REPORT OF THE AUDITOR GENERAL

ON THE

ACCOUNTS OF THE GOVERNMENT

OF THE

REPUBLIC OF MALAWI

For The Year Ended 30th June, 2017

NATIONAL AUDIT OFFICE

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

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4 May, 2018

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

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

Dear Sir,

Pursuant to the provision of Section184 (2) of the Constitution of the Republic of Malawi and the Public Audit Act Cap 37:01, I have the honour to submit my report on the results of the audit of the Accounts of the Government of the Republic of Malawi for the year ended 30th June, 2017 for tabling in the National Assembly

Yours faithfully,

S. D. L. KAMPHASA
Auditor General

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PART IV

RECOMMENDATIONS AND ACKNOWLEDGEMENT

EXECUTIVE SUMMARY

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

The audits have not been limited to the accounts for the year ended 30th June 2017, but have where necessary extended into the reviews of the preceding years wherever it has been considered due to its significance and materiality.

The Government budgetary operation registered an expansion in both revenue and expenditure during the year under review. Total revenue collected increased favourably by K211.7 billion from K742.2 billion realized in 2015/2016 financial year compared to K953.9 billion in financial year 2016/17, which represents an increase of 16.6%. Total expenditure increased by K65.8 billion from K720.3 billion in 2015/2016 financial year to K786.1 billion which represents an increase of 9.1%. Domestic revenue remained relatively buoyant and continue to maintain an upward trend. This was mainly premised on the improved tax collection and administration by the Malawi Revenue Authority.

As earlier mentioned, Revenue Account registered K953.9 billion in revenue while the recurrent expenditure was K786.1 billion. However, some funds from the Recurrent Account were transferred to Development Account Part I and II amounting to K133.7 billion and K26.3 billion respectively. This brings the total expenditure on Recurrent Budget to K946.1. The overall picture of the recurrent expenditure was a net saving of K7.8 billion.

Development Receipts increased by K34.6 billion from K125.4 billion to K160.04 billion in 2016/17. Total expenditure charged to the Development Account was K155.7 billion which increased by K37 billion when compared to K118.7 billion for 2015/16 financial year representing an increase of 31.17%. Government in this fiscal year continued to get donor support.

The fiscal year 2016/17 is considered, as another year of remarkable achievements in terms of financial reporting because Controlling Officers continued to prepare financial statements using the approved and acceptable format introduced in the ministries and departments. So far, MDAs are preparing their financial statements using cash basis International Public Sector Accounting Standards (IPSAS). My audit opinions on most of these financial statements were qualified based on the various material matters that affected their truthfulness and fairness. Obviously, some MDAs received a clean report as an indication that public financial management and control systems have continued to improve.

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

PART I

INTRODUCTION

Audit of Public Accounts

1. I am required under Section 184 (1) of the Constitution of the Republic of Malawi to audit and report on the public accounts of the Government of Malawi, and to exercise such other powers in relation to Ministries Departments and Agencies (MDAs) accounts, and accounts of the other public authorities and bodies as may be prescribed by an Act of Parliament, in so far as they are compatible with the principal duties of my office.

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

3. The Public Audit Act provides, inter alia, for the administration, control and audit of the public finances of Malawi. In discharging these duties, I am required in terms of Section 6 (4) (d) to determine whether the procedures and systems of internal control of each ministry, department, agency and public authority or body do ensure that__

   (a) Revenue is properly assessed and collected;

   (b) Expenditure is validly and correctly authorised;

   (c) Revenue, expenses, assets and liabilities are properly recorded and accounted for;

   (d) Resources are employed and managed in an economic, effective and efficient manner;

   (e) There has been no waste or extravagance;

   (h) Outcomes or provisions produced are consistent with those specified in any Appropriation Act;

   (i) Relevant government policies and legislation are being complied with;

   (j) All expenditure is charged against the relevant allocation appropriated by the National Assembly; and

   (k) The accounts and records have been properly kept.

4. Section 6 (2) of the Act requires me to undertake an audit programme to review and approve the audited accounts of statutory bodies and conduct audits of any statutory body that has not had its financial statements audited by a firm of auditors, this includes where I do not approve the audited financial statements.

5. Section 6 (3) of the Act requires me to audit and examine transactions, books and accounts and other financial records associated with any project, programme, and any other activity receiving funding in whole or in part from money or public resources which in my opinion justifies further investigations.

6. In fulfilling my duties, powers and responsibilities lawfully conferred on me under Section 7 (1) of Public Audit Act (cap 37.01), I am required and any person authorized by me to;

   (a) Have full access at all reasonable times to all documents, books and accounts, public funds, public securities, government contracts, and books and accounts relating thereof and subject to audit; and to any place where they are kept;

(b) Request any person to supply any information or answer any questions relating to documents, books and accounts, money or operations subject to audit and examination by me;

(c) Give notice in writing, requiring any person having possession or control on any documents, books and accounts subject to audit and examination by my office to deliver all or any of them at a time and place and to such a person specified in the notice;

(d) Inspect, measure or test any real or personal property to which any Government contract relates; and

(e) Enter any land, building, or place, other than a dwelling house, where a government contract is being performed that is subject to audit and examination by me.

Submission of Financial Statements

7. Section 83 (1) of the Public Finance Management Act requires the Secretary to the Treasury to prepare, sign and transmit to me the Consolidated Statements of Accounts within a period of four (4) months, but not later than 31st October after the closure of each financial year. The form and content of the financial statements are as follows:__

(a) A consolidated Operating Statement showing revenue and expenditure and the surplus or deficit for the reporting period;

(b) A statement of Financial Position showing the assets, liabilities and net financial position as at statement of financial position's date of the reporting period;

(c) A Statement of Cash Flows showing the receipts and cash payments during the reporting period, and cash balance as at statement of financial position's date of the reporting period;

(d) A Statement of Cash Balance showing breakdown of the balance held by type of holding;

(e) A Statement of Statutory Expenditure showing details of domestic debt serving, external debt servicing, statutory remuneration and other material items of expenditure;

(f) A Statement of Investment showing the nature or type of investment and current and non-current investments;

(g) A Statement of Borrowings showing total debt and the breakdown of current and non-current debts; and for each showing the opening and closing balances for the reporting period and the nature of the movement during the period, the impact of exchange rate movements, average interest rate, and loan balances available for breakdown;

(*h*) A Statement of Ex-Gratia Payments approved under the provisions of an Act, budgets, actual performance and variations between actual and budget;

(*i*) A Statement showing for each account in the Trust Fund, balances at the beginning and end of the reporting period, and the nature of the movement in the reporting period; and

(*j*) A Statements of Accounting Policies setting out the significant accounting policies on which the financial statements are prepared; and other information specified by the Secretary to the Treasury in Treasury Instructions as required to provide more detailed information or explanations.

Controlling Officers' Responsibility

8. In terms of Section 10 of the Public Finance Management Act, it is the Controlling Officers' responsibility to maintain proper financial management systems. This involves keeping appropriate financial records, and where applicable, following generally accepted accounting principles. Responsibilities of management also include ensuring that:—

(a) Public funds are only used to the extent, and for the purpose intended by the National Assembly;

(b) All necessary precautions are taken to safeguard the collection and custody of public money;

(c) All necessary precautions are taken to safeguard public resources;

(d) All expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste;

(e) There is no over-expenditure of over-commitment of funds and a review is undertaken each month to ensure that there is no such over-expenditure or over-commitment; and

(*f*) The collection of public moneys is according to approved plans and the estimates.

The Controlling Officers prepared financial statements of their ministries, departments and agencies for the 2016/2017 financial year and submitted them for audit before they were consolidated by the Accountant General. In the year 2016/2017, most Controlling Officers submitted their financial statements for audit in time.

The only challenge was on the Consolidated Annual Appropriation Accounts because of persistent changes in the submitted versions of the Accounts. The first one was received on 30th October 2017 with a total expenditure of K782.8 billion on Recurrent Budget and K145.4 billion on

Development Budget. The Second version was received on 30th January, 2018 with a total expenditure of K794.6 billion on Recurrent Budget and K155.4 billion on Development Budget. The third version was received on 11th April 2018 with a total expenditure of K786.1 billion on Recurrent Budget and K155.7 billion on Development Budget. This has a negative effect on the timely production of my report

Scope of Audit

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

The Public Audit Act Cap37:01 empowers me to use discretion and make tests in any particular case. The extent of audit examinations varied depending on the strength of internal control systems in operation and the nature of transactions involved. Substantive tests were made on selected areas of various ministries, departments and agencies, which form part of public accounts in order to form an opinion as to whether or not public money is expended economically, and in conformity with the wishes of the National Assembly. The audits have not been limited to the accounts for the year ended 30th June 2017 but have where necessary extended into the reviews of the preceding years.

Audit Methodology

10. The core objective of the external audit function is to ensure accountability of public funds. To discharge this responsibility my approach to audit involves the following:__

(a) Planning the audits to obtain relevant information in the most efficient manner and to determine the audit procedures employed;

(b) Evaluation and testing of the accounting and internal control systems;

(c) Testing of controls to ensure that procedures have been applied and that the relevant laws and regulations have been complied with, including the test for validity, completeness and accuracy of the accounts; and

(d) Reporting the audit findings based on the audit procedures performed and evidence gathered.

Responding to Auditors Reports

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

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

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

Reporting Procedure

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

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

Audit Opinion of the Accounts

13. I am required to express an opinion on the public accounts based on my audit. My audit opinion on the public accounts for the financial year ended 30th June, 2017 is unmodified with Emphasis of Matter as follows:

Opinion

I have audited the accompanying Consolidated Annual Appropriation Accounts of the Government of Malawi for the year ended 30 June 2017 and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the Consolidated Annual Appropriation Accounts of the Government of Malawi present fairly, in all material respects, the financial position of the Government of Malawi as at 30 June 2017 and of its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the provisions of the Public Finance Management Act.

Basis for Opinion

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

Emphasis of Matter

There were significant improvements in the financial reporting for the current period with respect to the following matters:

Improvement from last year's observations

(a) Misallocations have improved by reducing to K136,178,292 compared to K427,974,099 for the financial year ended 30 June 2016 which represent 68% improvement.

Areas that have not improved from last year's observations

(a) Unsupported payment vouchers increased to K5,315,251,031.00 compared to K517,115,701.82 for the financial year ended 30 June 2016 which represent 928% increase. This represents 0.97% of gross expenditure which is far below my overall materiality level.

(b) Missing payment vouchers and other important documents increased to K2,033,810,685.59 compared to K158,273,251.61 for the financial year ended 30 June 2016 which represents 1185%. This represents 0.37% of gross expenditure, which is far below my overall materiality level.

(c) Various MDAs continue to overlook observance of well-established procurement systems and procedures resulting in accumulation of arrears. In total, the arrears that were submitted for verification for the year ended 30 June 2017 amounted to K23,342,322,940.36 increasing from last year by 126% (2015/16 was K10,300,137,321.62). A total amount of K18,937,483,920.38 was verified and recommended for payment representing 81% of accumulated arrears in the year which is lower by 19.9% as compared to last year's amount of K10,299,565,705.52. The unverified arrears in the year amounted to K4,404,839,019.98 representing 19% of the total claimed while last year's unverified amount was K571,616.10 representing 0.001%. The whole balance relates to Ministry of Health (Central Medical Stores Trust) drugs and other medical supplies. My opinion is not modified in respect of this matter.

Key Audit Matters

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

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

The audit opinion is presented separately in Volume 1 of the Consolidated Annual Appropriation Accounts for the year ended 30th June 2017.

PART II

OVERALL BUDGET PERFORMANCE 2016/2017

Budget Outturn__Revenue

14. Total revenue collected during the period ended 30th June, 2017 was K953.9 billion which reflected an increase of K211.7 billion over the 2015/16 amount of K742.2 billion. The main sources of revenue were Tax Revenue K749.3 billion, Non-Tax Revenue K56.9 billion, Programme Grants K11.8 billion, Dedicated Grants K62.4 billion and Project Grants K73.5 billion.

The approved budgeted revenue was K978 billion and revised to K988.1 billion. Actual revenue collection for 2016/17 was less than the revised amount of K988.1 billion by a net of K34.2 billion. The under-collection was on Tax Revenue (K5.6 billion), Non Tax Revenue (K28.7 billion) and Project Grants (K19.1 billion) which in total amounted to K53.4 billion. The trend of revenue collection for the past four years is tabulated in Table 1 below:

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

Year	Approved Provision K'000	Revised Provision K'000	Actual Collection K'000	(Under) Collection K'000	Percentage under Collection %
2013/2014	453,905,050	525,108,000	493,481,100	(31,626,900)	*6%*
2014/2015	539,893,378	683,384,000	636,417,483	(46,966,517)	*7%*
2015/2016	699,852,567	785,646,869	742,229,582	(43,417,287)	*6%*
2016/2017	829,949,871	988,065,000	953,910,389	(34,154,611)	*4%*

With reference to Table 1 above, the general assessment of budget provision compared to the actual collection indicates that for the three years, though the differences have been negative but are minimal, the budget preparation for revenue collection was based on realistic projection factors. Therefore, such performance is encouraged to continue using realistic budget projection factors.

Budget Outturn__Expenditure

15. During the year under review, total recurrent expenditure charged to the Consolidated Fund was K786.1 billion resulting into an increase in expenditure of K65.7 billion when compared to the total expenditure of K720.3 billion for 2015/2016 financial year, which represents an increase

of 9.1%. Some funds from the Recurrent Account were transferred to Development Account Part I and II amounting to K133.7 billion and K26.3 billion respectively. This brings the total expenditure on Recurrent Budget to K946.1 billion. The overall performance of the recurrent expenditure was a net saving of K7.8 billion which compared favorably to a net deficit of K103.5 billion for the financial year 2015/2016. The good performance is largely because of improved performance in revenue generation of K212 billion more.

Consolidated Revenue Account

16. The consolidated revenue account did not improve in performance during the 2016/2017 financial year since the account had a cumulative deficit of K79.9 billion as at 30th June, 2017, as compared to a cumulative deficit of K79.2 billion as at 30th June, 2016 and was arrived as in table 2 below:

Table 2: Performance of Consolidated Revenue Account

Description	**K'000**
Deficit balance brought forward as at 1st July, 2016	(79,210,531)
Add: Revenue for the year	953,910,389
Less: Expenditure for the year	(786,057,755)
Transfer to Development Part II	(26,345,854)
Transfer to Development Part I	(133,694,011)
Cumulative Deficit brought forward as at 30th June, 2017	**(71,397,762)**

The planned recurrent surplus for the year under review was K163.4 billion since the Government planned to collect and spend K988.1 billion and K824.7 billion respectively but the balance was a surplus of K7.8 billion as at 30th June, 2017. The actual Revenue Account out-turn as at 30th June, 2016 was a deficit of K103.5 billion as shown in Table 2 below.

The annual deficit could largely be attributed due to poor performance in revenue collections, which registered under collections in both tax, and none tax revenues and delays to inflows to donor budget support.

Table 3: Recurrent Budget Performance for the past four years.

Years	2013/2014	2014/2015	2015/2016	2016/2017
	K'000	K'000	K'000	K'000
Actual Revenue	521,935,444	636,417,483	742,229,582	953,910,389
Less: Actual Expenditure	(450,859,755)	(585,307,849)	(720,320857)	(786,057,755)
Transfer to Dev. Part II	(29,230,731)	(21,888,812)	(22,155,630)	(26,345,854)
Transfer to Dev. Part I	—	—	(103,279,358)	(133,694,011)
Surplus/(Deficit)	**41,844,955**	**29,220,822**	**(103,525,262)**	**(7,812,769)**

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

The following is an analysis of the votes under Recurrent Budget. Seven (7) votes on Central Government recorded an over expenditure of K23.1 billion. The votes are as follows:

Table 4: Votes with over expenditure of K23.1 billion

Vote	MDA	Amount K'000
050	State Residences	2,258,240
090	Office of the President and Cabinet	82,574
271	Accountant General	558,931
273	Malawi Revenue Authority	821,010
274	Roads Fund Administration	19,222,794
510	Anti-Corruption Bureau	9,717
560	Law Commission	171,580
		23,124,846

Forty-Five (45) votes recorded under expenditures of K48.9 billion. The largest unspent balances occurred in the following votes in Table 5 below:

Table 5: Votes with under expenditures of K48.9 billion

Vote	Ministry Department or Agency	Amount in Billion Kwacha
040	Public Debt Charges	11.8
190	Ministry of Agriculture Irrigation and Water Development	11.2
240	Office of the Vice President	3.3
250	Ministry of Education, Science and Technology	1.9
260	Ministry of Foreign Affairs	4.9
310	Ministry of Health	13.7
	Total	**48.9**

The underperformance could relate to decreased activities or low funding but no clear reasons were provided.

The overall state of affairs of the Recurrent Budget as at 30th June, 2017 was a net saving of K7.8 billion, registering an increase of K95.7 billion from a deficit of K103.5 billion recorded at the end of the 2015/2016 financial year. This indicates that there was an improvement in terms of budget performance.

Consolidated Development Account

17. The total expenditure charged to Development Account for the year ended 30th June, 2017 amounted to K155.7 billion reflecting an increase of K37 billion over the previous year's expenditure of K118.7 billion.

A comparative analysis of expenditure out-turns of the Development Account for the past four years is as in table 6 below:

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

Years	**2013/2014**	**2014/2015**	**2015/2016**	**2016/2017**
Amount in	**K'000**	**K'000**	**K'000**	**K'000**
Approve Estimates	176,629,515	196,160,831	216,095,677	246,674,936
Revised Estimates	156,175,784	192,939,579	202,495,205	246,674,936
Actual Expenditure	70,376,734	60,537,416	118,695,952	155,680,420
Under Expenditure	**85,799,050**	**132,402,163**	**83,799,253**	**90,994,516**
Under expenditure %	55%	69%	41%	37%

The following is an analysis of the sampled votes under development account. Only Office of the President and Cabinet (Vote 090) recorded an over-expenditure of K243.965 million. Twenty Two (22) votes recorded under expenditures of K88.5 billion. The largest unspent balances occurred in the following votes;

Vote 190 – Ministry of Agriculture, Irrigation and Water Development (K26.7 billion), Vote 250 – Ministry of Education, Science and Technology (K19.4 billion), Vote 310 – Ministry of Health (K12.7 billion), Vote 274 – Roads Fund Administration (K10.8 billion), Vote 275 – Ministry of Finance (Subvented Organizations) (K8 billion), Vote 370 – Ministry of Labour, Youth and Manpower Development (K6.3 billion) and Vote 400 – Ministry of Transport and Public Works (K2.7 billion).

The unspent balances on the Development votes would be a reflection of projects, which were not implemented in full due to delays in aid inflows, and lack of expertise.

The overall state of affairs of the Development Account as at 30th June, 2017 was a cumulative deficit of K14.98 billion, registering a decrease of K4.6 billion from K19.6 billion recorded at the end of the 2015/2016 financial year. Details are in Table 7 below:

Table 7: showing cumulative deficit in Development Account

	K'000
Receipts during the year	160,039,866
Less: Payments	(155,680,420)
Surplus for the year	**4,359,446**
Add: Opening balance	(19,617,676)
Cumulative Surplus as at 30th June, 2017	**(15,258,230)**

CONSOLIDATED FUNDS

Financing of the Deficit

18. The Budget Statement for 2016/2017 financial year envisaged a deficit of K171.2 billion on the total Recurrent Budget since total revenues and grants were projected at K965.2 billion and total expenditure and net lending were projected at K1,136.4 billion, while the Development Budget was expected to break-even at K317.4 billion.

During the year under review, the Recurrent Revenue Account collected K953.9 billion while the Recurrent Expenditure was K946.1 billion resulting into a surplus of K7.8 billion.

The Development Account realized K160.04 billion; registering an increase of K34.6 billion when compared to K125.4 billion of 2015/2016 financial year. Expenditure for the year was K155.7 billion resulting into a surplus of K4.4 billion.

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

Table 8: Net cumulative position of the Recurrent and Development Accounts

Year	**Combined (Deficit)/Surplus** ***K'000***
2013/14	7,287,802
2014/15	102,852,990
2015/16	(98,828,207)
2016/17	(86,655,992)

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

Preparation of Financial Statements by Ministries and Departments

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

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

The financial statements of the votes listed below for the financial year ended 30th June, 2017 were submitted to me for audit. My audit opinions on these financial statements were either qualified based on the various material matters that affected their true and fair view or unqualified.

VOTE	MDA
070	Judiciary
080	National Assembly
081	Office of Public Officers Declarations
090	Office of the President and Cabinet
093	Department of Human Resource Management and Development
099	Public Procurement and Disposal of Public Assets Authority
120	Local Government and Rural Development
121	National Local Government Finance Committee
130	Lands, Housing and Urban Development
190	Agriculture, Irrigation & Water Development
240	Office of the Vice President
250	Education, Science and Technology
260	Foreign Affairs and International Cooperation
270	Finance, Economic Planning & Development
271	Accountant General
276	National Statistical office
320	Gender, Children, Disability and Social Welfare
330	Information and Communication Technology
340	Home Affairs
341	Malawi Police Services
342	Malawi Prison Services
343	Immigration Department
370	Labour, Youth and Manpower Development
390	Industry, Trade and Tourism
400	Transport and Public Works
430	Human Rights Commission
460	Electoral Commission
470	Natural, Resources, Energy and Mining
510	Anti-Corruption Bureau
520	Legal Aid Bureau
550	Office of the Ombudsman
560	Law Commission
	Agricultural Development and Marketing Corporation
	Electricity Supply Corporation of Malawi
	Malawi Rural Electrification Programme
	National Youth Council of Malawi
	Borehole Construction and Ground Water Management Fund
	Animal Health and Livestock Development Fund
	Forestry Development and Management Fund
	Public Land Development Fund
	Wildlife Conservation Fund

The National Audit Office categorises the findings into;

A-Significant and Material, B-Significant and Immaterial and C-Insignificant and Immaterial. For category C, the MDAs with such findings do not appear in this report. As for the categories A and B they appear in this report except for those that were cleared after satisfactory explanations and provision of the relevant documentation.

