes together with relevant ledgers disclosed that purchases valued at K24,005,594.41 for office supplies and other expenses were not accounted for through the ledgers.

(d) Payments Made Before Rendering Services: K138,067,110.12

Treasury Instruction 5.19.1(2004) states that payment for goods and services received shall be effected upon verification and confirmation that goods were received or that services were rendered.

However, an examination of payment vouchers revealed that the Department of Immigration processed different payments to three suppliers (Mulli Brothers, Malawi Sun Limited and Bombay Tailoring) amounting to K138,067,110.12 before the goods were supplied or services rendered which is contrary to the requirements.

(e) Payments Made For Un-Delivered Items: K3,545,604.38

Treasury Instruction 5.19.1 (2004) states that payment for goods and services received shall be effected upon verification and confirmation that goods were received or that services were rendered.

To the contrary, an examination of payment vouchers, invoices, delivery notes and stores ledger revealed that the department made different payments amounting to K3,545,604.38 to different suppliers for un-delivered goods as no delivery notes were available nor were the goods recorded in the stores ledger.

(f) Poor fuel management: K26,923,036.26

Treasury Instruction 5.13.1 (d) (2004) stipulates that adequate internal controls must exist within each Ministry and Department such that Revenue, Expenditure, assets and liabilities are properly recorded and accounted for. Additionally, Treasury instruction 11.7.1.2 (2004) states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a consumable stores ledger.

An examination of payment vouchers, fuel registers, motor vehicle log books and other fuel records covering the period under review disclosed that fuel amounting to K26,923,036.26 was not accounted for through log books, resulting in its disposal not traced. The breakdown of this failure to account for fuel is shown in Table 12 below:

Table12: Poor Fuel Management

Query	Amount
Fuel Not Recorded in Logbooks	2,753,332.42
Logbooks not Presented for Audit Inspection	4,178,738.89
Fuel payment vouchers not presented for Audit Inspection	12,000,000.00
Fuel not Recorded in the Fuel Register	7,990,964.95
Total	26,923,036.26

(g) Internal Travel Vouchers Made Without Supporting Documents: K29,305,879.15

Treasury Instruction 5.9 (a) (2004) state that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit office staff.

An Inspection of the payment voucher vouchers for the period revealed that payments vouchers amounting to K29,305,879.15 were presented for audit without any supporting documents such as minutes, reports, invitation letters and to leave duty station forms to authenticate the payment.

(h) Misallocation of Expenditure: K30,160,347.78

Treasury Instruction 4.14.1(2004) stipulates that if the Controlling Officer is satisfied that the provision against a programme/item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application shall be in writing and shall be signed personally by the Controlling Officer.

Contrary to the regulation, an inspection of payment vouchers on internal travel revealed that payments amounting to K30,160,347.78 were charged to wrong account code. However, there was no documentation to indicate that virement warrant was granted by the Secretary to the Treasury to vire funds.

MINISTRY OF LABOUR, SPORTS, YOUTH AND MANPOWER DEVELOPMENT

41. An audit of the financial statements of the Ministry of Labour, Sports, Youth and Manpower Development for the financial year ended 30th June, 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Recurrent Budget Overall performance

This was budgeted at K3,399,857,000 and revised to K3,122,334,000 However, the actual out-turn is K3,095,509,000. Representing a Budget utilization of 99%.

Development Budget Overall performance

This was budgeted at K8,180,000,000 and revised to K5,878,375,000. However, the actual out-turn K2,996,047,000. Representing a Budget utilization of 51%.

The observed weaknesses from the audit of the Ministry of Labour, Sports, Youth and Manpower Development are presented below:

(a) Revenue Collected At Bingu National Stadium Not Accounted For: K4,417,788.07

Treasury Instructions 5.7.1(2004) states that Controlling Officers of MDAs shall manage revenue efficiently and effectively by implementing appropriate processes that provide for identification, collection, recording, safeguarding and reconciliation of information in respect of revenue.

An examination of financial records disclosed that BNS collected K12,917,788.07 which was supposed to be banked intact, but actual amount banked was K8,500,000.00 leaving a balance of K4,417,788.07 unaccounted for.

(b) Revenue For Namitete Technical College Not Reflected In The Financial Statements: K1,220,000.00

Treasury Instruction 5.8.6 (2013) requires all Controlling Officers to maintain cash offices and shall carryout all procedures in respect of revenues collected and submit cash controls to the Accountant General in Lilongwe accordingly. And Section 5.8.7 states that Cash Controls from all cash offices other than Central Region shall be submitted at the Regional Treasury Cashiers namely Blantyre, Zomba and Mzuzu for capturing into IFMIS.

An examination of general receipts deposit slip disclosed that revenue amounting MK1,220,000.00 was collected and deposited in MG Account 1 but cash controls and cash books were not prepared and submitted to Accountant General through Ministry Headquarters which resulted that revenue was not reflected in the financial statements.

(c) General Materials Not Accounted For: K75,975,895.29

Treasury Instruction number 11.7 (2004) requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger.

