MALAWI GOVERNMENT

REPORT OF THE AUDITOR GENERAL

ON THE

ACCOUNTS OF THE GOVERNMENT OF THE REPUBLIC OF MALAWI

FOR THE YEAR ENDED

30TH JUNE, 2021

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

Printed by THE GOVERNMENT PRINTER, Lilongwe, Malawi

NATIONAL AUDIT OFFICE

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Ref

25th August, 2022

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

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

Dear Madam,

Pursuant to the provision of Section184 (2) of the Constitution of the Republic of Malawi (1994) 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, 2021 for tabling in the National Assembly

Yours faithfully,

THOMAS K. B. MAKIWA
Acting Auditor General

Prologue

I am honored and privileged to meet the constitutional mandate of submitting the Auditor General's report on the accounts of the Government of the Republic Malawi for the financial year ended 30th June, 2021 as required by Section 184 of the Constitution of the Republic of Malawi, 1994 as well as Section 15 of the Public Audit Act, 2003.

I have highlighted in this report a number of internal control weaknesses that continue to negatively affect our public financial management performance. I have also highlighted isolated issues which are root causes of financial mismanagement in the Government of Malawi.

Two of the biggest challenges that are so common in most MDAs include; not availing to my staff documents for audit as well as failure to attach accountability documents to payment vouchers for audit. I have in the past relegated such mishaps to poor record management, however due to the prevalence of such occurrences, I am persuaded to think that failure to avail documents to my staff means that the MDAs are actually hiding fraudulent activities. This is how such weaknesses will be looked at henceforth.

I also came across irregularities that have plagued our revenue collection and accountability efforts. E-passport and visa revenue was not traced to Government coffers; at one of the embassies revenue was abused and embezzled; for most Police and Judiciary work stations there is a continued problem of using revenue at source (instead of depositing it in Government Account number 1).

Failure to plan public procurements, ignoring IPDC.protocals when making procurements as well as general flouting of procurement laws and regulations were rife during the 2020/2021 Financial Year. Spending of funds on different allocations other than those approved by Parliament (Misallocation) continued to occur. Making payments without following prescribed laws and regulations (Irregular payments) was another major weakness. Most MDAs also did not provide performance information, as such, I was not able to gauge their performance against their plans. Apart from these common issues, there were also some isolated ones albeit quite significant as follows: A significant amount of contingency funds were not liquidated by one MDA; there were cases of overfunding and over expenditure to our foreign missions; reconciliations of public service loans and advances interests were not performed and in some cases unreconciled transactions were not followed up; Some contractors for public projects were overpaid, for some there were delays in paying them and others were paid for work not done. Notably and significantly the defects on one major road were not cured. I also came across a significant amount of outstanding court cases which highlight the snail pace of access to justice. Lastly a few MDAs failed to administer training bonds for their employees when sponsored for long term training.

I sincerely hope that Parliament and all relevant stakeholders will put in place measures that will counter and contain the weaknesses highlighted in this report.

THOMAS K.B. MAKIWA
ACTING AUDITOR GENERAL

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EXECUTIVE SUMMARY

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

The audits have not been limited to the accounts for the year ended 30th June 2021, but have where necessary, extended into the reviews of the preceding years wherever it has been considered significant and material.

The Government budgetary operation registered an expansion in both revenue and expenditure during the year under review. Total revenue collected increased favourably by K301.6 billion from K2,324.3 billion realized in 2019/20 financial year which represents an increase of 13.0%. Total expenditure increased by K605.7 billion from K2,310.6 billion in 2019/2020 financial year to K2,916.3 billion which represents an increase of 26.2%. 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.

Revenue Account registered K2,626 billion in revenue while the recurrent expenditure was K2,916.3 billion. Some funds from the Recurrent Account were transferred to Development Account Part I and II amounting to K270.5 billion and K94.3 billion respectively. In addition, funds amounting K20.4 billion and K804.4 billion were paid in respect of tax refunds and repayment of borrowings respectively. The overall picture of the recurrent expenditure was a net deficit of K290.3 billion.

Development Receipts which include External Loans/ Grants and Malawi Government Transfers from Recurrent Revenue/Receipts, increased by K2.6 billion from K362.2 billion to K364.8 billion in 2020/21. Total expenditure charged to the Development Account was K259.8 billion which decreased by K49.4 billion when compared to K309.2 billion for 2019/2020 financial year representing a decrease of 16%. Government in this fiscal year continued to get donor support.

The fiscal year 2020/2021 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 International Public Sector Accounting Standards (IPSAS) Accrual Adoption Stage 2. My audit opinions on some of these financial statements were qualified based on the various material matters that affected their truthfulness and fairness. Obviously, some MDAs received clean opinions, an indication that public financial management and control systems still continue 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 training accounting personnel in various ministries and departments in order to enhance capacity and improve quality of the financial statements prepared by the 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 Act (Cap 37.03), and other related Acts on public financial management, Treasury Instructions and other various Regulations on public financial management.

Summary and analysis of findings

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

Categorization of the findings

The findings from the compliance and Financial Statements audits are summarized into the following sixteen (16) categories as follows:

1. Documents not submitted for audit
2. Payment vouchers presented without accountability documents
3. Miscellaneous Irregularities
4. Overfunding and Over-expenditure
5. Revenue Irregularities
6. Failure to perform reconciliations
7. Financial Statement Irregularities
8. Procurement Irregularities
9. Irregular Payments
10. Project Management/Construction related Flaws
11. Misallocation of public funds
12. Activity Reports Not Presented for Audit
13. Failure to prepare and Update Fixed Asset Register
14. Performance information not provided for Audit
15. Training bonds not administered
16. Long Outstanding Court Cases/Delayed Justice

(a) Documents not submitted for audit

According to Section 7 (1) (a) of Public Audit (Amendment) Act No 10 of 2018 for the purpose of fulfilling the functions and duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept. This important fact is also emphasized in the Public Finance Management Act through Treasury Instructions (2004), Section 5.9(a), which states that Controlling Officers shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff. Thus availing documents for audit is a very important audit prerequisite. To my dismay, year in, year out a majority of MDAs continue to be elusive on this matter. During the 2020/2021 Financial Year, payment vouchers in excess of K19 billion were not availed to my staff for audit. Figure 1 below provides details of MDAs who failed to produce these documents for audit.

Bar Chart of Payment Vouchers by Amount and MDA not submitted for audit

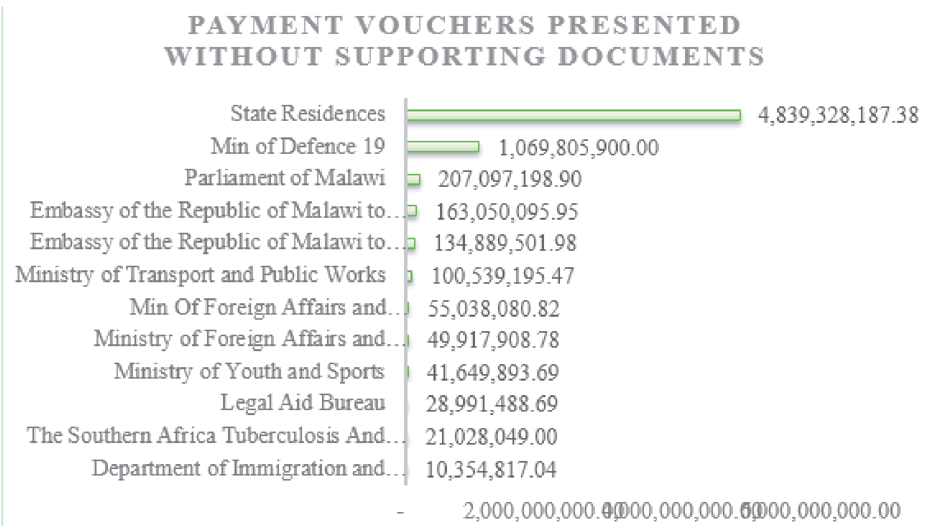

Figure 1: Payment Vouchers not Presented for Audit

According to the Association of Certified Fraud Examiners (ACFE) Report to the Nations, 2022 (ACFE.com), there are five (5) main ways in which occupational fraudsters conceal their fraud. They include: creating fraudulent physical documents (39%), altering physical documents or files (32%), creating fraudulent electronic documents (28%), altering electronic documents or files (25%) and destroying or withholding physical documents (23%).

MDAs have for a long time been guilty of this vice. In the past we have relegated that to poor record management, but this time am persuaded to think, in accordance with the ACFE report (which comes out every year with more or less the same results) that the MDAs which fail to avail documents for audit are actually committing fraud and they would want to hide it.

(b) Payment Vouchers presented without Supporting documents

Similar to the anomaly at (a) above, according to Section 7 (1) (a) of Public Audit Act (2003), for the purpose of fulfilling the functions and duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept. This important fact is also emphasized in the Public Finance Management Act through Treasury Instructions (2004), Section 5.9(a), which states that Controlling Officers shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff. Thus availing documents for audit is a very important audit prerequisite

On this anomaly, it is not enough just to present a payment voucher. All accountability documents before and after the payment must be intact, either firmly attached to the voucher or kept elsewhere but properly referenced to enable a proper audit. For the 2020/2021 financial payment vouchers in excess of K6 billion, were presented for audit but with adequate supporting documents for me to authenticate the payments. Such accountability documents included loose minutes, receipts, quotations, invoices, just to mention some. Figure 2 below provides details of MDAs who failed to produce these documents for audit.

Bar Chart of Payment Vouchers without adequate supporting documents

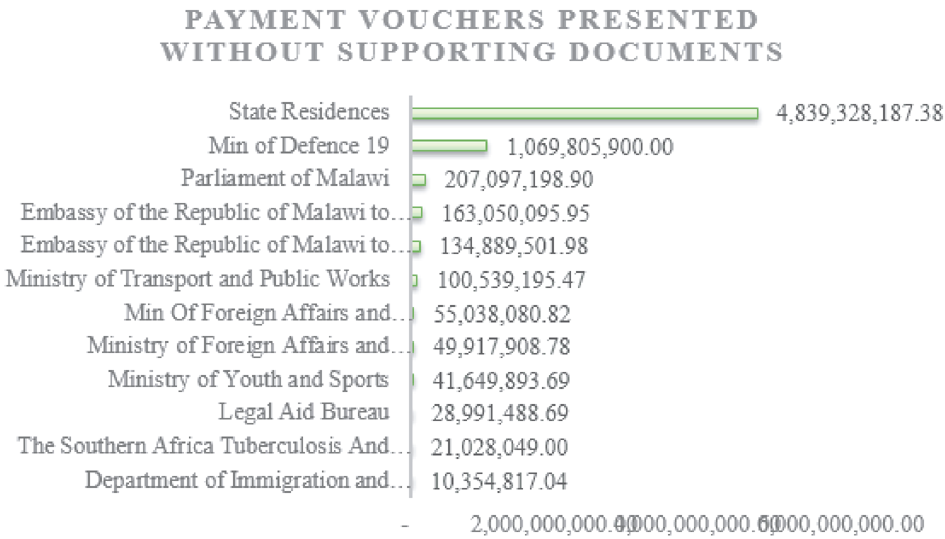

Figure 2: Payment Vouchers presented without Supporting documents

In the past we have relegated this irregularity to poor record management, but this time am persuaded to think, in accordance with the ACFE report (which comes out every year with more or less the same results) that the MDAs which fail to avail documents for audit are actually committing fraud and they would want to hide it.

(c) Miscellaneous Irregularities

In this category I have grouped all irregularities that could not be classified properly. One big anomaly worth noting in this category is the failure by State House to liquidate contingency funds in excess of K5 billion during the period between July 2015 and June 2020 The table 8 below has the details of these miscellaneous irregularities:

Table 1: Miscellaneous Irregularities

Query	Amount	MDA
Payment Of External Travel Allowance Without Authority	1,543,543.80	Embassy of the Republic of Malawi to Addis Ababa
Failure to Deduct 1% PPDA Levy	5,705,109.82	Ministry of Health
Long Outstanding Fees Balances	10,172,500.00	Soche Technical College
Motor Vehicle Spare Parts not recorded	12,056,017.05	Regional Police Headquarters-North
Double Payment of Rental Allowance	12,573,908.20	Embassy of the Republic of Malawi to Berlin, Germany
No Action Taken On Returned Cheques	21,956,433.93	Judiciary
Liquidation Reports For Payments for Staff not Submitted	23,060,901.50	Law Commission
Uneconomical Payments of Service Under Charges	39,028,459.83	Judiciary
Repatriation funds not accounted for	41,516,902.70	Embassy of the Republic of Malawi to Maputo, Mozambique
Funding Made But Not Reflected On Bank Statement	74,827,886.00	National Local Government Finance Committee
Goods Procured But not Delivered	78,227,807.25	Malawi Police Service
Diplomats not contributing towards Medical Insurance Bills	126,341,698.13	Embassy of the Republic of Malawi to Berlin, Germany
Underutilization Of Sheriff Fees Development Account	198,660,345.42	Judiciary
Failure To Record Advances In The Advance Register	231,982,741.00	Ministry of Education, Science and Technology
Underutilization of Funds	806,352,442.00	Ministry of Homeland Security
Outstanding Accumulated Arrears	828,747,997.32	Malawi Prison Service Headquarters
Unliquidated Contingency Funds	5,236,639,307.93	State Residences

(d) Revenue Irregularities

Treasury Instructions (2004), Section 5.7.2 (e) states that for purposes of these instructions, sound cash management includes collecting revenue when it is due and banking it promptly. However, for most Police Offices across the country, revenue continues to be used at source and not deposited in Government Account number 1. Secondly at the Maputo Embassy in Mozambique, revenue was embezzled and abused by Diplomats. Addis Ababa failed to remit Visa revenue collected to Government, and at the Immigration Department some Visa revenue could not be accounted for while some could not be traced to the Reserve Bank of Malawi. Figure 3 below depicts a summary of these revenue irregularities by MDA and amount.

Bar Chart of revenue Irregularities

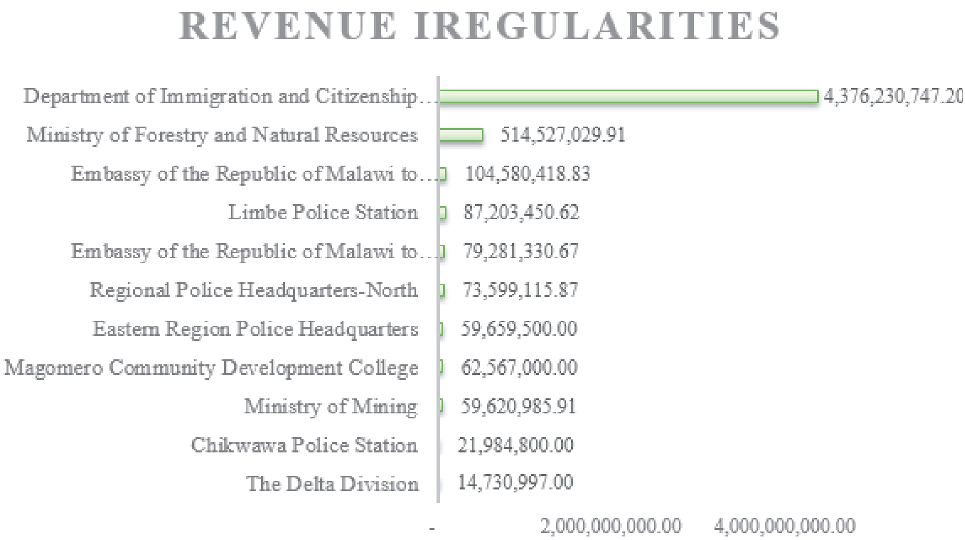

Figure 3: Revenue Irregularities

(e) Over-funding and Over-expenditure to foreign Missions

Section 10 (e) of the Public Finance Management Act dissuades Controlling Officers from over-expenditure and over-commitment of funds. This is amplified in Treasury Instruction (2004), Section 4.14.1 which requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another.

During the 2020/2021 Audit of the Ministry of Foreign Affairs and International Cooperation, as well in our foreign Missions, I came across significant cases of over-funding and over-expenditure.

On a related note, Government should rethink sending funds to our foreign missions, especially those that still keep a lot of money which cannot be remitted back home due to externalization of funds restrictions in those countries. It makes little sense to send money to a foreign mission which is already loaded with money. Figure 4 below depicts a summary these cases of over-funding and over-expenditure.

Bar Chart of Over-funding and Over-expenditure of public funds

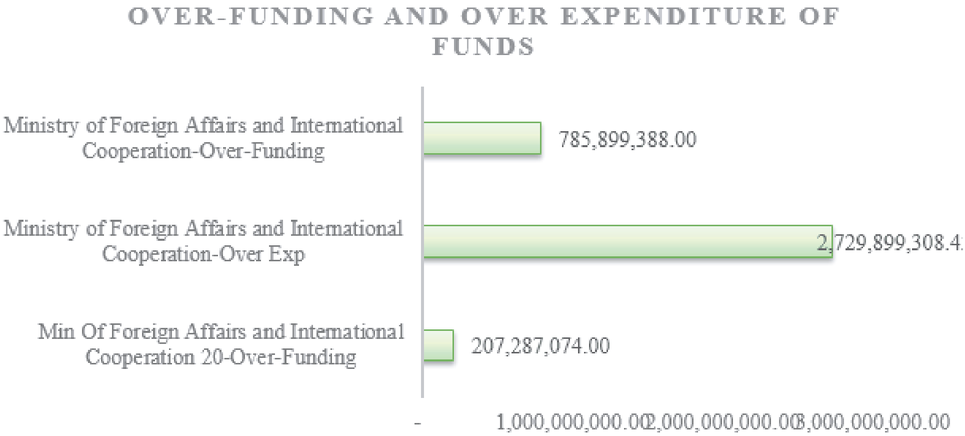

Figure 4: Over-funding and Over-expenditure of Public Funds

(f) Failure to Reconcile Civil Servant Loans, loan interest and not following up on unreconciled transactions

Accountant General's Desk Instructions (2007) Section 9.16, provides that it is mandatory that loans/advances (including interest) are reconciled monthly. The Government of Malawi entered into an agreement with commercial banks to assist civil servants and Members of Parliament to obtain loans at a reduced rate of interest than the ruling commercial rate. The government subsidizes by paying the difference between the commercial lending rate and the subsidized rate. During the 2020/2021 audit however, we noted that the Department of the Accountant General did not reconcile these loans with commercial banks. Advance interest revenue was not reconciled too. Another area is that of lack of follow up on unreconciled transactions related to the Consolidated Accounts. Figure 5 below depicts a summary by MDA and amount of these anomalies.

Bar Chart of Reconciliation related Irregularities

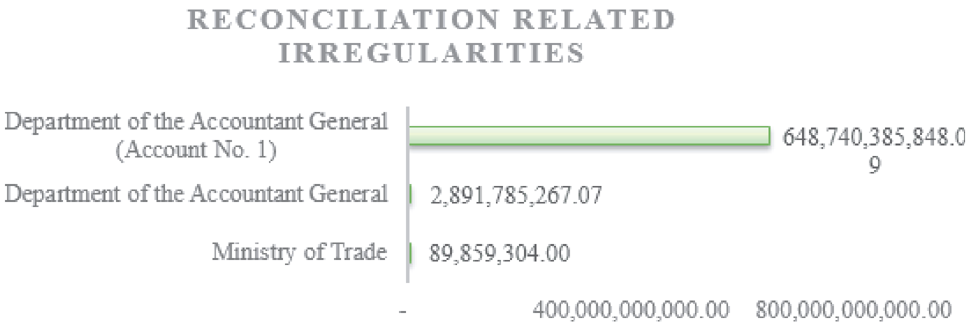

Figure 5: Reconciliation related Irregularities

(g) Financial Statements related Irregularities

The Accountant General issued a Circular Ref. No. T4400 dated 4th June 2020 which require MDAs to incorporate financial assets and financial liabilities in their financial Statements in order to comply with International Public Sector Accounting Standards (IPSAS), in a quest to move from the cash basis of accounting to full accrual. This will be done in a phased approach and currently we are at Stage 2 which requires the Statement of Financial Position to include financial Assets and Financial Liabilities.

While a number of MDAs have been doing this, quite a few are still struggling. Supporting schedules to the figures presented in the financial statements have often not been presented for audit. Additionally, there has been a problem of omitting important information in the financial statements. Figure 6 below depicts a summary by MDA and amount for these anomalies.

Bar Chart of Financial Statement Related Irregularities

Figure 6: Financial Statement related irregularities

(h) Procurement Irregularities

Public Procurement and Disposal of Public Assets Act (2016), Section 39(1) requires Procuring entities to plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in the Act. However, during the 2020/2021 Financial year, a number of MDAs procured without a procurement plan. Additionally, some procurements were done without the approval of the Internal Procurement and Disposal of Assets Committee(IPDC). There were also cases of general flouting of the procurement Act. Figure 7 below depicts in summary by MDA and amount how the procurement regulations were flouted.

Bar Chart of Procurement Irregularities

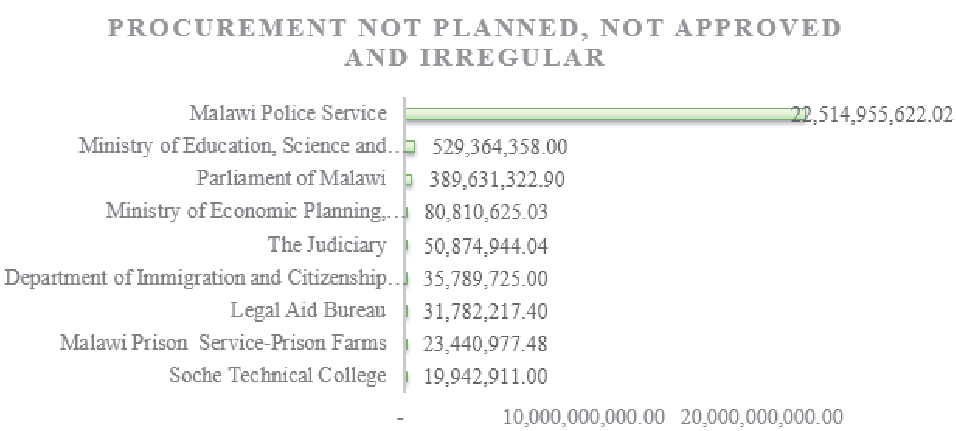

Figure 7: Procurement Irregularities

(i) Irregular payments

Public Finance Management Act (2003), Section 10 subsection I (h) and (I) states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources. However, during the 2020/2021 audit, a number of MDAs made payments that were contrary to the provisions of the Public Finance Management Act. Figure 8 below depicts a summary of the MDAs and the amounts for these irregular payments.

