

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

**FOR THE YEAR ENDED 30TH JUNE, 2007**

## OFFICE OF THE AUDITOR GENERAL

### VISION

: To be an autonomous Supreme Audit Institution that is responsive to the needs of the Nation.

### MISSION

: To promote accountability, transparent administration and good Governance in the public sector through the provision of quality audit services which assure the Nation that public resources are applied for the purposes intended.

### CORE VALUES

: Independence  
Professionalism  
Integrity  
Credibility  
Excellence

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

30th December, 2008

The Honourable Minister of Finance  
Ministry of Finance  
P.O. Box 30049  
Lilongwe 3  
Malawi

Dear Sir,

Pursuant to the provision of Section 184 (2) of the Constitution of the Republic of Malawi and the Public Audit Act, I have the honour to submit my Report on the results of the audit of the Accounts of the Government of Malawi for the year ended 30th June, 2006 for tabling in the National Assembly.

Yours faithfully,

R. A. KAMPANJE  
*Auditor General*

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## EXECUTIVE SUMMARY

In accordance with Section 6 of the Public Audit Act, I have, on behalf of the National Assembly, examined and enquired into and audited the accounts of Controlling Officers and Receivers of Revenue and persons entrusted with the collection, receipt, custody or disposal of public moneys or public stores.

The audits have not been limited to the accounts for the year ended 30th June, 2006 but have, where necessary, been continued into the subsequent year.

The Government budgetary operations registered expansions in both revenue and expenditure during the year under review. Total revenue collected increased by K8.4 billion to K94.1 billion which compares favourably with K85.7 billion realized in 2004/05 financial year. Total expenditures dropped by K2.5 billion from K84.1 billion in 2004/05 to K81.6 billion in 2005/06 financial year. Domestic revenue remained relatively buoyant and continued to maintain an upward trend. This was mainly premised on the improved tax collection and administration by the Malawi Revenue Authority.

The Recurrent Account registered K94.1 billion in revenue while the Recurrent Expenditure was K81.6 billion resulting into a surplus of K12.5 billion. Development Account enjoyed resources amounting to K19.3 billion which is K4.7 billion more when compared to K14.5 billion for 2004/05 financial year. Total expenditure charged to the Development Account increased by K8.1 billion when compared to K10.6 billion for 2004/05. Grants and external loans were recorded at K15.6 billion and that constituted the main source of Development Resources. Government implemented sound fiscal and monetary policies that have resulted in the resumption of the donor support during the period under review.

In a bid to improve financial management and expenditure control, Government implemented a number of public finance management reforms. During the year under review Government implemented the Integrated Financial Management Information System (IFMIS). It is hoped that with the introduction of (IFMIS) and its roll out to Assemblies including full implementation of the Public Finance Management Act, Public Audit Act and Public Procurement Act, Ministries and Departments should experience improved public expenditure management and control.

# PART I

## INTRODUCTION

### Audit Of Public Accounts

1. I am required by 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 the public accounts and accounts of other public authorities and bodies as may be prescribed by an Act of Parliament, in so far as they are compatible with the principle duties of my office.
2. Section 184 (2) requires me to submit reports at least once a year to the National Assembly through the Minister responsible for Finance. Although Section 15 of the Public Audit Act requires me to report to the National Assembly through the President and Speaker, the provision is inconsistent with the Constitution, and since the Constitution is a supreme law, this provision is deemed to be invalid to the extent of the inconsistency. Consultations with the Law Commission have been initiated to have the inconsistency cleared.
3. The Public Audit Act provides, inter alia, for the administration, control and audit of the public finances of Malawi. In discharging these duties, I am required in terms of Section 6 (4) (d) to determine whether the procedures and systems of internal control of each ministry, agency and public authority or body do ensure that—
  - Revenue is properly assessed and collected;
  - Expenditure is validly and correctly authorized;
  - Revenue, expenses, assets and liabilities are properly recorded and accounted for;
  - Financial and operating information is reliable;
  - Assets are safeguarded against loss or destruction;
  - Recourses are employed and managed in an economic, effective and efficient manner;
  - There has been no waste or extravagance
  - Outcomes or provisions produced are consistent with those specified in any Appropriation Act;
  - Relevant government policies and legislation are being complied with;
  - All expenditure is charged against the relevant allocation appropriated by the National Assembly; and
  - The accounts and records have been properly kept.

4. Section 6 (2) of the Act requires me to undertake an audit programme to review and approve the audited accounts of statutory bodies and conduct audits of any statutory body that has not had its financial statements audited by a firm of public auditors, and 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 public money, 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) 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 of any documents, books and accounts subject to audit and examination by the Auditor General to deliver all or any of them at a time and place and to such person specified in the notice;
  - (d) Inspect, measure or test any real or personal property to which any Government contract relates; and
  - (e) Enter any land, building, or place, other than a dwelling house, where a government contract is being performed that is subject to audit and examination by me.

### **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 Statements of Accounts within a period of four (4) months but not later than 31st October after the close 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 balance sheet date of the reporting period;



- (c) A statement of cash flows showing the cash receipts and cash payments during the reporting period, and the cash balance as at balance sheet date of the reporting period;
- (d) A statement of cash balance showing breakdown of the balances 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 investments 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 debt 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 (if applicable)
- (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;
- (k) A statement 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 Officer's Responsibility**

8. In terms of Section 10 of the Public Finance Management Act, it is the Controlling Officer's responsibilities to maintain proper financial management systems. This involves keeping appropriate financial records, and where applicable, following generally accepted accounting principles. The 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 or over-commitment of funds and a review is undertaken each month to ensure that there is no such over-expenditure or over-commitment; and
- (f) The collection of public moneys is according to approved plans and the estimates.

### **Scope of Audit**

9. The audit of public accounts is performed in accordance with International Organization of Supreme Audit Institutions (INTOSAI) auditing standards. 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 generally accepted auditing standards, practices and methods, it does not guarantee absolute accuracy of the accounts or detection of every error, financial irregularities and fraud.

The Public Audit Act empowers me to use discretion and make tests in any particular case. The extent of audit examinations varied depending on the strength of internal control systems in operation and the nature of transactions involved. Substantive tests were made on selected areas of 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, 2006, but have where necessary extended into the subsequent year.

### **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—
  - Planning the audits to obtain relevant information in the most efficient manner and to determine the audit procedures employed;
  - Evaluation and testing of the accounting and internal control systems;
  - Testing of controls to ensure that procedures have been applied and that the relevant laws and regulations have been complied with, including the test for validity, completeness and accuracy of the accounts; and
  - Reporting the audit findings based on the audit procedures performed and evidence gathered.

## **Delays in 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 in responding to audit queries, and reports, a significant number of Controlling Officers are unable to respond as required by the Public Audit Act. The value of audit recommendations and prompt and timely feedback from management ca not be over emphasized.

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

## **Co-operation with the Swedish National Audit Office**

12. During the period under review, the National Audit Office continued to be supported by the Swedish National Audit Office under the financing agreement which was signed on 15th April, 2002 between the Government of Malawi and the Kingdom of Norway. The core objective of the institutional cooperation project is to build capacity of the NAO for a better delivery of audit services. To date the following have been developed:

- Training strategy
- I.T. Strategy
- Code of Ethics
- Open Appraisal System
- Auditing Standards
- Installation of Local Area Network (LAN).

## **Reporting Procedure**

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

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

## **Certificate on the Accounts**

14. 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, 2006 is unqualified and is presented separately in Volume I of the Consolidated Annual Appropriation Accounts for the year ended 30th June, 2006.

## PART II

### BUDGET OUT-TURN

#### REVENUE

Total revenue collected during the period ended 30th June, 2007 was K110,975.886 million which reflected an increase of K16,849.028 million over the 2005/06 amount of K94,126.858 million. The main sources of revenue were Customs and Excise K48,543.770 million, Taxes K32,102.369 million and Non-Tax revenue K30,329.747 million.

The revenue collection for 2006/07 exceeded the revised amount of K62,039.215 million by K48,936.671 million. In the main, the over-collection was attributed to Non-Tax Revenue which registered an over-collection of K27,215.533 million. Customs and Excise and Taxes registered an over-collection of K13,360.770 million and K8,360.369 million respectively. The trend of over-collection for the past four years is tabulated as follows:

<u>Year</u>	<u>Provision</u> <u>K'000</u>	<u>Actual Collection</u> <u>K'000</u>	<u>Over-collection</u> <u>K'000</u>
2003/2004	20,813.275	87,401.808	66,588.533
2004/2005	54,575.288	85,674.558	31,077.517
2005/2006	62,039.215	94,126.858	32,087.643
2006/2007	62,039.215	110,975.886	48,936.671

#### EXPENDITURE

During the year under review, total expenditure charged to the Consolidated Fund was K96,664.357 million representing an increase in expenditure of K15,074.525 million when compared to the total expenditure of K81,589.832 million for 2005/06. The overall picture of the voted expenditure was a net saving of K2,927.885 million which compares unfavourably to a net saving of K12,537.026 million for 2005/06.