An examination of payment vouchers revealed that stores items valued at K75,975,895.29 were not recorded in stores ledger. It was therefore, difficult for the audit team to ascertain their accountability.

(d) General Materials Not Delivered: K26,397,000.00

Treasury Instruction 5.19.1(2004) stipulate that payments for goods and services received shall be upon verification and confirmation that goods were received or service was rendered.

An examination of payment vouchers, stores ledgers, delivery notes, invoices disclosed that out of the above mentioned amount, general materials worth K26,397,000.00 had no evidence that were delivered because some materials were quoted twice on the invoice but not included on the delivery note. It was difficult for the audit team to establish the legality and validity of the expenditure

(e) Fuel Not Accounted For: K75,999,201.81

Treasury Instruction number 5.9(b) (2004) requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger.

An inspection of payment vouchers against fuel records revealed that fuel amounting to K75,999,201.81 purchased during the period under review was not accounted for through the fuel register.

(f) Non Maintenance Of Fixed Asset Register: K57,439,896.80

Treasury Instructions 5.3 (1-6) (2004) and Government Circular Ref. No CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that: All controlling officers shall maintain asset register for all fixed assets bought using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.

Contrary to this requirement, the Ministry did not have the required Fixed Asset Register for its equipment and other valuable assets during the period under review.

(g) Stores Not Recorded In Stores Ledger: K54,401,654.16

Treasury Instructions 11.7 (2004) requires that receipts and issues of all stores be recorded in the stores ledger for proper accountability.

An examination of payment vouchers revealed that store items worth K54,401,654.16 purchased during the period under review had no evidence that they were recorded in stores ledgers.

MINISTRY OF INDUSTRY, TRADE AND TOURISM

42. An audit of the financial statements of the Ministry of Industry, Trade and Tourism for the financial year ended 30th June, 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Recurrent Budget Overall performance

This was budgeted at K4,768,974,405.00 and revised to K3,727,813,655.00. However, the actual out-turn is K3,592,789,897.00. Representing a Budget utilization of 96%.

Development Budget Overall performance

This was budgeted at K1,300,000,000 and revised to K1,030,000,000. However, the actual out-turn K939,609,000. Representing a Budget utilization of 91%.

The observed weaknesses from the audit of the Ministry of Industry, Trade and Tourism are presented below:

(a) Procurements Not in the Procurement Plan: K5,044,950.00

Section 39 of the Public Procurement and Disposal of Public Assets (2017) Act requires that prior to the determination of annual budgetary allocations, procurement entities (PEs) shall provide to the Minister of Finance a general plan describing the extent, timing and purposes of projected procurement requirements for the budgetary period.

An examination of payment vouchers and the Procurement Plan revealed that the ministry procured some goods and services worth K5,044,950.00 that were not in the Procurement Plan which is contrary to the above requirement.

MINISTRY OF TRANSPORT AND PUBLIC WORKS

Ministry Headquarters

43. An audit of the financial statements of the Ministry of Transport and Public Works for the financial year ended 30th June, 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal

controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Opinion on the financial Statements of the Ministry.

Recurrent Budget Overall performance

This was budgeted at K3,518,549,000 and revised to K3,440,775,000. However, the actual out-turn is K3,451,486,000, representing a budget utilization of 100.003%.

Development Budget Overall performance

This was budgeted at K5,630,000,000 and revised to K1,890,000,000. However, the actual out-turn is K1,250,187,000, representing a budget utilization of 66%.

The observed weaknesses from the audit of the Ministry of Transport and Public Works are presented below:

(a) Incomplete Fixed Asset Register

Treasury Instruction Treasury Instruction (2004) 5.16.1 requires every Controlling Officer to ensure that internal controls exist with the department or ministry to ensure that all assets are recorded and safeguarded against loss, destruction or unauthorized use.

In addition, the circular from the Chief Secretary to the Government dated 2nd March, 2010 titled 'Government Physical Assets Register', requires the maintenance of an asset register which should among other things indicate the monetary values of the assets and their condition.

Contrary to this requirement, the Ministry of Transport and Public Works failed to maintain a fixed asset register in conformance with the format provided by Secretary to the Treasury for all classes of fixed assets. Failure by the Ministry to maintain a proper fixed asset register will make it very difficult for the Government of Malawi to migrate from cash basis International Public Sector Accounting Standard (IPSAS) to accrual based IPSAS. Further, fixed assets may be misappropriated without being noticed and fraud may be perpetrated.

(b) Payment Vouchers Without Relevant Supporting Documents: K1,166,000.00

Final accountant general's desk instruction 6.8(i) (2007) requires an authorising officer to check that vouchers are supported by the original invoice duplicate local purchase orders, official copy of receipts (in case of refunds) and other relevant documents.

However, it was noted that the Ministry has some payment vouchers not fully supported by relevant documents amounting to K1,166,000.00

Road Traffic And Safety Services-Head Office (Central)

44. An audit inspection of the financial and other information for Road Traffic and Safety Services (Head Office) for the year ended 30 June 2018 was completed on 28th October, 2018. The audit disclosed some weaknesses in financial control and other related gaps which are detailed below:

(a) Failure To Produce Monthly Returns From Importer Of Registration Plates

The Road Traffic Regulations 59D (3) states that a registered importer of registration plates shall make monthly returns to the Director, which return shall be in Form MRIRP.

