



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

For The Year Ended 30th JUNE, 2011

NATIONAL AUDIT OFFICE

- VISION** : To be an autonomous Supreme Audit Institution that effectively contributes to public accountability, transparency and good governance.
- MISSION** : To promote accountability, transparent administration and good governance in the public sector through the provision of quality audit services which assure the Nation that public resources are economically, efficiently and effectively applied.
- CORE VALUES** : Professionalism
Integrity
Objectivity
Independence
Confidentiality
Continuous Professional Development
Open Communication

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

31st December, 2011.

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

Dear Sir,

Pursuant to the provision of Section 184 (2) of the Constitution of the Republic of Malawi and the Public Audit Act, I have the honour to submit my Report on the results of the audit of the Accounts of the Government of the Republic of Malawi for the year ended 31st December, 2011 for tabling in the National Assembly.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'R. A. Kampanje', written in a cursive style.

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, 2011 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 K23.5 billion to K255.4 billion which compares favorably with **K231.9** billion realized in 2009/10 financial year. Total expenditures increased by **K34.4** billion from K196.5 billion in 2009/10 to **K231.0** billion in 2010/11 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 K255.4 billion in Revenue while the Recurrent Expenditure was K231.0 billion resulting into a **deficit** of **K0.817** million. Development Account enjoyed resources amounting to **K41.6** billion which is **K4** billion less when compared to **K45.6** billion for 2009/10 financial year. Total expenditure charged to the Development Account decreased by K4 billion when compared to K45.6 billion for 2009/10. Government implemented sound fiscal and monetary policies that have resulted in the continued donor support during the period under review.

In the endeavor to improve financial management and expenditure control, Government implemented a number of public finance management reforms. During the year under review, Government continued to implement the Integrated Financial Management Information System (IFMIS). The continued use of (IFMIS) and the full implementation of the Public Finance Management Act, Public Audit Act and Public Procurement Act, Ministries and Departments are experiencing improved public expenditure management and control.

PART I

INTRODUCTION

Audit of Public Accounts

1. I am required under Section 184 (1) of the Constitution of the Republic of Malawi to audit and report on the public accounts of the Government of Malawi and to exercise such other powers in relation to the public accounts and accounts of other public authorities and bodies as may be prescribed by an Act of Parliament, in so far as they are compatible with the principle duties of my office.
2. Section 184 (2) requires me to submit reports at least once a year to the National Assembly through the Minister responsible for Finance. Although Section 15 of the Public Audit Act requires me to report to the National Assembly through the President and the Speaker, the provision is inconsistent with the Constitution, and since the Constitution is 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. During the year an Institutional Review of National Audit Office was undertaken by the Department of Public Service Management in the office of the President and Cabinet. The review report which was approved by the Government has included a recommendation that I should be reporting directly to the National Assembly.
3. The Public Audit Act provides, inter alia, for the administration, control and audit of the public finances of Malawi. In discharging these duties, I am required in terms of Section 6 (4) (d) to determine whether the procedures and systems of internal control of each ministry, department, agency and public authority or body do ensure that:-
 - Revenue is properly assessed and collected;
 - Expenditure is validly and correctly authorized;
 - Revenue, expenses, assets and liabilities are properly recorded and accounted for;
 - Financial and operating information is reliable;
 - Assets are safeguarded against loss or destruction;
 - Resources are employed and managed in an economic, effective and efficient manner;
 - There has been no waste or extravagance
 - Outcomes or provisions produced are consistent with those specified in any Appropriation Act;
 - Relevant government policies and legislation are being complied with;
 - All expenditure is charged against the relevant allocation appropriated by the National Assembly; and
 - The accounts and records have been properly kept.

4. Section 6 (2) of the Act requires me to undertake an audit programme to review and approve the audited accounts of statutory bodies and conduct audits of any statutory body that has not had its financial statements audited by a firm of private auditors, and where I do not approve the audited financial statements.
5. Section 6 (3) of the Act requires 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 closure of each financial year. The form and content of the financial statements are as follows:-
 - (a) A Consolidated Operating Statement showing revenue and expenditure and the surplus or deficit for the reporting period;
 - (b) A Statement of financial position showing the assets, liabilities and net financial position as at 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 responsibility 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 Standards of Supreme Audit Institutions (ISSAIs). The audit is intended to provide an overall assurance of the general accuracy and propriety of Government's financial and accounting transactions. Although the audit is conducted in accordance with 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, 2011, 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 cannot be overemphasized.

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

Co-operation with Office of the Auditor General, Norway

12. During the period under review, the National Audit Office's Institutional Cooperation with the Office of the Auditor General of Norway continued through the Institutional Development Project II financed by the Government of 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.

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, 2011 is unqualified and is presented separately in Volume I of the Consolidated Annual Appropriation Accounts for the year ended 30th June, 2011.

PART II

BUDGET OUT-TURN FOR 2010/11

REVENUE

15. Total revenue collected during the period ended 30th June, 2011 was K255, 391.815 million reflecting an increase of K23, 449.299 million over the 2009/10 revenue which was recorded at **K231, 942.516** million. The main sources of revenue were Tax revenue K176, 974.385 million, Non-tax revenue K35, 836.785 million and Dedicated Grants K27, 591.724 million.

The revenue collection for 2010/11 was less than the revised amount of K299, 836.118 million by K44, 444.303 million. In the main, the under-collection was attributed to dedicated grants and Non-Tax Revenue which registered under-collections of K42,842.376 million and K1,715.629 million, respectively. The trend of revenue collection for the past four years is tabulated as follows:

<i>Year</i>	<i>Provision</i>	<i>Actual Collection</i>	<i>Over/ (Under)-collection</i>
	<i>K'000</i>	<i>K'000</i>	<i>K'000</i>
2007/2008	105,893.000	126,987.721	21,094.721
2008/2009	203,131.400	194,107.524	(9,023.876)
2009/2010	240,919.510	231,942.516	(8,976.994)
2010/2011	299,836.118	255,391.815	(44,444.303)

EXPENDITURE

16. During the year under review, total expenditure charged to the Consolidated Fund was K231,010,603 million representing an increase in expenditure of K34, 457.817 million when compared to the total expenditure of K196, 552.786 million for 2009/10. The overall picture of the voted expenditure was an over expenditure of K0.817 million which compares unfavourably to a surplus of K20, 464.152 million for 2009/10.

CONSOLIDATED REVENUE ACCOUNT

17. The consolidated revenue account had improved during the financial year under review since the cumulated deficit of K96, 978.128 million as at 30th June, 2010 had decreased to K96, 978.944 Million as at 30th June, 2011 which was arrived at as follows:

	<i><u>MK'000</u></i>
Balance as at 1 st July, 2010	96,978.128 DR
Add: Revenue for the year	<u>255,391.816 CR</u>
Subtotal	158,413.688 CR
Less: Expenditure for the year	231,010.603 DR
: Transfer to Development Part II	<u>24,382.029 DR</u>
Cumulative Deficit as at 30 th June, 2011	96,978.944 DR

The planned recurrent deficit before grants for the year under review was K24, 773.271 million. The actual Revenue Account out-turns as at 30th June, 2011 was a deficit of K0.817 million.

The annual deficit could largely be attributed to delays of inflows of donor budget support.

Recurrent Budget Performance for the past four years is as follows:-

	2007/08 <i>K'000</i>	2008/09 <i>K'000</i>	2009/10 <i>K'000</i>	2010/11 <i>K'000</i>
Actual Revenue	126,987.721	194,107.524	231,942.516	255,391.815
Less: Actual Expenditure	119,542.665	189,558.933	196,552.786	231,010.603
Transfer to Dev part II				<u>24,382.029</u>
Surplus/(Deficit)	<u>7,445.056</u>	<u>4,548.591</u>	<u>35,389.730</u>	<u>(.817)</u>

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

CONSOLIDATED DEVELOPMENT ACCOUNT

18. The total expenditure charged to Development Account for the year ended 30th June, 2011 amounted to K41,593.475 million reflecting a decrease of K3, 984.658 million over the previous year's expenditure of K45,578.133 million.