Although nineteen (19) votes exceeded their provisions by K4,099.552 million, the remaining eighty one (81) votes realized savings of K 7,027.437 million during the year under review. The overall result on the voted expenditure was a net saving of K2,927.885 million. Vote 040 - Public Debt Charges recorded the highest net excess expenditure of K2,713.641 million. The position of the net excess expenditure on the nineteen votes is as follows—

<i>Vote</i>	<i>Ministry/Department</i>	<i>Provision K'000</i>	<i>Actual K'000</i>	<i>Net Excess Expenditure K'000</i>	<i>% of Over Expend- iture %</i>
020	Misc. Stat. Expenditure	2,600.000	2,654.508	54.508	2.1
040	Public Debt Charges	14,755.000	17,468.641	2,713.641	18.39
050	State Residences	662.241	777.508	115.268	17.41
070	Judiciary	768.161	861.919	93.759	12.21
094	Nutrition HIV & AIDS	25.319	30.368	5.048	19.94
180	Sports & Culture	211.240	211.931	0.691	0.33
190	Agriculture	15,167.151	15,799.178	632.027	4.17
210	Water Development	273.941	278.801	4.860	1.77
240	Office of the Vice President	97.102	98.233	1.131	1.17
271	Accountant General	2,980.774	3,469.444	488.670	16.39
320	Gender & Community Services	221.327	221.650	0.323	0.15
350	Justice	157.963	163.681	5.718	3.62
351	DPP & State Advocate	92.965	102.240	9.275	9.98
354	Legal Aid	47.349	51.294	3.946	8.33
390	Commerce & Industry	226.965	227.473	0.508	0.22
470	Natural Resources	803.616	817.396	13.779	1.71
510	Anti-Corruption Bureau	232.540	238.240	5.700	.45
550	Ombudsman	57.940	58.370	0.430	0.74
560	Law Commission	111.502	116.282	4.779	4.29
		<u>39,493.096</u>	<u>43,647.157</u>	<u>4,154.061</u>	

## CONSOLIDATED REVENUE ACCOUNT

The consolidated revenue account had improved during the year under review since the cumulative deficit of K73,752.294 million as at 30th June, 2006 had decreased to K59,440.765 million as at 30th June, 2007, arrived at as follows—

	<i>K'000</i>
Balance as at 1st July, 2006 .. ..	<u>73,752.294DR</u>
Add: Revenue for the year .. ..	<u>110,975.886CR</u>
SUBTOTAL .. ..	37,223.592CR
Less: Expenditure for the year .. ..	<u>96,664.357DR</u>
Cumulative Deficit as at 30th June, 2007	59,440.765 DR

The planned recurrent deficit before grants for the year under review was K37,571.266 million. The actual Revenue Account out-turn as at 30th June, 2007 was a surplus of K14,311.529 million.

The annual surplus could largely be attributed to fiscal reforms including implementation of an Integrated Financial Management Information Systems (IFMIS) instituted by Government and improved expenditure management and control.

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

	<i>2003/04</i> <i>K'000</i>	<i>2004/05</i> <i>K'000</i>	<i>2005/06</i> <i>K'000</i>	<i>2006/07</i> <i>K'000</i>
Actual Revenue	87,401.808	85,674.558	94,126.858	110,975.886
<b>Less: Actual Expenditure</b>	<u>140,138.164</u>	<u>84,047.487</u>	<u>81,589.832</u>	<u>96,664.357</u>
<b>Surplus/(Deficit)</b>	<u>(52,736.356)</u>	<u>1,627.071</u>	<u>12,537.026</u>	<u>14,311.529</u>

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

## CONSOLIDATED DEVELOPMENT ACCOUNT

The total expenditure charged to Development Account for the year ended 30th June, 2007 amounted to K27,375.685 million reflecting an increase of K8,666.925 million over the previous year's expenditure of K18,708.760 million.

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

	<i>2003/04</i> <i>K'000</i>	<i>2004/05</i> <i>K'000</i>	<i>2005/06</i> <i>K'000</i>	<i>2006/07</i> <i>K'000</i>
Revised Estimates	16,370.070	22,086.870	28,442.223	47,940.740
Actual Expenditure	10,591.581	14,520.521	18,708.760	27,375.685
	<u>5,778.489</u>	<u>7,488.367</u>	<u>9,626.637</u>	<u>20,565.055</u>

Five (5) votes on the Development Account had exceeded their provisions during the period under review. One vote - Office of the Ombudsman- had spent about K14.119 million though it had no provision. The votes which had exceeded their provisions are as follows—

<i>Vote</i>	<i>Ministry/Department</i>	<i>Provision</i> <i>K'000</i>	<i>Actual</i> <i>K'000</i>	<i>Net Excess</i> <i>Expenditure</i> <i>K'000</i>	<i>% of Over</i> <i>Expend-iture</i> <i>%</i>
050	State Residences	185.000	282.749	97.749	52.84
070	Judiciary	165.000	173.928	8.928	5.41
080	National Assembly	860.000	1,120.469	260.469	30.29
111	National Statistical Office	236.281	465.463	229.182	97.00
270	Finance	383.617	813.225	429.608	111.99
550	Ombudsman	—	—	14.118	—
		<u>1,829.898</u>	<u>2,855.834</u>	<u>1,040.054</u>	

Twenty (26) votes, however, recorded under expenditures of K29,375.512 million. The largest unspent balances of K5,103.227 million and K4,066.075 million were recorded against Vote 190 - Agriculture and Vote 310 - Health and Population respectively.

The unspent balances on the Development votes could be a reflection of projects which were not implemented in full due to inadequate counterpart funding, lack of expertise, or delays in aid inflows.

The overall state of affairs of the Development Fund as at 30th June, 2007 was a cumulative surplus of K7,494.754 million, registering an increase of K3,981.387 million from K3,513.367 million recorded at the end of the 2005/06 financial year. Details are as follows:

				<i>K'000</i>
Receipts during the year	..	..	..	31,357.072 CR
<i>Less: Payments</i>	..	..	..	<u>27,375.685 DR</u>
<b>Surplus/(Deficit) for the year</b>	..	..	..	3,981.387 CR
<i>Add: Opening balance</i>	..	..	..	<u>3,513.367 CR</u>
Cumulative Surplus as at 30th June, 2007	..			<u><u>7,494.754 CR</u></u>

## CONSOLIDATED FUND

### FINANCING OF THE DEFICIT

The Budget Statement for 2006/07 financial year envisaged a deficit of K4 billion on the Revenue Account while the Development Budget was expected to break-even at K5.7 billion.

During the year under review, the Recurrent Revenue Account collected K110,975.886 million while the Recurrent Expenditure was K96,664.357 million resulting into a surplus of K14,311.529 million.

The Development Account realized K31,357.072 million registering an increase of K12,091.109 million when compared to K19,265.963 million of 2005/06.

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

<i>Year</i>	<i>Combined (Deficit)/Surplus K'000</i>
2003/04	(84,979.549)
2004/05	(83,333.156)
2005/06	(70,238.927)
2006/07	(51,946.011)



It is envisaged that full implementation of the Integrated Financial Management Information System (IFMIS) coupled with strict compliance with the provisions of the Public Finance and Management Act and Public Procurement Act will further improve public financial management and control in Ministries, Departments and other Government Agencies.

## PART III

### MINISTRIES, DEPARTMENTS AND OTHER PUBLIC ENTITIES JUDICIAL

#### CHIEF RESIDENT MAGISTRATE COURT—BLANTYRE

21. An audit inspection of the financial and stores records of the Chief Resident Magistrate Court in Blantyre was completed on 20th December, 2007. The audit review disclosed some weaknesses in financial control as follows—

**(a) Failure to Recover Debt Claims: K1,009,141.75**

Settlement of debt claims for close cases is supposed to be made within the period stipulated in the court ruling order to a particular claim.

A test check of files for closed cases revealed that claims amounting to K1,009,141.75 for the period between January, 2005 and March, 2006 were still not recovered despite the expiry of the recovery period. There was no evidence to indicate that measures have been put in place to ensure speedy recovery of the outstanding claim.

**(b) Payment made without Authorization: K153,345.00**

Treasury Instructions require that all payment vouchers must be authorized before they are passed for payment.

An examination of payment vouchers for the period from 7th April to 19th May, 2005 disclosed that payment vouchers amounting to K153,345.00 were processed for payment without being authorized, contrary to Treasury Instructions.

**(c) Failure to Account for Exhibit Money: K19,641.18**

A physical check of court exhibits against corresponding entries in the exhibits register disclosed that a sum of money amounting K19,641.18 which was shown as outstanding in the register could not be accounted for by the officer responsible for maintenance of the register. There was no evidence to show that the amount has since been paid back and disciplinary action taken against the officer concerned.

I have not received any response to my report Ref. No. MEM/7/1/21/12 dated 14th December, 2007.

#### PHALOMBE MAGISTRATE COURT

22. An audit inspection of the financial and stores records of Phalombe Magistrate Court was completed in December, 2006. The audit review revealed weaknesses in financial control as follows—

**(a) Misappropriation of Court Fines and Court Deposits by John Mphahiwa: K86,110.00 and Lizzie Lubelo: K18,000.00**

An examination of court fines and court deposits records disclosed that Mr. John Mphahiwa failed to account for K55,580.00 in respect of court fines which were collected on general receipt numbers 834685, 834727 to 834731.

It was further noted that court deposits amounting K30,530.00 received during the period 19th February, 2003 to 11th January, 2006 could not be accounted for by the same officer.

It was also disclosed that Miss Lizzie Lubelo failed to account for K18,000.00 in respect of court fines which was collected on general receipt numbers 834732 to 834737 during the period 21st September, to 14th November, 2006.

I have not received any reply to my report dated 20th April, 2008.

**LOCAL GOVERNMENT AND RURAL DEVELOPMENT**

**BLANTYRE DISTRICT ASSEMBLY**

23. An audit of the financial records of Blantyre District Assembly was conducted between 12th January and 13th March, 2007. The following irregularities were noted—

**(a) Revenue not Accounted for: K779,965.70**

Treasury Instructions state, among other things, that all revenue collectors who receive in their official capacity any revenue or other public moneys are required to account for the full amount collected

An examination of revenue records disclosed that Messrs. M. Banda and A. Malasa failed to account for K640,439.70 and K139,536.00 respectively in respect of revenue collected between July, 2005 and January, 2007. This could be attributed to inadequate supervision by management of the Assembly.

**(b) Payment for Personal Insurance cover for Ward Councillors: K306,391.60**

Treasury Instructions require that funds should be spent with due regard to economy and on purpose intended for and not merely because it was been voted for.

An examination of payment vouchers disclosed that between September 2004 and January, 2007 Blantyre District Assembly paid Old Mutual a sum of K306,391.60 in respect of personal insurance cover for ward councilors. The expenditure was irregular since it was not covered

by any regulation. There was no evidence to show that the amount had been recovered from the councilors concerned.

**(c) Payment Vouchers without supporting documents: K4,400,377.76**

Treasury Instructions state that a payment voucher must be fully supported by an original invoice; a statement of service rendered shall not be accepted as a valid supporting document.

An examination of financial records for the period August 2004 to November 2006 disclosed that contrary to regulations payment vouchers amounting to K4,300,377.76 were passed for payment without supporting documents. Consequently, the propriety of this expenditure could not be ascertained.