PART III

MINISTRIES, DEPARTMENTS AND AGENCIES

THE JUDICIARY

20. An audit of financial statements of the Judiciary for the financial year ended 30th June, 2017 was completed in April, 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Performance

The approved budget for Judiciary was at **K5,534,973,998.00** and was revised to **K6,555,535,568.00**. However, the actual out-turn was **K6,529,387,963.97** representing **99.6 %** utilization of the revised estimates.

Overall performance for development Expenditure

The approved development budget comprising donor funded projects (Part 1) and locally funded projects (Part II) was K1,600,000,000.00 and was not revised. The actual expenditure for the period was K1,562,805,000.00 representing 97.7% budget utilization.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Judiciary for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

High Court: Blantyre

(a) Fuel Not Accounted For: K29,449,765.00

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

An examination of payment vouchers revealed that the office purchased fuel amounting to **K29,449,765.00** but there was no evidence to show that the purchased fuel was recorded in the fuel register. This made it difficult for the inspecting auditors to ascertain the disposal of the purchased items.

(b) Non- Maintenance of Asset Register: K40,033,275.02

Treasury Instruction 5.32.1 states that all Controlling Officers shall maintain asset registers for all fixed assets bought using public resources in both electronic and hard copies. According to the circular from the Chief Secretary to the Government dated 2nd March, 2010 titled 'Government Physical Assets Register', the asset register should among other things indicate the monetary values of the assets and their condition.

An examination of the payment vouchers disclosed that the office purchased fixed asset totalling K40,033,275.02 which had no record to keep track of the assets.

(c) Misallocation of Expenditures: K2,558,728. 50

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

An inspection of payment vouchers disclosed that some payment amounting to K2,558,728.50 were charged to wrong sub-items which is contrary to the above requirement. There was also no evidence to show that virement of funds was sought from the Secretary to the Treasury.

(d) Allowances Meant For Witnesses Not Signed For By Recipient: K15,740,000.00

An inspection of payment vouchers revealed that allowances meant for witnesses in homicide cases amounting to K15,740,000.00 were not signed by recipient to acknowledge receipt. The propriety of the payments could not be verified in the absence of recipients' signatures to acknowledge receipt.

(e) Subsistence Allowances Paid Without Attaching Request To Leave Duty Station Forms: K2,944,470.00

Treasury Instructions require that payment vouchers should be fully supported by relevant documentation. In case of subsistence allowances a duly completed 'Request to Leave Duty Station Form' is supposed to be attached to the payment voucher.

An inspection of payment vouchers disclosed that subsistence allowances amounting to K2,944,470.00 had no Request to Leave Duty Station Forms attached. As such the propriety of the payments could not be verified in the absence of request to leave duty station forms.

(f) Payment Vouchers Without Supporting Documents: K144,887,433.87

Treasury Instruction 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. In addition, Treasury Instruction 5.9 (a), states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

An inspection of payment vouchers disclosed that some payment vouchers totaling **K144,887,433.87** had no supporting documents attached. In the absence of supporting documents the validity of the payments could not be ascertained.

High Court: Lilongwe

(a) Stores Items Not Accounted For: K15,721,586.55

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

An inspection of the payment revealed that the office purchased stores items amounting to MK15,721,586.55 but there is no evidence that the purchased stores were recorded in the stores ledger. This made it difficult for the inspecting auditors to ascertain the disposal of the purchased items.

(b) Non-Maintenance of Asset Register: K6,595,000.00

Treasury Instruction 5.32.1 states that all Controlling Officers shall maintain asset registers for all fixed assets bought using public resources in both electronic and hard copies. According to the circular from the Chief Secretary to the Government dated 2nd March, 2010 titled ‘Government Physical Assets Register’, the asset register should among other things indicate the monetary values of the assets and their condition.

An inspection and interview with the stores personnel disclosed that the assets of the office amounting to K6,595,000.00 had no record such as the asset register which could keep track of the use, possession and the condition of the assets.

(c) Advances Paid From Sheriff Fees not Deducted: K1,000,000.00

An inspection of the payment vouchers and the advances ledger for the period between July 2015 and June 16 revealed that the office granted MK1,000,000.00 in form of advances to officers without making recoveries as at the date of audit.

(d) Replaced Spare Parts Of Motor Vehicles Not Recorded In The Ledger: K3,093,860.00

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

An inspection of the payment vouchers and the stores ledger for the period of July 2016-17 revealed that the office purchased spare parts, tires and car batteries for office vehicles but the replaced parts were not returned to the office for proper disposal and evidence of service done over the vehicles amounting to **K3,093 860.00.**

(e) Maintenance of Motor Vehicle Without PVHES Approval from Sherriff Fees: K2,975,579.36

An inspection of the payment vouchers for the period between July 2016 and June, 2017 revealed that the office had an amount of K2,975,579.36 for servicing vehicles without PVHES inspection reports attached to authenticate the inspections.

(f) Outstanding Dishonoured Cheques From Sherriff Fees:__K1,375,014.00

An examination of bank statements, deposit slips and refer to drawer cheque registers for the period between June, 2016 and May, 2017 revealed that dishonoured cheques amounting K1,375, 014.00 were still outstanding as at the time of completing the audit.

High Court :Mzuzu

(a) Refunds To Sheriff of Malawi Account Without Authorisation: K2,664,336.65

An Inspection of the payment vouchers and bank statements for the 2015/16 and 2016/17 financial years revealed that the office transferred K1,219, 791.84 and K1,444,544.81 from ORT account to Sheriff of Malawi Account, respectively without proper authorization from the Accountant General.

(b) Stores Items Not Accounted For: K3,403, 165.26

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

An inspection of the payment vouchers revealed that the office purchased items amounting to K3, 403, 165.26 but there is no evidence that the purchased stores were recorded in the stores ledger. This made it difficult for the inspecting auditors to ascertain the disposal of the purchased items.

(c) Loans Granted to Officers Without Interest From Sheriff Fees: K1,016,410.00

An inspection of the payment voucher for the period between July 2015 and June, 2016 revealed that the office granted loans to officers amounting to K1,016,410.00 from sheriff account without charging interest on such loans.

(d) Payment Vouchers From Sheriff Fees Without Supporting Documents: K1,160,649.63

Treasury Instruction 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. In addition, Treasury Instruction 5.9 (a), states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

An inspection of payment vouchers amounting to K1,160,649.63 had no supporting documents attached. As such the propriety of the payments could not be verified in the absence of supporting documents.

(e) Maintenance of Motor Vehicles Without PVHES Approval from Sherriff Fees: K2,062,724.11

An inspection of the payment vouchers for the period of July 2015-16 revealed that the office had serviced vehicles without PVHES inspection receipts attached to authenticate the approval amounting to K2,062, 24.11.

(f) Fuel Not Accounted For: K8,022,101.68

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

An examination of payment vouchers revealed that the office purchased fuel amounting to K8,022,101.68 but there was no evidence to show that the purchased fuel was recorded in the fuel register. This made it difficult for the inspecting auditors to ascertain the disposal of the purchased items.

Chief Resident Magistrate Court: Eastern Region

(a) Failure to Bank Court Fines: K1,420,700.00

An inspection of receipt books and deposits slip for the period up to 30th June, 2017 disclosed that the court fees amounting to K 1,420,700.00 that were collected had no evidence that they were banked since the money could not be reflected on the available receipt books and bank deposit slips.

NATIONAL ASSEMBLY

21. An audit of financial statements of the National Assembly for the financial year ended 30th June, 2017 was completed in December, 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Performance

The approved budget for National Assembly was at **K10,410,180,993.00** and was revised to **K10,901,090,933.30.** However, the actual out-turn was **K10,556,427,000.00** representing **97% utilization** of the revised estimates.

Audit Opinion

I issued an unqualified opinion on the Statement of Receipts and Expenditure for the National Assembly for the year ended 30th June, 2017.

(a) Failure to Indicate Monetary Values and Condition of Fixed Assets

Treasury Instruction 5.32.1 (2004) states that all Controlling Officers shall maintain asset registers for all fixed assets bought using public resources in both electronic and hard copies. According to the circular from the Chief Secretary to the Government dated 2nd March, 2010 titled 'Government Physical Assets Register', the asset register should among other things indicate the monetary values of the assets and their condition.

A review of the fixed assets registers for the Parliament of Malawi revealed that the register does not indicate monetary values of the assets and their condition.

(b) Misallocation of Expenditure: K2,896,200.00

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

A review of payment vouchers for the National Assembly revealed that management misallocated funds amounting to K2,896,200.00 without obtaining prior approval from the Secretary to the Treasury.

(c) Payment Vouchers Not Presented For Audit Inspection: K8,790,000.00

Treasury Instructions (2004) 5.9 provides that accounting records should be maintained and filed in such a way that they are easily accessed and produced when requested by any authorized persons. Further, the Public Audit Act, no 7 of 2003, section 6 requires all public officers to provide all necessary documents and information for audit purposes whenever the information is required.

An examination of payment vouchers for Parliament of Malawi revealed that payment vouchers totaling K8,790,000.00 passed for payment were not presented for audit inspection. It was therefore difficult to ascertain the validity and propriety of the expenditure incurred.

(d) Failure To Substantiate External Travel: K16,462,149.80

The audit team, during the course of audit, discovered that Parliament of Malawi paid external travel allowances to various officers and members of parliament to carry out various activities. However, the audit team was not provided with all the appropriate documents to substantiate occurrence of the activities and accuracy of the payments made.

The audit team requested for passports and other documents to verify if the travel took place but the passports were not provided. There was no evidence to support the external travel made by the officials sampled. Such trips cost Parliament external travel related expenses amounting to K16,462,149.80

Public Procurement and Disposal of Public Assets Authority

22. An audit of the financial statements of the Office of Director of Public Procurement for the financial year ended 30th June, 2017 was completed in February 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Performance

The approved budget for Office of the Director of Public Procurement was at **K344,160,000.00** and was revised to **K344,079,000.00**. However, the actual out-turn was **K344,068,000.00** representing **99.99% utilization** of the revised estimates.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Office of Director of Public Procurement for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Payment Vouchers Without Supporting Documents: K8,824,140.63

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

An examination of payment vouchers and their supporting documents revealed that payment vouchers amounting to **K8,824,140.63** had no supporting documents as at the time of audit. As a result, the audit team failed to ascertain the accountability of the related expenditure.

(b) Payments For Goods Not Supplied: K1,024,114.00

The audit examination revealed that on 20th October 2016 and 9th September 2016 the office paid for Purchases amounting to K1,024,114.00, which lacked evidence of delivery. For more details, refer to Table 2 below.

(c) Stores Ledger Not Provided For Audit Examination: K2,323,504.06

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

Contrary to the above regulation, the office of Public Procurement failed to provide stores ledger to the audit team, as such, stores items worth K2,323,504.06 purchased betwen September 2016 and May 2017 were not accounted for.

(d) Misallocations of Public Funds: K3,900,000.00

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

It was however, observed during the audit that on 1 September and 4 August 2016 the Office spent funds amounting to K3,900,000.00 meant for other activities on un-related activities without obtaining a virement from Treasury.

(e) Motor Vehicle Logbook Not Presented For Audit: K14,643,168.79

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

Contrary to the above quoted instruction, the Office failed to present for audit examination some motor vehicle logbooks. Consequently, the audit team failed to ascertain the proper disposal of fuel valued at **K14,643,168.79** for the period of the audit review.

Reviews Not Yet Cleared

2015/2016 Financial Year

23. An audit of the financial statements of the Office of Director of Public Procurement for the financial year ended 30th June, 2016 was completed in February 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) **Failure to maintain assets register and inventory sheets**

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

An examination of financial records revealed that ODPP offices had some assets and inventories which were not recorded in the assets register nor on inventory sheets.

(b) **Payment Vouchers Without Supporting Documents: K1,352,127.33**

Treasury Instruction (Finance) 2013 section 3 states that every payment voucher in respect of expenditures shall be in a form approved by the Secretary to the Treasury. The payment voucher should be supported by relevant documents in respect to that particular payment.

An examination of payment vouchers revealed that payment vouchers amounting to **K1,352,127.33** had no supporting documents as at the time of audit. In the absence of the supporting documents, the auditors could not ascertain the validity of the expenditure incurred.

(c) Procurements Made From Single Source And Without IPC Approval: K3,008,099.92

Public Procurement Act requires that procurement of goods and services should be authorized by the Internal Procurement Committee (IPC) and that when making procurements at least three competitive quotations from different suppliers should be obtained. On other circumstances the no objection from the Director of Public Procurement should be obtained for the single bidder to be chosen.

Contrary to the requirement, the Office of the Director of Public Procurements procured items worth **K3,008,099.92** during the year under review without IPC approval and without sourcing at least three quotations. In the circumstance, the audit team could not ascertain whether the items were procured at fair prices

(d) Fuel Purchased Not Accounted For: K2,802,241.09

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

Contrary to the above requirement, the office failed to provide fuel register to the audit team, as a result, accountability of fuel worth **K2,802,241.09** could not be verified.

(e) Misallocation of Funds: K8,661,957.20

Treasury Instructions (Finance) 2013 section 2.5.4 and Local Government Act provide that expenditure should strictly be in accordance with budget estimates. They further state that funds should be spent for the intended purposes.

The audit review disclosed that **K8,661,957.20** was misallocated and utilised on transactions which were not related to relevant sub-items in the budget. There was no evidence that Treasury authority was obtained to vire funds between sub-items.

2014/2015 Financial Year

24. An audit of the financial statements of the Office of Director of Public Procurement for the financial year ended 30th June, 2015 was completed in February 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payment Vouchers Without Supporting Documents K1,792,500.00

Treasury Instruction (Finance) 2013 section 3 states that every payment voucher in respect of expenditures shall be in a form approved by the Secretary to the Treasury. The payment voucher shall be supported by the relevant documents in respect to that particular payment.

An examination of payment vouchers and their supporting documents revealed that payment vouchers amounting to **K1,792,500.00** had no supporting documents as at the time of audit. In the absence of the supporting documents, the auditors could not ascertain the validity of the expenditure incurred.

(b) Procurements Made From Single Source and Without IPC Approval: K5,583,953.22

Public Procurement Act requires that procurement of goods and services should be authorized by the Internal Procurement Committee (IPC) and that when making procurements at least three competitive quotations from different suppliers should be obtained. On other circumstances the no objection from the Director of Public Procurement should be obtained for the single bidder to be chosen.

Contrary to the requirement, the Office of The Director of Public Procurement, procured items worth **K5,583,953.22** during the year under review without IPC approval and without sourcing at least three quotations. In the circumstance value for money may not be achieved.

(c) Fuel Purchased Not Accounted for And Monthly Returns Not Maintained: K2,299,600.00

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

Contrary to the above requirement, the office failed to provide the fuel register to the audit team, as such accountability of fuel worth **K2,299,600.00** could not be ascertained.

(d) Misallocation of Funds: K6,530,291.04

Treasury Instructions (Finance) 2013 section 2.5.4 and Local Government Act provide that expenditure should strictly be in accordance with budget estimates. They further state that funds should be spent for the intended purposes.

The audit review disclosed that **K6,530,291.04** was misallocated and utilised on transactions which were not related to relevant sub-items in the budget. There was no evidence that Treasury authority was obtained to vire funds between sub-items.

MINISTRY OF DEFENCE

Ministry Headquarters

Reviews Not Yet Cleared

25. An audit of the financial statements of the Ministry of National Defence for the financial year ended 30th June, 2016 was completed in December 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payments Charged To Wrong Budget Line Items: K11,267,885.35

Treasury Instruction 4.14 (1) of 1st May, 2013 states that if the Controlling Officer is satisfied that the provision against a programme/ item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/ item within the same vote. The application should be in writing and should be signed personally by the Controlling Officer. If the Secretary to the Treasury is satisfied with the application for virement, he shall issue a numbered virement Warrant.

Contrary to the above Treasury Instruction, payments amounting to **K11,267,885.35** in respect of Other Recurrent Transactions and the Development account were charged to wrong budget line items between 4th August, 2015 and 7th June, 2016.

(b) Purchased Stores not Accounted for: K35,977,943.49

Treasury instructions (S) 5707 (1) require that all purchased of stores should first be recorded in the stores ledger and that issues should be recorded and signed for by the recipients to ensure proper accountability.

Contrary to the above Treasury Instruction, payments amounting to **K35,977,943.49** which were procured between 31st July, 2015 and 31st March, 2016 had no record as evidence that they were recorded in the stores ledger. It was, therefore, difficult for the auditors to ascertain their accountability.

(c) **Outstanding Commitments: K145,299,888.01**

Section 21 of the Public Procurement Act, 2003, requires procuring entities to plan procurement with a view to achieve maximum value for public expenditures. Procurement plan details the items the entity has lined up to procure within the financial year in accordance with its cash flow.

Contrary to the above requirements of the Public Procurement Act, it was discovered that the Ministry had unsettled invoices totaling K41,629,939.34 and K103,669,948.67 in respect of Other Recurrent Transactions (ORT) and the Development account respectively. Total unsettled invoices for the Ministry as at 30th June, 2016 amounted to **K145,299,888.01**.

Malawi Defence Force

Reviews Not Yet Cleared

2015/2016 Financial Year

26. An audit of the financial statements of the Malawi Defence Force (MDF) for the financial year ended 30th June, 2016 was completed in December 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) **Misallocation of Voted Funds: K6,302,817,453.30**

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

An examination of payment vouchers disclosed that expenditure amounting to **K6,302,817,453.30** was charged to wrong budget line.

(b) Payments Vouchers Amounting to K1,244,502,362.09 Without Supporting Contract Agreements:

Treasury Instructions 8.14 stipulate that a public entity may enter into contracts for the works, supplies and services acquisition, disposal or management of goods, services and construction works in accordance with the provisions of its empowering Act or rules approved by its board of directors or other governing body, and shall comply with the provisions of the Public Procurement Act, 2003.

An examination of sampled payment vouchers amounting to **K1,244,502,362.09** did not have supporting signed contract agreements as evidence that various suppliers and individuals were indeed paid based on signed Contract Agreements. Consequently, the propriety of the expenditure could not be ascertained.

(c) Fuel Not Accounted For: K423,055,893.52

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

The MDF however failed to provide to the audit team the fuel register, as such, fuel worth **K423,055,893.52** was not accounted for.

(d) Payments Made For Catering Services Not Accounted For: K199,862,081.18

An examination of payments vouchers disclosed that MDF made payments amounting to **K199,862,081**.18 for rations and provisions to various catering services providers without supporting documents such as invoices, outstanding bills and contract agreements made between MDF and outsourced catering services providers. Consequently, the propriety of the expenditure could not be ascertained

(e) External Travel Allowance Not Verified: K178,904,028.16

An examination of payment vouchers for the period under review disclosed that external travel allowances to **K178,904,028.16** were paid to officers for official trips to various countries. However, the audit team was unable to ascertain whether the trips were actually undertaken since no document for the travel was produced for review.

(f) Payments Vouchers Without Supporting Documents: K142,582,475.74

Treasury Instruction 5.16.1 of 2004, states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

Contrary to the above instruction, payment vouchers amounting to **K142,582,475.74** had no supporting documents attached. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

(g) Stores Not Accounted For: K141,437,113.75

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

Contrary to the requirement the office failed to provide stores ledger for audit inspection, as such, stores items worth **K141,437,113.75** could not be accounted for.

(h) General Materials Not Accounted For: K57,240,787.34

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

An examination of payment vouchers revealed that stores item valued at **K57,240,787.34** had no record as evidence that they were recorded in stores ledger. It was therefore, difficult for the audit team to ascertain their accountability.

(i) Failure To Account For Procured Drugs: K46,830,601.02

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

An examination of payment vouchers revealed that stores item valued at **K46,830,601.02** had no record as evidence that they were recorded in stores ledger or bin cards. It was therefore, difficult for the audit team to ascertain their accountability

(j) Non Maintenance of Fixed Asset Register: K40,323,388.00

Treasury Instructions 5.3 (1-6) and Government Circular Ref. No CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that:

All controlling officers shall maintain asset register for all fixed assets bought using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets,

Contrary to the instruction, MDF did not have the required Fixed Asset Register for its equipment and other valuable assets valued at **K40,323,388.00**. It was therefore, difficult for the audit team to ascertain their accountability.

(k) Receipted Vouchers Not Produced For Audit Review: K24,547,020.00

Treasury Instructions requires that where a cheque is drawn to pay several officers, each officer has to sign on a payment voucher against his/her name to ensure transparency and accountability.

