

**REPORT OF THE AUDITOR GENERAL  
ON THE  
ACCOUNTS OF THE CITY, TOWN AND  
DISTRICT COUNCILS**

**For The Years Ended 30th June, 2009 and 2010**

## **NATIONAL AUDIT OFFICE**

### **VISION**

: To be an autonomous Supreme Audit Institution that effectively contributes to public accountability, transparency and good governance.

### **MISSION**

: To promote accountability, transparent administration and good governance in the public sector through the provision of quality audit services which assure the Nation that public resources are economically, efficiently and effectively applied.

### **CORE VALUES**

: Professionalism  
Integrity  
Objectivity  
Independence  
Confidentiality  
Continuous Professional Development  
Open Communication

National Audit Office  
P.O. Box 30045  
Capital City  
Lilongwe 3  
Malawi

31st December, 2011

The Honourable Minister of Finance  
Ministry of Finance  
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, I have the honour to submit my report on the results of the audit of the Accounts of City, Town and District Councils for the years ended 30th June, 2009 and 2010 for tabling in the National Assembly.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R. A. Kampanje', with a stylized flourish at the end.

R. A. KAMPANJE  
*Auditor General*

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## **EXECUTIVE SUMMARY**

In accordance with Section 6 of the Public Audit Act and Section 54 (1) of the Local Government Act, I have, on behalf of the National Assembly, examined and enquired into and audited the accounts of City, Town and District Councils.

### **Scope of Audits**

The audit of the financial statements examined the accounts of all Councils in Malawi for the two financial years ended 30th June, 2009 and 30th June, 2010. The audit was conducted on all the forty (40) Councils. Twenty eight (28) councils were audited by officers from my office while twelve (12) Councils were subcontracted to private audit firms. The audits were performed in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audits were intended to provide an overall assurance on the general accuracy and propriety of the Councils' financial and accounting transactions. Although the audits were conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs), practices and methods, they do not guarantee absolute accuracy of the accounts or detection of every error, financial irregularities and fraud.

The Public Audit Act 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 Councils' accounts in order to form an opinion as to whether or not Councils funds are expended economically, and in conformity with the wishes of the National Assembly. The audits have not been limited to the accounts for the years ended 30th June, 2009 and 30th June, 2010, but have where necessary, extended into the subsequent years.

### **Audit Methodology**

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—

- Planning the audits to obtain relevant information in the most efficient manner and to determine the audit procedures employed;
- Evaluation and testing of the accounting and internal control systems;
- 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
- Reporting the audit findings based on the audit procedures performed and evidence gathered.

## **Main Findings**

The following main observations were noted during the audit—

- Lack of coordination among accounts personnel in different sectors at district level;
- Ineffective internal control systems leading to unaccountability of funds;
- Failure to maintain fixed assets registers leading to inadequate accountability of assets;
- Failure to include assets from devolved sectors;
- Payments without supporting documents;
- Failure to account for stores items including fuel and lubricants;
- Failure to produce schedules to support figures in the financial statements as most figures were balances from the previous years which could not be substantiated;
- Use of revenue collected at source before banking;
- High vacancy rate especially on key positions of directors rendering decision making difficult;
- Flouting of procurement regulations in both Local Councils and CDF funds;
- Although Government introduced Integrated Financial Management Information System (IFMIS) in an endeavor to improve financial management and expenditure control, the system had been rolled out to only twenty three (23) out of the thirty four Councils. In this regard, some Councils were still using manual systems. This has continued to be a big challenge in as far as processing of financial transactions was concerned. It is hoped that once the IFMIS is rolled out including full implementation of the Public Finance Management Act, Public Audit Act and Public Procurement Act, City and District Councils will experience improved public expenditure management and control.

## **Achievements**

Despite the shortcoming noted above the following achievements were noted—

- Some Councils were able to prepare financial statements on time.
- A lot of projects were being implemented as infrastructure development.

## **RECOMMENDATIONS**

### **(a) General**

- There is urgent need to strengthen key positions in the Councils by either recruiting more qualified staff or training the existing officers.

- There is need to develop an effective system of accounting that assures the public that internal controls are in place.
- There is need to improve procurement systems and procedures in all Councils. The Office of the Director of Public Procurement should be requested to assist in the training of personnel in procurement procedures in the Councils.

## **ACKNOWLEDGEMENT**

I wish to place on record my profound gratitude and appreciation to the private audit firms and staff in my office who carried out their duties diligently thereby enabling the production of this report.

I also wish to express my profound gratitude and appreciation to DFID for financing the audits. In addition, I wish to acknowledge the assistance and cooperation rendered by the National Local Government Committee, District Commissioners, Chief Executives and their staff during the period under review. The cooperation enabled me to obtain information and documentation for the audit.

## ACRONYMS

DC	: District Commissioner
DFID	: Department for International Development (UK)
DDF	: District Development Fund
GRF	: General Resource Fund
PAA	: Public Audit Act
PFMA	: Public Finance Management Act
PPA	: Public Procurement Act
GTZ	: Germany Technical Cooperation
GAAP	: Generally Accepted Accounting Principles
IPSAS	: International Public Sector Accounting Standards
ISAs	: International Auditing Standards
IPC	: Internal procurement Committee
LGA	: Local Government Act 1998
LDF	: Local Development Fund
PPE	: Property, Plant and Equipment
IFMIS	: Integrated Financial Management Information System
CDF	: Constituency Development Fund
MASAF	: Malawi Social Action Fund
MGDS	: Malawi Growth and Development Strategy
NLGFC	: National Local Government Finance Committee
SCDP	: Secondary Centre Development Programme
UNICEF	: United National Children Education Fund
NAC	: National Aids Commission
ORT	: Other Recurrent Transaction

## **IMPORTANT DEFINITIONS**

### **The General Resource Fund**

The General Resource Fund (GRF) represents unconditional grant by Central Government to the Local Authorities in line with Decentralization Policy.

### **Sector funds**

Sector funds represent conditional grants from Central Government to the Local Authorities in support of devolved other recurrent transactions functions. Currently, there are fifteen (15) devolved sectors which are Irrigation, Immigration, Health, Agriculture, Education, Trade, Rural Housing, Water, Gender and Community Services, Environment, Forestry, Fisheries, Labour, Social welfare and the National Registration Bureau.

### **Constituency Development Fund**

Constituency Development Fund (CDF) is a fund which was established in 2006/2007 financial year to cater for immediate to short term projects as initiated by Members of Parliament.

### **Infrastructure Development Fund**

Infrastructure Development Fund is a fund which was established in 2007/2008 financial year in the City Councils of Blantyre, Lilongwe Mzuzu and Zomba and is aimed at improving the road network and other related infrastructure projects of the City Councils.

## **SOURCES OF REVENUE**

The major sources of locally generated revenue for the Local Authorities include property rates, market fees, collections from commercial undertakings, user fees and charges and business permits.

## PART I

### BACKGROUND AND GENERAL INFORMATION

#### 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 including Councils and to exercise such other powers in relation to the public accounts and accounts of other public authorities and bodies as may be prescribed by an Act of Parliament, in so far as they are compatible with the principle 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. Although Section 15 of the Public Audit Act requires me to report to the National Assembly through the President and the Speaker, the provision is inconsistent with the Constitution, and since the Constitution is the supreme law, this provision is deemed to be invalid to the extent of the inconsistency. Consultations with the Law Commission have been initiated to have the inconsistency cleared.
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 under 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—
  - Revenue is properly assessed and collected;
  - Expenditure is validly and correctly authorized;
  - Revenue, expenses, assets and liabilities are properly recorded and accounted for;
  - Financial and operating information is reliable;
  - Assets are safeguarded against loss or destruction;
  - Resources are employed and managed in an economic, effective and efficient manner;
  - There has been no waste or extravagance
  - Outcomes or provisions produced are consistent with those specified in any Appropriation Act;
  - Relevant government policies and legislation are being complied with;
  - All expenditure is charged against the relevant allocation appropriated by the National Assembly; and
  - 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 private auditors, and where I do not approve the audited financial statements.
5. Section 6 (3) of the Act requires the Auditor General 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 public money, public resources which in my opinion justifies further investigations.
6. In fulfilling these duties, powers and responsibilities lawfully conferred on me under Section 7 (1) of the Act, I am required and any person authorized by him 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 of any documents, books and accounts subject to audit and examination by me to deliver all or any of them at a time and place and to such 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.

### **Compilation and Submission of Financial Statements**

7. Section 53 (1) of the Local Government Act requires all the Councils to keep proper books of accounts and other records in relation thereto and to balance their accounts for each year and produce statements of final accounts within six months from the end of each financial year. The Councils are required to submit the final accounts to the Local Government Finance Committee which is required to forward a copy to me.

### **Controlling Officer's Responsibility**

8. In terms of Local Government Act 1998 as read with Section 10 of the Public Finance Management Act, it is the Controlling Officer's responsibility to maintain proper financial management systems. This involves keeping

appropriate financial records, and where applicable, following generally accepted accounting principles. The Act also requires the Councils to keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Councils and enable them to ensure that the financial statements comply with the Public Finance Management Act, Public Procurement Act, Public Audit Act, Financial Management and Accounting Procedures for District Councils, District Development Fund Management Manual and other relevant Acts of Parliament.

9. In preparing the financial statements the Councils have the following responsibilities—
  - (a) Maintenance of proper accounting records;
  - (b) Selection of suitable accounting policies and applying them consistently;
  - (c) Making judgments and estimates that are reasonable and prudent;
  - (d) Compliance with applicable standards when preparing financial statements subject to any material departures being disclosed and explained in the financial statements;
  - (e) Preparation of financial statements on a going concern basis unless it is inappropriate to presume that the Council will continue in business.
10. It is also the responsibility of the Controlling officer to ensure 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 or 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 in accordance with approved plans and the estimates.

### **Scope of Audit**

11. The audit was conducted on all the forty (40) councils. Twenty eight (28) councils were audited by officers from my office while twelve (12) Councils were subcontracted to private audit firms. The audit of Councils' accounts was performed in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audit was intended to provide an overall assurance

of the general accuracy and propriety of the Councils' financial and accounting transactions. Although the audit was performed in accordance with International Standards of Supreme Audit Institutions (ISSAs), practices and methods, it does not guarantee absolute accuracy of the accounts or detection of every error, financial irregularities and fraud.

12. The Public Audit Act 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 Councils' accounts in order to form an opinion as to whether or not Councils money is expended economically, and in conformity with the wishes of the National Assembly. The audits which were undertaken between February and May 2011, have not been limited to the accounts for the two years ended 30th June, 2009, and 2010, but have where necessary extended into the subsequent years.

### **Audit Methodology**

13. The core objective of the external audit function is to ensure accountability of public funds. To discharge this responsibility, the audit approach in this assignment involved the following—
  - Planning the audits to obtain relevant information in the most efficient manner and to determine the audit procedures employed;
  - Evaluation and testing of the accounting and internal control systems;
  - 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
  - Reporting the audit findings based on the audit procedures performed and evidence gathered.

### **Reporting Procedures**

14. Section 14 (1) of the Public Audit Act requires the 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 me within fourteen (14) days of receiving the report.

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. 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 Opinions**

15. As the audit covered a period of two financial years of 2008/09 and 2009/10, a total of Seventy four (74) audit opinions on financial statements from forty (40) Councils were expressed. Forty eight (48) opinions were expressed with an emphasis of matter paragraph on financial statements of twenty six (26) Councils due to non inclusion of fixed assets owned by the sectors in the financial statements, while eighteen (18) Disclaimers of opinion were issued on financial statements of nine (9) Councils due to lack of documentation to substantiate figures in the financial statements. Eight (8) qualified opinions were expressed on financial statements of five (5) Councils. This clearly shows that like in the previous periods, the Councils are still facing serious challenges in as far as preparation of financial statements is concerned. Audit of financial statements for Blantyre City Council was still in progress as at the time of compiling this report as the firm which was auditing the Council was facing some challenges which delayed the audit. Financial Statements for the year ended 30th June 2009 for Zomba City Council were not audited as they were not available at the time of audit. Likewise, financial statements for financial year ended 30th June 2010 for Nkhata Bay, Chikhwawa, and Likoma District councils were not audited as they were also not available at the date of audit.

## **PART II**

### **STRUCTURE AND OVERALL PERFORMANCE**

#### **Financial Management and Administration Policies**

16. The Local Authorities Financial Management is governed by Local Authorities Accounting and Financial Management Procedures Manual. However the following prevailing legal instruments provide the overarching framework—
- The Constitution of the Malawi Government;
  - The Public Finance Management Act (PFMA), 2003;
  - The Public Audit Act (PAA), 2003;
  - The Public Procurement Act (PPA), 2003;
  - The Local Government Act (LGA), 1998;
  - The Corrupt Practices Act (CPA), 1998;
  - By-laws of the Local Authority;

#### **Devolved Sectors and how they Fit into the Local Authority Structures**

17. As at the date of audit, fifteen sectors namely Agriculture, Education, Environment, Fisheries, Forestry, Gender and Community Services, Health, Immigration, Irrigation, Labour, OPC- National Registration Bureau, Rural Housing, Social Welfare, Trade and Water Development were devolved to the District Councils.