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

	2007/08 <i>K'000</i>	2008/09 <i>K'000</i>	2009/10 <i>K'000</i>	2010/11 <i>K'000</i>
Revised Estimates	63,523.424	57,857.238	71,761.356	73,999.998
Actual Expenditure	<u>39,981.959</u>	<u>36,118.217</u>	<u>45,578.133</u>	<u>41,593.475</u>
	<u>23,541.465</u>	<u>21,739.021</u>	<u>26,183.223</u>	<u>32,406.523</u>

Twenty eight (28) votes recorded under expenditures of K4, 804.946 million. The largest unspent balances of K1, 845.798 million, K1,555.853 million and K559.295 million were recorded against Vote 420 - National Roads Authority, Vote 210 – Water Development, and Vote 190 – Agriculture and Food Security 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, 2011 was a cumulative **surplus** of K12,292.872 million, registering an increase of K2,529.322 million from K9,763.550 million recorded at the end of the 2009/10 financial year. Details are as follows:

K'000

Receipts during the year	44,122.797 CR
<i>Less:</i> Payments	<u>41,593.475 DR</u>
Surplus/(Deficit) for the year	2,529.322 CR
<i>Add:</i> Opening balance	<u>9,763.550 CR</u>
Cumulative Surplus as at 30 th June, 2011	<u>12,292.872 CR</u>

THE CONSOLIDATED ACCOUNT

FINANCING THE DEFICIT

19. The Budget Statement for 2010/11 financial year envisaged a deficit of K9.9 billion on the Revenue Account while the Development Budget was expected to break-even at K78 billion.

During the year under review, the Recurrent Revenue Account collected K255,391.815 million while the Recurrent Expenditure was 231,010.603 million and K 24,382.029 Million was transferred to Development Account Part II resulting into a deficit of K0.817million.

The Development Account realized K44, 122.797 million registering an increase of K595.577 million when compared to K43, 553.220 million of 2009/10 financial year.

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</i>
		<i>K'000</i>
2007/08	-	(42,740.182)
2008/09	-	(105,603.817)
2009/10	-	(72,239.001)
2010/11	-	(84,686.073)

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 UTILITIES

AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT

MINISTRY HEADQUARTERS

- 20 An audit inspection of financial and stores records for Ministry of Agriculture, Irrigation and Water Development was completed in December, 2010. The audit review disclosed weaknesses in financial controls which were communicated to you in my report dated 24th October, 2011. The report highlighted the following observations:-

a) Fuel not Recorded in the Fuel Register: K2,502,239.00

An examination of payment vouchers and fuel register for ORT and Development Accounts for the period July 2009 to June 2010 revealed that fuel purchases amounting to K2,502,239.00 were not recorded in the fuel registers. This is contrary to Treasury Instructions which require that all purchases of stores items should be recorded before issues are made for proper accountability.

b) Stores not Recorded in the Stores Ledger: K6,327,677.11

An examination of payment vouchers along with stores ledger for the period ending 30th June 2010 disclosed that stores items worth K6,327,677.11 were not recorded in the stores ledger contrary to Treasury Instructions which require that all purchases of stores should be recorded in the stores ledger before issuing them to enhance accountability.

c) Payment of Allowances not Supported by Receipted Vouchers: K3,287,330.00

An examination of payment vouchers for the period 2009/2010 disclosed that payments in respect of allowance for members of staff amounting to K3,287,330.00 were not supported by receipted vouchers as proof of payment. This is contrary to the Public Finance Management Act which stipulates that all allowances should be signed for by the beneficiaries.

d) Payment of Allowances Without a Corresponding Signature of the Beneficiary: K385,800.00

An examination of payment record disclosed that some payments in respect of allowances for members of staff amounting to K385,800.00 were not supported by the signatures of the beneficiaries as a way of acknowledging receipt. This is contrary to the provisions in the Public Finance Management Act which states that all allowances should be signed for by beneficiaries to afford independent checks.

e) Payment Vouchers not Presented for Audit K43,888,250.90

The Public Audit requires that the Auditor General or officers appointed by him should have access to records and information for audit purposes.

It was observed that payment vouchers amounting to K43,888,250.90 were not produced for audit review. Consequently, the propriety of the expenditure could not be established or determined.

FARM INPUT SUBSIDY PROGRAMME

- 21 an audit inspection of the financial records of the Farm Input Subsidy Programme in the Ministry of Agriculture, Irrigation and Water Development was completed in November, 2010. The audit disclosed some weaknesses in financial controls which were communicated to you in my report dated November 2010. The report highlighted the following observations.

a) Missing of 397 Metric Tonnes of Fertilizer

An examination of distribution records for SFFRFM depot in Lilongwe to ADMARC unit markets disclosed that monitoring of the distribution of farm inputs was not effectively done. It was observed that 7,940 50kgs bags of fertilizer (397 metric tonnes) valued at K35,038,400.00 missed on the way as they were being transferred from SFFRFM to various ADMARC markets in Ntcheu and Lilongwe districts between October and November, 2007. There was no evidence to show that appropriate action had been taken on the matter.

b) Unsubstantiated Withdrawal of Farm Inputs from Admarc Markets by SFFRFM: K205,134,870.00

An examination of farm input distribution records for the period under review disclosed that SFFRFM withdrew various types of fertilizer valued at K205,134,870.00 from ADMARC markets in Nkhata Bay, Chitipa, Mzimba, Rumphu and Karonga districts to unspecified destinations without any document to authenticate the withdrawal. Consequently, it was difficult to ascertain whether the farm inputs were legitimately withdrawn and/or were subsequently accounted for.

BOREHOLE FUND PROJECT

- 22 An audit inspection of the financial and stores records of Borehole Fund Project in the Ministry of Agriculture, Irrigation and Water Development was completed in October 2009. The audit review disclosed some weaknesses in financial control which were communicated to you in my report dated June, 2011. The report highlighted the following observations:-

a) Failure to Produce Payment Vouchers for Audit Review: K3,989,314.93

An examination of payment vouchers and the cashbook revealed that payment vouchers totaling K3,989,314.93 which were recorded in cash book were not presented for audit inspection. Consequently the inspecting auditors were unable to verify whether the expenditure made was a proper charge to public funds.

b) Fuel not Recorded in Fuel Register K7,463,050.00

An examination of fuel records disclosed that fuel coupons amounting to K7,463,050.00 purchased in the financial year 2008/2009 were not recorded in the fuel register contrary to Treasury Instructions which require that all fuel purchased should be recorded in the ledger before issues are made, for proper accountability.

c) Failure to Produce Receipted Vouchers : K10,098,052.00

Treasury Instructions require all payments to be supported by signatures of the recipients as a way of acknowledging receipt.

An examination of payment vouchers for 2008/09 financial year revealed that subsistence allowances totaling K10,098,052.00 were paid but there were no receipted vouchers to substantiate the payments. It was therefore difficult for the inspecting auditors to establish the accountability of the funds.

d) Payments Without Supporting Documents K27,087,941.39

Treasury Instructions require that supporting documents should be firmly attached to the payment vouchers before any payment is made to afford independent checks.

It was noted that between July, 2008 and March, 2009 management approved payments amounting to K27,087,941.39 on payment vouchers which had no supporting documents.

This made it difficult for the auditors to establish whether the expenditures incurred were accurate and proper charges to public funds.

e) Payments of Other Recurrent Transactions (ORT) Using Borehole Funds : K11,740,312.38

Treasury Instructions state that once public funds are approved by Parliament for a specific vote or head, Controlling Officers are not allowed to divert the funds to other areas of expenditure without Treasury approval and ratification by Parliament.

An examination of payment vouchers revealed that funds amounting to K11,740,312.38 were used on Other Recurrent Transactions (ORT) without Treasury approval. There was no evidence to show that the funds were recovered from ORT and deposited into the fund.

f) Use of Project Funds for the Unrelated Activities : K7,084,812.54

An examination of payment transactions disclosed that funds amounting to K7,084,812.54 were spent on project activities not related to Borehole Treasury Fund. There was no prior authority from Treasury, and evidence to show that the money was credited back to the Treasury Fund.