An examination of the financial records disclosed that MDF failed to produce receipted vouchers for payments amounting to **K24,547,020.00** for the period under review. It was, therefore, difficult for the audit team to ascertain that funds drawn were utilized.

2014/2015 Financial Year

27. An audit of the financial statements of the Malawi Defence Force for the financial year ended 30th June, 2015 was completed in December 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Misallocation of Voted Funds: K1,282,115,738.63

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

An examination of payment vouchers disclosed that expenditure amounting to **K1,282,115,738.63** was charged to wrong budget line. Such type of expenditures may affect the implementation of planned activities.

(b) Payments Vouchers Not Presented For Audit Inspection: K982,504,980.12

Public Audit Act, Section 7 (1) (a) of 2003 empowers the Auditor General or any other officer delegated by him to have unlimited access to all documents and books of accounts, among other things, that are subject to audit for his examination.

Contrary to the above requirement, payment vouchers amounting to **K982,504,980.12** were not produced for audit. As a result the audit team could not ascertain the propriety and validity of such expenditure.

(c) Supporting Documents In Respect of Payments For Catering Services Not Produced for Audit: K495,440,199.68

An examination of payments vouchers disclosed that MDF made payments amounting to **K495,440,199.68** of which the supporting documents were not produced for audit review. Consequently, the propriety of the expenditure could not be ascertained.

(d) Contract Agreements for Payments To Various Suppliers And Individuals Not Produced for Audit: K452,917,697.84

Treasury Instructions 8.14 stipulate that a public entity may enter into contracts for the works, supplies and services acquisition, disposal or management of goods, services and construction works in accordance with the provisions of its empowering Act or rules approved by its board of directors or other governing body, and shall comply with the provisions of the Public Procurement Act, 2003.

An examination of sampled payment vouchers revealed that MDF made payments amounting to **K452,917,697.84** to various suppliers and individuals but their contracts agreements were not produced for review. Consequently, the propriety of the expenditure could not be ascertained.

(e) Fuel Not Properly Accounted for: K298,989,118.04

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

Contrary to the instruction, MDF failed to provide fuel register for audit inspection, as a result the accountability of fuel worth **K298,989,118.04** could not be ascertained.

(f) Payments Vouchers Without Supporting Documents: K290,087,816.81

Treasury Instruction 5.16.1 of 2004, states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

Payment vouchers amounting to **K290,087,816.81** did not have supporting documents attached at the time of audit. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

(g) External Travel Allowance Not Verified: K187,408,859.93

An examination of payment vouchers for the period under review disclosed that external travel allowances totaling K187,408,859.93 were paid to officers for official trips to various countries. However, the audit team was unable to ascertain whether the trips were actually undertaken since there was no supporting travel documents such boarding passes or copies of pages of stamped passport as evidence that the trips were undertaken.

(h) Stores Not Recorded in Stores Ledger: K85,904,097.74

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

Contrary to the instruction MDF failed to produce stores ledger for audit inspection, as such, stores worth **K85,904,097.74** could not be accounted for.

(i) Receipted Vouchers Not Produced For Audit Review: K79,282,143.00

An examination of the financial records disclosed that MDF failed to produce receipted vouchers amounting to **K79,282,143.00** for the period under review. It was, therefore, difficult for the audit team to ascertain the accountability of the funds drawn.

(j) General Materials Not Accounted for: K58,898,886.95

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

An examination of payment vouchers revealed that stores item valued at **K58,898,886.95** had no record as evidence that they were recorded in stores ledger. It was therefore, difficult for the audit team to ascertain their accountability.

(k) Non Maintenance of Fixed Asset Register: K43,436,827.67

Treasury Instructions 5.3 (1-6) and Government Circular Ref. No CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that:

All controlling officers shall maintain asset register for all fixed assets bought using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets,

Contrary to the Ministry did not have the required Fixed Asset Register for its equipment and other valuable assets valued at **K43,436,827.67**. It was therefore, difficult for the audit team to ascertain their accountability.

(l) Failure To Account For Procured Drugs: K9,534,464.91

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

An examination of payment vouchers revealed drugs valued at **K9,534,464.91** had no record as evidence that they were recorded in stores ledger. It was therefore, difficult for the audit team to ascertain their accountability.

2013/2014 Financial Year

28. An audit of the financial statements of the Malawi Defence Force for the financial year ended 30th June, 2016 was completed in December 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payments Vouchers Not Presented for Audit Inspection: K7,229,251,318.84

Public Audit Act, Section 7 (1) (a) of 2003 empowers the Auditor General or any other officer delegated by him to have unlimited access to all documents and books of accounts, among other things, that are subject to audit for his examination.

Contrary to the above requirement, payment vouchers amounting to **K7,229,251,318.84** were not produced for audit. As a result the audit team could not ascertain the propriety and validity of such expenditure.

(b) Misallocation of Voted Funds: K5,639,580,022.92

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

An examination of payment vouchers disclosed that expenditure amounting to **K5,639,580,022.92** was charged to wrong budget line

(c) Payment Vouchers for Catering Services amounting to K1,196,012,407.76 without Supporting documents.

At the time of audit an examination of payments vouchers for rations paid by MDF amounting to K1,196,012,407.76 has no supporting documents such as invoices, outstanding bills and contracts agreements made between MDF and outsourced catering services providers. Consequently, the propriety of the expenditure could not be ascertained.

(d) No records were available for Payments Vouchers Amounting to K1,137,071,989.82

Treasury Instruction 5.16.1 of 2004, stipulates that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

At the time of audit no ledgers were produced as evidence that payment vouchers amounting to **K1,137,071,989.82** were indeed accounted for. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

(e) Fuel Not Properly Accounted for: K500,654,098.76

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

Contrary to the instruction, MDF failed to produce for audit inspection a fuel register, as such, fuel worth **K500,654,098.76** could not be accounted for.

(f) Payments Made Without Being Authorised/Approved: K372,962,560.00

Public Finance Management Act requires that all payment vouchers must be authorised/approved before they are passed for payment.

An examination of payment vouchers disclosed that payments amounting to **K372,962,560.00** were not authorised/approved. It was therefore, difficult for the audit team to ascertain their accountability

(g) Payments Made To Various Suppliers And Individuals Without Contract Agreements: K217,997,038.38

Treasury Instructions 8.14 stipulate that a public entity may enter into contracts for the works, supplies and services acquisition, disposal or management of goods, services and construction works in accordance with the provisions of its empowering Act or rules approved by its board of directors or other governing body, and shall comply with the provisions of the Public Procurement Act, 2003.

An examination of sampled payment vouchers revealed that MDF made payments amounting to **K217,997,038.38** to various suppliers and individuals without any signed contracts agreements. Consequently, the propriety of the expenditure could not be ascertained.

(h) External Travel Allowance Not Verified: K147,385,860.27

An examination of payment vouchers for the period under review disclosed that external travel allowances amounting to **K147,385,860.27** were paid to officers for official trips to various countries. However, the audit team was unable to ascertain whether the trips were actually undertaken.

(i) Receipted Vouchers Not Produced For Audit Review: K105,904,382.84

Treasury Instructions requires that where a cheque is drawn to pay several officers, each officer has to sign on a payment voucher against his/her name to ensure transparency and accountability.

An examination of the financial records disclosed that MDF failed to produce receipted vouchers amounting to **K105,904,382.84** for the period under review. It was, therefore, difficult for the audit team to ascertain the accountability of the funds drawn.

(j) Stores Not Recorded In Stores Ledger: K36,922,728.13

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

Contrary to the requirement MDF failed to provide a stores ledger to the audit team, as such, stores worth **K36,922,728.13 c**ould not be accounted for.

(k) General Materials Not Accounted for: K58,898,886.95

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

An examination of payment vouchers revealed that stores items valued at **K58,898,886.95** were not recorded in stores ledger. It was therefore, difficult for the audit team to ascertain their accountability.

(l) Non Maintenance of Fixed Asset Register: K27,461,421.5

Treasury Instructions 5.3 (1-6) and Government Circular Ref. No CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that.

All controlling officers shall maintain asset register for all fixed assets bought using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets,

Contrary to this provision the Ministry did not have the required Fixed Asset Register for its equipment and other valuable assets valued at **K27,461,421.53.** It was therefore, difficult for the audit team to ascertain their accountability.

NATIONAL LOCAL GOVERNMENT FINANCE COMMITTEE

29. An audit of the financial statements of the National Local Government Finance Committee for the financial year ended 30th June, 2017 was completed in February 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K13,291,846,000.00** and revised to **K11,975,506,000.00.** However, the actual out-turn is **K11,971,729,000.00.** Representing a Budget utilization of 99.97%.

Audit Opinion

I issued an unqualified opinion on the Statement of Receipts and Expenditure for the National Local Government Finance Committee for the year ended 30th June, 2017.

Reviews Not Yet Cleared

2015/2016 Financial Year

30. An audit of the financial statements of the National Local Government Finance Committee for the financial year ended 30th June, 2016 was completed in February 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Fuel Purchased but Not Accounted for: K10,342,000.00

Treasury Instructions No 11.6.1.3 stipulates that where consumable stores are received in bulk for subsequent issue on small lots, transactions shall be entered in a consumable stores ledger.

A review of payment vouchers and fuel register revealed that during the year under review the office purchased fuel worth **K10,342,000.00** which was not recorded in the fuel register. In the circumstance, the audit team could not ascertain how the fuel purchased was accounted for.

(b) Stores Items Purchased but Not Accounted for: K2,686,376.89

Treasury Instructions No 11.6.1.3 stipulates that where consumable stores are received in bulk for subsequent issue on small lots, transactions shall be entered in a consumable stores ledger.

Contrary to the requirement NLGFC failed to produce stores ledger for audit inspection, as such, stores worth **K2,686,376.89** could not be accounted for.

2014/2015 Financial Year

31. An audit of the financial statements of the National Local Government Finance Committee for the financial year ended 30th June, 2015 was completed in February 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Misallocation of Expenditure: K6,650,281.86

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

An examination of expenditure records for 2014/2015 financial year revealed that the office made payments amounting to **K6,650,281.86** which were charged against wrong expenditure codes.

(b) Fuel Not Accounted For: K7,264,000.00

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

An examination of fuel register revealed that fuel worth **K7,264,000.00** purchased during the year under review was not recorded in fuel register. In the circumstance the audit team could not ascertain how the fuel purchased was accounted for.

(c) Stores Items Purchased But Not Accounted For: K2,045,612.50

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

An examination of payment vouchers revealed that stores items worth **K2,045,612.50** procured during the year under review were not recorded in stores ledger. It was therefore difficult for the audit team to ascertain how the stores items purchased were accounted for.

(d) Payment Vouchers Without Supporting Documents: K79,814,837.00

An examination of payment vouchers disclosed that payment vouchers amounting to **K79,814,837.00** had no supporting documents as at the time of audit. Consequently, it was difficult for the inspecting auditors to ascertain the propriety of the expenditure.

(e) Procurement Made Without Sourcing At Least Three Quotations: K1,296,963.00

The Section 35 (1) of the Public Procurement Act requires that in procurement of goods and services through a Request for Quotation (RFQ) method the Procurement Unit shall request quotations from at least three bidders.

Contrary to the stipulated requirement, it was observed that in the year 2014/2015 National Local Government Finance Committee procured services worth **K1,296,963.55** without evidence of obtaining the required minimum number of three quotations from different suppliers. In the absence of quotations value for money may not be achieved.

(f) Payments Made Without Memorandum of Understanding: K87,785,000.00

An examination of the vouchers revealed that more payments worth K87,785,000.00 were paid to Malawi Blood Transfusion on behalf of District Health Offices. The audit team failed to understand the rationale of such payments especially without Memorandum of Understanding of any sought.

2013/14 Financial Year

32. An audit of the financial statements of the National Local Government Finance Committee for the financial year ended 30th June, 2014 was completed in February 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Misallocations of Expenditure: K16,975,206.65

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

An examination of expenditure records for 2013/2014 financial year revealed that the National Local Government Finance Committee made payments amounting to **K16,975,206.65,** which the office charged against wrong expenditure codes. There was no evidence to show that Treasury authority was sought.

(b) Failure to Account for Purchased Fuel: K6,981,910.00

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

An examination of payment vouchers and the fuel register revealed that the National Local Government Committee did not record in the fuel register, fuel worth **K6,981,910.00** purchased during the year under review since management failed to present to a team auditors the fuel register. In the circumstance, the audit team could not ascertain how the fuel in question was accounted for.

(c) Payment Vouchers Without Supporting Documents: K6,401,004.49

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

An examination of payment vouchers disclosed that payment vouchers amounting to **K6,401,004.49** had no supporting documents as at the time of audit. Consequently, it was difficult for the inspecting auditors to ascertain the propriety of the expenditure.

(d) Payment Vouchers Not Presented For Audit Inspection: K3,575,329.00

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

Contrary to this requirement, the National Local Government Finance Committee did not present for audit inspection, payment vouchers amounting to **K3,575,329.00.** In the circumstance the audit team could not ascertain whether the office used the funds for the intended purpose.

MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT

33. An audit of the financial statements of the Ministry of Lands, Housing and Urban Development for the financial year ended 30th June, 2017 was completed in December 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K16,415,398,888.00** and revised to **K13,545,758,254.00**. However, the actual out-turn is **K13,288,560,000.00**. Representing a Budget utilization of 98%.

Development Budget Overall performance

This was budgeted at **K1,225,000,000.00** and revised to **K908,000,000.00.** However, the actual out-turn **K742,099,000.00**. Representing a Budget utilization of 81%

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Ministry of Lands, Housing and Urban Development for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Fuel Not Accounted for: K1,584,646.98

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

An examination of the payment vouchers for Lands Headquarters relating to fuel worth **K1,584,646.98** disclosed that the Ministry did not present to a team of auditors any record in form of ledgers to show that fuel was properly accounted for.

(b) Misallocation of Expenditure: K16,114,530.86

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

An examination of expenditure records for the Ministry revealed that expenditure made amounting to **K16,114,530.86** was charged against wrong expenditure lines without authority which is against the instruction. Below is the break down.

Table 9: Expenditure charged against wrong expenditure lines

Cost Centre	Amount (K)
Survey Headquarters	14,672,282.11
Lands Headquarters Development	1,442,248.75
Total	**16,114,530.86**

MINISTRY OF AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT

34. An audit of financial statements of the Ministry of Agriculture, Irrigation and Water Development for the financial year ended 30th June, 2017 was completed in December, 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Performance on the Recurrent Budget

This was budgeted at **K82,224,877,000.00** and revised to **K75,393,879,839.00**. However, the actual out-turn was **K64,238,024,000.00** representing 85.2% of utilization of the revised total budget.

Overall Performance Development Budget

The approved development budget comprising donor funded projects (Part 1) and locally funded projects (part II) was **K117,487,870,000** and revised to **K93,897,809,000**. However, the actual out-turn is **K67,194,765,000.00** representing 71.56% utilization of the revised budget.

Audit Opinion

I issued an unqualified opinion on the Statement of Receipts and Expenditure for the the Ministry of Agriculture, Irrigation and Water Development for the year ended 30th June, 2017.

(a) Payment Vouchers Without Supporting Documents: K5,542,812.17

Treasury Instruction 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. In addition, Treasury Instruction 5.9 (a), states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

An examination of the financial records disclosed that payment vouchers amounting to **K5,542,812.17** were presented for audit without supporting documents. In absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

(b) Failure to Prepare a Procurement Plan

Section 21 of the Public Procurement Act states that procuring entities shall plan procurement with a view to achieving maximum value for public expenditures and the other objectives set forth in this Act, and in accordance with the applicable budgetary procedures.

A review of transactions for the Ministry disclosed that the Ministry did not prepare a procurement plan to guide its procurement activities.

(c) Payment Vouchers Not Presented for Audit Inspection: K6,020,958.30

Treasury Instructions 5.9 provides that accounting records should be maintained and filed in such a way that they are easily accessed and produced when requested by any authorized persons.

An examination of payment vouchers at the ministry revealed that payment vouchers totaling **K6,020,958.30** were not presented for audit inspection. It was therefore difficult to ascertain the validity and propriety of the expenditure incurred.

(d) Failure to Maintain a Fixed Assets Register

Treasury Instruction Treasury Instruction (2004) 5.16.1 requires every Controlling Officer to ensure that internal controls exist with the department or ministry to ensure that all assets are recorded and safeguarded against loss, destruction or unauthorized use. In addition, the circular from the Chief Secretary to the Government dated 2nd March, 2010 titled ‘Government Physical Assets Register’, requires the maintenance of an asset register which should among other things indicate the monetary values of the assets and their condition.

Contrary to this requirement, the Ministry does not maintain a fixed assets register for all the assets that the Ministry has

(e) Over-expenditure on the approved budget for a number of items: K3,536,239,596.02

When Parliament passes the Appropriation Bill, it becomes Law and every ministry, Department and Agency must spend within the approved or revised budget.

An analysis of the actual expenditure against the revised budget for the financial year under review revealed that the Ministry of Agriculture, Irrigation and Water Development had overspent in some of the budget lines by a total of **K3,536,239,596.02**.

Reviews not yet Cleared

Climate Adaptation Rural Livelihood and Agriculture Project (CARLA)

35. An audit of the financial statements of the Climate Adaptation Rural Livelihood and Agriculture Project funded by the African Development Bank for the period ended 30th November 2016 was completed in July 2017. The audit disclosed weaknesses in financial and internal controls which highlighted below:

Chikwawa District Council

(a) Allowances cashed for staff not accounted for: K3,762,000

A review of payments for staff cashed in respect of allowances for field activities revealed that V Mzumara, an Accounts Assistant, cashed a total sum of **K7,338,000** through various cheques. However, out of the amount cashed which was on different occasions, she failed to account for a total amount of **K3,762,000**. The officer, upon being questioned on the matter, in presence of the District Commissioner, promised to pay back the money to the project.

OFFICE OF THE VICE PRESIDENT

36. An audit inspection of the financial and other records of the Office of the Vice President for the financial year ended 30th June 2017 was completed in February, 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Performance on the Recurrent Budget

This was budgeted at **K4,846,534,000.00** and revised to **K4,935,694,707.00**. However, the actual out-turn was **K1,654,552,963.89** representing 33.5% of utilization of the revised total budget.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the the Office of the Vice President; for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Misallocations of Expenditure: K14, 693,649.23

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

An examination of Other Recurrent Transaction IFMIS system expenditure records for 2016/17 financial year revealed that the office made payments amounting to **K14,693,649.23** which were charged against wrong expenditure codes. There was no evidence to show that there was Treasury authority to vire funds between expenditure budget lines.

(b) Funds Drawn But Not Accounted For: K1,000,000.00

An examination of payment vouchers, general receipt books and other related documents disclosed that received funds amounting to **K1,000,000.00** meant for National Symposium were transferred to FDH bank account and spent without any appropriate supporting documents presented for inspection. Consequently it was difficult for the inspecting auditors to ascertain the propriety of the expenditure.

(c) Payment Vouchers Without Supporting Documents: K8,105,369.50

An examination of payment vouchers disclosed that payment vouchers amounting to **K8,105,369.50** had no supporting documents as at the time of audit. Consequently, it was difficult to ascertain the propriety of the expenditure.

(d) Fuel Not Accounted For: K11,952,088.87

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

Contrary to the requirement, the OVP failed to produce fuel register and log books for audit inspection, as such, fuel worth **K11,952,088.87** could not be accounted for.

(e) Unliquidated Funds: K90,866,484.96

An examination of payment vouchers and itemized expenditure report disclosed that liquidation of payments amounting to **K90,866,484.96** related to NDAF account disbursed to various Councils and the Malawi Defence Force during the year under review were not presented for audit review. Consequently it was difficult to ascertain how they were accounted for.

(f) Unverified Refund of Funds To Foreign Malawi Embassies: K33,491,887.66

An examination of National Disaster Appeal Fund payment vouchers, bank statements and cash book showed that funds worth **K33,491,887.66** were transferred to Malawi foreign mission in South as a refund for the funds which they used to cater for Malawians affected by Xenophobia attacks. The audit team could not ascertain whether the funds were deposited in their designated foreign mission accounts as there was no evidence of acknowledgement by the Mission having received the funds.

DEPARTMENT OF DISASTER MANAGEMENT

Reviews not Cleared

37. An audit inspection of the financial and other records of the Department of Disaster Management for the financial year ended 30th June 2015 was completed in November, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payment Vouchers Without Supporting Documents: K29,338,737.22

Treasury Instructions No. 5.15.1 states that Controlling Officers shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible.

Contrary to the above requirement, payment vouchers amounting to **K29,338,737.22** had no supporting documents as at the time of audit. In the absence of supporting documents it was, therefore, difficult for the inspecting auditors to ascertain whether the expenditure made was a correct charge to public funds.

(b) Receipted Vouchers Not Produced For Audit: K3,338,204.00

Treasury Instructions No. 5.26.6 requires that where a payment made to pay several officers, each officer must sign on the payment voucher against his or her name for the cash received and cash receipts must be obtained where cash was used to support the expenditure. All signed receipted payment vouchers should be returned to the cash office for record and audit purposes within ten (10) days after the closure of the activity.

An examination of expenditure records made between January, 2015 and June, 2015 disclosed that receipted vouchers amounting to **K3,338,204.00** were not produced for audit review. The accountability of the cash drawn could, therefore, not be established by the audit team.