The major sectors of Health, Education and Agriculture have their own Other Recurrent Transactions bank accounts opened at the Local Authority level. These bank accounts are managed by the respective Sector Heads. The District Commissioner and the Director of Finance of the Local Authority are signatories to these bank accounts. The resources for the other smaller sectors are pooled into the District Commissioners' Secretariat ORT bank account.

The fiscal decentralization of the sectors is on recurrent budget only. Government is yet to decide as to when personnel emoluments will be decentralized

#### **Sector Coordination**

18. The Local Authority normally holds management meetings every month where sector heads are invited to present their work plans and progress reports. Financial reports and other district wide issues are discussed during these meetings. In addition to the monthly management meetings the accounting section is expected to hold meetings fortnightly for all the

accounting personnel across all sectors. However due to the fragmentation of the accounting offices, implementation of this structure has proved to be a challenge. In order to improve Sector coordination the following key issues are recommended;

- The harmonization of the accounts officers of all the devolved sectors to be operating under one building so as to enhance coordination of the sectors;
- Streamlining the number of bank accounts to remain with only a few.

#### **19. Roll out of Integrated Financial Management Information Systems (IFMIS)**

The Government rolled out the Integrated Financial Management Information System to about twenty three (23) Councils as at the date of audit. A Local Authorities IFMIS Technical Committee which is chaired by the Accountant General with its Secretariat at the National Local Government Finance Committee is implementing the project.

The Government of Malawi through the Accountant General's Department procured a software called Serenic Navigator to automate the financial management and accounting Systems of the Local Authorities from Techno Brain Ltd and the Accounting software is interfaced with IFMIS.

The implementation of the Local Authorities IFMIS commenced in July, 2008 with pilot projects in six (6) sites of Lilongwe, Thyolo, Mbelwa, Mchinji, Blantyre City and at the National Local Government Finance Committee Headquarters.

The implementation of IFMIS is being done in phases. As at the date of audit IFMIS was extended to Blantyre, Chikhwawa, Mwanza, Zomba, Dedza, Nkhosokota, Nkhosokota Bay. Kasungu, Karonga, Rumphi, Chitipa, Salima Phalombe, Nsanje, Mangochi District Councils and Zomba City Council.

It is hoped that with the introduction of (IFMIS) including full implementation of the Public Finance Management Act, Public Audit Act and Public Procurement Act, the Local Authorities should experience improved public expenditure management and control in all Local Councils

#### **Budgeting process**

20. The Budgeting guidelines used in Local Authorities were developed by Ministry of Finance. These are further elaborated by National Local Government Finance Committee to include locally generated revenue, development partner's grants to Local Authorities and sectoral guidance for the planning period. Local Authorities use Activity Based Budgeting just like the Central Government. The activities for every functional area of the Local Authority are then aligned to the Malawi Growth and Development Strategic

Goals, after which the activities are costed and used in the budget. The Budgeting process undergoes several stages which include the following—

### **Budget planning**

21. Planning involves formulating policies which are aligned to the strategic objectives and priorities at both micro and macro level. Specific activities include pre-budget meetings and consultations, public expenditure reviews and activity prioritization.

### **Budget Formulation**

22. The budget formulation includes setting fiscal targets and levels of expenditure which are compatible with the set targets. Activities are then determined in order of their competing needs and finally resources are allocated to those activities.

### **Budget Preparation**

23. Budget preparation generally involves assigning costs to the selected activities while at the same time making sure that all the budget guidelines which stipulate the fiscal policies to be considered for that particular fiscal year and ceilings are being followed and adhered to. Once completed, the budget is submitted to the National Local Government Finance Committee (NLGFC) for technical review. The NLGFC in consultation with the Ministry of Finance and other line ministries of the devolved sectors discuss the draft budgets together with representatives of the Local Authority. The final consolidated budget is approved by the NLGFC and submitted to Parliament by Minister of Local Government for noting. However the component of the Local Authorities budgets covering central transfers are submitted to Ministry of Finance.

### **Accounting and Financial reporting for Local Authorities**

24. The functions of the National Local Government Finance Committee in relation to the accounting and financial reporting for Local Authorities are:
  - To receive all estimates of revenue and budgets of Local Authorities;
  - To prepare a consolidated budget for all Local Authorities annual revenue and expenditure estimates in consultation with the Ministry of Finance and Development Planning for presentation to the National Assembly by the Minister of Local Government and Rural Development;
  - To examine and supervise accounts of Local Authorities in accordance with any Act of Parliament, subject to recommendations of the Auditor General;
  - To make recommendations relating to the distribution of funds allocated to Local Authorities by Central Government and to vary from

time to time the amounts of allocation in accordance with economic realities on the ground.

- To make application to the Minister for supplementary funds where necessary

### **The Procurement Procedures**

25. The Local Authority procurement processes follow the procurement procedures as laid down in the Public Procurement Act. The Local Authorities have the Internal Procurement Committee which oversees all the procurement processes at the Council. There are also specific sectors Internal Procurement Committees for major sectors such as Health, Education and Agriculture which operate from the threshold given by the main IPC. The decisions made by these sectoral IPCs are expected to be submitted to the main IPC for approval or ratification.

## **PART III**

### **AUDIT RESULTS OF THE COUNCILS**

#### **GENERAL AUDIT OBSERVATIONS**

26. An audit inspection of the financial and stores records of the forty (40) Local Councils was completed in May 2011. The Councils which were audited are Blantyre City and District, Lilongwe City and District, Chikhwawa, Chiradzulu, Neno, Nsanje, Ntchisi, Phalombe, Salima District and Town, Thyolo, Luchenza, Mulanje, Zomba District and City, Machinga, Mangochi District and Town, Balaka District and Town, Ntcheu, Dedza District and Town, Nkhatakota, Mchinji, Nkhata Bay, Rumphu, Chitipa, Karonga District and Town, Mzuzu City, Mbelwa, Dowa, Kasungu District and Town, Mwanza, Lilongwe District and City, Likoma District and Liwonde Town.

The audit disclosed the following internal control weaknesses which cut across all the Councils—

#### **Preparation of Financial Statements**

27. In accordance with the Local Government Act 1998, Councils are supposed to prepare financial statements within six (6) months from the end of each financial year. The audit of the Councils revealed that although most of councils had prepared financial statements as at the date of audit, most of the figures were not supported by schedules and documents. It was further observed that four councils had only prepared financial statements for a single year which rendered it difficult for the auditors to audit the financial years without the financial statements. I am however pleased to report that there was great improvement in the timeliness of financial statements preparation during the reporting period when compared to the previous years.

#### **Accounting Records**

28. Local Government Act of 1998 stipulates that all Councils shall keep proper books of accounts and other records from which financial statements or final accounts will be produced. The audit has revealed that most Councils were maintaining the required books of accounts and records which was an improvement if compared with the previous years. However some Councils were still experiencing problems due to low levels of skilled accounting personnel.

#### **Banking**

29. Local Government Act of 1998 empowers Councils to open and maintain bank accounts with registered bankers so long as the banking records are updated regularly. The audit revealed that most Councils did not operate

separate bank accounts for Other Recurrent Accounts (ORT) and Constituency Development Fund (CDF). Consequently, books of account for both CDF and ORT were not regularly reconciled with bank balances.

### **Fixed Assets Register**

30. Financial Management and Accounting Procedures Manual for Councils require each Council to open and maintain a fixed asset register regularly which should contain all assets' details. The audit review disclosed that most Councils did not maintain fixed assets registers to account for assets as required by the Local Authorities Accounting and Financial Management Procedures Manual.
31. In addition to the observations highlighted above, the following were also noted:
  - i. Several payments were made without supporting documentation attached to payment vouchers;
  - ii. A lot of payment vouchers were not presented for audit examination as they were reported missing;
  - iii. Most Councils did not fully comply with procurement procedures as stipulated in the Public Procurement Act, regulations and desk instructions;
  - iv. Insurance of the fixed assets and depreciation were a big challenge for almost all the Councils;
  - v. Poor management of receivables and payables by most Councils;
  - vi. Failure by some Councils to remit withholding tax to the Malawi Revenue Authority;
  - vii. Use of revenue at source by some Councils.

## **SPECIFIC AUDIT FINDINGS**

### **CITY COUNCILS**

#### **MZUZU CITY COUNCIL**

32. An audit of financial statements of Mzuzu City Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit disclosed some weaknesses in financial control as highlighted in the following paragraphs—

#### **(a) Failure to remit Tax to Malawi Revenue Authority: K12,526,113.00**

A review of payroll records for the financial years 2007/08, 2008/09 and 2009/10 disclosed that the Council did not remit Pay As You Earn Tax amounting to K12,526,113.00 which had been deducted from the employees. This is contrary to Taxation Act. There is a risk that taxation rules were flouted and could result in penalties being imposed on the Council by Malawi Revenue Authority.

**(b) Failure to produce Records on Debtors Figures**

A review of the Statement of Financial Position disclosed that included in the debtors figure were amounts of K19,121,561.00 and K66,599,249.00 in respect of city rates for 2008/09 and 2009/10 financial years respectively. These amounts were however not substantiated by any schedules thereby making it difficult for the inspecting auditors to establish whether these receivables are recoverable.

**LILONGWE CITY COUNCIL**

33. An audit inspection of financial statements of Lilongwe City Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

**(a) Delays in Collecting City Rates**

A review of Statement of Comprehensive Income for the years ended 30th June 2009 and 2010 revealed that total collections for the two years was K695 Million and K970 million respectively. It was however observed that the Council did not vigorously pursue the revenue collection exercise as evidenced by the debtors figures which stood at K506 billion and K6.1billion in 2008/09 and 2009/2010 respectively.

**(b) Uncleared Bank Deposits : K21,345,211.93**

An examination of bank reconciliation statements for Standard Bank Account No 0140001600100 disclosed that deposits amounting K21,345,211.93 which were recorded in the cash book were not cleared by the bank as they did not appear on the bank statement. The deposits which emerged in November 2008 remained un cleared up to 30th June, 2009 after which the Council decided to write them off as the related receipts could not be traced. The inspecting auditors were unable to satisfy themselves as to why such a big amount could just be written off without proper explanation.

**ZOMBA CITY COUNCIL**

34. An audit inspection of financial statements of Zomba City Council for the financial year ending 30th June, 2010 was completed in May, 2011. The audit review disclosed weaknesses in financial control as follows:

**(a) Unsatisfactory recovery of Debts: K353,378,561.00**

An examination of revenue records disclosed that the Council had inefficient debt collection system. It was noted that as at 30th June 2010, receivables on city rates, sewerage fees, general debtors and traditional housing area stood at K353,378,561.00. It was further noted that this balance had been outstanding for more than 10 years rendering recovery difficult.

Below are the details—

<u>Debtor</u>	<u>Amount (MK)</u>
City rates	347,275,607.00
Sewerage fees	4,789,779.00
General debtors	2,779,885.00
Traditional housing area	1,313,175.00
	<u>353,378,561.00</u>

**(b) Failure to Remit Pay As You Earn Tax to Malawi Revenue Authority.**

A review of the payroll disclosed failure by the Council to remit Pay As You Earn Tax amounting to K4,676,000.00 as at 30th June, 2010 which was deducted from its employees. This is contrary to Taxation Act which requires remission of such tax to Malawi Revenue Authority within 14 days of collection.

**TOWN COUNCILS**

**MANGOCHI TOWN COUNCIL**

35. An audit of financial statements of Mangochi Town Council for the financial years ended 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed weaknesses in financial control as highlighted below—

**Failure to remit Tax to Malawi Revenue Authority: K1,295,540.82**

A review of payroll records for the financial years 2007/08, 2008/09 and 2009/10 disclosed that the council did not remit Pay As you Earn Tax amounting to K1,295,540.82 which was deducted from the employees. This is contrary to Taxation Act. There is a risk that taxation rules were flouted and could result in penalties being imposed by Malawi Revenue Authority.

**DEDZA TOWN COUNCIL**

36. An audit inspection of financial statements of Dedza Town Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

**(a) Payment Vouchers not produced for Audit Examination: K13,180,707.25**

An examination of payment transactions revealed that some payment vouchers totaling K13,180,707.25 were not produced for audit. It was therefore not possible to ascertain the propriety of the expenditure in absence of payment vouchers.

Details are as shown below—

<u>Financial Year</u>	<u>Amount (MK)</u>
2008/09	3,981,595.00
2009/10	7,378,923.74
2009/10	1,820,188.51
<b>Total</b>	<b><u>13,180,707.25</u></b>

**(b) Payment Vouchers without supporting documents- K9,990,010.42**

Treasury instructions require all payment vouchers to be supported by relevant documentation to afford independent checks.

