

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

For The Year Ended 30th June, 2014

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
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Continuous Professional Development
Open Communication

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

17th February, 2017.

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 Cap 37:01 I have the honour to submit my report on the results of the audit of the Accounts of the Government of the Republic of Malawi for the year ended 31st June 2014 for tabling in the National Assembly.

Yours faithfully,



STEPHENSON KAMPHASA
Auditor General

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EXECUTIVE SUMMARY

In accordance with Section 6 of Public Audit Act 2003, I have, on behalf the National Assembly, examined and enquired into and audited the accounts of Controlling Officers, and Receivers of Revenue and persons entrusted with the collection, receipting custody or disposal of public moneys or public stores.

The Government budgetary operation registered expansion in both revenue and expenditure during the year under review. Total revenue collected decreased by K27.5 billion to K521.9 billion which compares unfavourably with K549.4 billion realized in 2012/2013 financial year. Total expenditure increased by K74.1 billion from K376.8 billion in 2012/2013 to K450.9 billion. Domestic revenue remained relatively buoyant and continue to maintain an upward trend. This was mainly premised on the improved tax collection and administration by the Malawi Revenue Authority and other revenue collecting agencies.

The Revenue Account registered K521.9 billion in revenue while the recurrent expenditure was K450.9 billion, resulting into surplus of K71.01 billion. Development Account decreased by K3.5 billion to K70.3 billion when compared to K73.9 billion for 2012/13 financial year. Total expenditure charged to the Development Account was K70.4 billion which increased by K20.2 billion when compared to K50.2 billion for 2012/13 financial year. Government in this fiscal year continued to get donor support.

The fiscal year of 2013/14 Controlling Officers continued prepared financial statements using the approved and acceptable format introduced in the ministries and departments. For the first time the financial statements of the votes, for the financial year ended 30th June, 2013 were submitted to me and were audited separately. My audit opinions on these financial statements were qualified based on the various material matters that affected their true and fair view except for the Ministry of Agriculture, Irrigation and Water Development, Accountant General, Ministry of Industry and Trade and Ministry of Gender, Children, Disability and Social Welfare where I have issued a disclaimer of opinion.

Although ministries and departments started preparing own financial statements for audit purposes there are still a lot of challenges which need to be mitigated in order to ensure timely preparation of the financial statements. The Accountant General should continue to train accounting personnel in the ministries and departments on the preparation of the accounts so as to enhance capacity and improve quality of the financial statements.

Despite Government efforts to improve public financial management, there were some challenges due to Integrated Financial Management Information Systems (IFMIS) which could not produce the necessary information that could agree with bank statements as a result there was a difference of MK14.9 billion.

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 the other public authorities and bodies as may be prescribed by an Act of Parliament, in so far as they are compatible with the principal duties of my office.
2. Section 184 (2) requires me to submit reports at least once a year to the National Assembly through the Minister responsible for Finance and at the same time Section 15 of the Public Audit Act requires me to report to the President and the National Assembly. Although the provision of Section 15 of the Public Audit Act is deemed to be inconsistent with the Constitution in a way it gives me as an opportunity to submit a copy of my report direct to the Speaker of National Assembly whilst respecting the Constitution as a supreme law by reporting through the Minister Responsible for Finance. Consultations with the Ministry of Justice and Constitutional Affairs and the Law Commission have been initiated to have the deemed inconsistency cleared. During the 2010/11 financial 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;—
 - (a) Revenue is properly assessed and collected;
 - (b) Expenditure is validly and correctly authorised;
 - (c) Revenue, expenses, assets and liabilities are properly recorded and accounted for;
 - (d) Resources are employed and managed in an economic, effective and efficient manner;
 - (e) There has been no waste or extravagance;
 - (h) Outcomes or provisions produced are consistent with those specified in any Appropriation Act;
 - (i) Relevant government policies and legislation are being complied with;

- (j) All expenditure is charged against the relevant allocation appropriated by the
National Assembly; and
 - (k) The accounts and records have been properly kept.
4. Section 6 (2) of the Act requires me to undertake an audit programme to review and approve the audited accounts of statutory bodies and conduct audits of any statutory body that has not had its financial statements audited by a firm of auditors, this includes where I do not approve the audited financial statements.
 5. Section 6 (3) of the Act requires me to audit and examine transactions, books and accounts and other financial records associated with any project, programme, and any other activity receiving funding in whole or in part from money or public resources which in my opinion justifies further investigations.
 6. In fulfilling my duties, powers and responsibilities lawfully conferred on me under Section 7 (1), I am required and any person authorized by me to;
 - (a) Have full access at all reasonable times to all documents, books and accounts, public funds, public securities, government contracts, and books and accounts relating thereof and subject to audit; and to any place where they are kept;
 - (b) Request any person to supply any information or answer any questions relating to documents, books and accounts, money or operations subject to audit and examination by me;
 - (c) Give notice in writing, requiring any person having possession or control on any documents, books and accounts subject to audit and examination by my office to deliver all or any of them at a time and place and to such a person specified in the notice;
 - (d) Inspect, measure or test any real or personal property to which any Government contract relates; and
 - (e) Enter any land, building, or place, other than a dwelling house, where a government contract is being performed that is subject to audit and examination by me.

SUBMISSION OF FINANCIAL STATEMENTS

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

- (a) A consolidated Operating Statement showing revenue and expenditure and the surplus or deficit for the reporting period;
- (b) A statement of Financial Position showing the assets, liabilities and net financial position as at statement of financial position's date of the reporting period;
- (c) A Statement of Cash Flows showing the receipts and cash payments during the reporting period, and cash balance as at statement of financial position's date of the reporting period;
- (d) A Statement of Cash Balance showing breakdown of the balance held by type of holding;
- (e) A Statement of Statutory Expenditure showing details of domestic debt serving, external debt servicing, statutory remuneration and other material items of expenditure;
- (f) A Statement of Investment showing the nature or type of investment and current and non-current investments;
- (g) A Statement of Borrowings showing total debt and the breakdown of current and non-current debts; and for each showing the opening and closing balances for the reporting period and the nature of the movement during the period, the impact of exchange rate movements, average interest rate, and loan balances available for breakdown;
- (h) A Statement of Ex-Gratia Payments approved under the provisions of an Act, budgets, actual performance and variations between actual and budget;
- (i) A Statement showing for each account in the Trust Fund, balances at the beginning and end of the reporting period, and the nature of the movement in the reporting period; and
- (j) A Statements of Accounting Policies setting out the significant accounting policies on which the financial statements are prepared; and other information specified by the Secretary to the Treasury in Treasury Instructions as required to provide more detailed information or explanations.

CONTROLLING OFFICERS' RESPONSIBILITY

8. In terms of Section 10 of the Public Finance Management Act, it is the Controlling Officers' responsibility to maintain proper financial management systems. This involves keeping appropriate financial records, and where applicable, following generally accepted accounting principles. Responsibilities of management also include ensuring that—
 - (a) Public funds are only used to the extent, and for the purpose intended by the National Assembly;

- (b) All necessary precautions are taken to safeguard the collection and custody of public money;
- (c) All necessary precautions are taken to safeguard public resources;
- (d) All expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste;
- (e) There is no over-expenditure of over-commitment of funds and a review is undertaken each month to ensure that there is no such over-expenditure or over-commitment; and
- (f) The collection of public moneys is according to approved plans and the estimates.

The controlling officers prepared financial statements of their ministries for the 2012/2013 financial year and submitted them for audit before they were consolidated by the Accountant General.

SCOPE OF AUDIT

9. In line with Section 13 of the Public Audit Act (Cap.37:01 of the Laws of Malawi) which requires me to use Generally Accepted Auditing Standards, the audit of public accounts is performed in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audit is intended to provide an overall assurance of the general accuracy and propriety of Government's financial and accounting transactions. Although the audit is conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs), it does not guarantee absolute accuracy of the accounts or detection of every error, financial irregularities and fraud.

The Public Audit Act (Cap37:01 of Laws of Malawi) empowers me to use discretion and make tests in any particular case. The extent of audit examinations varied depending on the strength of internal control systems in operation and the nature of transactions involved. Substantive tests were made on selected areas of various ministries and departments which form part of public accounts in order to form an opinion as to whether or not public money is expended economically, and in conformity with the wishes of the National Assembly.

AUDIT METHODOLOGY

10. The core objective of the external audit function is to ensure accountability of public funds. To discharge this responsibility my approach to audit involves the following—
 - (a) Planning the audits to obtain relevant information in the most efficient manner and to determine the audit procedures employed;
 - (b) Evaluation and testing of the accounting and internal control systems;

- (c) Testing of controls to ensure that procedures have been applied and that the relevant laws and regulations have been complied with, including the test for validity, completeness and accuracy of the accounts; and
- (d) Reporting the audit findings based on the audit procedures performed and evidence gathered.

RESPONDING TO AUDIT REPORTS

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

Despite some progress 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.

REPORTING PROCEDURE

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

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

AUDIT OPINION ON THE ACCOUNTS

13. I am required to express an opinion on the public accounts based on my audit. My audit opinion on the public accounts for the financial year ended 30th June, 2014 is qualified based on the following material matters that affected its true and fair view—

- (a) There was significant failure and lack of application of the existing systems of internal controls in IFMIS–Central Payment System and Ministries, Departments and Agencies (MDAs). These lapses in control systems resulted in;

- misallocated expenditure amounting to K785 million, out of this, those that are more than 10% are: National Assembly 15% amounting to K117.9 million, Information and Civic Education 12.4% amounting to K97.3 million, Ministry of Education, Science and Technology 11.7% amounting to K92.05 million and Ministry of Labour, Youth and Manpower Development 10.4% amounting to K82 million.
 - unsupported expenditure amounting to K47.7 billion. Out of this amount 97.90% amounting K46.7 billion relates to Ministry of Agriculture, Irrigation and Water Development, and
 - missing payment vouchers and other vital documentation with total amount of K22.9 billion. Out of this amount 79.5% amounting to K18.2 billion relates to Ministry of Agriculture, Irrigation and Water Development.
- (b) The cash book for the Malawi Government Control Account No. 1 maintained by the Accountant General in the IFIMS could not reconcile with the bank statement at the Reserve Bank of Malawi. There was a difference of MK14.9 billion which is being investigated to establish if any loss of public funds occurred.
- (c) Various MDAs continued to overlook observance of well established procurement systems and procedures resulting in accumulation of arrears totalling MK84.70 billion as at 30th June, 2014.

The audit opinion is presented separately in Volume 1 of the Consolidated Annual Appropriation Accounts for the year ended 30th June, 2014.

The table below has the details of figures under basis (a) above.

SUMMARY OF OBSERVATIONS PER VOTE LEADING TO QUALIFICATION

<i>Ministries, departments and agencies</i>	<i>Without Supporting Documents</i>	<i>Missing Vouchers and Other Documents</i>	<i>Misallocated Payments</i>
National Assembly	87,223,689.28	751,068,372.68	117,859,016.00
Office of the President and Cabinet	14,631,888.20	57,829,135.00	20,749,855.29
Nutrition	8,487,091.00	—	46,307,555.42
Local Government and Rural Development	47,503,048.90	87,033,296.63	72,700,855.94
Lands and Urban Development	221,288,453.98	214,024,373.80	—
Disability	—	26,434,475.90	28,630,781.55
Agriculture, Irrigation and Water Development	46,669,835,740.00	18,178,257,278.00	—
Irrigation and Water Development	25,205,417.13	1,495,325,543.07	—
Vice President	27,917,338.09	—	24,871,388.30
Education, Science and Technology	15,253,000.00	—	92,058,670.00
Finance (Treasury)	—	105,443,360.24	—
Accountant General	456,640,433.97	651,285,417.00	12,929,071.00
Health	67,292,531.61	120,563,839.86	—
Home Affairs	—	29,764,513.13	29,341,067.07
Malawi Police Service	—	174,919,706.08	—
Justice and Constitutional Affairs	—	2,863,449.20	7,263,004.00
Gender	—	—	41,760,173.59
Information and Civic Education	22,548,792.15	83,668,972.96	97,325,217.10
Tourism	2,575,750.00	7,188,569.36	35,115,129.88
Labour Youth and Manpower Development,	21,600,000.00	103,000,000.00	82,000,000.00
Trade-	—	—	4,982,891.84
Transport and Public Works	1,544,408.13	—	48,668,306.60
Environmental Affairs and Climate Change	14,404,694.14	695,175,692.47	—
Forestry Headquarters	—	22,359,554.20	—
Energy	—	—	11,086,893.13
Mining	1,514,490.00	65,080,768.75	—
Law Commission	7,693,222.43	—	10,349,585.99
Human Rights	7,693,222.43	—	1,832,889.00
	47,720,853,211.44	22,871,286,318.33	785,832,351.70

PART II

OVERALL BUDGET PERFORMANCE 2013/2014

BUDGET OUTTURN—REVENUE

14. Total revenue collected during the period ended 30th June, 2014 was K521.9 billion which reflected a decrease of K27.5 billion over the 2012/13 amount of K549.4 billion. The main sources of revenue were Tax Revenue K388.4 billion, Dedicated Grant K32.7 billion, Budget Support (BOP) K2.8 billion, Project Grants K41 billion, Non-Tax Revenue K52.9 billion and Councils Locally Generated Revenue K4.2 billion.