(c) Misallocation of Expenditure: K3,877,441.56

Treasury Instructions No. 4.14 (1) requires that all expenditure should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates.

An examination of payment vouchers for 2014/2015 financial year disclosed that expenditure amounting to **K3,877,441.56** was charged against wrong items. There was no evidence to show that the expenditure had authority from the Secretary to the Treasury.

(d) Payments Not Supported with Expenditure Returns: K42,664,528.57

Treasury Instructions No. 2.15.2 stipulates that Controlling Officers may issue funds which they are responsible and shall require the officers to whom such funds are sub-warranted to periodically submit returns of expenditure against such funds.

An examination of financial records for the period under review disclosed that monitoring of expenditure on funds sub-warranted to various officers was not effective. It was observed that funds totaling to **K42,664,528.57** meant for disaster activities during the year under review could not be supported with expenditure returns or reports from the concerned officers to show how the funds were utilised or spent since management failed to present them to the audit team.

(e) Fuel Purchases Not Accounted for: K41,913,437.31

Treasury Instructions No. 11.6.1.3 States that where consumable stores are received in bulk for subsequent issue in small lots, the transactions must be recorded in the consumable ledger.

Contrary to the requirement the DODMA failed to present the fuel register to the audit team, as such fuel worth **K41,913,437.31** could not be accounted for.

(f) Fuel Drawn Without Monthly Expenditure Returns: K31,500,000.00

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

An examination of financial records for the period under review disclosed that monitoring of the fuel given to various officers was not effective. It was observed that fuel totaling to **K31,500,000.00** meant for disaster activities during the financial year under review could not be supported with expenditure returns or reports from the officers to show how the fuel was used or spent.

(g) Monies Disbursed To District Assemblies Without Expenditure Returns: K32,880,485.00

Treasury Instructions stipulates that Controlling Officers may issue funds for which they are responsible and shall require the officers to whom such funds are sub-warranted to periodically submit returns of expenditure against such funds.

An examination of financial records for the period under review disclosed that monitoring of expenditure on funds sub-warranted to various District Assemblies was not effective. It was observed that funds totaling to **K32,880,485.00** meant for disaster activities during the year under review could not be supported with expenditure returns or reports from the District Assemblies to show how the funds were utilised or spent.

(h) Failure to Maintain Assets Register and an Inventory Sheets (GP207) For Equipment and Furniture: K1,654,602.00

Treasury Instructions No. 5.32. (1-6) and Government Circular Ref. No. CS/S/001 from Chief Secretary to the Government dated 2nd March, 2010 on Government Physical Assets Register, among other things stipulates that:

All Controlling Officers shall maintain asset registers for all fixed assets bought using public resources in both electronic and hard copies. The asset register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.

- An asset register for Government/Donor items must be maintained to record all durable stores and details must include value of items, quantity and serial numbers.

- An inventory record of all office equipment and furniture (GP207) must be kept in the room in which they are used, details must include: number of items and serial numbers in case of office equipment or machines; and

- Copies of inventory must be signed by the officer using the items distributed as follows: original to the items holder, duplicate in equipment file with location indicated.

A review of stores records disclosed that management paid a sum of **K1,654,602.00** during the months of September, 2014 and October, 2014 on voucher numbers 090pv3001243 and 090pv3002127 for insuring thirteen (13) Government vehicles and one motor cycle.
It was further discovered that DoDMA has a lot of office equipment and furniture, and other durable assets but no assets register and inventory sheets are being maintained and updated accordingly as required by Treasury Instructions and other relevant laws.

(i) Goods Purchased Without Evidence of Delivery: K103,879,557.90

An examination of cashbooks, payment vouchers and cheque dispatch register for 2014/2015 fiscal year, disclosed that numerous payments amounting to K103,879,557.90 were made to various suppliers for the supply of goods which had no documentary evidence that the goods were indeed delivered.

Audit verification also confirmed that the goods paid for were not recorded in the stores ledger at the intended destinations.

(j) Overpayment To Zenith Blankets Manufacturer Without Internal Procurement Committee (IPC) Approval: K2,907,000.00

An examination of expenditure records and the contract agreement between DoDMA and Zenith Blankets Manufacturer disclosed that Zenith Blankets Manufacturer was overpaid by **K2,907,000.00.**

According to the Contract Agreement, DoDMA was supposed to pay for 20,000 pieces of blankets at **K1,635.00** each which was totaling **K32,700,000.00.** This was paid on cheque number ‘000042 dated 17th March, 2015.

However, it was observed during the audit that the supplier informed DoDMA that there were only 3,000 pieces in stock. The remaining 17,000 pieces of the same quality would be supplied at **K1,806.00** each giving an overpayment of **K171.00** per blanket and a total overpayment of **K2,907,000.00** without the approval of Internal Procurement Committee (IPC).

(k) Loss of Funds Through Procurement of Expired and /or Damaged Spaghetti, Rice and Maluwa (Blue) Bar Soap: K3,308,166.00

A physical verification of goods at Ntcheu Warehouse disclosed that, during the financial year under review purchased goods and donations delivered at Ntcheu Warehouse had expired or got damaged before they were distributed to the people affected by disasters.

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

Ministry Headquarters

38. An audit of the financial statements of the Ministry of Education, Science and Technology for the financial year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K123,888,296,000.00** and revised to **K79,043,682,000.00**. However, the actual out-turn is **K77,138,925,000.00**. Representing a Budget utilization of 97.6%.

Development Budget Overall performance

This was budgeted at **K22,295,036,000.00** and revised to **K21,815,561,000.00**. However, the actual out-turn **K2,461,648,000.00**. Representing a Budget utilization of 11.3%

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Ministry of Education, Science and Technology for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Failure To Produce Payment Vouchers For Audit: K235,877,499.46

Public Audit Act, Section 7 (1) (a) of 2003 empowers the Auditor General or any other officer delegated by him to have unlimited access to all documents and books of accounts, among other things, that are subject to audit for his examination.

An examination of expenditure statement for Ministry of Education, Science and Technology revealed that payment vouchers totaling **K235,877,499.46** were not produced for audit. It was therefore difficult to ascertain the propriety and validity of the payments made.

(b) Fuel Purchases Not Accounted for: K56,232,372.88

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

At the time of audit an examination of payment vouchers revealed that management failed to present the fuel register for a team auditors to ascertain fuel accountability. This made it difficult for the inspecting auditors to ascertain the disposal of the purchased fuel amounting to **K56,232,372.88.**

(c) Stores Purchased not Accounted for: K75,513,960.33

Section 11.7.1.5 of 2004 Treasury Instruction requires that all stores items purchased should be recorded in the stores ledger for proper accountability.

An examination of payment vouchers, delivery notes and stores ledger disclosed that stores items valued at **K75,513,960.33** did not have records such as ledgers or registers. This made it difficult for the inspecting auditors to ascertain the disposal of the purchased items.

(d) Payment Vouchers Without Supporting Documents: K127,162,294

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

An examination of payment vouchers for the period under review revealed that vouchers amounting to **K127,162,294** had no supporting documents attached at the time of audit. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

(e) Contracts For Purchase of Text Books Not Provided For Review: K637,165,801.08

An examination of payment vouchers and a review of financial statements of the Ministry of Education, Science and Technology showed that the ministry spent over **K637,165,801.08** for the purchase of Text Books.

The audit team requested for the contracts for the purchase of text books for review but they were not provided. As such it was difficult for the audit team to ascertain the propriety and validity of the said expenditure.

(f) Construction of A New Assembly Hall on An Old Foundation At Majuni Secondary: K174,232,703.75

The Scope of work for the project of construction of an Assembly hall at Majuni Community Day Secondary School among other things required the Contractor to demolish an old assembly hall and reconstruct a new one. The demolition was necessitated because the hall had cracks on its walls. It is believed that these cracks developed from the foundation.

A visit to the site of construction by the audit team revealed that the contractor demolished only the walls of the old hall and started reconstruction on the old hall's foundation. A close look to the foundation also revealed that the foundation has cracks. This could be the manifestation of the lack of supervision on the part of the ministry and could lead to loss of government resources. Again, the hall could not be fit for its purpose of construction and may be a risk to the intended users.

(g) Huge Interests Accumulated Due To Delays In Completion Of Projects: K1,582,636,231.16

Every project undertaken has a contract signed which states the terms and conditions which stipulates the general and specific conditions of the contract to be fulfilled by both parties. The contract includes the contract price, mode of payments on certification of work done and completion period among others.

However, a review of contract documents, payment vouchers and certification made on work done revealed that there are huge interest claims amounting to **K1,582,636,231.16** made by contractors due to delays made by the ministry for not making the payments for the certified works on time. This trend has made Government to spend a lot of resources and not realize value for money on the said contracts.

(h) Contract Price Adjustments Without Seeking No Objection From ODPP: K374,303,317.55

Public procurement regulations 155 (3) on contract modifications states that an increase in quantities which exceeds fifteen percent of the contract sum requires either a new procurement proceeding or justification, if appropriate, as a single source procurement in accordance with section 36 of the Act.

Whenever there is need for adjustments the Internal Procurement Committee is supposed to meet and discuss and thereafter request for No Objection from ODPP before adjusting any contract sum which is above 15%.

However, a review of contract documents and other supporting documents revealed that contract sums for rehabilitation of secondary schools were adjusted upwards above 15% without evidence of No Objection letters from ODPP. This could be the basis for dubious payments.

MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

39. An audit inspection of the financial and other records of the Ministry of Foreign Affairs and International Affairs for the financial year ended 30th June 2017 was completed in February, 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Performance on the Recurrent Budget

This was budgeted at **K19,960,978,000.00** and revised to **K22,170,409,000.00**. However, the actual out-turn was **K17,296,279,000.00** representing 78% of utilization of the revised total budget.

Overall Performance Development Budget

The approved development budget was **K3,700,000,000** and revised to **K3,700,000,000**. However, the actual out-turn is **K3,700,000,000** representing 100% utilization of the revised budget.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the the Ministry of Foreign Affairs and International Affairs for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Payment Vouchers Without Supporting Documents: K145,307,171.15

Treasury Instructions No. 5.15.1 States that controlling officers shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible.

Contrary to the above requirement, payment vouchers amounting to **K145,307,171.15** had no relevant supporting documents as at the time of audit. In the absence of documents, it was difficult to ascertain whether the expenditure made was a correct charge to public funds.

(b) Contract Price Adjustments Without ODPP Approval: K135,064,713.22

Public Procurement Regulations No 155 (3) on contract modifications states an increase in quantities which exceeds fifteen percent (15%) of the contract sum either a new procurement proceeding or justification, if appropriate, as a single source procurement in accordance with Section 36 of the Act.

When price adjustment above 15% of the contract price is necessary, the Internal Procurement Committee (IPC) is supposed to meet and discuss, thereafter a request for no Objection form ODPP be sought.

An examination of payment vouchers, contract agreements and other related records disclosed that management paid the Sogeccoa Company LTD, for the supply office furniture and equipment for the VVIP Lounges at Kamuzu and Chileka International Airports a sum of **K135,064,713.22** above the contract sum of **K174,762,592.22** due to delays in implementing the projects. The revision of contract sum was done by management in collaboration with Ministry of Transport and Public Works without seeking authority from Office of the Director of Public Procurement (ODDP) for No Objection.

(c) Other Recurrent Transactions (Ort) Charged To VIP Funds: K6,362,239

The Public Finance Management Act, Section 10 (f) provides that each controlling officer is responsible for ensuring that there is no over-expenditure or over-commitment of funds in relation to his/her ministry. Treasury Instructions No 4. 13.2.2 also states that unless otherwise indicated in the notes in the approved estimates, every controlling officer shall ensure that expenditure is in accordance with approved budgetary provisions, and that there is no over-expenditure.

An examination of financial and other related records revealed that invoices amounting to **K6,362,239** for Other Recurrent Transactions were charged to VIP Account. There was no evidence to show that Treasury authority was sought before the expenditure was made.

(d) Transfer of Funds from Namibia to Malawi Account in Pretoria not Accounted for: N$4,058,826.67

Management made instructions for the transfer of funds from the Namibian Account to the Mission main Account No.011250631 in Pretoria held at Standard Bank's Hillcrest Branch with the authority from the Secretary for Treasury's approval as per Reference Number

ST/AGBAM/01 dated 20th February, 2017. The monies were used to fund the Other Recurrent Transactions (ORT) budget for the following embassies: Pretoria, Nairobi, Lusaka, Harare, Addis Ababa, Maputo, Beijing, Tete Province and Dubai.

It was, however, observed that management remitted Namibian Dollars (N$)4,058,826.67 but their expenditure returns and remittance advice notes to and from Pretoria to beneficiary missions were not presented for audit. In the circumstance, the audit team could not establish whether the appropriation of the monies were for the intended purposes or not.

(e) Transfer of Funds From Personal Emoluments And Deposit Accounts To Other Recurrent Transactions (ORT) Account Without Treasury Authority: K1,221,289,465

The Public Finance Management Act, Section 10 (f) provides that each controlling officer is responsible for ensuring that there is no over-expenditure or over-commitment of funds in relation to his/her ministry. This is amplified in the Treasury Instructions No 4. 13.2.2 which states that unless otherwise indicated in the notes in the approved estimates, every controlling officer shall ensure that expenditure is in accordance with approved budgetary provisions, and that there is no over-expenditure

An examination of financial and other related records revealed that invoices amounting to **K1,221,289,465** were transferred from Personal Emoluments and Deposit Accounts to Other Recurrent transactions (ORT). This contravened the above quoted legal provisions and it defeats the objectives of the Cash Budget Policy being implemented by the Government.

(f) Mission Office Buildings and Residences Without Title Deeds:

A review of Assets Register and Deed File was carried out with a view to establish as to whether the Ministry Headquarters has Title Deeds for its Mission Office Buildings and residences upon its official inception. It was established that the Mission Office Buildings and residences have no Title Deeds as per Government requirements. In the absence of the Title Deeds, the confirmation of ownership of the properties is uncertain.

(g) Fuel Drawn Not Accounted for And Without Monthly Expenditure Returns: K52,444,280.00

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

An examination of financial records for the period under review disclosed that monitoring of the fuel given to various officers was not effective. It was observed that fuel totaling to **K52,444,280.00** meant for ministry's activities during the financial year under review could not be supported with expenditure returns or reports from the officers to show how the fuel was used or spent as at the time of audit.

(h) Contracts Made Without Following Procurement Procedures: K283,548,971

Section 13(2) of the Procurement Act stipulates that in order to enter into a procurement contract, a bidder must qualify by meeting the criteria the procuring entity considers appropriate. Subsection (3) gives the criteria referred to in (2) as professional and technical qualifications; legal capacity; financial resources and condition, and past performance.

An examination of payment vouchers, tender documents, bid evaluation reports and Internal Procurement Committee minutes for IPC disclosed that the ministry awarded contracts to contractors who did not have Tax Clearance Certificates and evidence of past experience. The management also awarded construction contracts to several contractors who did not meet the same above requirements set by the management.

(i) Failure to Prepare and maintain Fixed Assets Register

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

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

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

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT

Ministry headquarters

40. An audit of the financial statements of the Ministry of Finance, Economic Planning and Development for the financial year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K4,272,058,000.00** and revised to **K8,796,703,000.00.** However, the actual out-turn is **K8,735,361,000.00.** Representing a Budget utilization of 99.3%.

Development Budget Overall performance

This was budgeted at **K4,041,191,000.00** and revised to **K2,998,691,000.00**. However, the actual out-turn **K243,519,000.00.** Representing a Budget utilization of 8.1%

Audit Opinion

I issued an unqualified opinion on the Statement of Receipts and Expenditure for the Ministry of Finance, Economic Planning and Development for the year ended 30th June, 2017.

(a) Poor Stores Management System – K1,762,152.26

Section 11.7.1. Treasury Instructions requires that all stores items purchased should be recorded in the stores ledger and on bin cards for proper accountability.

An examination of payment vouchers revealed that stores items valued at **K1,762,152.26** purchased in 2016/2017 financial year were not recorded in the ledger and on bin cards. This made it difficult for the auditors to ascertain the disposal of the purchased items.

(b) Non Existence of Assets Register – K8,350,271.00

Treasury Instruction N0. 5.32. (1-6) and Government Circular Ref. N0. CS/S/001 dated 2nd March, 2010 from Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that:

- All Controlling Officers shall maintain asset register for all fixed assets bought using public resources in both electronic and hard copies. The asset register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.

- An asset register for Government/Donor items must be maintained to record all durable stores and details must include value of items, quantity and serial numbers.

- An inventory record of all office equipment and furniture (GP207) must be kept in the room in which they are used, details must include: number of items and serial numbers in case of office equipment or machines; and

- Copies of inventory must be signed by the officer using the items distributed as follows: original to the items holder, duplicate in equipment file with location indicated.

Further to that, Financial Management and Accounting Procedures Manual require Ministries and Departments to open and maintain a fixed asset register which should contain all assets' details.

At the time of audit management failed to present to auditors asset register to account for assets worth **K8,350,271.00** purchased plant, furniture and office equipment in the year ended 30 June 2017. Therefore it was not possible ascertain the accountability of assets.

(c) Procurement Made Without Sourcing Three Quotations: K1,476,000.00

Section 35 (1) of the Public Procurement Act requires that in procurement of goods and services through a Request for Quotation (RFQ) method the Procurement Unit should source at least three quotations from different suppliers. In other circumstances, the no objection from the Director of Public Procurement should be obtained for the single bidder to be chosen.

Management at the Ministry Headquarters did not provide any evidence that they obtained the required minimum number of three quotations to the audit team for the procured goods, works and services worth **K1,476,000.00** in the financial year ended 30 June 2017.

(d) Lack of an Off-Site Back Up System

The Public Finance Management Act requires that all Government assets be properly safeguarded against loss, theft and destruction. It also requires the Controlling Officer to adopt a set of Internal Controls that would minimize the possible risks to manageable level.

One of the ways to safeguard against loss is to have an off-site back-up system for electronic assets, whereby electronic information is backed up and the copy stored off-site for safe keeping.

The audit team discovered that Ministry of Finance does not have an off-site back up system for its electronic data. In the event of fire, theft and any forms of damages to the source of information, all the electronic data would be lost. The Ministry of Finance, Economic Planning and Development would have to start all over again to build up its database which would be costly.

Department Economic Planning and Development

41. An audit of the financial statements of the Department of Economic Planning and Development for the financial year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Non Existence of Assets Register _ K5,028,604.00

Treasury Instruction N0. 5.32. (1-6) and Government Circular Ref. N0. CS/S/001 dated 2nd March, 2010 from Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that:

- All Controlling Officers shall maintain asset register for all fixed assets bought using public resources in both electronic and hard copies. The asset register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.
- An asset register for Government/Donor items must be maintained to record all durable stores and details must include value of items, quantity and serial numbers.
- An inventory record of all office equipment and furniture (GP207) must be kept in the room in which they are used, details must include: number of items and serial numbers in case of office equipment or machines; and
- Copies of inventory must be signed by the officer using the items distributed as follows: original to the items holder, duplicate in equipment file with location indicated.

At the time of audit management failed to present to auditors asset register to account for assets worth K5,028,604.00 purchased plant, furniture and office equipment in the year ended 30 June 2017. Therefore it was not possible ascertain the accountability of assets.

(b) Lack of an Off-Site Back Up System

The Public Finance Management Act requires that all Government assets be properly safeguarded against loss, theft and destruction. It also requires the Controlling Officer to adopt a set of Internal Controls that would minimize the possible risks to manageable level.

One of the ways to safeguard against loss is to have an off-site back-up system for electronic assets, whereby electronic information is backed up and the copy stored off-site for safe keeping.

The audit team discovered that the Department of Economic Planning and Development does not have an off-site back up system for its electronic data. In the event of fire, theft and any forms of damages to the source of information, all the electronic data would be lost. The department would have to start all over again to build up its database which would be costly.

(c) Inadequate Staffing Levels

An inspection of the establishment warrant and staff return for the department disclosed that the institution had a lot of key vacant posts in some of its sections. Key vacant positions existing in the department may bring an adverse implication as regards to the fulfilment of the department's core objectives.

THE ACCOUNTANT GENERAL'S OFFICE

42. An audit of the financial statements of the Accountant General's Department for the financial year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K11,616,878,000.00** and revised to **K5,876,159,000.00**. However, the actual out-turn is **K6,435,090,000.00**. Representing a Budget utilization of 109.5%.

Development Budget Overall performance

This was budgeted at **K350,000,000.00** and revised to **K329,999,000.00**. However, the actual out-turn **K304,233,000.00**. Representing a Budget utilization of 92.2%.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Accountant General's Department for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Variance of Funding Figures__K2,034,247,249.00

Treasury Instruction 5.9 (a) requires maintenance of proper accounting records to support all financial and related transactions.

A comparison of funding report statement from IFMIS and ORT bank statement revealed a significant difference of **K2,034,247,249.00**. The reported amounts in the financial statements may contain unexplained errors and irregularities, resulting into financial statements not reflecting a true and fair financial position and performance of the Accountant General's Department.

(b) Variance of Expenditure Figures Between Bank Statement and Cash Book K6,590,548,321.70

According to Public Finance Management Act 2003, Section 31, public money is the property of the State. Therefore, all accounts maintained or opened by the Secretary to the Treasury in accordance with his powers have to be accounted for in the general ledger and the financial statements.