**(d) Cash drawn on behalf of others not accounted for: K3,142,946.36**

Treasury Instructions state that where a payment voucher is made payable to an officer on behalf of other staff, the staff should acknowledge receipt of the funds by signing against their names listed on the reverse of the voucher.

An examination of payment vouchers disclosed that cash amounting to K3,142,946.36 which was drawn on behalf of others and paid by various officers between August, 2004 and September, 2006 was not signed for by the recipients.

**(e) Stores not accounted for: K1,703,153.02**

Procurement Regulations require that a stores ledger for purposes of recording receipts and issues of stores shall be kept for each stores items.

An examination of payment vouchers disclosed that stores valued a K1,703,153.02 which were purchased between September, 2004 and September, 2006 were not recorded in the stores ledger. As a result, accountability of such items could not be ascertained.

**(f) Failure to account for Fuel Coupons: K1,886,200.00**

An examination of payment vouchers disclosed that the office purchased fuel coupons valued at K1,886,200.00 between July, 2005 and September, 2006, but the coupons were not recorded in the fuel register. It was therefore, difficult to ascertain the accountability of the fuel coupons in the absence of such record.

**(g) UNICEF Funds not accounted for: K18,275,915.55**

The Public Finance Management Act requires, among other things, that Controlling Officers should take all necessary precautions to ensure that public funds are safeguarded against abuse or loss.

An examination of records pertaining to UNICEF funding disclosed that between April, 2006 and January, 2007 the Assembly made several large cash payments to officers amounting to K18,275,915.55 purportedly for UNICEF activities in the District. It was however, noted that all the payments were not liquidated through expenditure returns and there were no receipted vouchers to substantiate proper utilization and accountability of the funds. The concerned officers explained that they were accountable to UNICEF and not the Assembly.

I have not received any reply to my report dated 7th August, 2007.

## **CHIKWAWA DISTRICT ASSEMBLY**

24. An audit inspection of the financial and stores records of Chikwawa District Assembly was completed on 8th September, 2006. The Audit review disclosed weaknesses in financial control as follows—

**(a) Payment Vouchers Without Supporting Documents: K1,762,774.18**

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

An examination of payment vouchers disclosed that payments amounting to K1,762,774.18 made between January, 2005 and July 2006 had no supporting documents. Consequently, the propriety of the expenditure could not be ascertained.

**(b) Unclaimed salaries for late B. Ubale not Accounted for: K54,760.00**

An examination of payrolls disclosed that unclaimed salaries for take Bazilio Ubale who passed away on 8th August, 2005 amounting to K54,760.00 were not accounted for. The salaries continued to appear on the payroll between September, 2005 and June, 2006, but these were not brought on charge and the cash could not be found on hand.

**(c) Trustees Accounts Passbooks for Minors not Produced for Audit: K636,920.57**

An examination of payment vouchers for deceased estate accounts disclosed that minors trustees accounts passbooks with balances amounting to K636,920.57 for the period between February 2005 and May 2006 were not produced for audit examination. It was therefore, difficult to ascertain how the trustees accounts were being managed and how the funds were accounted for.

I have not received any response to my report Ref. No. OPC/12/1/27 dated 14th May, 2007

## **DOWA DISTRICT ASSEMBLY**

25. An audit inspection of the financial records of Dowa District Assembly which was carried out between April and May 2007 gave rise to the following observations—

**(a) Payments without Supporting Documents: MK6,682,338.00**

Treasury Instructions stipulate *inter alia*, that any payment voucher on which an official payment has been made should have sufficient documentation to support the expenditure. It was observed that payment vouchers totaling MK6,682,338.00 had no supporting documentation. Consequently, the propriety of the expenditure made could not be ascertained.

**(b) Vouchers not Presented for Audit: MK4,347,372.32 (Dowa District Hospital)**

It is a requirement that all payment vouchers on which expenditure has been made should be produced for audit inspection. It was observed that payment vouchers totaling MK4,347,372.32 for the Dowa District Hospital could not be produced for examination and it could not be established how the funds were utilized.

I have not received any response to my inspection report of July, 2007.

## **MWANZA DISTRICT ASSEMBLY**

26. An audit of financial records of Mwanza District Assembly which was conducted in April, 2006 revealed weaknesses in financial control as follows—

**(a) Revenue not Accounted for: K40,269.74**

An examination of revenue records disclosed that from July 2005 to March, 2006, the cashier collected revenue amounting to K2,386,341.72 of which only K1,998,227.15 was banked, leaving a balance of K388,114.57.

It was further noted that the office made direct payments amounting to K347,844.83 from the balance of K388,11.57 and the balance of K40,269.74 could not be accounted for.

I have not received any reply to my report dated 16th August, 2007 on the weakness highlighted above.

## **NTCHEU DISTRICT ASSEMBLY**

27. An audit inspection of the financial records of Ntcheu District Assembly which was carried out between July and August 2007 gave rise to the following observations—

**(a) District Development Funds used on other activities: MK3,355,957.15**

District Development Funds (DDF) are meant to finance development activities within the District. It was observed that between November 2004 and March 2006 the Assembly used DDF funds amounting to MK3,355,957.15 on the Assembly's activities which were not related to activities of the Fund. There was no evidence to show that the account had been replenished.

**(b) Deceased Estates Funds used for other Recurrent Transactions: MK2,290,537.00**

An examination of deceased estates funds records disclosed that MK2,290,537.00 was used by the Assembly between January 2000 and January 2006 for other recurrent transactions (ORT). It was further noted that this was done without authority from the Treasury. The diversion of these funds deprived the beneficiaries of the assistance they could have got from the deceased estates funds. There was no evidence to indicate that the amount had been paid back.

**(c) Vouchers not Presented for Audit: MK 2,330,611.00**

It is a requirement that all payment vouchers on which public expenditure has been made should be produced for audit inspection. It was observed that payment vouchers totaling MK2,330,611.00 for the District Development Fund were reported missing and therefore, could not be presented for examination. Consequently, the propriety of this expenditure could not be ascertained.

I have not received any response to my inspection report of September, 2007.

## **NATIONAL DEFENCE**

### **INVESTIGATIVE AUDIT ON FINANCIAL AND MANAGEMENT OPERATIONS OF MINISTRY OF NATIONAL DEFENCE HEADQUARTERS: DEVELOPMENT ACCOUNT**

28. An investigative audit of financial and management operations of the Ministry of National Defence headquarters, Development Account was completed in December, 2006 and the following observations were made—

**(a) Payments for Agriculture Production Unit without Establishing Authority: K4,917,492.00**

A review of payment records disclosed a number of payments in respect of farm inputs and wages for an Agricultural Production Unit at Malawi Defence Force. There was no evidence to show that Government authority was sought to establish the unit. Management confirmed that the unit was established in an adhoc manner in order to cater for ration supplementation within the Malawi Defence Force. Delivery of farm inputs valued at K4,917,492.00 was verified through suppliers delivery notes and payments thereof. Unfortunately, disposal of the delivered inputs could not be ascertained due to lack of records.

**(b) Funds Drawn out of P.R.I. Accounts not Accounted for: K3,009,827.00**

An examination of the payment vouchers for PRI accounts revealed that some payments made to officers totaling K3,009,827.00 were not supported with documentary evidence for to account for the amount. No satisfactory explanation was given, details are as follows—

<i>PAYEE</i>	<i>PRI Vr.No.</i>	<i>Date</i>	<i>Cheque No.</i>	<i>Amount K</i>	<i>Purpose</i>
Col.Malikebu	2361	3/2/2006	1626	1,000,000.00	Hospital maintenance- Moyale
Col.Malikebu	634	16/12/2006	734	300,000.00	Fuel for ablution block at 9MR
N.Mwenyekondo	633	16/12/2006	733	1,000,000.00	Constr. of ablution block-9MR
P.A.Gama	391	5/4/2005	449	311,253.00	Maint. of chairs at Chirumba G
LMDTrading	3165	22/8/2006	2503	398,574.00	Building materials for 9MR
				<u>3,009,827.00</u>	

## **IRRIGATION AND WATER DEVELOPMENT**

### **REGIONAL IRRIGATION AND WATER DEVELOPMENT OFFICE (SOUTH)**

29. An audit inspection of financial and stores records of Regional Irrigation and Water Development Office (South) was completed on 14th September, 2007. The audit review disclosed weaknesses in financial control as follows—

**(a) Missing Bags of Cement: K280,896.00**

An examination of stores records disclosed that the ledger balances could not agree with physical stock. Ledger balance for cement as at 3rd June, 2007 was 357 pockets while the physical balance was 184 pockets giving a shortfall of 173 pockets. A ledger for maintenance of boreholes had a book balance of 80 pockets, but the balance on hand as at 4th September, 2007 was 55 pockets reflecting a shortfall of 25 pockets. In



total there were 198 pockets missing valued at K280,096.00. There was no evidence to show that measures have been taken to recover the amount from the officer (s) concerned.

**(b) Fuel not recorded in the Log Books: K123,000.00**

An examination of fuel register and log books for the period January, 2006 to August, 2007 revealed that fuel issued to various vehicles amounting to K123,000.00 was not recorded in the log books as at the date of the audit. It was difficult to establish how the fuel was accounted for.

I have not received any reply to my report Ref. No. MLWD/21/1/5 dated 22nd January, 2008.

**EDUCATION AND VOCATIONAL TRAINING**

**INVESTIGATIVE AUDIT ON FINANCIAL AND MANAGEMENT OPERATIONS OF DEDZA DISTRICT EDUCATION MANAGEMENT**

30. An investigative audit of financial and management operations for the period 2005,2006 and 2007 of Dedza District Education Management(DEM) which was conducted in June, 2007 gave rise to the following observations—

**(a) UNICEF Projects Funds not accounted for: K8,869,629.22**

During the period 2005 to 2007, UNICEF disbursed to Dedza District Education Management (DEM), a sum of K11,933,435.25 for various projects in Basic Education and Youth Development. The expected procedure and control over the project funds was through the District Development Fund (DDF), an account managed by the District Assembly in the Decentralization set up. However, Dedza Education Management opened a savings account No. 0121201356600 with the Standard Bank, Dedza Branch into which UNICEF funds were deposited.