The revenue collection for 2013/14 was less than the revised amount of K525.1 billion by K3.2 billion. The under-collection was attributed to Budget Support, Councils Locally Generated Revenue, Dedicated Grants, and Non-Tax Revenue which in total registered an under-collection of K11.4 billion. The trend of revenue collection for the past years is tabulated as follows:

<i>Year</i>	<i>Provision K'000</i>	<i>Actual Collection K'000</i>	<i>Over/(under) Collection K'000</i>
2010/2011	299,833,113	255,391,815	(44,441,298)
2011/2012	245,070,578	243,587,354	(1,483,224)
2012/2013	371,167,000	549,368,797	178,201,797
2013/2014	525,108,000	521,935,444	(3,172,556)

BUDGET OUT TURN—EXPENDITURE

15. During the year under review, total expenditure charged to the Consolidated Fund was K450.9 billion representing an increase in expenditure of K109.4 billion when compared to the total expenditure of K341.5 billion for 2012/2013. The overall picture of the voted expenditure was a net saving of K106.6 billion which compared favorably to a net saving of K36.5 billion for 2012/2013.

CONSOLIDATED REVENUE ACCOUNT

16. The consolidated revenue account had improved in performance during the year under review since the account had a cumulative surplus of K24.3 billion as at 30th June, 2014, which is an improvement from a cumulative surplus of K46.8 billion as at 30th June, 2013 and was arrived at as follows:

The Consolidated Revenue Account as at 30th June, 2014

<i>Description</i>	<i>K'000</i>
Deficit balance brought forward as at 1st July, 2013	(46,750,048)
<i>Add:</i> Revenue for year	<u>521,935,444</u>
Net cumulative revenue after brought forward deficit	475,185,396
<i>Less:</i> Expenditure for the year	(450,859,755)
: Transfer to Development Part II	<u>29,230,731</u>
Cumulative Deficit carried forward as at 30th June, 2014	<u>(4,905,090)</u>

The planned recurrent surplus for the year under review was K151.9 billion but the cumulative cashbook balance was a deficit of K4.9 billion. The actual Revenue Account out-turn as at 30th June, 2014 was a surplus of K41.8 billion.

The annual surplus could largely be attributed to fiscal reforms instituted by Government and improved expenditure management and control.

Recurrent budget performance for the past four years

<i>Years</i>	<i>2010/2011</i>	<i>2011/2012</i>	<i>2012/2013</i>	<i>2013/2014</i>
<i>Amount in</i>	<i>K'000</i>	<i>K'000</i>	<i>K'000</i>	<i>K'000</i>
Actual Revenue	255,391,815	243,587,354	549,368,797	521,935,444
<i>Less:</i> Actual Expenditure	218,384,444	238,866,153	341,485,074	450,859,755
: Transfer to Dev. Pt II	<u>24,382,029</u>	<u>33,207,931</u>	<u>35,266,000</u>	<u>29,230,734</u>
Surplus/(Deficit)	<u>12,625,343</u>	<u>28,486,730</u>	<u>172,617,723</u>	<u>41,844,955</u>

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

CONSOLIDATED DEVELOPMENT ACCOUNT

17. The total expenditure charged to Development Account for the year ended 30th June, 2014 amounted to K70.4 billion reflecting an increase of K20.2 billion over the previous year's expenditure of K50.2 billion.

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

<i>Years</i>	<i>2010/2011</i>	<i>2011/2012</i>	<i>2012/2013</i>	<i>2013/2014</i>
<i>Amount in</i>	<i>K'000</i>	<i>K'000</i>	<i>K'000</i>	<i>K'000</i>
Revised Estimates	73,999,998	70,174,568	97,823,505	156,175,784
Actual Expenditure	<u>41,593,475</u>	<u>47,226,985</u>	<u>50,158,248</u>	<u>70,376,734</u>
	<u>32,406,523</u>	<u>22,947,583</u>	<u>47,665,257</u>	<u>85,799,050</u>

Vote 360–Tourism and Vote 090–Office of the President and Cabinet recorded over-expenditures of K6.2 billion and K2.9 billion respectively. The over-expenditures could be attributed to Cash Gate transactions during the year under review. Thirty (30) votes recorded under expenditures of K94.9 billion. The largest unspent balances of K36.3 billion, K12.3 billion, K10.3 and K9 billion were recorded against Vote 190–Ministry of Agriculture, Vote 420–National Roads Authority, Vote 250–Ministry of Education and Vote 210–Department of Water Development, respectively.

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

The overall state of affairs of the Development Fund as at 30th June, 2014 was a cumulative surplus of K12.2 billion, registering an increase of K23.8 billion from K36 billion recorded at the end of the 2012/2013 financial year as follows:

Overall details of state of affairs of the Development Fund as at 30th June, 2014 is as follows:

<i>Description</i>	<i>K'000</i>
Receipts during the year	70,276,734
Less: Payments	(70,376,734)
Surplus/(Deficit) for the year	(100,000)
Add: Opening balance	<u>12,292,892</u>
Cumulative Surplus as at 30th June, 2014	<u>12,192,892</u>

CONSOLIDATED FUND

FINANCING OF THE DEFICIT

18. The Budget Statement for 2013/2014 financial year envisaged a deficit of K34.8 billion on the Revenue Account while the Development Budget was expected to break-even at K175 billion.

During the year under review, the Recurrent Revenue Account collected K521.9 billion while the Recurrent Expenditure was K480.2 billion resulting into a surplus of K41.7 billion.

The Development Account realized K70.3 billion; registering a decrease of K3.6 billion when compared to K73.9 billion of 2012/2013 financial year. Expenditure for the year was MK70.4 billion resulting into a deficit of K0.1 billion.

Although the overall budget performance for the year under review had a surplus of MK70.91 billion, the cash book for the Malawi Government Control Account No. 1 maintained by the Accountant General in the IFMIS

could not reconcile with the bank statement at the Reserve Bank of Malawi. There was a difference of MK14.9 billion which is being investigated to establish if any loss of public funds occurred. With this, it can be concluded that the overall surplus is MK56.01 billion.

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

<i>Year</i>	<i>Combined cumulative (Deficit)/Surplus K'000</i>
2010/11	(72,059,913)
2011/12	(114,218,316)
2012/13	82,764,457
2013/14	7,287,802

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

PREPARATION OF FINANCIAL STATEMENTS BY MINISTRIES AND DEPARTMENTS

19. The Controlling officers started preparing financial statements for their ministries and departments from 2012/2013 financial year when an acceptable format for presenting the financial statements was approved and introduced in the ministries and departments.

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

The financial statements of the forty-one votes, listed on page 9, for the financial year ended 30th June, 2014 were submitted to me and audited and these represent seventy -three percent of the total votes, sixty percent of total voted expenditure and fifty - four percent of the total budget expenditure. My audit opinions on these financial statements were qualified based on the various material matters that affected their true and fair view except for the Ministry of Agriculture, Irrigation and Water Development, Accountant General, Ministry of Industry and Trade and Ministry of Gender, Children, Disability and Social Welfare where I have issued a disclaimer of opinion due to limitation scope.

VOTE	MDA
70	The Judiciary
80	National Assembly
90	Office of the President and Cabinet
94	Nutrition, HIV and AIDS
100	National Defence
101	Malawi Defence Force
111	National Statistics Office
120	Local Government and Rural Development
121	National Local Government Finance Committee
130	Lands, Housing and Urban Development
190	Agriculture, Irrigation & Water Development
200	Disability
210	Irrigation and Water Development
240	Office of the Vice President
250	Education, Science and Technology
260	Foreign Affairs and International Cooperation
270	Finance, Economic Planning & Development
271	Accountant General
310	Health
320	Gender and Child Development
330	Information and Civic Education
340	Home Affairs and Internal Security
341	Malawi Police Service
342	Prisons
343	Immigration
350	Justice and Constitutional Affairs
352	Registrar General
353	Administrator General
354	Legal Aid
360	Tourism, Culture and Wildlife
370	Labour and Manpower Development
371	Geological Survey
390	Industry and Trade
400	Transport and Public Works
430	Malawi Human Rights Commission
470	Natural Resources
472	Mining
480	Environment and Climate Change Management
490	Energy
550	Ombudsman
560	Law Commission

The National Audit Office categorises the findings into;

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

PART III

MINISTRIES, DEPARTMENTS AND AGENCIES

JUDICIARY

20. An audit of financial statements of the High Court–Zomba Registry for the financial year ended 30th June, 2014 was completed in July, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Bail Bond Funds Borrowed to Staff as loans

Treasury Instructions 1106 require that public funds must be used for the intended purposes for which they were allocated for.

It was observed during the audit that funds in respect of bail bonds amounting to K1,141,000.00 which were entrusted with Zomba Registry were given to staff as loans. As at the time of audit no recovery was made from the concerned members of staff.

NATIONAL ASSEMBLY

21. An audit of financial statements of the National Assembly for the financial year ended 30th June, 2014 was completed in July, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Allowances Not Liquidated: K49,386,422.12

An examination of payment vouchers revealed that allowances amounting to K49,386,422.12 that were made to officers on behalf of others did not have signatures of the intended beneficiaries. As such it was difficult to ascertain if indeed the monies were received by the intended beneficiaries.

(b) Payments to Suppliers of Goods Without Evidence of Delivery K35,347,785.50

A review of payments vouchers revealed that payments for goods amounting to K35,347,785.50 were made without documentary evidence that the goods were indeed delivered. Below are the details for the payments:

<i>Date</i>	<i>Chq No</i>	<i>Payee</i>	<i>Details</i>	<i>Amount (K)</i>
16-Aug-13	147592	Galle Enterprise and General Dealers	Supply of stationery	5,038,712.50
14-Aug-13	147691	Creative Computers and Stationery	Supply of computers and UPS	14,718,940.00
16-Aug-13	147591	Universal Print & Office Supplies	Supply of promotional materials	15,590,133.00
Total				35,347,785.50

(c) Failure To Source a Minimum of Three Quotations: K99,669,453.00

Section 35 of the Public Procurement Act requires that procuring entities should request quotations from at least three bidders when procuring goods and services. The request for quotations should contain a clear statement of the requirements of the procuring entity as to quality, quantity, terms and time of delivery as well as any other special requirements.

A review of procurement records disclosed failure by the National Assembly to abide by the procurement regulations. It was noted that goods and services amounting to K99, 669,453.00 were procured using the single source method. There was no justification to warrant the use of the method.

(d) Payments Made Without Supporting Documents: K87,223,689.28

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

An examination of payment vouchers disclosed that payments totalling K87,223,689.28 were not supported by adequate supporting documents. In the absence of the necessary supporting documents, it was difficult to ascertain the genuineness of the payments made.

(e) Failure To Account For Fuel: K5,463,720.00

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

A review of fuel expenses for the entity revealed that fuel amounting to K5,463,720.00 was not accounted for through either recording in the register or log books. In the absence of these records it was difficult to ascertain how the fuel was accounted for.

(f) Misallocations of Expenditures: K117,859,016.00

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

An examination of payment vouchers revealed that management misallocated funds amounting to K117,859,016.00 without obtaining prior approval from the Secretary to the Treasury.

(g) Failure To Deduct Withholding Tax: K3,170,087.49

Section 102 (A) Taxation Act (Cap 14:01 of Laws of Malawi) requires among other things, that withholding Tax be deducted at source when effecting payments to suppliers of goods and services who have no proof of a valid Withholding Tax Exemption Certificate.

A review of the payments revealed that between January and June, 2014, withholding tax totaling K3,170,087.49 was not deducted from payments made to various suppliers of goods and services, who did not have withholding tax exemption certificates.

(h) Misuse of Trust Account Funds: K18,231,242.12

National Assembly holds a trust account with Malawi Savings Bank whose main purpose is to be used to consolidate and disburse money meant for mutual claims and other related claims for members of staff who are retiring from service and deceased Members of Parliament.

A review of transactions for the account revealed that payments amounting K18,231,242.12 were paid from the account although they were not related to the purpose of the account. The payments mainly were in respect of allowances, fuel, hotel charges, maintenance of motor vehicles and others. Such type of payments may deprive legitimate claims from officers and beneficiaries of deceased Members of Parliament who may not be paid in time due to depletion of funds from the account.

(i) Over Commitments To Suppliers of Goods and Services: K63,540,894.44

Section 10 (f) of the Public Finance Management Act provides that each Controlling Officer is responsible for ensuring that there is no over-expenditure or over-commitment of funds in relation to his/her ministry.

A review of obligations of the entity revealed that National Assembly had outstanding commitments of K63,540,894.44 to various suppliers. This contravenes the above quoted legal provision and defeated the objectives of the Cash Budget System being implemented by Government.

(j) Vouchers Not Presented For Audit Inspection: K751,068,372.68

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

An examination of payment vouchers revealed that payment totalling K751,068,372.68 were not presented for audit inspection. It was therefore difficult to ascertain the validity and propriety of the expenditure incurred.

(k) Stores Items Not Accounted for: K9, 839,312.78

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

An examination of stores records for the year under review disclosed that purchases of stores items amounting to K9,839,312.78 were not recorded in stores ledger. In the absence of records it was difficult to ascertain how the purchased stores items were accounted for.

(l) Payment Vouchers Not Recorded In Cash Book: K726,421,465.26

Treasury Instructions 5.9 (b) states that all transactions shall be recorded in a primary Government record or ledger. Generally accepted accounting procedures require that all bank and cash transactions should be properly recorded in cashbooks to ensure completeness of reports.

An examination of payment vouchers and other accounting records revealed that expenditures totaling K726,421,465.26 incurred between July, 2013 and June, 2014 were not recorded in the cashbook as per Treasury Instructions requirements.