Bar Chart of Irregular payments

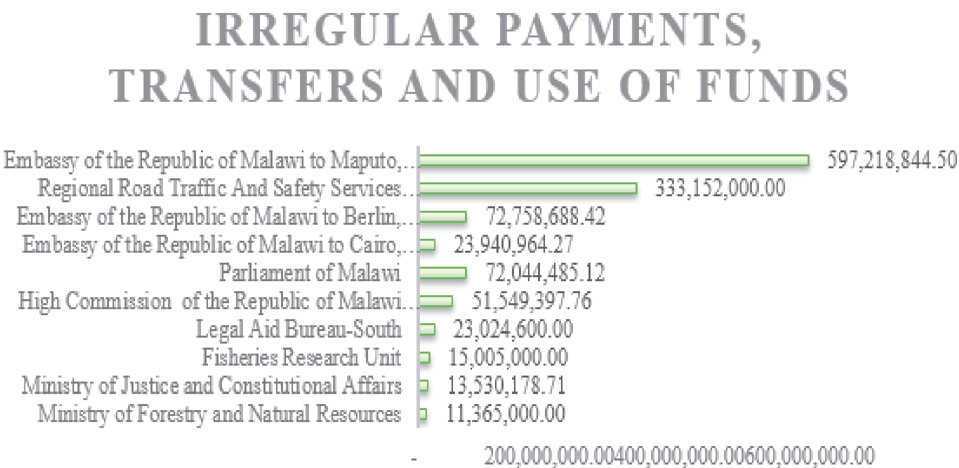

Figure 8: Irregular payments

(j) Project/Construction related anomalies

The anomalies under this category were various ranging from over-payment of contractors, delays in paying contractors, poor contract Management, failure to account for constructions funds, contracting with technical expert in foreign currency, to paying for works not done and not curing defects of the Karonga-Songwe Road. Figure 9 depicts a summary of these anomalies.

Bar Chart of Project/Construction related anomalies

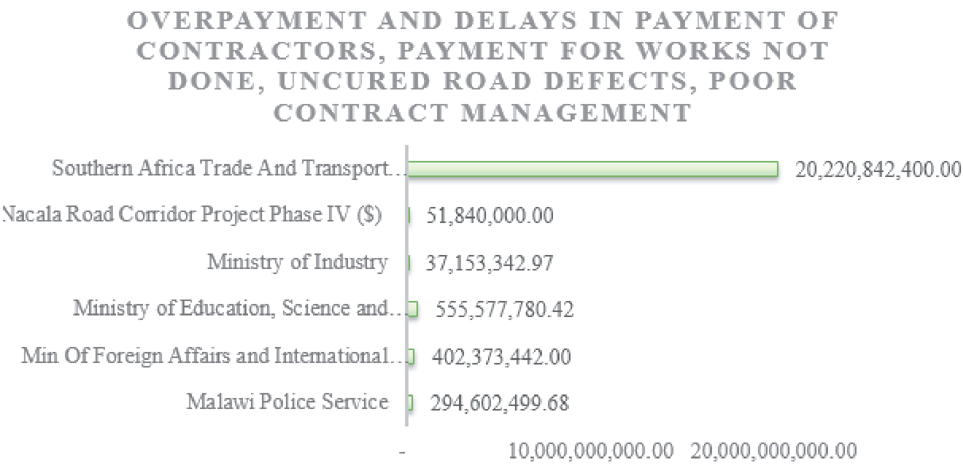

Figure 9: Project/Construction related anomalies

(k) Misallocation of expenditure

Treasury Instruction (2004) 4.14.1 requires all expenditures to be charged to an appropriate vote and that the expenditure be classified strictly in accordance with estimates. The provisions further require funds to be spent on 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.

However, it was noted during the audit that several MDAs did not adhere to this instruction. Figure 10 below has a summary of MDAs that violated this instruction.

Bar Chart of Misallocation of public funds

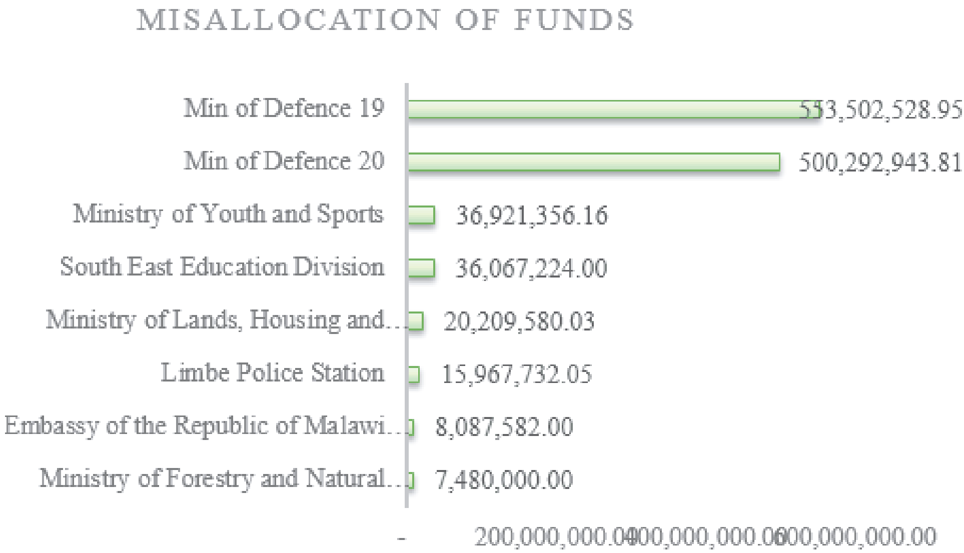

Figure 10: Misallocation of public funds

(l) Activity Reports Not Presented for Audit

Government Circular Reference Number 15/15/7 dated 18th December, 2015, from the Chief Secretary states that in line with travel policy, each officer who is paid subsistence allowances must submit a report to the Controlling Officer indicating among other aspects, where she/he travelled to, the purpose of the trip, the institutions/persons consulted and benefits of the trip to the Ministry/Department or Agency. This must be done within one (1) week after each official trip. However, during the audit, it was noted that a number of activities by MDAs were not supported with activity reports. Figure 10 below has a summary by MDA and amount where activity reports were not produced. This could mean that such activities never too place.

Bar Chart of Activity Reports not presented for Audit.

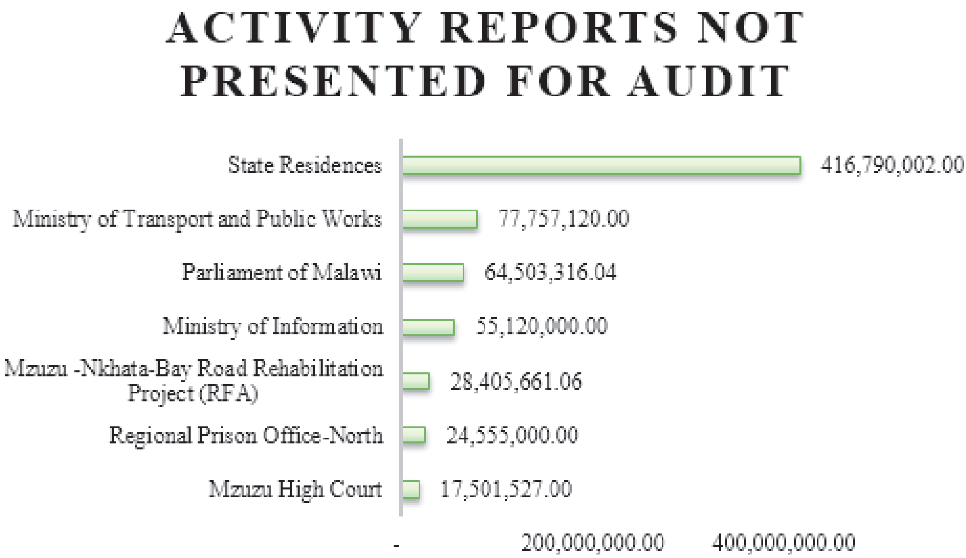

Figure 11: Activity Reports not presented for audit

(m) Failure to prepare and update fixed Asset Registers

Circular letter from the Chief Secretary to the Government dated 2nd March, 2010 titled 'Government Physical Assets Register' stipulates that all Controlling Officers shall maintain asset register for all non-current 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. We noted however some few MDAs that failed to prepare and maintain a Fixed Asset Register. These MDAs include: Ministry of Lands, Housing and Urban Development, Embassy of the Republic of Malawi to Maputo, Mozambique, Ministry of Health, Magomero Community Development College, The Directorate of Road Traffic and Safety Services (North), Malawi Police Service and Ministry of Mining.

(n) Performance information not provided for Audit and failure to operate a performance Management system

The Public Finance Management Act requires MDAs to plan and achieve what they have planned. This information must be presented for audit so that the Auditor General can gauge the performance of MDAs against their plans. Further Circular Ref. No. HRM/GOP/19 dated 12th June, 2008 directed all Principal Secretaries and Heads of Department to implement the Performance Management System in their respective Ministries as well as departments starting with Headquarters while rolling out orientation workshops to the Regional/Division offices (where applicable). According to the Circular, implementation was to be done in phases starting from 1st July, 2008 to 30th June, 2009 the system had to be implemented at headquarters. From 1st July, 2009 to 30th June, 2010, implementation of the system had to be extended to Division/Regional offices, while rolling out orientation workshops to the District office, whereas from 1st July, 2010 to 30th June, 2011, implementation had to be extended to district offices (where applicable). However, the audit disclosed a number of instances where the MDAs did not present performance information and did not operate the Performance Management System. For some MDAs, they failed to achieve what they planned to do. Notable MDAs where such failures were noted include: Ministry of Foreign Affairs and International Cooperation, Embassy of the Republic of Malawi to Berlin, Germany, High Commission of the Republic of Malawi to Nairobi, Kenya, Department of the Accountant General, National Statistics Office, Regional Road Traffic and Safety Services (South), Malawi Police Service, Ministry of Education, Science and Technology.

(o) Failure to administer training bonds

Section 4.11.1 of Public Service Training Guidelines states that all employees undergoing government/donor sponsored long-term training programme either locally or abroad will be required to enter into a formal training bond/scholarship contract binding them to continue to remain in service for a specific minimum period from date of completion of their training. No officer shall proceed on another long-term training without serving the full bond of the previous long-term training programme. During the audit, we noted at the Blantyre Trade Testing Centre, Ministry of Justice and Constitutional Affairs and Administrator General that training bonds were not administered.

(p) Delayed Justice

The Constitution of Malawi (2006), Section 42(2)(f)(i), states that every person arrested for, or accused of, the alleged commission of an offence shall, in addition to the rights which he or she has as a detained person have the right as an accused person, to a fair trial, which shall include the right to public trial before an independent and impartial court of law within reasonable time after having been charged. We noted however at the Judiciary of long outstanding cases, dating as far back as 2012 which have not been tried. The same was noted at Chikwawa Police Station. As they say justice delayed is justice denied.

General Recommendations

- Payment vouchers and supporting documents not presented for audit should be presented for audit and should be audited accordingly. Those responsible for not availing the said documents for audit should be dealt with in accordance with the PFMA and MPSR;
- The diplomats responsible for the abuse and embezzlement of funds at the Embassy in Mozambique should face justice;

- A decision must be made on revenue used at source in Police Stations;
- A decision must be made on the funds stuck at the foreign missions including how such funds should find their way into Government Account number 1;
- MDAs should endeavor to collect revenues that have been planned;
- The Department of Immigration should ensure that E-Passport and E-Visa revenues should be collected and banked with the Reserve Bank of Malawi. Regular reconciliations of such revenues should be done under proper supervision;
- Over-funding and Over-expenditure to our foreign missions should be investigated fully;
- The Department of the Accountant General should ensure that civil servant loans and advances interests are reconciled periodically. Further all outstanding transactions for the reconciliation of the consolidated account should be investigated and cleared within a specific period of time;
- Contingency funds not liquidated by State House should be investigated and the culprits dealt with accordingly;
- The Department of the Accountant General should ensure that it provides guidance and oversight to ensure that all MDAs are following IPSAS when preparing financial Statements;
- All officers responsible for the breach of procurement regulations should be dealt with in accordance with the law;
- All payments made in breach of regulations should be investigated and culprits dealt with accordingly;
- All project related anomalies should be investigated and corrective action taken;
- All officers responsible for misallocation of expenditure should be dealt with accordingly;
- Controlling officers should ensure that performance information is provided for audit and that what is planned is actually achieved;
- MDAs which did not administer training bonds should do so and hence forth training bonds for officers on long training should be administered;and
- Controlling officers must ensure that Fixed Asset Registers are maintained and updated. Those failing to do so should be dealt with accordingly.

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. This is 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. The 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, which were referred to three committees for further scrutiny, and to 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, and only Public Audit Amendment bill was passed leaving the Constitutional Amendment Bill Section 184 at its second reading. Up to now, the constitutional amendment bill has not been re-tabled in the August House. The Public Audit Amendment Act was assented to by the State President of the Republic of Malawi. The amended Act is awaiting implementation to be facilitated by the Ministry of Finance and the Department of Human Resource Management. However, some sections of

the amended Act are already being referred to in the operations of the National Audit Office while waiting for the implementation.

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

    (a) Revenue is properly assessed and collected;

    (b) Expenditure is validly and correctly authorised;

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

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

    (e) There has been no waste or extravagance;

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

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

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

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

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

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

6. In fulfilling my duties, powers and responsibilities lawfully conferred on me under Section 7 (1) of Public Audit Act (cap37 .01), I am required and any person authorized by me to;

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

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

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

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

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

SUBMISSION OF FINANCIAL STATEMENTS

7. Section 83 (1) of the Public Finance Management Act requires the Secretary to the Treasury to prepare, sign and transmit to me the Consolidated Statements of Accounts within a period of four (4) months, but not later than 31st October after the 30th June 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 servicing, 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 2020/2021 financial year and submitted them for audit before they were consolidated by the Accountant General. In the year 2020/2021, most Controlling Officers did not submit their financial statements for audit in time.

SCOPE OF AUDIT

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

   The Public Audit Act Cap37:01 empowers me to use discretion and make tests in any particular case. The extent of audit examinations varied depending on the strength of internal control systems in operation and the nature of transactions involved. Substantive tests were made on selected areas of various ministries, departments and agencies, which form part of public accounts in order to form an opinion as to whether or not public money is expended economically, and in conformity with the wishes of the National Assembly. The audits have not been limited to the accounts for the year ended 30th June 2021 but have, where necessary, extended into the reviews of the preceding years.

AUDIT METHODOLOGY

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

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

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

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

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

RESPONDING TO AUDIT REPORTS

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

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

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

REPORTING PROCEDURE

12. Before preparing this report, each Controlling Officer was sent a Management Letter to respond within 14 days. Where responses were received in good time and happened to be materially satisfactory, the affected audit queries were amended accordingly, or dropped altogether. In cases where it was not possible for Controlling Officers to provide responses in the time available, the queries formed part of this report without amendment.

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

AUDIT OPINION ON THE ACCOUNTS

13. I am required to express an opinion on the public accounts based on my audit. My audit opinion on the public accounts for the financial year ended 30th June, 2021 is modified as follows:

Opinion

I have audited the accompanying Consolidated Annual Appropriation Accounts of the Government of Malawi for the year ended 30th June, 2021 and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the Consolidated Annual Appropriation Accounts of the Government of Malawi present fairly, in all material respects, the financial position of the Government of Malawi as at 30th June, 2021, and of its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) accrual Stage Two (2) and the provisions of the Public Finance Management Act (2003).

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 130) 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

Without qualifying my opinion, I draw your attention to the following matters:

Areas that require constant monitoring

Bank Reconciliations 2020/2021

The following transactions reported on the reconciliations statement were still outstanding as at 30th June 2021. These amounts need further investigation.

Malawi Government Control Account No. 1

- Payments on bank statement not in cashbook amounting to K270,942,253,993.26.
- Payments in cashbook not on bank statement amounting to K377,798,131,854.83.

Reconciliation of the Salaries Account

The salaries Account has been reconciled up to 2016/2017 financial year. This has made me to still rely on the Automated Transfer System (ATS) daily reconciliation of Personal Emoluments Bill currently standing at K530 billion. There is need to increase the effort to ensure that the reconciliation is current. Referencing problems should be resolved to ensure that reconciliation is up to date. Government should come up with a strategy and action plan to handle this matter. I will be conducting quarterly continuons audits on the same to ensure that efforts are made to address this problem.

Pensions and Gratuity, Compensations and Losses

Reconciliation statements for pensions and gratuity, compensations and losses accounts were not submitted to my office for review because reconciliation in new system, SAP, was still under configuration.

Public Debt

Stage 2 accrual, the financial reporting framework currently in operation requires the inclusion of financial assets and financial liabilities in the statement of financial position. However, there has only been a disclosure of the current portion of government debt both domestic and foreign. As the Government progresses towards full accruals this should be an area for improvement.

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 are no key audit matters to be communicated in my report.

The Secretary to the Treasury's Responsibility for the Consolidated Annual Appropriation Accounts

The Secretary to the Treasury is responsible for the preparation and fair presentation of the Consolidated Annual Appropriation Accounts in accordance with International Public Sector Accounting Standards (IPSAS) Financial;

Reporting (Accrual Stage 2) and with provisions of the Public Finance Management Act of 2003, and for such internal control as he/she determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the Consolidated Annual Appropriation Accounts that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated Annual Appropriation Accounts;

My objectives are to obtain reasonable assurance about whether the Consolidated Annual Appropriation Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Annual Appropriation Accounts.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Governments' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Compliance with laws and regulations

I am also required to report on compliance with the requirements of any written law governing the management and control of the public money and public resources. The rate of non-compliance by individual MDAs is still worrisome.

The Ministries and Department failed in the main following areas:

Contingency Funds not Liquidated	5,236,639,307.93
Over-funding and Over-Expenditure	5,676,194,414.81
Differences between Financial Statements and underlying figures	2,853,971,644.13
Irregularities in construction projects	21,562,389,465.07
Failure to prepare and follow up on reconciliations	3,160,938,495.76
Documents not submitted for audit	19,425,654,385.40
Payment Vouchers without Supporting documents	6,721,690,317.70
Activity Reports not presented for audit	684,632,626.10
Irregular payments	1,213,589,158.78
Misallocation of funds	1,178,528,947.00
Revenue Irregularities	5,460,027,954.80
Procurement Irregularities	23,676,592,702.87
	96,850,849,420.35

The audit opinion is presented separately in Volume 1 of the Consolidated Annual Appropriation Accounts for the year ended 30th June 2021.

PART II

OVERALL BUDGET PERFORMANCE 2020/2021

BUDGET OUTTURN – REVENUE

14. Total revenue collected during the period ended 30th June, 2021 was K2,626 billion which reflected an increase of K301.6 billion (13.0%) over the 2019/20 amount of K2,324.3 billion. The sources of revenue were Tax Revenue K1,108.6 billion, Non-Tax Revenue K1,246.9 billion, Project Grants K103.7 billion, Project Loans K110.1 billion, Dedicated Grants K53.5 billion and Program Loans K3.2 billion.

The approved budgeted revenue was K2,896 billion and was revised to K2,954. Actual revenue collection for the 2020/21 financial year was K2,626 which was K328 billion (11.1%) less as compared to the revised amount of K2,954 billion. The under-collection was evident mainly on Non-Tax Revenue amounting to K200.1 billion, Project Loans amounting to K126 billion, Project Grants amounting to K39.7 billion and Program Loans K0.5 billion which in total amounted to K366.4 billion. There was an over-collection on Tax Revenue amounting to K28.7 billion and Dedicated Grants amounting to K9.6 billion totaling K38.4 billion which reduced the under-collection to a net deficit of K328 billion. Table 1 shows a four-year revenue trend analysis.

Table 2: An analysis of total revenue collection for the past four years

Year K'000	Approved Provision K'000	Revised Provision K'000	Actual Collection K'000	Over/ (Under) Collection %	Percentage Over/ (Under) Collection
2017/2018	1,104,784,111	1,009,749,629	1,011,827,903	2,078,274	0.2%
2018/2019	1,268,120,774	1,268,120,774	1,143,631,502	(124,489,272)	(10%)
2019/2020	2,467,737,668	2,447,328,715	2,324,306,133	(123,022,582)	(5%)
2020/2021	2,895,976,458	2,953,992,865	2,625,944,857	(328,048,008)	(11%)

With reference to Table 1 above, the general assessment of revenue budget provision compared to the actual collection indicates that there were, to a larger extent, under-collections. Except for 2017/2018 FY, which had a slight improvement in revenue collection, the other three financial years had under-collection of between 5% and 11% which is not very significant. It is therefore, encouraging that the budget planning and forecasts had an average error of 6.6% for the past four (4) financial years and there is room for improvement. Similarly, the assumptions used to revise upwards the revenue budget from K2,895,976,458 to K2,953,992,862 did not materialize because the actual collection ended up being K2,625,944,857 which is even 9% under collection of the original revenue budget.

An analysis of the trend of under/over collection on each source of revenue for the past four (4) years is given in Table 2 below:

Table 3: Trend of (under)/over-collection of revenue in billions of kwacha.

	2017/2018	2018/2019	2019/2020	2020/2021
Tax Revenue	40.1	(13.6)	(249.4)	28.7
Non-Tax Revenue	1.6	(23.1)	130.6	(200.1)
Programme Grants	0	(29.3)	0.4	(0.5)
Dedicated Grants	1.4	(24.4)	20.3	9.6
Project Grants	(41.1)	(34.1)	(2.9)	(39.7)
Program Loans	0	0	(21.9)	(126)
Total	2.0	(124.5)	(122.9)	(328)

For the past four years, there have been across all revenue streams under-collections of revenue except in the 2017/2018 financial year. In the 2019/20 financial year, Tax Revenue was the worst in under-collection but there was an improvement in 2020/2021 as it registered an over collection of K28.7 billion. Non-Tax Revenue registered a huge under-collection of K200.1 billion in 2020/2021 followed by Projects Loans and Project Grants. Project Grants have consistently been registering deficits in each of the past four years as analyzed in Table 2 above. Government should investigate the root cause of the under collection of (NTR) which among others could be an issue of under declaration, use of revenue at source, theft as well as limited provision of services that generate revenue in MDAs

BUDGET OUT T URN - EXPENDITURE

15. During the year under review, total recurrent expenditure charged to the Consolidated Fund was K2,916.3 billion resulting into an increase in expenditure of K605.7 billion (26.2%) when compared to the total expenditure of K2,310.6 billion for 2019/2020 financial year. During the financial year under review, a total amount of K364.8 billion from the Recurrent Account was transferred to Development Account Part I and II amounting to K270.5 billion and K94.3 billion respectively. The overall performance of the recurrent expenditure had a net deficit of K290.3 billion which compared unfavorably to a net surplus of K13.7 billion for the financial year 2019/2020. The other contributing factor apart from the transfers to the development budgets is the Tax refunds of K20.4 billion and Repayments of interest on Borrowings amounting to K804.4 billion.

CONSOLIDATED REVENUE ACCOUNT

16. The consolidated revenue account worsened in performance during the 2020/2021 financial year since the account had a cumulative deficit of K916.3 billion as at 30th June, 2021, as compared to a cumulative deficit of K626 billion as at 30th June, 2020 and was arrived at as follows:

Table 4: The Consolidated Revenue Account as at 30th June, 2021

Description		**K'000**
Deficit balance (brought forward) as at 1st July, 2020		(625,984,660)
Add:	Revenue for the year	2,625,944,857
Less:	Expenditure for the year	(2,551,469,456)
	Transfer to Development Part II	(94,341,516)
	Transfer to Development Part I	(270,474,597)
Cumulative Deficit carried forward as at 30th June, 2021		**(916,325,372)**

The planned recurrent surplus for the year under review was K499.1 billion since the Government planned to collect and spend K2,954 billion and K2,454.9 billion respectively but the actual position was a deficit of K290.3 billion as at 30th June, 2021 compared to the actual Revenue Account out-turn surplus of K13.7 billion as at 30th June, 2020 as shown in Table 4 below.

The annual deficit is largely attributed to lack of financial discipline on revenue collection and expenditure management on the recurrent budget.