A reconciliation of ORT bank statement and cashbook revealed that some transactions on the bank statement could not be traced on the cashbook. These transactions amounted to **K6,590,548,321.70**. Ideally, all bank account activities must be reflected in the cashbook. All differences must be explained accordingly as the financial statements may have contained in them errors and irregularities.

(c) Variance of Expenditure Figures Between Bank Statement and Expenditure Statement Report K6,578,337,943.70

According to Public Finance Management Act 2003, Section 31, public money is the property of the State. Therefore, all accounts maintained or opened by the Secretary to the Treasury in accordance with his powers have to be accounted for in the general ledger and the financial statements.

A reconciliation of ORT bank statement and expenditure statement report revealed that some transactions on the bank statement could not be traced on the expenditure statement. These transactions amounted to **K6,578,337,943.70**. Ideally, all bank account activities must be reflected in the expenditure statement as this forms part of the transaction list. All differences must be explained accordingly, as the financial statements may contain errors and irregularities.

(d) Unauthorised Funds Transfers K1,437,683,370.00

The Public Finance Management Act (2003) authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/item under a Head/Vote of expenditure, or to create a new programme/item if the amount appropriated under the Head/Vote is not exceeded. Treasury Instruction 4.14.1 further explains that specific approval is required before any allocations can be vired or transferred between outputs. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

A review of the bank statement shows that on 21st October 2016, there were five transfers of funds from account number 0013006161171 to Vote 271 ORT account 0013006161216 amounting to **K1,437,683,370.00**. There was no record from the Secretary to the Treasury showing that an approval from the Minister of Finance was granted for the transfer to be effected.

(e) Frequent Unpaid Cheques K11,891,113.39

Unpaid cheques may occur due to insufficient funds in the account to clear the cheque, missing signature(s), signature(s) differ from specimen signature(s) in the bank's record, amount in words and figures differ among other reasons.

In the year 2016/2017, Accountant General's Department had thirteen unpaid cheques amounting to **K11,891,113.39** of which most transactions occurred in March 2017 with values ranging from **K200,000** to **K1,400,000**. A significant amount of **K4,999,500.00** took place in June 2017. Government would be charged a lot of money as administrative charges for unpaid cheques.

(f) A Significant Number of Cheque Reversals K205,724,808.45

An analysis of the bank statement revealed that the Accountant General's Department reversed numerous cheques amounting to **K205,724,808.45**. Reasons as to why the cheques were reversed is unknown yet the Government would be charged a lot of tax payer's money as administrative charges for cheque reversals.

(g) Payment Vouchers Without Supporting Documents K4,681,497,187.85

Treasury Instruction 5.9 (a) states that proper accounting records must be maintained to support all financial and related transactions. Full supporting documents must be retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request by the Auditor General.

Supporting documents for payment vouchers amounting to **K4,681,497,187.85** were not provided for an audit inspection at the time of audit. These documents ranges from invoices, approvals, loose minutes, IPC Minutes, requisition forms, contracts, delivery notes among others.

(h) Poor Fuel Management: K10,395,420.00

An examination of fuel records for the period under review disclosed weaknesses in the management of fuel in the following areas:

- Failure to record fuel issued in fuel register; and
- Failure to match fuel consumption with mileage in logbooks

As a result of these weaknesses, the audit team could not ascertain the authenticity of expenditure of **K10,395,420.00** on fuel as well as its usage. Fuel could have been purchased unnecessarily, misused, leading to abuse of public funds.

(i) Poor Stores Management System - K20,176,763.85

Section 11.7.1.5 of Treasury Instructions requires that all stores items purchased should be recorded in the stores ledger and on bin cards for proper accountability.

An audit examination of payments made for procurement of stores items valued at **K20,176,763.85** purchased in 2016/2017 financial year could not be reconciled with their receipts and issues since records in the ledger and on bin cards were not provided by the Department for an audit inspection. This made it difficult for the auditors to ascertain the disposal of the purchased items, as accountability of the stores item may not be ascertained

(j) Purchases Made Without Sourcing A Minimum of Three Quotations: K24,985,000.61

Section 35 (1) of Public Procurement Act requires that a minimum of three quotations should be sourced whenever a request for quotation method has been used.

An audit examination of financial records revealed that the Department of Accountant General incurred a number of expenditures without complying with section 35 (1) of Public Procurement Act which requires soliciting of at least three quotations when procuring goods and services. As at the time of audit, the Department did not provide documentation in forms of signed contracts, ODPP authority for single sourcing or other appropriate documentation to justify the cause.

(k) Misallocation of Funds - K35,113,530.01

Treasury Instruction (Finance) requires that each expenditure should be made on the item it was voted for in Parliament and for the purpose it was intended. Controlling Officers are expected to ensure that there are no departures, unless written authority has been granted.

An examination of expenditure records for the period between September 2016 and June 2017, disclosed several cases of misallocations in most of the expenditure lines. The total amount involved was **K35,113,530.01**. Misallocation or misposting of transactions creates room for poor expenditure management between budget lines which is against the Public Finance Management Act provisions and budget implementation.

(l) No Activity Report After Undertaking an Activity K3,400,000.00

It is a requirement that when officers have undertaken an activity, an implementation report should be prepared. This provides evidence that such an activity had actually been undertaken.

However, during the audit it was observed that several activities on which public funds were paid for were not supported by activity reports to confirm that they were indeed undertaken by the department.

Local Development Fund (LDF)

43. An audit of financial transactions of the Local Development Fund for the financial year ended 30th June, 2017 was completed in December 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations.

Overall Budget Performance

MASAF IV Project received funding from the World Bank through the Original Financing (credit number 5343 MW) and Additional financing (Credit no 5610-MW and Grant D045) which became effective on 14th August 2014 and 18th August 2015 respectively.

Under Original Financing, the IDA has provided a total of SDR21.4m-Special Drawing Rights (US$30.4m) to support implementation of Strengthening Safety Net Systems Project. In the year there was an opening balance and expenditure of US$4.2 million.

Through Credit no 5610-MW and Grant D045 under Additional Financing signed on 18th August 2015, the IDA has provided SDR52.8m (US$75million) to support implementation of Strengthening Safety Net Systems Project. In the year 2016/17 there was an opening balance of $14.7 while the actual receipts for the year amounted to $32.2, making a total income of $46.9. During the year expenditure was US$39.6 million. The programme will run up to 30th June 2018.

Audit Opinion

I issued a qualified opinion on the Financial Statements for Local Development Fund (both original and additional financing, MASAF IV Support implementation of Strengthening Safety Net Systems Project) for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion

Blantyre District Council

(a) Social Cash Transfer records not produced for audit__K110,512,291.00

Section 7 (1) of the Public Audit Act No 6 of 2003 states, among other things that the Auditor General shall have full access at all reasonable times to all documents, books, and accounts, public funds and securities and to any place where they are kept.

A review of funding figures disbursed to various councils for both Public Works Programs and Social Cash Transfer under Local Development Fund revealed that the council received **K110,512,291.00** funding for social cash transfer but records pertaining to utilisation of these funds were not presented to auditors for inspection.

Nsanje District Council

(b) Payment vouchers without supporting documents: K4,653,551.00

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

An inspection of payment records disclosed that some payment vouchers which were processed and paid between July, 2016 and June, 2017 were presented without supporting documents.

(c) Payment for wages without Liquidation sheets: K138,960,000.00

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

An examination of expenditure records revealed that the project paid wages for various public works program amounting to **K138,960,000.00** which had no liquidation vouchers.

(d) Ineligible expenditures: K13,309,601.04

It is a requirement in the financing agreement that expenses made from the project are directly relating to the project and must be budgeted for and must be for the project.

A review of books of accounts for the project revealed that management used project funds amounting to **K13,309,601.04** for other activities that were not related to the project and that were not budgeted for. Below is the breakdown;

Table 10: Fund used for other activities that were not related to the project

District Councils	Amount (K)
Chiradzulu	2,514,466.88
Dowa	2,559,057.36
Lilongwe	4,578,563.00
Machinga	2,044,052.55
Mangochi	1,613,461.25
	13,309,601.04

NATIONAL STATISTICAL OFFICE

44. An audit of the financial statements of National Statistical Office for the financial year ended 30th June, 2017 was completed in March, 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K1,382,223,000.00** and revised to **K1,369,105,000.00**. However, the actual out-turn is **K1,291,067,000.00**. Representing a Budget utilization of 94.3%.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the National Statistical Office for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Nugatory Expenditure On Motor Vehicle Service And Maintenance: K20,639,162.88

Treasury Instruction 2.5.7 requires Controlling Officers to ensure that all expenditure is incurred with due regard to economy, efficiency and effectiveness. On the other hand Public Procurement Act Section 21 stipulates that procuring entities shall plan procurement with a view to achieving maximum value for public expenditures and the other objectives set forth in this Act, and in accordance with the applicable budgetary procedures.

National Statistical Office has a fleet of old cars that has resulted into incurring service and maintenance costs amounting to **K14,534,618.94** without realising much of an economic benefit from the old fleet. A number of payments were effected towards service and maintenance of these motor vehicles that are either not operational or still require more service or maintenance to have them fully operational.

Motor vehicles registration numbers 111 MG 019 and 111 MG 009 went for routine service twice within a space of six months as evidenced by the invoices from the respective garages amounting to **K6,104,543.94**.

(b) Allowances Paid Without Filling Request To Leave Duty Forms: K4,105,000.00

Treasury Instructions No. 0608 require a payment voucher to be fully supported among other things with a form to leave duty station before subsistence allowances are paid to officers who are leaving duty station.

Examination of payment vouchers for the period from July, 2015 to June, 2016 revealed that subsistence allowances amounting to K4,105,000.00 were paid to officers leaving duty station without filling to leave duty station forms.

Failing to fill to leave duty station forms may result in officers receiving allowances within duty station.

MINISTRY OF HEALTH

Reviews not yet cleared

45. An audit of the financial statements of the Ministry of Health for the year ended 30th June, 2015 was completed in June, 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Financial Reporting Process

It is considered good accounting practice to a have a proper audit trail of information leading up to the consolidated statement of receipts and payments as this proves the validity of information on the consolidated statement of receipts and payments, and meets government record retention requirements and compliance with the Public Finance Management Act. An audit trail also provides a critical component in fraud detection. Strict adherence to the creation of an audit trail provides information proving the legitimacy of transactions.

The review of financial reporting process of the Ministry brought to light the following:

i The consolidated statement of cash receipts and payments had a difference of K4.8 billion between excess of receipts over payments and funds remaining in the bank which was not supported by any valid explanations or documentation.

ii The statement of cash receipts and payments for 2015 was audited in 2016, fourteen (14) months after year end however we were not been provided with a reviewed properly balanced set of consolidated statement of cash receipts and payments for 2014/2015 to indicate that those charged with governance do take time to review the consolidated statement of cash receipts and payments before they are submitted to other stakeholders and auditors. This is a significant control deficiency at entity level which could have an impact on financial reporting process considering the level and volume of financial transactions that are consolidated from all 34 cost centers across the country.

This also constitute non-compliance with provisions of the Public Finance Management Act 2003 Section 86 subsections 1 which stipulates that "Every controlling officer shall within four months of the end of the financial year submit to the responsible Minister and to the Minister an annual report in a form approved by the Minister".

(b) Payment Vouchers Not Presented For Audit Review: K 368,500,867.74

In accordance with Section 10(i) (c) of the Public Finance Management Act, "all accounts and records relating to the functions and operations of the Ministry need to be properly maintained."

It was observed during the audit that from the samples selected during the annual audit of the 2014/2015 financial year, payment vouchers amounting to K 368,500,867.74 were not provided for verification and in other cases supporting documentations for the payments were not provided. Non compliance with the Public Finance Management Act and Public Procurement Act would impact on the authenticity of payments as it was not possible to validate and authenticate the expenditures, thereby increasing the risk of fraud and irregularities going unnoticed. The following are the details;

Table 11: Payment Voucher Not Presented for Audit

Cost center	**Amount (K)**
Ministry Headquarters__Other Recurrent Transactions	368,500,867.74
Ministry of Health Development Expenditure	1,281,494.80
Discrete Expenditure	6,278,395.61
	368,500,867.74

(c) Failure To Prepare Bank Reconciliation Statements

A review of bank reconciliations pertaining to all accounts maintained by the Ministry of Health at Headquarters disclosed that all June year end reconciliations were not presented for audit review and as such it was not possible to ascertain accuracy and completeness of cash and bank balances disclosed in the consolidated of statement of cash receipts and payments. Lack of preparation of the bank reconciliation statements defeats the whole purpose of cash management controls and other internal/manual controls.

Global Fund

(a) Non compliance with Global Funds terms and conditions

Section 3.1 of the Guidelines for annual audits of Global Fund Grant Programme consolidated statement of receipts and payments indicate that “the audited consolidated statement of receipts and payments, respective audit report and the management letter, should be submitted to the Global Fund within six months after the Principal Recipient’s financial year end.

However, the due date for the submission of the consolidated statement of receipts and payments for the period ended 30 June 2015 and management report to Global Fund was on 31 March 2016 and the audit report had not yet been submitted as June, 2017. Non-compliance with donor terms and conditions may jeopardize the existing relationships and reduce donor confidence on the Ministry’s financial capabilities.

Queen Elizabeth Central Hospital

(a) Lack Of Proof Of Delivery Of Goods Or Performance Of Services K30,263,323.15

It is good accounting practice and regulation that all payment vouchers have adequate supporting documents i.e. delivery notes.

During the audit it was observed that purchases of supplies/ services amounting to K30,263,323.15 were not supported by delivery notes or inspection reports. In the circumstance it was difficult to ascertain the validity and accuracy of the transactions.

(b) Missing Supporting Documents K28,471,019.59

Good accounting practice and regulation requires management to keep and attach supporting documentation to payment vouchers.

However it was observed that from the sample selected, supporting documents for payment vouchers amounting to K28,471,019.59 were not provided for our verification. As a result there is a risk of fraud and eventual misstatement of expenses and the accuracy of payments made may not be established.

(**c) Missing Payment Vouchers And Their Supporting Documents: K28,944,687.00**

Good accounting practice and regulation requires management to properly maintain all relevant records pertaining to accounting transactions.

It was however observed during the audit of ORT transactions that payment vouchers amounting to K28,944,687.00 were not provided for our review. As such there is a risk of fraud and eventual misstatement of expenses and the accuracy of payments made may not be established.

(**d) Preparation Of Bank Reconciliation**s

The best accounting practice and regulations requires that on a monthly basis a bank reconciliation statement must be prepared and checked for accuracy by an independent senior, a record of which should be filed for future reference.

It was observed during the audit review of revenue that account number 0140084491400 had no bank reconciliations being prepared for the whole 2015 financial year. Furthermore, we also noted that Bank reconciliation for NORAD account was not prepared for September 2014 and June 2015. This may lead to errors in the bank reconciliation or fraud not being detected and corrected in time.

Mzuzu Central Hospital

(a) Bank Reconciliations Not Prepared

Funding for the hospital is received through the Treasury Cashier. The main cash book is maintained at the Treasury Cashier.

During the review of cash and bank, it was noted that bank reconciliations were not prepared. Neither were statements called for the account from the bank

(b) LPOS Not Attached To Payment Vouchers: K44,936,000.27

It is a good accounting policy to issue a Local purchase Order (LPO) before making any purchase.

It was however, observed during the review of expenses that LPOs for purchases amounting to K8,292,661.08 and K36,643,339.19 under NORAD Project and ORT respectively, made during the year under review were not issued and consequently were not attached to the payment vouchers. In the absence of the supporting LPOs the validity of the expenditures could not be established.

(c) Quotations Not Sourced: K4,019,867.59

It is a good accounting policy to ensure that when purchasing goods and services at least three quotations are sourced in order to procure goods and services at fair prices.

It was however, observed during the audit review of expenses that there was no evidence to show that at least three quotations were sourced for purchases amounting to K4,019,867.59. In the absence of competitive quotations, it was not possible to ascertain whether value for money was achieved in the procurements.

Kamuzu Central Hospital

(**a) Payment Without Supporting Documents: K104,159,381**.

It is a good accounting practice that all payment vouchers are adequately supported with valid documents i.e. invoices, delivery notes, receipts, etc.

It was observed during the review of expenses that payment vouchers amounting to K104,159,381.00 had no adequate supporting documents. In the absence of supporting documents the validity of the expenditures could not be ascertained.

MINISTRY OF GENDER, CHILDREN, DISABILITY AND SOCIAL WELFARE

46. An audit of the financial statements of the Ministry of Gender, Children, Disability and social Welfare for the year ended 30th June, 2017 was completed in December 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Performance for Other Recurrent Transaction (ORT)

This was budgeted at K2,901,290,000.00 and revised downwards to K2,973,974,000.00. However the actual out-turn was K2,964,526,000.00 representing 99.68% utilization of the revised budget.

Overall performance for development Expenditure

The approved development budget comprising donor funded projects (Part 1) and locally funded projects (Part II) was K260,000,000.00 and revised downwards to K250,000,000.00. The actual expenditure for the period was K246,024,000.00 representing 98.4% budget utilization.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Ministry of Gender, Children, Disability and social Welfare for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Payments Charged To Wrong Budget Line Items:- K59,231,425.71

Treasury Instruction 4.14 (1) of 1st May, 2013 states that if the Controlling Officer is satisfied that the provision against a programme/ item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/ item within the same vote. The application should be in writing and should be signed personally by the Controlling Officer. If the Secretary to the Treasury is satisfied with the application for virement, he shall issue a numbered virement Warrant.

Contrary to the above Treasury Instruction, payments amounting to K59,231,425.71 were charged to wrong budget line items between 10th October, 2016 and 30th June, 2017.

(b) Fuel not accounted for: K24,258,100.00

Treasury Instruction 11.7.1.2 (2004) provides that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger. This includes fuel which has to be recorded in fuel register and its usage be properly signed for to ensure accountability

An examination of the payment vouchers in respect of fuel purchases for the Ministry headquarters and the Department of Disability disclosed that management failed to furnish the audit team with fuel register as evidence that fuel purchased was properly accounted for as required by Treasury Instruction. As a result of this weakness in the management and administration of fuel, the audit team could not ascertain the authenticity of expenditure on fuel and its usage worth K24,258,100.00 purchased for the financial year ended 30th June 2017. A summary of the expenditure is as follows:

Ministry Headquarters	16,112,700.00
Department of Disability	8,145,400.00
Total	**24,258,100.00**

(c) Stores not accounted for: K62,228,257.05

Treasury Instruction 11.7.1.2 (2004) provides that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger. This includes fuel which has to be recorded in fuel register and its usage be properly signed for to ensure accountability

An examination of the payment vouchers in respect of stores purchases for the Ministry headquarters disclosed that management failed to furnish the audit team with registers as evidence that stores purchased were properly accounted for as required by Treasury Instruction. As a result of this weakness in the management and administration of stores, the audit team could not ascertain the authenticity of expenditure on stores and its usage worth K62,228,257.05 purchased for the financial year ended 30th June 2017.

MINISTRY OF INFOMATION AND COMMUNICATIONS TECHNOLOGY

47. An audit of the financial statements of the Ministry of Information and Communications Technology for the year ended 30th June, 2017 was completed in December 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Performance for Other Recurrent Transaction (ORT)

This was budgeted at K1,505,561,819.00 and revised downwards to K1,415,106,611.00. However the actual out-turn was K1,414,553,069.83 representing 99.96% utilization of the revised budget.

Overall performance for development Expenditure

The approved development budget comprising donor funded projects (Part 1) and locally funded projects (Part II) was K450,000, 000.00 and revised downwards to K370,000,000.00. The actual expenditure for the period was K369,879,241.77 representing 99.97% budget utilization.

Audit Opinion

I issued an unqualified opinion on the Statement of Receipts and Expenditure Ministry of Information and Communications Technology for the year ended 30th June, 2017.

(a) Payments Charged To Wrong Budget Line Items:- K11,535,997.21

Treasury Instruction 4.14 (1) of 1st May, 2013 states that if the Controlling Officer is satisfied that the provision against a programme/ item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/ item within the same vote. The application should be in writing and should be signed personally by the Controlling Officer. If the Secretary to the Treasury is satisfied with the application for virement, he shall issue a numbered virement Warrant.

Contrary to the above Treasury Instruction, payments amounting to K11,535,997.21 were charged to wrong budget line items between 10th October, 2016 and 30th June, 2017.

(b) Fuel Not Authorised And Not Accounted for:-K10,234,823.34

Treasury Instruction number 5.9(b) requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger before being issued to recipients and that the quantity issued should be recorded in the vehicle log book.

Contrary to the requirements of the above Treasury Instruction, fuel worth K10,234,823.34, was utilized on unauthorized trips and the fuel was not recorded in the motor vehicle log books between 10th August, 2016 and 25th May, 2017. In the absence of the approvals for the trips which were undertaken and non-recording of the fuel in the log books, it was very difficult to ascertain the accountability and disposal of the fuel.

(c) Stores Not Accounted for: K1,855,000.00

Treasury instructions (S) 5707 (1) require that all purchased of stores should first be recorded in the stores ledger and that issues should be recorded and signed for by the recipients to ensure proper accountability.