It was noted that the importer of registration plates, MOVESA, is not making the monthly returns as per the regulation stated above.

(b) Failure To Prepare Bank Reconciliation For The NBS Revenue Account

Treasury Instructions 5.7.2 (J) (2004) requires that bank reconciliation statement should be prepared so that errors in the bank statement or cash book are detected in good time for proper action to be taken by Controlling Officers.

It was noted that for the period under review, the Fund did not prepare bank reconciliation statement for the NBS Revenue account. This is in contravention to the requirement stated above.

(c) Receipted Vouchers Not Presented For Audit: K5,855,000.00

Treasury instruction 5.9 (2004) states that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit office staff.

An examination of payment vouchers disclosed that receipted vouchers amounting to K5,855,000.00 were not produced for audit.

(d) Fixed Asset Register Not Updated

Government Circular Ref. No. CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that all controlling officers shall maintain an asset register for all fixed assets bought using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.

However, during the audit, it was noted that fixed asset register presented to the audit team was not updated.

(e) Failure To Prepare Financial Statements

Section 83 of the Public Finance Management Act (2003) requires all controlling officers to prepare financial statements and surrender them to auditors for review.

Section 5 of the Road traffic and Safety Services Fund Order requires that the Director of Road Traffic, maintain all necessary books and accounts to enable him produce annually, or at such other period as the Secretary to the Treasury may direct, an Income and Expenditure Account and such other as may be required.

Contrary to the above requirement, the Fund did not prepare financial statements for the period ending 30th June 2018.

Regional Road Traffic And Safety Services (Central)

45. An audit inspection of the financial and other information for Regional Road Traffic and Safety Services (Central) for the year ended 30 June 2018 was completed on 28th October, 2018. The audit disclosed some weaknesses in financial control and other related gaps which are detailed below:

(a) Stores Not Accounted For: K20,001,192.50

Treasury Instructions (2004), Section 11.7.1.2 requires that all stores items purchased should be recorded in the stores ledger for proper accountability.

An examination of records revealed that management failed to produce evidence to the audit team about the existence of stores register at the time of the audit. Consequently, there is no evidence that stores items valued at K20, 001,192.50 which were purchased during 2017/2018 financial year were recorded in the stores register.

This made it difficult for the inspecting auditors to ascertain the disposal of the purchased items.

(b) Payment Vouchers Without Supporting Documents: K4,510,300.00

Treasury instruction 5.16.1(2004) requires every Controlling Officer to ensure that internal measures and procedures are in place in respect of processing transactions for payment. One of such controls is to ensure that supporting documents such as Invoices, LPOs and receipts be firmly attached to payment vouchers before payment is made in order to support the payment and for accountability purposes.

An examination of payment vouchers for the period under review revealed that payment vouchers amounting to K4,510, 300 did not have the relevant supporting documents at the time of the audit.

(c) Payment Vouchers Not Countersigned: K5,783,676.71

Section 5.16.2.1(2004) of Treasury Instruction states that no officer of a Ministry or Department shall spend or commit public money except with the approval (either in writing or duly authorized electronic means) of the Controlling Officer or a properly delegated officer or authorized officer of that Ministry or Department.

However, during the time of the audit, management failed to produce evidence that payment vouchers amounting to K5,783,676.71 were countersigned.

THE ELECTORAL COMMISSION

46. An audit inspection of the financial and other records of the Electoral Commission for the financial year ended 30th June 2018 was completed in December, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent budget.

Overall Performance on the Recurrent Budget

This was budgeted at K12,252,964,000.00 and revised to K11,345,103,000.00. However, the actual out-turn was K11,026,533,000.00 representing 97% of utilization of the revised total budget.

The observed weaknesses from the Electoral Commission are presented below:

(a) Stores Items Not Recorded in Stores Ledger: K220,049,662.86

Treasury Instruction number 11.7.1.2 of 2004 states that where consumable stores are received in bulk for subsequent issue in small lots, transactions will be entered in a Consumable Stores Ledger.

An examination of payment vouchers, delivery notes against the stores ledgers through which the items are recorded before use, disclosed that stores items worth K220,049,662.86 were not recorded in respective ledgers. The audit therefore, could not trace who the recipients of the items were and how they were disposed.

(b) Operating Account Used for Unrelated Activities: K187,727,947.22

Letter reference 6.1 number OA/1/15/13/270 number dated 24th March, 2014 from the Secretary to the Treasury granted approval to the Malawi Electoral Commission to open an operating account in the name of Chief Elections officer with the following conditions:

- The opening of such an account was to transact special payments on behalf of the beneficiaries;
- Those special payments that require to be cashed over the counter should first be processed through IFMIS payable to Chief Elections Officer and thereafter the cheque to be deposited to the operating account where open cheques to the ultimate beneficiaries should be drawn;
- Cheques over K500,000.00 should be deposited other than encashed over the counter; and
- This arrangement meant that no open cheque above K500,000.00 shall ever be processed from the Chief Electoral Officer account.