SMALL FARMS IRRIGATION PROJECT (BADEA)

- 23 An audit inspection of the financial statements of Small Farms Irrigation Project funded by Arab Bank for Economic Development in Africa (BADEA) was completed in December 2010. The audit review disclosed some weaknesses in financial control which were

communicated to you in my report dated December, 2010. The report highlighted the following observation;

Failure to Recover Hire Charges From a Contractor : K24,953,162.38

An examination of payment transactions disclosed that the project hired plant and equipment on behalf of Deans Engineering Company (DECO), a contractor at a cost of K24,953,162.38 on understanding that the contractor would refund the money to the project after receiving the contact amount. It was however noted that the contractor did not refund the money after he was directly paid by the donor. As at the date of audit the amount was still outstanding as shown below:-

<i>Description</i>	<i>No. of days</i>	<i>Rate per day</i>	<i>Amount (MK)</i>
<i>Bulldozer D6</i>	<i>186</i>	<i>60,000.00</i>	<i>11,160,000.00</i>
<i>Wheel Loader</i>	<i>238</i>	<i>50,000.00</i>	<i>11,900,000.00</i>
<i>Foot Roller</i>	<i>76</i>	<i>24,910.03</i>	<i><u>1,893,162.28</u></i>
			<i>24,953,162.28</i>

LILONGWE AGRICULTURE DEVELOPMENT DIVISION

- 24 An audit of financial and stores records of the Lilongwe Agriculture Development Division was completed in January 2010. The audit disclosed some weaknesses in financial control which were communicated to you in my report dated January, 2010. The report highlighted the following observations:-

a) Cash Drawn but not Accounted for: K16,111,720.00

It is a Treasury requirement that where a cheque is drawn to pay several officers, each payee (officer) must sign on payment voucher against his or her name for the cash received to support the expenditure. It is further required that acquitted receipted payment vouchers should be returned to the cash office for record and audit purposes within ten days after the close of the activity.

An examination of payment vouchers for subsistence allowance for the financial year under review disclosed that cash amounting to K16, 111,720.00 was drawn to pay several officers but receipted payment vouchers were not made available to the audit team for inspection. It was therefore, difficult for the auditors to ascertain the accountability of the funds drawn

b) Revenue not Accounted for: K923,761.09

The guidelines for Trust Fund require management to ensure that all revenue collected is wholly spent on the activities of the fund and no other. They further require that all the funds collected should be properly spent and accounted for to ensure that the fund continues as a going concern. The purpose of the Trust Fund is to collect revenue from rented buildings and the revenue collected is used to improve the services of Lilongwe Agriculture Development Division as well as for the maintenance of the buildings.

An examination of general receipts, payment vouchers and cashbooks disclosed that revenue amounting to K4,602,064.61 was collected from the fund in the year ending 30th June, 2009 but only K3,678,303.52 was utilized. There was no record to show how the balance of K923,761.09 was used making it difficult for the audit team to ascertain its accountability. For details see below:-

Total revenue collected (Gr. Hs 290308 to 290348)	=K4,602,064.61
Total expenditure as per cashbook and payment voucher	=K3,678,303.52
Cash Book balance	=K0,000,000.00

LUNYANGWA RESEARCH STATION

- 25 An audit inspection of the financial and stores records of Lunyangwa Research Station was completed on 2nd November 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated August, 2011. The report highlighted the following observations;

a) Unclaimed Salaries Not Accounted For: K 317,099.21

Treasury instructions stipulate that salaries not paid to the beneficiaries for a period two weeks should be brought on charge and a general receipt number should be endorsed on the salaries voucher.

The audit tests revealed that unclaimed salaries amounting K 317,099.21 were not signed for by the beneficiaries. There was however no general receipts to show that salaries were brought on charge. It was therefore difficult to establish how the salaries were accounted for.

b) Salaries paid to people not on staff return: K 196,628.80

Lunyangwa Research Station paid salaries amounting to 196,628.80 to people that were appearing on the payroll alone but not on the staff return. Further examination of salaries records revealed that some of the employees were alleged to have been transferred to other duty stations, whilst some were on an unpaid leave and the rest were indicated from other duty stations. Consequently, it was difficult to ascertain the propriety of the expenditure.

c) Fuel not accounted for: MK 1,765,549.00

Treasury Instructions require that the officer In-charge of the motor vehicle or any self-propelled machines must ensure that full details of fuel such as petrol, diesel and lubricants are entered in the motor vehicle or motor cycle Logbooks. It further stipulates that consumable stores, which include fuel, should be accounted for by recording in a consumable stores Ledger (fuel register).

An examination of payment vouchers, motor vehicle Log Books and other related records disclosed that fuel worth K 1,765,549.00 that was purchased by the institution was not recorded in the log books. As a result, it was not possible to ascertain how the fuel was disposed off.

d) Stores not recorded in stores ledger: K1, 283,747.69

Treasury Instructions stipulate that items purchased must be recorded in the stores ledger to enhance accountability.

An examination of stores ledgers disclosed that stores items purchased between July 2009 and June 2010, amounting to K 1,283,747.69 were not recorded in the stores ledger. Consequently, the audit team could not ascertain their accountability.

LOCAL GOVERNMENT AND RURAL DEVELOPMENT

BLANTYRE CITY COUNCIL

- 26 An investigative audit inspection of the financial and stores records of Blantyre City Assembly was completed on 18th August, 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 15th November, 2010. The report highlighted the following observations:

a) Failure to Account for Unclaimed Wages : K1,173,190.54

Treasury Instructions require that all unclaimed wages should be brought on charge and related general receipt numbers endorsed on the payroll against the names of the employees who did not collect their wages.

An examination of signature lists and the payroll for temporary employees disclosed that unclaimed wages amounting to K1,173,190.54 for the period July 2008 to April 2010 were not accounted for. No general receipts were endorsed thereon to show that the wages were brought on charge. Consequently it was difficult for the inspecting auditors to establish how the unclaimed wages were accounted for in absence of any record.

b) Excess Payments of Wages to Temporary Employees : K3,311,914.13

An examination of payroll for temporary employees against cheques raised each month disclosed that the Council incurred an excess payment of K3,311,914.13 in respect of wages between October 2008 and January 2010. It was noted that the monthly total paid did not tally with the monthly payroll as the excess payments were not supported by documentation to substantiate the expenditure. The inspecting auditors were therefore unable to ascertain the propriety of the excess expenditure.

c) Irregular Payments of Wages : K764,395.41

A review of the payment cash book disclosed some irregular payments of wages amounting to K764,394.41. Efforts to verify the details of payments proved futile as the payment vouchers in question were not produced for review. Consequently, the authenticity of the payments could not be verified. Below are the details:-

<i>DATE</i>	<i>CHEQUE NO.</i>	<i>AMOUNT (MK)</i>	<i>DETAILS</i>	<i>PAYEE</i>
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05/02/10	8557	381,131.41	Wages for parks & Engineering	C. Mtipende
09/02/10	8559	91,700.00	Wages for parks & Engineering	C. Mtipende
08/12/09	8491	146,700.00	December Wages	C. Mtipende
26/01/10	8546	<u>144,864.00</u>	January \wages	C. Mtipende
		764,395.41		

d) Payment for Stationery not Delivered : K740,673.12

An examination of payment vouchers, delivery notes and goods received notes for the period between March 2008 and May 2009 revealed that stationery items worth K740, 673.12 duly paid for were not delivered by suppliers. It was observed that there was no proper coordination between the purchasing department and the stores section. In this regard, details of purchases were not communicated to the stores section until the time of delivery and the stores clerk was receiving the items from suppliers without knowing the quantities which were paid for resulting in under supplies.

e) Payment Without Supporting Documents: K1,874,871.70

Treasury Instructions require that all payment vouchers must be fully supported by original invoices, and cash receipts which should be firmly attached to the vouchers.

An examination of payment transactions disclosed that between August 2008 and February 2010 payment vouchers amounting to K1, 874,871.70 were passed for payment without supporting documents. Consequently, the propriety of the expenditure could not be ascertained.

THYOLO DISTRICT EDUCATION MANAGERS OFFICE

27. An audit of the financial and stores records of Thyolo District Education Manager's Office was completed on 29th October 2010. The audit disclosed weaknesses in financial control which were communicated to you in my report dated 13th May, 2011. The report highlighted the following observations;

a) Failure to Record Stores Items in the Ledger:K1,984,716.98

Treasury Instructions require all receipts and issues of stores items to be recorded in the stores ledger to enhance accountability.

An examination of stores records disclosed that items valued at K1,984,716.98 purchased between November, 2009 and May 2010 were not recorded in the stores ledger. As a result it was difficult to establish the disposal of the stores items.

b) Lack of Documentation to Support Payment of Subsistence Allowance: K251,300

Treasury Instructions require payment vouchers to be complete in themselves by ensuring that documents are firmly attached to the payment vouchers to support the expenditure.

An examination of payment vouchers for the period between July 2009 and June 2010 revealed that subsistence allowance and transport refunds amounting to K251,300.00 were paid without documentation. Consequently, the propriety of the expenditure could not be ascertained.

c) Irregular Payment of Subsistence Allowances: K562,000.00

A review of payment vouchers and authority to leave duty station forms for the period between July 2009 and June 2010 revealed that subsistence allowances amounting to K562,000.00 were paid to some officers. However there were no evidence to show that the officers spent nights away from their duty stations.

d) Payment of Subsistence Allowances not Supported by Payees' Signatures : K387,900.00

Treasury Instructions require that all payments must be signed for by the payees and that the related records should be attached to the payment vouchers to afford independence checks.