Table 5: Recurrent Budget Performance for the past four years is as follows:—

	2017/2018	**2018/2019**	**2019/2020**	**20202021**
	K'000	**K'000**	**K'000**	**K'000**
Actual Revenue	1,011,827,903	1,143,631,502	2,324,306,133	2,625,944,857
Less:				
Actual Expenditure	(1,068,055,444)	(1,106,342,038)	(1,948,359,115)	(2,551,469,456)
Transfer to Dev. Part II	(73,165,053)	(84,875,273)	(159,402,020)	(94,341,516)
Transfer to Dev. Part I	(188,208,017)	(203,098,581)	(202,846,895)	(270,474,597)
Surplus/(Deficit)	(317,600,611)	(250,684,390)	13,698,103	(290,340,713)

Details of actual receipts and payments are articulated in statements 3 and 4 of the Consolidated Appropriation Accounts. However, Table 4 demonstrates that Government liquidity position is very worrisome because almost as for the year ended 30th June 2021 alone, 11% of its obligations (ORT+Development) would not be settled by the revenue generated.

In terms of over expenditures by vote, it was observed that Roads Fund Administration overspent by K4.2 billion. This was due to an extra budget which was duly approved by Treasury but not reflected in the system. There was also an overall under-expenditure of K20.9 billion recorded from forty-seven (47) votes.

The following is an analysis of the votes under Recurrent Budget with the largest unspent balances:

Vote	**MDA**	**K'000**
420	Roads Authority	4,415,939
260	Ministry of Foreign Affairs and International Cooperation	2,472,139
490	Ministry of Energy	2,093,030
310	Ministry of Health	1,927,492
271	Accountant General's Department	1,817,758
274	Ministry of Education	1,808,469
		14,534,827

The under performance in most of the votes could relate to less activities being implemented during the year as compared to the planned activities which resulted into underutilization of funds.

The overall state of affairs of the Recurrent Budget as at 30th June, 2021 was a net deficit of K290.3 billion, registering a decrease of K304 billion from a net surplus of K13.7 billion, recorded as at 30th June, 2020. This indicates that the budget performance in the Recurrent Budget during the year was worse than the immediate prior year.

CONSOLIDATED DEVELOPMENT ACCOUNT

17. The total expenditure charged to Development Account for the year ended 30th June, 2021 amounted to K259.8 billion reflecting a decrease of K49.4 billion over the previous year's expenditure of K309.2 billion. A comparative analysis of expenditure out-turns of the Development Account for the past four years is as follows:

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

	2017/2018	2018/2019	2019/2020	2020/2021
	K'000	K'000	K'000	K'000
Approved Estimates	336,274,000	318,931,372	438,248,524	511,187,820
Revised Estimates	357,496,451	277,959,556	367,440,616	637,145,881
Actual Expenditure	202,577,247	205,732,907	309,171,512	259,809,077
Under Expenditure	154,919,204	72,226,649	58,269,104	377,336,804
Under expenditure %	43%	26%	6%	59%

Table 5 above shows that the past four (4) years, Government has under provided resources on development budget. This situation is worrisome because in order for micro-economic performance to improve developmental investments are very critical. For the year under review, the situation is even more worrisome because Government only achieved to resource only 41% of the planned developmental activities.

The following is the list of the sampled votes under Development Budget with largest unspent balances:

Vote	MDA	Amount (K'000)
274	Road Fund Administration	53,139,480
470	Ministry of Forestry and Natural Resources	52,494,675
190	Ministry of Agriculture and Food Security	41,715,882
320	Ministry of Gender	41,046,640
250	Ministry of Education Science and Technology	36,653,062
490	Ministry of Energy	35,299,431
110	Ministry of Economic Planning and Development and Public Sector	30,526,219
310	Ministry of Health	23,272,168
121	Local Government Finance Committee	16,917,054
330	Ministry of Information and Civic Education	11,621,182
270	Ministry of Finance	8,860,600
275	Subvented Organisation	7,728,410
180	Ministry of Youth and Sports	5,395,946
090	Office of the President and Cabinet	2,441,097
360	Ministry of Tourism, Culture and Wildlife	1,547,453
120	Ministry of Local Government	1,136,434
		369,795,731

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

The overall state of affairs of the Development Account as at 30th June, 2021 was a cumulative Surplus of K283.9 billion, registering an increase of K105 billion from a cumulative surplus of K178.9 billion recorded at the end of the 2019/2020 financial year. Details are in Table 6 below:

Table 7: Cumulative Surplus in Development Account

	Amount (K'000)
Receipts during the year	364,816,113
Less: Payments	(259,809,077)
Surplus/(Deficit) for the year	**105,007,036**
Add: Opening balance	178,856,066
Cumulative Surplus as at 30th June, 2021	**283,863,102**

CONSOLIDATED FUND

FINANCING OF THE DEFICIT

18. The overall Approved Revenue and Expenditure in the 2020/2021 financial year were K2,896 and K2,762.4 billion respectively. The approved Revenue was revised upwards to K2,954 billion and the Expenditure to K3,092 billion. This envisaged a deficit of K138 billion.

During the year under review, the Recurrent Revenue Account collected K2,626 billion while the Recurrent Expenditure was K2,916.3 billion resulting into a deficit of K290.3 billion.

The Development Account realized K364.8 billion; registering an increase of K2.6 billion when compared to K362.2 billion of 2019/2020 financial year. Expenditure for the year as at 30th June 2021 was K259.8 billion resulting into a surplus of K105 billion.

Table 8: The combined net cumulative position of the Recurrent and Development Accounts for the past four years is as follows:

Year	Combined (Deficit)/Surplus K'000
2017/18	(345,460,782)
2018/19	(513,904,225)
2019/20	(447,128,594)
2020/21	(632,462,270)

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

PREPARATION OF FINANCIAL STATEMENTS BY MINISTRIES AND DEPARTMENTS

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

Although ministries and departments started preparing own, financial statements from 2011/2012 financial year 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, 2021 were submitted to me for audit. My audit opinions on these financial statements were either modified based on the various material matters that affected their true and fair view or unmodified.

PART III

MINISTRIES, DEPARTMENTS AND AGENCIES

COMPLIANCE WEAKNESSES DISCLOSED DURING THE AUDIT

STATE RESIDENCES

2015/2016; 2016/2017; 2017/2018; 2018/2019;2019/2020 Financial Years

20. An audit of the financial transactions for the State Residences for the years ended 30th June 2016-2020 was completed in May 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the State Residences.

Overall Performance on the Recurrent Budget

The State Residences' approved recurrent budget was K6,511,732,690.00 and was revised upwards to K11,564,808,955.00 The funds allocated were K 11,890,656 and the actual out-turn was K11,375,223,069.00 representing 98.36% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements for the State Residences for the year ended 30th June, 2020.

(a) Failure To Prepare Financial Statements

Treasury Instructions (2004), Section 9.6 states that Controlling Officers are required under section 86 (1) of the Public Finance Management Act to produce annual reports, within four months of the end of the financial year, on the activities and achievements of goals as expressed in budgetary outputs and sub outputs. In addition, Section 83 of the Public Finance Management Act of 2003 requires financial statements of each year to be sent to the Auditor General on or before 31st October for audit.

Enquiries from relevant responsible officers revealed that State Residences failed to prepare financial statements for the years ended 30th June, 2016, 2017, 2018, and 2019.

(b) Unliquidated Contingency Funds: K5,236,639,307.93

Treasury Instructions (2004), Section 5.9(b) 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 staff.

An inspection of payment vouchers disclosed that liquidation of payments amounting to K5,236,639,307.93 relating to contingencies and subsistence allowances were not substantiated with liquidation receipts. Consequently, it was difficult for the audit team to ascertain the propriety of the expenditure. For details, see table 8 below:

Table 9: Unliquidated Contingency Funds (State Residences)

Financial Year	Amount
2015-2016	143,363,115.00
2016-2017	319,326,432.93
2017-2018	409,515,998.00
2018-2019	1,943,810,174.00
2019-2020	2,429,573,588.00
Total	**5,236,639,307.93**

(c) Payment Vouchers without Adequate Supporting Documents: K4,839,328,187.38

Treasury Instructions (2004), Section 5.9(b) 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 staff.

An inspection of payment vouchers disclosed that payment vouchers amounting to K4,839,328,187.38 were submitted to auditors without attaching relevant supporting documents such as loose minutes, receipts and receipted vouchers. In the absence of such documents, it was difficult for audit team to ascertain whether the expenditure made was a correct charge to public funds. For details, see table 10 below:

Table 10: Payment Vouchers without Adequate Supporting Documents (State Residences)

Year	Amount
2015-2016	151,810,497.54
2016-2017	326,202,892.52
2017-2018	1,299,358,259.48
2018-2019	2,448,435,561.69
2019-2020	613,520,976.15
Total	**4,839,328,187.38**

(d) Payment of Subsistence Allowances Not Supported with Activity

Reports: K416,790,002.00

Government Circular Reference Number 15/15/7 dated 18th December, 2015, from the Chief Secretary, states that in line with travel policy, each officer who is paid subsistence allowances must submit a report to the Controlling Officer indicating among other aspects, where she/he travelled to, the purpose of the trip, the institutions/persons consulted and benefits of the trip to the Ministry/Department.

An inspection of payment vouchers for subsistence allowances disclosed that State Residences paid officers' subsistence allowances amounting to K416,790,002.00 in respective of various activities without supporting them with relevant activity reports to substantiate how the funds were spent. The occurrence of such activities could therefore not be ascertained.

(e) Payment Vouchers Not Presented For Audit: K13,496,362,089.03

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

An inspection of expenditure statement by cost centre and cash book revealed that payment vouchers amounting to K13,496,362,089.03 were not produced for audit. The authenticity and propriety of the payments made could therefore not be ascertained. Refer to table 11 below.

Table 11: Payment Vouchers Not Presented For Audit (State Residences)

Year	Amount
2017-2018	4,801,661,144.73
2018-2019	3,649,851,470.87
2019-2020	5,044,849,473.43
Total	**13,496,362,089.03**

THE JUDICIARY

21. An audit of the financial and other information for Malawi Judiciary for the year ended June 2021 was completed on 3rd December, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated December, 2021 addressed to the Controlling Officer. These weaknesses are presented from

paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Judiciary.

Overall Performance on the Recurrent Budget

The Malawi Judiciary's approved recurrent budget was K11,205,085,657.17 and was revised upwards to K13,572,829,384.54. The funds allocated were 13,275,967,288 and the actual out-turn was K13,275,967,276.91 representing 97.8% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K750,000,000.00 and was revised upwards to K1,050,000,000.00. The actual expenditure was K329,524,304.42 representing 31% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements for the Judiciary for the year ended 30th June, 2021.

(a) No Action Taken On Returned Cheques: K21,956,433.93

Treasury Instructions (2004), Section 5.7.2(k) states that for purposes of these instructions, sound cash management is ensuring that the dishonored cheques are followed up immediately.

A review of bank statements pertaining to Sheriff of Malawi funds revealed that cheques valued at K21,956,433.93 in respect of sheriff of Malawi funds collected on behalf of clients were returned by banks; but no action was indicated to have been taken by the entity to have the cheques replaced.

(b) Revenue Used At Source: K 6,042,578.79

Treasury Instructions (2004), Section 5.7.2 (e) states that for purposes of these instructions, sound cash management includes collecting revenue when it is due and banking it promptly.

An inspection of general receipt books, revenue returns, cashbooks and deposit slips in respect of court fees disclosed that the commercial division of the high court Blantyre did not wholly deposit into bank revenue amounting to K6,042,578.79; of which K2,184,601.25 relates to 2020, while K3,857,977.54 relates to 2021 court fees collections.

(c) Contract Agreement Between First Capital Bank And Government Not Presented For Inspection

Section 7 (1) (a) of Public Audit Act (Cap37.01), state that for the purpose of fulfilling the functions and duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

Enquiries on the terms and conditions followed by First Capital Bank on managing public funds deposited, disclosed that the entity could not present for inspection the contract between the bank and the government on management of Sheriff of Malawi funds. Sheriff development funds and Sheriff fees on account numbers 0230322000, 0200503005 and 0200154002 are all maintained at First Capital Bank respectively such that it was difficult to confirm if the bank transactions are in compliance with the agreed terms and conditions.

(d) Missing Court Deposit Receipt Books

Accountant General's Desk Instructions (2007), Section 15.3 (v) states that receipt books shall be kept in safe custody and their receipt and issue controlled through a separate serially numbered register of receipt books.

An inspection of the security document register at Chief Resident Magistrate (South) disclosed that court deposit receipt books were missing but were not indorsed as issued from the security document register. The where-about of the books could not be ascertained as at the date of the Audit.

(e) Uneconomical Payments Of Service Under Charges: K39,028,459.83

Treasury Instructions (2004), Section 5.13.1 (g) and (h) respectively, state that resources are employed and managed in an effective, economic and efficient manner; and that there is no waste or extravagance.

An inspection of payment vouchers and invoices from MPICO disclosed that the Commercial Division of the High court processed payments amounting to K39,028,459.83 in respect of service charges. This amount could be saved if the Judiciary had a cheaper alternative office accommodation.

(f) Underutilization Of Sheriff Fees Development Account: K198,660,345.42

Treasury Instructions (2004), Section 9.8.2 (a), (b) (c) and (d), states that the Controlling Officers are expected to monitor the financial and non-financial performance of their Ministry against the agreed performance measures, and periodically report to the Secretary to the Treasury as required by the Treasury Instructions.

A review of sheriff fees development payment vouchers revealed that out of K198,660,345.42, which is expenditure from July 2020 to March 2021 as per cashbook, only K16,654,067.46 was used on infrastructure projects. This represents 8.4% utilization rate on development related activities.

(g) Payment Vouchers Not Presented For Audit: K54,323,637.65

Treasury Instructions (2004), Section 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 vouchers in Integrated Financial Management System (IFMIS) cash book revealed that payment vouchers worth K54,323,637.65 were not presented for audit resulting in a limitation of scope for the audit.

(h) Procurements Without Local Purchase Order: K32,085,085.00

Accountant General's Desk Instructions (2007), Section 5.2.1 (vii) states that where the Local Purchase Order is used, the LPO shall be presented for authorization and record entry. The purchase order defines the goods, works or services to be provided, the price to be paid for the goods, works or services and the delivery period required.

An inspection of procurement records disclosed that the office procured items to the tune of K32,085,085.00 without the use of Local Purchase order.

(i) Procurements By Quotations Made Without Evaluation: K18,789,859.04

The Public Procurement and Disposal of Public Asset's Act (2016), Section 26(2) e and requires the Internal Procurement and Disposal Committee to among other things, appoint adhoc evaluation team for the examination, evaluation and comparison of bids; reviewing and approving bid evaluation bid evaluation reports. The detailed evaluation should focus on whether the quotation meets the procuring entity's technical requirements and whether the proposed terms and conditions of contract are acceptable to the procuring entity. The financial evaluation should consider, as far as is possible, whether the quotation offers value for money, taking into account a comparison with any prices previously obtained through competitive methods, the terms and conditions of the proposed contract, a breakdown of the costs involved and any other relevant details or circumstances. The evaluation must also assess whether the supplier is qualified.

Inspection of Procurement records for the period under review disclosed that Procurements worth K18,789,859.04 were made without evaluation by the IPDC committee.

(j) Motor Vehicle Fuel Consumption Returns Not Prepared

Treasury Instructions (2004), Section 5.13.1 (g) and (h) respectively state that resources are employed and managed in an effective, economic and efficient manner; and that there is no waste or extravagance.

An Inspection of Motor Vehicle records disclosed that the office did not prepare Motor vehicle fuel consumption Returns. It was therefore difficult to substantiate if the Motor vehicle fleet was economical.

(k) Late Submission Of Financial Statements

Circular reference number T4400 dated 3rd August, 2021 issued by the Accountant General, required MDAs to submit Financial Statements by 15th September, 2021. The Financial statements were to include Statement of Financial Position, Statement of Changes in Net Financial Assets, Statement of Cash Receipts and Payments, Statement of Comparison between Budget and Actual and Notes to the Financial Statements.

Financial statements for the year ending June 2021 were submitted on the 17th of November 2021 instead of 31st October 2021 as required by regulation. This delayed the whole process in the delivery of the end product (Audit report).

(l) Non-Maintenance of Register for Goods Seized Under Sheriff And No Storage Place

Treasury Instructions (2004), Section 5.13.1 (d) requires that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognized as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objectives are met –revenue, expenditure, assets and liabilities are properly recorded and accounted for.

An inspection of sheriff seized assets and storage facilities disclosed that the section did not maintain a register for the accountability of the seized assets and the facilities for storage of seized goods had inadequate space.

(m) Long Outstanding Cases

The Constitution of Malawi (2006), Section 42(2)(f)(i), states that every person arrested for, or accused of, the alleged commission of an offence shall, in addition to the rights which he or she has as a detained person have the right as an accused person, to a fair trial, which shall include the right to public trial before an independent and impartial court of law within reasonable time after having been charged.

Inspection of the case register disclosed that eighty-seven (87) cases dating from August 2012 were still outstanding as at the date of audit contrary to Constitutional provision cited above. The table 12 below gives details for each year.

Table 12: Long outstanding cases (Judiciary)

Year	# of Cases
2012	10
2013	8
2014	4
2015	5
2016	5
2017	9
2018	9
2019	18
2020	19
	87

MZUZU HIGH COURT

22. An audit inspection of the financial and other information for Mzuzu High Court for the year ended 30th June, 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:

(a) Payment of Subsistence Allowances Not Supported with Activity Reports: K17,501,527.00

Government Circular Reference Number 15/15/7 dated 18th December, 2015 from the Chief Secretary states that in line with travel policy, each officer who is paid subsistence allowances must submit a report to the Controlling Officer indicating among other aspects, where she/he travelled to, the purpose of the trip, the institutions/persons consulted and benefits of the trip to the Ministry/Department.

An inspection of payment vouchers for subsistence allowances disclosed that the office paid officers' subsistence allowances amounting to K17,501,527. 00 in respective of various activities without supporting them with relevant activity reports to substantiate how the funds were spent. The occurrence of such activities could therefore not be ascertained.

PARLIAMENT OF MALAWI

23. An audit inspection of the financial and other information for Parliament of Malawi for the year ended 30th June 2021 was completed in December, 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of Parliament of Malawi.

Overall Performance on the Recurrent Budget

Parliament of Malawi's approved recurrent budget was K20,757,620,275 and was revised upwards to K20,777,995,591.92 and the actual out-turn was K20,494,902,125.00 representing 99% utilization of the revised budget

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the Parliament of Malawi for year ended 30th June, 2021.

(a) Procurements not included in the Procurement Plan: K 236,964,627.75

Public Procurement and Disposal of Public Assets Act (2017), Section 39(1) requires Procuring entities to plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in the Act.

In addition, Accounting Procedures Manual of 2015, section 15.3 on "General Procurement Process" requires, that at the beginning of the financial year, the Controlling Officer to issue an internal circular to all members of staff requesting each division to prepare a procurement plan for the division which includes procurement of goods and services. All plans are required to be based on the approved budget, anything outside the budget is rejected unless there is authorization from the Secretary to the Treasury and that the budget is revised upwards. Once plans are approved in the meeting, every division is urged to stick to the plan.

However, an inspection of sampled payment vouchers and supporting documents revealed that goods and services worth K236,964,627.75 were procured could not be traced in the procurement plan submitted for audit.

(b) Payment Vouchers without Supporting Documents: K207,097,198.90

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

An inspection of payment vouchers disclosed that payment vouchers amounting to K207,097,198.90 were submitted to auditors without attaching relevant supporting documents such as invoices, receipts and quotations among others. In the absence of such documents, it was difficult for audit team to ascertain whether the expenditure made was a correct charge to public funds.

(c) IPDC Minutes for Procurements Made Not Available for Inspection: K95,696,361.24

The Public Procurement and Disposal of Public Assets Act (2017), Section 26 (1) and (2), states that there shall be established in all procuring and disposing entities Internal Procurement and Disposal Committees (IPDC) and the functions of the Internal Procurement and Disposal Committees shall include approving the methods of procurement and disposal to be used in each case; and ascertaining the availability of funds to pay for each procurement.

An inspection of sampled payment vouchers and the IPDC minutes revealed that the Malawi Parliament procured some goods and services amounting to K95,696,361.24 but the approval of such procurements could not be ascertained since the related minutes of IPDC were not presented for inspection.

(d) Payments Made To Service Providers Before Service Delivery: K72,044,485.12

The Accounting Procedures Manual (2015), section 11.2.1.1 on General Provisions and Regulations requires that before a payment voucher is raised the following shall be observed.

- Authority for payment: This could be standing Authority in terms of the treasury instructions, Malawi Public Service Regulations (MPSR), Specific authority issued by Treasury, or a procurement instruction issued by Office of the Director of Public Procurement and disposal of Assets? (PPDA).

- Provision of Funds: Funds shall be available under the relevant budget item/sub Item on the Vote/Head to be charged.
- Evidence to support receipt of goods or services. Goods or services shall be certified to have been received by an authorized receiving officer through delivery note dully signed by the stores officer or evidence through a completion certificate.
- Suppliers invoice: in original form;

An inspection of sampled payment vouchers for Malawi Parliament revealed that payments totaling K72,044,485.12 were made to service providers/ suppliers before actual delivery of the goods or services. Therefore, it was not possible to ascertain the validity of such payments and if indeed services were provided by the concerned suppliers.

(e) Workshops Conducted without a Provision of Attendance Sheets & Training Reports: K64,503,316.04

Treasury Instructions 5.16.1 of 2004 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. Furthermore, it is a requirement that a budget should be formulated before carrying out any activity and reports should be produced after the activity has been conducted.

An inspection of sampled payment vouchers revealed that payments for conference packages amounting to K64,503,316.04 were made, however, attendance sheets and reports were not provided for audit inspection. The authenticity of the workshops could therefore not be ascertained. Additionally, it was not possible to gauge the achievement of the objectives of the workshops.

(f) Faulty Procedures on Procurement of Covid 19 items: K61,970,333.91

Circular letter dated 15th April, 2020 issued by PPDA required all ministries and departments to follow the open tendering method when procuring items using COVID 19 funds regardless of value.

Public Procurement and Disposal of Public Assets Act (2017), Section 40 requires that an invitation to tender, or an invitation to prequalify, shall be published in two national widely circulated newspapers and, in the case of international tendering, shall also be published in internationally recognized papers in the English language, and in other media of wide international circulation, and the website of the Authority.

An inspection of sampled payment vouchers along with other procuring records revealed that the Malawi Parliament used single sourcing method instead of open tendering; did not publish its tender; and there was no specification for areas to be disinfected when procuring COVID-19 items amounting to K61,970,333.91.

(g) Use of Expired Strategic Plan

Circular letter ref no. C/EAD/6/3/11 dated 2nd January 2018 from Chief Secretary to Government encourages MDAs to develop sectoral policies and strategies to ensure smooth implementation of the National Development Strategy. Government emphasizes the need to align these sectoral policies and strategies to the national development agenda. The MDAs are also being requested to involve Sectoral Policy Analysis (SPA) sector in Economic Affairs Division of the Ministry when formulating such policy documents.

An inspection of policy documents revealed that for the financial year 2020/2021, Parliament of Malawi used the strategic plan, which expired in 2020. As a result, it was difficult for the audit team to analyse and assess the effectiveness of the programmes and activities, which were implemented during the year.

MALAWI DEFENCE FORCE

2019/2020 Financial Year

24. An audit of the financial statements of the Malawi Defense Force for the financial year ended 30th June, 2020 was completed in December, 2021. The audit disclosed some weaknesses in financial control. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of Malawi Defence Force.