An examination of payment transactions for the period July 2008 to June 2010 disclosed that payment vouchers amounting to K9,990,010.42 were passed for payment without supporting documents. It was therefore difficult for the inspecting auditors to ascertain the validity and completeness of the expenditure in absence of the relevant documents.

**LIWONDE TOWN COUNCIL**

37. An audit inspection of financial statements of Liwonde City Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

**Failure to account for revenue collected: K794,099.64**

Treasury Instructions require that all revenue collected should be banked intact. An examination of records pertaining to revenue collected from 1st to 5th March, 2010 disclosed that a sum of K794,099.64 could not be accounted for as there were no records to show that the amount was either spent or banked. Consequently, the inspecting auditors were unable to verify how the revenue was accounted for.

**BALAKA TOWN COUNCIL**

38. An audit inspection of financial statements of Balaka Town Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

**(a) Failure to produce records on Receivables**

A review of the Statement of Financial Position disclosed that included in the debtors figure were amounts of K73,976,853.00 and K81,689,160.00 in respect of receivables for 2008/09 and 2009/10 financial years respectively. These figures were however not

substantiated by any schedules making it difficult for the inspecting auditors to ascertain whether these receivables are recoverable.

**(a) Sundry deposits without supporting documentation: K2,757,378.00**

An examination of creditors records revealed that included in creditors figure were sundry deposits amounting to K2,757,378.00 which had no authentic documents to support the amount. Consequently the inspecting auditors were unable to ascertain the propriety of the amount in absence of any documents.

**KARONGA TOWN COUNCIL**

39. An audit of financial statements of Karonga Town Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed weaknesses in financial control as highlighted below—

**Failure to recover Cash from Mr. Chisunkha: K900,459.00**

A review of the debtors figure in the Statement of financial Position disclosed that the Council did not recover a sum of K900,459.00 from Mr. Chisunkha who was the Councils revenue collector. Mr. Chisunkha was supposed to remit the revenue to the Cashier. As at the date of audit the amount was still outstanding.

**DISTRICT COUNCILS**

**CHITIPA DISTRICT COUNCIL**

40. An audit of financial statements of Chitipa District Council for the financial years ended 30th June, 2009 and 2010 was completed in May, 2011. The audit disclosed some weaknesses in financial control as shown below—

**(a) Payments of subsistence allowances not signed for: K1,041,451.00**

Treasury Instructions require that payment of subsistence allowances should be signed for by the officers drawing the allowances.

An examination of payment vouchers revealed that subsistence allowances totaling K1,041,451.00 paid to various officers between October 2008 and June 2010 were not signed for by the payees. It was therefore difficult for the inspecting auditors to satisfy themselves whether the allowances were paid to the rightful payees.

**(b) Deceased Estates Funds used for Other Recurrent Transactions: K2,915,600.00**

An examination of payment vouchers in respect of deceased estates for the period July 2008 to September 2009 disclosed that deceased estates funds amounting to K2,915,600.00 were used for ORT related expenses

such as subsistence allowances, fuel, and other services. There was no evidence to show that the amounts were recovered from ORT Account

**(c) Payment Vouchers without supporting documents: K25,402,784.49**

Treasury Instructions require payment vouchers to be fully supported by original invoices, cash sales, and related documents, which must be firmly attached to the payment voucher.

An examination of payment vouchers disclosed that between September 2008 and June 2010 a sum of K25,402,784.49 was paid through payment vouchers that did not have supporting documents as analyzed below:

<u>Sector</u>	<u>Amount (MK)</u>
District Health Office	19, 895,016.60
District Commissioner's Office	5, 507,767.89
	<u>25,402,784.49</u>

Consequently, it was difficult to establish the propriety of the payments made.

**(d) Payments made without names of Payees: K2,894,480.90**

An examination of payment vouchers in respect of Local Development Fund Account disclosed that a sum of K2,894,480.90 was paid between May and December, 2010 without indicating names of the payees and as such the propriety of the expenditure could not be verified in absence of the payees names.

**(e) Rest House Building materials not accounted for: K888,905.00**

An examination of stores records revealed that the Council bought materials worth K888,905.00 between September, 2009 and March, 2010 for the maintenance of Boma Rest House. It was however noted that the materials were diverted to unknown destination which made it difficult for the inspecting auditors to ascertain the utilization of the materials purchased.

**(f) Failure to produce records for audit exercise: K3,972,156.00**

The Public Audit Act, stipulates that 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.

An examination of payment transactions disclosed that payment vouchers totaling K3,972,156.00 raised between November 2008 and May 2009 were not produced for audit. The audit team was therefore unable to ascertain the propriety of this expenditure.

**(g) Purchases of Fuel not recorded in the Fuel Register: K2,950,271.08**

Treasury Instruction stipulates that a stores ledger for the purposes of recording receipt and issues of all stores will be kept for each stores item.

An examination of stores records revealed that fuel worth K2,950,271.08 which was bought by the Council between July, 2008 and June, 2010 was not recorded in the fuel register. Consequently, the inspecting auditors were unable to ascertain the utilization of the fuel in absence of any disposal record.

**(h) Failure to Account for market Fee Receipt Books: K1,624,950.00**

An examination of records pertaining to revenue collection disclosed that market fixed fee receipt books with a total value of K1,624,950.00 that were issued to revenue collectors between December, 2008 and June, 2010 were not surrendered to the Council for accountability. As a result it was difficult for the audit team to determine how the revenue collected through those receipts was accounted for.

**(i) Social cash transfer payments made without signatures of beneficiaries: K8,591,400.00**

Treasury Instructions require that signatures or thumbprints of the recipients should evidence payments made to individuals.

An examination of payment vouchers disclosed that the payees did not sign for the payment of social cash transfers totaling K8,591,400.00. As a result, the propriety of the expenditure could not be ascertained.

**(j) Failure to account for Drugs issued from the Hospital Drug Store (Pharmacy): K377,500.00**

An examination of stores records from the drug store (pharmacy) disclosed that medical supplies valued at K377,500.00 were issued from the pharmacy without indicating the user department. Consequently, the accountability of the drugs could not be ascertained.

## **KARONGA DISTRICT COUNCIL**

41. An audit of financial statements of Karonga District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit disclosed some weaknesses in financial control as shown below:

**(a) Payment Vouchers Without Supporting Documents: MK1,684,160.00**

Treasury instructions require that all payments must be supported with relevant documents such as invoices to substantiate the payment transactions.

An examination of payment transactions revealed that payment vouchers amounting to K1,684,160.00 in respect of District

Development Fund were passed for payment between July, 2008 and June, 2009 without supporting documents. In the absence of the supporting documents, it was difficult for the inspecting auditors to ascertain whether the expenditure was a proper charge to public funds.

**(b) Purchases of Fuel not recorded in the Ledgers: K5,317,792.50**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K5,317,792.50 purchased by the Council and its sectors between August, 2008 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the accountability and utilization of the fuel.

Below are the details:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	1,010,762.50	August 2008-April 2009
District Health Office	2,229,965.00	March 2009-June 2010
District Agriculture Dev Office	2,077,065.00	July 2009-June 2010
	<u>5,317,792.50</u>	

**(c) Failure to produce Documents for Audit Review: K22,010,464.18**

An examination of payment transactions revealed that some payment vouchers amounting to K22,010,464.18 in respect of the District Health Office raised between March and November, 2009 were not produced for audit. Consequently, the inspecting auditors were unable to ascertain the propriety of the expenditure in the absence of the relevant documentation.

## **LIKOMA DISTRICT COUNCIL**

42. An audit of the financial statements for the two years ending 30th June, 2009 and 2010 for Likoma District Council was completed in May, 2011. The audit review disclosed the following irregularities.

**(a) Payment Vouchers Without Supporting Documents: K6,741,590.00**

Treasury Instructions stipulate that all payment vouchers must be fully supported by documentation which should be firmly attached to vouchers to afford independent checks

An examination of payment transactions disclosed that vouchers amounting to K6,741,590.00 which were raised between July, 2008 and June, 2010 were processed and payment made without supporting documents as detailed below—

<u>Sector</u>	<u>Amount (MK)</u>
Council Headquarters	864,876.00
District Education Managers Office	709,230.00
District Health Office	5,167,484.00
	<u>6,741,590.00</u>

**(b) Documents not Produced for Audit: K27,161,275.93.**

The Public Audit Act among other things stipulates that the Auditor General and his staff shall have access to all public books, records or returns relating to accounts for audit purposes

An examination of payment vouchers raised between July, 2008 and June, 2009, disclosed that payment vouchers amounting to K27,161,275.93 were not produced for audit review. Consequently, the propriety of the expenditure could not be ascertained. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>
Council Headquarters	473,330.00
District Health Office	25,385,930.93
Constituency Development Fund	775,345.00
	<u>27,161,275.93</u>

**(c) Duplication of payments on Subsistence Allowances: K757,810.00**

The audit test revealed that in the year ending June, 2010, some officers were paid subsistence allowances twice or more during the same period contrary to government regulations. It was observed that duplicated allowances amounting to K757,810.00 were paid as follows—

<u>Sector</u>	<u>Amount (MK)</u>
Council Headquarters	518, 620.00
District Education Managers Office	239, 190.00
	<u>757,810.00</u>

**MBELWA DISTRICT COUNCIL**

43. An audit inspection of financial statements of Mbelwa District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011 The audit disclosed some weaknesses in financial control, as highlighted below—

**(a) Purchases of Fuel not accounted for: K3,927,648.49**

An examination of payment vouchers in respect of fuel purchases revealed that between July, 2008 and June, 2010 the Council purchased fuel worth K3,927,648.49 which was not recorded in the fuel ledgers for accountability purposes. It was further observed that some payments for fuel were made to officers to purchase the fuel instead of the suppliers.

In the absence of any documents in form of ledgers and vehicle log books, it was difficult for the inspecting auditors to ascertain the disposal of fuel. For details, *see* below—

<u>Description</u>	<u>Amount (MK)</u>	<u>Period</u>
Payment to Officers	434,302.50	July 2008-December 2009
Payment to Mzimba BP	1,128,522.57	July 2008-April, 2010
Payment to Mzimba BP	<u>2,364,823.42</u>	July 2008-March 2010
	<b><u>3,927,648.49</u></b>	

**(b) Fuel not accounted for: MK28,499,288.00**

An examination of payment vouchers from Sectors' ORT Accounts and Local Development Fund revealed that purchases of fuel supplies amounting to K28,499,288.00 made between August, 2008 and June, 2010 were not recorded in the fuel ledger or vehicles log books rendering it difficult for the inspecting auditors to verify the disposal of the fuel. Below are the details:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
District Health Office	18,467,065.00	September, 2008-March, 2010
District Health Office	4,437,000.00	October, 2008-February, 2010
District Medical Officer	750,000.00	May, 2009
District Environmental Health Office	482,000.00-	May, 2009
District Education Management Office	2,224,000.00	August, 2008-June, 2010
District Agriculture Office	968,372.00	September, 2008-January, 2010
Local Development Fund	<u>1,652,851.00</u>	January, 2009-January, 2010
	<b><u>28,499,288.00</u></b>	

**(c) Stores not recorded in The Ledger: K862,287.00**

A test check of stores records disclosed that stores worth K862,287.00 purchased by the Council between July, 2009 and April, 2010 were not recorded in the stores ledgers. Consequently, the accountability of the stores could not be ascertained in absence of any disposal record.

**(d) Building Materials not recorded in the Stores Ledger: K12,645,618.56**

An examination of payment vouchers pertaining to Constituency Development Fund disclosed that the Council purchased building materials for CDF projects worth K12,645,618.56 between July, 2008 and January, 2010. It was noted that materials were not recorded in the stores ledger. Consequently, the inspecting auditors were unable to ascertain the disposal of materials in absence of the stores ledgers.

**(e) Failure to account for subsistence Allowances and Wages-K18,520,376.00**

An examination of payment vouchers for the operating account, sectors and other development accounts disclosed that between July, 2008 and June, 2010, the Council made several payments in respect of allowances and wages to accounts personnel for staff amounting to K18,520,376.00 payments were not supported by receipted vouchers

and signatures of the payees and as such, the propriety of the expenditure could not be ascertained. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Operation Account	2,016,411.00	July, 2008-June, 2010
Operation Account	3,136,800.00	July, 2008-April, 2010
District Health Office	8,310,286.00	August, 2008-February, 2010
District Education Management Office	2,429,910.00	July, 2008-June, 2010
District Agriculture Development Office	1,994,969.00	August, 2008-December, 2009
DDF( FAO Cassava Project)	632,000.00	January-February, 2010
	<b><u>18,520,376.00</u></b>	

## NKHATA BAY DISTRICT COUNCIL

44. An audit of financial statements of Nkhata Bay District Council for the financial years ending 30th June 2009, and 2010 was completed in May, 2011. The audit disclosed some weaknesses in financial control as shown below:

### **(a) Payment Vouchers not Produced for Inspection: K1,571,457.00**

Public Audit Act as read with Treasury Instructions requires the Auditor General and his staff to have full access of all accounting and other records for audit purposes.