To the contrary, an inspection of payment vouchers disclosed that payments valued at K187,727,947.22 which would lawfully be made from ORT were made from the operating account.

(c) Payment Vouchers Not Produced for Audit: K16,134,560.75

Section 7 of the Public Audit Act as read together with Treasury Instruction number 5.9(a) empowers the Auditor General and any officer assigned by him to obtain timely unfettered, direct and free access to necessary documentation and information for audit purposes and that all financial and related transactions can be produced immediately upon the request of Ministry of Finance and National Audit Office staff.

It was noted that the commission did not make available payment vouchers for some of the payments made in the 2017/18 financial year for the Chief Election Officers transactions account amounting to K16,134,560.75

MINISTRY OF NATURAL RESOURCES, ENERGY AND MINING

47. An audit inspection of the financial and other records of the Ministry of Natural Resources, Energy and Mining for the financial year ended 30th June 2018 was completed in December, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget.

Overall Performance on the Recurrent Budget

This was budgeted at K7,902,854,406.00 and revised to K7,697,132,246.00. However, the actual out-turn was K7,689,637,000.00 representing 100% of utilization of the revised total budget.

Overall Performance Development Budget

The approved development budget was K22,620,000,000.00 and revised to K12,402,000,000.00. However, the actual out-turn is K1,743,130,000.00 representing 14.05% utilization of the revised budget.

The observed weaknesses from the Ministry of Natural Resources, Energy and Mining are presented below:

(a) Failure To Source Three Quotations: K12,998,000.00

The Accountant General Desk Instruction 5.2.1(iii) (2007) stipulates that a procuring entity shall request quotations from at least three bidders.

However, an examination of financial records revealed that the Ministry purchased goods and services worth K12,998,000.00 without complying with the above instruction which requires soliciting of at least three quotations when procuring goods and services.

(b) Procurement Without Involving IPDC: K5,835,822.44

Procurement regulations number 18 (2003) requires the Internal Procurement and Disposal Committees to plan and coordinate all procurements in a procuring entity.

However, an examination of records revealed that goods worth K5,835,822.44 were procured without the involvement of IPDC. This was evidenced by lack of IPDC minutes which would have validated that the transaction went through IPDC.

(c) Payment Vouchers Without Supporting Documents: K43,916,971.26

Treasury Instruction (2004) 5.9 states that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transaction and that full supporting documents are retained and filed in such a way that are easily and readily accessible by the National Audit Office.

Contrary to the above regulation, an examination of records disclosed that payment vouchers totalling K43,916,971.26 did not have supporting documents. In the absence of supporting documents, it was difficult for inspecting auditors to establish the validity of the expenditure made.

(d) Stores Items Not Recorded In The Stores Ledger: K36,031,299.84

Treasury Instruction 11.7.1.5 of 2004 states that a stores ledger for the purpose of recording the receipts and issues of all stores will be kept for each store for proper accountability.

An examination of payment vouchers, delivery notes, invoices disclosed that items valued at K36,031,299.84 which were purchased from different suppliers were not recorded in the stores ledger. In the absence of the stores ledger it was difficult to ascertain the accountability of the stores items purchased and used.

(e) Fuel Not Recorded In The Fuel Register: K26,714,461.50

Section 11.7.1.5 of Treasury Instructions (2004) requires that all stores items purchased should be recorded in the fuel register.

However, an examination of payment vouchers and fuel register revealed that fuel worth K26,714,461.50 which was purchased during the period under review was not recorded in the fuel register. This made it difficult for the auditors to ascertain the disposal of the purchased fuel.

(f) Failure To Furnish Activity Reports For Audit Inspection: K78,420,000.00

Treasury Instruction 5.9 (2004) states that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transaction and that full supporting documents are retained and filed in such a way that are easily and readily accessible by the National Audit Office.

An examination of records revealed that the Assembly undertook several activities at a total cost of K78,420,000.00 which were not supported with activity reports. Therefore, it was difficult for the audit team ascertain whether those activities took place.

(g) Airtime Not Accounted For: K2,950,000.00

Treasury Instruction 5.9b (2004), as read together with Treasury Instruction 5.13.1 (2004) require, among other things, that Controlling Officers should ensure that adequate internal controls exist within the entity such that transactions are properly recorded and that the resources are efficiently and meritoriously managed.

Contrary to the requirement above, an examination of payment vouchers for the Ministry revealed that telephone units worth K2,950,000.00 which were purchased during the period under review were not recorded in the airtime register. In the absence of the airtime register it was difficult for the audit team to ascertain the accountability of the airtime bought.

(h) Payment Done Without Certificate Of Completion: K13,500,000.00

Treasury Instruction 5.16.1 of 2004 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment.

An examination of payment vouchers revealed that payment worth K13,500,000.00 was made to Contractors in relation to the contraction of houses and bore holes. However, management failed to produce evidence to the audit team at the time of the audit that payment was done after certification by the buildings department. This was evidenced by lack of certificate of work done which was supposed to be attached to the payment voucher.