Overall Performance on the Recurrent Budget

Malawi Defence Force's approved recurrent budget was K49,825,169,435.00 and was revised upwards to K66,270,486,815.00. and the actual out-turn was K65,836,388,309.00 representing 99.34% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the Malawi Defence Force for year ended 30th June, 2021.

(a) Misallocation of expenditure: K500,292,943.81

Treasury Instruction (2004) 4.14.1 requires all expenditures to be charged to an appropriate vote and that the expenditure be classified strictly in accordance with estimates. The provisions further require funds to be spent on 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 audit of expenditure records for the Malawi Defence Force revealed that expenditure amounting to K500,292,943.81 was charged against wrong expenditure lines without authority.

2018/2019 Financial Year

An audit of the financial statements of the Malawi Defence Force for the financial year ended 30th June, 2019 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps as highlighted in the following observations.

Overall Performance on the Recurrent Budget

Malawi Defence Force's approved recurrent budget was K42,101,913,722.00 and was revised upwards to K51,015,957,787.00. and the actual out-turn was K50,013,828,455.07 representing 98.04% utilization of the revised budget.

(a) Payment Vouchers not submitted for audit: K323,289,830.02

Treasury Instruction (2004), Section 5.9 (a), 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 staff;

An audit of payment vouchers for Malawi Defence Force Headquarters and other cost centres revealed that payment vouchers amounting to K323,289,830.02 were not presented for audit inspection. This made it difficult to verify the authenticity of the expenditure.

(b) Contract Documents not submitted for audit: K355,333,554.70

Treasury Instruction (2004), Section 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 readily accessibility upon request by Ministry of Finance and National Audit Office Staff.

An audit of payment vouchers revealed that payments amounting to K355,333,554.70 made for contracts relating to supply of furniture, construction of sludge pond, installation of refrigeration, extension of female soldiers hostels among many others were not submitted for audit. It was therefore difficult to ascertain existence of the contracts and the accountability of the expenditure in question.

(c) Misallocation of expenditure: K553,502,528.95

Treasury Instruction (2004) 4.14.1 requires all expenditures to be charged to an appropriate vote and that the expenditure be classified strictly in accordance with estimates. The provisions further require funds to be spent on 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 audit of expenditure records for the Malawi Defence Force revealed that expenditure made amounting to K553,502,528.95 was charged against wrong expenditure lines without authority.

(d) Payment Vouchers Without Supporting Documents: K1,069,805,900.00

Treasury Instruction (2004) 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) (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 readily accessibility upon request by Ministry of Finance and National Audit Office Staff.

An inspection of payment vouchers disclosed that payment vouchers amounting to K1,069,805,900.00 were submitted to auditors without attaching relevant supporting documents such as loose minutes, invoices, IPDC Minutes among others. In the absence of such documents, it was difficult for audit team to ascertain whether the expenditure made was a correct charge to public funds.

NATIONAL LOCAL GOVERNMENT FINANCE COMMITTEE

25. An audit inspection of the financial and other information for National Local Government Finance Committee for the year ended 30th June, 2021 was completed in November, 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the National Local Government Finance Committee.

Overall Performance on the Recurrent Budget

National Local Government Finance Committee's approved recurrent budget was K18,576,782,719.00 and was revised upwards to K18,662,278,030.00 and the actual out-turn was K18,625,544,488.00 representing 99.8% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K7,200,000,000.00 and was revised to K7,200,000,000.00. The actual expenditure was K6,998,241,390.00 resulting in 97.2% utilization of budget.

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the National Local Government Finance Committee for year ended 30th June, 2021.

(a) Funding Made But Not Reflected On Bank Statement: K74,827,886.00

Treasury Instruction (2004), section 4.13.2.1 stipulates that every Controlling Officer shall submit to the Secretary to the Treasury a monthly cash flow which shall form the basis for funding.

An inspection of funding records of the National Local Government Finance Committee (NLGFC) for the year ended June 2021 indicated that the Committee received funding amounting to K74,827,886.00, however, the funded amount did not appear on the Bank Statement.

The National Local Government Finance Committee wrote the Accountant General on the 29th of August, 2021 (Letter Reference No. NLGFC/GEN/30/1), informing them of the observation. However, the Accountant General has not responded to the enquiry as at the time of audit review. Details of the transactions are shown in the table 13 below.

Table 13: Funding Made But not reflected on Bank Statement (NLGFC)

Date	Reference	Details	Instrument	Amount
9/3/2021	ER907924	ER907924/ORT/MAR	ER907924/ORT	35,433,188.00
13/02/21	ER907878	ORT/FEB21	ORT/FEB21	39,394,698.00
			TOTAL	**74,827,886.00**

MINISTRY OF LANDS, HOUSING & URBAN DEVELOPMENT

26. The audit inspection of the financial and other information for the Ministry of Lands, Housing and Urban Development for the year ended 30 June 2021 was completed on 20th October, 2021. The audit disclosed some weaknesses in financial control which are detailed in the management report which was issued to the Controlling Officer.These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Lands, Housing and Urban Development

Overall Performance on the Recurrent Budget

Ministry of Lands, Housing and Urban Development's approved recurrent budget was K14,467,589,977.00 and was revised upwards to K15,406,865,266.00. The actual out-turn was K15,320,744,506.00 representing 99.44% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K21,667,589,977.00 and was revised to K22,606,865,266.00. The actual expenditure of K22,318,985,896.00 resulting in 98.73% utilization of budget.

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the Ministry of Lands, Housing and Urban Development for year ended 30th June, 2021.

(a) Incomplete Fixed Asset Register

Circular letter from the Chief Secretary to the Government dated 2nd March, 2010 titled 'Government Physical Assets Register' stipulates that all Controlling Officers shall maintain asset register for all non-current 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.

A review of the Ministry's accounting records revealed that Fixed Assets namely Water Vessels, dwelling houses, Office Buildings, Motor Vehicles, Office Equipment, and Furniture amounting to K26,715,353.38 procured during the year were not entered in the Fixed Asset Register. It was also noted that the fixed assets register for the ministry was not complete as it lacked some key parameters such as values and condition of the assets.

(b) Misallocation: K20,209,580.03

Treasury Instruction (2004) 4.14.1 requires all expenditures to be charged to an appropriate vote and that the expenditure be classified strictly in accordance with estimates. The provisions further require funds to be spent on 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 inspection of expenditure records for the Ministry indicated that the Ministry paid K20,209,580.03 from unrelated provisions; toners were paid for from the stationery provision and internet charges from the telephone charges provision.

MINISTRY OF YOUTH AND SPORTS

27. An audit inspection of the financial and other information for Ministry of Youth and Sports for the year ended 30th June 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control which are detailed in the management report which was issued to the Controlling Officer.These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Youth and Sports.

Overall Performance on the Recurrent Budget

Ministry of Youth and Sports' approved Recurrent Budget was K1,518,196,688.00 and was revised upwards to K1,178,825,903.00. The actual out-turn was K1,130,118,530 representing 95.87% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K5,816,900,632.00 and was revised to K8,108,806,269. The actual expenditure was K2,712,860,603.43 resulting in 46.64% utilization of budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Ministry of Youth and Sports for year ended 30th June, 2021.

(a) Failure to Present Salary Records: K759,458,833.57

Public Audit Act of 2003 section 7(1) requires the Auditor General and every person authorized by him to have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

Management failed to provide salary records in form of staff return, GP 5A, GP 32 and deduction analysis despite the Ministry paying K759,458,833.57 in respect of salaries for the 2020/2021 Financial year. In the absence of the records in question, the total number of officers at the Ministry, their grades and positions could not be confirmed. The audit also failed to confirm the vacancy rate of the Ministry's key positions.

(b) Payables Without Complete Schedules and documentation: K76,592,933.35

Treasury Instruction (2004) 9.10.1(b) also states that the annual financial statements must be produced in the form specified in the Fourth Schedule to the PFM Act, and shall include the following information - a statement of financial position showing the assets, liabilities and the net financial position as at balance sheet date of the reporting period.

The Accountant General issued a Circular Ref. No. T4400 dated 4th June 2020 on the Preparation of Financial Statements to incorporate financial assets and financial liabilities in order to comply with IPSAS Modified Cash Basis which is equivalent to Accrual IPSAS Stage 2.

However, the amount of payables disclosed in the Financial Statements of the Ministry as at 30th June 2021 was not backed up by schedule and documentation. The validity of the payables amount of K76,592,933.35 could therefore not be ascertained.

(c) Payment Vouchers Without Supporting Documents: K41,649,893.69

Treasury Instructions (2004), Section 5.9(b) 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 staff.

An inspection of payment vouchers for the period under review disclosed that payment vouchers amounting to K41,649,893.69 were submitted without supporting documents such as loose minutes, assessment reports, receipts and delivery notes. As such, the propriety of the expenditure could not be ascertained.

(d) Other Recurrent Transactions(ORT) Paid using Development Fund: K36,921,356.16

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

An inspection of payment vouchers, revealed that Other Recurrent Transactions (ORT) activities were charged to development account amounting to K36,921,356.16 for the year under review without approval from Treasury which is contrary to the above requirement.

(e) Failure to Present General Receipts for Revenue Collected: K14,150,000.00

Treasury Instruction (2004), Section 5.6.2 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.

The audit team requested the Ministry to provide revenue records for the year under review. However, the Ministry failed to present General Receipts (GR) amounting to K14,150,000.00. In the absence of the GRs, accountability of the revenue collected could not be confirmed.

MINISTRY OF AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT

BLANTYRE AGRICULTURAL DEVELOPMENT DIVISION

28. An audit inspection of the financial and other information for Blantyre Agricultural Development Division for the year ended June 2021 was completed on 4th October, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated December, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the National Local Government Finance Committee.

(a) Lack of Accountability Over Revenue Receipts: K703,620.00

Treasury Instructions (2004) Section 5.8.2.1 & 5.8.2.2 states that the Secretary to the Treasury may, if he considers it to be necessary, authorize a revenue collector to deposit his revenue direct to a bank or bank agency for credit of a prescribed Government bank account. Where such written authority is issued, the collecting officer must forward a copy of each bank deposit slip, stamped by the bank or bank agency, to the Ministry of Finance.

A review of General receipts and bank deposit slips revealed that receipts amounting to K658,620.00 had no deposit slips and bank deposit slips amounting to K45,000.00 had no corresponding General receipts. Without corresponding deposit slips and General receipts, it was difficult to verify accountability on revenue receipts.

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

29. An audit inspection of the financial and other information for the Ministry of Education, Science and Technology for the year ended 30th June 2021 was completed in December, 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Education, Science and Technology.

Overall Performance on the Recurrent Budget

The Ministry of Education, Science and Technology's approved recurrent budget was K58.336 billion and was revised upwards to K62.379 billion and the actual out-turn was K60.570 billion representing 97.1% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K37.4 billion and was revised upwards to K41.5 billion. The actual expenditure was K5.6 billion representing 13.49% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Ministry of Education, Science and Technology for the year ended 30th June, 2021.

(a) Failure by Management to Implement Performance Management System

Circular Ref. No. HRM/GOP/19 dated 12th June, 2008 directed all Principal Secretaries and Heads of Department to implement the Performance Management System in their respective Ministries as well as departments starting with Headquarters while rolling out orientation workshops to the Regional/Division offices (where applicable). According to the Circular, implementation was to be done in phases starting from 1st July, 2008 to 30th June, 2009 the system had to be implemented at headquarters. From 1st July, 2009 to 30th June, 2010, implementation of the system had to be extended to Division/Regional offices, while rolling out orientation workshops to the District offices, whereas from 1st July, 2010 to 30th June, 2011, implementation had to be extended to district offices (where applicable).

It was, however noted that management of the Ministry had not yet implemented the Performance Management System as at the time of the audit. One of the indicators of non-compliance to the above requirement is failure by the ministry to appraise its officers from 1st July, 2008 to 30th June, 2021.

(b) Failure to Produce Quarterly Procurement Reports for the Ministry Headquarters

Public Procurement and Disposal of Public Assets (PPDPA) Act (2016), Section 25(2b) states that without prejudice to the generality of subsection (1), a Controlling Officer shall be responsible for submitting annual procurement and disposal plans, quarterly reports and other statutory reports as may be prescribed from time to time.

Circular No. ODPP/03/1 dated 23rd May 2017 requires controlling officers to submit quarterly reports on procurements made. These reports are expected to contain nature of procurement, type and value of such procurement, method used, and the date the contract was signed.

An inspection of payment vouchers disclosed that the Ministry failed to produce quarterly procurements reports despite procuring various items during the financial period under audit hence contravening the requirement mentioned above.

(c) Overpayment of contractors: K129,352,151.38

Public Procurement and Disposal of Public Assets Act (2016) (PPDPA), Section 50 (I), states that all amendments to a signed procurement contract shall require the prior approval of the responsible authorities and shall be effected as prescribed in the regulations. Section 50 (2) further states that for the purpose of this section, "responsible authority" means the Internal Procurement Disposal Committee or the Director General.

It was noted that four contracts had approved total contract sums of K806,466,230.62 However, payments made on these contracts amounted to K935,818,382.00. Therefore, the contractors were over paid by a total sum of K129,352,151.38. Management failed to produce evidence that the contracts were revised upwards after obtaining prior approval from the Internal Procurement and Disposal Committee or the Director General of the Public Procurement and Disposal of Assets Authority.

(d) Revision of Contract Sums without Approval from the Public Procurement And Disposal Of Assets Authority- K529,364,358.00

Section 50 (I) of the Public Procurement and Disposal of Assets Act (PPDA) of 2017 states that all amendments to a signed procurement contract shall require the prior approval of the responsible authorities and shall be effected as prescribed in the regulations. Section 50 (2) further states that for the purpose of this section, "responsible authority" means the Internal Procurement Disposal Committee or the Director General.

It was noted that six contracts had their contract sums revised upwards by percentages ranging from 22% to 92%. The contracts were revised from a total sum of K1,215,449,060.20 to K1,744,813,419.14 hence increased by K529,364,358.00. This required prior approval from the Public Procurement and Disposal of Assets Authority since any increase above 15% percentage is its responsibility to approve such adjustments.

(e) Failure To Record Advances In The Advance Register: K231,982,741.00

Accountant General Desk Instructions (2007), Section 9.3.3 requires that each advance should be recorded in a separate register according to the type of advance.

A review of the advance register and payroll revealed that the Ministry Headquarters failed to record in the advance register advances that some officers took amounting to K231,982,741.00. As a result, it was difficult for the audit team to ascertain the accountability of the advances granted.

(f) Delay In Paying Contractors: K426,225,629.04

Payment to contractors was supposed to be made according to contractual agreement. Therefore, payments to contractors are supposed to be done within the time frame stipulated in the contracts. Any delay in making payments would result into Government incurring unnecessary interests on the outstanding amounts.

A review of payment vouchers and contract agreements disclosed that the Ministry through the Education Infrastructure Management Unit (EIMU) delayed in paying contractors. Consequently, after the expiry of the contract period of several contracts, there was a total outstanding amount of K426,225,629.04.

SOUTH EAST EDUCATION DIVISION

30. An audit inspection of the financial and other information for South East Education Division (SEED) for the year ended 30 June 2020 was completed on 7th May, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated 31st May, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below

(a) Misallocation Of Bursary Funds: K36,067,224.00

Treasury Instructions (2004), Section 4.14.1 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 shall be in writing and shall be signed personally by the Controlling Officer.

An inspection of bursary budget, payment vouchers, reconciliation statement and expenditure statement by cost centre disclosed that SEED had used bursary funds amounting to K36,067,224.00 for items other than bursary. The reconciliation statement showed that these funds were spent on maintenance of motor vehicle, external travel and others. As a result, the malpractice deprived the neediest students from the in-hand cash transfers to meet their daily social needs.

MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

31. An audit inspection of the financial transactions for the Ministry of Foreign Affairs and International Cooperation for the year ended 30 June 2021 was completed in December, 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Foreign Affairs and International Cooperation.

Overall Performance on the Recurrent Budget

Ministry of Foreign Affairs and International Cooperation's approved recurrent budget was K21,738,519,674.00 and was revised upwards to K23,003,057,132.00 and the actual out-turn was K20,779,564,413.00 representing 87% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K410,000,000.00 and was maintained at K410,000,000.00 with the actual expenditure of K410,000,000.00 resulting in 100% utilization of budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Ministry of Foreign Affairs and International Cooperation for the year ended 30th June, 2021.

2020/2021 Financial Year

(a) Failure to Produce Performance Information for Audit

Principles of sound public sector financial management requires public entities to meticulously budget for and utilize funds as approved by parliament to achieve properly planned outputs that benefits the citizens. The achieved outputs should be in tandem with the planned outputs.

The audit team requested performance information from management. However, at the time the audit assignment was being completed the performance information had not been produced for audit inspection. Therefore, it was difficult to ascertain whether the Ministry achieved its planned outputs or not.

(b) Payment Vouchers Not Produced For Audit: K3,805,295,230.35

Public Audit Act (2003), Section 7(1) (a) empowers the Auditor General or any other officer authorized by him to have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

An inspection of payment vouchers, expenditure statement by cost centre and other related records showed that the Ministry did not submit payment vouchers amounting to K3,805,295,230.35 for audit. It was therefore difficult for the auditors to ascertain the propriety of the expenditure.

(c) Over-Expenditure on Some Budget Line Items without Treasury Approval- K2,729,899,308.43

Treasury Instruction (2004), Section 4.14.1 requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another.

An inspection of expenditure returns for 18 Embassies for 2020/2021 financial year revealed that the Ministry over-spent funds amounting to K2, 789,899,308.43 on some budget line items without seeking approval from Treasury through virement.

(d) Over Funding to Some Embassies without Justification: K785,899,388.00

Public Finance Management Act 2003, Section 10 (1h and I) states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources.

An inspection of remittance of funds advice, memos, RBM funds transmission slip, consolidated funding reports and approved budget for the Embassies revealed that the Ministry over funded some Embassies such as London(K225,010,000), Washington DC (K231,809,579); Berlin (K188,150,039; New York; Addis Ababa (K175,645,574) by K785,899,388.00. The audit team was not furnished with any information explaining why some of the Embassies got funding over the approved budget. As a result, it was difficult for the audit team to establish if the funds over funded were meant for genuine activities.

(e) External Travel Documents not Produced For Audit: K119, 615,191.20

Public Audit Act of 2003, Section 7(1) (a) empowers the Auditor General or any other officer authorised by him to have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept. Furthermore, Treasury Instructions of 2004, Section 5.9 (a) states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff.

An inspection of payment vouchers, cashbooks and other related records showed that the Ministry did not submit external travel documents in form of passports, itineraries and boarding passes for officers who were paid external travel allowances amounting to K119,615,191.20. Therefore, it was difficult for the auditors to ascertain the propriety of the expenditure in question.

(f) Payment Vouchers Without Supporting Documents: K49, 917,908.78

Treasury Instructions (2004), Section 5.9(b) 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 staff.

An inspection of payment vouchers for conference package payments disclosed that payment vouchers totaling K49, 917,908.78 were submitted for audit without supporting documents such us attendance registers. Hence, the audit team could not verify the validity of such payments.

2019/2020 Financial Year

An audit inspection of the financial transactions for the Ministry of Foreign Affairs and International Cooperation for the year ended 30 June 2020 was completed in August, 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Foreign Affairs and International Cooperation.

Overall Performance on the Recurrent Budget

Ministry of Foreign Affairs and International Cooperation's approved recurrent budget was K24,058,080,851.00 and was revised downwards to K22,475,134,604.00. and the actual out-turn was K19,734,255,215.16 representing 87.80% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K1,600,000,000.00 and was revised to K1,402,373,442.00 with the actual expenditure of K100,000,000.00 resulting in 7.13% utilization of budget.

Audit Opinion

I issued an adverse audit opinion on the Financial Statements of the Ministry of Foreign Affairs and International Cooperation for the year ended 30th June, 2020.

(a) Payment Vouchers Not Produced for Audit- K286,673,058.60

Public Audit Act of 2003, Section 7(1) (a) empowers the Auditor General or any other officer authorised by him to have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

An inspection of payment vouchers and expenditure statement by cost centre showed that the Ministry did not submit payment vouchers amounting to K286,673,058.60 for audit. It was therefore difficult to ascertain the propriety of the expenditure.

(b) External Travel Documents Not Produced for Audit: K71,257,795.00

Public Audit Act of 2003, Section 7(1) (a) empowers the Auditor General or any other officer authorised by him to have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

An inspection of payment vouchers and cashbooks showed that the Ministry did not submit external travel documents in form of passports, itineraries and boarding passes of officers who were paid external travel allowances amounting to K71,257,795.00. Therefore, it was difficult to ascertain the propriety of the expenditure in question.

(c) Payment Vouchers without Supporting Documents: K55,038,080.82

Treasury Instructions (2004), Section 5.9(b) 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 staff.

An inspection of payment vouchers disclosed that payment vouchers totaling K55,038,080.82 were submitted for audit without supporting documents such us receipts. The validity of such payments could not be verified.

(d) Over Funding to Some Embassies without Justification: K785,899,388.00

Public Finance Management Act (2003), Section 10 (1h and I) states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources.

An inspection of funds remittance advices, memos, RBM funds transmission slips and approved budget for the sampled Six (6) out of twenty-one (21) Embassies, namely Tokyo, New Delhi, Kuwait, Dar El Salaam, Brasilia and Geneva revealed that the Ministry over funded these Embassies by K207, 287,074.00. The Ministry did not explain why some Embassies got funding which was over the approved budget. It was therefore difficult establish if the funds overfunded were meant for genuine activities.

(e) Failure to Account for Funds for Chancery Construction in Lusaka: K402,373,442.00`

Public Finance Management Act 2003, Section 10 (1h and I) states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources.

An inspection of Lusaka Chancery files, remittance of funds advices and other relevant documents revealed that the Ministry remitted funds amounting to K402,373,442.00 for construction of a Chancery in Lusaka in October, 2019. However, the Ministry failed to produce documents to help the auditors ascertain the accountability of these funds.

(f) Bank Balances For Foreign Missions Omitted In the Cash And Cash Equivalent Figure: K2,209,388,230.65

Treasury Instructions of 2004, Section 9.10.2 (b and e) requires that the annual financial statements must be produced in the form specified in the Fourth Schedule to the Public Finance Management Act of 2003, and that they shall include a statement of financial position showing the assets, liabilities, and the net financial position as at the statement of financial position date of the reporting period; and a statement of cash balances, showing breakdown of the balances held by type of holding.

A review of the financial statements and the bank balances from the foreign missions for the period under review revealed that the Ministry omitted cash at bank amounting to K2, 209,388,230.65 in the cash and cash equivalent figure of the statement of the financial position. This figure is for four (4) out of twenty-one (21) foreign missions which managed to submit their bank balances as at 30 June, 2020. These missions are London, Brussels, Brasilia, and Cairo. This suggests that the figure mentioned above is far below the actual figure from all the 21 missions, as at 30 June, 2020, contrary to the regulations stated above.

(g) Actual Annual Expenditure Figures from Embassies Not Agreeing with those in the Financial Statements: K366,518,176.37

Treasury Instructions of 2004, Section 5.9(b), as read together with Section 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 resources are efficiently and effectively managed.