An examination of payment vouchers for the period between July 2009 and June 2010 disclosed that subsistence allowances amounting to K387,900.00 were paid without being signed for by the recipients. It was therefore difficult to establish whether the recipients received the monies or not

BALAKA DISTRICT EDUCATION MANAGERS OFFICE

28. An audit inspection of the financial and stores records of Balaka District Education Office was completed on 18th August, 2010. The audit disclosed weaknesses in the financial control which were communicated to you in my report dated 26th November, 2010. The report highlighted the following observations;

Fuel Not Accounted For: K198, 481.00

An examination of fuel records for the period from July 2009 to June, 2010 revealed that fuel valued at K198, 481.00 which was reported to have been used in vehicle registration numbers MG 892AA and 025 MG 588 was not recorded in the fuel register and log books. Consequently, it was difficult to establish how the office used and accounted for the fuel in question.

MZIMBA DISTRICT EDUCATION MANAGERS OFFICE

29. An audit inspection of the financial and stores records of Mzimba District Education Managers Office was completed on 12th August, 2011. The audit review disclosed weaknesses in the financial control which were communicated to you in my report dated August, 2011. The report highlighted the following observations;

a) Subsistence Allowance and Leave Grants Paid Without Payees Signatures on the Receipted Vouchers : K6,915,100.00

Treasury Instructions require that subsistence allowance must be signed for by the recipient as a way of acknowledging receipt.

An examination of payment vouchers for the period between 1st July 2009 and 30th June 2010 revealed that subsistence allowance amounting to K1,314,100.00 and leave grants amounting to K5,601,000.00 were not supported by signatures of payees on the recipient vouchers to support the payment. It was therefore difficult for the audit team to ascertain that the funds were paid to the rightful recipients.

b) Subsistence Allowance paid Without Request to Leave Duty Station : K1,063,000.00

Treasury Instructions stipulate that payment vouchers must be firmly attached by supporting documents.

An examination of payment vouchers for the 2009/2010 financial year revealed that subsistence allowance amounting to K1,063,000.00 was not supported by request to leave duty station forms. Consequently, the audit team was unable to ascertain the accountability of the public funds used.

c) Fuel not Recorded in the Register : K1,608,000.00

Treasury Instructions stipulate that consumable stores items bought must be recorded in the stores ledger (fuel register).

An examination of fuel records for the period between 1st July 2009 and 30th June 2010 disclosed that the system of recording fuel in the register was not properly done as fuel amounting to K1,608,000.00 bought during the period was not recorded in the register. It was difficult to ascertain the accountability of fuel in absence of disposal record.

THYOLO AGRICULTURAL DEVELOPMENT OFFICE

30. An audit of the financial and stores records of Thyolo District Agricultural Development Office was completed on 29th October 2010. The audit disclosed weaknesses in financial control which were communicated to you in my report dated 13th May, 2011. The report highlighted the following observations;

a) Payment Vouchers Without Supporting Documents: K568,625.25

An examination of payment vouchers for the period between July 2009 and June 2010 revealed that payments amounting to K568,625.25 were made without supporting documents. It was therefore difficult for the inspecting auditors to ascertain whether the expenditures were made for the intended purpose.

b) Stores items not Recorded in the Stores Ledger : K385,340.00

Treasury Instructions require all receipts and issues of stores items to be recorded in the stores ledger for proper accountability.

An examination of stores records disclosed that stores items worth K385,340.00 purchased between June 2009 and July 2010 were not recorded in the stores ledger. It was therefore difficult for the inspection auditors to establish how the stores items were accounted for.

ZOMBA DISTRICT HEALTH OFFICE

31. An audit inspection of the financial and stores records of Zomba District Health Office was completed in November, 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 25th November, 2010. The report highlighted the following observations;

a) Drugs and Other Medical Supplies not Recorded on Stock Cards: K4,140,122.38

All Government Health facilities are required to keep stock cards on which drugs and other medical supplies received from Central Medical Stores (CMS) and all issues from drug stores are recorded.

An examination of stock cards, invoices and delivery notes for the period between November and December 2009 revealed that drugs and other medical supplies worth K4,140,122.38 were not recorded on stock cards.

b) Nugatory Expenditure : K5,825,034.40

Treasury Instructions stipulate that it is the responsibility of the controlling officers to ensure that public funds are only used to the extent, and for the purposes intended by the National Assembly and that all necessary precautions to safeguard the funds from abuse or loss are taken.

An examination of District Implementation Plans (DIP), request to leave duty station forms and payment vouchers for the period between August 2009 and March 2010 revealed that management incurred in irregular expenditure amounting to K5,825,034.40 for subsistence allowances which were paid out to various staff for carrying out activities which were part of their normal day to day duties and responsibilities within their duty stations. It was further noted that some of the activities were not included in the DIP. Among the notable activities for which the allowances were paid include balancing and packing of monthly staff salaries by accounts officers.

c) Failure to Produce Receipted Vouchers for Audit : K5,575,924.50

Public Audit Act requires all audited entities to present documents, books and accounts as requested to the audit team for examination.

An examination of payment vouchers revealed that some receipted payment vouchers for the period from January 2009 to January 2010 amounting to K5,575,924.50 were not presented for audit examination. Consequently, the propriety of the expenditure could not be ascertained.

d) Fuel not Accounted for : K362,960.23

Treasury Instructions stipulate that fuel must be properly accounted through recording in the relevant books of accounts such as fuel ledgers.

A review of cheque counterfoils pertaining to fuel purchases against fuel ledger for the period between November 2008 and April 2010 disclosed that fuel amounting to K362,960.23 was not recorded in the ledger. It was therefore difficult to ascertain the utilization of the fuel in absence of any disposal record.

HOME AFFAIRS AND NATIONAL DEFENCE

MALAWI PRISON HEADQUARTERS

32. An audit inspection of financial and stores records of Malawi Prison Services Headquarters was completed in November, 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 8th December, 2010. The report highlighted the following observations:

Failure to record fuel in the ledger: MK950, 000.00

Treasury Instructions stipulate that Controlling Officers should maintain a fuel ledger for the purpose of recording receipts and issues of fuel.

It was however noted that fuel worth MK950, 000.00 procured from July, 2008 to June, 2009 was not recorded in the ledger.

It was therefore difficult for the inspecting auditors to ascertain disposal of the fuel in absence of any record.

MZIMBA POLICE STATION

33. An audit inspection of the financial and stores records of Mzimba Police Station was completed on 12th August 2011. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 19th August, 2011. The report highlighted the following observations;

a) Payment vouchers without supporting documents: K 4,591,435.72

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

An examination of payment vouchers revealed that between 1st July 2009 and 30th June 2010 payment vouchers amounting to K 4,591,435.72 were passed for payment without supporting documents. It was therefore difficult to ascertain the propriety of the payments made.

b) Subsistence allowance paid but not signed for: K 1,024,193.00

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

An examination of payment transactions made between 1st July 2009 and 30th June 2010 disclosed that subsistence allowances' amounting to K 1, 024,193.00 were paid without signatures of the recipients. Consequently, it was difficult to ascertain the accountability of the amount that was disbursed.

c) Items not recorded in the stores ledger: K 678,889.00

An examination of stores ledgers disclosed that between 1st July 2009 and 30th June 2010 Mzimba Police Station purchased stores amounting to K 678,889.00 that were not recorded in the stores ledger. Consequently, it was difficult for the inspecting auditors to ascertain the accountability of the stores.

d) Fuel not recorded in the fuel register: MK 644,980.00

Treasury Instructions stipulate that all consumable stores must be recorded in the stores ledger.

An examination of payment vouchers and fuel register revealed that fuel valued at K 644,980.00 purchased between 1st July 2009 and 10th June 2010 was not recorded in the fuel register. As a result, accountability of the fuel could not be ascertained.

e) Failure to bank revenue: MK646,000.00

Treasury Instructions require that revenue collected should be banked intact within a fortnight.

An examination of general receipts and other related records for the period between 1st July 2009 and 30th June 2010 revealed that revenue amounting to K 646,000.00 was not banked. There was no evidence to show how the revenue was accounted for.