The account was opened without Treasury authority which could have provided guidelines in accordance with the financial regulations and procedures as stipulated in the Public Finance Management Act. The account was operated as if it were a personal account. The District Education Managers were personally handling the withdrawals from the account without vouchers.

During the period under review, the Manager was Ms. D.S. Chitedze (retired) who was an Acting Manageress and admitted the irregular financial operations to auditors, claiming ignorance of financial procedures.

An examination of expenditure returns accessed at UNICEF headquarters which were submitted by the Dedza DEM revealed that out of a total of K11,933,435.25 disbursed during the period, only K3,063,806.03 was verified as having been supported with valid documents while K7,240,550.86 was not supported, and K1,629,078.36 was supported with forged documents which the DEM claimed were used for balancing the figures. The financial transactions that were not supported related to activities which also had no evidence of delivery or performance. The retired DEM failed to account for the total of K8,869,629.00.

**(b) Lack of procedures and evidence of work done: K1,492,153.00**

One of the disbursements made by UNICEF amounting to K1,492,153.00 was for the rehabilitation of one school block at Mgawi II and two blocks at Mtandamula Primary Schools in November, 2005 by K & D Building Construction, owned by Mr. M.F.Siwinda, of Box 182, Dedza. According to the project proposal, the amount was composed of K1,439,073.00, for rehabilitation works as per quotation and K53,080.00 for supervision by the DEM, Director of Public Works and Director of Planning from the District Assembly. The community contribution was in form of labour, bricks and security.

UNICEF disbursed the amount basing on the proposal and the quotations and management deposited the funds in a savings account. There was no document to indicate the amount paid to the contractor as cash was drawn from the savings account by the DEM. The retired DEM confirmed that the District Assembly technical supervision was not involved but the contractor was paid by her from the withdrawals from the savings account. An inspection of the work done with zone PEAs and Education Coordinators from the school areas, indicated doubts for any work done. When contacted, the contractor claimed that work was done and all payment was effected in line with the contract amount which he did not disclose.

The procedure followed in implementing the projects was contrary to the procurement regulations in the public sector. In the absence of technical supervision and certification, there was no evidence of work done. Failure by the contractor and the former DEM to disclose the exact amount paid and lack of technical supervision was an indication that the amount of K1,492,153.00 could have been used for personal gain.

I have not received any reply to my report of September, 2007.

## **INVESTIGATIVE AUDIT ON THE FINANCIAL AND MANAGEMENT OPERATIONS OF DEDZA SECONDARY SCHOOL**

31. An investigative audit on the financial and management operations of Dedza Secondary School was conducted in August and October, 2007 and highlighted the following observations which were reported in my report Ref. No C/AUD/INVEST/4/36DSS dated 8th January, 2008—

### **(a) Collection Of Unauthorised Fees**

Dedza Secondary School is one of the four Government National Secondary Schools. The school operates on full funding from Treasury through the national budget under the Ministry of Education. Tuition and Boarding fees collected from students is Government revenue.

A review of various school fees charged to students disclosed that some fees were charged without written authority from the Ministry or Government. The unauthorized fees charged to student during the period under review were Medical fees: K1,150,600.00, Parent Teacher Association (PTA) fees: K2,876,500.00 and Postage fees: K44,400.00. The school management failed to produce Government authority which granted the school to the foregoing fees.

### **(b) Unauthorised admission of Students**

The School did not maintain Students Fees Registers for the period under review. A review of the class attendance registers revealed additional students registration above the authorized number of 120 students per form of three streams. During the period under review, the School admitted students in the range of 130 to 269 per form of three streams.

No Government authority was produced by the School management for the additional registration. The additional students caused congestion at the school and contributed to poor learning environment.

### **(c) Fees not accounted for: K6,782,390.00**

An examination of the fees receipts and cashbooks revealed that not all fees paid in by students were brought on charge using official receipts. Instead challenge receipt books obtained from local shops were used and these were not recorded in any register for control purpose. Most of the receipted cash was recorded in hardcover notebooks which were used as Receipt and Payment cashbooks.

Tuition and Boarding fees collected on General Receipts was properly banked. Other fees collected on locally obtained challenge receipts were claimed to have been used as petty cash. A comparison of the

expected fees collection from students basing on class registers and the receipted fees for the period under review totaling K11,687,660.00, revealed a difference of K6,782,390.00 not accounted for by the School Accountant, Mr. N.G. Chilengulengu.

**(d) Fees used on ORT not refunded: K6,976,160.00**

An examination of petty cash payments revealed that government revenue(boarding fees) K3,297,800.00 and the school general purpose funds K3,678,360.00 together totaling K6,976,160.00 were used for boarding and general expenditure for the school which were also financed through the ORT account. The expenditure was incurred without government authority and there was no justification for use of school fees on ORT while Treasury was funding the same. The amount was not refunded.

**(e) Unauthorised School Bank Account and inability to account for: K9,439,524.73**

The school operated a corporate current account with National Bank, Lilongwe branch. Management failed to produce Treasury authority for them to operate the account but they claimed that the account was old and that it had been in operation for a long time. The sources of funds to operate the account were expected to be from the general purpose fees. The account was operated as a private account since no procedures and official guidelines were being followed.

An examination of the bank statements for the period July, 2004 to June, 2007, disclosed that the account had no separate cashbook. Most of the deposits made into the account were by cheque from the Central West Education Division and Accountant General respectively in respect of funding to the school and refunds of fees used on school operations. Both the Ministry and Accountant General were unable to give satisfactorily reasons on why funding was made by cheque to an institution which had no Treasury authorized bank account.

A substantive examination of available accounting records for receipts into and payments from the bank account, revealed substantial funds not accounted for as follows—

**(i) Boarding Subsidy funds not accounted for: K489,307.00**

Payee on a payment voucher No.083 dated 14/10/2005 was altered from 'Headmaster' to 'N.G. Chilengulengu for suppliers'. A cheque No.002407 was issued by Central West Education Division (CWED) against the voucher with an amount of K489,307.00. The paid cheque could not be traced by the CWED.

The amount of K489,307.00 was drawn in cash from the bank by the payee, Mr. N. G. Chilengulengu whose name was inserted on the voucher. The cheque for the K489,307.00 was not recorded in any cashbook and did not appear on the school account bank statement. No cash liquidation voucher for the amount was produced. The amount was therefore not accounted for by Mr. N. G. Chilengulengu.

**(ii) Cash deposits in cashbook not on bank statement: K1,609,867.73**

The Boarding account cashbook recorded some cash deposits into the bank although no deposit slips were produced to support the banked amount. The purportedly deposited amounts totaling K1,609,867.73 were not reflected on the bank statement. The Cashier, Mr. Chilengulengu failed to account for the amount.

**(iii) Cash drawn from bank not accounted for: K7,340,350.00**

An examination of the bank statement for the period under review, revealed several bank drawings amounting to K7,340,350.00 which were not supported with vouchers. From the available cheque counterfoils, most payments were made in names of staff members. The cheques drawn were not recorded in any cashbook. The amount was not accounted for by those who drew the cash from the bank.

**(f) Irregular Cash Payments From Fees: K875,646.20**

An examination of cash payments from various fees collected from students during the period under review revealed abuse of the fees collected. Numerous irregular cash payments such as honoraria were paid from fees amounting K875,646.20.

There was no evidence to indicate that the amount was paid back to fees account.

**(g) Food Stuffs and General Stores paid for but not delivered: K8,617,194.63**

An examination of payments for purchases of foodstuffs and general stores disclosed numerous payments by cash or cheque which had no evidence of delivery of the items paid for during January, 2005 to June, 2007. Foodstuffs and general stores valued at K7,769,438.00 and K847,756.63 respectively were not found in the stock ledgers and no delivery notes were produced. A few suppliers' cash sales attached to

some payment vouchers were signed by members of staff acknowledging collection of goods, but these were not entered in stock ledgers.

The Boarding Master who was responsible for foodstuffs and a Watchman who was keeping general stores were unable to give satisfactory explanation on how the items paid for were accounted for.

I have not received any reply to my report of September, 2007.

## **INTERNAL AUDIT INVESTIGATION OF FINANCIAL AND MANAGEMENT OPERATIONS OF BZYAZI SECONDARY SCHOOL**

32. An internal audit investigation of financial and management operations of Bzyazi Secondary School in Dowa which was conducted in January, 2007 gave rise to the following observations—

**(a) Deployment of Head Teacher's own children without authority and paid them salary: K72,000.00**

A review of accounting records disclosed that the Head Teacher Ms. I.C. Ngozo employed two of her children, Dingiswayo Ngozo, as an Accounts Assistant and Mphatso Ngozo as a Library Assistant who were being paid illegal salary from ORT funding at the rate of K6,000.00 and K3,000.00 per month respectively. The positions were vacant on the school establishment requiring to be filled through authorized employment procedures but the head teacher decided to unlawfully fill the vacancies. The illegally paid salaries were assessed at K72,000.00 as at October, 2006.

**(b) Cement disposed without authority: K165,000.00**

An examination of stores records revealed that 110 bags of cement valued at K165,000.00 meant for a hostel construction project under Masaf was irregularly disposed off by the Head Teacher without the school committee's authority under the pretext that the cement got wet while in the warehouse. A total of 180 bags of cement were supplied through Dowa District Assembly in August 2005 and the 110 bags were disposed after four months while the hostel construction was still in progress.

The transaction by the Head Teacher amounted to wastage of public resources requiring a surcharge due to negligence.

**(c) Fraudulent Labour Contract: K43,700.00**

The Head Teacher Ms. Ngozo prepared a forged contract which she used a Ground Labourer, Mr. F. Madziamoto to sign an agreement of K61,000.00 for labour maintenance of the school sewerage and plumbing. Unknowingly, the Ministry's Central West Education Division processed the payment on cheque No. 165596 dated 10/9/2006, with a net of tax amount of K58,560.00, in the name of Mr. F. Madziamoto who cashed and handed the amount to the Head Teacher.

In return, the Head Teacher corruptly gave Mr. Madziamoto a K2,000.00 commission. The Head Teacher then hired a Grade 3 Bricklayer, Mr. M.L. Sulani who did the work at a cost of K17,300.00.