A review of the financial statements for the Ministry for the year ended 30 June, 2020, particularly statement 4 and the expenditure returns from the Embassies revealed that nine (9) out of twenty-one (21) Embassies submitted their expenditure statements for June 2020 and that there were differences in the Embassies' expenditure figures reported by the Ministry in statement 4 and the actual expenditure returns submitted by the Embassies themselves amounting to K366,518,176.37. This makes the surplus figure of K4,038,708,207.00 stated in the financial statements inaccurate and not reliable. This is contrary to the regulations stated above.

EMBASSY AUDITS

EMBASSY OF THE REPUBLIC OF MALAWI TO ETHIOPIA-ADDIS ABABA

32. An audit inspection of the financial and other information for Embassy of the republic of Malawi to Ethiopia for the year ended 30th June 2016, 2017, 2018, 2019, 2020 & 2021 was completed on 29th October, 2022. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the accompanying management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:

(a) Failure to Prepare Revenue Budgets

Public Finance Management Act (2003), Sections 21 and 22 require the Minister, not less than fourteen days before introducing the Estimates in the National Assembly, prepare and submit to cabinet a statement of anticipated revenue for the forth coming financial year together with a statement of the anticipated budgetary appropriations. Additionally, Treasury Instructions (2004). Section 4.5.1 (preparation of estimates), states that the estimates are the means whereby the Government makes known its financial requirements to the National Assembly through the Minister of Finance at the budget meeting, which is usually held just before the start of the financial year to which the estimates relate. The Estimates comprise of revenue and expenditure on Revenue and Development Accounts.

A review of the Mission's budgets and estimates for all the years under review disclosed that the Mission had not been preparing revenue budgets despite collecting an accumulated amount of K104,580,418.83.

(b) Visa Revenue Not Remitted to The Department Of Immigration And Citizenship Services To Be Deposited Into Account Number

One: K104,580,418.83 and $15,170.00)

Treasury Instruction (2004), Section 2.6(1) (d) requires the Controlling Officer to have all the mechanisms of revenue management in place so that all necessary precautions are taken to safeguard the collection and custody of public money.

An inspection of revenue in respect of issuance of visa stickers revealed that the Mission collected revenue both in local currency but reported in kwacha and in United States dollars amounting to K104,580,418.83 and $15,170.00 respectively but had not been remitted to Government account number one held at the Reserve Bank of Malawi.

(c) Idle Funds Leading To Loss In Value

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

An inspection of general receipts for revenue collected and deposited in local currency the Birr and an analysis of the same revealed that the value of the money is quickly being eroded due to the fast rate at which the Birr is depreciating. A value of $52,567.74 had been lost due to depreciation of the Birr. See the analysis in Table 14 below:—

Table 14 Idle Funds leading to Loss in Value (Addis Ababa-Ethiopia Embassy)

Amount (Birr)	U$ Value(2016)	U$ Value(2021)	Loss in U$ Value
4,047,716.03	144,561.28	91,993.54	52,567.74

(d) Payment Of External Travel Allowance For Malawi Delegates Without Authority: K1,543,543.80

Treasury Instructions (2004), Section 5.16.2.1 stipulates that no officer of a Ministry or Department shall spend or commit public money except with the approval of the Controlling Officer or a properly delegated officer or authorized officer of that Ministry or Department. Section 5.16.2.2 further states that before approving expenditure or incurring a commitment to spend, the delegated or authorized officer must ensure compliance with limitations or conditions attached to the delegated or authorized officer.

An inspection of payment vouchers revealed that the Mission passed payments without authority from Secretary to Treasury amounting to K1,543,543.80 for the Malawi delegates who accompanied the former

President Pro. Arthur P. Mutharika attend the Addis Ababa University commencement /graduation ceremony.

(e) Construction Account Funds Used For Unrelated Expenses: K8,087,582.00

Treasury Instructions (2004), Section 4.14.1 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 shall be in writing and shall be signed personally by the Controlling Officer.

An inspection of payment vouchers disclosed that funds amounting to K8,087,582.00 from the construction dollar account were used for Personal Emoluments whose expenditures did not relate to the construction of any sort.

THE MALAWI EMBASSY IN THE ARAB REPUBLIC OF EGYPT

33. An audit of the financial transactions for the Malawi Embassy in Cairo for the years ended 30 June 2017, 2018, 2019, 2020 and 2021 was completed in October 2021. The audit disclosed some weaknesses in financial control and other related gaps which were detailed in the management report addressed to the Controlling Officer in December, 2021. These weaknesses are presented from paragraph (a) below:

(a) Over expenditure in budget lines: K 179,293,924.69

Treasury Instructions (2004), Section 2.6.1 (f) states that it is the responsibility of Controlling Officers to ensure that there is no over-expenditure or over-commitment of funds and a review is undertaken each month to ensure that there is no such over-expenditure or over-commitment. Public financial regulations require Controlling Officers to seek virement from Secretary to the Treasury whenever deviation from the approved budget becomes inevitable.

An analysis of the budget and actual expenditure for the financial years 2016/17, 2019/20 and 2020/21 revealed that the mission overspent in some expenditure lines without seeking prior authority from Treasury. The total over-expenditure on individual budget lines for the three years totaled K179,293,924.69 and affected budget lines such as salaries for established staff, external travel allowances, entertainment allowance, subsistence allowance, heating and lighting, hiring charges, Freight charges, Airfares and fees, computer expenses and telephone expenses as summarized in table 15 below:

Table 15: Over-expenditure in budget lines- (Cairo, Egypt Embassy)

Year	Provision	Expenditure	Over-expenditure
2016/2017	51,847,276.00	204,822,220.49	-152,974,944.49
2019/2020	6,000,000.00	9,930,137.06	-3,930,137.06
2020/2021	22,448,174.00	44,837,017.14	-22,388,843.14
TOTAL			**-179,293,924.69**

(b) Irregular Transfers Of Funds Between ORT And PE Accounts: K23,940,964.27

The established procedure in foreign missions is that Personal Emoluments (PE) and Other Recurrent Transactions (ORT) are funded separately in designated bank accounts abroad. Among others, the intention is to foster adherence to plans and budgets as appropriated by Parliament. Therefore, it is required that the missions seek prior authority from Treasury before transferring funds from one account to another.

A review of bank statements for ORT and PE accounts revealed that the Mission transferred funds from ORT account to PE account and vice versa without Treasury Authority. The mission transferred funds amounting to K 981,725.05 from ORT account to PE in 2020/2021 financial year and a total of K 22,959, 239.22 from PE account to ORT account in 2018/2019 financial year. There was no evidence that the funds were later refunded to their respective accounts.

(c) Payment Vouchers without Supporting Documents: K134,889,501.98

Treasury Instructions (2004), Section 5.9(b) 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 staff

An inspection of payment vouchers disclosed that payment vouchers totaling K134, 889,501.98 for the following financial years 2020/2021 (73,289,549.08), 2019/2020 (K10,933,333.74), 2018/2019 (K10,940,254.50), 2017/2018 (K22,093,245.46 and 2016/2017 (K17,633,119.20) were submitted for audit without adequate supporting documents such us invoices, claim letters and receipts. Hence, the validity of such payments could not be verified.

EMBASSY OF THE REPUBLIC OF MALAWI TO BERLIN- GERMANY

34. An audit of the financial statements of the Embassy of Berlin- German for the financial year ended 30th June, 2017, 2018, 2019, 2020 and 2021 was completed in October, 2021. The audit disclosed some weaknesses in financial control which were communicated to you in my Management Letter January, 2021. These weaknesses are presented from paragraph (a) below:

(a) Failure To Realize Output Targets For The Achievement Of The Strategic Outcomes

The mission has a Strategic Plan for the period between 2017 and 2022.

A review of the performance information for the Mission for the years between 2017 and 2021 revealed failure by the Mission to realise strategic outputs which would in turn assist the Mission to achieve the strategic outcomes as follows;

Strategic Outcome number 1: Promote Economic Activities Relating To Trade, Tourism and Investments To Secure Sustainable Markets For Malawi's Products, Attract Foreign Direct Investment and Tourists

To Increase awareness of Malawi products the Embassy planned to organise 7 Malawi Business Days by 2019.

A review of the reports and an enquiry with management revealed that for the years under review there were no business days organised as planned.

To facilitate trade for Malawi entrepreneurs and business communities in countries of accreditation through facilitated six visits of Malawian entrepreneurs to countries of accreditation and visits of potential foreign investors to Malawi.

A review of the reports and an enquiry with management revealed that for the years under review there was no evidence of visits of Malawian entrepreneurs to countries of accreditation and visits of potential foreign investors to Malawi organised as planned.

To increased number of tourists from countries of accreditation the Embassy planned to facilitate 6 familiarisation tours for tour operators and travel journalists to Malawi from countries of accreditation

A review of the reports and an enquiry with management revealed that for the years under review there was no evidence of tours for tour operators and travel journalists to Malawi from countries of accreditation organised as planned.

Strategic Outcome number 2: Mobilise external resources in the form of capital and technical assistance to promote amongst others, areas that include education and health

To have agreements in new areas of cooperation, the Embassy planned to arrange bilateral meetings with 7 non-traditional partners.

A review of the reports and an enquiry with management revealed that for the years under review there was no evidence of bilateral meetings with non-traditional partners in the areas of health, education and others organised as planned.

To solicit Training and scholarship opportunities for Malawians, the Embassy Planned to hold bilateral meetings with potential institutions and Governments.

A review of the reports and an enquiry with management revealed that for the years under review there was no evidence of any bilateral meetings with institutions and Governments for the identification of training and scholarship opportunities as planned.

Strategic Outcome number 3: Promote sound and effective socio-economic and political relations with Germany and other countries of accreditation.

To promote cultural exchange programmes and the Embassy planned to establish a Malawian Association and Establish cultural exchange programmes in countries of accreditation.

A review of the reports and an enquiry with management revealed that for the years under review only a grouping of Malawian was formed in Germany but there was no evidence of any cultural exchange programmes in countries of accreditation as planned.

The Embassy aimed at facilitating at least three twinning partnerships between cities in Malawi and from the countries of accreditation.

A review of the reports and an enquiry with management revealed that for the years under review twinning partnerships between cities in Malawi and from the countries of accreditation were not formed as planned.

Compilation of database of Malawians in countries of accreditation Compile and update list of Malawians in Germany, Russia, Poland, Austria and Turkey and in countries of accreditation.

A review of the reports and an enquiry with management revealed that the Embassy did not compile a database of Malawians in countries of accreditation as planned. Only a grouping of Malawian was registered with the Germany Authorities.

(b) Lack Of Title Documents For The Official Residence- Finalization

Of Documents Rejected By The Court

Treasury instructions (2004), Section 5.13.1 requires that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognized as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, assets are safeguarded among others.

An audit of the non-current assets of the Mission revealed that the official residence which is the property on Paul-Krause Strasse 9 and 11, 14129 Berlin Landhaus Nikolassee has no title deeds. The property which is located in Berlin has a building and some free space. The property's price at the time of purchase in November, 2011 was €1,230,000.00.

During the audit it was observed that there were no title documents apart from the purchase agreement. The Embassy's lawyers Rainer Dornheimn Christian Giersch who are handling the change of ownership process of the Official Residence in Berlin on 27th August, 2018 informed the Embassy that the county court of Berlin Schöneberg had, in their sitting of 16th August, 2018, rejected an application by the Malawi Government dated 8 August, 2013 to become owner of the Property, Paul-Krause Str. 9,11 of which the purchase processes were duly concluded by the Malawi Ambassador to Berlin.

(c) Failure To Adhere To Contractual Tenure For Diplomats

Section 4:105 of Book IV of the MPSR stipulates that the length of a normal tour of duty at posts abroad shall be three years regardless of a country to which an officer is posted or accredited to.

A review of contracts for the diplomats established that diplomats were contracted to the Mission for durations of three years. However, it was noted that seven (7) diplomats stayed for periods longer than stipulated in the contracts and regulations even if recalled. The length of the period overstayed ranged from two (2) to six (6) years.

(d) Failure To Deduct 20% Contribution From Diplomats Towards Medical Insurance Bills: K126,341,698.13 (€148,051.41)

Circular No. EA/1/3/06 dated 4th August 2014, requires that members of staff serving in Foreign Missions to contribute 20% of their Medical Insurance bills.

A review of medical expenses revealed that the Embassy paid 100% of health insurance bills for all the diplomats amounting to €148,051.41 which is an equivalent of K126,341,698.13.

(e) Payment Of Entertainment Allowance Which Was Abolished: K19,026,372.17 (Euro 23,200.14)

Circular from the Ministry of Foreign Affairs ref. no. EA/14/1/18 dated 10th January, 2010 paragraph 5.1 states that payment of entertainment allowance to Head of Mission and Deputy Head of Mission as part of salary is abolished. Paragraph 5.2 further directs that instead diplomatic entertaining of official guests and delegation should be charged using hospitality budget allocation of Other Recurrent Transactions (ORT).

An inspection of payment vouchers revealed that between July and September 2018, the Embassy paid the Head of Mission and his deputy entertainment allowances amounting to K19,026,372.17

(f) Payment Vouchers Without Adequate Supporting Documents: K163,050, 095.95 (€201,908.40)

Treasury Instructions (2004), Section 5.9(b) 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 staff.

A review of payment vouchers disclosed that payments totaling to K163, 050, 095.95 (€201,908.40) in respect of salaries, foreign service allowances and house rents were not supported with the relevant supporting documents such as payroll and claim letters.

(g) Double Payment Of Rental Allowance: K12,573,908.20 (€14,000.00)

Diplomats from the position of Deputy Mission Head and below are paid rental allowance to cover for their house rent expenses.

A review of payment vouchers and bank statements for the period under review revealed that part payment of rental allowance for the third quarter of 2018 amounting to K12,573,908.20 (€14,000) was paid twice to Deputy Ambassador, Head of Chancery, and First Secretary Economics.

(h) Ineligible Payment: K53,732,316.25 (€63,806.13)

In a letter dated 20th December 2016, the Secretary for Foreign Affairs Dr. Dalitso Kabambe advised the Ambassador that Mr. Oliver Kumbambe and Herbert Chihana had been deleted from the Foreign Service Allowance payroll effective November 2016. The Embassy was advised to stop paying them with effect from the said month because he was recalled to home service.

Contrary to this directive, Mr. Kumbambe claimed allowances amounting to €63,806.13 in respect of the period he was not being paid until 16th April 2017 when he allegedly concluded his diplomatic service as Deputy Ambassador. The Embassy then paid him the €63,806.13 (K53,732,316.25) through payment voucher no 276 dated 29th January 2019.There was no evidence to indicate that the directive by the Ministry to stop effecting payments to Mr. Kumbambe was reversed.

EMBASSY OF THE REPUBLIC OF MALAWI TO MOZAMBIQUE-MAPUTO

35. An audit of the financial and other information for Embassy of the republic of Malawi to Mozambique for the year ended 30th June 2019, 2020 & 2021 was completed on 28th October, 2022. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the accompanying management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:

(a) Failure to Prepare Procurement Plan For Three Consecutive Years

Public Procurement and Disposal of Public Assets Act (2016), Section 39.1 requires planning of procurements by PDEs to achieve maximum value from both public expenditures and disposal proceedings.

It was observed, however, that the Malawi Mission in Maputo did not prepare a procurement plan for three consecutive years (2019,2020 and 2021). Maximum value from public expenditure was not being achieved in those three years as the Mission could procure items that were not planned for.

(b) Funds Received From Insurance For Damaged Vehicle Not Used For Intended Purpose: K11,324,625.00 (MT871,125)

The Defence Attaches representation car, a KIA Sorento registration number CD 068 M 10 was involved in a fatal accident in 2018.

Funds that the insurance company paid after fatal accident amounting to K11,324,625 (871,125 Meticais) were upon instruction from Secretary for Foreign Affairs in a letter dated 1st August, 2019, deposited into the Mission's Revenue Account. The funds have all since been used for other purposes other than the purpose of replacing the damaged vehicle.

(c) Failure To Maintain A Fixed Asset Register

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.

It was observed that for the three years under audit, the Mission did not maintain a Fixed Asset Register.

(d) Failure By A Diplomat To Adhere To Diplomatic Protocol

Second Secretary-Administration (Mr Symon Kaunda Jnr) who reported for duties at the Malawi Mission in Maputo on 10th May 2015 registered three instead of two vehicles with diplomatic number plates.

At the time of the audit, he had still in his possession three number plates since his recall in November, 2019 as follows: CD68MO11; CD68MO12; CD68MO30. As long as these diplomatic number plates remain in possession of Mr Kaunda, there is a security risk that is posed both to the Malawian and Mozambican governments.

(e) Failure To Maintain Accounting Records

Treasury Instructions (2004), Section 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.

Accountant General's Final Desk Instructions of 2007, Section 18.2(i) states that in terms of Treasury Instruction, each cost centre is required to submit a monthly return of expenditure within two weeks of the following month.

An inquiry with the management of the Embassy and inspection of payment vouchers, loose minutes and bank statements revealed that the Embassy did not maintain cash books, prepare bank reconciliation statements and in some cases expenditure returns.

It was therefore difficult to establish whether the payments made during the period under review were valid, authentic and in line with the approved budgets.

(f) Payments Made Without Raising Payment Vouchers: K424,653,207.00 (US$514,731.16)

Accountant General's Desk Instructions (2007), Section 6 states that a payment voucher is the authority by which a Controlling Officer authorizes the Cashier to pay money from public funds. Payment

Vouchers are the basis for entry of transactions in the accounts and shall be carefully prepared.

An inspection of accounting records for ORT, Deposit and Salaries Accounts and an enquiry with the management revealed that the Embassy processed payments totaling K424,653,207.00 (US$514,731.16) between November, 2019 and June, 2020 without raising payment vouchers. The cheques and funds transfers were merely processed based on loose minutes. It was therefore difficult to establish whether these payments were a proper charge against the public funds.

(g) Irregularly Paid Salary Advances Not Recovered: K71,977,141.50 (US$87,245.02)

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

Public Finance Management Act (2003), Section 10 subsection I (h) and (I) states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources.

An inspection of payment vouchers and bank statements for the period under review revealed that some officers of the embassy took salary advances from the deposit account amounting to K71,977,141.50 (US$87,245.02) without the approval by the Treasury or the knowledge of the Ministry headquarters. These officers include the former Ambassador, H.E. F.E. Viyazyi, Benilde Gove, Joyse Da Conceicao and Mr. Symon Kaunda Jr. However, the officers concerned did not pay back the advances taken between May, 2019 and February, 2021.

(h) Suspicious Payments to Officers: K73,948,116.00 (US$89,634.08)

Public Finance Management Act (2003), Section 10(1h and I), states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources.

An inspection of bank statements revealed that the Embassy paid some officers suspicious and duplicated payments amounting to K73,948,116.00 (US$89,634.08) from ORT and Deposit Accounts. It was difficult to establish the reasons for these payments as there were no payment vouchers. The payments were noted from bank statements.

(i) Revenue Collected But Not Banked: K8,385,858.80 (USD 11,200.00)

Treasury Instructions (2004), Section 5.7.2 calls for all controlling officers to ensure that revenue is collected when due and that it is banked intact and promptly.

An inspection of general receipts and bank statements disclosed that revenue amounting to K8,385,858.80 (USD 11,200) was collected but there was no evidence of it being banked.

(j) Revenue Borrowed By Officers Before Being Banked: K10,657,524.15 (USD 14,565.00)

Treasury Instructions (2004) Section 5.7.2 calls for all Controlling officers to ensure that revenue collected when it is due and have it banked intact and promptly.

An inspection of general receipts, bank statements and an enquiry from the accounts clerk at the Maputo Embassy, revealed that revenue amounting to K10,657,524.15 (USD 14,565.00) delayed in being deposited because officers 'borrowed' it upon collection and was deposited into the account much later.

(k) Revenue Borrowed By Officers And Not Repaid: K4,744,148.50 (USD 6,350.00)

Treasury Instructions (2004) Section 5.7.2 calls for all Controlling officers to ensure that revenue collected when it is due and have it banked intact and promptly.

An inspection of general receipts, bank statements and an enquiry from the accounts clerk at the Maputo Embassy revealed that revenue amounting to K4,744,148.50 (USD 6,350.00) was collected and borrowed by officers at source but it was not paid back.

(l) Funds Borrowed From The Revenue Account and Not Paid Back: K9,017,617.70 (USD 12,070.00)

Treasury Instructions (2004), Section 5.7.3.7 states that money paid into any designated bank account is public money, and is not to be removed except as provided by the Constitution or the PFM Act.

An inspection of the bank statement and cheque book revealed that funds amounting to K9,017,617.70 (USD 12,070.00) were borrowed by officers from the revenue account without authority and was not paid back.

(m) Revenue Spent Without Authorization From The Secretary To The Treasury: K46,476,181.52 (USD 62,207.95)

Treasury Instructions (2004), Section 5.7.3.7 states that money paid into any designated bank account is public money, and is not to be removed except as provided by the Constitution or the PFM Act.

An inspection of payment vouchers, bank statement and cheque book revealed that revenue amounting to K46,476,181.52 (USD 62,207.95) was spent on operational expenses from the revenue account without authority from the Secretary to the Treasury.

(n) Funds Transferred From Tete Consulate Without Authority: K15,315,755.00 (USD 20,500.00)

Treasury Instructions (2004), Section 5.7.3.7 states that money paid into any designated bank account is public money, and is not to be removed except as provided by the Constitution or the Public Finance Management Act.

An inspection of the correspondence between Maputo Embassy and Tete Consulate and the bank transfer authorizations which were signed by Mr. Steven Mwenye and Loveson Mwai Zeleza dated 16th September, 2020, 3rd November, 2020 and 4th November, 2020 revealed that revenue amounting to K15,315,755.00 (USD 20,500) was transferred from Malawi Consulate Deposit Account-2116779752041 to Maputo Embassy Revenue Account-1100161001005 without authority from the Secretary to the Treasury.

(o) Failure To Account for Repatriation funds of stranded Malawians in Transit To South Africa: K41,516,902.70 ($55,570.00)

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

An inspection of communications between the Secretary to the Treasury and the Secretary of Foreign Affairs dated 14th August, 2020 which was copied to Malawi Mission, Maputo revealed that the Secretary to the Treasury authorized the Maputo Embassy through the Secretary of Foreign Affairs and International Cooperation to use money amounting to K41,516,902.70 ($55,570.00) from the Visa Revenue Account to facilitate repatriation of stranded Malawian nationals. Enquiries were made from the liaison officer who was responsible for operations and the Accounts Assistance who revealed that indeed the money was spent but failed to provide documents for review.

MALAWI HIGH COMMISSION TO NAIROBI – KENYA

36. An audit inspection of the financial and other information for the Malawi High Commission Nairobi – Kenya for the years ended 30 June 2019, 2020 and 2021 was completed on 4th November, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the accompanying Management Report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:

(a) Failure To Implement Planned Activities

The Strategic Plan for the Malawi High Commission in Nairobi, 2016–2021, was formulated to achieve six strategic outcomes during the period of implementation. The strategic outcomes included Sustained Development which would be achieved through, among other strategic outputs, Trade, Investment and Tourism (TIT).

The initiative is appropriately supported by a Circular Ref. No. EA/ADM/5/70 dated 21st January, 2021 from the Secretary for Foreign Affairs to all missions abroad titled '*Request for monthly reports from trade representatives from our missions*'. The directive emphasized that the thrust of the Malawi Foreign Policy was development diplomacy. In this regard, the Ministry required all missions to submit a stand-alone monthly report on Trade and Investment activities which would be shared with Ministry of Trade.

