REPORT OF THE AUDITOR GENERAL

ON THE

ACCOUNTS OF THE GOVERNMENT

OF THE

REPUBLIC OF MALAWI

FOR THE YEAR ENDED 30TH JUNE 2019

Printed by the Government Printer, Lilongwe, Malawi

REPORT OF THE AUDITOR GENERAL

ON THE

ACCOUNTS OF THE GOVERNMENT

OF THE

REPUBLIC OF MALAWI

FOR THE YEAR ENDED 30TH JUNE 2019

NATIONAL AUDIT OFFICE

VISION : An independent Supreme Audit Institution that promotes good governance.

MISSION : To provide Assurance on accountability, transparency, integrity and value for money in the management of public resources to all stakeholders through quality audits.

.

CORE VALUES :

Professionalism
Integrity
Independence
Confidentiality
Transparency and accountability
Innovation
Inclusiveness

Telephone: + 265 1 770 700
Facsimile: +265 1 773 071
+265 1 776 125
+265 1 774 138
e-Mail : nao@eomw.net

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

21st January, 2020

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

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

Dear Madam,

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 30th June, 2019 for tabling in the National Assembly.

Yours faithfully,

Thomas K. B. Makiwa
Acting Auditor General

TABLE OF CONTENTS

List of Tables

Table 1: An analysis of total revenue collection for the past four years
Table 2: Trend of (under)/over-collection of revenue
Table 3: The Consolidated Revenue Account as at 30th June, 2019
Table 4: Recurrent Budget Performance for the past four years
Table 5: Trend analysis of expenditure for four years of consolidated development account
Table 6: Cumulative deficit in Development Account
Table 7: The combined net cumulative position of the Recurrent and Development Accounts for the past four years

List of figures

Figure 1: Summary of Major Common Findings in Malawi Kwacha
Figure 2: Summary of Other Significant Irregularities in Malawi Kwacha
Figure 3: Summary of Other Isolated Irregularities in Malawi Kwacha

TABLE OF CONTENTS

PART 1:

INTRODUCTION

Audit of Public Accounts	1-5
Submission of Financial Statements	6
Controlling Officer's Responsibility	7
Scope of Audit	8
Audit Methodology	9
Responding to Audit Reports	10
Reporting Procedures	11
Audit Opinion on the Accounts	12

PART 2:

OVERALL BUDGET PERFORMANCE 2018/2019

Budget Out Turn- Revenue	13
Budget Out Turn- Expenditure	14
Consolidated Revenue Account	15
Consolidated Development Account	16
Financing of the Deficit	17
Preparation of Financial Statements	18

PART 3:

MINISTRIES, DEPARTMENTS AND AGENCIES

Department of Human Resource Management and Development	19
Green Belt Authority	20
Ministry of Defence	21
Changalume Barracks	22
Malawi Electoral Commission	23
Ministry of Lands, Housing and Urban Development	24
Ministry of Agriculture, Irrigation & Water Development	25
Karonga Agricultural Development Division	26
Machinga Agricultural Development Division	27
Makoka Agricultural Development Division	28
Sustainable Agricultural Production Programme (SAPP)	29
Ministry of Education, Science and Technology	30
Education Infrastructure Management Unit (EIMU)	31

Karonga Teachers Training College 32
Mwanza Secondary School 33
St. Joseph Teacher's Training College 34
Kasungu Teacher's Training College 35
Chiwale Secondary School 36
Malawi College of Distance Education 37
Mulanje Secondary School 38
Malawi Embassy, Brasilia 39
Malawi High Commission: Harare 40
Malawi High Commission: Lusaka 41
Malawi Embassy: Maputo 42
Malawi Mission: Kuwait 43
Malawi Mission: Nairobi 44
Malawi Mission: New York 45
Malawi Mission: Pretoria 46
Malawi Mission: Washington DC 47
Malawi Floods Emergency Recovery Project (MFERP) 48
Malawi Drought Recovery and Resilience Project (MDRRP) 49
Accountant General's Department 50
Ministry of Health and Population 51
Malawi College of Medicine Africa Centre of Excellence in
Public Health 52
Ministry of Gender, Children, Disability and Social Welfare . . 53
Ministry of Information, Civic Education, Culture and Community Services 54
Mzuzu District Education Manager 55
Ministry of Transport and Public Works. 56
Rehabilitation of Mzuzu-Nkhata Bay Road Project 57
Southern Africa Trade and Transport Facilitation Project. 58
Nacala Road Corridor Project Phase IV 59
Chileka International Airport 60
Malawi Police Service 61
Malawi Police Service (Fiscal Police and Fraud Section). 62
Phalombe Police Station 63
Department of Malawi Prison Services 64
Ministry of Justice and Constitutional Affairs 65
Registrar General's Department. 66

Administrator General 67
Ministry of Labour, Sports, Youth and Manpower Development 68
Naminjiwa Community Technical College 69
Department of Museums and Antiquities. 70
Blantyre Trade Testing Centre 71
Ministry of Industry, Trade and Tourism. 72
Natural Resources, Energy and Mining 73
Anti-Corruption Bureau. 74
Legal Aid Bureau 75
Legal Aid Bureau (South) 76
The Malawi Law Commission 77
Housing Management and Development Fund 78
Public Service Home Ownership Fund 79
Department of Printing Services. 80
National Statistical Office 81

PART 4: RECOMMENDATIONS AND ACKNOWLEDGMENT

Recommendations 82
Acknowledgment 83

EXECUTIVE SUMMARY

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

The audits have not been limited to the accounts for the financial year ended 30th June 2019, but have where necessary extended into the reviews of the preceding years wherever it has been considered significant and material.

The Government budgetary operation registered an expansion in both revenue and expenditure during the year under review. Total revenue collected increased favourably by K131.8 billion from K1,011.8 billion realized in 2017/18 and K1,143.6 in 2018/19 financial years respectively representing an increase of 13.3%. Total expenditure increased by K38.2 billion from K1,068.1 billion in 2017/2018 financial year to K1,106.3 billion in the financial year ended 2018/19 representing an increase of 3.6%. Domestic revenue remained relatively buoyant and continue to maintain an upward trend. This was mainly premised on the improved tax collection and administration by the Malawi Revenue Authority.

Revenue Account registered K1,143.6 billion in revenue while the recurrent expenditure was K1,106.3 billion. However, some funds from the Recurrent Account were transferred to Development Account Part I and II amounting to K203.1 billion and K84.9 billion respectively. This brings the total expenditure on Recurrent Budget to K1,394.3 billion. The overall position of the recurrent expenditure was a net deficit of K250.7 billion.