An examination of payment vouchers revealed that between January and April, 2010 the Council spent a sum of K1,571,457.00 on various activities. The Council however did not produce payment vouchers supporting this expenditure for audit inspection. As a result, it was difficult to ascertain the propriety of this expenditure.

Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Forestry and Environment	1,035,222.00	January-April 2009
Councils Operation Account	536,235.00	January-April 2009
	<b><u>1,571,457.00</u></b>	

### **(b) Payment Vouchers Without Supporting Documents: K15,344,134.40**

Treasury Instructions stipulate that payment vouchers must be fully supported by documentation which must be firmly attached to vouchers to afford independent checks.

An examination of payment vouchers revealed non compliance with the above treasury instructions as some payment vouchers amounting to K15,344,134.40 were passed for payment between July, 2008 and June, 2010 without attaching the required supporting documents as indicated below.

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Operation Account	3,122,126.97	September, 2008-June, 2010
Revenue	401,581.00	July, 2008-April, 2009
District Water Development	448,892.00	August, 2009-June, 2010
District Housing Office	216,084.00	November, 2008-December, 2009
District Labour Office	202,245.00	August, 2009-February, 2010
District Education Office	712,296.71	April, 2009-June, 2010
District Health Office	9,260,428.75	July, 2008-June, 2010
Local Development Fund	980,480.00	January, 2009-January, 2010
	<b><u>15,344,134.40</u></b>	

**(c) Fuel not recorded in the Fuel Ledger: K1,886,287.00**

An examination of payment vouchers in respect of fuel purchases revealed that between July, 2008 and August, 2009, the Council purchased fuel worth K1,886,287.00 which was not recorded in the fuel ledgers to account for the fuel. Consequently, it was difficult for the inspecting auditors to ascertain the disposal of fuel in absence of any documentation to account for the fuel which was purchased.

**RUMPHI DISTRICT COUNCIL**

45. An audit inspection of the financial statements of Rumphi District Council for the financial years ending 31st June, 2009 and 2010 was completed in May, 2011. The audit revealed weaknesses in financial control as follows:

**(a) Payment Vouchers Without Supporting Documents: K21,502,077.01**

Treasury Instructions stipulate that payment vouchers must be fully supported by documentation which must be firmly attached to vouchers to afford independent checks.

An examination of payment vouchers for the period between July, 2008 and June 2010 revealed non compliance with the above Treasury Instructions as some payment vouchers amounting to K21,502,077.01 were passed for payment without attaching supporting documents as shown below:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	521,618.00	December, 2008-April, 2009
District Education Office	3,718,810.00	July, 2008-June, 2010
District Health Office	1,198,350.00	July, 2009-January, 2010
Local Development Fund	626,164.00	January, 2009
District Development Fund	15,437,132.01	July, 2009-June, 2010
	<b><u>21,502,077.01</u></b>	

**(b) Payment of Internal Travel Allowances not signed for: K7,700,605.00**

Treasury instructions require all cash or cheque payments to be signed for by the recipients as a way of acknowledging receipt.

An examination of payment vouchers for the period between August, 2008 and May, 2010 disclosed that cash amounting to K7,700,605.00 was paid out without the signatures or thumb prints of the recipients. It was, therefore difficult for the inspecting auditors to ascertain whether the payments were made to the bonafide payees.

Details are as shown below:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
District Agriculture Dev Office	620,435.00	September, 2009-May, 2010
District Education Office	4,468,470.00	August, 2008-May, 2009
District Health Office	2,611,700.00	July, 2009-January, 2010
	<b><u>7,700,605.00</u></b>	

**(c) Failure to Deduct Withholding Tax: K1,881,550.00**

Taxation Act requires all institutions to deduct withholding tax from all payments made to suppliers of goods and services unless they are holders of withholding tax exemption certificates, and the tax so deducted should be remitted to Malawi Revenue Authority within fourteen days of collection.

An examination of payment vouchers disclosed that between July, 2009 and May, 2010 withholding tax totaling K1,881,550.00 was not deducted on some payments made to supplies of goods and services. There was no evidence to show that the suppliers were holders of withholding tax exemption certificates. Details are shown below:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
District Education Office	1,177,295.00	September, 2009-May, 2010
District Health Office	704,255.00	July, 2009-March, 2010
	<b><u>1,881,550.00</u></b>	

**(d) Constituency Development Fund unaccounted for: K3,683,707.51**

An examination of financial transaction in respect of Constituency Development Fund revealed lack of information on the utilization of balances on Constituency Development Funds. It was observed that balances on funds amounting to K3,683,707.51 for the two financial years of 2008/09 and 2009/10 could not be accounted for as detailed below.

<u>Year</u>	<u>Amount received</u>	<u>Amount spent</u>	<u>Unaccounted for balance</u>
2008/09	12,000,000.00	11,285,504.40	714,495.60
2009/10	8,000,000.00	5,030,788.09	2,969,211.91
	<b>Total</b>	<b><u>3,683,707.51</u></b>	

**(e) Disallowed Expenditure: K1,226,116.85**

Chapter 1.2 in the District Development Fund Financial Management and Accounting Procedures Manual specifically disallows expenditures

not related to the project's implementation and operational expenses for the Council to be met from the Fund.

An examination of payment transactions disclosed that the Council used District Development Funds amounting K1,226,116.85 for payment of salaries and Other Recurrent Transactions without seeking authority from the Treasury. There was no evidence to show that the funds were paid back into the DDF account.

**(f) Payment Vouchers not produced for Inspection: K6,749,021.50**

Finance Management and Accounting Procedures for Councils require the Council to maintain adequate records for all financial transactions undertaken during a particular period.

An examination of payment vouchers revealed that between September, 2009 and February, 2010 the Council spent a sum of K6,749,021.50 on various DDF projects.

The Council however, did not produce payment vouchers supporting this expenditure for audit inspection. As a result, it was difficult to ascertain the propriety of this expenditure.

**KASUNGU DISTRICT COUNCIL**

46. An audit inspection of financial statements of Kasungu District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit disclosed some weaknesses in financial control, as highlighted below:

**(a) Payments Vouchers Without Supporting Documents: K25,535,197.81**

Treasury Instructions require that all payment vouchers must be supported by original documents such as invoices and cash receipts which must be firmly attached to the vouchers.

An examination of payment vouchers revealed that between July, 2008 and June, 2010 a total of K25,535,197.81 was paid without supporting documents. Consequently, the propriety of the expenditure could not be ascertained.

Below are the details:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Operations account	12,114,564.75	July, 2008-April, 2009
ORT Account	9,300,397.45	October, 2008-November, 2009
District Education Management Office	382,900.00	September, 2008-May, 2009
District Development Funds	<u>3,737,335.61</u>	July, 2008-June, 2010
	<b><u>25,535,197.81</u></b>	

**(b) Failure to Account for Subsistence Allowances and Wages- K30,943,772.36**

An examination of payment vouchers for the Council, Sectors and other development accounts disclosed that between July, 2008 and June, 2010 the Council made several payments in respect of allowances and wages to accounts personnel for staff amounting to K30,943,772.36. The payments were not supported by receipted vouchers and signatures of the payees and as such, the propriety of the expenditure could not be ascertained.

Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Operation Account	14,224,798.91	July, 2008-December, 2009
ORT Account	1,926,151.45	July, 2008-November, 2009
District Health Office	12,883,872.00	August, 2008-May, 2010
District Agriculture Dev. Office	1,908,900.00	January, 2009-June, 2010
	<u>30,943,772.36</u>	

**(c) Bulk Fuel Purchases not Accounted for: K30,395,109.00**

An examination of payment vouchers revealed that purchases of bulk fuel supplies amounting to K30,395,109.00 made between July, 2008 and June, 2010 were not recorded in the fuel ledgers or vehicles log books rendering it difficult for the inspecting auditor to verify the disposal of the fuel. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Operations Accounts	1,627,126.00	July, 2008-June, 2010
ORT Account	8,241,889.00	July, 2008-June, 2010
District Health Office	10,747,000.00	July, 2008-February, 2010
District Education		
Management Office	5,953,400.00	July, 2008-February, 2010
District Agriculture Dev. Office	2,585,000.00	October, 2008-May, 2010
National Aids Commission	1,240,694.00	July, 2008-February, 2010
	<u>30,395,109.00</u>	

**(d) Stores not recorded in the Ledger: K54,118,081.91**

An examination of stores records disclosed that some medical supplies, general stores, food stuffs and CDF building materials worth K54,118,081.91 purchased between July, 2008 and June, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores could not be verified in the absence of any disposal record.

Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
ORT Account	401,815.00	July, 2008-June, 2010
Constituency Development Fund	15,451,534.81	August, 2008-June, 2010
District Health Office	7,024,611.00	July, 2009-February, 2010
District Health Office	1,406,417.00	July, 2008-February, 2010
District Health Office	9,185,750.00	August, 2008-June, 2010
District Education Management Office	2,362,632.00	August, 2008-May 2010
District Agriculture Dev Office	1,073,757.32	November, 2008-February 2010
District Development Funds	17,211,564.78	August, 2008-June, 2010
	<b><u>54,118,081.91</u></b>	

## DOWA DISTRICT COUNCIL

47. An audit inspection of financial and stores records of Dowa District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

**(a) Payment Vouchers Without Supporting Documents: K12,225,452.74**

Treasury Instructions require that all payment vouchers must be supported by original documents such as invoices and cash sale receipts which must be firmly attached to the vouchers.

An examination of payment vouchers revealed that a total of K12,225,452.74 was paid during 2008/09 and 2009/10 financial years without supporting documents. Consequently, the propriety of the expenditure could not be ascertained. Below are the details:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters (GRF)	276,604.00	July 2008-June 2009
Chiefs honoraria	1,756,191.85	October 2008-February 2010
District Agriculture Dev Office	2,880,552.70	August 2008-June 2010
District Education Managers Office	7,312,134.19	December 2009-March 2010
	<b><u>12,225,452.74</u></b>	

**(b) Stores not recorded in the Ledger: K3,756,549.21**

An examination of stores records disclosed that some stores items worth K3,756,549.21 purchased between July, 2008 and June, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores could not be ascertained in the absence of any disposal record. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters (GRF)	1,904,793.43	July, 2008-June, 2009
District Education Management Office	1,171,445.08	August, 2008-June, 2010
District Agriculture Dev Office	680,310.70	August, 2008-April, 2010
	<b><u>3,756,549.21</u></b>	

**(c) Fuel not Recorded in the Ledger: K12,256,800.00**

An examination of fuel records against the register disclosed that fuel worth K12,256,800.00 purchased between July, 2008 and June, 2010 was not recorded in fuel register. Consequently, the accountability of the fuel and its utilization could not be ascertained in absence of any disposal record. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters (GRF)	3,902,252.00	July, 2008-June, 2009
District Education Managers Office	3,674,295.00	December, 2008-June, 2010
District Agriculture Dev Office	4,680,253.00	August, 2008-June 2010
	<b><u>12,256,800.00</u></b>	

**(d) Failure to Account for Subsistence Allowances: K14,460,492.00**

An examination of payment vouchers for Agriculture and Education Sectors disclosed that payments in respect of allowances to accounts personnel for staff amounting to K14,460,492.00 made between July, 2008 and June, 2010 were not supported by receipted vouchers and signatures of the payees. Consequently the propriety of the expenditure could not be ascertained. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
District Education Managers Office	10,691,528.00	July, 2008-June, 2010
District Agriculture Dev. Office	3,768,964.00	July, 2009-June, 2010
	<b><u>14,460,492.00</u></b>	

**(e) Failure to Produce Documents for Audit Review: K19,450,055.48**

An examination of payment transactions revealed that some payment vouchers and other documents amounting to K19,450,055.48 raised between March, 2009 and May, 2010 were not produced for audit review. Consequently, the inspecting auditors were unable to ascertain the propriety of the expenditure in absence of any relevant documentation to substantiate the amount. Below are the details:

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Constituency Development Fund	2,714,009.37	December 2009-March 2010
District Agriculture Dev. Office	513,465.36	December 2009-April 2010
Wash Project	1,485,910.00	March 2009
UNICEF	14,736,670.75	January-May, 2010
	<b><u>19,450,055.48</u></b>	

**(f) Cash not Accounted for: K12,912,151.35**

An examination of records pertaining to WASH Project and Deceased Estates Funds disclosed that a sum of K12,912,151.35 in respect of cash balances remaining after an activity and cash drawn in respect of diseased estates between July, 2008 and June, 2010 could not be accounted for as there were no records to show how the cash was

utilized. The cash was also not physically available as at the date of audit review. Below are the details:

<u>Description</u>	<u>Amount (MK)</u>
Wash project (Balance of funds)	1,533,184.00
Deceased Estates Funds	9,931,235.46
“ “	823,614.89
“ “	624,117.00
	<u>12,912,151.35</u>

## NTCHISI DISTRICT COUNCIL

48. An audit inspection of financial and stores records of Ntchisi District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

### (a) Payment Vouchers Without Supporting Documents: K8,998,945.00

Treasury Instructions require that all payment vouchers must be supported by original documents such as invoices and cash sales and these must be firmly attached to the vouchers.