(m) Matters from Internal Auditor's Report:

The Internal Auditor of the National Assembly carried out a number of audits during the period under review. The observations raised in the internal auditors' reports had not been responded to by management as at the time of writing this report. The following are the major findings:

(n) Over-Payments & Irregular Payments of External Travel Allowance: K13,939,511.10

An examination of payment vouchers disclosed that some Members of Parliament were overpaid by K1,069,951.10 in external travel allowances while some were paid K12,869,560.00 in external travel allowances on trips that never took place. The total amount paid for this anomaly was K13,939,511.10. There was no evidence to show that management recovered the amount in question.

(o) Duplication of Payment: K1,974,459.50

A review of payment vouchers revealed that National Assembly paid K2,000,000.00 on 2nd October 2013 to Global Refrigeration & Air Conditioning on cheque Number 162012 leaving a balance of K561,270.50 since the total amount to be paid was K2,561,270.50. On 7th November 2013 another payment of K2,535,730 was made to the same supplier on the same invoice and on cheque Number 179274 resulting into an overpayment of K1,974,459.50. As at the time of audit no refund was made by the supplier to National Assembly.

OFFICE OF THE PRESIDENT AND CABINET

22. An audit of financial statements of the Office of the President and Cabinet for the financial year ended 30th June, 2014 was completed in July, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payment Vouchers Without Supporting Documents: K14,631,888.20

Treasury Instructions No 5.15.1 state that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed for easy accessibility upon request by Ministry of Finance or National Audit Office staff.

An examination of financial records revealed that payment vouchers for the National Registration Bureau and Poverty and Disaster Management Affairs amounting to K14,631,888.20 were processed and passed for payment without the relevant supporting documents. As a result, it was not possible for the inspecting auditors to ascertain

whether the payments were a proper charge to public funds. Details are as follows:

<i>Cost Centre</i>	<i>Amount (K)</i>
National Registration Bureau	4,371,000.00
Poverty and Disaster Management Affairs	10,260,888.00
	<u>14,631,888.00</u>

(b) Stores Items Not Accounted For: K 8,509,667.00

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

A review of payment vouchers for consumable stores showed that stores items worth K8, 509,667.00 procured between July, 2013 and September, 2013 were not recorded in the stores ledger. In the absence of entries in the stores ledgers the inspecting auditors could not ascertain how the stores items were accounted for.

(c) Unliquidated Funds: K 51,568,273.39

Treasury Instructions No.5.26.6 require that a person making payments shall file properly all paid documents duly stamped 'PAID' together with an acknowledgement of receipt from the beneficiaries.

A review of payment vouchers revealed that the office failed to attach to the payment vouchers acknowledgement of receipt by beneficiaries of funds disbursed. It was observed during the audit that cheques drawn for staff for the headquarters amounting to K12, 368,500.00 had no signatures of recipients attached. It was also observed that fuel, disaster logistic funds and funds drawn for disaster management and evacuation of people sent to various district councils totaling K39, 199,773.39 had no acknowledgement of receipt by the beneficiaries. In the absence of the receipted vouchers, it was difficult to ascertain how the funds were accounted for.

(d) Failure to Provide Proper Accounting Records For Audit Inspection: K57,829,135.50

A review of accounting records for cost centers under the Office of the President and Cabinet showed that stores ledgers and fuel registers in which stores items and fuel worth K57, 829,135.50 procured by various cost centers during the period under review were not presented for audit review. Consequently, the audit team could not ascertain how the purchased items were accounted for. Details are as follows:

<i>Details</i>	<i>Amount</i> K
Stores ledger:	
Poverty and Disaster management	20,798,049.88
Fuel register:	
Headquarters	22,258,082.00
National Registration Bureau	4,670,213.58
Poverty and Disaster management	10,102,790.00
Total	37,031,085.58
Grand Total	57,829,135.50

(e) Misallocation of Funds: K 20,749,855.29

Treasury Instructions No 4.14.1 stipulates that if the Controlling Officer is satisfied that the provision against a programme/item shall be inadequate, he/she shall submit an application to the Secretary to the Treasury to transfer funds between a programme/item within the same Vote.

An examination of payment vouchers for the period under review revealed that various cost centres under the Office of the President and Cabinet charged expenditure totalling K20,749,855.29 to unrelated items without seeking approval for virement of funds from the Secretary to the Treasury. This entails that some planned activities could not be implemented. Details are as follows:

<i>Cost Centre</i>	<i>Amount</i> K
E-Government	6,482,379.05
Headquarters	8,764,837.60
National Registration Bureau	5,422,638.64
Poverty and Disaster management	80,000.00
Total	20,749,855.29

DEPARTMENT OF NUTRITION, HIV AND AIDS

23. An audit of the financial statements of the Department of Nutrition, HIV and AIDS for the financial year ended 30th June, 2014 was completed in March 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Stores Items Not Accounted for: K1,840,193.64

Treasury Instructions 11.7, among other things, require that receipts and issues of all stores be recorded in the stores ledger for proper accountability.

An examination of payment vouchers, delivery notes, invoices and stores ledgers disclosed that stores items valued at K1,840,193.64 purchased from different suppliers were not recorded in the stores ledgers and no delivery notes were available as evidence of delivery. As a result, it was difficult for the audit team to confirm whether the stores items purchased were delivered and properly utilized by the Department.

(b) Fuel Not Accounted For: K22, 471,792.36

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

An examination of payment vouchers in respect of purchase of fuel revealed that fuel amounting to K22,471,792.36 was not recorded in fuel register making it difficult for the inspecting auditors to ascertain how the fuel was accounted for.

(c) Payments Charged to Wrong Account Codes: K 46,307,555.42

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

An examination of payment vouchers, cashbook, and expenditure statement by cost center revealed that expenses for some sub items amounting to K46,307,555.42 were charged to wrong account codes without seeking approval for virements from the Secretary to the Treasury.

(d) Payments Made Without Supporting Documents: K8, 487,091.00

Treasury Instructions 5.16.1 require every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. In addition, Treasury Instructions 5.9 (a), state that Controlling Officers shall ensure proper

accounting records are maintained to support all financial and related transactions and that full supporting documents are retained and filed for easy accessibility upon request by Ministry of Finance or National Audit Office staff.

A review of the financial records disclosed that payment vouchers amounting to K8,487,091.00 which were processed and passed for payment during the year under review had no supporting documents such as authority to leave duty station forms. In absence of the supporting documents it was difficult to ascertain whether the payments were a proper charge to public funds.

MINISTRY OF LANDS AND HOUSING

24. An audit of financial statements of the Ministry of Lands and Housing for the financial year ended 30th June, 2014 was completed in September 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Unreconciled differences between IFMIS and GP 5A summary forms: K5,932,326.00

Personal emoluments amount booked on the IFMIS did not agree to the GP5A summary form by K5,932,326.00. Differences indicated unexplained and uncorrected errors that result in lack of accounting and audit trail and casts doubt on whether transactions are valid and were properly authorised. The personal emoluments amount booked on the IFMIS which did not agree with GP5A are as follows:

	K
Balance per IFMIS	938,796,499.00
Balance per GP5A	932,864,173.00
Difference	<u>5,932,326.00</u>

(b) Failure to Produce Payment Vouchers for Audit: K214,024,373.80

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

A review of the expenditure statement by cost centre alongside the payment vouchers revealed that payment vouchers amounting to K214,024,373.80 were not produced for audit. A summary of the missing payment vouchers are as follows:

<i>Cost Centre</i>	<i>Amount K</i>
Headquarters	195,000.00
Central Region Lands	169,230.00
Physical Planning	1,849,000.00
Physical planning North	20,000.00
Physical Planning South	286,500.00
Physical Planning Centre	272,258.00
Housing Centre	123,000.00
Housing Headquarters	202,061,270.14
Buildings Headquarters	5,573,000.00
Building Centre	2,292,080.00
Survey Headquarters	972,495.66
Survey North	210,540.00
Total	<u>214,024,373.80</u>

Payment vouchers which are missing might have been used to conceal fraudulent transactions at the cost centre

(c) Payments Made Without Supporting Documents: K221,288,453.98

Treasury Instructions 5.9 (a), state that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

Contrary to the above instruction, payments amounting to K221,288,453.98 processed during the year under review had no supporting documents. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

<i>Cost Centre</i>	<i>Amount K</i>
Central Region Lands	2,403,231.00
Physical Planning Headquarters	2,036,697.03
Physical Planning North	229,000.00
Housing North	964,116.36
Buildings HQ	3,285,666.99
Buildings North	15,000.00
Buildings South	196,700.00
Survey Central	952,925.00
Housing Headquarters	210,622,317.60
Northern region lands	404,800.00
Survey North	178,000.00
Total	<u>221,288,453.98</u>

MINISTRY OF AGRICULTURE IRRIGATION AND WATER DEVELOPMENT

25. An audit of financial statements of the Ministry of Agriculture, Irrigation and Water Development for the financial year ended 30th June, 2014 was completed in October, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Resources Not Reflected in the Integrated Financial Management System (IFMIS)

We noted that the Ministry received K14.2 billion from development Partners for seven Agricultural Projects that were made available for review where K10.4 billion was spent. While funds received and spent were accounted for at respective project offices, receipts were not recognized as received both in the IFMIS or as a consolidated item in the financial statements for the year ended 30th June 2014. Expenditure was understated in the IFMIS and financial statements. Total validated expenditure was K10.4 billion versus K4.7 billion recorded in the IFMIS and K6.7 billion disclosed in the financial statements.

Overall, no reconciliation was made between the amounts disclosed on the face of the financial statements and related records with IFMIS underlying records in order to track the differences with supporting documents for corrective action.

(b) Payments Without Supporting Documents

Treasury Instructions Section 5.26.1 state that payment shall be made where, a copy of the local purchase order, an invoice and goods received note are attached to the payment voucher.

Contrary to the above instruction, an examination of payment vouchers disclosed that payments amounting to K46,669,835,740.00 had no supporting documents. In the absence of supporting documents, it was difficult to establish the validity of the expenditure. Below are details of the payments:

<i>Transaction</i>	<i>Amount K</i>
FISP Payments	40,901,987,214.00
Transport Claim	1,945,201,578.00
Grants and Subvention	3,333,634,737.00
Others	39,424,408.00
Foreign Exchange Differences	449,587,803.00
	<u>46,669,835,740.00</u>

(c) Payment Vouchers Not Presented for Audit Inspection: K18,178,257,278.00

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

An examination of payment vouchers revealed that payment vouchers totalling K18,178,257,278 were not presented for audit inspection. It was therefore difficult to ascertain the validity and propriety of the expenditure incurred.

(d) Funds Received From FISP Beneficiaries

FISP report for the 2013/2014 financial year by an independent Logistics Unit showed that 2,980,568 FISP vouchers were redeemed from farmers translating to K1.490 billion of FISP receipts for Malawi Government. The following noted:

- ★ ADMARC collected K1,249,756,270 on behalf of Malawi Government instead of K1,318,948,500 for the 2,637,897 vouchers it redeemed understating Malawi Government receipts by K69,192,230.
- ★ There were opening FISP receipts balance collected by ADMARC in 2012/2013 amounting to K431,171,986.
- ★ SFFRFM collected on behalf of Malawi Government K171,335,500. This amount of money was not paid to Malawi Government as at the time of audit.

In total, K1,852,852,263,756 (K1,249,756,270 + K431,171,986 + K171,335,500) cash collected on behalf of Malawi Government is yet to be remitted and banked in the Consolidated Fund as required by section 172 of the Malawi Constitution and the Public Finance Management Act of 2003. The amount of K69,192,230 understatements is yet to be investigated.

We further noted that ADMARC had used all cash collected on behalf of Malawi Government for the procurement of maize without official approval from Ministry of Finance.

(e) Funds Realized From Sale of Maize

The Ministry funded ADMARC directly to buy K2.175 billion of maize where 15,531 MT were purchased at K2.376 billion. The Ministry and other donors also funded National Food Reserve Agencies for the purchase of maize where out of the 86,734MT of maize purchased, 39,999.448MT were sent to ADMARC for sale on behalf of Malawi Government. The sale of 55,530.448MT (15,531MT + 39,999.448MT) handled by ADMARC at K80 per kilogram by computation may have realized K4,442,435,840.

We noted that no cash realized from the sale of Malawi Government maize was banked in the Consolidated Fund. Instead it was recycled for the purchase of more maize and paying ADMARC purchases and selling expenses until the whole cash was depleted. There was no evidence that official approval was sought from the Ministry of Finance and Ministry of Agriculture to have the public funds recycled.

(f) FISP Closing Stock–ADMARC

ADMARC had a total of 23,343.76MT (12,998.55NPK + 10,345.21 Urea) of fertilizer as FISP closing stock at the end of the 2013/2014 growing season according to its records. It was reported that this fertilizer was not fit for purpose because it was damaged in the selling points. The minimum average value of the stock was K6 billion (K3,270,668,417 + K2,778,435,415). There was no evidence of any follow up by either ADMARC or Ministry of Agriculture on the fertilizer. No expert was engaged to determine existence and condition of the fertilizer for proper action. There is no evidence for any special investigations or approval of the same by the board and then Secretary to Treasury.

MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT

26. An audit of the financial statements of the Ministry of Local Government and Rural Development for the financial year ended 30th June, 2014 was completed in September, 2016. The audit disclosed some weaknesses in financial control as highlighted in the following observations:

(a) Loss of Public Funds: K151,635,970.00

A review of figures in the itemised report and statement of receipts and payments showed that the ministry had recorded a loss of public funds amounting to K151,635,970. This amount was charged to sub-item 3302 (Loss of Public Money). The audit team cross-checked this figure with Statement 2A of the Consolidated Annual Appropriation Accounts for the year ended 30th June 2014 to establish whether this sub-item is reflected, of which it was not. As such it was difficult to establish the authenticity of this figure. There was also no evidence that the Controlling Officer had formally reported to the Secretary to the Treasury about the loss as per the regulation.