The Head Teacher pocketed the difference of K39,260.00 for her personal gain. Therefore, the total amount paid for no work done was K43,700.00.

**(d) School rent not accounted for Head Teacher: K46,150.00**

One of the school buildings was used to accommodate female students on individual rental basis. The Head Teacher was collecting the rent from the students.

An examination of the available Rent register for third term of 2006 revealed that students had paid rent totaling 46,150.00. The money was collected by the Head Teacher, Ms. Ngozo, but was not accounted for.

I have not received any response to the Internal Audit Report of January, 2007.

**BLANTYRE RURAL DISTRICT EDUCATION OFFICE**

33. An audit inspection of the financial and stores records of Blantyre Rural District Education Office which was completed in December, 2006 disclosed weaknesses in financial control as follows:-

**(a) Payment vouchers without supporting documents: MK1,271,562.00**

Treasury Instructions require, among other things, that supporting documents such as cash sale, invoices and authority to leave duty station forms should be firmly attached to the payment vouchers.

An examination of payment vouchers for the period between July, 2005 and November, 2006 disclosed that payments amounting to MK1,271,562.00 had no supporting documents attached to the payment vouchers. Consequently, the propriety of the expenditure could not be ascertained.

**(b) Fuel not recorded in the fuel register: MK318,885.00**

Government stores regulations require that all fuel coupons received should be recorded in a fuel register to ensure proper accountability.

An examination of fuel coupon delivery notes from Oilcom against fuel register disclosed that fuel coupons valued at MK318,885.00 purchased between July 2005 and November 2006 were not recorded in the fuel register, hence their disposal could not be ascertained.

I have not received any reply to my report dated 22nd May, 2007.

**MWANZA SECONDARY SCHOOL**

34. An audit inspection of the financial and stores records of Mwanza Secondary School was completed on 14th June, 2006. The audit revealed weaknesses in financial management and control as follows:-

**(a) Tuition fees not accounted for: K3,045,757.96**

Treasury Instructions require all persons that are entrusted with the custody of revenue or other public funds to properly account for all monies entrusted to them

An examination of receipt books for tuition fees, boarding fees, General Purpose Fund, text books revolving fund, development fund and parent association fund for the period July, 2004 to April, 2006 disclosed that Mr. Chitika the Headmaster and Mr. Pachika the Bursar failed to account for cash amounting to K1,646,557.96.

A further examination of tuition fees register and student attendance registers for the period January to August, 2005 disclosed that Mr. W.B. Pachika could not account for K1,399,200.00 which was received, but no general receipts were issued to the payees. There was no evidence to indicate that disciplinary action had been taken against the officers and amounts recovered.

**(b) Failure To Account For Bursary Fees:-K985,230.00**

It was further disclosed that Mr. Pachika, the Bursar and Chitika the Headmaster received a sum of K985.230.00 being fees for bursary students between September, 2005 and May, 2006 but was not accounted for. There was no evidence that measures had been taken to recovered the money from the officers concerned.

**(c) Payment vouchers without supporting documents: K1,099,358.00**

An examination of payment vouchers revealed that payments amounting to K1,099,358.00 made between January, 2005 and



September, 2005 did not have supporting documents. It was difficult to ascertain the propriety of this expenditure.

I have not received any reply to my report Ref. No. MED/25/1/2/4 dated 5th June, 2007.

## **LUNZU SECONDARY SCHOOL**

35. An audit inspection of the financial and stores records of Lunzu Secondary School was completed in December, 2006. The audit review revealed weaknesses in financial control as follows—

**(a) Payment vouchers without supporting documents: K826,675.00**

Treasury Instructions state that any payment must be supported by an original invoice, cash sale and delivery note attached to it before payment is made.

An examination of payment vouchers disclosed that payment vouchers amounting to K826,675.00 for the period January, 2005 to December, 2006 were processed for payment without supporting documents. Consequently, the propriety of this expenditure could not be ascertained.

**(b) Payment Vouchers not authorised: K332,205.00**

Treasury Instructions stipulate that original payment vouchers should bear signature of the officer authorizing the payment.

An examination of payment vouchers for the period January, 2005 to December, 2006 revealed that payment vouchers amounting to K332,205.00 were not signed for by the authorizing officer, contrary to the prevailing financial rules and regulations. The propriety of the expenditure could therefore not be ascertained.

I have not received any reply to my report dated 13th November, 2007.

## **HEALTH AND POPULATION**

### **QUEEN ELIZABETH CENTRAL HOSPITAL**

36. An audit inspection of the financial and stores records of Queen Elizabeth Central Hospital was completed on 29th June, 2007. The audit inspection revealed weaknesses in financial management and control as follow—

**(a) Payment vouchers without supporting documents: K106,432.38**

Treasury Instruction require, among other things, that a voucher must be fully supported by an original invoice. Statements of accounts rendered will not be accepted as supporting documents.

An examination of payment vouchers for the period July, 2005 to June, 2006 disclosed that payment vouchers amounting to K106,432.38 were passed for payment without supporting documents. It was, therefore, difficult to ascertain the propriety of this expenditure.

**(b) Missing of Tally Cards: K15,366,384.20**

Public Procurement Guidelines state that stores ledger for the purpose of recording the receipts and issues of stores shall be kept for each store.

An examination of delivery notes and tally cards for the drug November, 2006 were not available for audit. As a result drugs valued at K15,366,384.20 could not be verified and certified to have been properly accounted for

It was explained that some tally cards missed during the renovation of storerooms when there were movement of items from one room to another and it was difficult to trace where tally cards were placed, and that some were burnt.

**(c) Drug and Medical Supplies not recorded on Tally Cards: K6,586,814.79**

Public Procurement Guidelines require that stores ledger for purpose of recording the receipts and issues of all stores will be kept for each stores and signed for.

A further examination of drug and medical supplies records disclosed that drugs valued at K6,586,814.79 were not recorded on the tally cards between July 2005 and June 2007. This made it difficult to ascertain how the drugs were used and also to establish the actual balances of the drugs.

**(d) Variances Between Physical and Book Balances (Drugs): K1,500,730.33**

Physical stock count of the drugs and medical supplies against ledger balances disclosed differences between physical and stock card balances as at 20th June, 2007.

Surplus of stores items worth K1,500,730.33 and deficit of stores items worth K33,608.54 were noted. It was therefore difficult to ascertain whether drugs and medical supplies were properly accounted for. There was no evidence to indicate that measures have been put in place to strengthen the system of store keeping.

**(e) Drugs issued to unknown Recipients: K115,402.00**

A further review of the system of issuing drugs and medical supplies revealed that drugs and medical supplies valued at K155,402.00 were issued between January and May 2007 without indicating the recipients. This made it difficult to establish the accountability of drugs.

**(f) Items not recorded in Stores Ledger: K2,512,914.01**

An examination of delivery notes and stores ledgers for bulk stationery and kitchen supplies for the period July, 2005 to May 2007, revealed that items purchased valued at K2,512,914.01 were not recorded in the stores ledger. It was difficult to establish how the items were accounted for.

I have not received any reply to my report reference No. MHE/31/1/14 dated 22nd January, 2008.

**CHIKWAWA DISTRICT HOSPITAL**

37. An audit inspection of the financial and management operations of Chikwawa District Hospital was completed on 7th September, 2006. The audit review disclosed weaknesses in financial controls follows—

**(a) Payment Vouchers without supporting documents: K1,375,636.58**

Treasury Instructions require, among other things, that a payment voucher must have supporting documents which should be firmly attached to it. Statements of accounts rendered shall not be accepted as supporting documents.

An examination of payment vouchers disclosed that payment vouchers for the period October, 2005 to June, 2006 amounting to K1,375,636.58 were passed for payment without supporting documents. Consequently, the propriety of the expenditure could not be ascertained.

**(c) Stores issued but not signed for: K693,139.00**

Public procurement regulations require that stores items should be signed for in the ledgers by the officer drawing the items.

An examination of the stores ledger disclosed that stores items valued at K693,139.00 were not signed for by officers drawing them to acknowledge receipt. It was therefore, difficult to ascertain accountability of these stores items.

I have not received any response to my report Ref. No. MHEP/31/1/4 dated 14th May, 2007.

## **GENDER AND COMMUNITY SERVICES**

### **DISTRICT SOCIAL WELFARE OFFICE (MZUZU)**

38. An audit of the financial and stores records of District Social Welfare Office (Mzuzu) was carried out and completed in February 2007. The audit gave rise to the following observation—

**Payment Vouchers without supporting documents: MK157,874.23**

Treasury Instructions require that a payment voucher must be fully supported by an original invoice. Statement of accounts rendered should not be used to support any payment.

An examination of payment vouchers for the period from July 2006 to December 2006 disclosed that payments totaling MK157,874.23 had no supporting documentation. Consequently, the propriety of the expenditure that had been incurred could not be ascertained. Details are contained in my inspection report dated 26th March, 2007.

I have not received any reply to my report dated 26th March, 2007.

## **INFORMATION AND CIVIC EDUCATION**

### **INVESTIGATIVE AUDIT ON FINANCIAL AND MANAGEMENT OPERATIONS OF THE DEPARTMENT OF INFORMATION SYSTEMS AND TECHNOLOGY MANAGEMENT SERVICES (DISTMS)**

39. An investigative audit on the financial and management operations of the Department of Information Systems and Technology Management Services (DISTMS) for the period 2005 and 2006 was conducted in August, 2007 and gave rise to the following observations—

**(a) Failure to comply with Procurement Regulations**

An examination of procurement records and related payments revealed a number of weaknesses in complying with procurement regulations and procedures as required by the Public Procurement Act. That resulted in loss of public funds and lack of evidence of delivery of goods or performance of services for which payments were made as highlighted below—

**(i) Payments for cleaning services without formal contract agreement: K1,785,000.00**

Payments for office cleaning services totaling K1,785,000.00 to Rapid Steam Laundry made between 1st April, 2002 and 30th June, 2007, were not properly sanctioned because there was no

evidence to indicate that competitive quotations were solicited for the award of the contract. The contract Document which was provided, had no signature of DISTMS management or any authorized officer in Government.

The services paid for could not be assessed or verified as there was no record of work done.