Contrary to the above Treasury Instructions, stores items valued at K1,855,000.00 which were procured between 27th October, 2016 and 30th June, 2017 had no record as evidence that they were recorded in the stores ledger. In the absence of the disposal records, it was difficult to ascertain whether the purchased items were properly accounted for and disposed of accordingly.

MINISTRY OF HOME AFFAIRS AND INTERNAL SECURITY

Ministry Headquarters

48. An audit of the financial statements of Ministry of Home Affairs and Internal Security for the financial year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K6,485,633,000.00** and revised to **K6,990,971,000.00.** However, the actual out-turn is **K6,912,032,000.00**. Representing a Budget utilization of 98.9%.

Development Budget Overall performance

This was budgeted at **K300,000,000.00** and revised to **K200,000,000.00.** However, the actual out-turn **K197,664,000.00**. Representing a Budget utilization of 98.8%

Audit Opinion

I issued an unqualified opinion on the Statement of Receipts and Expenditure for the Ministry of Home Affairs and Internal Security for the year ended 30th June, 2017.

National Registration Bureau

(a) Lack of Information Technology (IT) Steering Committee to Support the Information Systems

COBIT PO4.3 on the establishment of an Information Technology (IT) Steering Committee stipulates that an IT Steering Committee (or equivalent) composed of executive, business and IT management should be established to:

- Determine prioritization of IT enabled investment programs in line with the enterprise’s business strategy and priorities.
- Tracks status of IT projects and resolve resource conflict.
- Monitor service levels and service improvements.

During the time of audit it was discovered that National Registration Bureau was implementing and operating on the various information systems without an Information Technology (IT) Steering Committee. Without direct involvement of IT Steering Committee in charge of governance in the management and direction of IT, the IT investments will not achieve the business objective.

(b) Lack of Policies and Procedure for Cover of It Equipment

ISO 27002 A9.1.4 Protection against external and environmental threats stipulates that an organisation is protected from damage which can occur, due to fire, floods, earthquake, explosion, civil unrest and other forms of natural or human created disasters.

Contrary to this requirement, the Bureau did not have any insurance policy cover for their ICT assets which are running critical information systems that allow the Department to achieve its objective.

The absence of such insurance cover policies and procedures may lead into potential loss of funds, assets and vital information.

MALAWI PRISON SERVICES

Prison Services Headquarters

49. An audit of the financial statements of the Malawi Prison Services for the financial year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K5,078,843,000.00** and revised to **K5,525,189,000.00**. However, the actual out-turn is **K5,515,217,000.00**. Representing a Budget utilization of 99.8%.

Development Budget Overall performance

This was budgeted at **K800,000,000.00** and revised to **K570,000,000.00.** However, the actual out-turn **K566,838,000.00.** Representing a Budget utilization of 99.4%

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Malawi Prison Services for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Nugatory Expenditure: K 2,024,000.00

The examination of payment vouchers for 2016/2017 financial year, revealed that Ntcheu Prison station made some payments amounting to K2,024,000.00 to officers as refund for personal money used to purchase firewood.

Further examination of stores records and enquiries made to stores officer and the concerned officers confirmed that the said goods were not delivered to the prison station. This malpractice indicates that the funds were misused by the officers through collusion with management hence loss of public funds.

(b) Stores Items Purchased Not Accounted For: K7,889,484.20

Section 11.7.1.5 of Treasury Instructions requires that all stores items purchased should be recorded in the stores ledger and on bin cards for proper accountability.

Contrary to the above Treasury Instructions, there was no evidence that stores items valued at K7,889,484.20 purchased in the financial year ended June 2017 for Mapanga Prison Training Centre and Nkhotakota Prison Station were recorded in the stores ledger. Enquiry from stores officers at Mapanga and Nkhotakota revealed that the stores items in question were not delivered to the stations.

(c) Payments For Goods Without Evidence Of Delivery: K25,657,160.00

Treasury Instruction 5.23.2 states that expenditure shall be charged against government account when the goods or services are received.

A review of payments vouchers and invoices of Malawi Prison Service revealed that a payment of K25,657,160.00 was made without documentary evidence that the goods were indeed delivered at Kasungu Prison Station where the Malawi Prison Services is intending to construct the sewer ponds. It has so far taken almost six months from the date of payment up to the time of the audit.

(d) Fuel Not Recorded In Project Fuel Register: K3,000,000.00

Treasury instruction (stores) No.5302 requires that all fuel bought must be recorded in the fuel register and issues reflected in the register as well as in motor vehicle logbooks to promote transparency and accountability of fuel usage.

An examination of fuel register from Quartermaster and project fuel register for the period from July 2016 to June 2017 revealed that fuel worth K3,000,000.00 was issued on 13 December 2016 from main fuel register to projects. However there was no evidence that the fuel was recorded in the project fuel register. Again no fuel pump receipts were provided as evidence of usage.

Prison Farms

(a) Misallocation Of Expenditure: K1,389,608.00

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

An examination of expenditure records for 2016/2017 financial year revealed that Malawi Prison Farms made payments amounting to K1,389,608.00 which were charged against wrong programs. However, no evidence was provided to the audit team to confirm that the authority to transfer funds between activities was sought.

(b) Fuel Issues Not Accounted For: K619,734.56

Treasury instruction (stores) **No.5302** requires that all fuel bought must be recorded in the fuel register and issues reflected in the register as well as in motor vehicle logbooks to promote transparency and accountability of fuel usage.

An examination of Prison Farms fuel registers against logbooks for the period from July 2016 to June 2017 revealed that fuel worth K619,734.56 was issued to motor vehicle registration number PS 050. However, no evidence was provided to confirm that the said fuel was recorded in the Vehicle's logbook. This made the audit team unable to ascertain the proper usage of the fuel.

Immigration and Citizenship Services

50. An audit of the financial statements of the Immigration and Citizenship Services was completed on 20th January, 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K1,176,227,826.00** and revised to **K1,477,977,921.00** However, the actual out-turn is **K1,467,637,842.38**. Representing a Budget utilization of 99.3%.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Immigration and Citizenship Services for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Revenue Collected Through Malawi Savings Bank (FDH Bank) Not In Agreement With Remittances To Reserve Bank Of Malawi-K10,963,823,820.00

Immigration Department collects different types of revenues such as passports, permits, visas, emergency travel documents among others through Malawi Savings Bank (FDH Bank) which has branches domiciled at their offices. Furthermore, a portion of such revenue is collected through manually prepared documents such as general receipts and deposit slips. Therefore, because of these two different systems, the government system and the bank system of which are all independent of each other, no reconciliations are done. For instance, one can pay for a passport, permit, visa etc through the bank and transactions can be completed even without issuing general receipts resulting into difficulties in reconciliation between the two systems.

An inspection of bank statements, revenue cash books and general receipts disclosed that during the 2016-2017 financial year, revenue collection declared by cost centres and banks' monthly returns and bank statements amounted to K10,663,823,820.00 where as the information in the system of Reserve Bank of Malawi, the figure is K10,963,823,820.00; more by K300,000,000.00 whereas in IFMIS, whose source of information is general receipts, it has a total collection of K5,290,308,571.84; less by K5,373,515,248.16 proving the effects of these two different systems.

(b) Understatement Of Revenue Collected – K5,373,515,248.16

Treasury Instructions 5.6.2 of 2004 states that the controlling officer of a Ministry or Department must manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for identification, collection, safeguarding, recording and reconciliation of information in respect of revenue.

An inspection of general receipt books and the financial statements together with the information from IFMIS disclosed that the office did not include revenue amounting to K5,373,515,248.16 in the financial statements.

(c) Unaccounted For Revenue Realised From Passports Issued To Embassies-K57,618,000.00

The audit of revenue from passports revealed that revenue amounting to K57,618,000.00 generated through issuing of 1,138 passports to embassies could not be accounted for. There are no records to show how the money realised from issuance of such passports was accounted for.

(d) Revenue From Visa Sales Not Accounted For-K300,986,899.08

Treasury Instruction 5.7.3 of 2013 states that revenue collectors shall collect and account for revenue and other public moneys falling within their control in accordance with instructions issued by the designated Receiver of Revenue.

The Immigration Department issues visa books to embassies so as to allow those visiting Malawi to apply and be allowed to visit the country through embassy offices available in their region.

A follow up on the used visa books returned to the department's headquarters revealed that no record was made available to suggest that revenue collected through these books was accounted for. No report of revenue collected and how it was remitted or used could be provided. In the process, it was established that the office did not account for revenue totalling K300,986,899.08.

(e) Revenue From Visa Issuance Not Recorded On General Receipts-K1,387,500.00

Treasury Instruction 5.8.2 of 2013 states that cash and cheques received shall promptly be brought on charge using General Receipt Books issued by the Government Printer. The General Receipt Books should be serially numbered for control purposes. Further to this, Treasury Instruction 5.8.4 of 2013 requires general receipts to be issued using a double sided blue carbon paper and the top copy of the GR to be attached to a Government Printer Paying in Payment Voucher Number 96 and submitted to the Accountant General. The duplicate copy of the general receipt to be given to the client who has made the payment. The triplicate to be maintained in the GR book for audit purposes.

A review of various documents on revenue disclosed that there is laxity in issuing general receipts to people paying for various services at the Immigration headquarters. Mostly, it has been observed that most transactions rely on bank issued receipts not the government general receipts.

(f) List Of Names Approved For Receipt of Residence Permit Not Produced For Audit

An examination of documents relating to the approval process of permanent Resident Permit applications revealed that there were a number of Permanent Resident Permits applications that were approved and issued but the list of approved names could not be traced in the department's files.

As such, it was difficult to check if applicants met legal requirements for them to obtain the permanent resident permits applied for and the authenticity of the signatures of the authorising officials purported to have granted approvals of the applications.

In the absence of this information, it was difficult to establish how much revenue was collected on the same

(g) Visa Sticker Books Not Produced For Audit - Estimated Minimum Revenue –USD2,592,000.00 (K1,944,000,000.00)

Treasury Instruction 5.15.1 of 2013 calls for accountability of all revenue collected.

A review of the visa sticker book ledger revealed that Immigration Department did not provide visa sticker books that were used in various formations. 576 visa sticker books were not produced for audit. The estimated minimum revenue to have been collected on these books is USD2,592,000.00 translated to K1,944,000,000.00 at the exchange rate of K750.00 to a dollar

(h) Visa Stickers Issued Not Indicating Type Of Visa - Estimated Revenue- USD 6,000 (K4,500,000.00)

The audit of revenue from visas issued revealed that in some instances, the officers issuing out visas did not indicate the type of visa that was issued to foreign visitors. As there are different types of visas including the multiple visa for USD 250, it was difficult to ascertain what type of visa the individual applied though money was collected. The sample was only from Regional Immigration Office North and Headquarters office.

(i) Visa Book Purchases Not Recorded In Register- K52,798,896.13

Treasury Instruction 5.15.2 of 2013 states that all transactions shall be recorded in a primary Government record or ledger, either within the records held by a Ministry with the approval of the Secretary to the Treasury and summarised in the ledgers held by the Ministry of Finance, or in a record maintained by the Ministry of Finance.

Visa sticker books are controlled stationery hence their movement needs to be well documented. An examination of visa sticker books and allied records revealed that some books were not recorded in the register

(j) Passport Booklets Not Recorded In Register – K64,020,000.00

Treasury Instruction 5.19.1 (d) of 2013 requires that all purchases be recorded in a register.

Contrary to the above requirement, Passport booklets were not recorded in the register.

(k) Ordinary Passports Blank Booklets Not Signed For By Recipients Through Register – K183,330,000.00

Treasury Instruction 5.13.1 of 2004 requires that adequate internal controls must exist within each ministry and department. It further states that controlling officers should ensure that the control objectives are met.

It was however noted that ordinary passport booklets amounting to K183,330,000.00 were issued but not signed for by recipients. This made it difficult for the audit team to ascertain if indeed the blank passport booklets were collected by the rightful recipients.

(l) Ordinary Passport Booklets Received Not Recorded In The Stock Register –K88,512,500.00

Treasury Instruction 5.15.2 of 2013 states that all transactions shall be recorded in a primary Government record or ledger, either within the records held by a Ministry with the approval of the Secretary to the Treasury and summarised in the ledgers held by the Ministry of Finance, or in a record maintained by the Ministry of Finance.

Ordinary passport booklets are controlled stationery hence their movement needs to be documented.

A further review of blank passport records revealed that 1,825 booklets amounting to K88,512,500.00 purported to have been sent to the central regional office by headquarters were not recorded in the passport registers for the region.

(m) Overpayment To Technobrain Limited : K875,091,223.00

Treasury Instruction 5.26.1 of 2013 requires that payment for goods and services received shall be effected upon verification and confirmation that goods were received or that those services were rendered.

Immigration Department contracted Technobrain Limited to be the supplier of blank passport booklets and other consumables. Blank passport booklets were being produced in quarters to Immigration Department who records them in registers for its smooth running of production of passports for applicants.

An inspection of payments records revealed that in some quarters, Technobrain was not satisfying the requirements of supplies. Taking into account of blank passport booklets paid for but not supplied and those which were supplied but were faulty, Immigration Department overpaid Technobrain by K875,091,223.00

(n) Stores Items Not Recorded In The Stores Ledger-K10,294,206.19

Treasury Instruction 5.15.2 of 2013 states that all transactions shall be recorded in a primary Government record or ledger, either within the records held by a Ministry with the approval of the Secretary to the Treasury and summarised in the ledgers held by the Ministry of Finance, or in a record maintained by the Ministry of Finance. Further, Treasury Instruction 11.6.1.6 of 2013 also stipulates that stores for the purpose of recording receipts and issues of all stores shall be kept for each store.

An inspection of payment vouchers, invoices and delivery notes against stores ledger, revealed that stores items amounting K10,294,206.19 were purchased but not recorded in the stores ledger. This made it difficult for auditors to establish accountability of these items.

(o) Fuel Not Accounted For-K24,105,085.57

Treasury Instructions 5.15.2 and 11.6.1.6 of 2013 require stores to be accounted for through the register.

The recalculation of the total fuel procured and issued revealed that fuel worth K20,212,959.40 and K3,892,443.17 procured by the Regional Immigration Office (Centre) and (North) respectively was not accounted for through the register.

(p) Airtime Not Accounted For –K7, 657,511.56

An inspection of airtime management records revealed that some airtime receipts totaling **K4,478,000.00** for headquarters and **K3,170,511.56** for the central region's office were not accounted for in the airtime register which is contrary to Treasury Instructions 5.15.2 and 11.6.1.6 of 2013 which require all purchases issues to be recorded in the register.

(q) Payment vouchers without supporting documents-K6,339,615.00

Treasury Instruction 5.9 (a) of 2004 among others requires that full supporting documents are retained and filed in such a way that they are easily and readily accessible so as to validate the payment transactions.

Contrary to the requirement, an examination of payment vouchers for the period under review disclosed that payment vouchers totaling MK6,339,615.00 were not supported with relevant documents at the time of audit inspection. In the absence of the supporting documents, it was difficult for the inspecting auditors to ascertain whether the expenditure made was a correct charge to public funds.

(r) Subsistence Allowances Paid Without Disclosing Proper Destination-K2,615,000.00

Treasury Instruction number 5.19.1 of 2013 states that adequate internal controls shall exist within each MDA and further Treasury Instruction number 5.19.1 (e) requires that financial and operating information is accurate and reliable.

Contrary to the requirement, an inspection of payment vouchers and authority to leave duty station forms revealed that the department paid subsistence allowances amounting to K2,615,000.00 without indicating the destinations.

MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS

Registrar General's Department

51. An audit of the financial statements of the Registrar General's Department for the financial year ended 30th June, 2017 was completed in January, 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K409,413,533.00** and revised to **K513,019,093.00.** However, the actual out-turn is **K488,687,044.99.** Representing a Budget utilization of 95.25%.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Registrar General's Department for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Hotel Accommodation Paid Without Indicating Beneficiaries-: K2,130,402.00

Treasury Instruction 5.13 requires that adequate internal controls must exist within each Ministry and Department, and the Controlling Officers should ensure that the control objectives are met.

An inspection of payment vouchers and hotel accommodation invoices for the year ended 30th June, 2017 disclosed that the office paid out hotel charges amounted to K2,130,402.00 whereby the officers who benefited from the service were not disclosed.

(b) Fuel Not Accounted For: K4,550,000.00

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

Examination of payment vouchers against fuel ledgers disclosed that the office purchased fuel worth K4,550,000.00 but there was no record to show that fuel was recorded in the fuel register. It was therefore difficult to establish how the fuel was accounted for.

(c) Purchases Made Without The Involvement of IPC: K5, 667, 326.86

Section 8 (3) of the Public Procurement Act of 2003 states that the functions of the Internal Procurement Committees shall include; ascertaining the availability of funds to pay for each procurement; the opening of bids; the examination, evaluation and comparison of bids, and the selection of the successful bidder; and such other functions as may be prescribed for the Committees by the Regulations.

Contrary to the requirement, an examination of payment vouchers and Internal Procurement Committee minutes revealed that purchases amounting to K5,667,326.86 were made without IPC approval.

(d) Purchases Made Without Sourcing At Least Three Quotations: K15,307, 129.44

Section 35 (1) of the Public Procurement Act of 2003 requires that at least three quotations must be sourced from suppliers when procuring standardized "off-the shelf" goods, routine services, or minor works services through the Request for Quotation method (RFQ).

Contrary to the above requirement the office purchased goods worth K15,307,129.44 basing on one quotation. Value for money could not therefore be ascertained.

MINISTRY OF LABOUR, SPORTS, YOUTH AND MANPOWER DEVELOPMENT

52. An audit of the financial statements of the Ministry of Labour, Sports, Youth and Manpower Development for the financial year ended 30th June, 2017 was completed in February, 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K2,491,388,336.00** and revised to **K2,637,811,329.00** However, the actual out-turn is **K2,558, 554,264.96.** Representing a Budget utilization of 97%.

Development Budget Overall performance

This was budgeted at **K7,290,000,000.00** and revised to **K6,937,273,333.00** However, the actual out-turn **K668,865,000.00**. Representing a Budget utilization of 9.6%.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Ministry of Labour, Sports, Youth and Manpower Development for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Overpayments Made Without Budget: K240,967,442.00

An examination of Statement 5b of the Financial Statements revealed that payments amounting to K240,967,442.00 were over spent without treasury authority or viring for the funds

(b) Payments Made Without Supporting Documents: K30,849,115.50

Treasury Instruction 5.16.1 of 2004, states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

Contrary to the above instruction, payment vouchers amounting to K30,849,115.50 were presented to a team of auditors without supporting documents. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

(c) General Materials Not Accounted for: K24,579,161.61

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

An examination of payment vouchers revealed that stores items valued at K24,579,161.61 were not recorded in stores ledger. It was therefore, difficult for the audit team to ascertain their accountability.

MINISTRY OF INDUSTRY, TRADE AND TOURISM

53. An audit of the financial statements of the Ministry of Industry, Trade and Tourism for the financial year ended 30th June, 2017 was completed in February, 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K2,169,125,885.00** and revised to **K2,216,805,983.00** However, the actual out-turn is **K2,199,501,000.00**. Representing a Budget utilization of 99.2%.

Development Budget Overall performance

This was budgeted at **K5,459,758,719** and revised to **K2,859,759,000.00**. However, the actual out-turn **K2,673,003,000.00**. Representing a Budget utilization of 93.5%.

Audit Opinion

I issued an unqualified opinion on the Statement of Receipts and Expenditure for the Ministry of Industry, Trade and Tourism for the year ended 30th June, 2017.

(a) Poor Stores Management System: K5,030,005.50

Section 11.7.1.5 of Treasury Instructions requires that all stores items purchased should be recorded in the stores ledger and on bin cards for proper accountability.

An examination of payment vouchers revealed that stores items valued at K5,030,005.50 purchased in 2016/2017 financial year were not recorded in the ledger and on bin cards. This made it difficult for the auditors to ascertain the disposal of the purchased items.

(b) Revenue Under-collection: K15,097,000.00.

The Revised Treasury Instruction No. 2.5.6 requires that MDAs ensure that the collection of public moneys is accordance to the approved plans and Estimates.

An examination of revenue records revealed that the ministry collected only K164,903,000.00 instead of the budgeted amount of K180,000,000.00.

MINISTRY OF TRANSPORT AND PUBLIC WORKS

54. An audit of the financial statements of the Ministry of Transport and Public Works for the financial year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K2,884,204,359.00** and revised to **K3,146,879, 988.00** However, the actual out-turn is **K3,114,102,129.50**. Representing a Budget utilization of 98.96%.

Development Budget Overall performance

This was budgeted at **K34,076,000,000.00** and revised to **K3,415,800,000.00**. However, the actual out-turn **K710,488,099.13**. Representing a Budget utilization of 20.8%.

Audit Opinion

I issued an unqualified opinion on the Statement of Receipts and Expenditure for the Ministry of Transport and Public Works for the year ended 30th June, 2017.

(a) Prolonged Project Development

The Aviation Department has been rehabilitating Chileka Airport since 2010. During the audit we noted that the project is still ongoing while it was supposed to be concluded by 2013.