(b) Payment of Subsistence Allowances Without Receipted Vouchers: K35,282,548.90

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

An examination of payment vouchers revealed that subsistence allowances amounting to K35,282,548.90 were paid to various officers on behalf of other officers but the receipted payment vouchers were not produced for audit examination. The accountability of the allowances drawn could not be ascertained in the absence of the receipted payment vouchers.

(c) Wasteful Expenditure: K50,000,000

The Office of President and Cabinet (OPC) issued a circular letter Number 1/2000 on 1st June, 2000 instructing all ministries and departments that all maintenances of motor vehicles at private garages should be backed by Plant and Vehicle Hire Engineering Services (PVHES) inspection certificate. In addition to this, Section 5.19.1 of Treasury Instructions states that adequate internal controls shall exist within each Ministry, Department and Agency (MDA) to ensure that there is no wasteful or extravagant expenditure.

An examination of payment vouchers revealed that the Ministry received graders from PVHES for subsequent distribution to all the District Councils in order to help the Councils in road grading. The ministry thereafter requested Barloworld Equipment to provide qualified officers to accompany the Ministry officers to assess the graders which according to the standing regulations, was supposed to be done by the Plant and Vehicle Hire Engineering Services (PVHES).

This assessment according to the statement of account prepared by Barloworld Equipment dated 31/05/2013 was for sixteen graders at a total cost of K50,000,000.00. The audit team failed to ascertain how this amount was determined by Barloworld Equipment due to lack of documentation. It was also observed during the audit that there was no evidence indicating that the assessment exercise was sanctioned with the approval of the Internal Procurement Committee. Since PVHES is a Government office responsible for all motor vehicle engineering services, we do not see the need for hiring Barloworld to conduct the assessment. Details of the payment are as follows:

<i>Date</i>	<i>Vr. No</i>	<i>Chq. No</i>	<i>Payee</i>	<i>Amount</i> K
8/08/2013	120PV2000289	016581	Barloworld Equipment	50,000,000

(d) Irregular Engagement of a Contractor: K100, 000,000.00

Sections 30 (1) and 35 (1) of the Public Procurement Act inter alia requires public procurement to be realized through open tendering subject to approved exceptions and that if a Request for Quotation (RFQ) is used at least three quotations should be obtained from

suppliers. Section 22 (1) further states that procuring entities are responsible for the administration of procurement contracts into which they enter.

On the same, Section 36 (1) states that where a procuring entity engages in single-source procurement on the grounds referred to in Section 30 (10) (a) through (d), it shall prepare a written description of its needs and any special requirements as to quality, quantity, terms and time of delivery, and may negotiate with the sole bidder and sub Section (2) states that procurement carried out on a single source basis shall be embodied in a written contract or purchase order.

An examination of payment vouchers and procurement records revealed that Barloworld Equipment was engaged by the Ministry to service unspecified number of graders without any kind of tendering process, request for quotations nor did it prepare written description of its needs or any special requirements as to quality, quantity, terms and time of delivery, or any written contract or purchase order.

According to Barloworld Equipment service proforma invoice number 0002 dated 06/11/2013, 30 graders were to be repaired and serviced but the statement of account prepared by Barloworld Equipment dated 31/05/2013 which was attached to the payment voucher indicated that only 16 (sixteen) graders were repaired and serviced. Since the proforma invoice and the statement of account have different information, and there was no any other source of information, the audit team failed to ascertain how Barloworld Equipment came up with a 100 Million Kwacha charge and the appropriateness of the same.

A physical verification to some of the councils revealed that some councils like Blantyre, Machinga, and Nkhotakota did not received any grader. Some councils who received the graders claimed that the graders were not operational yet K100 million had been paid to Barloworld Equipment for repairs and service to the graders. Furthermore, it was observed that there was no evidence that the transaction was approved by the Internal Procurement Committee. Below are the payment details:

<i>Date</i>	<i>Vr. No</i>	<i>Chq. No</i>	<i>Payee</i>	<i>Amount K</i>
8/08/2013	120PV3001097	027967	Barloworld Equipment	100,000,000.00

(e) Procurement of Motor Vehicle Repair Services Above Threshold: K150,000,000.00

The ODPP circular number ODPP/01/ 22 dated 10th June 2013 stipulates procurement thresholds applicable in the year June 2013 to July 2014. It was indicated that for procurement of motor vehicle

services, the procuring entity can procure using request for quotations for services up to 5 million Kwacha and anything above that the procurement entity would use request for quotations with prior review by ODPP.

An examination of procurement documents and payment vouchers at the ministry showed that the ministry procured motor vehicle services from Barloworld amounting to K150, 000,000.00 by single sourcing and without the involvement of the ODPP.

(f) Poor Management of Road Grading Funds in Councils: K136,775,148.00

The Ministry of Local Government and Rural Development distributed K136,775,148.00 to various councils to help in road grading programme even though it was not in the ministry's work plans. The funds were to cater for fuel for road grading and allowances for the grader operators. A physical verification to some of the councils on the use of the funds revealed the following:

(I) Road Grading Funds Not Accounted For: K54,909,600.00

(i) Rumphi District Council

Rumphi district Council received K2,683,200 but later the council was instructed to return the whole amount to the Ministry through a letter reference number LG/1/32. The letter claimed that the money was sent to Rumphi District Council in error and that the road grading programme was suspended awaiting the end of the rainy season. It further claims that the money was to be used at Ntchisi District Council.

Rumphi District Council returned the money in cash which was handed over to a Mr H. K Chaphadzike an accounts assistant in the Ministry of Local Government and Rural Development.

An enquiry with the ministry indicated that it is not known how this money was accounted for as there is no documentation of the same. A visit to Ntchisi District Council indicated that the council did not receive any money for the road grading at any point.

(ii) Dowa District Council

Dowa District Council received K2,683,200.00 but with an instruction from the ministry that out of this amount K1,600,000.00 should be paid to Njechere limited who had supplied fuel for supervision to the ministry but erroneously added the amount for Dowa District Council.

An enquiry with the ministry indicated that it is not known how this fuel was procured and accounted for as there is no documentation to substantiate the transaction.

(iii) Blantyre City Council

Blantyre City Council acknowledged receipt of K4,520,000.00 but said that the money went with no instructions so it was used for normal activities of the Council. The audit team was not given the details of how the amount was accounted for as the council requested for more time to look for the documents

(iv) Blantyre District Council

Blantyre District Council acknowledged to have received K2,344,000.00 but could not provide details as to how the amount was accounted for.

(v) Zomba District Council

A sum of K7,210,400.00 was disbursed to Zomba District Council and the Council acknowledged having received the amount. However, the details as to how the amount was accounted for were not provided when the audit team visited the council. It was reported that the officers who were to give accountability documents were busy and would provide the information at a later date. As at the time of writing the report no information had been submitted. In the circumstance, the audit team could not ascertain how the amount was accounted for.

(vi) Kasungu District Council

Kasungu District Council received a sum of K2,344,000.00 which it acknowledged having received, however, details of how the amount was accounted for were not provided to the inspecting auditors. In the absence of the details of expenditure, the audit team could not ascertain how the amount was accounted for.

(vii) Salima District Council

Salima District Council acknowledged to have received K2,344,000.00 from the ministry but indicated that the whole amount was returned to the Ministry after being instructed to do so. Due to lack of documentation at the Ministry the audit team failed to verify the account in which the cheque from Salima District Council was deposited. The Council promised to give in more information regarding the details of the cheque on which the refund to the ministry was made but as at the time of writing the report the information had not yet been presented to the audit team.

(viii) Lilongwe City Council

Lilongwe City Council received a sum of K14,520,000.00 of which it acknowledged having received, however, details of how the amount was accounted for were not presented to the inspecting auditors. In the absence of the details of expenditure, the audit team could not ascertain how the amount was accounted for.

(ix) Lilongwe District Council

Lilongwe District Council received a sum of K17,344,000 which it acknowledged having received, however, details of how the amount was accounted for were not presented to the inspecting auditors. In the absence of the details of expenditure, the audit team could not ascertain how the amount was accounted for.

(2) Irregular Engagement of Contractors to Grade the Roads in the Council: K2,000,000.00

The ministry received graders from PVHES to be distributed to all district councils and the Ministry disbursed funds to all the councils for operational expenses in terms of fuel for the graders and allowances for the grader operators who according to the programme were supposed to come from PVHES. These graders were serviced by the Ministry through Barloworld.

An inspection of payment vouchers and other accountability documents for the money which was received from the Ministry by the Councils revealed that some Councils did use the graders from PVHES but also contracted out the grading of the roads to private contractors. This was notably observed at Dowa and Mchinji District Councils.

(i) Dowa District Council: K1, 000,000.00

Interviews held with staff at Dowa District Council revealed that the grading was done within a day by a PVHES grader and operator covering a distance of five kilometers from Dowa main market to Robert Blake Secondary School (D126 Road). However, a review of payment vouchers and a completion certificate signed by the Director of Public Works showed that Liwenga Civil Engineering had done the grading of Dowa main market to Robert Blake Secondary School (same D126 Road) covering distance of five kilometers at a contract amount of K1,000,000.00. The payment was made on payment voucher number 13994 dated 14/1/14 and cheque number 002236 for K960, 000.00 payable to Liwenga Civil Engineering and the balance was in respect of withholding Tax which was paid on payment voucher number 13998 dated 14/1/14 and cheque number 00002237 payable to Malawi revenue Authority.

(ii) Mchinji District Council: K1,000, 000.00

An inspection of the liquidation records in respect of funds for the road grading showed that Mchinji District Council received a grader to grade the roads and an operator for the grader. This was evidenced by the payment for fuel for the grader and allowances for the operator. Despite having the grader and the operator, Mchinji District Council paid MWAI Civil Contractors K750,000.00 for grading Mponda–Njisa road. No contact was attached to the payment. The payment certificate signed by the Director of Public Works shows that the contract amount was K1,000,000.00 and the payment was 80% of the contract amount.

(iii) Unauthorized Excess Expenditure of Allowances: K4,348,100.00.

An examination of payment vouchers and their supporting documents revealed that the ministry over paid its staff in allowances by K4,348,100.00. The approved amounts on the Loose Minutes were K12,769,900.00 while the amounts actually paid on the payment voucher were K17,118,000.00 resulting in an excess expenditure of K4,348,100.00. There was no proper explanation as to why the ministry paid in excess of approved amounts.

(iv) Refund of Funds to The Office of the Vice President Made in the Name of an Officer: K1,800,000

Treasury instructions 5.9.6 states that public money shall be paid into Government bank accounts designated by the Secretary to the Treasury for that purpose, and these accounts shall form part of the Consolidated Fund.

Contrary to the above instruction, the inspection of payment vouchers revealed that the ministry refunded the Office of the Vice President money amounting to K1,800,000.00 as indicated in the table below but in the name of E.F.P Kamanga. A further inquiry with the Office of the Vice President indicated that they have not received any money from the Ministry of Local Government and Rural development.

<i>Date</i>	<i>Vr. No</i>	<i>Chq. No</i>	<i>Payee</i>	<i>Amount K</i>
04/09/2013	12OPV2000526	028318	E F P Kamanga	1,800,000.00

(v) Payment Vouchers Without Supporting Documents: K6,011,856.95

Treasury Instructions 2014 Section 3 state that every payment voucher in respect of expenditures shall be in a form approved by the Secretary to the Treasury. The payment voucher shall be supported by the relevant documents in respect to that particular payment.

An examination of payment vouchers and their supporting documents revealed that management processed and authorized for payment vouchers totaling K6,011,856.95 without supporting documents. In the absence of the supporting documents, the auditors could not ascertain the validity of the expenditure incurred.

(vi) Stores Items Bought Not Accounted For: K15,831,201.27

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

An examination of payment vouchers along with delivery notes disclosed that stores items valued at K15,831,201.27 were purchased during the period under review but were not recorded in the stores ledger. It was, therefore, difficult for the auditors to ascertain how they accounted for.

(vii) Fuel Purchased Not Accounted for: K38,268,361.12

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

An examination of the fuel records revealed that fuel amounting to K38,268,361.12 that was purchased during the period under review was not recorded in fuel register as such it was not possible to ascertain how the fuel was accounted for.

(viii) Payment Vouchers Not Presented for Audit: K87,033,296.63

The Public Audit Act Section 7 (I) (a) requires that the Auditor General and any officer assigned by him should be given sight and access to the information he deems fit for the discharge of his oversight duties.

A review of payment vouchers alongside the Expenditure Statement by cost centre showed that management did not submit payment vouchers amounting to K87,033,296.63 to the auditors for inspection. In the absence of the payment vouchers the inspecting auditors could not ascertain the propriety of the expenditure incurred.

(ix) Misallocation of Funds: K72,700,855.94

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

Contrary to requirement of the above Treasury Instructions, payments made between July, 2013 and June, 2014 amounting to K72,700,855.94 were charged to wrong budget line items. There was no evidence to show that Treasury authority was obtained to vire funds.

(x) Payment Vouchers Without Approved Authority To Leave Duty Station Forms: K47,503,048.90

Government accounting procedure requires that payment vouchers should be accompanied by adequate original supporting documents firmly attached to the voucher before payment is made so as to ensure validity of the transactions.