(i) Payments Based On Photocopied Supporting Documents: K16,818,192.87

Treasury Instruction 5.16.1 (Expenditure Management) requires every Controlling Officer to ensure that internal measures and procedures are in place in respect of processing of transactions for payment.

An examination of records revealed that some documents to the payment vouchers were worth K16,818,192.87 were made based on photocopied documents. Therefore, it was difficult for the audit team to ascertain the authenticity of the documents used for payment.

(j) Payment Vouchers Not Produced For Audit: K25,009,048.70

Section 7 (1) (a) of Public Audit Act no. 6 of 2003 empowers the Auditor General and any other officer delegated by him to have unlimited access to all documents, books of accounts, public funds, public securities among other things, that are subject to audit.

Contrary to the requirement above, the Ministry failed to submit payment vouchers totalling K25,009,048.70 for 2017/2018 financial year to the audit team for verification. Therefore, it was difficult for the audit team to ascertain the validity of the expenditure made.

LEGAL AID BUREAU

48. An audit inspection of the financial and other records of the Legal Aid Bureau for the financial year ended 30th June 2018 was completed in December, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent budget.

Overall Performance on the Recurrent Budget

This was budgeted at K714,387,232.00 and revised to K584,240,992.00. However, the actual out-turn was K578,095,074.00 representing 99% of utilization of the revised total budget.

The observed weaknesses from the Legal Aid Bureau are presented below:

(a) Payment vouchers not produced for audit Inspection: K11,183,461.24

The Public Audit Act (2003) Section 7 (I) (a) requires that the Auditor General and any officer assigned by him should be given sight and access to the information he deems fit for the discharge of his oversight duties.

An inspection of payment vouchers, cashbooks and other related records showed that the Legal Aid Bureau did not submit payment vouchers amounting to K11,183,461.24. It was therefore, difficult for the auditors to ascertain the propriety of the expenditure.

(b) Fuel not recorded in the motor vehicle logbooks: K2,284,937.35

Treasury Instruction (2004), section 11.7 requires that all fuel purchased to be recorded in the fuel ledger, and issues signed for by the recipients. Fuel drawn into vehicles should be recorded in the respective motor vehicles log books.

A review of payments for purchase of fuel and fuel ledgers revealed that fuel valued at K2,284,937.35 was drawn but not recorded in the motor vehicle log books to show how it was accounted for. It was, therefore, difficult for the audit team to ascertain the disposal of the fuel.

(c) Payment of Professional Allowances (Top up allowances) to Legal Aid Advocates without Treasury Approval: K4,390,000.00

Public Finance Management Act of 2003, Chapter 3702 Section 10 (1) (e) stipulates that each Controlling Officer is responsible for ensuring that, in relation to his Ministry or Department, all expenditure, including salaries and other personal emoluments, is properly authorized and applied to the specific purposes for which it is appropriated.

Section 4.13.2.3 of Treasury Instructions (2004) further stipulates that if a demand arise during the financial year, for a new type of expenditure, which although not included in the description in the estimates, can be charged to an existing programme, the Controlling Officer shall seek Treasury Authority to incur that expenditure; and every such expenditure should be made within the approved budget and shall not be treated as extra budgetary expenditure.

An inspection of payment vouchers and Internal Memorandum Ref No: LAB/LL/D/ADMIN/09/2017 revealed that the Bureau paid top up/professional allowances to its Legal Aid Advocates in form of seven (7) night allowances amounting to K4,390,000.00 without seeking for prior approval from Treasury to do so.

(d) Payment of subsistence allowances to officers working within duty station: K1,540,000.00

Malawi Public Service Regulations (MPSR) Section 118 (1) and other Government Circulars clearly stipulates that a civil servant who is

authorized by his or her Responsible Officer to travel on duty within Malawi may be paid Subsistence Allowance for every night that he or she spends away from his or her duty station:

An inspection of payment vouchers and request to leave duty station forms revealed that K1,540,000.00 was paid to officers, who worked within their duty station (Lilongwe), in form of subsistence allowance between July, 2017 and January 2018. Enquiries were made with the management to establish why subsistence allowances were paid and not lunch allowances. The explanation was that this was done to motivate the officers involved to work over the weekend. There was no authority from either the Secretary to the Treasury, Department of Human Resource Management and Development (DHRMD) or Office of the President and Cabinet (OPC) to back up the expenditure as per Government requirements.

(e) Stores items not accounted for: K15,537,215.98

Treasury Instructions (2004), section 11.7 among other things, requires that receipts and issues of all stores be recorded in the stores ledger for proper accountability.

An inspection of payment vouchers and invoices and stores ledgers disclosed that items valued at K15,537,215.98 were purchased from different suppliers but not recorded in the stores ledger. As a result, it was difficult to confirm whether goods purchased were delivered and properly utilized.

(f) Payments without adequate supporting documents: K6,000,354.05

Treasury Instruction (2004), section 5.16.1 stipulates that payment vouchers must be fully supported by relevant documents such as invoices, memos, and loose minutes among others. In addition, Treasury Instruction 5.9 (a), states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff.