An examination of payment transactions disclosed that payment vouchers amounting to K8,998,945.00 were passed for payment between July, 2008 and June, 2010 without supporting documents. Consequently, the propriety of the expenditure could not be ascertained. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
District Health Office	221,020.00	July, 2008-June, 2009
National Aids Commission	1,173,175.00	July, 2009-June, 2010
District Agriculture Dev Office	305,790.00	July, 2008-June, 2009
District Education Managers Office	3,054,304.00	July, 2008-June, 2010
Constituency Development Fund	4,244,656.00	July, 2008-June, 2010
	<u>8,998,945.00</u>	

### (b) Stores not Recorded in the Ledger: K5,838,438.72

An examination of stores records disclosed that some stores items worth K5,838,438.72 purchased between July, 2008 and June, 2010 were not recorded in stores ledger. Consequently, the accountability of the stores could not be ascertained in absence of any disposal record. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters (GRF)	1,749,792.85	July, 2008-June, 2010
District Education Management Office	1,112,938.37	July, 2008-June, 2010
District Agriculture Dev Office	612,795.50	July, 2008-June, 2010
Local development Fund/DDF	2,780,958.00	July, 2008-June, 2010
	<u>5,838,438.72</u>	

**(c) Fuel not Recorded in the Ledger: K4,159,420.22**

An examination of fuel records against the register disclosed that fuel worth K4,159,420.22 purchased between July, 2008 and June, 2010 was not recorded in fuel register. Consequently, the accountability of the fuel and its utilization could not be ascertained in absence of any disposal record. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters(GRF)	1,933,610.32	July, 2008-June, 2010
Local development Fund/DDF	535,290.00	July, 2008-June, 2009
National Aids Commission	632,520.00	July, 2008-June, 2009
District Agriculture Dev Office	1,058,000.00	July, 2008-June, 2010
	<b><u>4,159,420.22</u></b>	

**(d) Failure to Account for Subsistence Allowances -K19,240,696.31**

An examination of payment vouchers for the Council and its Sectors disclosed that payments in respect of allowances to accounts personnel for staff amounting to K19,240,696.31 made between July, 2008 and June, 2010 were not supported by receipted vouchers and signatures of the payees. As a result, the propriety of the expenditure could not be ascertained.

Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters (GRF)	1,939,475.00	July, 2008-June, 2010
District Development Fund	4,346,749.31	July, 2008-June, 2009
National Aids Commission	2,251,956.00	July, 2008-June, 2009
District Agriculture Dev Office	5,208,186.00	July, 2008-June, 2010
District Education Managers Office	1,874,160.00	July, 2008-June, 2009
District Agriculture Dev. Office	5,208,186.00	July, 2009-June, 2010
	<b><u>19,240,696.31</u></b>	

**(e) Failure to Remit Withholding Tax to Malawi Revenue Authority: K1,053,635.00**

Taxation Act requires all institutions to deduct withholding tax from all payments made to suppliers of goods and services unless they are holders of withholding tax exemption certificates. The tax deducted should be remitted to Malawi Revenue Authority within 14 days of collection.

An examination of payment vouchers disclosed that withholding tax totaling K1,053,635.00 which was deducted from some payments to suppliers of goods and services between July, 2008 and June, 2010 was not remitted to Malawi Revenue Authority contrary to the tax regulations. Details are shown below—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters	278,098.00	July, 2008-June, 2010
District Health Office	775,537.00	July, 2008-June, 2010
	<b><u>1,053,635.00</u></b>	

## MCHINJI DISTRICT COUNCIL

49. An audit inspection of financial and stores records of Mchinji District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

**(a) Payment Vouchers Without Supporting Documents: K40,165,046.34**

Treasury Instructions require that all payment vouchers must be supported by original documents such as invoices and cash sale receipts which must be firmly attached to the vouchers.

An examination of payment transactions revealed that payment vouchers amounting to K40,165,046.34 were passed for payment without supporting documents between July, 2008 and June, 2010. Consequently, the propriety of the expenditure could not be ascertained. Below are the details:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	10,093,480.38	July 2009-June 2010
District Health Office	28,115,993.96	December 2009-June 2010
Wash Project	1,955,572.00	July 2008-June 2010
	<b><u>40,165,046.34</u></b>	

**(b) Fuel Purchases not Accounted for: K37,602,443.28**

An examination of payment vouchers in respect of fuel purchases for the period July, 2008 to June, 2010 revealed that fuel purchases valued at K37,602,443.28 were not recorded in the fuel registers. Consequently the inspecting auditors were unable to verify how the fuel was accounted for in absence of the disposal records.

Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	8,456,381.79	July, 2008-June, 2010
District Health Office	27,431,259.00	July 2008-June, 2010
District Education Managers Office	995,511.49	July-August, 2009
Wash Project	719,291.00	September-December, 2009
	<b><u>37,602,443.28</u></b>	

**(c) Stores not Recorded in the Ledger: K38,016,104.79**

An examination of stores records disclosed that stores items worth K38,016,104.79 purchased between July, 2008 and June, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores purchased could not be ascertained in absence of any disposal record. Below are the details:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	14,168,353.30	July, 2008-June, 2010
District Health Office	23,210,089.00	July, 2008-June, 2010
District Education Mgt Office	637,662.49	July-November, 2009
	<b><u>38,016,104.79</u></b>	

**(d) Failure to Produce Payment Vouchers for Audit Review: K303,658,658,68**

An examination of payment transactions revealed that some payment vouchers amounting to K303,658,658,68 raised between July, 2008 and June, 2010 were not produced for audit inspection. Consequently, the inspecting auditors were unable to ascertain the propriety of the expenditure in absence of the relevant documentation to substantiate the amount. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	185,694,730.84	August, 2008-June, 2010
District Health Office	106,411,679.21	July, 2008-May, 2010
District Education Mgt Office	11,552,248.63	January-December, 2009
	<b><u>303,658,658.68</u></b>	

**(e) Subsistence Allowances not Signed for: K25,536,482.00**

Treasury Instructions require that all cash payments in respect of allowances or otherwise should be signed for by the officers receiving the cash.

An examination of payment vouchers revealed that payments in respect of subsistence allowances totaling K25,536,482.00 made to various accounts officers for staff between November, 2008 and June, 2010 were not signed for by the payees. It was therefore difficult for the inspecting auditors to satisfy themselves whether the allowances were indeed paid to the rightful payees. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	4,610,466.00	November, 2008-January, 2010
District Health Office	14,040,680.00	January-November, 2009
District Education Mgt Office	5,761,200.00	January-December
District Agriculture Dev Office	1,124,136.00	July-September, 2009
	<b><u>25,536,482.00</u></b>	

**(f) Over payments of Funds: 2,569,115.50**

An examination of payment vouchers, cashbooks and bank statements disclosed an overpayment of K2,569,115.50 at the District Health Office which came about as a result of differences between the amounts in the cash book and those on bank statements. It was observed that the amounts on cheques as reflected on bank statements were more than the amounts recorded in the cash book. The anomaly occurred between July 2008 and May, 2010.

## LILONGWE DISTRICT COUNCIL

50. An audit inspection of financial statements of Lilongwe District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

**(a) Non Remittance of Withholding Tax to Malawi Revenue Authority: K609,093.62**

Taxation Act requires all taxes collected to be remitted to Malawi Revenue Authority (MRA) within fourteen days of collection.

An examination of payment transactions revealed that withholding tax amounting to K609,093.62, deducted from payments to suppliers of goods and services between July, 2008 and June, 2010 was not remitted to Malawi Revenue Authority. No satisfactory explanation was given for failure to remit the withholding tax deducted from the suppliers of goods and services.

**(b) Petty Cash Recoupment not Supported by Petty Cash Vouchers: K453,720.00**

Treasury Instructions require that payment vouchers should have all necessary supporting documents firmly attached to the vouchers before payment is made.

An examination of payment transactions made between January, 2009, and June, 2010 revealed that a sum of K453,720.00 in respect of petty cash recoupment was not supported by petty cash vouchers to validate the payments made. As a result, the propriety of the expenditure could not be ascertained.

**(c) Payment Vouchers not Produced for Inspection: K1,287,714.75**

Finance Management and Accounting Procedures for Councils require the Council to maintain and keep adequate records for all financial transactions undertaken during a particular period.

An examination of payment transactions revealed that between July, 2008 and June, 2010 payment vouchers for District Agricultural Development Office and District Education Manager's Office (Rural East) amounting to K1,287,714.75 were not produced for audit review. As a result, it was difficult to ascertain the propriety of this expenditure.

**(d) Subsistence Allowances not Signed for: K26,800,860.00**

Treasury Instructions require that any cash payments should be signed for by the officers receiving the cash.

An examination of payment vouchers revealed that payment in respect of subsistence allowances totaling K26,800,860.00 made to various

officers between December, 2009 and March, 2010 were not signed for by the payees. It was therefore difficult for the inspecting auditors to satisfy themselves whether the allowances were paid to the rightful payees.

## **NKHOTAKOTA DISTRICT COUNCIL**

51. An audit inspection of financial statements of Nkhotakota District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

### **(a) Payment Vouchers Without Supporting Documents: K7,208,055.66**

Treasury Instructions require that payment vouchers should have all necessary supporting documents firmly attached to the vouchers before payment is made.

An examination of payment transactions revealed that payment vouchers amounting to K7,208,055.66 were passed for payment without supporting documents between January, 2009 and June, 2010 and as such the propriety of the expenditure could not be ascertained.

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	662,102.93	April-June 2009
District Health Office	5,058,710.00	January 2009-March 2010
District Agriculture Dev Office	232,328.70	September 2009-June 2010
District Development Fund	1,254,914.03	December 2009-March 2010
	<u>7,208,055.66</u>	

### **(b) Payments to staff for Purchases of Fuel not accounted for: K918,563.00**

An examination of payment vouchers for the Council's ORT account disclosed that the office made payments amounting to K918,563.00 to members of staff for the purchase of fuel between July, 2008 and June, 2009. The fuel was neither recorded in the fuel ledgers nor vehicles log book making it difficult for the inspecting auditors to verify the utilization of the fuel.

### **(c) Stores not recorded in the Ledger: K8,687,810.49**

An examination of stores records disclosed that some general stores and CDF building materials worth K8,687,810.49 purchased between July, 2008 and June, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores could not be ascertained in absence of any disposal record. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
ORT Account	625,400.00	June, 2008-March, 2009
Constituency Development Fund	4,391,858.14	July, 2008-June, 2010
District Health Office	613,960.00	March-April, 2009
District Education Mgt Office	2,818,729.85	July, 2008-August, 2009
District Development Fund	<u>237,862.50</u>	January-March, 2010
	<b><u>8,687,810.49</u></b>	

## **SALIMA DISTRICT COUNCIL**

52. An audit inspection of the financial statements of Salima District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit disclosed the following irregularities—

**(a) Payment Vouchers not Produced for Inspection: K3,689,420.00**

Finance Management and Accounting Procedures for Councils require the Council to maintain adequate records for all financial transactions undertaken during a particular period.

An examination of payment vouchers revealed that between September, 2009 and February, 2010 the District Health and Education Managers Offices spent a sum of K3,689,420.00 for payment of subsistence allowances to members of staff. The Council however did not produce the related receipted payment vouchers for audit inspection. As a result, it was difficult to ascertain the propriety of this expenditure.

**(b) Payment Vouchers Without Supporting Documentation-K862,366.00**

Treasury Instructions require all payment vouchers to be supported by relevant documentation in order to afford independent checks.

An examination of the payments made during the period from July, 2009 to June, 2010 disclosed that payment vouchers amounting to K862,366.00 were passed for payment without supporting documents as detailed below—

<u>Sector</u>	<u>(Amount) MK</u>	<u>Period</u>
District Health Office	750,000.00	December, 2009
District Education Managers Office	<u>112,366.00</u>	July, 2009-June, 2010
	<b><u>862,366.00</u></b>	

**(c) Purchases of Fuel not Recorded in the Ledgers: K13,802,073.50**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K13,802,073.50 purchased between August, 2008 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the utilization of the fuel.

Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
District Health Office	11,443,073.50	August, 2008-May, 2010
District Education Managers Office	695,000.00	December, 2008-May, 2010
District Agricultural Dev Office	1,664,000.00	July, 2008-June, 2010
	<b><u>13,802,073.50</u></b>	

**(d) Stores Items not recorded in the Ledger: K17,975,878.26**

An examination of stores records disclosed that stores items worth K17,975,878.26 purchased between July, 2008 and March, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores could not be ascertained in absence of any disposal record. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council ORT Account	292,824.89	July, 2008-March, 2009
Constituency Development Fund	8,660,572.00	July, 2009-March, 2010
District Health Office	8,653,171.37	August, 2008-December, 2009
District Agricultural Dev Office	369,310.00	April 2009-April, 2010
	<b><u>17,975,878.26</u></b>	

## DEDZA DISTRICT COUNCIL

53. An audit inspection of financial statements of Dedza District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

**(a) Failure to Account for Revenue: K333,400.00**

Treasury Instructions require all revenue collected to be banked intact. An examination of records relating to cash collections revealed that cash amounting to MK333,400.00 which was collected between November, 2008 and October, 2009 was not banked. The inspecting auditors were therefore unable to ascertain how the cash was accounted for in absence of any record. Below are details of cash which was not banked:

<i>General Receipt No.</i>	<i>Dates</i>	<i>Amount (MK)</i>	<i>GR</i>	<i>Details</i>	<i>Remarks</i>
3851-3900	24.11.08-03.12.08	28,800.00	5382	Oaths Fees	No bank deposit slips
9751-9800	27.04.09-12.05.09	29,400.00	10269	Oaths Fees	No bank deposit slips
10151-10200	12.05.09-27.05.09	30,000.00	10281	Oaths Fees	No bank deposit slips
12001-12050	13.07.09-23.07.09	50,000.00	12339	Oaths Fees	No bank deposit slips
12651-12700	30.07.09-11.08.09	49,000.00	12927	Oaths Fees	No bank deposit slips
12451-12500	23.07.09-30.07.09	48,000.00	12340	Oaths Fees	No bank deposit slips
14151-14200	14.09.09-30.09.09	49,000.00	14998	Oaths Fees	No bank deposit slips
14401-14450	30.09.09-16.10.09	49,200.00	15963	Oaths Fees	No bank deposit slips
<b>Total</b>		<b><u>333,400.00</u></b>			

**(b) Payment Vouchers Without Supporting Documentation-K3,508,081.12**

Treasury Instructions require all payment vouchers to be supported by relevant documentation in order to afford independent checks.

An examination of the payments made during the period from July, 2008 to May, 2010 disclosed that payment vouchers amounting to K3,508,081.12 were passed for payment without supporting documents as detailed below—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Headquarters Operating Account	3,049,909.12	July 2008-May, 2010
One Village One Product	458,172.00	December 2009-February, 2010
	<u><b>3,508,081.12</b></u>	

**(c) Purchases of Fuel not Recorded in the Ledgers: K22,074,684.83**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K22,074,684.83 purchased by the Council and its sectors between July, 2008 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the utilization of the fuel. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	7,618,165.93	July, 2008-June, 2010
Constituency Development Fund	575,134.00	July-November, 2008
District Development Fund	1,884,931.70	July, 2008-June, 2010
District Health Office	6,119,446.60	August, 2008-June, 2009
District Education Managers Office	3,066,211.60	July, 2008-June, 2010
District Agricultural Dev Office	3,260,795.00	July, 2008-June, 2010
	<u><b>22,074,684.83</b></u>	

**(d) Stores Items not Recorded in the Ledger: K1,972,397.17**

An examination of stores records disclosed that stores items worth K1,972,397.17 purchased between September, 2008 and June, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores items could not be ascertained in absence of any disposal record. Below are the details:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
ORT Account	1,581,610.49	July, 2008-June, 2010
District Development Fund	390,786.68	August, 2008-October, 2009
	<u><b>1,972,397.17</b></u>	

**NTCHEU DISTRICT COUNCIL**

54. An audit inspection of financial statements of Ntcheu District Council for the financial year ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

**(a) Failure to Account For Cash Drawn For Staff -K7,165,680.00**

An examination of payment vouchers disclosed that the Council made several payments to accounts personnel for staff amounting to K7,165,680.00 between July, 2008 and June, 2010. The payments were not supported by receipted vouchers and signatures of the payees and as such the propriety of the expenditure could not be ascertained.

Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
District Health Office	5,550,150.00	July, 2009-March, 2010
District Education Managers Office	1,048,200.00	July, 2008-November, 2009
District Agriculture Dev. Office	567,330.00	April, 2009-June, 2010
	<u>7,165,680.00</u>	

**(b) Payment Vouchers Without Supporting Documentation- K1,058,256.10**

Treasury Instructions require all payment vouchers to be supported by relevant documentation in order to afford independent checks.

An examination of the payments made during the period from April, 2009 to May, 2010 disclosed that payment vouchers amounting to K1,058,256.10 were passed for payment without supporting documents as detailed below—

<u>Sector</u>	<u>Amount(MK)</u>	<u>Period</u>
Headquarters Operating Account	160,578.10	November, 2009-April, 2010
District Education Managers Office	897,678.00	April, 2009-May, 2010
	<u>1,058,256.10</u>	

**(c) Purchases of Fuel not Recorded in the Ledgers: K11,642,468.64**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K11,642,468.64 purchased between August, 2008 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to verify the utilization of the fuel. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	236,248.64	July-November, 2009
District Health Office	4,300,000.00	September, 2009-June, 2010
District Education Managers Office	3,652,500.00	August, 2008-April, 2010
District Agricultural Dev Office	3,447,720.00	January, 2009-May, 2010
	<u>11,642,468.64</u>	

**(d) Stores Items not Recorded in the Ledger: K4,233,500.39**

An examination of stores records disclosed that food stuffs and other stores items worth K4,233,500.39 purchased between January, 2009 and June, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores could not be ascertained in absence of any disposal record. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
District Health Office(Food Items)	2,537,175.52	October, 2009-June, 2010
District Health Office ( General)	1,571,692.87	August, 2009-February, 2010
District Education Managers Office	3,652,500.00	August, 2008-April, 2010
	<u>4,233,500.39</u>	

## MANGOCHI DISTRICT COUNCIL

55. An audit of financial statements for Mangochi District Council for the financial years ending 30th June, 2009, and 2010 was completed in May, 2011. The audit disclosed some weaknesses in financial control as shown below—

**(a) Outstanding debt on Medical Supplies: K96,065,162.02**

An examination of records pertaining to purchases of drugs and other medical supplies disclosed that the District Health Office had accumulated a debt of K96,065,162.02 for medical supplies which were obtained from Central Medical Stores over the years. This amount was still unpaid as of 30th June, 2010. Considering the amount of funding which the office receives from Treasury, it is doubtful whether the debt will be settled at all.

**(b) Stores not Recorded in the Ledger**

Treasury Instructions require that all purchases of stores items should first be recorded in the stores ledger before issues are made to ensure accountability of the stores items.

An examination of payment vouchers against stores records revealed that stores items which were purchased by the District Agriculture Development Office amounting to K202,128.00 between October, 2008 and June, 2010 were not recorded in the stores ledger. It was therefore difficult for the inspecting auditors to ascertain the disposal of the items in absence of any record. Below are the details:

<u>Date</u>	<u>Payee</u>	<u>Cheque No</u>	<u>Details</u>	<u>Amount</u>
03.10.08	Helu General Dealers	2833	Stationery	16,807.50
18.06.10	Chloride Batteries Mw	3464	MV batteries	54,260.00
18.06.10	Nikks Hardware	3465	Dust coats	27,610.50
18.06.10	ATC Ltd	3466	Farm implemen ts	103,450.00
				<b><u>202,128.00</u></b>

## MULANJE DISTRICT COUNCIL

56. An audit inspection of the financial statements of Mulanje District Council for the years ended 30th June, 2009 and 2010 was completed in May, 2011. The audit disclosed weaknesses in financial controls as follows—

**(a) Payment Vouchers without supporting documentation-K1,948,650.00**

Treasury Instructions require all payment vouchers to be supported by relevant documentation in order to afford independent checks.

An examination of the payments made during the period from October, 2008 to March, 2010 disclosed that payment vouchers amounting to K1,948,650.00 were passed for payment without supporting documents as detailed below—

<i>Sector</i>	<i>Amount(MK)</i>	<i>Period</i>
Headquarters Operating Account	1,011,150.00	October, 2009-March, 2010
District Health Office	937,500.00	October, 2008
	<b><u>1,948,650.00</u></b>	

**(b) Purchases of Fuel not Recorded in the Ledgers: K1,737,000.00**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K1,737,000.00 purchased between July, 2009 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the utilization of the fuel. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters	1,322,000.00	July 2008-June 2010
District Education Office	280,000.00	March, 2010
District Agricultural Dev Office	135,000.00	August, 2009-February 2010
	<b><u>1,737,000.00</u></b>	

**(c) Stores Items not Recorded in the Ledger: K5,181,449.58**

An examination of stores records disclosed that stores items worth K5,181,449.58 purchased between September, 2008 and June, 2010 were not recorded in the stores ledgers. Consequently, the accountability of the stores items could not be ascertained in absence of any disposal record. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
ORT Account	713,183.60	July, 2009-June, 2010
Constituency Development Fund	1,005,781.00	February-June, 2010
District Health Office	1,829,034.98	September-November, 2008
District Development Fund	1,630,450.00	September, 2009
	<b><u>5,181,449.58</u></b>	

## **THYOLO DISTRICT COUNCIL**

57. An audit inspection of the financial Statements of Thyolo District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit disclosed weaknesses in financial controls as follows.

**(a) Misappropriation of Revenue through Fraud: K486,000.00**

An examination of Internal audit report disclosed that Mr Ndawala a revenue collector at Chisawani market misappropriated a sum of K486,000.00 through the use of fake receipts. As at the date of audit the matter was in the Court of law

**(b) Payment Vouchers Without Supporting Documents: K3,698,350.00**

Local Councils Financial Management Procedures as read with Treasury Instructions require payment vouchers to have supporting documents in order to afford independent checks.

An examination of payment transactions for the period July, 2008 to June, 2010 disclosed that payment vouchers amounting to K3,698,350.00 were processed and passed for payment without supporting documents. The validity of the payments could therefore not be ascertained in absence of the supporting documents. Below are the details—

<u>Sector</u>	<u>Amount( MK)</u>	<u>Period</u>
Council Headquarters	1,058,350.00	July, 2008-June, 2010
Local development Fund	<u>2,640,000.00</u>	December, 2009
	<u><b>3,698,350.00</b></u>	

**(c) Stores not Recorded in the Ledgers and Stock Cards- MK10,759,118.56**

An examination of stores records for Constituency Development Fund disclosed that stores items valued at K10,759,118.56 purchased between July, 2008 and June, 2010 were not recorded in stores ledger. Consequently, the accountability of the stores purchased could not be ascertained in absence of any disposal record.

**(d) Purchases of Fuel not Recorded in the Ledgers: K1,266,000.00**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K909,320.00 purchased by the District Health Office between July, 2008 and June, 2010 was not recorded in the fuel ledger.

It was further noted that fuel valued at K1,421,492.60 which was issued to various officers between July, 2009 and June, 2010 was not signed for in the registers making it difficult for the inspecting auditors to verify its accountability and utilization.

**(e) Failure to deduct Withholding Tax: K588,051.79**

A review of payment vouchers for the financial years 2008/09 and 2009/10 disclosed that the Council did not deduct withholding tax amounting to K588,051.79 from payments made to suppliers of goods and services. There was no evidence to show that the suppliers were holders of withholding tax exemption certificates. Below are the details:

<u>Sector</u>	<u>Amount(MK)</u>	<u>Period</u>
Local Development Fund	264,000.00	July, 2008-June, 2010
District Health Office	<u>327,051.79</u>	July, 2008-June, 2010
	<u><b>588,051.79</b></u>	

**MACHINGA DISTRICT COUNCIL**

58. An audit inspection of financial statements of Machinga District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

**(a) Payment Vouchers Without Supporting Documents: K1,020,537.00**

Treasury Instructions require that all payment vouchers must be supported by original documents such as invoices and cash receipts which must be firmly attached to the vouchers.

An examination of payment transactions disclosed that payment vouchers amounting to K1,020,537.00 were passed for payment without supporting documents. Consequently, the propriety of the expenditure could not be ascertained. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Local Development Fund	263,000.00	April, 2009-March, 2010
National Aid Commission	332,137.00	November, 2009-February, 2010
District Agricultural Dev Office	425,400.00	May, 2009-June, 2010
	<b><u>1,020,537.00</u></b>	

**(b) Revenue collected not Accounted for: K4,424,450.00**

Public Finance Management Act requires every government entity to ensure that government revenue collected is properly and correctly assessed, recorded and banked intact without delay.