**(ii) Payments for Landscaping services without contract: K658,038.50**

A sum of K658,038.50 was paid to Diandra during the period from 2005 to 2007 for Landscaping services. No contract document was produced for the said services. There was no evidence of work done by the firm for which payments were made during the three years. Management failed to give satisfactory explanation on the identification of the firm as all the transactions were not supported by minutes of the Internal Procurement Committee (IPC) or form of authority.

**(iii) Irregular award of contract by the director of DISTMS: K232,900.00**

On 29th June, 2006, the Internal Procurement Committee (IPC) recommended the award of a contract to fill potholes at DISTMS car park to Mgahena Building Contractors basing on the Committee's evaluation of the contractor's Bid price of K55,500.00. However, this was unilaterally changed by the then Director, Mrs. O. Chikankheni, who opted to award the contract to Skyblue Construction Company at a cost of K232,900.00 without valid reasons.

A physical inspection of the site by the audit team did not identify any evidence of filled potholes but instead only original unfilled potholes were found indicating that no work was undertaken on the potholes.

**(b) Over Payment of Top Up Allowance: K87,012.65**

An examination of external travel allowances revealed that the then Director, Mrs. Chikankheni, was overpaid by K88,012.50 in top up allowances from two of her numerous external trips which were fully funded. The overpayment was made on Vrs 196 of 14/12/2006: K73,445.65 and 388 of 5/4/2007: K13,567.00.

The overpayment was not yet refunded by the officer at the time of audit.

**(c) Misuse of Government Vehicles: K366,869.00**

A review of expenditure records for motor vehicle disclosed non compliance with OPC Circular No. 16/06/04 of 2nd April, 2001 regarding control of motor vehicles.

On September, 2006, the institution's vehicle No. 049MG 0049, was involved in a road accident whilst in transit to Kamuzu Academy to deliver pocket money for the Director's daughter as evidenced by a Police Accident Report. The passenger at the time of accident was another daughter of the Director who only accompanied the driver to deliver pocket money to her sister.

The vehicle was comprehensively insured but the Director decided to repair it at private garages, AK Rebuild without going through PVHO, at a total cost of K366,869.00. Enquiries with the Office Superintendent disclosed that the vehicle was towed back from AK Rebuild as a non-runner and was found grounded in the same state at the time of audit.

Again a similar incident occurred to vehicle No. 049MG002 whilst also travelling from Kamuzu Academy for collecting the Director's daughter. According to the driver, the vehicle's side window was broken due to overload of luggage when it hit a pothole. The auditors saw the vehicle damped at Nan'gwagwa Forestry office within Lilongwe City and was exposed to a high risk of theft or vandalism.

**(d) Payment for a Hostel not constructed: K3,176,410.00**

During 2006/2007 fiscal year, K5.0 million was budgeted for training. Out of this provision, management decided to transfer by cheque No 21499 dated 30/06/2007 to National College of Information Technology (NACIT) Treasury Fund account, the sum of K3,176,410.00 for the construction of a hostel in Blantyre.

Audit enquiries at NACIT confirmed that the hostel was not constructed. A verification of the transferred funds in the NACIT bank account revealed that there were no funds in the account. Management failed to account for the transferred amount of K3,176,410.00.

**(e) Payment for Course Expenses not held by NACIT: K493,257.00**

A payment of K493,257.00 was made on Cheque No. 12500 dated 30th June, 2007 for DISTMS staff members Degree Course training expenses at NACIT.

Audit enquiries established that no staff members pursued any degree course at NACIT. According to one of the purported beneficiary of the training whose name was on the invoice, claimed that her course fees was paid by FIMTAP and that she was only pursuing a diploma course

in IT. Management was unable to justify the payment of K493,257.00 which also was claimed to have been deposited into the NACIT Treasury fund account but no documentary evidence was produced.

I have not received a response to my report of January, 2008.

## HOME AFFAIRS AND INTERNAL SECURITY

### REVENUE UNDER COLLECTION

<b>VOTE 341: HOME AFFAIRS</b>	:	Police
<b>CONTROLLING OFFICER</b>	:	Secretary for Home Affairs and Internal Security
REVISED PROVISION ON		
LISTED ITEMS	:	K14,856,519
ACTUAL COLLECTION	:	Nil
UNDER COLLECTION	:	K14,856,519

### 40. Revenue was under collected on the following items:-

<i>Bud-</i>	<i>Type</i>	<i>Type of</i>	<i>Revenue</i>	<i>Details</i>	<i>Revenue</i>	<i>Actual</i>	<i>Under</i>	<i>% Under</i>
<i>get</i>	<i>Cost</i>	<i>of</i>	<i>Reve-</i>	<i>Specific</i>	<i>Estimates</i>	<i>Collection</i>	<i>Collection</i>	<i>Collection</i>
<i>Source</i>	<i>Type</i>	<i>Centre</i>	<i>Receipt</i>	<i>nue</i>	<i>Revenue</i>			
						K	K	K
1					Local			
	3				Revenue Receipts			
		01			Headquarters			
		02			Non-Tax Revenue			
			21		Administrative Fees			
				052	Fire Arm			
					Licence Fees	-		
				053	Traffic Fines	103,677,415	-	103,677,415
					Administrative charges			
				124	Hire of Police			
					at Party Functions	556,770	-	556,770
				125	Hire of Police			
					Band	599,598	-	599,598
				173	Motor Vehicle			
					Clearance Charges	8,865,491	-	8,865,491
				174	Abstract Report	2,458,353	-	2,458,353
			22		Sale of Proceeds			
					from Departments			
				329	Sale of Publications	8,566	-	8,566
				340		1,284,854	-	1,284,854
					<b>TOTAL</b>	<b>14,856,519</b>	<b>-</b>	<b>14,856,519</b>

### REVENUE ACCOUNT

### REVENUE UNDER COLLECTED

<b>VOTE 343</b>	:	Immigration
<b>CONTROLLING OFFICER</b>	:	Secretary for Home Affairs and Internal Security
REVISED PROVISION ON		
LISTED ITEMS	:	K615,231,560
ACTUAL COLLECTION	:	K386,846.20
UNDER COLLECTION	:	K228,874,713.80

#### 41. Revenue was under collected on the following items—

<i>Bud- get</i>	<i>Cost</i>	<i>Type of</i>	<i>Type of Reve-</i>	<i>Specific Revenue</i>	<i>Details</i>	<i>Revenue Estimates</i>	<i>Actual Collection</i>	<i>Under Collection</i>	<i>% Under Collection</i>
<u>Source</u>	<u>Type</u>	<u>Centre</u>	<u>Receipt</u>	<u>nue</u>	<u>Revenue</u>	<u></u>	<u></u>	<u></u>	<u></u>
						K	K	K	
1	3				Local				
		01			Revenue Receipts				
			02		Headquarters				
				21	Non-Tax Revenue				
					Administration				
					Fees				
				006	Citizenship				
					Charges	25,374,542	-	25,374,542	100
				22	Administrative				
					Charges				
				128	Immigration				
					Permits	203,441,421	184,768,620	18,672,801	9.2
				140	Passport				
					Issues, Renewal				
					And Certificate	386,415,,597	201,588,226	184,827,370	47.82
					<b>TOTAL</b>	<b>615,231,560</b>	<b>386,365,846</b>	<b>228,874,713</b>	

Information is requested as to reasons that led to revenue under collection on the above items.

#### REGIONAL POLICE HEADQUARTERS (SOUTH)

42. An audit inspection of the financial records of the Regional Police Headquarters (South) was completed on 20th March, 2007 and it disclosed the following irregularities—

**(a) Revenue collected used on Other Recurrent Transactions (ORT) without authority: K58,343,773.79**

An examination of revenue records disclosed that revenue amounting to K58,343,773.79 which was collected between June 2005 and March, 2007 was used by the office for ORT activities without Treasury authority. This practice contravened the prevailing financial rules and regulations regarding accountability of public funds.

**(b) General receipts not issued for the Revenue Collected: K6,374,824.13**

Treasury Instructions state that when an officer who is not a revenue collector receives public money, he/she shall surrender the money to a cashier or departmental accountant where a receipt shall be issued.

An examination of revenue records disclosed that a total of K6,374,824.13 in respect of revenue collected between June, 2005 and



February, 2007 from various Police stations was not supported by general receipts. It was therefore, difficult to ascertain whether the collections amounting to K6,374,824.13 were fully and properly accounted for.

**(c) Payment Vouchers without supporting documents: K11,275,837.96**

Treasury Instructions require payment vouchers to have adequate supporting documents.

An examination of payment records disclosed that payment vouchers processed between February 2005 and January, 2007 amounting to K11,275,837.96 had no supporting documents. It was therefore not possible to ascertain the propriety of the expenditure.

**(d) Fuel Not Entered in Motor Vehicle Log-Books: K126,714.30**

Treasury Instructions require that an officer in-charge of a vehicle should enter details of fuel and lubricants issued for a vehicle in the log book.

An examination of motor vehicle log books disclosed that fuel valued at K126,714.30 issued to drivers between February and March, 2007 was not entered into the motor vehicle log books and as a result, it could not be ascertained how fuel drawn was accounted for.

I have not received any reply to my report dated 20th September, 2007.

## **POLICE TRAINING SCHOOL—LIMBE**

43. An audit inspection of the financial records of Police Training School—Limbe, which was conducted between January and February, 2007 revealed some weaknesses in financial control as follows—

**(a) Payment Vouchers not produced for examination: K3,302,507.55**

Post of payment vouchers into the cashbook for the period January, 2005 to December, 2005, revealed that some payment vouchers amounting to K3,302,507.55 were not produced for audit. This made it difficult to ascertain the propriety of this expenditure.

**(b) Payment Vouchers not authorised and or countersigned: K1,292,105.00**

Treasury Instructions require, among other things, that payment vouchers must be authorized and countersigned by officers with appropriate authority before payment is effected.

An examination of payment vouchers revealed that between November, 2004 and December, 2005 the office incurred expenditure of

K1,292,105.00 whose vouchers were either not authorized or countersigned, contrary to the financial regulations. Consequently, the propriety of this expenditure could not be ascertained.

**(c) Payment Vouchers without supporting documents: K446,610.00**

Treasury Instructions state, among other things, that a voucher must be supported by an original document, statement of accounts rendered shall not be accepted in lieu of documents as attachments to payment vouchers.