In view of the foregoing, the Mission's output targets for each of the three financial years under review were, among others, as follows:

- 4 local and international TIT fairs attended
- 1 annual TIT fair hosted at the Malawi Cultural Centre
- 2 TIT missions facilitated
- Minimum of 4 prospective investors and businesses identified and facilitated
- Minimum of 4 B2B meetings facilitated

However, a review of the Mission's monthly activity reports revealed that the planned activities were not implemented.

(b) Liquidation Documents Not Provided for Audit: K28,630,951.83

Treasury Instruction (2004), Section 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 readily accessibility upon request by Ministry of Finance and National Audit Office Staff.

An inspection of payment vouchers revealed that funds amounting to K28,630,951.83 were paid to individual officers but no liquidation documents relating to the funds were submitted for audit.

(c) Stalled renovations at High Commissioner's residence

The High Commission received development funds amounting to USD89,190.55 and USD97,935.85 on 16th July, 2019 and 24th November, 2020 respectively. The total funding amounted to USD187,126.40 an equivalent of K184,028,025.00 for renovation of the High Commissioner's residence; L.R. NO. 27/95 Ridgeways Estate. The residence had become inhabitable due to the long period it stayed without being occupied after the closure of the Mission.

The Mission started the procurement process for renovations to the effect that between 27 February and 5 March, 2020, funds amounting to USD 6,317.38 equivalent to K4,698,938.63 were spent on tender advertisement and bid documents.

However, the Ministry of Foreign Affairs, through letter Ref. No. EA/PROC/6, advised the Mission to stop the procurement process for not engaging the Director of Buildings in Design, Structural Drawings, and Bill of Quantities for the construction. The Stop Order resulted in stalled renovations of the High Commissioner's residence with the remaining development funds amounting to USD 180,809.02 unused.

An inspection of payment records for the period under review, revealed that the Mission paid rent amounting to K114,320,708.00 (USD 169,900.47) for the High Commissioner's rented residence; Nairobi/Block 112/376 Runda – Nairobi, since the official residence of the High Commissioner remained unoccupied.

MINISTRY OF ECONOMIC PLANNING, DEVELOPMENT AND PUBLIC SECTOR REFORMS

37. An audit inspection of the financial and other information for Ministry of Economic Planning Development and Public Sector Reforms for the year ended 30th June, 2021 was completed in December, 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Economic Planning, Development and Public Sector Reforms.

Overall Performance on the Recurrent Budget

Ministry of Economic Planning, Development and Public Sector Reforms' approved recurrent budget was K1,433,247,729.00 and was revised upwards to K1,091,979,457.00. The funds allocated were K1,091,979,455.00 and the actual out-turn was K1,024,369,031.62 representing 93.8% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K1,000,000,000 and revised downwards to K983,000,001.00. The actual expenditure was K927,030,962.57 representing 94.3% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the Ministry of Economic Planning, Development and Public Sector Reforms for the year ended 30th June, 2021.

(a) Procurements Not In Procurement Plan: K70,636,270.39

Public Procurement and Disposal of Public Assets Act (2016), Section 39(1) stipulates that procuring and disposing entities shall plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in this Act.

It was noted, however, that the Ministry procured items amounting to K70,636,270.3939 which were not in the procurement plan.

(b) Failure To Appoint An Ad-hoc Evaluation Committee: K10,174,354.64

Public Procurement and Disposal of Public Assets Act (2016), Section 28(1) states that the Internal Procurement and Disposal Committee shall appoint an ad-hoc evaluation team whenever there is a procurement or disposal proceeding, (2) An ad hoc evaluation team• shall have maximum of five members, comprising:

(a) the head or representative of the procurement and disposal unit who shall be the secretary;

(b) member from the user or disposing department; and

(c) three non-Internal Procurement and Disposal Committee members who have technical knowledge of the procurement or disposal bids to be evaluated

A review of the IPDC minutes revealed that the internal procurement and disposal committee conducted bid evaluation for procurements amounting to K10,174,354.64 instead of an ad-hoc evaluation committee.

THE ACCOUNTANT GENERAL'S DEPARTMENT

38. An audit inspection of the financial and other information for The Accountant General's Department for the year ended 30th June, 2021 was completed in December, 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Accountant General's Department.

Overall Performance on the Recurrent Budget

The Accountant General's Department approved recurrent budget was K8,859,016,455.00 and was revised upwards to K14,659,310,619.46. The actual out-turn was K12,841,552,399.30 representing 87.6% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K2, 600,000,000.00 and was revised upwards to K4,844,800,000.78.00. The actual expenditure was K4,801,845,546.31 representing 99.11% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the Accountant General's Department for the year ended 30th June, 2021.

(a) Failure To Monitor And Manage Government Bank Accounts

Treasury Instructions (2004) Section 5.7.1 states that the Accountant General is responsible for establishing systems, procedures, processes and training thereof and awareness programmes to ensure efficient and effective banking and cash management.

The Government of Malawi (GoM) holds at least 554 active bank accounts in Malawi Kwacha currency with the Reserve Bank of

Malawi, with the main GoM account being the Malawi Government Account number 1. This account receives funding from the Malawi Revenue Authority as well as from international donors and subsequently transfers these funds to various accounts including the Development, Recurrent, Statutory, Deposit and Advances Accounts. The funds in these five accounts are used to pay the recurrent and capital development expenditure for the various Ministries, Departments and bodies of the GoM. There are also 169 dormant bank accounts and 525 closed bank accounts.

Accountant General is mandated to manage and monitor all the bank accounts related to the Government of Malawi. However, upon reviewing an excel list of these bank accounts, it was noted that most important details were incomplete. For example, there were no details of bank account signatories, purpose of bank accounts, opening and closing balances of such bank accounts, among other things. Additionally, for the dormant and closed bank accounts, further details were not provided as to why the bank accounts were dormant or closed. As such, it was difficult to validate the bank accounts and their corresponding details.

(b) Late Submission Of The Financial Reports To The Auditor General

Circular reference number T4400 dated 3rd August, 2021 issued by the Accountant General, required MDAs to submit Financial Statements by 15th September, 2021. The Financial statements were to include Statement of Financial Position, Statement of Changes in Net Financial Assets, Statement of Cash Receipts and Payments, Statement of Comparison between Budget and Actual and Notes to the Financial Statements.

It was observed that the financial statements were sent to the Auditor General for audit beyond the due date of 15th October 2021. For example, the financial statements for vote 271 (Accountant General Proper) were submitted on 30th November 2021.

(c) Failure To Reconcile Commercial Bank Loans: K2,260,128,875.00

Accountant General's Desk Instructions (2007) Section 9.16, provides that it is mandatory that loans/advances (including interest) are reconciled monthly.

The Government of Malawi entered into an agreement with commercial banks to assist civil servants and Members of Parliament to obtain loans at a reduced rate of interest than the ruling commercial rate. The government subsidizes by paying the difference between the commercial lending rate and the subsidized rate.

An inspection of records revealed that the Department did not perform any periodic reconciliations on the loans to public servants and interest payments to banks so as to be clear on how much interest should be paid to each bank monthly and also to ensure that the interest is being paid for bona fide public servants. In the year under review, available records show that the unreconciled loan amount was K2, 260,128,875.00.

(d) Non-Reconciliation Of Advance Interest Revenue: K32,608,071.98

Accountant General's Desk Instructions (2007) Section 9.16, states that it is mandatory that loans/advances (including interest) are reconciled monthly. An advance is a sum of money granted to government employees, Treasury or Trust fund, Statutory Body or to another Government for a specific purpose. The advance is required to be paid over a specific period with or without interest. Advance payments are not in the nature of final expenditure of the Government and do not require to be voted annually by the National Assembly. For this reason, transactions are not classified under budgetary accounts but are recorded in below the line Accounts authorized by the Treasury. In the case of the officers paid through the computer payroll, recoveries shall be effected through the Salary Change Sheet and shall appear as a deduction on their pay slip. The Accountant General shall forward monthly computer tabulations of transactions on advance accounts pertaining to each Ministry/Department. The tabulations shall be checked with the Advances Ledger to see if all debits on the tabulation (advances paid) have been recorded in the register and all credits on the tabulations (amounts recovered) have been recorded correctly in the individual accounts. A reconciliation statement shall be prepared monthly.

A review of advances documentation at the Accountant General's Department indicated that the department did not conduct reconciliations of advance interest revenue amounting to K32,608,071.98 in the year under review.

(e) Lack Of Follow Up On Unreconciled Transactions: K599,048,320.09

Accountant General's Desk Instructions (2007) Section 12.6 on bank reconciliation follow-up action, states that after the bank reconciliation statement is prepared, it is necessary that adjustments required are promptly made for correcting errors and omissions revealed by the Reconciliation Statement.

It was noted that some positive work had been undertaken in relation to bank reconciliation on consolidated accounts. However, this had been undermined by a lack of follow up and investigation of unreconciled transactions. For consolidated advances account the unreconciled amount totaled K599,048,320.09.

ROADS FUND ADMINISTRATION

MZUZU – NKHATA BAY ROAD REHABILITATION PROJECT

39. An audit of the Financial Statement and other information for the period ended 30th June, 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below:

(a) Failure to Produce Activity Reports for Activities Undertaken: K28,405,661.06

Government Circular Reference Number 15/15/7 dated 18th December, 2015 from the Chief Secretary states that in line with travel policy, each officer who is paid subsistence allowances must submit a report to the Controlling Officer indicating among other aspects, where she/he travelled to, the purpose of the trip, the institutions/persons consulted and benefits of the trip to the Ministry/Department or council.

An inspection of payment vouchers and cashbook disclosed that payments amounting to K28,405,661.06 paid for various activities were not substantiated by activity reports.

NATIONAL STATISTICS OFFICE

40. An audit inspection of the financial and other information for National Statistical Office for the year ended 30 June 2021 was completed in November, 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of National Statistical Office.

Overall Performance on the Recurrent Budget

National Statistical Office's approved recurrent budget was K855,394,165.00 and was revised downwards to K850,993,655.00. The funds allocated were K850,907,183.00 and the actual out-turn was MK849,261,555.00 representing 99.80% utilization of the revised budget.

Audit Opinion

I issued unqualified audit opinion on the Financial Statements of National Statistical Office for the year ended 30th June, 2021.

(a) Failure to Have Annual Performance Agreements

Malawi Public Service Regulations (2015) Paragraph 69 (1) states that annual performance appraisal shall be done at the end of the appraisal year, and shall involve an assessment of achievement of agreed objectives, and personal attributes demonstrated throughout the year, and a final rating of performance shall be determined.

It was noted that NSO did not enter into annual performance agreements with its staff in the year 2020 / 2021 for the purpose of monitoring performance. This situation makes it difficult to identify staff who are performers for recognition, promotions and human resource development.

MINISTRY OF HEALTH

41. A Compliance Audit of the Ministry of Health for the year ended 30 June 2021 was completed in December, 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a).

The financial statements for the Ministry of Health are audited by a private audit firm. It has been noted that the audit is in arrears for four (4) years. This is of great concern.

(a) Incomplete Fixed Assets Register

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

An inspection of the fixed assets registers for the Ministry of Health and Population revealed that the asset registers were not properly maintained since it had no values on a numbers of assets.

(b) Failure to Board off Worn Out Assets

Public Procurement and Disposal of Public Assets Act (2016), Section 39 (1) state among other things that Procuring and disposing entities shall plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in this Act.

It was observed, that the Ministry had several worn out assets which needed to be disposed of. This issue was also raised in the previous report but at the time of writing the report, the assets in question had not yet been disposed of.

(c) Failure to Deduct 1% PPDA Levy: K5,705,109.82

Circular Ref. No PPDA/01/22 dated 26th October, 2020 titled “Payment of Procurement Levy by Procuring and Disposing Entities” states that according to Section 16 of the Public Procurement and Disposal of Public Assets (PPDA) Act 2017 as read together with regulation 7 of the Public Procurement Regulation 2020 (PPR 2020) its mandatory for every procuring and disposing entity (PDE) carrying out procurement proceedings to pay a 1% procurement levy to the Public Procurement and Disposal of Assets Authority (PPDA) on all procurements except procurement of consumables and utilities.

A review of procurement records disclosed that management failed to deduct 1% procurement levy on procurements made amounting to K5,705,109,822.00 Therefore, the total amount which was supposed to be deducted as procurement levy was K5,705,109.82.

THE SOUTHERN AFRICA TUBERCULOSIS AND HEALTH SYSTEM SUPPORT PROJECT

42. An audit of the Financial Statement and other information for SATHSS Project implemented by Ministry of Health for the period ended 31st December, 2020 was completed in July, 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below:

(a) Payment Vouchers Without Adequate Supporting Documents: K10,399,166.00

Treasury Instructions (2004) Section 5.9(a), states that Controlling Officers shall ensure that proper accounting records are maintained to support all financial and related transactions and that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff. Additionally, Circular for harmonized daily subsistence allowances referenced PRO/300/RC dated 26th June, 2018, states that participation in an event shall be evidenced through signature of attendance sheets.

An inspection of project transactions revealed that payment vouchers amounting to K10,399,166.00 were not supported with adequate documents such as receipts and attendance registers.

(b) Award Of Contracts To Supplier Not Registered With Public Procurement And Disposal of Assets Authority (PPDA)

Public Procurement and Disposal of Public Assets Act (2017), Section 53 states that in order to enter into a procuring contract a bidder shall qualify by meeting the criteria the procuring and disposing entity considers appropriate.

A review of procurement transactions revealed that the project awarded contracts for supply of goods and services to suppliers who were not on the list of approved suppliers of goods and services for the year 2020/2021 by the PPDA.

(c) Payments for Accommodation And Conference Facilities Without Appropriate Supporting Documents: K10,628,883

Accountant General's Desk Instructions 7.3.2 requires that before payment is made, payment vouchers should be checked to among others ensure that supporting documents such as original invoice and duplicate copy of LPO are attached.

An inspection of project transactions revealed that payment vouchers amounting to K10,628,883 were made basing on quotations. There were no invoices attached to the payment vouchers to reflect the actual costs incurred for the activities.

MINISTRY OF GENDER, COMMUNITY DEVELOPMENT AND SOCIAL WELFARE

MAGOMERO COMMUNITY DEVELOPMENT COLLEGE

43. An audit of the financial and other information for Magomero Community College for the year ended 30th June 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letters dated December 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:

Overall Performance on the Recurrent Budget

Magomero Community Development College's approved recurrent budget was K101,550,047.00 and was revised downwards to K68,498,719.00 and the actual out-turn was K63,955,439.43 representing 93.37% utilization of the revised budget.

(a) Failure To Maintain Fixed Assets Register

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.

It was established during the audit that Magomero Community Development College did not have a fixed asset register in which to record assets purchased and donated such as Land and Buildings, Plant and equipment, Motor Vehicles, Office Equipment, Kitchen Equipment and Lab Equipment, among other Fixed Assets.

(b) Under-Collection Of Revenue: MK62,567,000.00

Accountant General's Desk Instructions (2007) Section 15.6.1 states that the approved budget estimate gives the total amount to be collected in the year in respect of each revenue vote/item.

Magomero Community Development Centre budgeted to enrol 341 students (166 generic and 175 non-generic students), and estimated to collect K216, 220,000.00 from fees. According to the records presented for inspection, the fees structure for generic and non-generic students was K550,000.00, which included tuition, boarding and practicals. Tuition fees for generic and non-generic was budgeted at K120, 000.00 and K50, 000.00 respectively.

A review of general receipts, bank statements and revenue records revealed that actual total collection for tuition and boarding fees was MK153,653,000.00 (i.e MK62,050,500.00 for tuition and MK91,602,500.00 for boarding), indicating that there was under collection of revenue by MK62,567,000.00.

INVESTING IN EARLY YEARS OF GROWTH PROJECT (IEYP)

44. An audit of the financial and other information for Investing in Early Years of Growth Project (IEYP) for the year ended 30th June, 2021 was completed in December 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below:

(a) Slow Progress Of Construction Works

Treasury Instruction (2004), Section 5.13.1 subsection (g) and (h) states that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognised as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objectives are met- resources are employed and managed in an effective, economic and efficient manner and there is no waste or extravagance respectively.

An inspection of construction works of Community Based Child Care Centres (CBCCs) under IEY Project in various districts revealed that there was unsatisfactory progress of construction works in Rumphi, Chikwawa and Ntcheu. The duration of contracts was from January to December, 2021. However, as of the time of audit inspection visit in November, 2021, there was little progress at the project sites. The table 16 below has the details.

Table 16: Slow progress of CBCC construction works-(IEYP-Magomero)

CBCC	Contract Amount (K)	Contractor	Physical Progress	Contract Period
Rumphi	533,690,850.00	GT & AB Construction Company	32%	8 5 %
Chikwawa	346,636,749.38	Kajala Construction Company	29%	8 5 %
Ntcheu	303,113,301.75	Sanga Civil Contractors	29%	85%

MINISTRY OF INFORMATION

45. An audit inspection of the financial transactions for the Ministry of Information for the year ended 30 June 2021 was completed in November 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Information.

Overall Performance on the Recurrent Budget

Ministry of Information's approved recurrent budget was K2,505,015,678.00 and was revised upwards to K2,746,858,695.00. and the actual out-turn was K2,673,947,233.04 representing 97.35% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K13,257,356,400.00 and was revised upwards to K13,881,663,000.00. The actual expenditure was K2,358,872,647.00 representing 16.99% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Ministry of Information for the year ended 30th June, 2021.

(a) Late Submission Of Financial Statements

Circular reference number T4400 dated 3rd August, 2021 issued by the Accountant General, required MDAs to submit Financial Statements by 15th September, 2021. The Financial statements were to include Statement of Financial Position, Statement of Changes in Net Financial Assets, Statement of Cash Receipts and Payments, Statement of Comparison between Budget and Actual and Notes to the Financial Statements.

However, financial statements for the year ended 30th June, 2021 were submitted in 14th January 2022 instead of 15th September, 2021 as required by regulations. This delayed the whole process in the delivery of the end product (Audit report).

(b) Payment Vouchers Not Submitted For Audit: K61,094,231.69

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

An inspection of financial records revealed that payment vouchers amounting K61,094,231.69 were not produced for audit. It was difficult to ascertain the authenticity and propriety of the payments made.

(c) Payment of Subsistence Allowances Not Supported With Activity Reports: K55,120,000.00

Government Circular Reference Number 15/15/7 dated 18th December, 2015 from the Chief Secretary states that in line with travel policy, each officer who is paid subsistence allowances must submit a report to the Controlling Officer indicating among other aspects, where she/he travelled to, the purpose of the trip, the institutions/persons consulted and benefits of the trip to the Ministry/Department.

An inspection of payment vouchers and authority to leave duty station forms revealed that the Ministry paid subsistence allowances amounting to K55,120,000.00 in respect of various activities which were not substantiated by activity reports.

MINISTRY OF TRANSPORT AND PUBLIC WORKS

46. An audit of the financial and other information for Ministry of Transport and Public Works for the year ended 30th June, 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in a management letter which was issued to the Controlling Officer. These weaknesses and gaps are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Transport and Public Works.

Overall Performance On The Recurrent Budget

Ministry of Transport and Public Works' approved recurrent budget was K5,726,714,401.45 and was revised downwards to K5,677,557,090.66 and the actual out-turn was K5,607,739,813.73 representing 98.77% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K8,300,000,000.00 and was maintained at K8,300,000,000.00 with the actual expenditure of K1,168,586,199.16 resulting in 14.08% utilization of budget.

Audit Opinion

I issued a qualified opinion on the Financial Statements of the Ministry of Transport and Public Works for the year ended 30th June, 2021.

(a) Payment of Allowances Not Supported With Activity Reports: K77,757,120.00

Government Circular Reference Number 15/15/7 dated 18th December, 2015, from the Chief Secretary states that in line with travel policy, each officer who is paid subsistence allowances must submit a report to the Controlling Officer indicating among other aspects, where she/he travelled to, the purpose of the trip, the institutions/persons consulted and benefits of the trip to the Ministry/Department or Agency. This must be done within one (1) week after each official trip.

An inspection of payment vouchers and authority to leave duty station forms revealed that the Ministry paid subsistence allowances amounting to K77,757,120.00 in respect of various activities without supporting them with activity reports.

(b) Failure To Provide Documents For Audit Inspection

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

It was observed, however, after enquiries from management that they failed to provide the Security document register, details of procured and used general receipt books, Strategic plan and Procurement plan.

(c) Payments Without Supporting Documents: K100,539,195.47

Treasury Instructions (2004) Section 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 inspection of payment vouchers revealed that payment vouchers totaling K100,539,195.47 were submitted for audit review without supporting documents such as receipts and delivery notes. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge against public funds.

THE DIRECTORATE OF ROAD TRAFFIC AND SAFETY SERVICES (NORTH)

47. An audit inspection of the financial and other information for The Directorate of Road Traffic and Safety Services (North) for the year ended 30th June, 2021 was completed on 8th November, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the accompanying management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below

(a) Failure To Maintain A Fixed Asset Register

The circular on assets 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.

Enquiries from management revealed that the department does not maintain a fixed assets register for all the assets that the department has.

REGIONAL ROAD TRAFFIC AND SAFETY SERVICES (SOUTH)

48. An audit of the financial and other information for Regional Road Traffic and Safety Services (South) for the year ended June 2021 was completed on 15th September, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated November, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below):

(a) Failure To Produce Management Reports In Malawi Traffic Information System(MalTIS)

Treasury Instruction number (2004), Section 5.11.4 (d) states that the Secretary to the Treasury may approve that a Ministry operates its own financial management information system (other than the centralized one) if he is satisfied that the new system is capable of capturing and reporting all information required under these Instructions or any other instructions issued by the Ministry of Finance.

A walk through into the Malawi Traffic Information System (MALTIS) with a view of appreciating its operations in relation to functionality of reporting modules disclosed that the system was not generating management reports. As such, there was lack of information support for decision making.

(b) Payments Above K1,000 Made By Cash: K174,722,000.00

Treasury Instructions number (2004), Section 5.19.3 of states that wherever possible all payments must be made by cheque or direct debit to a bank account. However, payments of K1,000 or less may be made in cash from the standing imprest depending on prevailing circumstances. Further to that, Circular number ST/S7 dated 10th December, 2010 requires that following the numerous challenges faced by Government in making cash payments to its employees, an approval was granted from the Office of President and Cabinet to stop making cash payments (For Staff) with effect from 1st February, 2011. This relates to any payment, be it salaries, all types of allowances, leave grants, refunds etc.

An inspection of payments for the period under review disclosed that payments amounting to K174,722,000.00 were cashed 'for staff' instead of being deposited into employee's bank accounts.

(c) Allowances Paid Without Loose Minutes And Authority To Leave Duty Station Forms: K158,430,000.00

Treasury Instruction (2004), Section 5.13.1 subsection (g) and (h) states that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognised as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objectives are met- resources are employed and managed in an effective, economic and efficient manner and there is no waste or extravagance respectively.

An inspection of payment vouchers disclosed that the Office paid K158,430,000.00 in respect of subsistence allowance without loose minutes and Authority To Leave Duty Station Forms.

(d) Long Overdue Interdiction Order With No Apparent Solution

Malawi Public Service Regulation number 40 (1) of 2015 states that a civil servant may, on the direction of the appropriate Service Commission be dismissed from his or her employment if he or she has been found guilty of an act of misconduct after a fair hearing accorded to him or her under the provision of Chapter XXI of these regulations or having been convicted by a competent court following criminal proceedings.

An inspection of personal files and general correspondences disclosed an overdue interdiction order without pay for Mr Peter Makiyi, on allegations of stealing security paper.