The Audit team undertook an audit verification of the Chileka Airport Rehabilitation Project During the verification exercise and after further interviews with the Airdromes Manager Mr. Sam Kaluwa, it was noted that the delay in the project finalization had been mainly due to change in project cost due to devaluation and lack of funding which led to delayed payments which incurred interest.

It was indicated that the actual budget was K410 Million. However, the cost was increased in 2012 to K666 Million because of the devaluation of the Kwacha. In 2015 the contract was raised again to K994.6 Million due to additions to the original project design to provide for lifts and air conditions.

The auditing team was also notified that in 2012, the funding from Government for the project was very erratic and from 2015 the funding really improved which has resulted in the main contractor and all the sub-contractors being paid.

It is was noted that the main contractor for the project is Dziko Contractors and there are three sub-contractors namely, Sharma Electrical Contractors, HISCO and Glass Bank. The manager also indicated that the new date for finalizing the project is July 2018 due to the lift which has been ordered from China that takes 45 days to be manufactured and 45 days to be transported to Malawi. Cost escalation and accumulation of arrears as the project is taking long to be completed.

(b) Failure to Record Fuel Issued in Fuel Register: K2,500,000.00

In according with Treasury instruction 5.9 Sub section (c) it is clearly stated that all Treasury Instructions (Stores) No 5707 states that items of stores like fuel should be recorded in the fuel register before being issued out. It further states that Controlling Officers must ensure that an efficient system of stores procedures exists within the ministries or departments to sufficiently safeguard and govern the procurement transactions.

An examination of the payment vouchers of fuel worth K2,500,000.00 purchased for the financial year ended 30 June 2017 revealed that management failed to furnish the audit team with registers as evidence that fuel purchased was properly accounted for by Building as required by Treasury Instruction. As a result of this weakness in the management and administration of fuel, the audit team could not ascertain the authenticity of expenditure on fuel and its usage.

(c) Payment Vouchers Without Supporting Documents: K2,178,741.19

Treasury Instructions stipulate, *inter alia*, that any payment voucher on which an official payment has been made should have sufficient documentation to support the expenditure. Treasury Instruction5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment.

An audit examination of payment vouchers by the audit team for the period under review disclosed that the Ministry effected some payment vouchers amounting to K2,178,741.19 for the financial year ended 30 June 2017 which were not attached with relevant supporting documents. Of the above amount, K2,088,741.19 was for Headquarters and K90,000.00 was for Marine. Documents not attached include receipts, loose minutes, to leave duty station authorisation forms among others.

(d) Maintenance of Motor Vehicles at Private Garages Without Authority From P.V.H.E.S.:K1,041,837.56

Circular Reference No. HVMC 1006 of 12th August, 2006 from the Controller of Plant and Vehicles requires all motor vehicles to pass through Plant and Vehicle Hire Engineering Services (P.V.H.E.S.) for inspection before and after repairs by private garages to ensure that proper maintenance and repair procedures are followed and to ensure value for money in the procurement of maintenance services.

It was, however, observed Ministry of Transport and Public Works (head office) paid amount worth K1,041,837.56 to private garages for maintenance services of its motor vehicles, however the related inspection reports by P.V.H.E.S. were not furnished to the audit team for verification.

(e) Lack of Patrol Boats at Marine Department

Patrol boats are used for patrolling the lake for people smuggling around the lake and also for rescue mission.

During the audit, it was learnt that the Department of Marine does not have a rescue boat, making their work difficult. If need arise the department hires from other sources.

(f) Lack of Back Up Policies

The Public Finance Management Act requires that all Government assets be properly safeguarded against loss, theft and destruction. It also requires the Controlling Officer to adopt a set of Internal Controls that would minimise the possible risks to manageable level.

One of the ways to safeguard against loss is to have a backup policy for electronic assets, whereby electronic information is backed up and the copy stored off-site for safe keeping.

The audit team discovered that the Ministry of Transport and Public Works does not have a backup policy for its electronic data. In the event of fire, theft and any forms of damages to the source of information, all the electronic data that had cost a lot to the Government and tax-payers would be lost. Ministry of Transport and Public Works and Public Works would have to start all over again to build up its database which would be costly.

(g) Suppliers Not Registered with The Office of Director of Public Procurement (ODPP): K6,469,428.75

Public Procurement Act (PPA) provides for the best principles and procedures to be applied in, and to regulate public procurement. It requires, among other things, that public entities procure goods, works and services only from pre-qualified suppliers. This is to ensure that only suppliers with adequate capabilities, resources and experience to perform a contract, are involved.

Contrary to this requirement, it was observed that for the period between July 2016 and June 2017, the Ministry procured goods, works and services amounting to K6,469,428.75 from suppliers not registered with the Office of the Director of Public Procurement (ODPP).

(h) Misallocation of Expenditure: K22,885,753.75

Treasury Instruction (Finance) requires that each expenditure should be made on the item it was voted for in Parliament for the purpose it was intended. Controlling Officers are expected to ensure that there are no departures, unless a virement or a written authority has been granted.

An examination of expenditure records disclosed cases of misallocations in most of the expenditure lines, for the period between July 2016 and June 2017. The total amount involved was K22,885,753.75.

HUMAN RIGHTS COMMISSION

55. An audit of the financial statements of the Human Rights Commission for the financial year ended 30th June, 2017 was completed in December, 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K438,852,106.00** and revised to **K439,143,533.00**. However, the actual out-turn is **K437,958,457.52.** Representing a Budget utilization of 99.7%.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Human Rights Commission for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Fuel Not Properly Accounted For: K24,670,524.69

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

Contrary to the above instruction, fuel worth K24,670,524.69 was not accounted for by failure to record in the fuel register, as such receipt and disposal could not be established.

(b) Stores Not Recorded In Stores Ledger: K1,343,608.25

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

An examination of payment vouchers revealed that stores items valued at K1,343,608.25 had no record as evidence that they were recorded in stores ledger. It was therefore, difficult for the audit team to ascertain their accountability.

(c) Non Maintenance of Fixed Asset Register: K1,874,250.00

Treasury Instructions 5.3 (1-6) and Government Circular Ref. No CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that:

All controlling officers shall maintain asset register for all fixed assets bought using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.

Contrary to the Ministry did not have the required Fixed Asset Register for its equipment and other valuable assets. It was therefore difficult for the audit team to ascertain their accountability.

REVIEWS NOT YET CLEARED

2015/2016 FINANCIAL YEAR

56. An audit of the financial statements of the Legal Aid Bureau for the financial year ended 30th June, 2016 was completed in December, 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Fuel Not Properly Accounted For: K11,344,393.99

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

Contrary to the above instruction, fuel worth K11,344,393.99 was not properly accounted for and its disposal could not be established.

(b) Procurement Made Without Sourcing At Least Three Quotations: K5,774,472.63

Section 35 of The Public Procurement Act requires that at least three quotations should be sourced from bidders before goods and services are procured, unless "request for no objection" has been sought and approved by the Director of Public Procurement (ODPP) to procure goods and service from a single source.

An examination of payment vouchers totaling K5,774,472.63 had no evidence to show that at least three quotations were sourced when paying for goods and services since only one quotation was attached.

(c) Stores Not Recorded In Stores Ledger: K2,328,218.08

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

An examination of payment vouchers revealed that stores items valued at **K2,328,218.08** which were purchased during the year under review had no record such as stores ledger. In the absence of stores ledgers it was difficult for the audit team to ascertain their accountability.

2014/2015 Financial Year

57. An audit of the financial statements of the Legal Aid Bureau for the financial year ended 30th June, 2015 was completed in December, 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payments Made Using Expired Contract Agreement: K5,043,918.23

Treasury Instructions 8.14 stipulate that a statutory body may enter into contracts for the works, supplies and services acquisition, disposal or management of goods, services and construction works in accordance with the provisions of its empowering Act or rules approved by its board of directors or other governing body, and shall comply with the provisions of the Public Procurement Act, 2003.

An examination of payment vouchers revealed that the Commission made payments amounting to K5,043,918.23 using old contracts agreements signed on 30th July 2010 with G4 Secure Solutions (mw) Ltd the services provider for security services without reviewing & signing new contracts.

(b) Fuel Not Entered In Fuel Register: K5,274,140.00

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

An examination of payment vouchers revealed that fuel valued at K5,274,140.00 was not accounted for since the receipts and disposal records such as fuel registers were not produced for audit examination.

THE ELECTORAL COMMISSION

58. An audit of the financial statements of the Electoral Commission for the financial year ended 30th June, 2017 was completed in February 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Budget Performance

This was budgeted at K2,835,270,000.00 and revised at K2,835,270,000.00. However the actual out-turn was K2,165,302,000.00 and the overall percentage of funds utilized against the revised budget was 76.4 %.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Law Commission for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Investment Funds not recoverd after maturity date: K50,000,000.00

Section 17 (2) of the Electoral Commission Act states that any sums not immediately required for the purposes of the Commission may be invested in such a manner as the Commission may, in its discretion, determine.

An inspection of financial records established that the Malawi Electoral Commission on 2nd June, 2017 invested K50 million with Alliance Capital Limited for a 60 days period through cheque number 004011 of 1st June, 2017 whose maturity value was calculated at K51,479,452.06 representing 22.50%. It was, however, noted that as at the date of audit, the money had not yet been paid back to the Commission's account as there was no credit entry into the receipts cash book.

(b) Usage of Receipted Cash Balances for Other Activities: K4,015,446.00

Treasury Instruction number 5.6.2 of 2004 states that the Controlling Officer of a Ministry or Department must manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for identification, collection, safeguarding, recording and reconciliation of information in respect of revenue.

A cross reference of general receipts and bank deposit slips for the remaining cash balances drawn in the names of four MEC cashiers in respect of allowances and other activities disclosed that monies amounting to K4,015,446.00 were not deposited into the Government Account Number 1 despite that the monies were properly receipted on Malawi Government General Receipts. It was, however learnt that the monies were used for other activities.

(c) Payment Vouchers Not Produced For Audit: - K43,588,100.37

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

It was noted that the commission did not make available payment vouchers for some of the payments made in the 2016/17 financial year for Other Recurring Transactions' Account and Chief Election's Account amounting to K10,182,200.37 and K33,405,900.00, respectively.

(d) Cheques Not Signed For: K67,777,291.00

Desk Instructions numbers 7.6.2(vi) and 7.6.3 on Government Financial Control Accounting Procedures under Credit Ceiling Authority System of May, 2007 state that the cashier shall enter the cheque number in the Cheque Dispatch Register, and in case the payee collects the cheque personally, obtain the payee's personal identity and pend his full name and signature in the Dispatch Register, respectively.

On a test check basis, cheques amounting to K67,777,291.00 issued to commercial banks and to the individuals and other service providers, respectively, were delivered and collected without being signed for in the cheque dispatch register.

(e) Payment Vouchers Without Signatures Of Authorising And Countersigning Officers:K5,187,898.46

Treasury Instructions as read with Desk Instruction number 6.4.4 on Government Financial Control Accounting Procedures under Credit Ceiling Authority System of May, 2007 states that vouchers shall be signed in full (not initials) by officers compiling it, enters it in the vote book, authorizing and countersigning officers. The authorizing officer shall also check and initial in the vote book before signing the voucher.

Contrary to the provisions of these instructions, an examination of payment vouchers revealed that payment vouchers amounting to K5,187,898.46 were passed for payment without the signatures of authorizing and countersigning officers, respectively.

(f) Unexplained Payment Of Allowances To Parliamentary Committee On Public Appointments:- K2,352,000.00

Treasury Instructions numbers 5.13 (g), (h) and (k) state that resources are employed and managed in an effective, economic and efficient manner; there is no waste or extravagance and that there is effective and efficient management of the financial resources of Government, respectively.

An inspection of payment vouchers and other correspondences disclosed that the commission paid 2-day allowances amounting to K2,352,000.00 to a 21 member committee for unspecified activity.

(g) Payments Made Through Bank Transfers Into Suspense Account: K8,690,125.16

Treasury Instruction number 5.7.3.6 states that no bank account shall be operated for the deposit or withdrawal of public money without the express authority of, and on such conditions, as the Secretary to the Treasury determines.

An inspection of payments records and other correspondences disclosed that Malawi Electoral Commission on 7th November, 2016 instructed FDH Bank to transfer an amount of K8,690,125.16 from the Chief Elections Officer's account number 1024883104001 to FDH Administration suspense account for undisclosed activities

(h) Payment Of Top – Up Allowances To Officers Proceeding On Short-Term Training Programmes Based On Wrong Rates:- K1,616,690.25

The Government through circular letter No. HRP&D/POL/2/VOL.5 of 26th May, 2009 from the Secretary for Human Resource Management and Development addressed to all Principal Secretaries and Heads of Departments among other things states that all officers proceeding on external short-term residential, and full board training programmes whose duration is more than 21 days should be paid a top-up allowance of **US$45 per day up to a maximum of 21 days only**.

An inspection of payments records disclosed that officers from Malawi Electoral Commission claimed and were paid top-up allowances based on wrong rates of allowances for attending short-term programmes while on full board programmes contrary to the requirement. On a test check basis, a total amount of K5,065,893.00 was claimed and paid to the officers instead of paying them K3,449,202.75 resulting in an excess amount of K1,616,690.25.

(i) Failure To Adhere To The Requirements Of Circular Letter Ref. No. OA/1/15/13/270

The Secretary to the Treasury gave an approval to Malawi Electoral Commission to open an operating current account with a commercial bank of their choice in the name of Chief Elections Officer. The approval was communicated in a circular letter reference number OA/1/15/13/270 dated 24th March, 2014. The letter emphasized that:-

(*a*) the opening of such an account was to transact special payments on behalf of the beneficiaries;

(*b*) those special payments that require to be cashed over the counter should first be processed through IFMIS payable to Chief Elections Officer and thereafter the cheque to be deposited to the operating account where open cheques to the ultimate beneficiaries should be drawn;

(*c*) cheques over K500,000.00 should be deposited other than encashed over the counter; and

(*d*) this arrangement meant that no open cheque above K500,000.00 shall be processed from the Chief Elections Officer account.

Malawi Electoral Commission went ahead to open an account at FDH Bank whose number is 1024883104001. As at the date of audit, the total transfers from ORT account to the operating account amounted to K582,892,828.65.

Contrary to the provisions of the stated Circular, the audit inspection observed the following irregularities:-

An inspection of the cashbooks and cheque counterfoils disclosed that 42 cheques amounting to K110,090,269.50 exceeded the encashment limit of K500,000.00 were encashed over the counter. Further, a total amount of K96,795,613.32 was paid to various suppliers of goods and services from the Chief Election's Account other than from ORT Account.

MINISTRY OF NATURAL RESOURCES, ENERGY AND MINING

59. An audit of the financial statements of the Ministry of Natural Resources, Energy and Mining for the financial year ended 30th June, 2017 was completed in December 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Performance for Other Recurrent Transaction (ORT)

This was budgeted at K6,651,088,000.00 and revised to K6,944,824, 959.00. However, the actual out-turn was K6, 910,020, 000.00 representing 99.5% utilization of the revised budget.

Overall performance for development Expenditure

The approved development budget comprising donor funded projects (Part 1) and locally funded projects (part II) was K13,183,587,412 and revised downwards to K6,068,587,000.00. The actual expenditure for the period was K5,297,002,000.00 representing 87% budget utilization. Most of the Part II projects were funded for one or two months only hence the low expenditures.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for Ministry of Natural Resources, Energy and Mining for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Missing Payment Vouchers: K20,389,371.54

Treasury Instructions 5.9 (2004) provides that accounting records should be maintained and filed in such a way that they are easily accessed and produced when requested by any authorized persons.

An examination of payment vouchers for the Ministry Headquarters and other cost centres revealed that ORT payment vouchers amounting to K20,389,371.54 were not presented for inspection. Below is the breakdown.

Table 12 : ORT payment vouchers not presented for inspection

Cost Centre	Amount (K)
Mines North	1,997,500.00
Parks and Wildlife Centre	1,025,000.00
Parks Wildlife Headquarters	1,762,850.00
Ministry Headquarters	15,604,021.54
TOTAL	**20,389,371.54**

(b) Fuel Not Accounted for: K4,219,126.76

Treasury Instruction 11.7 (2004) provides that stores ledger for the purpose of recording the receipts and issues of all stores will be kept for each store.

This includes fuel which has to be recorded in fuel register and its issue needs to be signed for to ensure accountability.

An examination of payment vouchers for Forestry Headquarters revealed that fuel worth K4,219,126.76 purchased during the period under review was not properly accounted for.

(c) Payments Vouchers without Supporting Documents: K7,491,744.02

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

An examination of payment vouchers revealed that payment vouchers amounting to K7,491,744.02 for Ministry Headquarters were presented to the audit team without relevant supporting documents. This made it difficult for auditors to ascertain details and the accountability of the expenditure in question.

(d) Motor Vehicle Servicing Without PVHES Authority: K2,713,042.98

Circular Reference Number HVMC 1006 of 12th August, 2006 from the Controller of Pant and Vehicles requires that all motor vehicles to pass through Plant and Vehicle Hire Engineering Services (PVHES) for inspection before and after repairs by private garages to ensure value for money in the procurement of maintenance services.

Contrary to this requirement the audit revealed that payments amounting to K2,713,042.98 in respect of vehicle maintenance by private garages without prior inspection by PVHES.

Development Expenditure

(e) Payment Vouchers for Development Expenditure not produced for Audit Inspection: K12,735,057.46

Treasury Instructions 5.9 (2004) provides that accounting records should be maintained and filed in such a way that they are easily accessed and produced when requested by any authorized persons.

An examination of records for the Ministry Headquarters against the cashbook revealed that Development payment vouchers amounting to K12,735,057.46 were not presented for verification against the cashbook. It was therefore difficult to ascertain the validity and propriety of the expenditure incurred.

Reviews Not Yet Cleared From Ministry of Natural Resources, Energy and Mining (2015/16)

60. Reviews have been carried out on the Ministry of Natural Resources, Energy and Mining which were not cleared for the year ended 30 June 2016 after giving the Controlling Officer adequate time to provide the necessary information for clearance.

(a) Payment Vouchers Not Produced for Audit: K29,254,852.68

Treasury Instructions 5.9 (2004) provides that accounting records should be maintained and filed in such a way that they are easily accessed and produced when requested by any authorized persons.

An examination of payment vouchers for the Ministry Headquarters and other cost centres revealed that ORT payment vouchers amounting to K29,254,852.68 were not presented for inspection. The information below depicts the breakdown.

Table 13: Payment vouchers not presented for inspection

Cost Centre		Amount
Mines North		2,866,669.40
Ministry Headquarters	18,803,737.41	
Forestry Headquarters	5,198,207.62	
Regional Forestry – Centre	1,755,242.75	
Total		**29,254,852.68**

(b) Misallocation of Voted Expenditure: K2, 670,000.00

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

An examination of expenditure records for the Mining Headquarters revealed that expenditure made amounting to K2,670,000.00 for allowances were charged against wrong expenditure line without authority

(c) Fuel Not Accounted For through logbooks and Fuel Register: K3,663,393.00

Treasury Instruction 11.7 (2004) provides that stores ledger for the purpose of recording the receipts and issues of all stores will be kept for each store. This includes fuel which has to be recorded in fuel register and its issue needs to be signed for to ensure accountability.

An examination of the payment vouchers for the Ministry revealed that fuel worth K3,663,393.00 purchased during the period under review for Forestry Headquarters and Energy Division was not properly accounted for. Out of this amount, K2,907,643.00 was not recorded in log books and pump receipts were not provided for verification of its application. Fuel amounting to K755,750.00 was not recording in the fuel register. This made it difficult for auditors to verify its accountability. Below is the breakdown.

Table 14: Fuel its logbooks and registers were not produced for audit

Cost Centre	Amount (K)	Remarks
Forestry Headquarters	2,907,643.00	In ledger but not in log books
Forestry Headquarters	755,750.00	Not in ledger
Total	**3,663,393.00**	

(d) Payment Vouchers without Supporting Documents: K8,002,218.30

Treasury Instruction 5.16.1 (2004) requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. In addition, Treasury Instruction 5.9(a), states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office Staff.

An examination of payment vouchers and their supporting documents revealed that payment vouchers amounting to K8,002,218.30 had no supporting documents as at the time of audit. This made it difficult for auditors to ascertain details and the accountability of the expenditure in question. Below is the breakdown.

Table 15 : Payment vouchers produced for audit without supporting documents.

Cost Centre		**Amount (K)**
Mining Headquarters	3,041,573.40	
Mining South		1,392,737.27
Mining North		1,254,400.93
Forestry Headquarters	2,213,506.70	
TOTAL		**8,002,218.30**

Development Expenditure

(e) Payment Vouchers Not Produced for Audit: K31,575,006.75

Treasury Instructions 5.9 (2004) provides that accounting records should be maintained and filed in such a way that they are easily accessed and produced when requested by any authorized persons.

An examination of payment vouchers for the Ministry Headquarters against the cashbook revealed that Development payment vouchers amounting to K31,575,006.75 were not presented for inspection. It was therefore difficult to ascertain the validity and propriety of the expenditure incurred.

(f) Development Fuel Not Recorded in the Fuel Register: K3,606,637.57

Treasury Instruction 11.7 (2004) provides that stores ledger for the purpose of recording the receipts and issues of all stores will be kept for each store. This includes fuel which has to be recorded in fuel register and its issue needs to be signed for to ensure accountability.