An examination of payment vouchers disclosed that payments for subsistence allowances totaling K47,503,048.90 were made without duly completed authority to leave duty station forms. The Authenticity of the payments could therefore not be ascertained.

DEPARTMENT OF DISABILITY AND THE ELDERLY

27. An audit of the financial statements of the Department of Disability and the Elderly for the financial years ended 30th June, 2014 was completed in March, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payments Not Reflected In The Cashbook: K7,880,781.00

Treasury Instructions Section 5.16 stipulate that all payment, receipts and other accounting transactions shall be entered and processed into the Integrated Financial Management Information System (IFMIS) approved by the Secretary to the Treasury.

It was observed during the audit that certain payments amounting to K7,880,781.00 that were made during the year did not have a corresponding entry in the IFMIS cashbook. As such the financial statements would have been understated by that amount.

(b) Payment Vouchers Not Presented For Audit: K26,434,475.90

Treasury Instructions Section 5.15.1 state that proper accounting records should be maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit Office.

An examination of financial records revealed that management did not produce for audit review payment vouchers amounting to K26,434,475.90. The audit team was therefore unable to ascertain the authenticity and propriety of the payments made.

(c) Misallocations of Expenditure to Other Budget Lines: K28,630,718.55

Treasury Instructions Section 2.5.4 states that all expenditure should be properly authorized and applied to the specific purposes for which it is appropriated.

An examination of payment vouchers and expenditure statements by cost center for the period under review revealed that payments amounting to K28,630,781.55 were made to other budget line items. This may affect the implementation of planned activities which may lead to misuse of public funds.

(d) Stores Not Accounted For: K 2,465,000.00

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

Contrary to the requirement, stores items worth K2,465,000 which were purchased during the year under review, were not recorded in the stores ledger. Consequently, it was difficult for the audit team to ascertain how the stores accounted for.

(e) Fuel Not Recorded In The Log Book: K6,995,000.00

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

An examination of payment vouchers and other documents during the period under audit review revealed that fuel purchases worth K6,995,000.00 were not recorded in the fuel register and motor vehicle log books. It was therefore difficult for the audit team to ascertain accountability of the fuel.

IRRIGATION AND WATER DEVELOPMENT (2012/2013 AND 2013/2014)

28. An audit of the financial statements of the Department of Irrigation and Water Development for the financial years ended 30th June, 2013 and 2014 was completed in March, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Purchases Made Without Adequate Supporting Documentation: K11,709,410.84

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

However, an examination of payment vouchers for the year ended 30th June 2013 disclosed that Loose Minutes pertaining to payment of purchases were not attached and the management could not produce the IPC minutes to support the procurements made. Such payments amounted to K11,709,410.84. This made it difficult for auditors to ascertain the validity of the expenditure in question.

(b) Misallocation of Expenditures: K61,234.566.00

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

An examination of expenditure records for the years ended 30th June 2013 and 2014 revealed that payments amounting to K44,136,035.53 and 17,098,530.47 respectively were charged against wrong budget lines. Details are as follows:

<i>Account</i>	<i>Amount K</i>
2012/2013	44,136,035.53
2013/2014	17,098,530.47
	<u>61,234.566.00</u>

(c) Payment Vouchers Not Submitted For Audit: K3,754,653.93

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

An examination of payment vouchers for the year ended 30th June 2013 revealed that payment vouchers amounting to K3,754,653.93 were not presented for inspection. In the absence of the payment vouchers the inspecting auditors could not ascertain the propriety of the expenditure incurred.

(d) Unexplained Expenditure: K12,700,000.00

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

An examination of itemised statements of the Ministry against the financial statement information for the year ended 30th June 2013 revealed that the Ministry made payments amounting to K12,700,000.00 and posted it to an unknown code 4417 which does not exist in the financial records in the Ministry. There was no proper explanation on how the expenditure code was arrived at.

(e) Payments Not Included In The Cashbook: K2,167,439.63

Treasury Instructions 5.9 (b) states that all transactions shall be recorded in a primary Government record or ledger. Generally accepted accounting procedures require that all bank and cash transactions should be properly recorded in cashbooks to ensure completeness of reports.

The review of transactions of the Ministry Headquarters revealed that payment vouchers amounting to K2,167,439.63 paid in the months of August, September and December 2012 could not be reflected in the cashbook. Non-inclusion of this amount in the cash book may understate the financial statement.

(f) Missing Salary Payment Vouchers: K13,598,753.17

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

An examination of salary payment vouchers against the cashbook revealed that salary payment vouchers amounting to K13,598,753.17 for the year ended 30th June 2013 were not presented for inspection. It was therefore difficult to ascertain the validity and propriety of the expenditure incurred.

(g) Stores Not Recorded In Ledger: K27,661,951.22

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

An examination of stores records for the years ended 30th June 2013 and 2014 disclosed that stores items valued at K27,661,951.22 (K14,580,301.94 and K13,018,649.28) were not recorded in the stores ledger. In the absence of such record, accountability of stores items purchased could not be ascertained. Details are as follows:

<i>Year</i>	<i>Amount K</i>
2012/2013	14,580,301.94
2013/2014	13,018,649.28
	<u>27,661,951.22</u>

(h) Purchases Made Without Sourcing At Least Three Quotations: K6,677,006.44

Section 35 of the Public Procurement Act requires that procuring entities should request quotations from at least three bidders when procuring goods and services. The request for quotations should contain a clear statement of the requirements of the procuring entity as to quality, quantity, terms and time of delivery as well as any other special requirements.

Contrary to the stipulated requirement, it was observed that in December, 2012 the department, using development funding, procured stores worth K6,677,006.44 without evidence of obtaining the minimum requirement of three quotations.

(i) Payment Vouchers Without Adequate Supporting Documents: K37,926,094.61

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

An examination of the financial records for the years ended 30th June 2013 and 2014 disclosed that payment vouchers amounting to K12,720,677.30 and K25,205,417.31 respectively had no supporting documents like loose minutes, receipts, and delivery notes where necessary. In the absence of the supporting documents it was difficult to ascertain whether the payments were a proper charge to public funds. Details are as follows:

<i>Year</i>	<i>Amount</i> K
2012/2013	12,720,677.30
2013/2014	25,205,417.31
	<u>37,926,094.61</u>

(j) Payment Vouchers Not Presented for Audit: K1,751,114,949.92

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

An examination of payment records for the years ended 30th June 2013 and 2014 revealed that payment vouchers amounting to K255,824,406.85 and K1,495,325,543.07 respectively were not presented for inspection. It was therefore difficult to ascertain the validity and propriety of the expenditure incurred. Details are as follows:

<i>Account</i>	<i>Amount</i> K
2013/2014	
Water headquarters	251,767,762.32
Irrigation	4,056,643.53
	<u>255,824,406.85</u>
2013/2014	1,495,325,543.07
	<u>1,751,114,949.92</u>

(k) Fuel Not Recorded In Fuel Ledger: K33,044,537.66

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

An examination of the cash book, payment vouchers and other related documents for fuel of the year ended 30th June 2014 revealed that fuel paid from Other Recurrent Transactions worth K3,397,092.14 and that from development account worth K29,647,445.52 was not recorded in the fuel ledger. In total fuel was worth K33,044,537.66. In the absence of record, it difficult to establish how the fuel was accounted for.

OFFICE OF THE VICE PRESIDENT

29. An audit of the financial statements of the Office of the Vice President for the financial year ended 30th June, 2014 was completed in March, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Misallocations of Expenditure: K24,871,388.30

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

An examination of expenditure records for the year ended 30th June 2014 revealed that the office made payments amounting to K24,871,388.30 which were charged to wrong expenditure codes. This entails that some planned activities would not be implemented.

(b) Funds Drawn But Not Accounted For: K8, 201,280.00

An examination of payment vouchers disclosed that payments amounting to K8,201,280.00 related to contingencies and imprest were paid without attaching any appropriate supporting documents. Consequently, it was difficult for the inspecting auditors to ascertain how the funds were utilized.

(c) Fuel Not Accounted For: K16,700,125.00

An examination of payment vouchers against fuel register revealed that fuel worth K16,700,125.00 purchased during the year under review was not recorded. In the circumstance the audit team could not ascertain whether the fuel purchased was officially utilized.

(d) Stores Items Not Accounted For: K5,624,695.00

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

An examination of payment vouchers revealed that stores items worth K5,624,695.00 procured during the year under review were not recorded in stores ledger. In the absence of the entries in the stores ledgers, it was difficult for the audit team to ascertain how the stores items procured were accounted for.

(e) Food and Rations Not Accounted For: K7,968,597.00

An examination of payment vouchers showed that food rations worth K7,968,597.00 purchased between July 2013 and June 2014 were not recorded in the appropriate stores ledgers. It was therefore difficult for the audit team to ascertain how the rations were utilized.

(f) Payments Made Without Supporting Documents: K27,719,338.09

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

An examination of payment vouchers disclosed that payment vouchers amounting to K27,719,338.09 were processed and authorized for payment without the relevant supporting documents such as authority to leave duty station forms. It was therefore difficult for the inspecting auditors to ascertain whether the payments were a proper charge to public funds.

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

Ministry Headquarters

30. An audit of the financial statements of Ministry of Education, Science and Technology for the financial year ended 30th June, 2014 was completed in November, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Expenditure Charged To Wrong Budget Line Items: K92,058,670.00

Treasury Instructions 4.1.4 (1) states that if the Controlling Officer is satisfied that the provision against a programme/item shall be inadequate, he shall submit an application to the Secretary for Treasury to vire or transfer funds between a programme/item within the same vote.

An examination of payment vouchers disclosed that between 28th September, 2013 and 30th June, 2014, payment vouchers in respect of Other Recurrent Transactions (ORT) amounting to K92,058,670.00 were charged to wrong budget line items contrary to the requirements of the above Treasury Instruction. There was no evidence to show that approval to vire funds within the sub items was sought from the Secretary to the Treasury.

(b) Payment of Subsistence Allowance Without To Leave Duty Station Request Forms: K15,253,000.00

Treasury Instructions 0617 states that the signature of an authorising officer certifies to the accuracy of every detail on the payment voucher.

An examination of payment vouchers disclosed that between 19th December, 2013 and 25th June, 2014, disclosed that management paid subsistence allowances amounting to K15,253,000.00 without duly approved Authority to Leave Duty Station forms. Consequently, the propriety of the expenditure could not be established.

(c) Fuel Not Accounted For: K127, 513,753.22

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

An examination of payment vouchers revealed that fuel worth K127,513,753.22 which was purchased during the period under review was not properly accounted for due to failure by the management to maintain fuel disposal registers and motor vehicle log books.

Ngabu Secondary School

31. An audit of the financial records of Ngabu Secondary School for the financial year ended 30th June, 2014 was completed in December 2015 The audit disclosed some weaknesses in the financial controls as highlighted in the following observations.

(a) Unpaid School Fees: K3,391,750.00

An examination of the fees register for the period between November, 2013 and June 2014 disclosed that the school failed to collect fees amounting to K3,391,750.00 from students . Management did not make any effort to ensure that the money in question is collected.

MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

32. An audit of the financial statements of the Ministry of Malawi High Commission-Pretoria for the financial year ended 30th June, 2014 was completed in May, 2016. The audit disclosed some weaknesses in the financial controls as highlighted in the following observations.

(a) Unsatisfactory Asset Management

During the assessment of the control environment, it was observed that asset security was not up-to-date. Real property in form of houses and land were not under insurance. A provision of K1, 410, 000.00 was made in the 2012/2013 financial year budget for insurance of Government property but it was not utilized. This amount was also too little for the purpose.

It was also observed that all assets in form of office equipment were not tagged to exhibit that they are owned by Malawi Government.

(b) Bank Interest Spent Without Approval: K1,293,845.85

An inspection of the bank statements disclosed that a total of ZAR33,761.47 equivalent to K1,293,845.85 bank interest was earned between July, 2012 and June, 2014. The amount was not brought on charge, but was used to finance the operations of the Mission without Treasury approval.

(c) Failure To Maintain Proper Accountability Records For The Money Market Account

During the audit of the Money Market Account, it was observed that the accounting for deposits, interest and transfers from the account was not satisfactory in the sense that there were no cashbook and ledgers for proper accounting of the funds.

(d) Transfer And Spending of Funds From The Namibian Account Without Treasury Authority: K12,879,988.63

Management made instructions for transfer funds from the Namibian Account to the Missions Main Account No. 011250631 in Pretoria held at Standard Bank's Hillcrest Branch without Treasury approval.

The Mission, through letter Ref. NO. ADM/12 dated 17th June, 2013, instructed the Namibian bank to transfer the sum of ZAR 1,439, 766.10 of which an amount of ZAR 1,104,873.00 was for procurement of materials for Ministry of Tourism which was authorised by the Secretary to the Treasury through a letter Ref. OA/1/5/8/260 dated 20th May, 2013. The balance of ZAR 334,893.10 equivalent to K12,879,988.63 was transferred to the Mission's Main Account and used without authority. The transfer was made on 26th June 2013.

(e) Stores Not Properly Accounted For: K 12,671,348.80

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

An examination of payment vouchers, delivery notes, invoices and stores ledgers disclosed that items valued at K1,627,305.87 for 2012/2013 and K11,044,042.93 for 2013/2014 financial years were purchased from different suppliers. The audit team failed to ascertain accountability because delivery notes and stores ledgers were not provided for audit. As a result, it was difficult to confirm whether goods purchased were delivered and properly utilized by the Mission.