An inspection of payment vouchers for the period under review revealed that some payment vouchers totaling K6,000,354.05 were presented for audit without supporting receipts, Internal Procurement and Disposal Committee (IPDC) minutes and at least three quotations. In the absence of the supporting documents it was difficult to ascertain whether the payments were a proper charge against public funds.

(g) Failure to source at least three quotations: K28,508,991.02

The Accountant General Desk Instruction 5.2.1(iii) (2007) stipulates that a procuring entity shall request quotations from at least three bidders.

An inspection of payment vouchers revealed that the Bureau purchased goods and services from Lords Best Collection, Mambulasa & Co. Advocates, General Alliance Insurance Limited and Blockbuster Mega Store among others valued at K28,508,991.02 without sourcing at least three quotations. No reasons were given in Internal Procurement and Disposal Committee minutes for sourcing one quotation.

THE MALAWI LAW COMMISSION

49. An audit inspection of the financial and other records of the Law Commission for the financial year ended 30th June 2018 was completed in December, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented in paragraph (a) below after the overall performance on the Recurrent budget.

Overall Performance on the Recurrent Budget

This was budgeted at K815,247,423.00 and revised to K706,200,051.00. However, the actual out-turn was 706,196,862.67 representing 100% of utilization of the revised total budget.

The observed weaknesses from the Law Commission are presented below:

(a) Misallocation: K8,993,451.52

Treasury Instruction 4.14(1) (2004) requires that all expenditures should be charged to an appropriate vote and that the expenditure should be classified strictly to in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another as represented by codes in the Integral Financial Management Information System.

An examination of expenditure records for the Law Commission revealed that expenditure made amounting to K8,993,451.52 were charged against wrong expenditure codes or vote.

STATUTORY CORPORATIONS

NATIONAL YOUTH COUNCIL OF MALAWI

50. An audit inspection of the financial and other records of the National Youth Council of Malawi for the financial year ended 30th June 2018 was completed in December, 2018. The audit disclosed weaknesses in financial and internal controls.

The observed weaknesses from the National Youth Council of Malawi are presented below:

(a) Assets Not Recorded In The Fixed Asset Register: K2,991,910.00

Treasury Instruction 5.16.1 (2004) requires every controlling officer to ensure that internal controls exist in the Ministry or Department to ensure that all assets are recorded and safeguarded against loss, destruction or unauthorized use. In addition, Article 7.2 of National Youth Council's Finance and Administration manual requires an Asset Register to be maintained showing details such as; date of acquisition, depreciation rate, location, suppliers name, disposal date and current net book value.

A review of the fixed asset register revealed that assets valued at K2,991,910.00 were not recorded in the fixed asset register.

(b) Payments Made In Cash To Service Provider: K2,311,395.00

Treasury Instruction 5.19.3 (2004) states that wherever possible payments for all payments must be made by cheque or direct debit to a bank account.

An examination of payment vouchers revealed that payments amounting to K2,311,395.00 were paid to staff members who cashed the cheques to pay suppliers.

COTTON COUNCIL OF MALAWI

51. An audit inspection of the financial and other records of the Cotton Council of Malawi for the financial year ended 30th June 2018 was completed in December, 2018. The audit disclosed weaknesses in financial and internal controls.

The observed weaknesses from the Cotton Council of Malawi are presented below:

(a) Late Payment Of Pay As You Earn (P.A.Y.E):—K3, 441,928.00

Section 102(10) of the Taxation Act (2000) requires every employer to pay to the Commissioner the amount of any income tax deducted within fourteen days after the end of the month in which it was deducted or should have been deducted.

Contrary to the above requirement, the Council delayed in remitting tax amounting to K3,441,928.00.

TREASURY FUNDS

ANIMAL HEALTH AND LIVESTOCK DEVELOPMENT FUND

52. An audit inspection of the financial and other records of the Animal Health and Livestock Development Fund for the financial year ended 30th June 2018 was completed in December, 2018. The audit disclosed weaknesses in financial and internal controls.

The observed weaknesses from the Animal Health and Livestock Development Fund are presented below:

(a) Failure To Prepare Financial Statements

Section 6 of the Livestock Development Fund Order, 2012 requires that the Director of Animal Health and Livestock Development shall maintain all necessary books and accounts to enable him produce annually, or at such other period as the Secretary to the Treasury may direct, an Income and Expenditure Account and such other as may be required.

Contrary to the above requirement, the Fund did not prepare financial statements for the years ended 30th June 2015, 2016 and 2017.

(b) Misallocation Of Funds: K1,035,000

Treasury instruction 4.14(1) of 2004 requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates.

An examination of payment vouchers revealed that expenditure amounting to K1,035,000 was charged to wrong budget lines/codes in the year ended 30th June 2018.

PUBLIC LAND DEVELOPMENT FUND

53. An audit inspection of the financial and other records of the Public Land Development Fund for the financial year ended 30th June 2018 was

completed in December, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Audit Opinion on the financial Statements of the Fund.