Mr Makiyi was recruited as a data preparation clerk on 1st August, 1997 through the ministry of information and later posted to Regional Road Traffic (South) on 9th May, 2007.

The details of the matter are that, on 19th January 2009, the officer was picked while on duty in his office (Scanning Room) at Regional Road Traffic Offices (South) by Police officers who used Road Traffic Directorate vehicle to his house in Bangwe; claiming they needed to search his house for Job-related documents and later to Blantyre police station where he was on remand for 4 hours before he was transferred to Lilongwe Police Station without notifying him the reason for his arrest, but was later released on bail on 22nd January 2009 and was notified of his interdiction which was overdue as at the date audit. If that was a criminal act or case; the officer should have been dismissed rather than just being left in the cold without attention and denied of his rights to be heard.

SOUTHERN AFRICA TRADE AND TRANSPORT FACILITATION PROJECT AND NACALA ROAD CORRIDOR PROJECT PHASE IV

49. An audit of the financial and other information for Southern African Trade and Transport Facilitation Project (SATTFP) and Nacala Road Corridor Project Phase IV for the year ended 30th June, 2021 was completed in December 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) and below:

(a) Defects In The Karonga - Songwe Road Not Cured: US$25,276,053.00

Treasury Instruction (2004), Section 5.13.1 subsection (g) and (h) states that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognised as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objectives are met- resources are employed and managed in an effective, economic and efficient manner and there is no waste or extravagance respectively.

One of the planned activities for the Southern Africa Trade and Transport Facilitation Project was the rehabilitation of 46 km of Karonga to Songwe section of M1 road at a contract sum of US$25, 276,053.00.

An inspection on the road conducted in September, 2021, observed that the defects that the road had developed were yet to be cured. The defects were in relation to failure to construct the road according to standards and this led to development of potholes in many sections of the road and longitudinal cracks.

NACALA ROAD CORRIDOR PROJECT PHASE IV

(a) Contract with Project Technical Assistant in Foreign Currency: US$64,800

Exchange Control Regulations (2006), Section 2 states that except with the permission from the Minister of Finance, no person shall:

a. quote or accept quotations of prices for payment in foreign currency, or

b. demand or make payment in foreign currency, for goods or services sold or provided in Malawi

A review of contracts with project personnel revealed that the contract for Technical Assistant Consultancy Services was quoted in foreign currency at US$64,800 for the period from 1st January, 2021 to 30th June, 2022.

MINISTRY OF HOMELAND SECURITY

50. An audit of the financial and other information for Ministry of Homeland Security for the year ended 30th June, 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the accompanying management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Homeland Security.

Overall Performance On The Recurrent Budget

Ministry of Homeland Security's approved recurrent budget was K6,137,522,775.00 and was revised upwards to K11,906,613,940.00 and the actual out-turn was K11,100,261,498, representing 93.23% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K1,600,000,000.00 and was revised downwards to K1,406,945,627.00. The actual expenditure was K1,376,273,103.00, representing 97.82% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Ministry of Homeland Security for the year ended 30th June, 2021.

(a) Underutilization Of Funds: K806,352,442.00.

The Ministry failed to achieve some of its targeted activities, which included, finalization of the Migration Policy, Strategic Development Plan and review and formulation of Drug Control Policy, due to inadequate resources.

However, an examination of financial records and performance information highlighted in the financial statements disclosed funds not spent amounting to K806,352,442.00.

MALAWI POLICE SERVICE

51. An audit inspection of the financial and other information for the Malawi Police Service for the year ended 30th June, 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Malawi Police Services.

Overall Performance On The Recurrent Budget

Malawi Police Service's approved recurrent budget was K59,615,609,106 and was revised upwards to K66,084,029,791. The funds allocated were K66,476,535,495.10 and the actual out-turn was K65,614,398,830 representing 98.7% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was at K500,000,000.00 and revised to K1,000,000,000.00. The actual expenditure was K986,802,744 representing 98.68% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Malawi Police Service for the year ended 30th June, 2021.

(a) Failure To Maintain Annual Work Plan

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

During the audit, it was revealed that the Department of Malawi Police Service did not have an annual work plan for the year end 30th June 2021. This proved difficult for the auditors to compare the achievements against the planned activities during the year under review.

(b) Failure to Maintain a Procurement and Disposal of Assets Plan: K22,000,000,000

Public Procurement and Disposal of Public Assets Act (2017), Section 39.1 requires procuring and disposing entities to plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in the Act.

The audit established that the Department of Malawi Police Service did not prepare a procurement and disposal of assets plan for the year ended 30th June 2021. Procurements made without plan during the year under review amounted to MK22,000,000,000.

(c) Poor Contract Management for Automatic Finger Identification System: K294,602,499.68

Public Procurement and Disposal of Public Assets Act (2017), Section 51 stipulates that a procuring and disposing entity shall be responsible for administration of procurement contracts into which they enter and to that end, they shall establish procedures for contract administration and provide the necessary material and human resources for their implementation.

However, the records presented during the audit revealed that in 2011, the department of Malawi Police Service acquired an Automated Finger Identification System (AFIS) from Techno Brain and had been in use for five (5) years without signing any procurement contract with the supplier until 2017. In 2018, the system started malfunctioning, which led the Department to seek assistance from the suppler of AFIS, Techno brain, where the supplier failed to assist as there was no procurement contract drawn between the two parties at the time of procuring the system.

In order to rectify this problem, Malawi Police Service wrote the PPDA for 'no objection' to use 'single source method of procurement which was granted. As a result, Contract No: MPS/PU/13/11/2019 was signed between Techno brain and Republic of Malawi through the Malawi Police Service with a contract amount of K294,602,499.68 on 8th June 2020.

(d) Failure to Maintain a Fixed Asset Register

Treasury Instructions (2004), Section 5.16.1 requires every Controlling Officer to ensure that internal controls exist within the

Department or Ministry to ensure that all assets are recorded and safeguarded against loss, destruction or unauthorized use. In addition, the circular on assets 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.

However, it was noted during the audit that the Department of Malawi Service did not maintain a Fixed Asset Register for its equipment and other valuable assets.

(e) Noncompliance With Framework Agreement Regulations K514,955,622.02

Public Procurement and Disposal of Public Assets Act (2017), Section 61 (1) states that a procuring and disposing entity may engage in a framework agreement procedure, as prescribed under the agreements regulations.

An inspection of procurement records revealed that Malawi Police Service was given a threshold of K80 million for Request For Quotation (RFQ) method of procurement on routine procurements. For any procurement above this, a framework agreement was to be sought. However, some of the routine procurements were done without any framework agreement with any supplier besides being above the routine procurement threshold for the Department

The department procured drugs amounting to K146,983,474.83 from several pharmaceutical companies and ration from Sana Cash and Carry amounting to K367,972,147.19 without any framework agreement with these suppliers. The total amount was K514,955,622.02.

(f) Goods Procured But not Delivered: K78,227,807.25

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

According to the records reviewed during the audit, it was revealed that some building materials under Development part II funding were never delivered despite payments being made to the suppliers. This is according to a report by the Inspector General named 2020-2021 Rehabilitation of Staff Houses and Offices Progress Report dated 04th November 2021.

REGIONAL POLICE HEADQUARTERS-NORTH

52. An audit of the financial and other information for the Regional Police Headquarters (North) for the year ended 30th June, 2021 was completed in November, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the accompanying management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:

(a) Revenue Used at Source: K73,599,115.87

Treasury Instructions (2004), Section 5.7.3.5 states that all public moneys shall be paid into Government bank accounts designated by the Secretary to the Treasury for that purpose and these accounts shall form part of the Consolidated Fund.

An inspection of general receipts and bank deposit slips revealed that Northern Region Police Headquarters collected revenue amounting to K95,191,855.35 out of which K21,592,739.48 was banked leaving a balance of K73,599,115.87 which was used at source.

(b) Payment Vouchers Not Presented For Audit Inspection: K24,454,981.68

Public Audit Act, Section 7(1) (a) of 2018 (Amended) empowers the Auditor General and 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 inspection of payment vouchers along with the itemized expenditure information from the Regional Treasury disclosed that payment vouchers amounting to K 24,454,981.68 were not produced for inspection. As a result, the propriety of the expenditures in question could not be ascertained.

(c) Failure to Record Motor Vehicle Spare Parts: K12,056,017.05

Treasury Instructions (2004) Section 11.7.1.2, among other things, requires that receipts and issues of all stores be recorded in the store's ledger for proper accountability.

An inspection of payment vouchers, delivery notes, invoices and the stores ledger disclosed that motor vehicle spare parts purchased amounting to K12,056,017.05 could not be traced through the ledgers to respective motor vehicle log books. As a result, the disposal of the items in question could not be ascertained.

EASTERN REGION POLICE HEADQUARTERS

53. An audit of the financial and other information for Eastern Region Police Headquarters for the year ended 30th June 2021 was completed in October, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated October 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:

(a) Revenue Spent At Source: K59,659,500.00

Treasury Instructions (2004), Section 5.7.3.5 states that all public moneys shall be paid into Government bank accounts designated by the Secretary to the Treasury for that purpose, and these accounts shall form part of the Consolidated Fund.

An inspection of financial records for Eastern Region Police Headquarters revealed that revenue collected from traffic fines was not all deposited into Government Account Number One. Out of K60,947,500.00 collected only K1,288,000.00 was banked (representing 2% of total revenue collected). The remaining K59,659,500.00 (representing 98% of the total collected revenue) was spent at source.

CHIKWAWA POLICE STATION

54. An audit of the financial and other information for Chikwawa Police Station for the year ended June 2021 was completed on 27th September, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated December, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below

(a) Revenue Spent At Source: K21,984,800.00

Treasury Instructions (2004), Section 5.7.3.5 states that all public moneys shall be paid into Government bank accounts designated by the Secretary to the Treasury for that purpose and these accounts shall form part of the Consolidated Fund.

An inspection of General Receipts, GP 96 forms, monthly revenue returns, and bank deposit slips disclosed that the formation collected revenue amounting to K28,504,300.00 out of which K5,023,500.00 was deposited into the bank while K23,480,800.00 was used at source. However, an amount of K1,496,000.00 was later refunded into the Government Account Number One leaving out a balance of K21,984,800.00 not yet refunded as at the time of audit.

(b) Long Outstanding Cases

The Constitution of Malawi (2006), Section 42(2)(f)(i) states that Every person arrested for, or accused of, the alleged commission of an offence shall, in addition to the rights which he or she has as a detained person have the right as an accused person, to a fair trial, which shall include the right to public trial before an independent and impartial court of law within reasonable time after having been charged.

An inspection of trace register of criminal and statutory cases for the prosecution department disclosed that some cases were still outstanding. There was no indication that the cases were being attended to. The table 17 below shows the number of outstanding cases for each year.

Table 17: Outstanding Unprosecuted Cases for three years (2018-2020) -Chikwawa Police Station

Year	Outstanding unprosecuted cases
2018	15
2019	20
2020	9
Total	**44**

LIMBE POLICE STATION

55. An audit of the financial and other information of Limbe Police Station or the years ended June 2021 was completed in September, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated 22nd December, 2021 addressed to the Officer – In Charge. These weaknesses are presented from paragraph (a) and below.

(a) Revenue Used At Source: K87,203,450.62

Treasury Instructions (2004), Section 5.7.3.5 states that all public moneys shall be paid into Government bank accounts designated by the Secretary to the Treasury for that purpose and these accounts shall form part of the Consolidated Fund.

A recalculation of general receipts and bank deposit slips revealed that K166,548,900.00 was collected and receipted but only K79,345,450.00 was banked giving a difference of K87,203,450.62 which was later established to have been used by the formation before it was banked contrary to the provisions of the Treasury Instruction stated above.

(b) General Receipt Books Not Presented For Audit

Treasury Instructions (2004), Section 2.6(1) (d) requires the Controlling Officer to have all the mechanisms of revenue management in place so that all necessary precautions are taken to safeguard the collection and custody of public money.

A review of general receipt books and the general control of recording general receipts in a register as regards to its custody and security revealed that some General Receipt books were not presented for audit despite being recorded in the security documents register. Therefore, the audit could not establish how the general receipts books were used.

(c) Misallocation Of Voted Funds: K15,967,732.05

Treasury Instructions (2004), Section 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 payments amounting to K15,967,732.05 were charged to wrong sub-items contrary to the above requirement. There was no evidence to show that virement of funds was sought from the Secretary to the Treasury.

THE DELTA DIVISION

56. An audit of the financial and other information for The Delta Division for the year ended 30th June, 2021 was completed on 24th August, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the accompanying management report addressed to the Controlling Officer These weaknesses are presented from paragraph (a) below:

(a) Revenue Used At Source: K14,730,997.00

Treasury Instructions (2004), Section 5.7.3 states that all public moneys shall be paid into government bank accounts designated by the Secretary to the Treasury for that purpose, and these accounts shall form part of the Consolidated Fund.

An inspection of revenue payment vouchers revealed that Police Mobile Service - Delta Division used revenue collections worth K14,730,997.00 from private hires for various activities at source, without first being banked.

DEPARTMENT OF IMMIGRATION AND CITIZENSHIP SERVICES

57. An audit of the financial and other information for Immigration Department for the years ended June, 2021 was completed on 23rd December, 2021.The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management report addressed to the Controlling Officer. These weaknesses and gaps are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Department of Immigration and Citizenship Services.

Overall Performance on the Recurrent Budget

Department of Immigration and Citizenship Services' approved recurrent budget was K4,551,949,767.54 and was revised upwards to K4,731,713,216.27. The funds allocated were K4,731,713,211.00 and the actual out-turn was K4,124,917,688.25 representing 87% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K700,000,000.00 and was revised downwards to K687,757,973.00. The actual expenditure was K630,930,447.38 representing 92% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Department of Immigration and Citizenships Services for the year ended 30th June, 2021.

(a) Financial Liabilities Without Supporting Schedules: K201,472,303.76

Performance Finance Management Act (2003), Section 10 (1) d states that Controlling Officers are responsible for ensuring that all accounts and records relating to the functions and operations of the Ministry are properly maintained.

A review of financial statements disclosed that financial liabilities on the statement of financial position amounting to K 201,472,303.76 had no supporting schedules therefore could not be verified.

(b) FDH Bank Operating Using An Expired Contract

Treasury Instructions (2004), Section 5.7.3.1 states that the Secretary to the Treasury is the only person authorized to approve the setting up of bank accounts, which are required to be operated within the Consolidated Fund.

Inspection of financial records revealed that FDH bank is operating at the Department using a contract, which expired on 31 August 2016.

The contract was signed in August 2013 between Treasury and Malawi Savings Bank, and FDH bank inherited the contract.

(c) Failure To Perform Bank Reconciliation

Treasury Instructions (2004). Section 5.7.2 (j) stipulates that sound cash management includes performing bank reconciliations on a daily basis to detect unauthorized entries in the accounting systems.

However, an inquiry from personnel disclosed that bank reconciliation on all the accounts under the department were not conducted.

(d) Lack Of Control Of E-Visa Revenue: K633,173,500.00

Treasury Instructions (2004) Section 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.

Inspection of bank accounts revealed that FDH bank has subcontracted Flatter wave to collect E-visa revenue and then later transfer it to an Immigration Escrow account held at FDH bank. Flatter wave hold on to the government money too long before transferring it. On average it takes about two months before it transfers the money and in this time Immigration has no control over that money.

(e) Unrealistic Estimation Of Passport Production In A Contract With Techno brain

Treasury Instructions (2004), Section 4.4.2 states that each Controlling Officer is responsible for ensuring that an accurate and complete budget submission is prepared in the form prescribed for each financial year, and that the following financial management responsibilities are met –

a. forecasts are as accurate as possible;

b. forecasts take account of all relevant information available at the time they are prepared;

c. forecasts are free from methodological and arithmetic error;

d. forecasts are subjected to appropriate internal and external quality assurance with respect to methodology and timeliness; and

e. requirements are met with respect to timeliness, completeness, accuracy and format.

Inspection of passport production reveals that Government through Immigration Department entered into contract with Techno brain to produce 800,000 passports in three years translating to not less than

266,000 passports per year. Records for the year under audit revealed that Techno brain has managed to produce 38,000 passports only representing a 14.3% performance.

(f) E-Passport And E-Visa Revenue Not Traced With Reserve Bank Of Malawi: - K3,720,107,247.20 And USD1,094,700 Respectively.

Treasury Instructions (2004) Section 5.7.2 (f) states among other things, that, for purposes of these Instructions, sound cash management includes (a) recognizing the time value of money; economically efficiently and effectively managing cash; (e) collecting revenue when it is due and banking it promptly;

An inspection of bank transaction revealed that K3,3720,107,247.20 and USD 1,094,700 was not transferred to Reserve Bank of Malawi (RBM) despite the Department being given the authority to use the already existing ESCROW account with FDH Bank to facilitate the collection and banking of proceeds from E-Passport and E-Visa application fees collected.

(g) Visa Revenue Collected By Embassy Not Accounted For: K22,950,000.00

Treasury Instruction (2013) Section 5.7.3 state 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.

Inspection of the Visa register and revenue records disclosed that on 15th July, 2019 the office issued three (3) Visa books to UAE/Dubai embassy worth K22,950,000.00 but no revenue was accounted for in respect of the same even though the Embassy had issued out the VISAs. It is not known whether the revenue is returned by the embassies or not in the absence of accountability.

(h) Procurement Of Goods And Services Not In The Procurement Plan: K35,789,725.00

Public Procurement and Disposal of Assets Act (2016), Section 39 (1) Procuring and disposing entities shall plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in this Act.

Inspection of the procurement plan and actual expenditure revealed that the office procured goods and services worthy K35,789,725.00 which were not included in the procurement plan.

(i) Payment Vouchers Without Supporting Documents: K10,354,817.04

Treasure instructions (2004) Section 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.

However, at the time of audit payment vouchers amounting to K10,354,817.04 in respect of goods and services did not have supporting documents such as receipts and declaration forms to prove their validity.

MALAWI PRISON SERVICE-HEADQUARTERS

58. An audit of the financial and other information for Prison Headquarters for the year ended 30th June 2021 was completed in November 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Malawi Prison Services Headquarters

Overall Performance On The Recurrent Budget

The Malawi Prison Service Headquarters' approved recurrent budget was K10,254,871,601.00 and was revised upwards to K10,854,390,291.00 and the actual out-turn was K10,846,841,527.00 representing 99.93% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K1,000,000,000.00 and was not revised with the actual expenditure of K987,856,080.99 resulting in 98.79% utilization of budget.

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the Malawi Prison Service Headquarters for the year ended 30th June, 2021.

(a) Outstanding Accumulated Arrears-K828,747,997.32

Treasury Instructions (2004) Section 4.13.2.2 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.

However, an audit of financial and other related records for the period between July 2020 and June 2021 revealed that the department had accumulated arrears in form of water bills and other goods and services amounting to K828,747,997.32 which was still outstanding as at the date of audit. This tendency could result into some of the planned programmes not being implemented due to cash flow constraints as funds received are channeled towards settling the arrears.

MALAWI PRISON SERVICE-PRISON FARMS

59. An audit of the financial and other information for Prison Farms for the year ended 30th June 2021 was completed in November 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Purchase Of Goods And Services Without IPDC Approval-K23,440,977.48

Public Procurement & Disposal of Assets Act (2016) section 27(1) requires all procuring entities to procure goods and services through the scrutiny and approval of the Internal Procurement and Disposal Committee (IPDC).

However, an audit of payment vouchers and other procurement records for the period between July 2020 and June 2021 revealed that goods and services valued at K23,440,977.48 were purchased without the IPDC approval as IPDC minutes were dated after invoices or delivery notes dates implying that goods were being procured without IPDC approval. The tendency implies that the procuring entity may fail to obtain value for money in public procurement leading to loss of public funds.

REGIONAL PRISON OFFICE NORTH

60. An audit of the financial and other information for the Regional Prison Office North for the year ended 30th June, 2021 was completed on 13th September, 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below:

(a) Activity Reports Not Produced For Audit: K24,555,000.00

Government circular letter reference number CS/15/15/7 from the Chief Secretary dated 18th December, 2015 states that in line with travel policy, each officer who is paid subsistence allowance must submit a report to the Controlling Officer indicating among other aspects, where he/she travelled to, the purpose of the trip, the institutions/individual consulted and benefits of the trip to the Ministry/Department.

An inspection of payment vouchers revealed that subsistence allowances amounting to K24,555,000.00 were paid to officers but were not substantiated with activity reports. As such, it was not certain whether the expenditure was a proper charge to public funds

MINISTRY OF TOURISM, CULTURE AND WILDLIFE

61. An audit of the financial and other information for Ministry of Tourism, Culture and Wildlife for the year ended 30th June 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Tourism, Culture and Wildlife.

Overall Performance On The Recurrent Budget

Ministry of Tourism, Culture and Wildlife's approved recurrent budget was K3,605,441,420.00 and was revised downwards to K2,377,063,564.00. The actual out-turn was K2,278,052,423.00 representing 95.83% utilization of the revised budget.

The approved budget was K1,226,000,000.00 and revised to K676,000,000.00. The actual expenditure was K669,046,602.00 resulting in 98.97% utilization of budget.

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the Ministry of Tourism, Culture and Wildlife for the year ended 30th June, 2021.

(a) Delays In Completion Of Chongoni World Heritage Centre Project

The Ministry signed a contract with Tikhalenawo Building Contractors for Completion of Office Block, Information Centre and Workshop at Chongoni World Heritage Centre in Dedza for a period of 16 weeks from 18th November 2019 and was projected to end on 16th March 2020.

An inspection of contract files disclosed that the time frame stipulated in the contract agreements was not adhered to as some works were not done on the project and there was no evidence of approval of extension period.

In addition, an audit verification exercise conducted on 22nd November 2021 revealed that nothing happened on the project during the year under review.

MINISTRY OF LABOUR

62. An audit of the financial and other information for Ministry of Labour for the year ended 30th June 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Labour

Overall Performance on the Recurrent Budget

The Ministry of Labour's approved recurrent budget was K5,010,556,628.94 and was revised upwards to K5,115,150,425.11 and the actual out-turn was K4,749,358,367.83 representing 92.85% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K7,209,559,400.00 and revised downwards to K5,929,133,617.88. The actual expenditure was K5,542,828,526.20 representing 93.48% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the Ministry of Labour for the year ended 30th June, 2021.

REGIONAL LABOUR OFFICE (SOUTH)

63. An audit of the financial and other information for Regional Labour Office (South) for the year ended June 2021 was completed on 15th September, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated December 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:

(a) Application For Registration Of A Workplace Forms Not Presented For Audit: K39,865,000.00

Occupational Safety, Health and Welfare Act (1997), Section 9(1) states that application for registration of any premises as a work-place under this Act shall be made to the Director in the prescribed form by the person occupying or intending to occupy such premises as a workplace.

An inspection of Application for Registration of Workplace (LAB/W/1) Forms indicated that forms worth K39,865,000.00 were not presented for audit inspection. It was therefore, difficult to conclude if the fees on the general receipts were the actual reflection of what was paid by the applicants.

BLANTYRE TRADE TESTING CENTRE

64. An audit of the financial and other information for Blantyre Trade Testing Centre for the year ended June 2021 was completed on 15th September 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated December, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:

(a) Training Bonds Not Administered To Staff On Long Term Training

Section 4.11.1 of Public Service Training Guidelines states that all employees undergoing government/donor sponsored long-term training programme either locally or abroad will be required to enter into a formal training bond/scholarship contract binding them to continue to remain in service for a specific minimum period from date of completion of their training. No officer shall proceed on another long-term training without serving the full bond of the previous long-term training programme.