Development Receipts increased by K26.5 billion from K261.4 billion to K287.9 billion in 2017/18 and 2018/19 financial years respectively. Total expenditure charged to the Development Account was K205.7 billion an increase of K3.1 billion when compared to K202.6 billion for 2017/18 financial year representing an increase of 1.5%. Government in this fiscal year continued to get donor support.

The fiscal year 2018/19 is considered as another year of remarkable achievements in terms of financial reporting because Controlling Officers continued to prepare financial statements using the approved and acceptable format introduced in the Ministries and Departments. So far, MDAs are preparing their financial statements using cash basis International Public Sector Accounting Standards (IPSAS). My audit opinions on most of these financial statements were qualified based on the various material matters that affected their truthfulness and fairness. Obviously, some MDAs received a clean report as an indication that public financial management and control systems have continued to improve.

Although ministries and departments are now getting used to preparing their own financial statements for reporting and audit purposes, there are still a lot of challenges that should be mitigated in order to ensure timely preparation of the financial statements considering that for the 2018/2019 financial year only 55% of the MDAs submitted before 31st October, 2019. The Accountant General should continue to train accounting personnel into professional development in various ministries and departments in order to enhance capacity and improve quality of the financial statements prepared by MDAs. However, it should be noted that in the 2018/2019 financial year there has been a considerable improvement in financial reporting in terms of adhering to the prescribed financial reporting framework. The objective is to improve compliance with International Public Sector Accounting Standards (IPSAS), application of provisions of Public Audit Act (Cap37.01), Public Finance Management Act (Cap 37.02), Public Procurement and Disposal of Public Assets (Cap 37.03), and other related Acts on public financial management, Treasury Instructions Finance and Stores and other various Regulations on public financial management.

Summary and analysis of findings

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

Categorization of the findings

The findings from the compliance and Financial Statements audit are grouped into four categories as follows:

(a) Major Findings by Value

The main findings from the audit which account for 98% of the irregularities by value include: Non-Maintenance Of Non-Current Assets Register, Misallocations of Public Funds, Fuel Not recorded/Not Signed For in Register/ logbook, Revenue Spent at Source, Payment Vouchers not provided for audit inspection, Revenue Not Acknowledged By Receipts, Stores items paid for but not delivered, Suspicious long standing pensioners, Failure To Maintain Proper Revenue Accounting Records, Funds Transfer for Referral Medical Cases Abroad Not Liquidated, Stores Items Not Traced To The Ledger, Under Collection of Revenue, Unfinished Construction Works, Lack Of Sustainable Special Budget Allocation For Ph.D. Scholarship, Interbank transfers without supporting documentation, Unsettled Claims, Payments Made Without Adequate Supporting Documents, and Delay In Paying Contractors. Figure 1 below depicts the major findings.

Bar Chart of Major Findings by Value K35,148,879,433.80

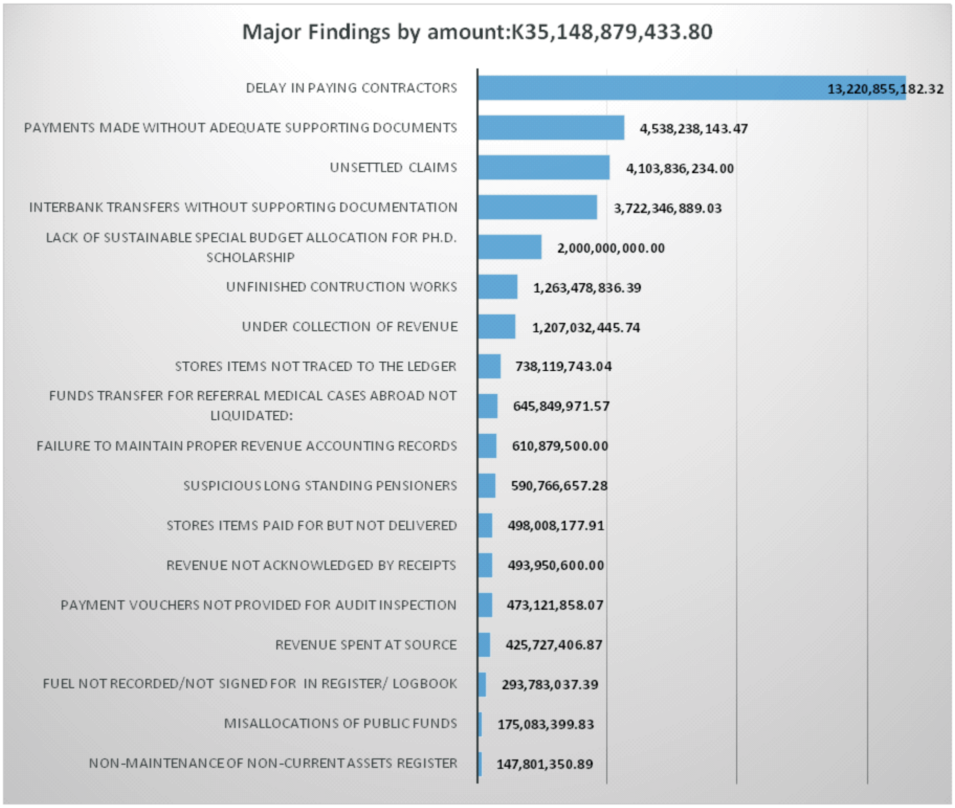

Figure 1: Summary of Major Common Findings in Malawi Kwacha

(b) Other Significant Irregularities By Value

The other significant irregularities which account for 1.8% of the irregularities by value include: Payments for goods with no evidence of delivery, Use of single source method / contract award without prior vetting by ACB / Failure To Obtain "No Objection" From PPDA, Failure to maintain the Motor Vehicle Files, Subsistence Allowances Paid Without Being Substantiated By Activity Reports, Payments Made Without IPDC Approval, Sub-Optimal Boreholes In Ntchisi, Payment For Project Made Without Liquidations And Reports, Payment For Project Made Without Liquidations And Reports, Purchase Of Motor Vehicles Outside The Procurement Plan, and Payments Without Internal Audit Certification. Figure 2 below depicts other significant findings.