RUMPHI POLICE STATION

34. An audit inspection of the financial and stores records of Rumphu Police Station was completed on 6th August 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 5th August, 2011. The report highlighted the following observations;

a) Payments without supporting documents: K527,040.00

Treasury Instructions stipulate among other things that a payment voucher must be supported by original invoices or cash sale receipts to substantiate the expenditure.

An examination of payment transactions disclosed that payment vouchers amounting to K527, 040.00 raised between February 2008 and October 2010 were not supported by documentation. Consequently, it was difficult to ascertain whether the expenditure in question was a proper charge on public resources.

b) Stores not recorded in stores ledger: K1, 002,867.48

Treasury Instructions state that all consumable stores must be recorded in the ledger to enhance accountability of stores items.

An examination of stores records for the period January 2008 to March 2010 revealed that stores items amounting to K1,002,867.48 were not recorded in the stores ledger. As a result, the accountability of the stores items could not be ascertained.

LANDS HOUSING AND URBAN DEVELOPMENT

REGIONAL COMMISSIONER FOR LANDS (SOUTH)

35. An audit inspection on the financial and stores records of Regional Commissioner of Lands (South) was completed on 20th December, 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated November, 2011. The report highlighted the following observations

a) Long outstanding ground rent: MK44,753,350.00

The Land Act Chapter 58.1 requires property owners to pay ground rent on annual basis.

A review of land and property files disclosed that the office did not collect ground rent totaling to MK44,753,350.00 from property owners some of which date as far back as 1990. Consequently, it was doubtful whether the amount was recoverable.

b) Long outstanding duty, fees and development charges: MK5,184,867.62

Whenever Government approves applications for lease on property, the applicant is supposed to pay in full the development charges with total fees and duties. Failure to do so results in the cancellation of the offer and the plot is withdrawn and re-allocated to another prospective developer on the waiting list.

An examination of records pertaining to approved lease applications disclosed that the office did not receive long outstanding duty, fees and development charges amounting to K5,184,867.62 from people who were offered land. There was no evidence to show that reminders were sent to the applicants.

EDUCATION, SCIENCE AND TECHNOLOGY

SOUTH WEST EDUCATION DIVISION

36. An audit of financial and stores records of South West Education Division for year ended 30th June, 2010 was completed on 31st January 2011. The audit review disclosed some weaknesses in financial control which were communicated to you in my report dated July, 2011. The report highlighted the following observations:-

a) Unclaimed Wages not Accounted for – K251,735.44

Treasury Instructions require that all unclaimed wages should be brought on charge and that receipt numbers for the wages brought on charge should be indicated on the payroll (signature list) against the names of the employees who did not collect their wages.

An examination of signature list on the payroll disclosed that unclaimed wages amounting to K251,735.44 were not accounted for. There were no receipt numbers to show that the wages were brought on charge.

b) Failure to Deduct Withholding Tax – K218,396.58

Taxation Act Chapter 41.01 Section 102A, requires ministries and departments to deduct withholding tax when making payments to suppliers of goods and services who do not have withholding tax exemption certificates.

An examination of payment vouchers for the period between June 2008 and June 2010, revealed that the office did not deduct withholding tax amounting to K218,396.58 from payments made to suppliers. There was no evidence to show that the suppliers were holders of withholding tax exemption certificates.

c) Fuel Issued but not Signed for - K184,700.00

Treasury Instructions require that a stores ledger should be maintained for the purpose of recording all receipts and issues of stores items.

An examination of fuel register for the period between May, 2010 and January, 2011 disclosed that fuel amounting to K184,700.00 was issued without being signed for by the recipients in the register. Therefore, it was difficult to establish how the fuel collected by the individuals was used.

NASAWA TECHNICAL COLLEGE

37. An audit inspection of financial and stores records of Nasawa Technical College was completed in November, 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated November 2010. The report highlighted the following observations:

a) Revenue spent at source before banking: K4, 366,500.61

Treasury Instructions require that revenue collected should be banked promptly and intact into Government Consolidated Fund Account No.1.

An examination of general receipts and bank statements for 2008, 2009 and the period between January and February 2010 revealed that revenue collected amounting to K4, 366,500.61 was spent at source without banking contrary to the above regulations.

b) Failure to account for revenue collected K718,327.14

Treasury Instructions require that revenue collected must be properly accounted for.

An examination of revenue records for the three bank accounts namely, Evening Main and Malawi Government Account Number one for the period between January, 2008 to February 2010 disclosed that revenue amounting to K718,327.14 was not accounted for since there were no records in form of bank deposit slips to show that the revenue was banked and the cash was not available as at the date of audit.

c) Payment vouchers without supporting documents- K8, 133,269.85

Treasury Instructions require that all payment vouchers should have valid supporting documents such as invoices and cash receipts to substantiate the payments.

An examination of payment transactions revealed that payment vouchers amounting to K8, 133, 269.85 were passed for payment between April 2007 and November 2009 without supporting documents. Consequently the propriety of the expenditure on the vouchers could not be substantiated.

d) Irregular payment of subsistence allowances - K738,000.00

Treasury Instructions requires that subsistence allowances should only be paid to officers who are assigned and authorized to perform official duties away from their duty station at a given rate for the number of days spent away from the station.

An examination of payment vouchers for the period December 2008 to December 2009 revealed that management paid subsistence allowances to its staff amounting to K738,000.00 to some officers who did not spend nights away from their duty station. The officers were paid for working within duty station. Activities for which subsistence allowances were paid include preparation of revised budget estimates. Further investigations disclosed that allowances were paid to the officers as a reward for working during odd hours.

e) Fuel not Accounted for – K321, 228.55

An examination of fuel register and vehicle logbook for Toyota vehicle registration number NS 1671 for the period between September 2009 and February 2010 revealed that fuel drawn from Malswitch Card and recorded in fuel register amounting to K321,228.55 was not recorded in the logbook and that the vehicle did not undertake any journey during the dates when the fuel in question was issued. The inspecting auditors were therefore unable to ascertain the utilization of the fuel.

CHIMWALIRA SECONDARY SCHOOL

38. An audit inspection of financial and stores records of Chimwalira Day Secondary School was completed in September, 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 9th December, 2010. The report highlighted the following observations:

(a) Payments without supporting documents- K235, 364.00

Treasury Instructions require that a payment voucher should be fully supported by an original invoice, cash receipt or sales slips to afford independent checks.

An examination of payment vouchers amounting to K235,364.00 did not have supporting documents such as invoices, cash sales or receipts. It was therefore difficult to confirm the validity of the expenditures and completeness of the payment transactions.

MULUNGUZI SECONDARY SCHOOL

39 An audit inspection of financial and stores records of Mulunguzi Secondary School was completed in November, 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 8th December, 2010. The report highlighted the following observations:

a) Failure to account for revenue collected: K 1,300,313.52

Treasury Instructions require that revenue collected should be recorded on general receipt and banked intact.

An examination of general receipt books, bank deposit slips and bank statements for the period from January to August 2009 disclosed that revenue amounting to K1,300,313.52 was neither banked nor physically available. The audit team was unable to establish how the amount was accounted for.

b) Funds not accounted for: K4, 920, 746.24

Treasury Instructions stipulate that it is the responsibility of the controlling officer to ensure that public funds are only used to the extent; and for the purpose intended by the National Assembly and that all necessary precautions to safeguard funds against abuse are taken.

An examination of financial records disclosed that the school failed to account for public funds totaling MK4,920,746.24 which were meant for various activities as there were no records to substantiate how the funds were spent. Below are the details:-

CATEGORY OF FUNDS	AMOUNT (MK)
Funds for miscellaneous expenditure	4, 086, 468.24
Funds for subsistence allowances-Teachers	834, 278.00
TOTAL	4, 920, 746.24

c) Payment vouchers without supporting documents: MK1,171,845.00

Treasury Instructions require that all payment vouchers should have valid supporting documents such as invoices and cash sale receipts.

An examination of payment transactions disclosed that payment vouchers amounting to MK1,171, 845.00 the period from July 2007 to June 2009 did not have supporting documents. The inspecting auditors were therefore unable to ascertain validity of payments in absence supporting documents.

d) Awarding of a contract to a member of staff: MK811,272.63

Public Procurement Act stipulates that if a public officer who is a member of Internal Procurement Committee (IPC) within the procuring entity acquires pecuniary interest in any matter to be decided by the IPC, he or she must declare such interest to avoid conflict of interest.

An examination of payment vouchers for the period between June 2008 and February 2009 revealed that payments totaling MK811,272.63 were made to W. J. Investments for the supply of various goods and services to the school. Further scrutiny of the transaction revealed that W.J. Investments belonged to Mr W. Malunga who was an Accounts Assistant at the institution.