The audit noted that the office failed to administer training bonds for its staff who were on long-term training at various Institutions and were sponsored by the office. One of the beneficiaries; Mr Lloyd Chigowo had left the office and is now working with EGENCO without serving the full bond of the previous long-term training programme. The following table 18 has the details;

Table 18: Staff On Long Term Training Without Bonds-Blantyre Trade Testing Centre

Date	Cheque #	Payee	Description	Amount (K)
23-Dec-2020	179764	Malawi College of Accountancy	Tuition for Mr L Chilingulo	120,000.00
23-Dec-2020	179763	Institute of Chartered Accountants In Mw	Tuition for Mr L Chilingulo	24,000.00
23-Dec-2020	179762	Exploits University	Tuition for Mr AP Chinkono	330,000.00
23-Dec-2020	179765	Malawi Institute Of Tourism	Tuition for Mr L Chigowo	480,000.00
Total				**954,000.00**

SOCHE TECHNICAL COLLEGE

65. An audit of the financial and other information for Soche Technical College for the year ended June 2021 was completed on 24th September, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated November 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below.

(a) Long Outstanding Fees Balances: K10,172,500.00

Treasury Instructions (2004), Section 5.7.2 (i) states that sound cash management includes pursuing the debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the government are collected and banked promptly.

An inspection of Fees records disclosed that the college had outstanding fees balances amounting to K10,172,500.00 owed by students. At the time of audit, the fees were more than six months old from the close of the respective school year.

(b) Maintaining A Current Bank Account For No Concrete Purpose

Treasury Instructions (2004), Section 5.7.2 (a) states that sound cash management includes recognizing the time value of money; economically efficiently and effectively managing cash and Treasury Instructions (2004), Section 5.7.3.1 states that the Secretary to the Treasury is the only person authorized to approve the setting up of Bank accounts which are required to be operated within the consolidated fund.

An inspection of revenue and expenditure records for the period disclosed that the college maintained an account with New Building Society which had remained dormant for years. This account number 18030748 was opened in 2017 but was not being utilized. The college opened another bank account held with National Bank which was properly serving the purpose. The Institution was paying K8,000.00 as monthly bank charges unnecessarily for the account maintained at NBS Bank. Further to that, this account was opened without authority of the Secretary to the treasury.

(c) Procurements Not On The Procurement Plan: K19,942,911.00

Public Procurement and Disposal of Assets Act of 2017, Section 39(1) states that Procuring and disposing entities shall plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in this Act.

An inspection of payment vouchers and procurement records disclosed that goods and services worth K19,942,911.00 were procured but were not on the procurement plan.

MINISTRY OF TRADE

66. An audit of the financial and other information for Ministry of Trade for the year ended 30th June 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Trade.

Overall Performance On The Recurrent Budget

Ministry of Trade's approved recurrent budget was of K1,686,264,639.90 and was revised downwards to K1,303,888,922.00 The actual out-turn was K1,298,838,693.95 representing 99.6% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Ministry of Trade for the year ended 30th June, 2021.

(a) Long Outstanding Transactions On Bank Reconciliation Not Followed Up: K89,859,304.00

Accountant General Desk Instructions (2007), Section 12.6 states that, after the Bank Reconciliation Statement is prepared it is necessary that adjustments required shall be promptly made for correcting errors and omissions revealed by the Reconciliation Statement.

A review of bank reconciliation statements for the Ministry as at 31st October 2021, revealed that transactions amounting to K89,859,304.00 were still outstanding without being followed up so that proper adjustments should be made. This made it difficult for the audit team to ascertain the validity and accountability of the transactions.

MINISTRY OF INDUSTRY

67. An audit of the financial and other information for Ministry of Industry for the year ended 30th June 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated December, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Industry.

Overall Performance On The Recurrent Budget

Ministry of Industry's approved recurrent budget was K697,100,749.00 and was revised upwards to K1,036,631,625.00 and the actual out-turn was K1,027,340,150.00 representing 99.1% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K1,000,000,000.00 and was maintained at K1,000,000,000.00. The actual expenditure was K999,583,842 representing 99.96% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Ministry of Industry for the year ended 30th June, 2021.

(a) Payments For Works On Project Not Done: K37,153,342.97

Treasury Instructions (2004), Section 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. Also Public Finance Management Act (2003), Section 3702s 10 (h) and (i) states that it is the responsibility of Controlling Officers to ensure that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste and that all necessary precautions are taken to safeguard public resources.

An inspection of books and records revealed that in June 2021 the Ministry made payments to Electricity Supply Commission of Malawi (ESCOM) for repositioning of poles, and Blantyre Water Board (BWB) for water reticulation system at Chigumula Industrial Park Project amounting to K37,153,342.97.

However, site visit by the Audit team on 23 November 2021 revealed that poles repositioning and water supply reticulation by ESCOM and BWB respectively was not done as such the validity of the payments could not be ascertained.

(b) Construction Of Factories Which Are Not Functioning

Public Finance Management Act (2003), Section 10 (1) states that it is the responsibility of Controlling Officers to ensure that all necessary precautions are taken to safeguard public resources.

Interviews with officers revealed that the Ministry started constructing factories in 2010 to support small cooperatives to process their products through the Value Addition Section which was popularly known as One Village One Product. However, verification exercise conducted in November 2021, on a sample of factories that were constructed revealed that some factories were not functioning as operating machines were not installed and electricity not connected. The table 19 below has details:

Table 19: Summary of Factories Not Functioning-Ministry of Industry

Name	Description	Status	Remarks
Mankhamba in Blantyre	Honey processing factory	Machine not installed No electricity	Factory not running
Kunthembwe Blantyre	Cooking oil processing factory	Machine installed No electricity	Factory not running
Chezi in Dowa	Tomato processing factory	Machine installed No electricity	Factory not running
Nambuma in Dowa	Soya milk and cooking oil processing	Machine not installed No electricity	Factory not running

MINISTRY OF FORESTRY AND NATURAL RESOURCES

68. An audit of the financial and other information for Ministry of Forestry and Natural Resources for the year ended 30th June 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated December, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Forestry and Natural Resources.

Overall Performance On The Recurrent Budget

Ministry of Forestry and Natural Resources' approved recurrent budget was K98,657,290,238.00 and was revised downwards to K8,074,923,557.00 and the actual out-turn was K8,026,900,913.00 representing 99.41% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K90,503,175,411.00 and was revised downwards to K88,243,701,009.00. The actual expenditure was K35,749,026,465.00 representing 40.51% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Ministry of Forestry and Natural Resources for the year ended 30th June, 2021.

(a) Non-Disclosure Of Revenue In Statement 3 For Department Of Mines: K514,527,029.48

Public Finance Management Act (2003), Section 10 (1) d states that each Controlling Officer is responsible for ensuring that all necessary precautions are taken to safeguard the collection and custody of public money.

A review of financial statements for Ministry of Mining disclosed that revenue amounting to K514,527,029.48 collected by Department of Mines, now Ministry of Mining was not reflected in Statement 3 (Details of Revenue Receipts).

(b) Misallocations Of Expenditure Charges: K7,480.000.00

Treasury Instructions (2004), Section 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 sampled payment vouchers for the Ministry revealed that management used GEMMAP (Geographical Mapping and Mineral Assessment Project) funds amounting to K7,480,000 for ORT activities without obtaining prior approval from the Secretary to the Treasury. In a letter dated 9th June, 2021 Ref. No T8097, the Accountant General granted ministry of Forestry and Natural Resource an "exceptional approval" to refund the above mentioned amount to Development Account of GEMMAP Part 1 and reminded the Ministry that the Accountant General do not have a mandate to give out such approval and that borrowing of funds from Development Account is not allowed.

(c) Failure To Complete Loose Minute & Budgets: K11,365,000.00

Treasury Instructions (2004), Section 5.13.1 inter alia states that adequate internal controls must exist within each Ministry, Department and Agency to ensure meeting control objectives, which ensure that resources are employed and managed in an effective, economic and efficient manner and that there is no waste or extravagance. Furthermore, relevant government policies and legislation are complied with.

An inspection of payment vouchers revealed that funds amounting to K11,365,000.00 were used to pay allowances for various activities that were undertaken but with incomplete or inadequate information on both loose minutes and budget. On Hotel charges, the ministry was indicating "Credit Note" without indicating how much the hotels were owing the Ministry.

FISHERIES RESEARCH UNIT

69. An audit inspection of the financial and other information for Fisheries Research Unit for the year ended 30th June 2021 was completed in September, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letters dated September 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:

(a) Payment of Subsistence Allowances Without Disclosing Destination K15,005,000

Section 10 (1) (h) of Public Finance Management Act (2003) requires Controlling Officers and all those who have been delegated the responsibility of a Controlling Officer to ensure that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

However, an inspection of payment vouchers and authority to leave duty station forms revealed that management of Fisheries Research Unit paid subsistence allowances amounting to K15,005,000. It was observed that the officers were paid the allowances for the purpose of collection of Performa invoices, voucher processing, cheque processing and depositing them in different banks but the attached authority to leave duty station forms did not disclose the places where the officers went to carry out the stated activities.

MINISTRY OF MINING

70. An audit of the financial and other information for Ministry of Mining for the year ended 30th June 2021 was completed in December, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated December, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry of Mining.

Overall Performance On The Recurrent Budget

Ministry of Mining's approved recurrent budget was K976,783,961.00 and was revised downwards to K715,935,500.00 and the actual out-turn was K705,020,704.00 representing 98.48% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Ministry of Mining for the year ended 30th June, 2021.

(a) Revenue Collected Without Preparing Cash Controls: K59,620,985.91

Public Finance Management Act (2003), Section 10 (1) c and d states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry all accounts and records relating to the functions and operations of the Ministry are properly maintained; and that all necessary precautions are taken to safeguard the collection and custody of public money. Further, the Ministry of Finance Desk Instructions (2007), Section 15.13.1 which requires that monies received each day, cash as well as cheques, shall as far as possible be deposited in the bank on the following working day.

The audit observed that the Cashier Mr Nthete of Mzuzu Mining Offices collected revenue amounting to K59,620,985.91 for the year 2020/2021 but there were no supporting documents in form of cash controls which are supposed to be submitted to the Accountant General for capturing and inclusion in Statement 3.

A comparison made between General Receipts, Bank statements and deposit slips also revealed that out of the total K59,620,985.91 collected only K52,221,385.91 was deposited in the bank leaving a balance amounting to K7,399,600.00 unbanked.

(b) Failure To Maintain An Up-To-Date Asset Register

Circular letter from the Chief Secretary to the Government dated 2nd March, 2010 titled 'Government Physical Assets Register' stipulates that all Controlling Officers shall maintain asset register for all non-current 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.

It was observed during the audit, that the ministry did not have an updated fixed asset register with columns for cost of assets, date of acquisition and serial numbers hence not in conformity with the required format to monitor the assets.

LAW COMMISSION

71. An audit of the financial transactions for Law Commission for the year ended 30 June 2021 was completed in November 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated December, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Law Commission.

Overall Performance On The Recurrent Budget

Law Commission's approved recurrent budget was K971,936,684.00 and was revised downwards to K890,720,089.00 and the actual out-turn was K878,650,336.00 representing 98.64% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Law Commission for the year ended 30th June, 2021.

(a) Failure to Prepare and Submit Liquidation Reports to Accountant General For Payments Made **In The Name Of Members Of Staff: - K23,060,901.50**

The Accountant General (AG) granted the Commission an exceptional approval to pay allowances and suppliers using for staff for some activities the Commission implemented during the year under review. The approvals, for example, dated 27th October, 2020 and January, 2021 gave the Commission conditions to prepare and submit liquidation reports to the Accountant General duly certified by the Commission's internal audit after every activity implemented using cash drawn for staff.

An inspection of payment vouchers, expenditure statement by cost centre and an enquiry with management and the internal audit revealed that the Commission paid K23,060,901.50 using for staff facility but did not prepare nor submit the liquidation reports certified by the internal audit to Accountant General. This is contrary to the requirements for which the approvals were granted.

LEGAL AID BUREAU

72. An audit of the financial and other information for Legal Aid Bureau for the year ended 30th June 2021 was completed on 28th December, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated December, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Legal Aid Bureau.

Overall Performance On The Recurrent Budget

Legal Aid Bureau's approved recurrent budget was K1,377,363,551.00 and was revised upwards to K1,394,390,513.93 and the actual out-turn was K1,382,941,512.46 representing 99.18% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of the Legal Aid Bureau for the year ended 30th June, 2021.

(a) Payment Vouchers Without Adequate Supporting Documents: K28,991,488.69

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

An audit of payment vouchers for the period under review revealed that payment vouchers amounting to K28,991,488.69 did not at the time of audit have loose minutes, contracts, tax clearance certificates which the accounts office use to support payments. The Legal Aid Bureau was therefore in breach of the above quoted regulation.

(b) Use Of Single Sourcing Method Of Procurement Without Approval: K19,939,198.34

Public Procurement and Disposal of Public Assets Act (2016), Section 37(11 states that Single source method of procurement or any high value procurement shall be subject to vetting by the Anti-Corruption Bureau, pursuant to the powers conferred on the Bureau under section 10 of the Corrupt Practices Act.

However, an audit of payment vouchers for procurements undertaken in the financial year ended 30th June 2021 revealed that the Bureau procured items amounting to K19,939,198.34 using single sourcing method of procurement without vetting by Anti-Corruption Bureau.

(c) Procurement Of A Case Management System Without An Approved Budget- K11,843,019.06

Public Finance Management Act (2003), Section 10.1 (f) States that Controlling Officers must ensure that there is no over-expenditure or over-commitment of funds and a review is undertaken each month to ensure that there is no such over-expenditure or over-commitment;

Additionally, Public Procurement and Disposal of Assets Act (2016), Section 39(1) states that procuring and disposing entities shall plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in this Act.

However, an audit of the budgets and procurement plan revealed that the Bureau procured a case management system from Idias Corporation Limited but without planning or budgeting for it. Part payments made for the system in May and June on cheque no 520954 and 537003 respectively amounted to K11,843,019.06.

LEGAL AID BUREAU (SOUTH)

73. An audit of the financial and other information for Malawi Legal Aid Bureau (South) for the year ended June 2021 was completed on 26th October, 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated December 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget of the Legal Aid Bureau (South).

(a) Payments Above K1,000 Made By Cash: -K23,024,600.00

Treasury Instructions (2004), Section 5.19.3 states that wherever possible all payments must be made by cheque or direct debit to a bank account. However, payments of K1,000 or less may be made in cash from the standing imprest depending on prevailing circumstances. Further to that, Circular number ST/S7 dated 10th December, 2010 requires that following the numerous challenges faced by Government in making cash payments to its employees, an approval was granted from the Office of President and Cabinet to stop making cash payments (For Staff) with effect from 1st February, 2011. This relates to any payment, be it salaries, all types of allowances, leave grants, refunds etc.

An inspection of payments for the period under review disclosed that payments amounting to K23,024,000.00 were cashed 'for staff' instead of being deposited into employee's bank accounts. Different officers cashed cheques on behalf of their colleagues in respect of allowances and other receipts.

MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS HEADQUARTERS

74. An audit of the financial and other information for Ministry of Justice and Constitutional Affairs for the year ended 30 June 2021 was completed on 28th December 2021. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the accompanying management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the

opinion on the financial statements of the Ministry of Justice and Constitutional affairs.

Overall Performance On The Recurrent Budget

Ministry of Justice and Constitutional Affairs' approved recurrent budget was MK1,043,895,361.32 and was revised downwards to K1,026,865,681.00 and the actual out-turn was K997,802,190.51 representing 97.17% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the Ministry of Constitutional Affairs for the year ended 30th June, 2021.

(a) Maintenance Of Motor Vehicle Without Re-Inspection Report From PVHES: K13,530,178.71

Government circulars (OPC) Ref No CS/S/002 dated 2th March,2010 and CS/S/001 dated 23rd March 2018 states that motor vehicles should be pre- inspected by PVHES before quotations are obtained from garages for maintenance services and repairs. Likewise, after maintenance services and repairs have been undertaken by a garage, PHVES should verify and certify the work that has been done as per the inspection report.

An inspection of payment vouchers disclosed that an expenditure amounting to K13,530,178.71 was spent on procurement of motor vehicle maintenance services without obtaining certification reports from P.V.H.E.S whenever vehicles are maintained and repaired by private garages.

(b) Failure To Administer Training Bonds To Employee On Long Term Training.

Circular reference number HRP&D/POL/1/VOLII dated 26 February 2009 from the Secretary for Human Resources Management and Development requires that all officers trained under government/ Donor sponsored long term training programme either locally or abroad sign a training bond binding them to serve in the public service for a period of not less than 5 years from the date of completion of their training programme. Those who deliberately decide to leave the public service before expiry of the bond period shall be required to refund to Government the expenses incurred for the training failing which they shall be taken to court.

A review of the training plan and payment vouchers showed that there were a number of officers on long term training but training bonds were not administered to them. Some of the officers are Yanjanani Mpameya, Harold Mora and Moses Mtonga.

THE REGISTRAR GENERAL`S DEPARTMENT

75. An audit of the financial and other information for The Registrar General was conducted for the years ended 30th June 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated 22nd December, 2021 addressed to The Registrar General. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Registrar General's department.

Overall Performance On The Recurrent Budget

The Registrar General's Department approved recurrent budget was K889,816,273 and was revised downwards to K806,336,305. The funds allocated were K805,441,955 and the actual out-turn was K772,592,670 representing 95.9% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the Financial Statements of the Registrar General's Department for the year ended 30th June, 2021.

(a) Use Of Misprinted General Receipt Books

Treasury Instructions (2004), Section 2.6(1) (d) requires the controlling officer to have all the mechanisms of revenue management in place so that all necessary precautions are taken to safeguard the collection and custody of public money. Section 5.15.2 requires that every Controlling Officer shall immediately report the loss of any receipts, invoices and debit notes to the Secretary to the Treasury, and the Auditor General.

An inspection of general receipt books and the general control as regards to their custody and security revealed that some general receipt books were received from the source with factory printer faults. Some did not contain all the set of copies, some had no sequential order and some had no serial numbers.

Despite these faults, instead of abandoning them, the office of the Registrar proceeded to use them. The audit could not establish why the office continued to use them instead of returning them to the Government Printer for an exchange.

ADMINISTRATOR GENERAL

76. An audit of the financial and other information for Administrator-General for the year ended 30 June 2021 was completed on 28th December 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the accompanying management report addressed

to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Administrator General.

Overall Performance On The Recurrent Budget

The Administrator General's approved recurrent budget was K471,926,493.00 and was revised upwards to K426,161,749.00. The Actual outturn was K423,257,927.00 representing 99.32% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K200,000,000.00 and maintained at K200,000,000.00 with the actual expenditure of K199,400,278.88 resulting in 99.70% utilization of budget.

Audit Opinion

I issued unqualified audit opinion on the Financial Statements of the Administrator General for the year ended 30th June, 2021.

(a) Failure To Administer Training Bond

Circular reference number HRP&D/POL/1/VOLII dated 26 February 2009 from the Secretary for Human Resources Management and Development requires that all officers trained under government/ Donor sponsored long term training programme either locally or abroad sign a training bond binding them to serve in the public service for a period of not less than 5 years from the date of completion of their training programme. Those who deliberately decide to leave the public service before expiry of the bond period shall be required to refund to Government the expenses incurred for the training failing which they shall be taken to court.

An enquiry and review of personal files in the financial year 2020/2021 disclosed that the Department had some officers on long term training but they had not signed bond.

PART IV

RECOMMENDATIONS AND ACKNOWLEDGEMENT

RECOMMENDATIONS

77. In the course of my audit of the 2020/21 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: -

i. Although the Government of Malawi started preparing Financial Statements using IPSAS accrual stage II, there is still need to improve on incorporating all financial assets and liabilities which include public debt at both domestic and external levels;

ii. The Accountant General's Department should continue to train accounting personnel in the ministries on the preparation of the accounts to enhance capacity;

iii. There should be an improvement in consolidation of financial statements in making sure that all revenue and related expenditure for Malawi Government are taken into account;

iv. There is immediate need to enhance the functioning of Audit Committees in all Ministries and Departments to facilitate speedy responses to audit reports and to ensure implementation of audit recommendations;

v. Procurement of goods and services should be executed within set processes and regulations and procedures to ensure that maximum value of money is obtained;

vi. In compliance with Government financial rules and regulations, bank reconciliations should be timely prepared for all bank accounts maintained by the Reserve Bank of Malawi;

vii. Strict compliance with financial provisions should be enforced in the MDAs in order to improve public financial management and control;

viii. The use of invalid supporting documents should be stopped forthwith and no payment should be made without adequate and valid supporting documentation;

ix. Ministries and Departments should set up an effective filing system that allows easy location of all documentation;

x. The systems requirements and procedures should be reinforced with capable supervision;

xi. Further investigations should be conducted by special teams on the areas suspected that public resources may have been lost or mismanaged.

xii. 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.

xiii. The Secretary to the Treasury should ensure that all the outstanding reconciling amounts are followed up and provide valid reasons for their occurrence and they should be checked to ensure that they relate to genuine timing differences; and

xiv. Government through the Office of the Director of Public Procurement and Disposal of Assets with support from the Department of E-Government should make sure that public procurement systems evolves to E-Procurement;

xv. Payment vouchers and supporting documents not presented for audit should be presented for audit and should be audited accordingly. Those responsible for not availing the said documents for audit should be dealt with in accordance with the PFMA and MPSR;

xvi. The diplomats responsible for the abuse and embezzlement of funds at the Embassy in Mozambique should face justice;

xvii. A decision must be made on revenue used at source in Police Stations.

xviii. A decision must be made on the funds stuck at the foreign missions including how such funds should find their way into Government Account number 1;

xix. MDAs should endeavor to collect revenues that have been planned;

xx. The Department of Immigration should ensure that E-Passport and E-Visa revenues should be collected and banked with the Reserve Bank of Malawi. Regular reconciliations of such revenues should be done under proper supervision;

xxi. Over-funding and Over-expenditure to our foreign missions should be investigated fully;

xxii. The Department of the Accountant General should ensure that civil servant loans and advances interests are reconciled periodically. Further all outstanding transactions for the reconciliation of the consolidated account should be investigated and cleared within a specific period of time;

xxiii. Contingency funds not liquidated by State House should be investigated and the culprits dealt with accordingly;

xxiv. The Department of the Accountant General should ensure that it provides guidance and oversight to ensure that all MDAs are following IPSAS when preparing financial Statements;

xxv. All officers responsible for the breach of procurement regulations should be dealt with in accordance with the law;

xxvi. All payments made in breach of regulations should be investigated and culprits dealt with accordingly;

xxvii. All project related anomalies should be investigated and corrective action taken;

xxviii. All officers responsible for misallocation of expenditure should be dealt with accordingly;

xxix. Controlling officers should ensure that performance information is provided for audit and that what is planned is actually achieved;

xxx. MDAs which did not administer training bonds should do so and hence forth training bonds for officers on long training should be administered;

xxxi. Controlling officers must ensure that Fixed Asset Registers are maintained and updated. Those failing to do so should be dealt with accordingly.

ACKNOWLEDGEMENTS

78. 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
April, 2022

REPORT OF THE AUDITOR GENERAL

ON THE

ACCOUNTS OF THE GOVERNMENT OF THE REPUBLIC OF MALAWI

FOR THE YEAR ENDED 30TH JUNE, 2021