Bar Chart of Other Significant Irregularities: K652,649,865.85

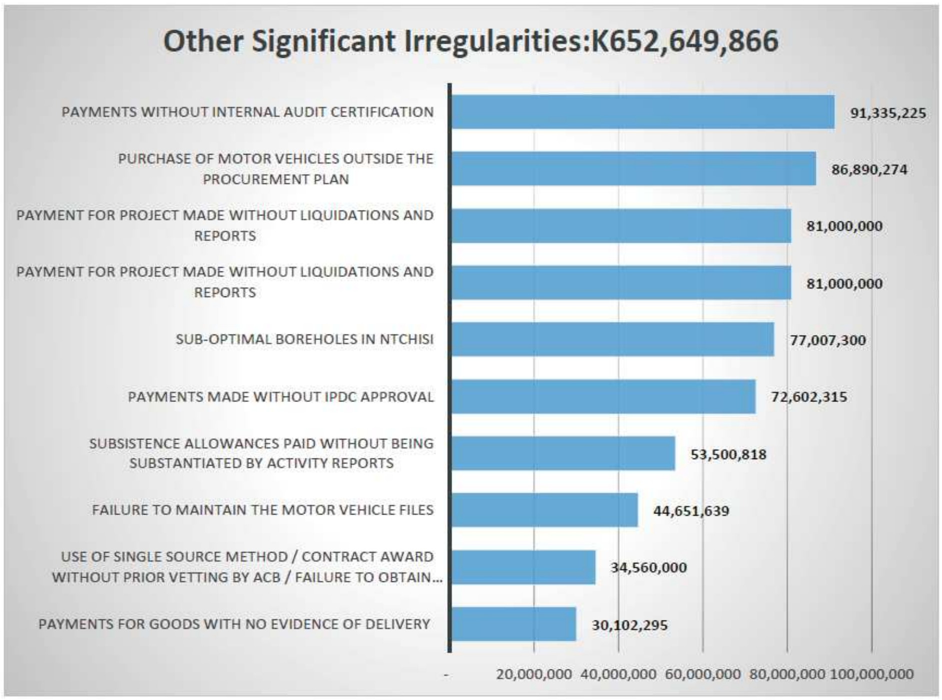

Figure 2: Summary of Other Significant Irregularities in Malawi Kwacha

(a) Other isolated irregularities by Value

This category includes some isolated irregularities that are unique to particular MDAs. These isolated irregularities which account for 0.2% of all irregularities by value include: Non-deduction of 6% Towards Use of College Facilities and Utility bills, Maintenance Of Motor Vehicles Without P.V.H.E.S. Inspection Reports, Overpayment Of External Travel Allowances, None Segregation of Duties, Non Remittance Of Treasury Contributions, Cost Over Run on Rehabilitation of Chipatala Avenue House Number 3, Development related activity charged to Other Recurrent Transactions, Training expenditure not supported with training plan, training committee and training contract bond, Unauthorized Payment Vouchers, Failure to Deduct Withholding Tax, Wasteful Expenditure, Borrowed Compensation Funds Not Refunded, Revenue not Collected, Revenue not Accounted for, Failure to prepare a procurement plan, External travel allowances for the cancelled and completed earlier trips not brought on charge, Unnecessary Expenditure on Rehabilitation of Chipatala Avenue House Number 2, Under Remittance Of Treasury Contributions, Airtime Not Accounted For, Project's Affected Persons (PAPS) Still in Road Reserve Site, Procurement Made Without

Evidence Of Sourcing At Least Three Quotations, and Unauthorized Expenditure. Figure 3 below depicts other isolated irregularities:

Bar Chart of Other Isolated Irregularities: K148,347,622.47

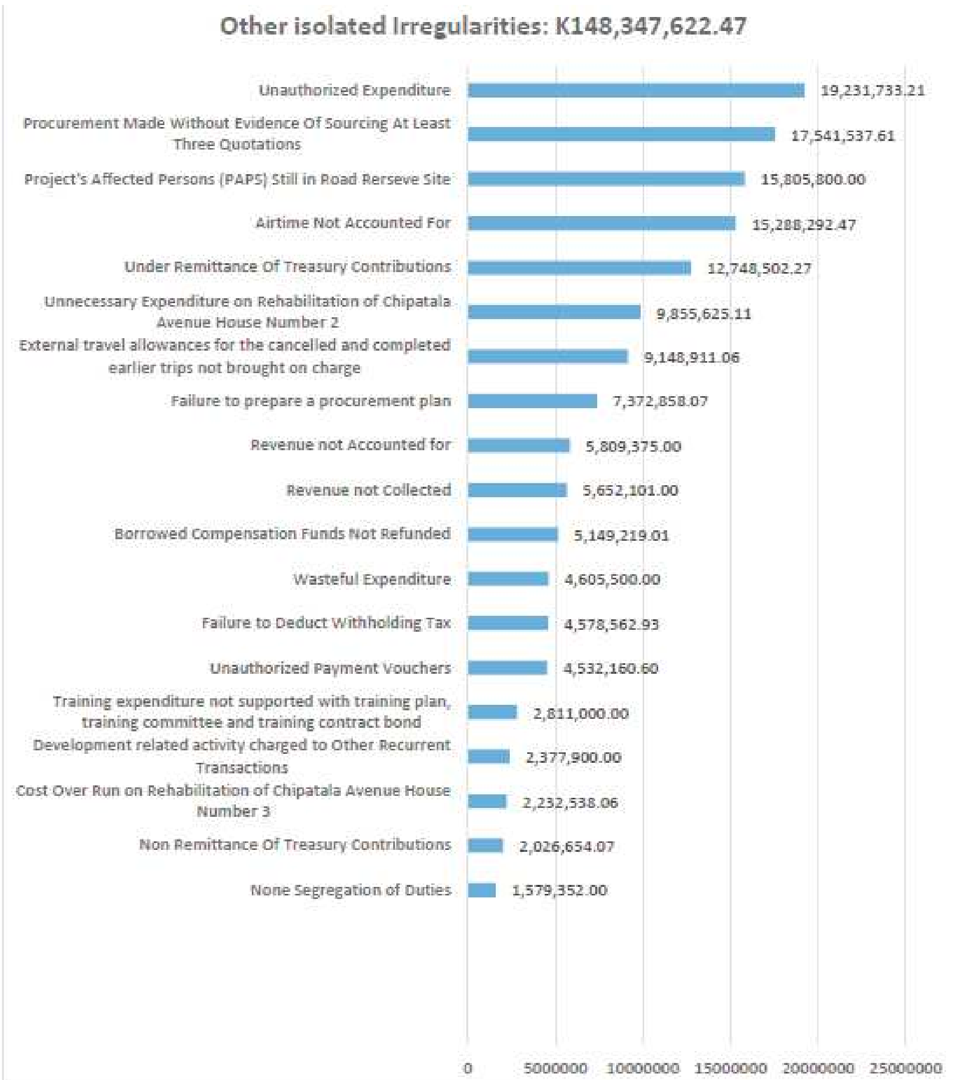

Figure 3: Summary of Other Isolated Irregularities in Malawi Kwacha

(a) Other areas of Non-Compliance Not by Value

There are other qualitative material findings without monetary value. They include:

- Works Not Done According To Contract Specifications
- Non preparation of Bank Reconciliation Statements
- Failure To Implement Construction Projects
- Failure to Maintain a Complete Fixed Asset Register
- Failure to Insure assets
- Failure To Produce IFMIS Cashbook And Other Reports
- Failure To Prepare Procurement Plan

PART I

INTRODUCTION

AUDIT OF PUBLIC ACCOUNTS

1. I am required under Section 184 (1) of the Constitution of the Republic of Malawi to audit and report on the public accounts of the Government of Malawi, and to exercise such other powers in relation to Ministries Departments and Agencies (MDAs) accounts, and accounts of 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.

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

- Qualifications of a person to be appointed as Auditor General and the criteria of filling the vacancy of the position of Auditor General
- Creation of the position of the Acting Auditor General when the Office of the Auditor General is vacant.
- Giving powers to the National Audit Office to hire, promote and discipline the employees of the National Audit Office.
- Salaries, allowances, pensions and other benefits payable to employees of the National Audit Office will be recommend by the Auditor General to the Minister responsible for Finance for determination.
- The National Assembly is required to appropriate sufficient moneys, on a timely basis, to enable the effective and efficient operation of the Auditor General and the National Audit Office and that the Public Accounts Committee shall consider the budget and business plan and within two months of receipt thereof submit its recommendations to the Minister responsible for finance.

The Public Audit Amendment Act was assented to by the State President of the Republic of Malawi in January, 2018. The situation currently obtaining is that Minister responsible for Finance has written to put in force the Amendment Act and possible gazetting will be done soon. The implementation of the provisions in the Amended Act requires implementation through use of a dedicated Implementation Team to be facilitated by the Ministry of Finance, Economic Planning and Development.

2. 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.

3. 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.

4. 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.

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

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

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

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

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

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

SUBMISSION OF FINANCIAL STATEMENTS

6. Section 83 (1) of the Public Finance Management Act (2003) 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

7. In terms of Section 10 of the Public Finance Management Act (2003), it is the Controlling Officers' responsibility to maintain proper financial management systems. This involves keeping appropriate financial records, and where applicable, following generally accepted accounting principles. Responsibilities of management also include ensuring that: -

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

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

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

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

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

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

The Controlling Officers prepared financial statements of their ministries, departments and agencies for the 2018/2019 financial year and submitted them for audit before they were consolidated by the Accountant General. In the year 2018/2019, only 55% of Controlling Officers submitted their financial statements for audit in time.

SCOPE OF AUDIT

8. In line with Section 11 (1) of the Public Audit Act (Cap.37.01), I am required to use Generally Accepted Auditing Practice (GAAP). GAAP is defined as approved auditing standards as determined by the international community, and in particular those promulgated by the International Organization of Supreme Audit Institutions for application to the public sector and in so far as those standards apply in the application of this Act. In order to comply with the GAAPs, the audit of public accounts is performed in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audit is intended to provide an overall assurance of the general accuracy and propriety of Government's financial and accounting transactions. Although the audit is conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs), it does not guarantee absolute accuracy of the accounts or detection of every error, financial irregularities and fraud. However, I provide an assurance in my audit opinion as to whether or not the financial statements fairly present in all material respects the consolidated financial position of the Government of Malawi as at 30th June, of each year, and of its consolidated financial performance for the year then ended. In addition, commencing year ended 30th June 2013 each Controlling Officer is issued with a separate audit opinion on their individual financial statements.

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

30th June 2019 but have where necessary extended into the reviews of the preceding years.

AUDIT METHODOLOGY

9. 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

10. Section 14 (1) of the Public Audit Act (2003), requires a Controlling Officer, Head of an agency, statutory body or other affected person in respect of any matters that may relate to an audit, to respond to the Auditor General within fourteen (14) days of receiving the report.

    Despite some progress, a significant number of Controlling Officers are unable to respond to audit reports in time as required by the Public Audit Act (2003). The value of prompt feedback from Controlling Officers cannot be overemphasized.

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

REPORTING PROCEDURE

11. In the course of preparing this report, each Controlling Officer was sent a management letter for his/her response and confirmation of the correctness of the facts presented. Where responses were received within the required fourteen (14) days and happened to be materially satisfactory, the issues were amended accordingly, or dropped altogether. In cases where it was not possible for Controlling Officers to provide responses in the time available, the issues in the management letter 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 (2003).

AUDIT OPINION ON THE ACCOUNTS

12. 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, 2019 is unmodified with Emphasis of Matter as follows:

Opinion

I audited the accompanying Consolidated Annual Appropriation Accounts of the Government of Malawi for the year ended 30th June, 2019 and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the Consolidated Annual Appropriation Accounts of the Government of Malawi present fairly, in all material respects, the financial position of the Government of Malawi as at 30th June, 2019, and of its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the provisions of the Public Finance Management Act (2003).

Basis for Opinion

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

Emphasis of Matter

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

Areas that need to continue improving

Reconciliation of Government Account No. 1 and other accounts

- An amount of K25,050,250,804.00 relating to 2014/2015 financial year appearing on the reconciliation as a balancing figure has not been cleared yet. A decision by the Secretary to the Treasury must be made to clear this figure in the 2019/2020 financial year.

- Differences in referencing and coding of payments between the Accountant General and the Reserve Bank of Malawi continue to make the reconciliation process difficult leading to significant differences between bank statement and cashbook figures. Examples of such differences per account are as follows:

Government Account Number 1

- Payments in cashbook not on bank statement amounting to K172,303,105,797.87
- Payments on bank statement not in the cashbook amounting to K253,041,749,099.06

Consolidated ORT Account

- Payments in cashbook still outstanding K19,973,571,087.78 and
- Payments in Bank Statements still outstanding K25,225,806,561.20

Consolidated development (Part II) account

- Differences between Payments in cashbook still outstanding K11,598,346,141.61
- Payments in bank statement not in cashbook K11,070,551,530.07

These differences would be much smaller if there was harmony in referencing and coding of payments. A speedy process is needed to harmonize the coding and referencing of payment between Accountant General and Reserve Bank of Malawi.