(f) Failure to Adhere To Procurement Regulations in The Procurement of Motor Vehicles: K31, 463, 140.03

Section 30 (10 & 11) of the Public Procurement Act inter alia require a procuring entity to seek consent from the Office of the Director of Public Procurement (ODPP) for single sourcing when only one supplier has the technical capability or capacity to fulfil the procurement requirement.

It was noted during the course of audit that the Mission procured two motor vehicles at K31,463,140.03 using single-sourcing method without obtaining 'No objection consent' from ODPP.

(g) Balances of Funds Remitted For Specific Purposes Not Properly Accounted For

A comparison of remittances on Main Account and expenditure made revealed that the Mission received a total of ZAR1, 875,895.39 for specific purposes such as purchasing of motor vehicle, renovation of diplomats' houses and purchase of uniforms.

An inspection of expenditure documents revealed that the mission did not utilize the ZAR43, 484.46 meant for purchase of uniforms. The Controlling Officer indicated that the funds were deposited in the Money Market Call Account but supporting documents such as bank confirmation and authority to deposit the funds in such an account were not provided.

(h) Under-Contribution On Utility Bills: K12, 238,437.41

Circular Ref. No. EA/1/4/82 dated 30th April 2008 titled "Operational Guidelines on Expenditure Control Measures" requires the Head of Mission to contribute 30% and the Diplomats to contribute 60% towards water and electricity.

An inspection of payment vouchers and utility invoices disclosed that the Head of Mission and the Diplomats were contributing less than what was required on water and electricity. The total under-contribution on utility bills for the two financial years was K12,238,437.41

(i) Failure To Get A Refund For Payments Made On Behalf Of Joyce Banda Foundation: K3, 050,068.52

An inspection of payment vouchers for the period under review revealed that funds amounting to K3, 442,066.52 were paid to Rona Projects Account on 18th March 2014. The payment vouchers did not have supporting documents except for the attached copies of bank statements to authenticate payment.

Further investigation disclosed that the funds were paid to Rona Projects Account for the purchase of berets for Joyce Banda Foundation on the agreement that the funds would be refunded. The foundation only refunded K391,998.00 on General Receipt 259740 leaving K3,050,068.52 un-refunded.

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT

33. An audit of the financial statements of Ministry of Finance, Economic Planning and Development for the financial year ended 30th June, 2014 was completed in April, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Procurement Contracts Not Produced For Audit Review: K100,492,875.24

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

An examination of financial records disclosed that procurement contracts amounting to K100,492,875.24 made in 2013/2014 financial year were not produced for audit review. The absence of these documents made it difficult whether procurement procedures were followed.

(a) Poor Stores Management System: K149,560,834.42

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

An examination of payment vouchers revealed that stores items valued at K149,560,834.42 purchased in 2013/2014 financial year were not recorded in the ledger and or bin cards. This made it difficult for the auditors to ascertain the disposal of the purchased items.

(b) Receipted Vouchers Not Produced For Audit Review: K4,950,485.00

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

An examination of the financial records disclosed that the Ministry of Finance, Economic Planning and Development failed to produce receipted vouchers amounting to K4,950,485.00 for the period between October 2013 and June 2014. It was, therefore, difficult for the audit team to ascertain the accountability of the funds drawn.

(c) Poor Fuel Management: K54,973,140.00

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

- Failure to indicate basis of fuel requisitions;
- Failure to record fuel issued in fuel register; and
- Failure to match fuel consumption with mileage in logbooks

As a result of these weaknesses, the audit team could not ascertain the authenticity of expenditure on fuel and its usage.

(d) Purchases Made Without Sourcing A Minimum of Three Quotations: K22,520,412.28

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

An examination of financial records revealed that the Ministry of Finance, Economic Planning and Development incurred a number of expenditures without complying with section 35(1) of Public Procurement Act which requires soliciting of at least three quotations when procuring goods and services.

(e) Procurement Above Threshold Without Seeking Approval From ODPP: K736,190,944.50

The Public Procurement Act requires that in procurements of over K5 million, the Procurement Unit must seek approval, letter of no objection, from the Office of the Director of Public Procurement (ODPP) whereby the suppliers are invited to bid for supply of goods, works or services.

The audit team established that a good number of procurement items above the ministry's threshold amounting to K736,190,944.50 were purchased without seeking authority from the ODPP. Refer to the details in the table below:

(f) Cheques Collected But Not Signed For In The Cheque Dispatch Register: K76,311,769.15

An examination of the cheque register disclosed that the Ministry failed to comply with Treasury Instructions regarding the recording of cheques where each and every officer responsible for the collection of cheques must sign against each cheque collected. The cheques collected under this irregularity amounted to K76,311,769.15.

ACCOUNTANT GENERAL'S DEPARTMENT

34. An audit of financial transactions of the Accountant General's Department for the financial year ended 30th June, 2014 was completed in October, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Unaccounted bank accounts

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

A review of financial statements alongside reserve Bank of Malawi bank statements revealed that there are bank accounts shown on the Reserve Bank statements with bank balances not accounted for in the books and financial statements of the Accountant General's Department. The amounts may be subjected to abuse as they may not be subjected to any audit.

The following accounts identified from the Reserve Bank statements with a net balance of K260,772,005,124.00 were not reflected in the financial statements under review for both Treasury and Accountant General:

<i>Account No</i>	<i>Description</i>	<i>Closing Balance as at 30 June 2014</i>
13006160070	Accountant General	85,209,507.00
13006161211	Accountant General - Deposit	93,087,223.00
13006160004	Accountant General - Public Debt foreign	—
13006160003	Accountant General-Public Debt - TBS	(10,822,315,328.00)
13006160055	Accountant General - Public Debt - Local	271,416,205,722.00
		<u>260,772,187,124.00</u>

(b) Year End Balance Not Agreeing With Bank Statements

Cash basis of accounting IPSAS requires that the reported surplus or deficit in the financial statements should agree with the amounts shown at bank.

It was observed that the total cash balances of K5,160,129,775.00 as at 30 June 2014 per the financial statements did not agree with the total amount of K1,427,119,389.00 confirmed by the Reserve Bank Malawi by K3,733,010,386.00.

(c) Year-end balance per Reserve Bank Statements for pool accounts not reconciled

Treasury instructions 5.6.2 (j), calls for performance of daily bank reconciliations of the bank balances against accounts.

It was observed that the Malawi Government Control account number 13006160113 had a negative balance of K1.184 trillion and another Malawi Government operating account number 13006160115 with a balance of K180 billion as at 30 June 2014.

The following accounts had nil balances:

- Account No. 13006160111
- Account No. 13006160112
- Account No. 13006160114

For the financial year ended 30 June 2015 the closing balances on the operating accounts referred to above were as follows:

- Account No. 13006160111 - Knil
- Account No' 13006160112 - Knil
- Account No. 13006160113 - K1.139 trillion
- Account No. 13006160114 - Knil
- Account No. 13006160115 - K543.584 billion

It was however observed that no reconciliations were carried out for those accounts by the department. Failure to reconcile pool accounts rendered the Financial Statements to be incomplete and hence an issue of qualified audit opinion.

(d) Un supported payments: K 456,640,433.97

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

A review of payments made during the year under review revealed that payment vouchers totaling K 456,640,433.97 were processed and passed for payment without supporting documents. Details are shown below:

<i>Account Description</i>	<i>Amount (K)</i>
Subscriptions	12,500,000.00
Public Utilities	95427534.49
Loans to civil servants	107,570,901.00
Bank commission	241,141,998.48
	<u>456,640,433.97</u>

(e) Personnel emoluments differences

Treasury Instruction 5.9 (a) states that proper accounting records must be maintained to support all financial and related transactions.

It was observed that there is unexplained difference between the Financial Statements and the amount shown in the summaries from the GP5 forms of K7,981,110.00 as detailed in table below:

<i>Month</i>	<i>Gross Salaries</i>
July,2013	33,132,552.00
August,2013	30,464,999.00
September,2013	26,501,090.00
October,2013	26,760,482.00
November,2013	26,988,232.00
December,2013	26,601,182.00
January,2014	28,266,928.00
February,2014	28,846,320.00
March,2014	25,272,303.00
April,2014	25,271,420.00
May,2014	27,053,603.00
June,2014	26,774,318.00
Totals as per GP5A	331,933,431.00
Total in Financial Statements	339,914,541.00
Difference in 2013/2014	<u>7,981,110.00</u>

(f) Failure to maintain fixed asset register

Treasury Instruction 5.13.1 (f) states that all assets should be safeguarded against loss or destruction, and unauthorized use as such should be recorded in s fixed assets register.

It was observed during the audit that the Department does not maintain a fixed assets register except for an inventory list pinned behind the door in each office which is not in all offices. Failure to maintain an asset register may result in government assets being misused or lost through theft without trace.

(g) Missing payment vouchers and supporting documentation

Treasury Instruction 5.13.1 (f) states that all assets should be safeguarded against loss or destruction, and unauthorized use as such should be recorded in s fixed assets register.

An examination of payment vouchers at the department revealed that payment vouchers totalling K 651,285,417.00 processed and passed for payment during the year under review were not presented for inspection. Details are as follows:

(h) Misallocation of expenditure: K12,929,071.00

Treasury Instructions 4.14.1 require that an approval for virement should be sought before funds are spent for a different purpose and that proper documentation should support the expenditure.

An inspection of payments at Accountant General's Department disclosed that payment vouchers amounting K 12,929,071.00 were not supported by adequate supporting documents. In the absence of the necessary supporting documents, it was difficult to ascertain the genuineness of the payments made.

MINISTRY OF HEALTH

35. An audit of financial transactions of the Ministry of Health Sector Wide Approach (SWAp) for the financial year ended 30th June, 2014 was completed in November, 2015. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Drugs, medical supplies and General Stores Not Accounted for: K209,612,384.40

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

An examination of stores records for the year under review disclosed that purchases of drugs, medical supplies and general stores items amounting to K209,612,384.40 were not recorded in stores ledger or stock cards. Some had no evidence of delivery. In the absence of records it was difficult to ascertain how the items were accounted for.

Below are the details;

COST CENTRE	DESCRIPTION	AMOUNT (K)
Blantyre DHO	Building material not recorded in the bin cards	861,783.20
MoH Headquarters	General stores not recorded in the ledger	11,924,358.79
Ntcheu DHO	General stores not recorded in the ledger	1,978,000.00
Queen Elizabeth Central Hospital	General stores not recorded in the ledger	2,765,530.00
Queen Elizabeth Central Hospital	Medical Supplies not received by stores	13,774,540.00
Kamuzu Central Hospital	Stock cards for drugs missing	3,531,125.00
Mzuzu Centra	Drugs not recorded in the stock cards	62,234,296.56
Kasungu DHO	Stores not recorded in the ledger	817,192.00

MoH Headquarters Drugs	Drugs not recorded in the stock cards	99,058,304.11
Thyolo DHO	General stores not recorded in the ledger	2,273,463.60
Drugs purchased by Global Funds	Drugs not recorded in the stock cards	6,384,767.14
Nkhatabay DHO	General stores not recorded in the ledger	4,009,024.00
		209,612,384.40

(b) Failure to provide activity reports for training/workshops: K44,254,653.99

A review of payment vouchers for the Ministry's Headquarters revealed that payments for workshops amounting to K44,254,653.99 were not substantiated with activity reports. Therefore there was no evidence that activities took place.

(c) Missing Vouchers and Payments Made Without Supporting Documents: K187,856,371.47

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

An examination of payment vouchers disclosed that payments totalling K67,292,531.61 were not supported by adequate supporting documents and K120,563, 839.86 had payment vouchers missing as detailed in the table below. In the absence of the necessary supporting documents, it was difficult to ascertain the genuineness of the payments made.

COST CENTRE	WITHOUT SUPPORTING DOCUMENTS	MISSING VOUCHERS	TOTAL
Chitipa DHO	8,621,170.44	19,760,017.13	28,381,187.57
MoH Headquarters	26,717,175.00	21,692,360.49	48,409,535.49
Kamuzu Central Hospital	18,023,876.85	60,316,521.61	78,340,398.46
Mbelwa South DHO	84,164.00	105,000.00	189,164.00
Mzuzu Central Hospital	4,578,655.00	—	4,578,655.00
Ntcheu DHO	6,035,951.50	3,663,900.00	9,699,851.50
QECH	1,170,299.00	12,043,839.20	13,214,138.20
Thyolo DHO	1,071,058.00	1,283,027.28	2,354,085.28
Zomba Central Hospital	—	237,988.00	237,988.00
Zomba DHO	990,181.82	1,461,186.15	2,451,367.97
	67,292,531.61	120,563,839.86	187,856,371.47

MINISTRY OF GENDER, CHILDREN, DISABILITY AND SOCIAL WELFARE

36. An audit of the financial statements of Ministry of Gender, Children, Disability and Social Welfare for the financial year ended 30th June, 2014 was completed in April, 2016. The audit disclosed some weaknesses in the financial controls as highlighted in the following observations:

(a) Misallocation of Expenditure: K41,760,173.59

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

An examination of expenditure records for the financial year under review revealed that expenditures amounting to K41,760,173.59 were charged against wrong items. With this type of expenditure, planned activities may not be undertaken.

(b) Fuel Not Accounted For: K5,332,686.00

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

Contrary to the requirement, a verification exercise of Social Cash Transfer Funds disclosed that fuel purchased amounting to K5,332,686.00 for Thyolo district Social Cash Transfer was not accounted for since no disposal record was produced for audit review.