An examination of the payment vouchers for Forestry Headquarters for fuel purchased during the period under review worth K3,606,637.57 its fuel registers were not presented to a team of auditors for verification hence, its accountability was not known.

Revenue

(m) Under-banking of Revenue: K10,459,700.09

Treasury Instruction 5.7.2 (e) requires Controlling Offices to ensure that revenue is when it is due and should be banked promptly.

An examination of General receipts, cashbooks and bank documents for revenue collected at the Mining headquarters, South and North Mining revealed that the Departments collected a total of K305,416,808.39. Out of this K294,957,108.30 was deposited into Government Account Number 1. Whilst K10,459,700.09 was not traced to the bank statement for the period. This amount has not been accounted for in any way. Below are the details of the amounts not banked: -

Table 16 was not traced to the bank statement for the period

DATE	Revenue Collected (GR TOTAL /MONTH)	Amount Banked per deposit Slips and Bank Statement	Difference (K)
Jul-15	17,646,610.57	17,092,830.57	(553,780.00)
Aug-15	11,263,057.28	11,117,457.28	(145,600.00)
Sep-15	12,624,086.92	11,408,801.92	(1,215,285.00)
Oct-15	14,644,319.00	13,450,644.00	(1,193,675.00)
Nov-15	11,265,253.60	10,973,128.65	(292,124.95)
Dec-15	24,417,652.90	23,744,065.40	(673,587.50)
Jan-16	11,970,680.27	11,264,041.27	(706,639.00)
Feb-16	39,477,945.15	39,040,994.15	(436,951.00)
Mar-16	28,057,372.71	26,256,973.20	(1,800,399.51)
Apr-16	20,837,971.81	20,890,481.81	52,510.00
May-16	71,033,338.91	66,694,638.91	(4,338,700.00)
Jun-16	42,178,519.27	43,023,051.14	844,531.87
TOTAL	**305,416,808.39**	**294,957,108.30**	**(10,459,700.09)**

(n) Unreconciled Deposits without Supporting Documents: K21,586,881.60

A further examination of revenue documents against the bank statements revealed that some payments amounting to K21,586,881.60

which were paid directly to the account did not have any supporting documents. Further examination and enquiry disclosed that there were no bank reconciliations for the items. Most of these documents just indicated that they were from Commercial Banks.

LEGAL AID BUREAU

61. An audit of the financial statements of the Legal Aid Bureau for the financial year ended 30th June, 2017 was completed in December, 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Recurrent Budget Overall performance

This was budgeted at **K382,938,773.00**. However, the actual out-turn is **K379,235,576.27**. Representing a Budget utilization of 99%.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Legal Aid Bureau for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Failure To Present Payment Vouchers For Audit Inspection: K6,463,216.25

Public Audit Act, Section 7 (1) (a) of 2003 empowers the Auditor General or any other officer delegated by him to have unlimited access to all documents and books of accounts, among other things, that are subject to audit for his examination.

Contrary to the above Public Audit Act, payment vouchers amounting to K6,463,216.25 which were paid between 24th August, 2016 and 30th June, 2017 were not produced for audit examination. As a result, the audit team could not ascertain the propriety and validity of such expenditures.

(b) Payment Vouchers Without Supporting Documents: K3,633, 570.25

Treasury Instruction 5.9 (a), states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

Contrary to the above Treasury Instruction, payments totaling K3,633,570.25 had no supporting documents attached. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

(c) Fuel Not Accounted for: K1,155, 005.00

Treasury Instruction 11.6.1.3 states that where consumable stores like fuel are received in bulk for subsequent issue on small lots, transactions shall be entered in a consumable stores ledger. It further states that Controlling Offices must ensure that an efficient system of stores procedures exists within the ministries or departments to sufficiently safeguard and govern procurement transactions.

Contrary to the above Treasury Instruction, fuel amounting to K1,555,005.00 which was purchased between 17th November, 2016 and 29th June, 2017 had no record as evidence that the fuel in question was recorded in the motor vehicle log books. It was therefore difficult to ascertain proper accountability and disposal of the fuel.

(d) Stores Items Not Accounted for: K1,577,386.00

Treasury Instruction 11.6.1.3 states that where consumable stores like stores are received in bulk for subsequent issue on small lots, transactions shall be entered in a consumable stores ledger. It further states that Controlling Offices must ensure that an efficient system of stores procedures exists within the ministries or departments to sufficiently safeguard and govern procurement transactions.

Contrary to the above Treasury Instruction, stores items totaling K1,577,386.00 which was purchased between 12th December, 2016 and 30th June, 2017 had no record as evidence that they were recorded in the stores ledgers. It was therefore difficult to ascertain proper accountability and disposal of the stores.

(e) Payments Charged To Wrong Budget Line Item: K925,672.00

Treasury Instruction 4.14 (1) of 1st May, 2013 states that if the Controlling Officer is satisfied that the provision against a programme/ item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/ item within the same vote. The application should be in writing and should be signed personally by the Controlling Officer. If the Secretary to the Treasury is satisfied with the application for virement, he shall issue a numbered virement Warrant.

Contrary to the above Treasury Instruction, payments amounting to K925,672.00 which were paid between 29th September, 2016 and 6th June, 2017 were charged to wrong budget line items.

Reviews Not Yet Cleared

Legal Audit Bureau 2015/2016 Financial Year

62. An audit of the financial statements of the Legal Aid Bureau for the financial year ended 30th June, 2016 was completed in December, 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payment Vouchers Not Presented For Audit Inspection: K32,228,943,.43

Public Audit Act, Section 7 (1) (a) of 2003 empowers the Auditor General or any other officer delegated by him to have unlimited access to all documents and books of accounts, among other things, that are subject to audit for his examination.

Contrary to the above Public Audit Act, payment vouchers amounting to K32,228,943.43 which were paid between 20th August, 2015 and 25th June, 2016 were not produced for audit examination. As a result, the audit team could not ascertain the propriety and validity of such expenditures.

(b) Payments Charged To Wrong Budget Line Items: K1,666,939.68

Treasury Instruction 4.14 (1) of 1st May, 2013 states that if the Controlling Officer is satisfied that the provision against a programme/ item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/ item within the same vote. The application should be in writing and should be signed personally by the Controlling Officer. If the Secretary to the Treasury is satisfied with the application for virement, he shall issue a numbered virement Warrant.

Contrary to the above Treasury Instruction, payments amounting to **K1,666,939.68** which were paid between 24th September, 2015 and 30th June, 2016 were charged to wrong budget line items.

(c) Purchases Of Fuel And Lubricants Not Accounted For: K1,497,500.00

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

Contrary to the above instruction, fuel worth K1,497,500.00 which was purchased between 26th April and 7th June, 2016 had no record as evidence that fuel was recorded in the fuel register and in the motor vehicle log books. In the absence of the fuel registers and the log books, it was difficult to ascertain proper accountability and disposal of public resources.

Legal Audit Bureau 2014/2015 Financial Year

63. An audit of the financial statements of the Legal Aid Bureau for the financial year ended 30th June, 2015 was completed in December, 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Third Party Payment Vouchers Without Supporting Documents:- K11,030,696.24

Treasury Instruction (Finance) of 2013 Section 3 states that every payment voucher in respect of expenditure shall be on form approved by the Secretary to the Treasury. The payment voucher shall be supported by the relevant documents in respect to that particular payment.

Contrary to the above Treasury Instruction, payment vouchers totaling **K11,030,696.24** which were processed and passed for payment between 3rd July, 2014 and 12th June, 2015 had no supporting documents. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

(b) Payments Charged To Wrong Budget Line Items:- K890, 344.00

Treasury Instruction 4.14 (1) of 1st May, 2013 states that if the Controlling Officer is satisfied that the provision against a programme/ item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/ item within the same vote. The application should be in writing and should be signed personally by the Controlling Officer. If the Secretary to the Treasury is satisfied with the application for virement, he shall issue a numbered virement Warrant.

Contrary to the above Treasury Instruction, payments amounting to **K890,344.00** in respect of Other Recurrent Transactions were charged to wrong budget line items.

OFFICE OF THE OMBUDSMAN

64. An audit of the financial statements of the the Office of the Ombudsman for the year ended 30th June, 2017 was completed in January, 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Budget Performance

This was budgeted at K382,510,793.00 and revised at K383,920,037.00. However, the actual out-turn was K382,857,180.97 and the overall percentage of funds utilized against the revised budget was 99.7 %.

Audit Opinion

I issued an unqualified opinion on the Statement of Receipts and Expenditure for the Ombudsman for the year ended 30th June, 2017.

(a) Fuel Not Accounted for: K1,495,224.00

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

An examination of the fuel records revealed that fuel amounting to K1,495,224.00 was not recorded in fuel register and that the monthly fuel expenditure returns were not maintained to assist in control of fuel usage making the ascertainment of fuel usage difficult.

(b) Misallocation of Funds: K1,451,600.00

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

A review of payment vouchers for the Office of the Ombudsman revealed that management misallocated funds amounting to K1,451,600.00 without obtaining prior approval from the Secretary to the Treasury.

THE LAW COMMISSION

65. An audit of the financial statements of the Law Commission for the financial year ended 30th June, 2017 was completed in December 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Overall Budget Performance

This was budgeted at K464,401,593.00 and revised at K445,269,225.00. However the actual out-turn was K440,768,220.00 and the overall percentage of funds utilized against the revised budget was 98.99 %.

Audit Opinion

I issued a qualified opinion on the Statement of Receipts and Expenditure for the Law Commission for the year ended 30th June, 2017. Some of the observations below form part of the bases for qualified opinion.

(a) Misallocation of Expenditure: K3,765,312.09

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

An examination of expenditure records for the Commission revealed that expenditure made amounting to K3,765,312.09 for Utility expenses were charged against wrong expenditure line of office expenses and routine maintenance of building without virement.

STATUTORY CORPORATIONS

AGRICULTURAL DEVELOPMENT AND MARKETING CORPORATION (ADMARC)

66. An audit of the financial statements of the Agriculture Development and Marketing Corporation (ADMARC) for the financial year ended 30th June, 2017 was completed in January 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Proof Of Delivery For Maize Purchases: K3,000,000,000

The Auditors were unable to obtain sufficient and appropriate audit evidence to ascertain that quantities relating to purchases valued at K3.0 billion were fully received.

(b) Unexplained Amount In Cost Of Sales: K1,200,000,000

Included in the cost of sales is an amount of K1.2 billion that could not be explained by management. The auditors were unable to obtain sufficient appropriate audit evidence on the nature and validity of the transactions.

(c) Absence Of Contracts And Price Disparities For Bulk Maize Purchase

A review of bulk maize purchase for 20 significant maize suppliers revealed that some maize purchases were made without contracts between Admarc and the suppliers.

In addition, most of these suppliers did not issue any invoices and only relied on Admarc internal documents.

It was further noted that there were disparities in prices which ranged from K240/Kg to K265/Kg. Considering that Admarc purchases local maize at a price set by Government and for this period the price was K250 per kilogram, the auditors could not get a reasonable basis for the disparity in prices as most suppliers supplied without a contract.

(d) Failure To Follow Procedures Over Payments And Overpayment Of Suppliers

The company’s procedures over payments to suppliers require that payment and related supporting documents be prepared by lower level accounts personnel such as Accounts Assistant and checked by middle level accounts personnel such as the financial accountant and the management accountant before being approved by senior management.

It was noted that K2 billion was paid without evidence of being checked by middle level management. In addition, it was noted that two maize suppliers namely llama and Chitawira were overpaid by K166 million and K108 million respectively.

(e) Missing Documents: K27,784,575.00

The auditors were not provided with documents supporting the following transactions recorded by the entity during the year

Table 17: Missing Documents

Ref	Date	Details	Amount	Nature
241758	9/08/2016	MQOCHA Unit market-seed cotton	10,400,625.00	Produce purchases
NBMFCDAM11	24/01/2017	Executive management travel	17,383,950.00	Travelling expenses
Total			**27,784,575.00**	

ELECTRICITY SUPPLY CORPORATION OF MALAWI (ESCOM)

67. An audit of the financial statements of the Electricity Supply Corporation of Malawi (ESCOM) for the financial year ended 30th June, 2017 was completed in November 2017. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Mis-Procurement Of Goods Valued At K8.3 Billion

The Corporation ordered goods worth K8.3 billion from various suppliers (about 23 suppliers) without following internal procurement procedures and without knowledge of key management. Out of the K8.3 billion items, the Corporation only needed K3.2 billion of the items rendering the remaining K5.1 billion useless.

(b) Procurement Of Wall Mounted 3 Phase Metres

The Corporation embarked on migration exercise of customers from post-paid to prepaid metres. As part of the exercise, the Corporation introduced pole mounted metres, phasing out the old 3 phase metres. However, the Corporation continued to acquire the old 3 phase metres although they had phased them out. A total of 24,550 Metres valued at K1.8 billion were received in March and April 2016 but only 330 items valued at K23 million were issued from stores in the last twelve months to June 2017.

MALAWI RURAL ELECTRIFICATION PROGRAM (MAREP) FUND

68. An audit of the financial statements of the Malawi Rural Electrification Program (MAREP) Fund for the financial year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Materials of Phase 7 Not Accounted For At Blantyre MAREP Stores: K87,545,962.41

An examination of contract and bid documents, bin cards, delivery notes and stores records revealed and comparing materials before stock take and after stock take revealed a variance of K87,545,962.41 whose materials could not be accounted for.

(b) Failure To Recognize Materials Lent To ESCOM As Receivables In Financial Statements.

It is a requirement that financial statement should disclose all debtors and creditors in the financial statement.

An examination of financial statement shows that the values of materials borrowed by ESCOM are not shown as creditors.

(c) Failure To Provide Valuation For Inventory

It is a requirement that inventory should represent the value of stock at the end of each financial year.

An examination of closing stock figures of materials at Mzuzu, Lilongwe and Blantyre MAREP stores lacked information of purchasing cost per unit to quantify them.

NATIONAL YOUTH COUNCIL OF MALAWI

69. An audit of the financial statements of the National Youth Council of Malawi for the financial year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payments Vouchers Without Supporting Documents: K1,971,000.00

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

Contrary to the above, an examination of payment vouchers disclosed that payment vouchers amounting to K1,971,000.00 had no supporting documents. In the absence of supporting documents, it was difficult to establish the validity of the expenditure.

(b) Assets Not Recorded In The Fixed Asset Register: K2,125,900.00

Article 7.2 of the Councils Finance and Administration Policy requires an Asset Register to be maintained showing details such as; date of acquisition, depreciation rate, location, suppliers name, disposal date and current net book value.

A review of the fixed asset register revealed that assets valued at K2,125,900.00 were not recorded in the fixed asset register.

TREASURY FUNDS

BOREHOLE CONSTRUCTION AND GROUNDWATER MANAGEMENT FUND

70. An audit of the financial statements of the Borehole Construction and Groundwater Management Fund for the financial year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Failure To Prepare Financial Statements

Treasury Instruction 2.6.1 of 2014 requires that Controlling Officers prepare all accounts and records relating to the functions and operations of the Ministry and Instruction 2.6.3 further requires Controlling Officers to ensure that all procedures exist within their Ministries in order to meet the requirements of the Treasury Instructions.

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

ANIMAL HEALTH AND LIVESTOCK DEVELOPMENT FUND

71. An audit of the financial statements of the Animal Health and Livestock Development Fund for the financial year ended 30th June, 2017 was completed in April 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Failure To Prepare Financial Statements

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

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

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

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

An examination of payment vouchers revealed that expenditure amounting to K1,035,000 was charged to wrong budget lines/codes in the year ended 30th June 2016.

FORESTRY DEVELOPMENT AND MANAGEMENT FUND

72. An audit of the financial statements of the Forestry Development and Management Fund for the year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Failure To Prepare Financial Statements For The Year 2016-2017 Financial Year

Forestry Development and Management fund order requires that the Director responsible for Forestry Fund shall, maintain all necessary books and accounts to enable him produce annually, or at such period as the secretary to the treasury may direct, Financial Statements and such other as may be required.

Contrary to the above requirement, the fund did not prepare financial statements for the period ending 30th June, 2017.

(b) Stores Register Not Produced For Audit Inspection: K32,847,814.05

Section 11.7.1.5 of treasury instruction requires that all stores items purchased should be recorded in the stores ledger for proper accountability.

An examination of records revealed that management failed to produce evidence to the audit team about the existence of stores register at the time of the audit. Consequently, there was no evidence that stores items valued at K32,847,814.05 which were purchased during 2016/2017 financial year were recorded in the stores register. This made it difficult for the inspecting auditors to ascertain the disposal of the purchased items

(c) Payment Vouchers Without Supporting Documents: K3,770,400

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

An examination of payment vouchers revealed that management failed to produce evidence to the audit team about the existence of the supporting documents at the time of the audit. In the absence of evidence of supporting documents, it was difficult to establish the validity of the expenditure made.

(d) Receipted Voucher Not Produced For Audit: K65,544,300

Section 7(a) of the Public Audit Act requires that all documents should be provided to the Auditor General or any officer duly authorized by him for the purpose of fulfilling the functions and duties lawfully conferred or imposed on him.

Contrary to the requirements above, receipted vouchers relating to these transactions were not produced for audit inspection.

(e) Fuel Register Not Produced For Audit Inspection: K38,259,338.72

Treasury Instruction number 5.9(b) of 2004 requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger. It is imperative that fuel purchased should be recorded in a fuel register before being issued to subsequent users for accountability and transparency.

An examination of records revealed that management failed to produce evidence to the audit team about the existence of the fuel register at the time of the audit. Consequently, there is no evidence that fuel valued at K38, 259,338.72 which was purchased during 2016/2017 financial year was recorded in the fuel register. This made it difficult for the inspecting auditors to ascertain the disposal of the purchased fuel.

PUBLIC LAND DEVELOPMENT FUND

73. An audit of the financial statements of the Public Land Development Fund for the year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Failure To Prepare Financial Statements

Treasury Instruction 2.6.1 of 2014 requires that Controlling Officers prepare all accounts and records relating to the functions and operations of the Ministry and Instruction 2.6.3 further requires Controlling Officers to ensure that all procedures exist within their Ministries in order to meet the requirements of the Treasury Instructions.

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

WILDLIFE CONSERVATION FUND

74. An audit of the financial statements of the Wildlife Conservation Fund for the year ended 30th June, 2017 was completed in March 2018. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Failure To Prepare Financial Statements

Treasury Instruction 2.6.1 of 2014 requires that Controlling Officers prepare all accounts and records relating to the functions and operations of the Ministry and Instruction 2.6.3 further requires Controlling Officers to ensure that all procedures exist within their Ministries in order to meet the requirements of the Treasury Instructions.

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

PART IV

RECOMMENDATIONS AND ACKNOWLEDGEMENT

RECOMMENDATIONS

75. In the course of my audit of the 2016/17 Accounts of the Government of the Republic of Malawi, each Controlling Officer was sent appropriate audit inspection report with recommendations, regrettably, evidence has shown that in certain cases the recommendations have not been given due consideration by the Controlling Officers.

A summary of recommendations includes: -

(*a*) Although Ministries started preparing own financial statements with effect from 2011/2012 financial year, there are many challenges, which need to be addressed in order to ensure timely preparation of the financial statements. The Accountant General's Department should continue to train accounting personnel in the ministries on the preparation of the accounts to enhance capacity;

(*b*) There is immediate need to strengthen Audit Committees in all Ministries and Departments to facilitate speedy responses to audit reports and to ensure implementation of audit recommendations;

(*c*) Procurement of goods and services should be executed within set processes and regulations and procedures to ensure that maximum value of money is obtained;

(*d*) Knowledge and skills of accounting personnel should be regularly enhanced through continuing professional development for the qualified accounts and the rest through generic training, including refresher courses and workshops;

(*e*) In compliance with Government financial rules and regulations, bank reconciliations should regularly be prepared for all bank accounts maintained by the Reserve Bank of Malawi;

(*f*) Strict compliance with financial provisions should be enforced in the MDAs in order to improve public financial management and control;

(*g*) The use of proforma invoice to support a payment should be stopped forthwith and no payment should be made without adequate and valid supporting documentation;

(*h*) Ministries and Departments should set up an effective filing system that allows easy location of all documentation;

(*i*) The systems requirements and procedures should be reinforced with capable supervision; and

(*j*) Further investigations should be conducted by special teams on the areas suspected that public resources may have been lost or mismanaged.

(*k*) The Secretary to the Treasury should ensure that monthly and quarterly bank reconciliations are performed timely and ensure that bank reconciliations are properly completed, checked and approved in a timely manner.

(*l*) The Secretary to the Treasury should ensure that all the outstanding reconciling amounts are followed up and provide valid reasons for their occurrence and they should be checked to ensure that they relate to genuine timing differences.

(*m*) The Secretary to the Treasury should review the IFMIS system of recording receipts and payments in the cash book so that proper records are used for reconciliation statements.

ACKNOWLEDGEMENTS

76. I wish to place on record my profound gratitude and appreciation to staff in my office who carried out their work diligently despite resources constraints. I also wish to acknowledge the assistance and cooperation given to me during the year under review by the Secretary to the Treasury, the Accountant General and all Controlling Officers and their staff. The cooperation enabled me to obtain information and documentation for the audit services.

LILONGWE, MALAWI

4th May 2018