- The salaries Account has been reconciled up to 2016/2017 financial year. There is need to increase the effort to ensure that the reconciliation is current. This has made me to still rely on the Automated Transfer System(ATS) reconciliation which accounts for over 60% of the Total Personal Emoluments Bill currently standing at K378 billion.

Key Audit Matters

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

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

Other Reporting Requirements

Compliance with laws and regulations

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

Areas of particular importance are the following:

- Delays in paying contractors: K13,220,855,182.32
- Payment vouchers without supporting documents (Poor record keeping): K8,660,464,313.21
- Abandonment of construction works: K1,263,478,836.39
- Under Collection of Revenue: K1,207,032,445.74
- Stores not accounted for: K762,260,739.61
- Failure to maintain proper revenue records: K610,879,500
- Suspicious long standing pensioners: K590,766,657.28
- Misallocations of Public Funds: K 454,333,543.56
- Revenue Spent at Source: K425,727,406.87

The audit opinion is presented separately in Volume 1 of the Consolidated Annual Appropriation Accounts for the year ended 30th June 2019.

PART II

OVERALL BUDGET PERFORMANCE 2018/2019

BUDGET OUTTURN – REVENUE

13. Total revenue collected during the period ended 30th June, 2019 was K1,143.6 billion which reflected an increase of K131.8 billion (13.3%) over the 2017/18 amount of K1,011.8 billion. The sources of revenue were Tax Revenue K955.5 billion, Non-Tax Revenue K78.8 billion, Project Grants K40.3 billion, Dedicated Grants K38.3 billion and Program Grants K30.7.

The approved budgeted revenue was K1,268.1 billion and was not revised. Actual revenue collection for the 2018/19 financial year was less by K124.5 billion as compared to the actual amount of K1,268.1 billion. The under-collection was mainly on Tax Revenue amounting to K13.6 billion, Non Tax Revenue amounting to K23.1 billion, Program Grants amounting to K29.3, Dedicated Grants amounting to K24.4 billion and Project Grants amounting of K34.1which in total amounted to K124.5 billion.

The trend of total revenue collection for the past four years is tabulated as follows:

Table 1: An analysis of total revenue collection for the past four years.

Year	Approved Provision K'000	Revised Provision K'000	Actual Collection K'000	Over/ (Under) Collection K'000	Percent Over (Unde Collecti %
2015/2016	699, 852, 567	785,646,869	742,229,582	(43,417,287)	(6%)
2016/2017	829, 949, 871	988,065,000	953,910,389	(34,154,611)	(4%)
2017/2018	1,104,784,111	1,009,749,629	1,011,827,903	2,078,274	0.2%
2018/2019	1,268,120,774	1,268,120,774	1,143,631,502	(124,489,272)	(10%

With reference to Table 1 above, the general assessment of budget provision compared to the actual collection indicates that in 2015/2016 and 2016/2017 they were some revenue under collections. In 2017/2018, there was a slight improvement in revenue collection. However, in 2018/2019 there was also a reasonably revenue under collection of 10%. It is therefore, encouraging that generally, the budget planning and forecasts were close to realistic save for the fact that the negative variance in the 2018/2019 financial year was bigger than the other past two years where there were also a negative variance.

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

Table 2: **Trend of (under)/over-collection of revenue in billions of kwacha.**

	2015/2016	2016/2017	2017/2018	2018/2019
Tax Revenue	17.6	-5.6	40.1	-13.60
Non Tax Revenue	-10.8	-28.7	1.6	-23.10
Programme Grants	-3.1	0.3	0	-29.30
Dedicated Grants	17.5	18.9	1.4	-24.40
Project Grants	-7.7	-19.1	-41.1	-34.10
	13.50	**-34.20**	**2.00**	**-124.50**

For the past four years, Table 2 above depicts that the 2018/19 financial year was the worst in terms of under-collection of revenue. Non-Tax revenue has consistently registered under-collection for the past four years except in the 2017/2018 financial year. Project grants have also performed poorly, registering deficits in each of the past four years as analyzed in Table 2 above.

BUDGET OUT TURN - EXPENDITURE

14. During the year under review, total recurrent expenditure charged to the Consolidated Fund was K1,106.3 billion resulting into an increase in expenditure of K38.2 billion (3.6%) when compared to the total expenditure of K1,068.1 billion for 2017/2018 financial year. During the financial year under review, funds amounting to K288 billion from the Recurrent Account were transferred to Development Account Part I and II amounting to K203.1 billion and K84.9 billion respectively. This brings the total expenditure on Recurrent Budget to K1,394.3 billion. The overall performance of the recurrent expenditure had a net deficit of K250.7 billion which compared favorably to a net deficit of K317.6 billion for the financial year 2017/2018. The other contributing factor apart from the transfers to the development budgets is the surplus (total revenue versus total expenditure) of K37.3 billion.

CONSOLIDATED REVENUE ACCOUNT

15. The consolidated revenue account worsened in performance during the 2018/2019 financial year since the account had a cumulative deficit of K639.7 billion as at 30th June, 2019, as compared to a cumulative deficit of K389 billion as at 30th June, 2018 and was arrived at as follows:

Table 3: The Consolidated Revenue Account as at 30th June, 2019

Description	K'000
Deficit balance brought forward as at 1st July, 2018	**(388,998,373)**
Add: Revenue for the year	1,143,631,502
Less: Expenditure for the year	(1,106,342,038)
Transfer to Development Part II	(84,875,273)
Transfer to Development Part I	(203,098,581)
Cumulative Deficit carried forward as at 30th June, 2019	**(639,682,763)**

The planned recurrent surplus for the year under review was K132.2 billion arising from the approved collection and expenditure of K1,268.1 billion and K1,135.9 billion respectively. The revised revenue collection did not change from the approved amount but expenditure was revised upwards to K1,173.5 billion. For the year ended 30th June, 2019 the Government registered a deficit of K250.7 billion which was an improvement from the previous year's figure of K317.6 billion as shown in Table 4 below.

The annual deficit is largely attributed to lack of financial discipline on expenditure management.