MASONGOLA SECONDARY SCHOOL

40. An audit inspection of financial and stores records of Masongola Secondary School was completed in November, 2010. The audit disclosed weaknesses in financial control which were communicated to you in my report dated 8th November 2010. The report highlighted the following observations:

a) Failure to Account for Revenue - MK1, 087,158.00

An examination of general receipts in respect of school fees collected between 25th August and 3rd September 2009 disclosed failure by the school to account for fees amounting to K1,087,158.00. There were no records in form of bank deposit slips or payment vouchers to show that the amount was either banked or spent at source.

b) Fees spent at source before banking - MK 5,013,485.16

Treasury Instructions require all revenue collected to be banked intact into Consolidated Fund through Government Account No 1.

An examination of general receipts books for fees collected, against the deposit slips and bank statements, revealed that out of MK 17,047,821.68 in respect of fees collected between January 2008 and September , 2009, only MK12,034,336.60 was banked.

c) Payment vouchers without supporting documents: MK430,458.00

Treasury Instructions require all revenue collected to be banked intact into Consolidated Fund through Government Account No 1.

It was however noted that payment vouchers amounting to K430, 458.00 for the period between 5th September 2007 and November 2008 were not supported by the documentation. Consequently the propriety of the expenditure could not be ascertained.

d) Cash in Respect of Allowances Not Signed For By The Recipients: K754,000.00

Treasury Instructions require that all payments of allowances should be signed for by the payees as a way of acknowledging receipt of such payments.

It was however observed that payment of allowances amounting to K754, 000.00 was not signed for by the recipients between September 2007 and November, 2009.

e) Irregular Payment of Salaries - K702,856.20

An examination of establishment records against the payroll revealed that Salaries amounting to K702, 856.20 were paid to members of staff, who had left the institution between August, 2008 and September, 2009 through retirement and resignation. There was no evidence to show that the amount paid was recovered from the officers concerned.

LUWINGA SECONDARY SCHOOL

41. An audit inspection of the financial and stores records of Luwinda Secondary School was completed in August 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 7th August, 2011. The report highlighted the following observations;

Unrecorded Stores: K1,637,338.87

Treasury instructions require that a stores ledger must be opened and maintained for the purpose of recording receipts and issues of stores.

An examination of payment vouchers relating to the procurement of stores for the period July, 2008 to June, 2009 disclosed that stores items amounting to K1, 637,338.87 were not recorded in the stores ledgers. Consequently, the inspecting auditors were unable to ascertain the usage of the items in absence of disposal records.

MZIMBA SECONDARY SCHOOL

42. An audit inspection of the financial and stores records of Mzimba Secondary School was completed on 29th October 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated September, 2011. The report highlighted the following observations:

a) Payment Vouchers Without Supporting Documents: K 536,985.00

Treasury Instructions stipulate that for the purpose of examination, payment vouchers must be fully supported by original invoices or any valid documents, which should be firmly attached to the vouchers before payment is made.

An examination of payment vouchers disclosed that in the 2009/2010 financial year the office made payments amounting to K 536,985.00 without supporting documents. Consequently the propriety of the expenditure could not be ascertained.

b) Food stuffs not recorded in the stores ledger: K 740,930.00

Treasury Instructions require that all receipts and issues must be recorded in the stores ledger.

An examination of stores ledgers against physical balances of stocks revealed that stores valued at K 740,930.00 purchased between 1st July 2009 and 30th June 2010 were not

recorded in the stores. As a result, the accountability of those stores could not be ascertained.

RUMPHI SECONDARY SCHOOL

43. An audit inspection of the financial and stores records of Rumphii Secondary School was completed on 6th August 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 5th October, 2011. The report highlighted the following observations;

a) Payment vouchers without supporting documents: K174,143.74

The Treasury Instructions stipulate that all payment vouchers must be complete in themselves and should contain sufficient particulars to afford independent checks.

An examination of payment vouchers for the period between September 2008 and December 2010 revealed that payment vouchers amounting to MK 174,143.74 had no supporting documents. This made it difficult for the auditors to verify whether government funds were used for the intended purpose.

b) Fuel not accounted for: K 396,663.80

Treasury Instructions state that where consumable goods are received in bulk for subsequent issue in small lots, the transactions must be recorded in the consumable stores ledger (fuel register).

Posting of payment vouchers into the fuel register revealed that fuel worth K396, 663.80 was not recorded in the fuel register between September 2009 and June 2010. As a result, the accountability of the fuel could not be ascertained.

c) Stores not recorded in stores ledger: K 725,250.00

Treasury Instructions state that all stores procured should be recorded in the stores ledger and that issues should be recorded and signed for by the recipients.

An examination of stores records for the period between May 2009 and November 2010 revealed that stores items worth K725, 250.00 were not recorded in the stores ledger. As a result, the accountability of the stores could not be ascertained.

FINANCE AND DEVELOPMENT PLANNING

REGIONAL TRASURY CASHIER (SOUTH)

44. An audit inspection of the financial and stores records of Regional Treasury Cashier (South) was completed on 4th February,2011.The audit disclosed some weaknesses in financial control which were communicated to you in my report dated 19th July,2011.The report highlighted the following observations:

(a) Failure to Record Purchased Items In The Stores Ledger-MK 1, 222, 892.15

Treasury instructions require all receipts and issues of stores items to be recorded in the stores ledger for proper accountability.

An examination of stores records disclosed that items worth K1, 222,892.15 (MK313, 061.00 for office equipment and MK909, 831.15 for office supplies) purchased between January, 2009 and June, 2010 were not recorded in the stores ledger. Consequently the inspecting auditors were unable to verify the utilisation of the stores items in absence of disposal records.

(b) Doubtful Payment of Subsistence Allowances- MK3, 098, 000.00

A review of payment vouchers and authority to leave duty station claim forms for the period August 2009 to June 2010 revealed that allowances amounting to MK3,098, 000.00 were paid to officers but there was no evidence that the journeys were undertaken.

MINISTRY OF HEALTH

UMOYO HOUSING PROJECT

45. An audit investigation on the financial and stores records of Umoyo Staff Housing Project in the Ministry of Health was completed in May, 2010. The audit review disclosed some weaknesses in financial control which were communicated to you in my report dated 28th June, 2011. The report highlighted the following observations:

a) Poor Workmanship On Some Sites

Physical verification of houses under construction disclosed poor workmanship on some sites. Most of the finished houses and pit latrines had developed deep cracks and were leaking. Materials used for lockers, windows, doors and walldrobes were of very poor quality. It was learnt that just a month after unofficial occupation of some houses, locks which were fixed on the houses were broken. This showed lack of seriousness on the part of the Ministry of Health and the hired consultants as they did not make regular monitoring visits to check the progress and quality of construction works and materials used at the project sites. The situation was aggravated by the fact that the maintenance supervisors from the District Health Office were not fully involved in the project implementation.

b) Occupation of Unofficially Handed Over Houses By the Health Workers

The audit team also observed that some health workers had occupied the newly constructed and renovated houses even though the contractors had not yet officially handed over the houses to the Ministry of Health. This was common on houses constructed by Delta, Liu and Intercity Building Contractors in the Central Region and at Chikwina Health Centre in Nkhata-Bay. We observed that some of the houses occupied had problems of leakages, low quality paints and materials fixed on doors, windows and

lockers and had cracks on walls and floors. At the time of inspection, most of the houses which were occupied had no running water and electricity.

c) Salvageable Items Not Handed Over to The Ministry of Health

The audit review disclosed that salvageable items were not handed over to the District Health Offices. It was therefore difficult to establish the amount of remaining items which were removed from the sites on which renovations and maintenances were taking place because the contractors' workers, foremen and clerks, were unwilling to disclose the items. They also had no records of salvageable items. Furthermore the DHOs were not fully mandated to follow up the progress of the projects and they too did not have records of the salvageable items. The audit team, however, took some time to count the items such as iron sheets, solar panels, solar batteries, window and door frames at Makiyoni in Salima District which were removed from four renovated houses. It was noted that 73 out of 224 (eighteen gauge of 9 feet long) iron sheets were missing.

d) Underperformance in the Construction and Renovation of Houses

Physical verification exercise revealed under performance in the number of houses which were constructed and renovated as compared with the Bills of Quantities which the contractors used when bidding for the contracts. It was observed that at Mitundu Health Centre in Lilongwe District, six houses were supposed to be renovated but only four were renovated. An interview with foremen of Hualong Building Contractor and Mr. S. Kuyeli, from the Department of Planning in the Ministry of Health revealed that the remaining two houses would not be renovated because the health officers occupying the houses were not willing to move out. No information as to what would happen to the contract agreement following this development was available.