An examination of revenue collection records revealed that revenue collected by Machinga District Agriculture Development Office through various general receipts amounting to K4,424,450.00 was not recorded in the Revenue Collectors' Cashbook(s) (GP. 67). No pay-in vouchers and official bank deposits were presented for audit review. Below are the details—

<i>General receipt series</i>	<i>MK</i>	<i>Remarks</i>
706201-706350	2,925,950.00	GR book examined
706351-706500	1,498,500.00	GR book examined
<b>TOTAL</b>	<b><u>4,424,450.00</u></b>	

**(c) Stores not Recorded in the Ledgers and Stock Cards- MK5,781,900.90**

An examination of purchases records for Rations and medical supplies at the District Health Office disclosed that ration food stocks and medical supplies valued at K5,483,689.00 and K298,211.90 purchased between July, 2008 and March, 2009 were not recorded in stores ledger and stock cards respectively. Consequently, the accountability of the stores items in question could not be ascertained in absence of any disposal record.

**(e) Purchases of Fuel not Recorded in the Ledgers: K909,320.00**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K909,320.00 purchased by the sectors between November, 2008 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the utilization of the fuel. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
District Agriculture Dev Office	196,500.00	November, 2008-April, 2010
District Health office	712,820.00	July, 2009-June, 2010
	<b><u>909,320.00</u></b>	

## **BALAKA DISTRICT COUNCIL**

59. An audit inspection of financial statements of Balaka District Council for the financial years ending 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following weaknesses in financial control—

### **(a) Payment Vouchers Without Supporting Documents: K4,453,472.53**

Treasury Instructions require that all payment vouchers must be supported by original documents such as invoices and cash receipts which must be firmly attached to the vouchers.

An examination of payment transactions for the period July, 2008 and November, 2009 disclosed that payment vouchers amounting to K4,453,472.53 were passed for payment without supporting documents. Consequently, the propriety of the expenditure could not be ascertained. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
District Agriculture Dev Office	1,368,037.00	February-August, 2009
District Health office	752,932.53	July, 2008-March, 2009
District development Fund	2,332,503.00	July-November, 2009
	<b><u>4,453,472.53</u></b>	

### **(b) Documents not produced for Audit Review: K19,696,030.00**

Finance Management and Accounting Procedures for Councils require the Council to maintain adequate records for all financial transactions undertaken during a particular period.

An examination of payment vouchers revealed that between July, 2008 and May, 2009 receipted payment vouchers in respect of subsistence allowances at the District Health Office amounting to K19,696,030.00 were not produced for audit review. As a result, it was difficult for the inspecting auditors to ascertain the propriety of the expenditure.

### **(c) Purchases of Fuel not Recorded in the Ledgers: K19,712,000.00**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K19,712,000.00 purchased between July, 2008 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the utilization of the fuel. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters	1,892,000.00	July, 2008-June, 2010
District Health Office	15,300,000.00	March 2008-June, 2010
District Agriculture Dev Office	1,720,000.00	July, 2008-June, 2010
District Education Managers Office	800,000.00	October, 2009-June, 2010
	<b><u>19,712,000.00</u></b>	

**(d) Stores Items not Recorded in the Ledger: K7,566,895.47**

An examination of stores records disclosed that stores items worth K7,566,895.47 purchased between July, 2008 and June, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores items could not be ascertained in absence of any disposal record. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters	474,547.00	November, 2008-December, 2009
District Health Office (General)	3,454,667.88	July, 2008-June, 2009
District Health Office (Ration)	138,756.75	August, 2008
District Health Office	2,651,686.00	July, 2008-May, 2010
District Agriculture Dev Office	440,772.84	September, 2008-January, 2010
District Education Managers Office	406,462.00	October, 2009-June, 2010
	<b><u>7,566,895.47</u></b>	

**(e) Overpayment to a Supplier: K196,252.75**

An examination of payment vouchers disclosed that the Council made an excess payment of K196,252.75 to Office Needs Stationery Supplies through cheque No 2862 dated 26th March, 2008. The amount on the cheque was K474,970.25 instead of K278,717.50 hence the overpayment. There was no evidence to show that the amount was recovered from the supplier.

**(f) Materials not delivered to the Project Sites: K1,533,505.00**

A review of Constituency Development Fund records disclosed that some building materials valued at K1,533,505.00 which were bought for various projects between November and December, 2008 were not delivered to project sites. It was therefore difficult for the inspecting auditors to ascertain how the materials were utilized.

**(g) Failure to deduct Withholding Tax: K648,734.52**

An examination of payment vouchers in respect of payments to suppliers of goods and services disclosed that the District Health Office did not deduct withholding tax amounting to K648,734.52 from payment made to suppliers of goods and services between March, 2008 and October, 2009. There was no evidence to show that the suppliers were holders of withholding tax exemption certificates.

## BLANTYRE DISTRICT COUNCIL

60. An audit inspection of the financial statements of Blantyre District Council for the years ended 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed weaknesses in financial controls as follows—

**(a) Payment Vouchers Without Supporting Documentation- K2,227,630.13**

Treasury Instructions require all payment vouchers to be supported by relevant documentation in order to afford independent checks.

An examination of payments made during the period from November, 2008 to January, 2010 disclosed that payment vouchers amounting to K2,227,630.13 were passed for payment without supporting documents as detailed below—

<i>Sector</i>	<i>Amount(MK)</i>	<i>Period</i>
Headquarters Operating Account	344,230.13	January, 2010
IRLAD Project	1,883,400.00	November, 2008-May, 2009
	<u>2,227,630.13</u>	

**(b) Purchases of Fuel not Recorded in the Ledgers: K4,137,443.35**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K4,137,443.35 purchased between July, 2008 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the utilization of the fuel. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters	1,028,000.00	January, 2009-May, 2010
Rural Housing	175,000.00	October, 2008-June, 2010
IRLAD Project	710,300.00	January, 2009-May, 2010
District Labour Office	552,563.35	July, 2008-June, 2010
National Aids Commission	529,580.00	July, 2008-June, 2009
Finance/ Public Works Dept	510,000.00	October, 2008-June, 2009
Constituency Development Fund	400,000.00	March-June, 2010
National Registration Bureau	232,000.00	December, 2009-May, 2010
	<u>4,137,443.35</u>	

**(c) Stores Items not Recorded in the Ledger: K1,609,878.51**

An examination of purchases of stores records in respect of IRLAD Project disclosed that stores items worth K1,609,878.51 purchased between August, 2008 and December, 2009 were not recorded in stores ledgers. Consequently, the accountability of the stores items in question could not be ascertained in absence of any disposal record.

**(d) Failure to produce Documents for Audit Review: K1,145,700.00**

An examination of payment transactions revealed that some payment vouchers amounting to K1,145,700.00 raised between August, 2009

and April, 2010 were not produced for audit review. Consequently, the inspecting auditors were unable to ascertain the propriety of the expenditure in absence of the relevant documentation to substantiate the amount. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Headquarters Operating Account	237,700.00	August, 2009-April, 2010
District Education Managers Office	766,000.00	August, 2009-February, 2010
Industry and Trade Office	142,000.00	December, 2009-February, 2010
	<u>1,145,700.00</u>	

## **CHIRADZULU DISTRICT COUNCIL**

61. An audit inspection of the financial statements of Chiradzulu District Council for the years ended 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following irregularities—

### **(a) Payment Vouchers Without Supporting Documents: MK20,260,546.96**

Treasury instructions require that all payment vouchers must be supported with relevant documents such as invoices and cash receipts to substantiate the payment transactions.

An examination of payment transactions revealed that payment vouchers amounting to K20,260,546.96 were passed for payment between July, 2008 and June, 2010 without supporting documents. In absence of the supporting documents, it was difficult for the inspecting auditors to ascertain whether the expenditure was a proper charge to public funds. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Constituency Development Fund	1,022,878.00	July, 2009-March, 2010
District Health Office	17,034,310.96	June, 2009-June, 2010
District Agriculture Dev Office	994,090.00	July, 2008-June, 2010
District Education Office	1,209,268.00	July, 2008-June, 2010
	<u>20,260,456.96</u>	

### **(b) Subsistence Allowances not signed for: K7,460,540.00**

Treasury Instructions require that all cash payments in respect of allowances should be signed for by the officers receiving the allowances.

An examination of payment vouchers revealed that between August, 2008 and June, 2010 payments of subsistence allowances totaling K7,460,540.00 made to various officers were not signed for by the payees. It was therefore difficult for the inspecting auditors to satisfy themselves whether the allowances were paid to the rightful payees.

Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
District Health Office	5,808,660.00	June 2009-June, 2010
District Agriculture Dev Office	283.000.00	August, 2008-December, 2009
District Education Office	<u>1,368,880.00</u>	November, 2008-June, 2010
	<b><u>7,460,540.00</u></b>	

**(c) Purchases of Fuel not recorded in the Ledgers: K2,385,000.00**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K2,385,000.00 purchased by the sectors between May, 2009 and March, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the accountability and utilization of the fuel. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
District Health Office	1,500,000.00	November, 2009
District Education Manager's Office	<u>835,000.00</u>	May, 2009-March, 2010
	<b><u>2,385,000.00</u></b>	

**(d) Failure to produce Documents for Audit Review: K25,641,787.20**

An examination of payment transactions revealed that some payment vouchers and delivery notes amounting to K25,641,787.20 raised by the District Health Office between May, 2009 and March, 2010 were not produced for audit review. Consequently, the inspecting auditors were unable to verify the propriety of the expenditure in absence of any relevant documentation to substantiate the amount.

**(e) Stores Items not Recorded in the Ledger: K1,177,198.00**

An examination of stores records disclosed that stores items worth K1,177,198.00 purchased between January, 2009 and June, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores purchases could not be ascertained in absence of any disposal record. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Headquarters Operating Account	654,069.00	November, 2009-June, 2010
District Health Office	<u>523,129.00</u>	January-August, 2009
	<b><u>1,177,198.00</u></b>	

**CHIKHWAWA DISTRICT COUNCIL**

62. An audit inspection of the financial statements of the Chikhwawa District Council For the years ended 30th June, 2009 was completed in May, 2011. The audit review disclosed the following irregularity—

**Miscellaneous Expenses Without Supporting Documents:  
MK1,372,113.00**

A review of the Statement of Comprehensive Income revealed that some miscellaneous expenses amounting to K1,372,113.00 were included therein but there were no supporting documents to substantiate these miscellaneous expenses. Consequently the inspecting auditors were unable to ascertain the nature of these miscellaneous expenses.

**MWANZA DISTRICT COUNCIL**

63. An audit inspection of the financial Statements of Mwanza District for the years ended 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed weaknesses in financial controls as follows.

**(a) Payment Vouchers Without Supporting Documents:  
MK9,447,318.14**

Treasury instructions require that all payment vouchers must be supported with relevant documents such as invoices and cash receipts to substantiate the payment transactions.

An examination of payment transactions revealed that between May, 2009 and June, 2010 payment vouchers amounting to K9,447,318.14 were passed for payment without supporting documents. In the absence of the supporting documents, it was difficult for the inspecting auditors to ascertain whether the expenditure was a proper charge to public funds. Below are the details:

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters	1,927,384.52	May, 2009-June, 2010
District Water and Sanitation Office	855,970.00	June, 2009-June, 2010
District Health Office	4,490,457.50	May, 2009-March, 2010
District Agriculture Dev Office	183,242.50	March-August, 2010
District Education Office	1,990,563.62	May, 2009-June, 2010
	<b>9,447,318.14</b>	

**(b) Payments not signed for: K1,858,117.75**

Treasury Instructions require that cash payments in respect of allowances or otherwise should be signed for by the officers receiving the cash.

An examination of payment vouchers revealed that payments to various officers in respect of training, destitution, locum, subsistence allowances and cash for the supply of seedlings totaling K1,858,117.75 made between August, 2008 and June, 2010 were not signed for by the payees. It was therefore difficult for the inspecting auditors to satisfy themselves whether the allowances were paid to the rightful payees.

Below are the details:

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters	686,388.75	August 2008-June 2010
District Health Office	365,200.00	February 2009
Local Development Fund	806,529.00	January 2009
	<b><u>1,858,117.75</u></b>	

**(c) Purchases of Fuel not Recorded in the Ledgers: K6,298,183.38**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K6,298,183.38 purchased between June, 2009 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the utilization of the fuel.

Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters	2,529,001.38	August, 2009-June, 2010
District Health Office	381,830.00	July-September, 2009
District Agriculture Dev Office	2,316,926.00	July, 2009-June, 2010
District Agriculture Dev Office	1,070,426.00	June, 2009-June, 2010
	<b><u>6,298,183.38</u></b>	

**(d) Stores Items not Recorded in the Ledger: K2,034,175.52**

An examination of stores records disclosed that some general stores, and CDF building materials worth K2,034,175.52 purchased between October, 2008 and June, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores purchased could not be ascertained in absence of any disposal record. Below are the details:

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
ORT Account	470,215.52	October, 2008-June, 2010
Constituency Development Fund	284,700.00	June, 2010
District Health Office	1,279,260.00	July, 2009-June, 2010
	<b><u>2,034,175.52</u></b>	

**(e) Failure to Produce Documents for Audit Review: K586,392.61**

An examination of payment transactions revealed that some payment vouchers and delivery notes for medical supplies amounting to K586,392.61 raised between March and June, 2010 were not produced for audit. Consequently, the inspecting auditors were unable to ascertain the propriety of the expenditure in absence of any relevant documentation to substantiate the amount. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Constituency Development Fund	317,392.61	April, 2010
District Health Office	269,000.00	March-June, 2010
	<b><u>586,392.61</u></b>	

**(f) Items issued but not signed for: MK3,665,738.58**

A scrutiny of the ledgers for various stores items for the period between December, 2008 and May, 2010 disclosed that fuel, ground phone units and various other items worth MK3,665,738.58 were issued without being signed for by the recipients. Consequently, it was difficult for the inspecting auditors to satisfy themselves whether the items were properly used.

**NENO DISTRICT COUNCIL**

64. An audit inspection of the financial statements of Neno District Council for the years ended 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following irregularities—

**(a) Payment Vouchers Without Supporting Documentation- K4,218,683.09**

Treasury Instructions require all payment vouchers to be supported by relevant documentation to afford independent checks.

An examination of payment transactions made during the period from July, 2008 to June, 2010 disclosed that payment vouchers amounting to K4,218,638.09 were passed for payment without supporting documents as detailed below—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters	452,774.00	January-December, 2009
District Social Welfare Office	214,791.00	August, 2008-May, 2010
District Forestry Office	185,489.66	January, 2009-February, 2010
District Education Managers Office	291,713.00	August, 2008-May, 2010
District Agricultural Dev Office	<u>3,447,720.00</u>	July, 2008-June, 2010
	<b><u>4,218,683.09</u></b>	

**(b) Purchases of Fuel not Recorded in the Ledgers: K3,035,949.90**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K3,035,949.90 purchased between July, 2008 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the utilization of the fuel. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
District Water Development	268,452.00	August, 2009-June, 2010
District Social Welfare Office	250,153.00	December, 2008-June 2010
District Education Managers Office	1,516,616.47	October, 2008-June, 2010
District Agricultural Dev Office	<u>1,000,728.43</u>	July, 2008-June, 2010
	<b><u>3,035,949.90</u></b>	

**(c) Stores items not Recorded in the Ledger: K1,576,275.46**

An examination of stores records disclosed that stores items worth K1,576,275.46 purchased between December, 2008 and June, 2010

were not recorded in stores ledgers. Consequently, the accountability of the stores could not be ascertained in absence of any disposal record. Below are the details:

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Constituency Development Fund	1,042,924.23	February-June, 2010
District Education Managers Office	523,351.23	December, 2008-April, 2010
	<b><u>1,576,275.46</u></b>	

**(d) Documents not Produced for Audit Examination: K684,180.00**

An examination of financial records for the period October, 2008 to June, 2010 revealed that some general receipts and stores delivery notes amounting to K684,180.00 were not produced for audit review making it difficult for auditors to verify the propriety of the payments. Below are the details:

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
District Forestry Office (GRs)	290,000.00	October, 2008-June, 2009
District Education Managers Office(DNs)	394,180.00	January-June, 2010
	<b><u>684,180.00</u></b>	

**(e) Payments not signed for by the Recipients: K590,701.00**

An examination of payment vouchers for District Education Manager's Office revealed that allowances amounting to K590,701.00 which were paid between August, 2008 and June, 2010 were not signed for by the recipients contrary to Treasury Instructions. It was therefore difficult to ascertain whether the funds were paid to the rightful payees.

## **NSANJE DISTRICT COUNCIL**

65. An audit inspection of the financial statements of Nsanje District Council for the years ended 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed, the following irregularities—

**(a) Payment Vouchers Without Supporting Documents- K5,964,710.00**

Treasury Instructions require all payment vouchers to be supported by relevant documentation and properly kept to afford independent checks.

An examination of payment vouchers made during the period from July, 2008 to June, 2010 disclosed that payment vouchers amounting to K5,964,710.00 had no supporting documents. Consequently, the inspecting auditors were unable to ascertain the validity of the transactions in absence of supporting documents. Below are the details:

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
District Agriculture Dev Office	1,191,000.00	July, 2009-June, 2010
District Health Office	3,638,660.00	July, 2008-June, 2010
Constituency Development Fund	1,135,050.00	July, 2009-June, 2010
	<b><u>5,964,710.00</u></b>	

**(b) Documents not produced for Examination-K7,227,486.50**

Treasury Instructions require that all accounting records must be properly maintained and kept for audit purposes.

An examination of payment vouchers disclosed that some payment vouchers for the financial years ending 30th June, 2009 and 2010 amounting to K7,227,486.50 were not produced for audit review making it difficult for the inspecting auditors to ascertain the propriety of the expenditure. Below are the details:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
District Education Managers Office	217,807.50	July, 2009-June, 2010
District Health Office	7,009,679.00	July, 2008-June, 2010
	<u>7,227,486.50</u>	

**(c) Stores items not Recorded in the Ledger: K5,785,085.00**

An examination of stores records disclosed that stores items worth K5,785,085.00 purchased between July, 2008 and June, 2010 were not recorded in stores ledgers. Consequently, the accountability of the stores purchased could not be ascertained in absence of any disposal record. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Constituency Development Fund	1,017,050.00	July, 2009-June, 2010
District Health Office	2,352,845.00	July, 2008-June, 2009
District Health Office (Rations)	2,415,190.00	July, 2008-June, 2009
	<u>5,785,085.00</u>	

**(d) Cash payments not Accounted for: K2,149,782.64**

Treasury Instructions require all cash paid through receipted vouchers to be supported by signatures, marks or thumb prints of the payees as a proof that cash has been disbursed.

An examination of cash payments to cashiers on behalf of staff members disclosed that a sum of K2,149,782.64 which was drawn between July, 2008 and June, 2010 was not supported by signatures of the payees and could therefore not be accounted for. Consequently the inspecting auditors were unable to ascertain whether the cash was indeed paid to the right payees. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
Council Headquarters	549,141.26	July, 2009-June, 2010
District Education Managers Office	124,373.38	July, 2009-June, 2010
District Education Managers (Allowances)	142,200.00	July, 2009-June, 2010
District Health Office	144,205.00	July, 2009-June, 2010
District Health Office	1,189,863.00	July, 2008-June, 2009
	<u>2,149,782.64</u>	

**(e) Purchases of Fuel not Recorded in the Ledgers:**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K26,320,000.00 purchased by the District Health Office between July, 2008 and June, 2010 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the utilization of the fuel. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
District Health Office	10,850,000.00	July 2008-June 2009
District Health Office	15,470,000.00	July 2009-June 2010
	<u>26,320,000.00</u>	

**PHALOMBE DISTRICT COUNCIL**

66. An audit inspection of financial statements of Phalombe District Council for the years ended 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed the following irregularities—

**(a) Payment Vouchers Without Supporting Documents- K8,932,433.54**

Treasury Instructions require all payment vouchers to be supported by relevant documentation and properly kept to afford independent checks.

An examination of payment transactions for the period August, 2008 to April, 2010 disclosed that payment vouchers amounting to K8,932,433.54 had no supporting documents. Consequently the inspecting auditors were unable to verify the validity of the transactions in absence of any supporting documents. Below are the details—

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
District Health Office	8,835,479.25	August, 2008-April, 2010
District Education Managers Office	96,954.29	March-August, 2009
	<u>8,932,433.54</u>	

**(b) Subsistence Allowances not signed for: K1,601,442.00**

Treasury Instructions require that all cash payments of allowances should be signed for by the officers receiving the allowances.

An examination of payment vouchers revealed that payments in respect of subsistence allowances totaling K1,601,442.00 made to various officers between July, 2008 and March, 2010 were not signed for by the payees. It was therefore difficult for the inspecting auditors to satisfy themselves whether the allowances were paid to the rightful payees. Below are the details:

<u>Sector</u>	<u>Amount (MK)</u>	<u>Period</u>
District Headquarters	203,592.00	July, 2008-March, 2010
District Health Office	1,151,250.00	August, 2008-June, 2009
District Agriculture Dev Office	246,600.00	July, 2008-February, 2010
	<u>1,601,442.00</u>	

## ZOMBA DISTRICT COUNCIL

67. An audit inspection of the financial statements of Zomba District Council for the year ended 30th June, 2009 and 2010 was completed in May, 2011. The audit review disclosed, the following irregularities—

**(a) Documents not produced for Examination -K16,853,359.00**

The Public Audit Act empowers the Auditor General or any officer delegated by him to have the right of access to documents, books and accounts as requested for examination purposes.

It was however noted that management did not present documents supporting the movement of transaction on the HIV and AIDS bank account from an amount of K16,853,359.00 as at 1st July, 2008 to nil as at 30th June, 2010. It was therefore difficult for the inspecting auditors to ascertain the propriety of the expenditures made in absence of any supporting documents to substantiate the movement.

**(b) Stores items not Recorded in the Ledger: K12,012,866.73**

An examination of stores records disclosed that some construction materials for projects and medical supplies worth K12,012,866.73 purchased between June and December, 2009 were not recorded in stores ledgers. Consequently, the accountability of the stores could not be ascertained in absence of any disposal record. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
UNICEF(SSHP) (Building materials)	5,797,259.35	November 2009
District Health Office( Medical supplies)	4,140,122.38	une -December,2009
Local Development Fund	2,165,485.00	January 2009
	<b><u>12,012,866.73</u></b>	

**(c) Purchases of Fuel not Recorded in the Ledgers: K22,687,355.00**

An examination of payment vouchers in respect of fuel purchases disclosed that fuel worth K22,687,355.00 purchased between July, 2008 and December, 2009 was not recorded in the fuel ledger making it difficult for the inspecting auditors to ascertain the utilization of the fuel. Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
Council Headquarters	517,474.00	July-October, 2008
District Health Office	19,000,050.00	March-December, 2009
District Agriculture Dev Office	1,629,831.00	November 2008-May,2009
District Education Managers Office	1,540,000.00	July-October, 2009
	<b><u>22,687,355.00</u></b>	

**(d) Irregular Payment of Subsistence Allowances: K7,604,530.90**

Treasury Instructions state that subsistence allowances should be paid to those officers authorized to perform official duties away from their

duty station at a given rate for the number of days spent away from the duty station.

An examination of payment vouchers and request to leave duty station forms for the period between August, 2008 and June, 2010 revealed that management paid subsistence allowances amounting to K7,604,530.90 to various members of staff for carrying out activities that were part of their normal day to day duties and responsibilities. It was observed that subsistence allowances were paid to accounting officers and IT staff for balancing and packing of salaries and maintaining computers respectively.

Below are the details—

<i>Sector</i>	<i>Amount (MK)</i>	<i>Period</i>
District Health Office	6,771,136.90	August, 2008-June, 2010
District Agriculture Dev. Office	833,394.00	August, 2008-March, 2009
	<b><u>7,604,530.90</u></b>	

## **CERTIFICATION ON THE COUNCILS ACCOUNTS**

68. I am required to express an opinion on the Financial Statements of the Councils based on my audit. In this regard, my audit opinion on the overall financial statements for the financial years ending 30th June, 2009 and 2010 is qualified. Audit opinion for a specific Council is reflected separately in the audit report of the Council.

## **PART IV**

### **CONCLUSIONS AND RECOMMENDATIONS ON THE AUDIT CONCLUSION**

#### **CONCLUSION**

69. There are still a number of challenges in the Local Councils that will need urgent attention if the decentralization process was to achieve its intended purpose. The major challenge in a number of councils is lack of qualified personnel to maintain accounting books and records and timely production of financial statements. Another challenge that will need immediate attention is enhancement of internal controls.

#### **RECOMMENDATIONS**

70. In the course of my audit of the Accounts of the Councils, each District Commissioner and Chief Executive was sent appropriate management letter with recommendations; regrettably, only a few District Commissioners/ Chief Executives submitted their responses within the stipulated time frame. A summary of my recommendations included—
- i. Knowledge and skills of accounting personnel should be regularly upgraded through training including refresher courses and workshops as a means of enhancing capacity in public sector financial management.
  - ii. A deliberate policy to employ and retain qualified accounting personnel should be put in place by the Department of Public Service Management and Ministry of Local Government and Rural Development in order to improve accounting services in the councils and their devolved sectors.
  - iii. Public Financial Management Reforms such as implementation of the Integrated Financial Management Information Systems (IFMIS) should be given serious attention by all Councils.

*31st December, 2011*

*LILONGWE*



**MALAWI GOVERNMENT**

**REPORT OF THE AUDITOR GENERAL**

**ON THE**

**ACCOUNTS OF THE CITY, TOWN AND  
DISTRICT COUNCILS**

**For The Years Ended 30th June, 2009 and 2010**

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