Table 4: Recurrent Budget Performance for the past four years is as follows: -

Years	2015/2016	2016/2017	2017/2018	2018/2019
Amount in	**K'000**	**K'000**	**K'000**	**K'000**
Actual Revenue	742,229,582	953,910,389	1,011,827,903	1,143,631,502
Less: Actual Expenditure	(720,320,857)	(786,057,755)	(1,068,055,444)	(1,106,342,038)
Transfer to Dev. Part II	(22,155,630)	(26,345,854)	(73,165,053)	(84,875,273)
Transfer to Dev. Part I	(103,279,358)	(133,694,011)	(188,208,017)	(203,098,581)
Surplus/(Deficit)	**(103,525,262)**	**7,812,769**	**(317,600,611)**	**(250,684,390)**

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

Vote 050: State Residences had an over expenditure of K4.5 billion comparing the revised budget and actual expenditure because of the extra budgetary allocations which were duly approved. However, I was not furnished with the approved revised Appropriation Act.

The overall under-expenditure was K13.8 billion.

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

Vote	MDA	Amount (K'000)
420	Roads Authority	4,269,095
260	Ministry of Foreign Affairs and international Cooperation	2,002,848
470	Ministry of Natural Resources Energy and Mining	1,997,997
310	Ministry of Health	1,186,689
273	Malawi Revenue Authority	1,161,410
		10,618,039

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

The overall state of affairs of the Recurrent Budget as at 30th June, 2019 was a net deficit of K250.7 billion, registering a decrease of K66.9 billion from a net deficit of K317.6 billion recorded at the end of the 2017/2018 financial year. This indicates that there was a slight improvement of budget performance in the Recurrent Budget.

CONSOLIDATED DEVELOPMENT ACCOUNT

16. The total expenditure charged to Development Account for the year ended 30th June, 2019 amounted to K205.7 billion reflecting an increase of K3.1 billion over the previous year's expenditure of K202.6 billion.

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

Table 5: Trend analysis of expenditure for four years of consolidated development account

Years	2015/2016	2016/2017	2017/2018	2018/2019
Amount in	**K'000**	**K'000**	**K'000**	**K'000**
Approve Estimates	216,095,677	246,674,936	336,274,000	318,931,372
Revised Estimates	202,495,205	246,674,936	357,496,451	277,959,556
Actual Expenditure	118,695,952	155,680,420	202,577,247	205,732,907
Under Expenditure	83,799,253	90,994,516	154,919,204	72,226,649
Under expenditure %	41%	37%	43%	26%

The following is an analysis of the votes under Development Budget. Four (4) votes on Central Government recorded an over expenditure of K4.6 billion. The votes are as follows:

Vote	MDA	Amount (K'000)
320	Ministry of Gender Children, Disability and Social Welfare	3,549,415
120	Ministry of Local Government and Rural Development	813,861
310	Ministry of Health	213,586
090	Office of the President and Cabinet	73
		4,576,935

The following is an analysis of the sampled votes under Development Budget with largest unspent balances;

Vote	MDA	Amount (K'000)
274	Road Fund Administration	20,769,038
190	Ministry of Agriculture Irrigation and Water Development	14,198,895
270	Ministry of Finance and Economic Planning	14,125,448
272	Local Development Fund	6,230,380
275	Subvented Organisation	5,715,192
330	Ministry of Information and Civic Education	5,698,323
470	Ministry of Natural Resources, Energy and Mining	5,234,391
170	Ministry of Civic Education, Culture and Community Development	1,905,400
		73,877,067

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

The overall state of affairs of the Development Account as at 30th June, 2019 was a cumulative Surplus of K125.8 billion, registering an increase of K82.2 billion from a cumulative surplus of K43.5 billion recorded at the end of the 2017/2018 financial year. Details are in Table 6 below:

Table 6: showing cumulative deficit in Development Account

	Amount (K'000)
Receipts during the year	287,973,854
Less: Payments	(205,732,907)
Surplus/(Deficit) for the year	**82,240,947**
Add: Opening balance	43,537,591
Cumulative Surplus as at 30th June, 2019	**125,778,538**

CONSOLIDATED FUND

FINANCING OF THE DEFICIT

17. The overall approved revenue and expenditure budget in the 2018/2019 financial year was K1,268.1 and K1,454.8 billion respectively. The approved revenue was not revised, but the expenditure was revised downwards to K1,451.5 billion. This envisaged a deficit of K183.4 billion.

During the year under review, the Recurrent Revenue Account collected K1,143.6 billion while the Recurrent Expenditure was K1,106.3 billion resulting into a surplus of K37.3 billion.

The Development Account realized K287.9 billion; registering an increase of K26.5 billion when compared to K261.4 billion of 2017/2018 financial year. Expenditure for the year was K205.7 billion resulting into a surplus of K82.2 billion.

Table 7: The combined net cumulative position of the Recurrent and Development Accounts for the past four years is as follows:

Year	**Combined (Deficit)/Surplus**
	K'000
2015/16	(98,828,207)
2016/17	(86,655,92)
2017/18	(345,460,782)
2018/19	(513,904,225)

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

PREPARATION OF FINANCIAL STATEMENTS BY MINISTRIES AND DEPARTMENTS

18. The Controlling Officers started preparing financial statements for their Ministries, Departments and Agencies from 2011/2012 financial year when an acceptable format for presenting the financial statements was approved and introduced in the ministries and departments.

Since MDAs started preparing their own financial statements in 2011/2012 financial years, there has been a lot of improvement in financial reporting. The Accountant General should continue to train accounting personnel in the ministries, departments and agencies in the preparation of the financial statements and accounts in order to enhance capacity and continued improvement in the quality of the financial statements.

The financial statements of the votes listed below for the financial year ended 30th June, 2019 were submitted to me for audit. My audit opinions on these financial statements were either qualified based on the various material matters that affected their true and fair view or unqualified.