The observed weaknesses from the Public Land Development Fund are presented below:

(a) Failure To Prepare Financial Statements

Section 83 of the Public Finance Management Act (2003) requires all Controlling Officers to prepare financial statements and surrender them to auditors for review. The department shall maintain all necessary books and accounts to enable him produce annual Financial Statements and such other as may be required.

Contrary to the above regulation, an audit of the Fund revealed that the Fund did not prepare Financial Statements for the year under review.

HOUSING MANAGEMENT AND DEVELOPMENT FUND

54. An audit inspection of the financial and other records of the Housing Management and Development Fund for the financial year ended 30th June 2018 was completed in December, 2018. The audit disclosed weaknesses in financial and internal controls.

The observed weaknesses from the Housing Management and Development Fund are presented below:

(a) Payment Vouchers Not Authorised: K2, 395,395.00

Treasury Instruction 5.16.2.1(2004) states that no officer of a Ministry or Department shall spend or commit public money except with the approval (either in writing or duly authorised electronic means) of the Controlling Officer or a properly delegated officer or authorised officer of that Ministry or Department.

Contrary to this Instruction, it was noted that payment vouchers amounting to K2,395,395.00 were not authorized or countersigned as per the internal control procedures.

(b) Failure To Maintain A Fixed Asset Register

Treasury Instruction 5.13.1(2013) states that all Controlling Officers shall maintain Asset Registers for all fixed assets bought using public

resources in both electronic and hard copies. The Asset Registers shall conform to the format provided by Secretary to the Treasury for all classes of fixed assets. This provision is similar to the one provided for in Government Circular Ref. No. CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register.

Contrary to this provision, it was noted during the audit that the Fund did not maintain a Fixed Asset Register for its equipment and other valuable assets.

(c) Failure To Prepare Cash Controls

Accountant General Desk Instruction 15.15.1(2007) states that each cash office is required to prepare a Cash Control in form of GP 79, in duplicate, with a view to ensure that there is no error or omission in posting receipt and payment voucher in the cashbook.

It was noted during the audit that, for the period from February 2018 to June 2018, the Fund did not prepare cash controls. This is in contravention to the requirement stated above.

RESEARCH SERVICES FUND

55. An audit inspection of the financial and other records of the Research Services Fund for the financial year ended 30th June 2018 was completed in December, 2018. The audit disclosed weaknesses in financial and internal controls.

The observed weaknesses from the Research Services Fund are presented below:

(a) Failure to prepare Financial Statements

Section 83 of the Public Finance Management Act (2003) requires all controlling officers to prepare financial statements and surrender them to auditors for review. The department shall maintain all necessary books and accounts to enable him produce annual Financial Statements and such other as may be required.

Contrary to the above requirement, the Department of Research Services did not prepare financial statements for the period ending 30th June, 2018 for Chitedze, Bvumbwe, Kasinthula, Chitala, Makoka, Nkombezi, Baka, Mbawa, Lifuwu and Lunyangwa Research stations.

(b) Stores Not Recorded In The Ledger: K9,118,214

Treasury Instruction 11.7.1.5 (2004) requires that all stores items purchased should be recorded in the stores ledger for accountability purposes.

An examination of payment vouchers revealed that there is no evidence that stores ledger was maintained because management failed to produce the ledger in question to the audit team. Consequently, stores items worth K8,417,162.50 and K701,051.50 for Chitedze Research Station and Bvumbwe respectively were not accounted for.

(c) Payment vouchers without receipted vouchers: K12,651,548

Treasury Instruction 5.9 (2004) states that Controlling Officers shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff.

An examination of payment vouchers for DARS for the period disclosed that allowances amounting to K12,651,548 for Chitedze Research were paid but had no supporting receipted payment vouchers on which recipients' signatures could be secured. Consequently, the inspecting auditors were unable to ascertain the propriety of the expenditure in the absence of the recipients' signatures.

(d) Revenue collected but not banked: K28,361,235

Treasury Instruction 5.7.2 (2004) states that sound cash management should be employed which includes collecting revenue when it is due and banking it promptly.

The audit revealed that not all revenue collected was deposited in the designated bank account number 1 with the Reserve Bank of Malawi. The cash not banked amounted to K27,187,560 and K1,173,675 for Chitedze Research Station and Mbawa respectively.

(e) Failure to maintain fuel ledger: K1,045,724

Treasury Instruction 11.7.1.2 (2004) states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger. Items of consumables stores like fuel should be recorded in the fuel register before being issued out.

An examination payment vouchers for all Department for Research under Bvumbwe Research Station revealed that fuel worth K1,045,724 bought between July 2017 and June 2018 was not accounted for.

(f) Payments made without Internal Procurement and Disposal Committee approval: K2,100,000.00

Public Procurement and Disposal of Assets Act, 26(1) (2016) states that there shall be established in all procuring and disposing entities Internal Procurement and Disposal Committees.

During the review of the payment vouchers at Bvumbwe Research Station revealed that payment amounting to K2,100,000 had no endorsement by the Internal Procurement and Disposal committee.

PUBLIC HOME OWNERSHIP FUND

56. An audit inspection of the financial and other records of the Public Home Ownership Fund for the financial year ended 30th June 2018 was completed in October, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Audit Opinion on the financial Statements of the Fund.