It was observed that payment vouchers amounting to K446,610.00 were passed for payment without supporting documents. This made it difficult to ascertain validity of the expenditure.

**(d) Receipted Payment Vouchers not signed by recipients: K116,630.00**

An examination of receipted payment vouchers revealed that an amount of K116,630.00 was paid without the recipients signing for the amount appearing against their names as required by Treasury Instructions. The payments were made difficult, in the circumstance, to verify whether the amounts were properly accounted for.

**(e) Fuel purchased on credit: K1,386,079.65**

Government introduced the cash budget system in order to instill discipline in spending and strengthen financial management and control in Ministries and Departments.

An examination of fuel records revealed that between July 2006 and January, 2007 the office obtained fuel worth K1,386,079.65 on credit from some filling stations and payment was being made by installments. At the time of audit K1,386,079.65 was yet to be paid to suppliers.

**(f) Stores items not recorded in the Stores Ledger: K7,228,125.43**

An examination of stores ledger, delivery notes and goods received notes for the period January 2005 to January, 2007 revealed that stores purchases amounting to K7,228,125.43 were not recorded in the stores ledger. It was, therefore difficult to ascertain the accountability of the stores items.

**(g) Outstanding Telephone Bills: K11,191,963.27**

An examination of expenditure records revealed that as at November, 2006 the office had outstanding telephone bills accounting to K11,191,963.27 with Malawi Telecommunication Limited. There was

no evidence to indicate that measures had been put in place to settle the bill.

I have not received any reply to my report of December, 2007

## **MWANZA POLICE STATION**

44. An audit inspection of the financial records of Mwanza Police Station which was conducted between 28th April and 3rd May, 2006 revealed the following irregularity—

### **Use of Revenue collected without Treasury Authority: K2,009,720.00**

Treasury Instructions require, among other things, that venue collected must be properly accounted for and banked intact.

An examination of general receipts revealed that between 20th November, 2003 and 4th March, 2006, revenue amounting to K3,928,890.00 was collected, but only K1,829,170.00 was deposited in the bank, leaving a balance of K2,099,720.00 which was used for ORT without authority.

I have not received any reply to my report reference No. MHA/15/1B/3 of 14th September, 2006.

## **CHIKWAWA POLICE STATION**

45. An audit inspection of the financial and management operations of Chikwawa Police Station was completed on 23rd October, 2006. The audit review highlighted weaknesses in financial control as follows—

### **(a) Revenue not Banked: K1,132,870.00**

Treasury Instructions stipulate that revenue collected be recorded in the cashbook and banked intact as early as possible at the nearest banking station to avoid loss through theft and fraud.

An examination of general receipts and pay-in vouchers (GP96) issued by Police Headquarters, Lilongwe and Regional Office Blantyre between March, 2005 and July 2006 disclosed that Mr. P.H. Katsekera handed over cash amounting to K1,132,870.00 in respect of traffic fines to Southern Region Police and National Police Headquarters in Blantyre and Lilongwe respectively, instead of depositing it into the Government Account at the Reserve Bank of Malawi. There was no explanation on why the cash was transferred to the two offices, and it could not be established how the funds were accounted for.

I have not received any response to my inspection report Ref. No. MHA/15/13 dated 2nd August, 2007.

## **PHALOMBE POLICE STATION**

46. An audit inspection of the financial and stores records of Phalombe Police Station was completed in December, 2006. The audit review disclosed weaknesses in financial control as follows—

**(a) Non Deduction and remission of withholding tax to Malawi Revenue Authority (MRA): MK633,446.03**

The Taxation Act requires that withholding tax be deducted on all payments made to suppliers for goods and services of values exceeding MK1,000.00 unless the supplier or contractor produces withholding tax exemption certificate.

An examination of payment vouchers disclosed that between June, 2004 and November, 2006 withholding tax totaling MK633,446.03 was not deducted and remitted to MRA. There was no evidence to show that the suppliers had withholding tax exemption certificates.

**(b) Payment Vouchers without supporting documents: MK310,796.00**

Treasury Instructions stipulate that every payment voucher must have supporting documents firmly attached to it. It was noted that payment vouchers amounting to MK310,796.00 were passed for payment without supporting documents between August 2005 and November 2006. Consequently, the propriety of the expenditure could not be ascertained.

**(c) Payment Vouchers not authorised: MK1,345,003.00**

Treasury Instructions require, among other things, that payment vouchers must bear signatures of authorizing and countersigning officers.

An examination of payment records disclosed that payment vouchers amounting to MK1,345,003.00 for the period December 2005 to December 2006 were processed and payments effected without the signature of the authorizing officer.

**(d) Fuel Coupons not recorded in the fuel coupon Register: MK1,099,551.00**

An examination of the fuel coupons register disclosed that fuel coupons which were purchased between December 2004 and August 2006 valued at MK1,099,551.00 were not recorded in the register. It was therefore, difficult to ascertain the accountability of fuel coupons.

I have not received any reply to my report dated 28th May, 2007.

## **JUSTICE AND CONSTITUTIONAL AFFAIRS**

### **REGISTRAR GENERAL OFFICE - BLANTYRE**

47. An audit inspection of the financial and stores records of the Registrar General's Office was completed in April, 2007. The audit review revealed weaknesses in financial control as follows—

**(a) Failure to account for processing and business name fees: K189,495.00**

An examination of lodging schedules for trademarks and application forms for registration of business names disclosed that some registrations were being processed without evidence of payment of processing fees as general receipts were not endorsed on the application forms and lodging schedules.

Consequently, sums of K178,295.00 and K11,200.00 in respect of trademarks and business names, respectively were not accounted for between April, 2004 and October, 2006.

**(b) Failure to account for Birth Certificates: K1,050,800.00**

An examination of stores ledger and general receipts disclosed that 7350 birth certificates worth K1,470,000.00 were issued to a Mr. Tembo between 22nd November, 2005 and 6th November, 2006. It was noted that general receipts for birth certificates for the same period only accounted for 2096 certificates worth K419,200.00 leaving a balance of 5254 certificates worth K1,050,800.00 not accounted for. The certificates were not physically available as at the date of audit.

I have not received any response to my report and in this regard, it would be appreciated if a reply could be submitted to me within one month from the dated of this letter.

### **ADMINISTRATOR GENERAL'S DEPARTMENT**

48. An audit inspection of the financial and stores records of Administrator General's Department which was conducted in February, 2006 revealed weaknesses in financial control as follows—

**(a) Payment Vouchers Without Supporting Documents: K1,436,616.22**

Treasury Instructions require that payment vouchers must have supporting documents firmly attached to them.

An examination of payment vouchers for the period January to November, 2005 revealed that vouchers amounting to K1,436,616.22 had no supporting documents. Consequently, the propriety of the expenditure could not be ascertained.

**(b) Fuel Coupons not signed for: K100,000.00**

Procurement regulations state that purchases of stores should be recorded in a stores ledger and issues should be signed for by recipients.

An examination of fuel coupons register disclosed that fuel worth K100,000.00 was issued to drivers between October, 2005 and January, 2006 without being signed for. It was therefore, difficult to ascertain how the fuel was accounted for.

I have not received any reply to my report dated 7th September, 2006

## LABOUR AND VOCATIONAL TRAINING

REVENUE ACCOUNT	:	2005/2006
REVENUE UNDER-COLLECTED		
VOTE 370	:	Ministry of Labour and Social Development
Controlling Officer	:	Secretary for Labour and Social Development
Provision	:	14,450,000
Actual Collection	:	1,733,250
Under Collection	:	12,716,750

### 49. Revenue was undercollected on the following items

<i>Bud- get Source</i>	<i>Type Cost Centre</i>	<i>Type of of Receipt</i>	<i>Type of Reve- nue</i>	<i>Specific Revenue</i>	<i>Details</i>	<i>Revenue Estimates</i>	<i>Actual Collection</i>	<i>Under Collection</i>	<i>% Under Collection</i>
						K	K	K	
1	3	01			Local Revenue Receipts Headquarters Non-Tax revenue				
		02	21		Administrative fees				
				016	Trading Testing Fees	10,500,000	590,100	9,909,900	94.38
				018	Tuition fees	1,059,000	595,000	455,000	43.33
				031	Pressure vessels & Inspection	1,000,000	334,150	665,850	66.59
				033	Registration & renewal of factory fees	1,800,000	214,000	1,586,000	88.11
			22		Administrative Charges				
				107	Certificate Replacement	100,000	-	100,000	100
					<b>TOTAL</b>	<b>14,450,000</b>	<b>1,733,250</b>	<b>12,716,750</b>	

## INDUSTRY, TRADE AND PRIVATE SECTOR DEVELOPMENT

REVENUE ACCOUNT	:	2006/2007
REVENUE UNDER-COLLECTED		
VOTE 390	:	Ministry of Trade and Private Sector Development
CONTROLLING OFFICER	:	Secretary for Trade and Private Sector Development
PROVISION	:	51,426,526
ACTUAL COLLECTION	:	None
UNDER COLLECTION	:	51,426,526

50. Revenue was undercollected on the following items.

<i>Bud- get</i>	<i>Cost</i>	<i>Type of Receipt</i>	<i>Type of Revenue</i>	<i>Specific Revenue</i>	<i>Details</i>	<i>Revenue Estimates</i>	<i>Actual Collection</i>	<i>Under Collection</i>	<i>% Under Collection</i>
<u>Source</u>	<u>Type</u>	<u>Centre</u>	<u>Receipt</u>	<u>nue</u>	<u>Revenue</u>	<u></u>	<u></u>	<u></u>	<u></u>
						K	K	K	
1					Local				
	3				Revue				
					receipts				
		01			Headquarters				
			02		Non Tax				
					revenue				
				21	Administrative				
					fees				
				024	Licence	50,612,786	—	50,612,786	100
					fees				
				061	Import	128,485	—	128,485	100
					processing				
					licence fee				
				22	Administrative				
					trade reg				
				105	Automotive	685,255	—	685,255	100
					trade reg				
					TOTAL	<u>51,426,526</u>		<u>51,426,526</u>	

## INVESTIGATIVE AUDIT OF FINANCIAL OPERATIONS AND MANAGEMENT OF NES AND JITAP PROJECTS IN MINISTRY HEADQUARTERS

51. An investigative audit of financial operations and management of the National Export Strategy (NES), Joint Integrated Technical Assistance Programme (JITAP) and Integrated Framework (IF) projects at the Ministry of Industry, Trade and Private Sector Development was conducted in July, 2006. The audit gave rise to the following observations—

### (a) Project Funds not recovered from Mr. Jere: K199,980.00

On 17th January, 2006, a payment of K199,980.00 was made to Soche Tours and Travel on cheque No. 187 for air ticket to enable Mr. Jere to

travel to Ethiopia on UNCTAD function the cost of which was reimbursable. The money was paid from the Integrated Framework (IF) project. An email response to an audit questionnaire of 25th July, 2007 by UNCTAD, confirmed that Mr. Jere was reimbursed cash for the Air ticket together with his DSA. Mr. Jere never remitted the money back to the project. Mr. Jere was posted to Ministry of Irrigation and Water Development but management has indicated that only a letter was sent to him to refund the amount.