VOTE	MDA
093	Department of Human Resource Management and Development
098	Green Belt Authority
100	Ministry of Defence
101	National Defence
120	Local Government and Rural Development
130	Lands, Housing and Urban Development
190	Agriculture, Irrigation & Water Development
240	Office of the Vice President and Disaster Management Affairs
250	Education, Science and Technology
260	Foreign Affairs and International Cooperation
270	Finance, Economic Planning & Development
271	Accountant General
276	National Statistical Office
310	Ministry of Health
320	Gender, Children, Disability and Social Welfare
330	Information, Civic Education and Communication Technology
340	Homeland Security
350	Ministry of Justice
353	Administrator General
370	Labour, Sports, Youth and Manpower Development
390	Industry, Trade and Tourism
400	Transport and Public Works
430	Malawi Human Rights Commission
460	Malawi Electoral Commission
470	Natural, Resources, Energy and Mining

510	Anti-Corruption Bureau
520	Legal Aid Bureau
560	Law Commission
	National Youth Council
	Cotton Council of Malawi
	Animal Health and Livestock Development Fund
	Public Land Development Fund
	Housing Management Fund
	Research Services Fund
	Public Homeownership Fund

PART III

MINISTRIES, DEPARTMENTS AND AGENCIES

DEPARTMENT OF HUMAN RESOURCES MANAGEMENT AND DEVELOPMENT

19. An audit inspection of the financial and other information for the Department of Human Resources Management and Development for the year ended 30th June, 2019 was completed on 28th November, 2019. The audit disclosed weaknesses in financial and internal controls. The weakness is presented in paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Department.

Overall Budget Performance

This was budgeted at K65,240,959,070.00 and revised to K2,749,199,257.98 and the funds allocated were K2,590,429,550.54; the actual out-turn was K2,492,356,734.27 the overall percentage of funds utilized against the revised budget was 90.66 %.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Department of Human Resources Management and Development for the year ended 30th June, 2019.

(a) Under- performance in Ph.D. Scholarship program

During the financial year ended 30th June, 2019, the Government of Malawi made a one – off budget allocation amounting to K2 billion to cater for twenty-nine (29) Ph.D. scholarships.

However, an examination of Ph.D. files for students under Special Budget Allocation for Ph.D. Scholarship indicated that only sixteen (16) officers were trained against the planned twenty-nine (29).

GREEN BELT AUTHORITY

20. An audit inspection of the financial and other information for Green Belt Authority for the year ended 30th June, 2019 was completed on 28th November, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Authority.

Audit Opinion

Green Belt Authority did not prepare financial statements for the year ended 30th June, 2019. Therefore, I could not provide an audit opinion.

(a) Failure To Obtain PPDA's 'No Objection' For Procurements Made: K34,560,000.00

Public Procurement and Disposal of Public Assets Act of 2016 Section 49 (1) provides that subject to a no objection, a contract should be issued. According to Section 2 a, 'No Objection means permission to proceed with the intention for contract award'.

An inspection of payment vouchers and procurement records disclosed that the Authority awarded a contract to Gimm Water Experts to construct boreholes at a cost of K34,560,000.00 without obtaining a 'No Objection' for the procurement from the PPDA. This made it difficult for the inspecting auditors to verify the validity of the procurement made.

(b) Failure To Provide IPDC Minutes For Procurements Done: K38,703,194.91

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

An inspection of payment vouchers and other related documents for the period under audit review revealed that IPDC minutes for motor vehicle servicing and construction of boreholes amounting K38,703,194.91 were not provided for audit inspection. Consequently, the audit team failed to determine if the Authority achieved value for money when conducting procurements.

MINISTRY OF NATIONAL DEFENCE

21. An audit inspection of the financial and other information for Ministry of National Defence for the year ended 30th June, 2019 was completed in December, 2019.The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented in paragraphs below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Authority.

Overall Budget Performance

This was budgeted at K537,953,190.00 and revised to K528,384,784.00. Funds received amounted to K467,571,950.00. The actual out-turn was K464,826,974.00 representing 99.4 % of the received funds.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Ministry of National Defence for the year ended 30th June, 2019.

(a) Stores Not Accounted For: K4,474,260.00

Treasury Instructions 2004, Section 5.9(b) requires Controlling Officers to ensure that all transactions are recorded in a primary Government record or ledger.

An inspection of payment vouchers, delivery notes, invoices and stores ledgers disclosed that items valued at K4,474,260.00 purchased from different suppliers were not recorded in the stores ledger. As a result, it was difficult to ascertain the accountability of the stores items purchased.

(b) Payment Vouchers Without Supporting Documents: K2,314,500.00

Treasury Instructions 2004, Section 5.9 (a) states that proper accounting records should be maintained to support all financial and related transactions and further that full supporting documents should 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.

An inspection of the financial records disclosed that payment vouchers amounting to K2,314,500.00 did not have supporting documents attached. Therefore, it was difficult to ascertain whether the payments were a proper charge to public funds.

CHANGALUME BARRACKS

2017/2018

22. An audit inspection of the financial and other information for Changalume Barracks for the year ended 30th June 2018 was completed in August, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Procurement Made Using Single Source: K3,041,494.29

Public Procurement and Disposal of Assets 2016, Section 37(8) of states that the request for quotations method may be used for the procurement of goods, works and routine services when the estimated value of the procurement does not exceed the amount set by the regulations.

Contrary to the requirement of a regulation, Changalume Barracks procured items worth K3,041,494.29 from various suppliers without sourcing at least three quotations.

(b) Unsupported Payments: K6,093,708.61

Treasury instructions 2004, Section 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. One of such controls is to ensure that appropriate and sufficient supporting documents such as invoices and receipts be firmly attached to payment vouchers before payment is made in order to support the payment and for accountability purposes of the transaction.

A review of payment vouchers and other records for the 2017/2018 financial year revealed that payments totalling K6,093,708.61 were not supported by either a cash sale receipt or an invoice.

(c) Unauthorised Payments: K4,532,160.60

Treasury Instructions 2004, Section 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment.

An inspection of payment transactions for the period from July, 2017 to June, 2018 in respect of other recurrent transactions showed that payment vouchers totaling K1,401,944.00 had no signature of authorizing or counter signing officers while K3,131,216.60 were borrowed from Preliminary Rifles Instruction Unit (PRI) of Changalume welfare account to finance other recurrent Transactions without authority.

(d) Fuel Not Recorded in The Fuel Ledger: K10,506,880.90

Treasury Instructions 2004, Section 5.9 (b) states that all transactions shall be recorded in a primary Government record or ledger, either within the records held by a Ministry with the approval of the Secretary to the Treasury and summarized in the ledgers held by the Ministry of Finance, or in a record maintained by the Ministry of Finance.

An inspection of payment vouchers and fuel registers revealed that from July 2017 to June 2018, Changalume barracks did not maintain a fuel register for the purpose of recording fuel purchases, resulting into procured fuel amounting to K10,506,880.90 not recorded.