e) Non Installation of Dover Stoves in Targeted Houses

Physical verification of the houses disclosed that some houses at the health centers which did not have electricity and were supposed to have dover stoves as per the contract agreement did not have them installed in the kitchen. This forced health workers who had unofficially occupied, the houses to use the spaces where dover stoves were planned to be installed as kitchens especially when it was raining. This exposed the houses to hazardous substances like smoke and ashes. When the audit team interviewed some officials in the Planning Department of the Ministry of Health it was learnt that the idea of installing dover stoves was withdrawn to avoid promoting charcoal use and deforestation.

f) Abandoned Work on the Construction of Laboratories At Mwanza, Bwaila and Mangochi District Hospitals

The audit revealed that some contracts for the construction of laboratories at Bwaila, Mwanza and Mangochi Hospitals were abandoned by some contractors. It was observed that some contracts were awarded to the contractors some time in 2004 but as at the time of audit the construction works were not completed. According to Mr. S. Kuyeli and Mr. D. Kuchilunda from the planning department of the Ministry of Health, the original contracts were terminated and given to Dziko Building Contractors for Mwanza and Mangochi, and Farai for Bwaila. However the information regarding the new contracts of

these laboratories was not furnished to the audit team and it was therefore difficult to establish the basis for terminating the original contracts.

g) Payment Vouchers Not Presented For Audit: MK1,588,065.00

An examination of payment transactions disclosed that payment vouchers amounting to MK1,588,065.00 were not presented for audit. This made it difficult for the audit team to establish the details of payments and the extend to which the individual contractors were paid. When the finance department was asked to give the update of payments for individual contractors, it only managed to give payments up to 30th June, 2009. Consequently it was difficult for the audit team to compare the amount of money received by the contractors and the status of the work in progress.

CENTRAL MEDICAL STORES (CENTRE)

46. An audit investigation on the financial and stores records of Central Medical Stores (Centre) was completed in July, 2011. The audit review disclosed some weaknesses in financial control which were communicated to you in my report dated 27th August, 2011. The report highlighted the following observations:-

a) Boarded Off Drugs and Medical Supplies: K1,186,320,930.00

An analytical review of the financial statements disclosed that the Office was experiencing losses through expired drugs and medical supplies.

During the financial years ended June, 2008/2009 and 2009/2010, drugs worth K476,866,930.63 and K709,453,999.40 respectively were boarded off. This resulted into huge losses by Government, a situation which could have been avoided if proper procurement procedures and established regulations were followed.

b) Misprocurement of Stores: K24,246,808.73

The office procured wheeled disposal bins valued at US\$ 164,135.00 (equivalent to K24,246.808.73) for Government health facilities. Mapanga Furniture won the tender and supplied one thousand seven hundred (1700) bins. At the time of audit, the disposal bins had not been delivered to the centre because they were rejected by the users on account of wrong specifications.

The office failed to produce tender documents and the Internal Procurement Committee minutes on this procurement for audit review.

c) Shortage of Drugs and Medical Supplies: K74,882,411.12

A physical count of drugs and medical supplies disclosed that balances of some drugs and medical supplies recorded on bin cards, worth K74,882,411.12, had no corresponding physical stocks available. The Office could not provide any evidence on how the items were accounted for.

d) Failure to Deduct Withholding Tax: K12,272,201.14

Chapter 41:01 section of the Taxation Act requires that withholding tax should be deducted at source on all payments for goods and services except in circumstances where the supplier produces a valid withholding tax exemption certificate.

An examination of financial records revealed that withholding tax amounting to K12,272,201.14 was not deducted from payments made to suppliers of goods and services during the financial year ending June, 2010 as required by Taxation Act.

e) Overpayment to Contractor: K33,526,197.99

An examination of payment vouchers and project contract documents revealed that Kachulu Construction Ltd was awarded a contract to refurbish Central Medical Stores Headquarters after it was gutted by fire on 30th April, 2009 at a contract sum of K80,880,888.31.

It was however noted that the main contractor and three other subcontractors were paid a sum of K114, 407,086.30 resulting in an overpayment of K33, 526,197.99.

f) Receipted Vouchers not Produced for Audit: K9,200.000.00

Treasury Instructions require that when payment is made, the one to whom the moneys are transmitted should, by way of signature, acknowledge receipt of the moneys paid and the receipted voucher should be attached to the payment voucher to authenticate the payment.

It was noted that between April, 2009 and June, 2010 the office paid allowances totaling K9,200,000.00. However, receipted vouchers were not produced for audit examination. It was therefore not possible to ascertain the propriety of the payments.

CENTRAL MEDICAL STORES (SOUTH)

47. An audit inspection of financial and stores records of Central Medical Stores (South) for the year ended 30th June, 2010 was completed on 25th January, 2011. The audit review disclosed some weaknesses in financial control which were communicated to you in my report dated 12th July, 2011. The report highlighted the following observations:

a) Failure to Collect Outstanding Debts (Revenue): K929,317,808.27

A review of debtors' ledger revealed that an outstanding amount of K929, 317,808.27 was owed by various government hospitals as at 30th June, 2011. There was no evidence to show that demand notes were served to the respective government hospitals demanding for settlement of the amounts owed.

b) Stores Items Issued but Not Signed for by Recipients: K1,650,225.57

Treasury Instructions require a stores ledger to be maintained for the purpose of recording all receipts and issues of stores items.

A review of the stores ledger disclosed that between July, 2009 and June, 2010 stores items valued at MK1, 650,225.57 which were issued were not signed for by the recipient.

It was therefore difficult for the inspecting auditors to ascertain whether the stores items issued were used for intended purposes.

c) Fuel Not Signed for By the Recipients : K989,100.00

A review of motor vehicle fuel register disclosed that fuel worth K989, 100.00 issued to various users between July, 2009 and June, 2010 was not signed for in the register. It was, therefore, difficult for the inspecting auditors to verify whether the fuel was used for the purpose intended.

INFORMATION AND CIVIC EDUCATION

MINISTRY OF INFORMATION AND CIVIC EDUCATION HEADQUARTERS

48. An audit of financial and stores records for Ministry of Information and Civic Education was completed in November 2010. The audit review disclosed weaknesses in financial controls which were communicated to you in my report dated November, 2011. The report highlighted the following observations:

a) Purchase of Stores Not Recorded In Ledgers : K3,067,217.53

An examination of payment vouchers disclosed that stationary worth K3,048,533.00 which was purchased between October, 2008 and May, 2009 was not recorded in the stores ledger. This is contrary to Treasury Instructions which require that all stores items should be recorded in the stores ledger for proper accountability.

b) Purchase of Fuel Not Recorded In The Fuel Register : K1,570,000.00

An examination of payment vouchers for the period January to March 2009 disclosed that, fuel valued at K1, 570,000.00 was not recorded in the ledger contrary to Treasury Instructions which require that all fuel purchases should be recorded in the ledger before issue to enhance accountability.

c) Subsistence Allowances Not Supported By Signatures : K4,470,400.53

Treasury instructions require that all allowances payments should be signed by the recipients. An examination of payment voucher revealed that subsistence allowances amounting to K4,470,400.53 were not supported by signatures of the beneficiaries. Consequently the propriety of the expenditure could not be verified.

REGIONAL INFORMATION OFFICE (NORTH)

49. An audit inspection of the financial and stores records of Regional Information Office was completed on 25th June 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 5th August, 2011. The report highlighted the following observations;

Fuel not accounted for: K 579,473.50

Treasury Instructions state that where consumable goods are received in bulk for subsequent issue in small lots, the transactions must be recorded in consumable stores ledger (fuel register).

Posting of payment vouchers into fuel register revealed that fuel valued at K579, 473.50 was not recorded in the fuel register between July 2008 and May 2009. As a result, the accountability of the fuel could not be ascertained.

JUDICIARY

CHIEF RESIDENT MAGISTRATE COURT (EAST)

50. An audit inspection of the financial and stores records of Chief Resident Magistrate Court (East) was completed in November, 2010. The audit review disclosed weaknesses in financial control which were communicated to you in my report dated 8th December, 2010. The report highlighted the following observations:

a) Misuse of Court Deposits Receipts (CDR): MK 959, 017.16

Court deposit receipts are third party monies held by the courts on trust. These monies arise from bail bonds, compensations, and are later paid to intended parties.