The observed weaknesses from the Public Home Ownership Fund are presented below:

(a) Failure To Prepare Bank Reconciliation Statements

Section (2004) 5.7.2 (j) of Treasury Instructions requires that bank reconciliation statement should be prepared so that errors in the bank statement or cash book are detected.

An examination of records revealed that the fund did not prepare bank reconciliation statement for the reserve bank holding account, this is contrary to the requirement stated in the above section.

(b) Failure To Recover Loans: K23,879,628.05

The mortgage advance agreement p11(i) in the fund order states that the beneficiary of the fund shall be entitled to enter possession of a house purchased or built wholly or partially with the loan where the borrower or his agent accumulates arrears within 20 years.

Contrary to the above requirement, an examination of statements of personal accounts revealed that some loans amounting to K23,879,628.05 have remained unpaid for a period of over 20 years.

(c) Road Camp Houses Not Paid For: MK8,596,800.00

The Department of Housing took over the administration of Road camp houses from Ministry of Transport and Public Works. The houses were sold to then members of staff for the Ministry. The responsibility of following up on the loan balances were given to the department.

During the audit it was revealed that the houses have not been paid for despite that transfer of ownership was transferred to the beneficiaries 5 years ago.

(d) Stores Not Recorded In The Ledger: K3,368,697.25

Treasury Instruction (2004), section 11.7.1.5 requires that all stores items purchased should be recorded in the stores ledger for proper accountability.

An examination of payment vouchers revealed that there was no evidence that stores ledger was maintained because management failed to produce the ledger in question to the audit team. Consequently, the disposal of stores items worth K3,368,697.25 could not be ascertained.

PART IV

RECOMMENDATIONS AND ACKNOWLEDGEMENT

RECOMMENDATIONS

57. In the course of my audit of the 2017/18 Accounts of the Government of the Republic of Malawi, each Controlling Officer was sent appropriate audit inspection report with recommendations, regrettably, evidence has shown that in certain cases the recommendations have not been given due consideration by the Controlling Officers.

A Summary Of Recommendations Includes:—

- (a) Although Ministries started preparing own financial statements with effect from 2011/2012 financial year, there are many challenges, which need to be addressed in order to ensure timely preparation of the financial statements. The Accountant General's Department should continue to train accounting personnel in the ministries on the preparation of the accounts to enhance capacity.
- (b) I have noted that since 2011/2012 financial year, the Government of Malawi has prepared the accounts in accordance with the stage 2 Cash Based Accounting of the International Public Sector Accounting Standards (IPSAS). Using this accounting standard, capital expenditures are expensed in the year they were paid for and therefore do not form part of the Balance Sheet items.
- (c) I recommend that the Government of Malawi should speed up the process of migrating to accrual based Accounting so that the financial reports are comprehensive.
- (d) Using this accounting standard, capital expenditures are expensed in the year they were paid for and therefore do not form part of the Balance Sheet items.
- (e) I recommend that the Government of Malawi should speed up the process of migrating to accrual based Accounting so that the financial reports are comprehensive.
- (b) There is immediate need to enhance the functioning of Audit Committees in all Ministries and Departments to facilitate speedy responses to audit reports and to ensure implementation of audit recommendations;

- (c) Procurement of goods and services should be executed within set processes and regulations and procedures to ensure that maximum value of money is obtained;
- (d) Knowledge and skills of accounting personnel should be regularly enhanced through continuing professional development for the qualified accounts and the rest through generic training, including refresher courses and workshops;
- (e) In compliance with Government financial rules and regulations, bank reconciliations should be timely prepared for all bank accounts maintained by the Reserve Bank of Malawi;
- (f) Strict compliance with financial provisions should be enforced in the MDAs in order to improve public financial management and control;
- (g) The use of invalid supporting documents should be stopped forthwith and no payment should be made without adequate and valid supporting documentation;
- (h) Ministries and Departments should set up an effective filing system that allows easy location of all documentation;
- (i) The systems requirements and procedures should be reinforced with capable supervision;
- (j) Further investigations should be conducted by special teams on the areas suspected that public resources may have been lost or mismanaged.
- (k) The Secretary to the Treasury should ensure that monthly and quarterly bank reconciliations are performed timely and ensure that bank reconciliations are properly completed, checked and approved in a timely manner.
- (l) The Secretary to the Treasury should ensure that all the outstanding reconciling amounts are followed up and provide valid reasons for their occurrence and they should be checked to ensure that they relate to genuine timing differences; and
- (m) The Secretary to the Treasury should review the IFMIS system of recording receipts and payments in the cash book so that proper records are used for reconciliation statements.

ACKNOWLEDGEMENTS

58. I wish to place on record my profound gratitude and appreciation to staff in my office who carried out their work diligently despite resources

constraints. I also wish to acknowledge the assistance and cooperation given to me during the year under review by the Secretary to the Treasury, the Accountant General and all Controlling Officers and their staff. The cooperation enabled me to obtain information and documentation for the audit services.

LILONGWE, MALAWI

31st December, 2018