**(b) Cash not remitted by Mr. M. M. Chirwa: K385,000.00**

An internal borrowing by NES project from JITAP had a balance of K385,000.00. The balance was in respect of unclaimed funds to be remitted to the project account. NES project refunded the amount by cheque No. 197, Vr No. 167 dated 3rd January, 2006 in the name of Mr. Chirwa. At the time of audit, Mr. Chirwa had resigned and was working with UNDP.

There was no evidence by Mr. Chirwa that the amount was accounted for.

## TRANSPORT, PUBLIC WORKS AND HOUSING

### REVENUE ACCOUNT

#### REVENUE UNDERCOLLECTION

<b>VOTE: 400</b>	: Ministry of Transport, Public Works and Housing
CONTROLLING OFFICER	: Secretary for Transport, Public Works and Housing
REVISED ON LISTED ITEMS	: MK1,004,608,592
ACTUAL COLLECTION	: MK158,935
UNDER COLLECTION	: MK 1,004,449,657

### 52. Review was under collected on the following items.

Revenue was under collected on the following items—

<i>Budget</i>	<i>Cost</i>	<i>Type of</i>	<i>Type of</i>	<i>Revenue</i>	<i>Details</i>	<i>Revised</i>	<i>Actual</i>	<i>Under</i>	<i>% Under</i>
<i>Source</i>	<i>Type</i>	<i>Centre</i>	<i>Receipt</i>	<i>nue</i>	<i>Revenue</i>	<i>Estimates</i>	<i>Collection</i>	<i>Collection</i>	<i>Collection</i>
						K	K	K	
1					Local				
	3				Revenue Receipt				
		07			Meteorology				
			02		Non-Tax Revenue				
				23	Sale				
					Proceeds from				
					Departments				
				329	Sale of				
					Publication	146,123	-	146,123	100
	3				Revenue Receipt				
		09			Civil Aviation				
			02		Non-Tax Revenue				



3	14	02	21	Administration Charges							
			024	Licence Fees	449,669	-	449,699	100			
			22	Administration Charges							
			101	Accommodation and Hire of Hall	244,371	-	244,371	100			
			102	Air Negation Charge	64,576,747	43,305	64,533,442	9900%			
			22	Administration Charge							
			109	Civil Aviation School Charges	133,625	-	133,625	100			
			111	Consessions	3,597,590		3,597,590	100			
			138	Park Entrance	623,565	-	625,565	100			
			139	Passenger Service Charges	504,861,849	-	504,861,849	100			
			149	Recoveries of Water Electricity	154,182	-	154,182	100			
			18	02	21		Revenue Receipt Road Traffic Non-Tax Revenue Administration Fees				
	036	Driving Licence and Application Fees				35,900,055	115,630	35,784,425	99		
	037	Motor Vehicle Fees				120,801,603	-	120,801,603	100		
	038	Motor Vehicle Inspection Fees				121,035,378	-	121,035,378	100		
	040	Operation Permit and Authori- zation fees				74,869,806	-	74,960,806	100		
	042	Driving School & Instructor fees				74,869,806	-	74,869,806	100		
	22					Marine Non-Tax Revenue Administration Charges					
		123				Hire of Plant & Equipment	1,405,284	-	1,405,284	100	
		130				Inspection of Vessels	443,903	-	443,903	100	
		142				Part Charges	495,006	-	495,006	100	
		TOTAL				1,004,608,592	158,935	1,400,449,657			

Information is requested as to the reasons which led to revenue being under collected on the above items.

## **GOVERNMENT LEASED HOUSES AND PUBLIC WORKS PROGRAMME**

53. Internal Audit Reports Ref. Nos. C/AU/Vol.1/8/1/1 and C/AU/Vol.1/8/1 dated 9th April, 2008 and 22nd February, 2008 respectively on Government leased houses and Public Works Programme have highlighted the following observations:-

### **GOVERNMENT LEASED HOUSES**

**(a) Outstanding Rentals For Leased Properties Occupied by Ministries and Departments: K393,665,282.19**

An examination of records pertaining to rentals to private landlords disclosed rental arrears amounting to K393,665,282.19 in respect of premises occupied by ministries and departments. There was no evidence to indicate that measures have been put in place to speed up clearance of the amount.

**(b) Arrears To Malawi Housing Corporation : K213,783,109.13**

It was also established that Government had arrears of rentals to Malawi Housing Corporation amounting to K213,783,109.13. The amount was in respect of houses occupied by civil servants throughout the country. The breakdown of the amount is as follows:-

	<i>K</i>
Balance b/f from 2006/07 financial year	150,442,003.15
<i>Add:</i> Quarterly rentals	
July–Sept. 2007	31,784,231.90
Oct.–Dec. 2007	31,784,231.90
Jan–March, 2008	31,784,231.90
April–June, 2008	39,504,716.38
<i>Less:</i> Payments	
-11 July, 2008	(61,516,306.10)
-1 February, 2008	(10,000,000.00)
Balance as at 4th April, 2008	213,783,109.13

### **PUBLIC WORKS PROGRAMME**

**54. Funds Not Used For The Intended Purposes: K16,932,477.34**

An examination of payment vouchers on the utilization of funds disclosed that funds amounting to K16,932,477.34 were not used for the intended purpose which was grading and reshaping of roads. The audit disclosed that some payments made were for spare parts, legal costs settling of international telephone bills, purchase of cell phones and rehabilitation of airport.

There was no evidence to indicate that action had been taken to correct the situation.

## **ELECTORAL COMMISSION**

### **MALAWI ELECTORAL COMMISSION**

55. The recent audits of the financial, stores and management operations of the Malawi Electoral Commission gave rise to the following observations:-

**(a) Poor Vehicle Maintenance Procedures: K5,586,608.23**

It was observed that prior to and after the May, 2004 Presidential and Parliamentary Elections, the Commission's vehicles were being serviced by Shammims Garage, owned by Michael Ismael Mitha, without laid down procedures. As a result of this weakness, drivers were sending vehicles for repairs and maintenance to the garage without the knowledge of the Commission's transport officer and the resultant bills were usually high and were not supported by the local purchase orders (LPOs). The LPOs were raised later to normalize the transactions in readiness for payment.

During the period under review, the garage owner invoiced the Commission a sum of K6,116,021.26 which was partly paid leaving a balance of K5,586,608.23 as at the date of audit.

There was no evidence to indicate that measures were being taken to clear the long outstanding debts.

**(b) Drafting Of New Conditions of Service for Malawi Electoral Commission: K1,527,500.00**

An examination of creditors records disclosed that in January 2004 the Commission engaged Management Solution Consulting (Mw) Ltd to draft conditions of service for the Malawi Electoral Commission Secretariat staff and Commissioners at a cost of K1,527,500.00

There was no evidence to indicate that the Department of Human Resources Management and Development, in the Office of the President and Cabinet, was consulted for guidance and authority to engage the consultants. As at the date of audit, the Commission was using the "old" conditions of service although the Commission had a commitment to pay the consultants the sum of K1,527,500.00

**(c) Sale Of Boarded-Off Vehicles to Members of Staff: K2,873,000.00**

In March, 2006, the Malawi Electoral Commission boarded off ten vehicles from its pool. The board of survey recommended that the vehicles be sold through open and transparent public auction as

required by Government rules and regulations. It was established that management of the Commission recommended that the vehicles be disposed of through internal tenders to members of staff, as such, nine vehicles were sold to staff leaving one (ZA 7014-Pajero) which was reserved for Mr. Masanza, the former Chief Elections Officer. The nine vehicles were sold at K2,873,000.00

It was further established that members of staff did not pay in cash for the vehicles as required by regulations on the disposal of Government assets, instead an advance account was opened for each officer.

I have not been furnished with replies to queries highlighted above.

## **PART IV**

### **RECOMMENDATIONS AND ACKNOWLEDGEMENTS**

#### **RECOMMENDATIONS**

56. In the course of my audit of the 2005/06 Accounts of the Government of the Republic of Malawi each Controlling Officer was sent appropriate management letter with recommendations, regrettably, evidence has shown that these recommendations have not been given due consideration. A summary of my recommendations included:-
- (a) There is immediate need to strengthen Audit Committees in all Ministries and Departments so as to speed up implementation of audit recommendations
  - (b) Controlling Officers should make effort to familiarize themselves with existing pieces of legislations and regulations
  - (c) Procurement of goods and services should be executed within set processes and procedures;
  - (d) Losses of public funds and stores should be expeditiously investigated and reported to in accordance with the Treasury Instructions, and appropriate disciplinary action taken against officers concerned;
  - (e) Knowledge and skills of the accounting personnel should be regularly upgraded through training including refresher courses and workshops in order to improve the management of accounting books and records;
  - (f) Public Financial Management Reforms such as implementation of the Integrated Financial Management Information System (IFMIS) should be given serious attention by all policy makers.

#### **ACKNOWLEDGEMENT**

57. I wish to place on record my profound gratitude and appreciation to staff in my office who carried out their duties diligently despite resource 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 Controlling Officers and their staff. The cooperation enabled me to obtain information and documentation for the audit services. I trust that the cooperation will continue during the entire tenure of my office.

30th December, 2008