MINISTRY OF INFORMATION COMMUNICATIONS TECHNOLOGY AND CIVIC EDUCATION

37. An audit of financial statements of the Ministry of Information Communications Technology and Civic Education for the financial year ended 30th June, 2014 was completed in April, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Misallocation of Expenditure: K97,325,217.10

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

It was however noted that funds amounting to K97,325,217.10 were misallocated and utilised on transactions which were not related to relevant sub-items in the budget. There was no evidence that Treasury authority was obtained to vire funds between sub-items.

(b) Failure to Produce Payment Vouchers for Audit: K83,668,972.96

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

An examination of expenditure statement by cost centre revealed that payment vouchers totaling K83,668,972.96 were not produced for audit. In the absence of the payment vouchers the inspecting auditors could not ascertain the propriety of the expenditure incurred.

(c) Payments Not Captured in the Integrated Financial Management Information Systems (IFMIS) K16,645,139.91

Treasury Instructions, Section 5.10 state that all payments, receipts and other accounting transactions must be entered and processed into a financial management information system approved by the Secretary to the Treasury.

An examination of manually processed payment vouchers revealed that payments amounting to K16,645,139.91 were made between September and November, 2013 and not captured in the Integrated Financial Management Information System (IFMIS). This shows that the financial statements could have been understated by that amount.

(d) Payment of Subsistence Allowance without “Authority To leave Duty Station Forms”: K13, 763,000.00

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

An examination of payment vouchers revealed that subsistence allowances totaling K13,763,000 were paid without authority to leave duty station forms. It was therefore difficult for the audit team to ascertain the propriety of these allowances as there was no evidence to show that the trips in question were authentic and duly authorized by relevant authorities.

(e) Payments made without Adequate Supporting Documents: K8,785,792.15

An examination of payment vouchers revealed that payments vouchers amounting to K8,785,792.15 were made without adequate and relevant supporting documents. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge to public funds.

(f) Fuel purchased not Accounted for: K13,639,980

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

An examination of payment vouchers revealed that fuel valued at K13,639,980 was not recorded in fuel register. It was therefore difficult for the audit team to ascertain how the fuel purchased was accounted for.

(g) Stores Items not Accounted for: K1,913,334.05

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

An examination of payment vouchers and stores ledgers revealed that stores items valued at K1,913,334.05 were not recorded in stores ledger. The audit team further requested for the physical verification of the stores items but nothing was produced for the verification. It was therefore, difficult to ascertain their accountability.

(h) Transfer of Funds without Supporting Documentation: K8,500,000

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

An examination of bank statements, cashbooks and payment vouchers disclosed that funds amounting to K8,500,000 were transferred from National Initiative for Civic Education (NICE) Trust Government Funds Account to NICE Own Resource Account without supporting documentation and no reasons were given as to why the funds were transferred. It was therefore difficult for the audit team to ascertain the propriety and validity of these transfers.

(i) Funding Figures not reflected in Cashbooks: K7,636,963.82

An examination of payment vouchers, bank statements and cashbooks for National Initiative for Civic Education (NICE) disclosed that the funding that NICE received from the Government in April 2014 was not reflected in the cashbook. In the absence of these records, the audit team failed to establish how the funds were used. The table below gives the details.

<i>Date</i>	<i>Vr No</i>	<i>CHQ No.</i>	<i>Payee</i>	<i>Amount</i>
30-Apr-2014	33OPV2001546	207073	NICE	5,093,964.70
30-Apr-2014	33OPV2001547	180036	NICE	2,542,999.12
				<u>7,636,963.82</u>

(j) Payment of Various activities not accounted for: K11,670,687.47

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

An examination of cashbooks, bank statements and payment vouchers revealed that NICE made payment for various activities without supporting documents. For instance, sitting, subsistence and lunch allowances were paid without receipted vouchers; fuel refund and payment of accommodation were not supported with receipts and invoices. It was therefore difficult to establish the propriety of these transactions.

MINISTRY OF HOME AFFAIRS AND INTERNAL SECURITY

Ministry Headquarters

38. An audit of financial statements of the Ministry of Home Affairs and Internal Security for the financial year ended 30th June, 2014 was completed in April, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Stores Items Not Accounted For: K1,416,062.96

Treasury Instructions (Stores) 5702 (1) among other things require that a Stores Ledger be opened and maintained for the purpose of recording receipts and issues of goods purchased.

Contrary to the requirement, it was noted that stores items worth K1,416,062.96 were not accounted for because there were neither delivery notes nor any record in the stores ledgers to confirm the receipt of the goods.

(b) Misallocations: K 29,341,067.07

Treasury Instructions (F) No's 0406 and 0414 requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another as represented by codes in the Integrated Financial Management Information System.

An examination of payment vouchers, vote's ledgers, cashbook and expenditure statement by cost centre revealed that expenses for some items amounting to K29,341,067.07 were charged to wrong account codes.

(c) Fuel Not Properly Accounted For: K4,630,000.00

Treasury Instructions (Sores) No 5707 states that items of stores like fuel should be recorded in the fuel register before being issued out. It further states that Controlling Officers must ensure that an efficient system of stores procedures exists within the ministries or departments to sufficiently safeguard and govern procurement transactions.

An examination of the payment vouchers revealed that fuel worth K4,630,000.00 purchased between July 2013 and June 2014 was not properly accounted for because the ministry did not record fuel purchased. As much it was difficult to ascertain how the fuel was accounted for.

(d) Failure To Produce Payment Vouchers: K29,764,513.13

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

An examination of expenditure statement by cost centre for the Ministry revealed that payment vouchers amounting to K29,764,513.13 could not be produced for audit. As a result the audit team could not ascertain how this money was used

Malawi Police Headquarters

39. An audit of financial statements of the Malawi Police Service for the financial year ended 30th June, 2014 was completed in October, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payments to Individual Officers on Behalf of Service Provider: K3,866,242.00.

The Public Procurement Act stipulates that procurement of goods and services should be made in line with the laid down procedures which, may among other things, require that payments must be made in names of respective suppliers of the service.

Examination of payment vouchers disclosed that various goods and services provided and rendered in 2013/2014 financial year amounting to K3,866,242.00 were made payable to individuals. The cheques were issued in the names of members staff instead of the company names of service provider. There was no proper explanation warranting such type of expenditure.

(b) Payment Vouchers Not Produced: K174,919,706.08

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

An examination of payment vouchers against expenditure statement by cost centre revealed that payment vouchers amounting to K174,919,706.08 were not produced for audit. As a result the audit team could not ascertain how this money was used.

(c) Single Sourcing of Stores Items: K54,152,101.00

The Public Procurement Act requires the soliciting of at least three competitive quotations from suppliers of goods or services in order to obtain goods and services at economical values.

It was however observed that stores worth K54,152,101.00 were purchased without obtaining at least three quotations as is required. As such value for money could not be obtained.

(d) Stores Items Not Accounted For: K76,005,890.

Treasury Instructions (Stores) 5702 (1) among other things require that a Stores Ledger be opened and maintained for the purpose of recording receipts and issues of goods purchased.

Contrary to the requirement, it was noted that stores items worth K76,005,890 were not accounted for because there were neither delivery notes nor any record in the stores ledgers to confirm the receipt of the goods. In the absence of such record it was difficult to confirm the accountability of the stores purchased.

Regional Police Headquarters (North)

40. An audit of the financial records of the Regional Police Headquarters (North) for the financial year ended 30th June, 2014 was carried out. The audit disclosed some weaknesses in the financial controls as highlighted in the following observations:

(a) Revenue Spent at Source: K15,415,354.00

Treasury Instructions state that all revenues collected must be deposited into the consolidated revenue account before being spent.

An inspection of revenue records for the year ended 30th June 2014 revealed that the office collected revenue amounting to K19,447,500.00 and deposited K4,032,146.00. It was noted that the balance amounting to K15,415,354.00 was used at source without Treasury authority.

(b) Cash Payments to Suppliers: K4,076,916.66

Treasury Circular Ref.No. ST/87 dated 10 December 2010 titled 'Payment Through Bank Accounts: Mandatory Requirement for all Government Employees' state that all payments to suppliers of goods and services, be it salaries, all types of allowances, wages, refunds, leave grants etc must be made through cheques.

However, between August 2013 and April 2014, Regional Commissioner of Police (North) paid its suppliers using cash amounting to K4,076,916.66. There was no authority allowing the Police to pay suppliers using cash.

JUSTICE AND CONSTITUTIONAL AFFAIRS

41. An audit of financial statements of the Ministry of Justice and Constitutional Affairs for the financial year ended 30th June, 2014 was completed in February, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Missing payment vouchers: K2,863,449.20

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

An examination of payment vouchers disclosed that payment vouchers amounting to K2,863,449.20 were processed and authorized for payment without the relevant supporting documents such as authority to leave duty station forms. It was therefore difficult for the inspecting auditors to ascertain whether the payments were a proper charge to public funds.

(b) Expenditure charged to wrong accounts: K7,263,004

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

It was however noted that funds amounting to K7,263,004 were charged to wrong account codes. There was no evidence that Treasury authority was obtained to vire funds between sub-items. This may have been done deliberately in avoiding over expenditure of budget lines.

DEPARTMENT OF TOURISM

42. An audit of financial statements of the Department of Tourism for the financial year ended 30th June, 2014 was completed in February, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Expenditure Charged To Incorrect Budget Line: K35,115,129.88

Treasury Instruction (Finance) 2013 section 2.5.4 states that all expenditure should be properly authorized and applied to the specific purposes for which it is appropriated. Controlling Officers are expected to ensure that there are no departures, unless written authority has been granted.

An examination of payment vouchers revealed that expenditures amounting to K21,428,839.13 for ORT and K13,686,290.75 for Development respectively were charged to wrong budget lines.

(b) Failure To Produce Payment Vouchers For Audit Inspection: K7,188,569.36

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

An examination of expenditure statement by cost center revealed that the ministry did not produce payment vouchers amounting to K7,188,569.36 for the audit examination. In the absence of the payment vouchers it was difficult to ascertain the propriety of the expenditure incurred.

(c) Payment Vouchers Not Reflected In The Financial Statements: K4,841,887.00

Section 5.16 of Treasury Instruction (Finance) 2013 states that all payments, receipts and other accounting transactions shall be entered and processed into the Integrated Financial Management Information System (IFMIS) approved by the Secretary to the Treasury.

An examination of payment vouchers disclosed that payment vouchers amounting to K4, 841,887.00 were processed manually (outside the Integrated Financial Management Information System (IFMIS) and could not be traced in the financial statements.

(d) Payment Vouchers Without Supporting Documents: K2,575,750.00

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

It was, however, observed that payments amounting to K2,575,750.00 were processed and passed for payment without adequate supporting documentation like “authority to leave duty station forms” and electricity bills. Consequently, the propriety of the expenditure could not be ascertained.

(e) Purchase of Fuel Not Accounted for: K3,887,736.00

Treasury Instructions (Stores) No. 5604 (1) and 6104(7) of 2003 require among other things that purchases and issues of fuel be recorded in fuel register.

(f) Examination of payment vouchers in respect of fuel disclosed that fuel valued at K3.887.736.00 had no record. In the absence of these records it was difficult for audit team to ascertain the accountability of the fuel purchased.

(g) Stores Items Not Recorded in The Stores Ledger K1,511,902.92

Treasury instructions (S) 5707 (1) of 2003 require that all stores purchased should first be recorded in the stores ledger and that issues should be recorded and signed by the recipients to ensure proper accountability.

An examination of payment vouchers alongside the stores records disclosed that stores items worth K1,511,902.92 were not recorded in the stores ledger hence the accountability of these stores could not be ascertained.

MINISTRY OF LABOUR AND MANPOWER DEVELOPMENT

43. An audit of the financial statements of the Ministry of Labour and Manpower Development for the financial year ended 30th June, 2014 was completed in November, 2016. The audit disclosed some weaknesses in the financial controls as highlighted in the following observations:

(a) Material differences between the Financial statements and IFMIS Account balances: K1,258,200.00

It was noted that there were material differences between financial statements expenditure presented to the Auditor General with IFMIS balances as tabulated below:

<i>Details</i>	<i>Total Payments (K'000)</i>
Financial Statement Balances	741
IFMIS Balances	<u>795</u>
Difference	<u>(54)</u>

As at the time of audit there was no evidence that reconciliation was made between the amounts disclosed in the financial statements and related records with IFMIS underlying records for corrective measures.

(b) Personnel Records not Provided

Treasury Instruction 5.9 (a) states that proper accounting records must be maintained to support all financial and related transactions.

It was observed that there is no sufficient relevant audit evidence on salaries stated in the financial statements at K383 million and in the IFMIS at K512 million. Monthly master payrolls both physical and electronic were not made available.

It was also noted that electronic Master payrolls were not backed up. Computers keeping these payrolls are said to have crashed but no report was made for the same to the authority for appropriate action. Department of Human Resources Management and Development did not have these backups as well.

(c) Payment vouchers without supporting documents/not presented for review.

Section 10 (a) of the Public Finance Management Act 2003 requires the Controlling Officer to comply with the provisions of the Act while section 10 (c)) requires the Controlling Officer to maintain proper accounts and records of the Ministry.

It was observed during the audit that supporting documents for the payment of goods, services amounting to K124.6 million were not made available.

It was further observed that payment vouchers amounting to K103 million out of the K124.6 million were not presented for audit review. In the absence of the payment vouchers and the related supporting documents, the validity of the expenditures could not be ascertained.

(d) Misallocation of expenditure

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

It was observed that transactions amounting to K82 million were misallocated to incorrect budget lines without authorization of the Secretary to Treasury.