An examination of court deposit receipts and disbursement documents revealed that the Chief Resident Magistrate (East) and Ntcheu First Grade Magistrate Courts spent CDR funds to the tune of MK 1, 118, 426.86 for staff loans and Other Recurrent Transactions (ORT). The loans were not paid back to the CDR at the time of audit.

In response to the audit query, the Controlling officers only managed to provide documentation for the recovery of an amount of K159,407.70 leaving a balance of K959.017.16 still outstanding as at the date of writing this report.

b) Allowances not signed for: MK 164, 500.00

Treasury Instructions require that all allowances paid out should be signed for by the recipients.

An examination of payment vouchers revealed that allowances paid out in respect of substance and meal allowances, amounting to MK 164,500.00 were not signed for by the intended recipients, between July and March 2010. This made it difficult for the audit team to ascertain the accountability of the allowances.

In response to the audit query the controlling officer just reproduced copies of payment vouchers without attaching the recipients list which could have shown the signatures of the recipients.

RUMPHI MAGISTRATE COURT

51. An audit inspection of the financial and stores records of Rumphu Magistrate Court was completed in August 2010. The audit review disclosed weaknesses in financial control which

were communicated to you in my report dated 5th August, 2011. The report highlighted the following observations;

Misappropriation of funds: K542.130.00

An examination of financial records in respect of third party money (compensation) and court fines disclosed laxity by the office to ensure that the funds were banked on time. It was observed that funds in respect of compensation, court fines and bail bonds amounting to K697,810.00 received between July 2008 and September 2009 were misappropriated as there were no records to show how the funds were accounted for.

In response to the audit query, the controlling officer submitted documentation in form of deposit slip which showed that only a sum of K155,680.00 was recovered from the officers involved leaving a balance of K542,130.00 which was still outstanding as at the date of writing this report.

EXTERNAL AFFAIRS AND INTERNATIONAL COOPERATION

MALAWI HIGH COMMISSION –PRETORIA

52. An audit inspection of the Malawi High Commission, Pretoria, South Africa was completed in May, 2010. The audit review disclosed some weaknesses in financial control which were communicated to you in my report dated October, 2010. The report highlighted the following observations:

a) Over Expenditure On Budget Allocations : K16,675,827.00

A review of budget allocation against actual expenditure for 2008/09 financial year disclosed laxity by management to monitor and control expenditure. It was observed that the office used a sum of K16, 675,827.00 in excess of budget allocation for the year.

The excess expenditure was caused through use of funds realised from miscellaneous receipts such as property rents and sales of assets. There was no evidence to show that Treasury approval was sought prior to the use of revenue.

b) Use of Revenue Collected At Source : K55,537,109.53

An examination of financial transaction disclosed that the mission spent revenue amounting to K55,537,109.53 at source without treasury approval as stipulated in the Treasury instructions.

c) Payment of Foreign Service Allowance In Excess Of Entitlement : MK29,702,465.74

Foreign Service Allowances (FSA) are paid to diplomats serving in Missions abroad in accordance with Book IV of the Malawi Public Service Regulations (MPSR). Fixed rates of allowances are set and revised by Government depending on economic environment of the country where the Mission is located and paid in US\$ equivalent. The allowances are

remitted into salaries and benefits account of the Mission from where payments to diplomats are made in local currency of the hosting country at floating exchange rate.

An examination of payment vouchers for the periods under review disclosed that the Mission paid FSAs at a fixed exchange rate of ZAR13.8 to US\$1.00 instead of using a fluctuating exchange rate. It was observed that the US\$ rate of exchange did not move above ZAR8.00 during the period under review. Consequently, payment of Foreign Service Allowances amounting to MK29, 702,465.74 were made in excess of staff entitlements as follows:

<i>POSITION</i>	<i>TOTAL EXCESS PAYMENT</i>
High Commissioner	4,529,276.73
Deputy High Commissioner	4,061,552.37
Counsellor	3,201,768.97
First Secretary (Political)	2,974,458.57
First Secretary (Protocol)	2,974,458.57
First Secretary (Administration)	4,055,744.99
Defence Attache	3,201,919.82
Second Secretary (Information)	2,640,936.28
Third Secretary (Secretariat)	2,025,821.20
Third Secretary (Administration)	<u>2,025,821.20</u>
Total	<u>29,702,465.74</u>

d) Lack of Direction On Local Travel Rates Of Allowances At Missions Abroad

Government financial regulations require that external allowances should be paid to officer (s) travelling outside the country of duty station.

A review of expenditure records for internal travel disclosed that the Mission management was paying internal travel allowances to Mission staff including drivers and other local staff at the rate of external travel allowance applicable in Malawi, currently pegged at US\$180 per day. Enquiries made with management at the Mission and Ministry disclosed that internal travel by diplomats at Missions abroad was treated as external travel. It was however noted that there is no specific provision in Book IV of the MPSR governing foreign services local travel at Missions abroad.

The audit is of the view that the policy governing foreign services local travel within the host country is not clear. The rate of local travel allowances at Missions abroad is wrong and unrelated to external travel allowance rate applicable in Malawi. Even if there was no specific provision in the Book IV of the MPSR, there was no evidence that management consulted Treasury to seek direction.

MALAWI HIGH COMMISSION- MAPUTO

53. An audit inspection on the financial and stores records of the Malawi High Commission in Maputo, Mozambique was completed in September, 2010. The audit review disclosed some weaknesses in financial control which were communicated to you in my report dated 25th September, 2011. The report highlighted the following observations:-

a) Over Expenditures Without Treasury Approval: K21,085,638.98

Public Finance Management Act stipulates among other things of the need for each controlling officer to monitor and control expenditure within the ministry or department so as to ensure that there are no over expenditures or over commitment of funds.

An examination of expenditure returns and the related records for 2008/09 and 2009/10 financial years disclosed that the Mission incurred a total over expenditure of K 21,085,638.98 on budget allocations for the above mentioned financial years. There was no evidence to show that authority was sought from the Treasury before incurring the over expenditure.

b) Irregular Granting of Personal Advances: US\$ 41,084.00 (MK6,244,768.00)

The responsibility for granting personal advances rests with the Ministry of Foreign Affairs Headquarters only such that all applications for advances in respect of diplomatic staff are supposed to be submitted to the Ministry Headquarters for authorization and payments.

An examination of financial transactions disclosed that the Mission did not follow this procedure. It was observed that advances amounting US\$41,084.00 (MK6, 244,768.00) were granted to members of staff using funds from the Revenue Account with a view to recovering the amounts once the advances applications were approved by Ministry Headquarters. It was further noted that some advances were paid even before applications were approved by the Ministry Headquarters. As at the date of audit in September 2010, the above stated amount was still outstanding.

c) Failure to Recover Deposit in Respect of Rent From Property Owner: US\$3,000 (MK456,000.00)

The Mission entered into a tenancy agreement with Marginal and Rua Das Palmeiras in which the mission was required to pay a refundable one month rent deposit for the house which was rented. This amount was refundable on termination of the tenancy agreement.

An examination of records relating to house rentals occupied by diplomatic staff disclosed that deposit in respect of house rent amounting to US\$3,000 (MK456, 000.00) was not refunded by the property owner upon termination of the tenancy agreement. Although the matter was referred to lawyers to assist recover the amount, no progress had been made as at the date of audit.

PART IV

RECOMMENDATIONS AND ACKNOWLEDGEMENTS

RECOMMENDATIONS

54. In the course of my audit of the 2009/2011 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) To ensure greater accountability, Government should urge Ministries and Departments to prepare their own annual financial statements for audit before they are consolidated into the National Accounts;
 - (b) The standard of internal audit should be enhanced in order to provide assurance to management regarding effectiveness of internal control systems and administrative processes in ministries and departments;
 - (c) There is immediate need to strengthen Audit Committees in all Ministries and Departments so as to speed up implementation of audit recommendations; If possible the composition of the committees should include members from the private sector
 - (d) Procurement of goods and services should be executed within set processes and procedures;
 - (e) 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;
 - (f) Knowledge and skills of accounting personnel should be regularly enhanced through generic training, including refresher courses and workshops;
 - (g) Public Financial Management Reforms such as implementation of the Integrated Financial Management Information System (IFMIS) should continue to be given serious attention by all policy makers. IFMIS in particular should be regularly reviewed and upgraded as a means of enhancing in built control.

ACKNOWLEDGEMENTS

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

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

31st December, 2011
LILONGWE, MALAWI