For instance, advances amounting to K31 million were charged to acquisition of fixed assets budget lines. There was no evidence that members of staff who received these advances were charged accordingly and that the advances were or are being recovered. Overall, K28.5 million subsistence allowances and K22.4 million (K53.4–K31 million) other expenses were charged to boarding expenses, computer expenses, examinations expenses, fuel and fixed assets.

(e) Failure to deduct Withholding Tax

Taxation Act (14:01) requires among other things, that withholding Tax be deducted at source when effecting payments to suppliers of goods and services who have no proof of a valid Withholding Tax Exemption Certificate.

A review of the payments at the Ministry of Labour and Manpower Development revealed that withholding tax totaling K258,869.00 was not deducted from payments made to various suppliers of goods and services, who did not have withholding tax exemption certificates during the year under review.

Mzuzu Area Labour Office

44. An audit of financial records of the Mzuzu Area Labour Office for the financial year ended 30th June, 2014 was completed in October 2015. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

Unpaid Fees For Occupational Safety And Health: K8,490,000

Occupational Safety, Health and Welfare Act requires factories and pressure vessel owners to pay occupational safety and health fees to Labour Office.

An examination of revenue collection records in respect of fees from factories and pressure vessels as at the date of audit revealed that a number of factories and pressure vessel owners had not paid for occupational safety and health fees amounting to K8,490,000.00. Management did not show any effort to enforce the collection of these fees.

MINISTRY OF INDUSTRY AND TRADE

45. An audit of financial statements of the Ministry of Industry and Trade for the financial year ended 30th June, 2014 was completed in February, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Revenue Collected But Not Banked: K19,023,200.00

Treasury Instructions Sections 5.8.5 state that all cash and cheques brought on charge shall be deposited the next business day at the Reserve Bank of Malawi or at any other designated commercial bank approved by the Secretary to the Treasury.

It was observed during the audit that revenue receipts in respect of license and application fees amounting to K19,023,200.00 were collected from clients through the use of General Receipts (GRs) but there was no evidence that the money was deposited into the bank since bank deposit slips were not produced for audit. As such it was difficult for the audit team to confirm whether the revenue collected was deposited to Malawi Account Number One (MG Account No.1).

(b) Misallocation of Expenditure: K4,982,891.84

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

An examination of expenditure records for the financial year under review revealed that expenditures amounting to K4,982,891.84 were charged against wrong items.

(c) Failure to Recover One Village One Product (OVOP) Loans: K84,980,076.70

Examination of payment vouchers revealed that OVOP gave out loans to Cooperatives in various districts through the district councils as a form of start-up business capital which was supposed to be recovered on a monthly basis after the business had started operating.

A physical verification to these Cooperatives revealed that most of them were not repaying the loans. There was no proper explanation from management why loan recoveries is not enforced. The total unrecovered amount during the period under review was K84,980,076.70.

(d) Stores Not Accounted for: K9,112,843.87

Treasury Instructions 5707 (i) requires that all stores purchased should first be recorded in the stores ledger and that issues should be recorded and signed by the recipients to ensure proper accountability.

Contrary to the requirement, stores items worth K9,112,843.87 which were purchased during the year under review had no record. As such it was difficult for the audit team to ascertain how they were accounted for.

(e) Fuel Not Accounted for: K34,145,230.69

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

An examination of payment vouchers and other documents revealed that fuel purchases worth K34,145,230.69 were not recorded in the fuel register and motor vehicle log books as part of accountability. Consequently it was difficult to establish whether the fuel was used for the intended purpose.

MINISTRY OF TRANSPORT AND PUBLIC WORKS

46. An audit of financial statements of the Ministry of Transport and Public Works for the financial year ended 30th June, 2014 was completed in October, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Misallocation of Expenditure: K48,668,306.60

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

Examination of expenditure records made for the 2013/2014 financial year revealed that the ministry made payments amounting to K48,668,306.60 which were charged against wrong programmes.

Of this amount, K28,984,095.69 was for the Headquarter, K19,002,776.93 Civil Aviation department, K662,105.04 for Railway and K1,932,500 for Marine .

(b) Fuel Not Properly Accounted for: K19,472,070.00

Fuel records for the ministry were examined. It was noted that the records were not kept systematically. Records of receipts as well as issues of fuel in most cases could not be traced in the fuel register. This led to having fuel worthy K19,472,070.00 not being ascertained of its use. Of this amount K12,896,120.00 was for headquarters, K3, 448,000 was for Civil Aviation and K3,127,950.00 for Marine Department.

(c) Payments Without Supporting Documents: K1,544,408.13

Treasury Instruction 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment.

An examination of payment vouchers for the period under review disclosed that the Ministry effected some payments amounting to K1,544,408.13 in 2013/2014 financial year without relevant supporting documents contrary to the above requirement. These documents include receipts, loose minutes, to leave duty station authorisation forms among others.

MINISTRY OF ENVIRONMENTAL AFFAIRS AND CLIMATE CHANGE MANAGEMENT

Ministry Headquarters

47. An audit of financial statements of the Ministry of Environmental Affairs and Climate Change Management for the financial year ended 30th June, 2014 was completed in September, 2015. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Fuel not accounted for through the register: K2,649,950.00

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

An examination of fuel records disclosed that fuel worth K2,649,950.00, purchased by the ministry between July 2013 and March, 2014 was not recorded in fuel registers. In the absence of fuel records, accountability of fuel could not be ascertained.

(b) Failure to produce payment vouchers: K695,175,692.47

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

An examination of payment vouchers for the ministry revealed that payment vouchers totalling K695,175,692.47 were not produced for audit. As a result the audit team could not ascertain how this money was used.

(c) Payment for prepaid airtime units without record: K4,331,967.65

Treasury Instructions 5.13.1 inter alia states that adequate internal controls must exist within each Ministry and Department to ensure meeting control objectives which ensure that resources are employed and managed in an effective, economic and efficient manner and that there is no waste or extravagance.

A test check of payment vouchers revealed that purchased airtime valued at K4,331,967.65 were not recorded in a register and the audit team was unable to ascertain their accountability.

(d) Payments made without supporting documents: K14,404,694.14

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

An examination of the financial records disclosed that payment vouchers amounting to K14,404,694.14 which were processed and passed for payment had no supporting documents like receipts, request to leave duty station form and delivery notes where necessary. In absence of the supporting documents it was difficult to ascertain whether the payments were a proper charge to public funds.

Department of Environmental Affairs

(a) Fuel not properly accounted for: K5,958,590.00

An examination of fuel records disclosed that fuel amounting to K5,958,590.00 purchased by the Department between July 2013 and June 2014, was not properly accounted for through registers. The fuel records only indicated fuel being allocated to sections. However, there was no record of how the fuel allocated to sections was used. As such, it was not possible to determine if fuel was used for intended purpose.

(b) Payment vouchers not entered in cash book: K19,922,874.62

Generally accepted accounting procedures require that bank and cash transactions should be properly captured in cashbooks to ensure completeness of reports. Our review of transactions of the ministry revealed that payment vouchers for the month of October, 2013 amounting to K19, 922,874.62 were not captured in the cashbook.

Forestry Headquarters

(a) Fuel not accounted for through the register: K3,861,985.00

An examination of fuel records disclosed that fuel amounting to K3,861,985.00 purchased by the ministry in July 2013 and June, 2014 was not recorded in fuel registers. In the absence of fuel records, accountability of fuel could not be ascertained.

(b) Payment Vouchers Not Presented For Audit Inspection: K22,359,554.20

The Public Audit Act requires all public officers to provide all necessary documents and information for audit purposes whenever the information is required.

An examination of payment records at the department revealed that payment vouchers totalling K22,359,554.20 were not presented for inspection. It was therefore difficult to ascertain the validity and propriety of the expenditure incurred.

MINISTRY OF ENERGY

48. An audit of financial statements of the Ministry of Energy for the financial year ended 30th June, 2014 was completed in September 2015. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payment Vouchers Not Entered In Cash Book: K8,223,613.89

Generally accepted accounting procedures require that bank and cash transactions should be properly captured in cashbooks to ensure completeness of reports. Our review of transactions of the ministry revealed that payment vouchers for the month of October, 2013 amounting to K8, 223,613.89 were not captured in the cashbook.

(b) Misallocations of Expenditure: K11,086,893.13

Treasury Instructions 4.14.1 states that specific approval is required before any allocations can be vired or transferred between a programme/item within the same Vote. The section further states that if the Controlling Officer is satisfied that the provision against a

programme/item will be inadequate, he may submit an application to the Secretary to the Treasury in writing to vire or transfer funds between a programme/item within the same Vote.

A review of payment vouchers for the ministry revealed that management misallocated funds amounting to K11,086,893.13 without obtaining prior approval from the Secretary to the Treasury.

MINISTRY OF MINING

49. An audit of financial statements of the Ministry of Mining for the financial year ended 30th June, 2014 was completed in October 2015. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Fuel not accounted for through the register: K5,217,494.22

Treasury Instructions 11.6 states that items of stores like fuel should be recorded in the fuel register before being issued out. It further states that Controlling Officers must ensure that an efficient system of stores procedures exists within the ministries or departments to sufficiently safeguard and govern procurement transactions.

An examination of the payment vouchers revealed that fuel worth K5,217,494.22 purchased between July 2013 and March 2014 was not properly accounted for because of non-availability of disposal records.

(b) Payment vouchers not presented for audit inspection: K65,080,768.75

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

An examination of payment vouchers at the ministry revealed that payment vouchers totalling K65,080,768.75 passed for payment were not presented for inspection. It was therefore difficult to ascertain the validity and propriety of the expenditure incurred.

(c) Payments made without supporting documents: K1,514,490.00

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

An examination of payment vouchers disclosed that some payment vouchers amounting to K1,514,490.00, made between November, 2013 and April, 2014, were not supported with adequate supporting documents. In the absence of the necessary supporting documents, it was difficult to ascertain the genuineness of the payments made.

LAW COMMISSION

50. An audit of financial statements of the Law Commission for the financial year ended 30th June, 2014 was completed in January, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Misallocation of Expenditure: K1,216,347.93

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

An examination of expenditure records made for the year under review revealed that the Law Commission made payments amounting to K1,216,347.93 which were charged against wrong budget codes.

(b) Payments With Inadequate Supporting Documents: K7,693,222.43

Treasury Instruction 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment.

An examination of payment vouchers for the period under audit disclosed that the Law Commission effected some payments amounting to K7,693,222.43 without adequate supporting documents contrary to the above requirement. These documents include receipts, to leave duty station authorisation forms among others.

(c) Procurement Made Without Sourcing Three Quotations: K5,770,380.35

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

Contrary to the stipulated requirement, it was observed that between August 2013 and April 2014, the Law Commission procured goods, works and services worth K5,770,380.35 without evidence of obtaining the required minimum number of three quotations.

MALAWI HUMAN RIGHTS COMMISSION

51. An audit of financial statements of the Malawi Human Rights Commission for the financial year ended 30th June, 2014 was completed in February, 2016. The audit disclosed weaknesses in financial and internal controls as highlighted in the following observations:

(a) Payments Charged To Wrong Budget Line Items: K1,832,889.00

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

An examination of the expenditure records for the financial year 2013/2014 revealed that payments amounting to K1,832,889.00 were charged to wrong budget line items.

(b) Payments Not Captured In The Expenditure Cashbook: K2,926,435.67

An examination of payment vouchers and the expenditure cash book disclosed that some payments for the year ended 30th June, 2014 amounting to K2,926,435.67 were not recorded in the expenditure cashbook.

PART IV

RECOMMENDATIONS AND ACKNOWLEDGEMENT

RECOMMENDATIONS

52. In the course of my audit of the 2012/2013 Accounts of the Government of the Republic of Malawi, each Controlling Officer was sent appropriate audit inspection report with recommendations, regrettably, evidence has shown that in certain cases the recommendations have not been given due consideration by the Controlling Officers.

A summary of recommendations includes: -

- (a) Although Ministries started preparing own financial statements with effect from 2011/2012 financial year, there are a lot of challenges which need to be mitigated in order to ensure timely preparation of the financial statements. The Accountant General's Department should continue to train accounting personnel in the ministries on the preparation of the accounts so as to enhance capacity;
- (b) There is immediate need to strengthen Audit Committees in all Ministries and Departments to facilitate speedy responses to audit reports and to ensure implementations of audit recommendations;
- (c) Procurement of goods and services should be executed within set processes and regulations and procedures to ensure that maximum value of money is obtained;
- (d) Knowledge and skills of accounting personnel should be regularly enhanced through continuing professional development for the qualified accounts and the rest through generic training, including refresher courses and workshops;
- (e) In compliance with Government financial rules and regulations, bank reconciliations should regularly be prepared for all bank accounts maintained by the Reserve Bank of Malawi;
- (f) Strict compliance with financial provisions should be enforced in the MDAs in order to improve public financial management and control;
- (g) The use of proforma invoice to support a payment should be stopped forthwith and no payment should be made without adequate and valid supporting documentation;
- (h) Ministries and Departments should set up an effective filing system that allows easy location of all documentation; and
- (i) The systems requirements and procedures should be reinforced with capable supervision;

ACKNOWLEDGEMENTS

53. I wish to place on record my profound gratitude and appreciation to staff in my office who carried out their work diligently despite resources constraints. I also wish to acknowledge the assistance and cooperation given to me during the year under review by the Secretary to the Treasury, the Accountant General and all Controlling Officers and their staff. The cooperation enabled me to obtain information and documentation for the audit services.

17th February 2017

LILONGWE, MALAWI