(e) No Log Books For Motor Vehicles

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

It was, however, observed that during the 2017/2018 financial year, the 9MR Changalume barracks did not have log books for all of its motor vehicles. During the year under review fuel worth K18,516,981.08 was issued to officers for fuelling motor vehicles allocated for various activities, hence it was difficult to ascertain on how the fuel was accounted for, in the absence of motor vehicle log books.

(f) Food Ration Payment Vouchers Not Produced For Audit: K241,992,673.56

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

An inspection of expenditure reports, expenditure summary returns and payment vouchers for period between July, 2017 and June, 2018 revealed that payment vouchers amounting to K241,992,673.56 for food ration were not produced for audit inspection. Further enquiries indicated that Changalume Barracks maintains monthly feeding returns only which are periodically sent to MDF Headquarters for processing of payment to Hotel Victoria as their sole ration supplier. It was also established that copies of invoices and payment vouchers could not be made available for audit team to inspect as such documents are also under the custody of headquarters.

MALAWI ELECTORAL COMMISSION

23. An audit inspection of the financial and other information for Malawi Electoral Commission for the year ended 30th June, 2019 was completed on 27th December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Opinion on the financial Statements of the Commission.

Overall Performance for Other Recurrent Transactions

The approved estimates for the financial year under review were K33,449,328,960 which were later revised downwards to K33,426,503,067.

The funds allocated were K33,426,503,065.25. However, the actual expenditure was K33,423,424,190.20 representing a revised budget utilization of almost 100%.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Malawi Electoral Commission for the year ended 30th June, 2019.

(a) General Receipts Not Issued For Nomination Fees Deposited Into The Commission's Account: K493,950,600.00

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

An inspection of nomination fee records, general receipt books, bank deposits, and the general control as regards to revenue custody and security revealed that nomination fees worth K493,950,600.00 which was collected and deposited during the period under review had no corresponding general receipts, such that completeness of the reported revenue could not be ascertained.

(b) Lack Of Supporting Documents For Procurement Of Sleeveless Jackets: K174,750,000.00

Treasury Instructions 2004, Section 5.9 states that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit office staff.

An inspection of payment vouchers for the period under review disclosed that the Commission made payment amounting to K174,750,000.00 in respect of sleeveless jackets but it could not be established how the supplier in the name of AJA Investment was chosen as there were no procurement documents. Consequently, it was difficult to ascertain the integrity of the procurement process.

(c) Procured Stores Items With No Evidence of Delivery: K495,806,794.26

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

To the contrary, an inspection of payment vouchers revealed that during the period under review, the Commission made payments valued at K495,806,794.00 to various suppliers of stores items which were not supported by delivery and goods received notes as well as ledger entries to confirm delivery, accountability and disposal of the items in question.

(d) Stores Not Accounted For: K390,099,431.17

Treasury Instructions 2004, Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger.

An inspection of payment vouchers, delivery notes and stores ledgers disclosed that stores items worth K390,099,431.17 purchased during the period under review were not recorded in their respective ledgers, such that accountability of the items could not be established.

MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT

24. An audit inspection of the financial and other information for Ministry of Lands, Housing and Urban Development for the year ended 30th June, 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Opinion on the financial Statements of the Ministry.

Overall Performance on the Recurrent Budget

The approved budget was at K8,683,635,829 and revised upwards to K8,713,282,287. Funding received was K8,712,017,697. However, the actual out-turn was K8,694,127,134 representing 99% of revised budget.

Overall Performance Development Budget

The approved budget was K11,900,000,000 and revised downwards to K5,254,606,108 and actual out-turn was K5,107,272,536 representing 97% of revised budget.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Ministry of Lands, Housing and Urban Development for the year ended 30th June, 2019.

(a) Failure to Maintain Motor Vehicle Files: K44,651,639.24

Public Finance Management Act, 2003, Section 10.1c requires a proper maintenance of accounting records.

An inspection of the Ministry's records revealed that the Ministry paid funds amounting to K44,651,639.24 for maintenance of Motor Vehicles whose files could not be traced. Consequently, it was difficult for the auditors to ascertain the propriety of the maintenance in question.

(b) Fuel Not Accounted For: K 6,881,628.46

Treasury Instructions 2004, Section 5.9 (b), as read together with Treasury Instruction of 2004 in Section 5.13.1 require, among other things, that Controlling Officers should ensure that adequate internal controls exist within the entity such that transactions are properly recorded and that the resources are efficiently and meritoriously managed.

Contrary to the requirement, an inspection of payment vouchers disclosed that a total of K6,881,628.46 worth of fuel was not recorded in the fuel register.

(c) Stores Not Accounted For: K2,032,641

Treasury Instructions 2004, Section 5.9 (b), as read together with Section 5.13.1 require, among other things, that Controlling Officers should ensure that adequate internal controls exist within the entity such that transactions are properly recorded and that the resources are efficiently and effectively managed.

Contrary to the requirement, an inspection of payment vouchers and other records disclosed that a total of K2,032,641 worth of stores were not recorded in the Stores Ledger.

MINISTRY OF AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT

25. An audit of financial statements of Ministry of Agriculture, Irrigation and Water Development for the financial year ended 30th June, 2019 was completed in October, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Opinion on the financial Statements of the Ministry.

Overall Budget Performance

This was budgeted at K142,981,710,924 and revised to K102,181,875,228. However, the actual out-turn was K94,971,325,683.81 representing 92.8% of utilization of the revised total budget.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Ministry of Agriculture, Irrigation and Water Development for the year ended 30th June, 2019.

(a) Fuel Not Accounted For: K24,387,401.35

Treasury Instructions 2004, Section 5.9(b) requires Controlling Officers to ensure that all transactions are recorded in a primary Government record or ledger.

Contrary to the above quoted requirement, an inspection of fuel registers and logbooks for the period under audit review disclosed that the Ministry procured fuel amounting to K24,387,401.35 but did not record the fuel in the fuel ledger. It was therefore, difficult for the inspecting auditors to ascertain the accountability of the fuel procured.

(b) Stores Not Accounted For: K35,118,013.95

Treasury Instructions 2004, Section 5.9(b) requires Controlling Officers to ensure that all transactions are recorded in a primary Government record or ledger.

An inspection of stores records at the Ministry revealed that stores items for the period under audit review valued at K35,118,013.95 were not recorded in the stores ledger. In the absence of the ledger, the audit team failed to determine the accountability of the stores items purchased.

(c) Payment Vouchers Not Produced For Audit Inspection: K17,683,662.47

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

A review of the expenditure statement by cost centre against payment vouchers for the Ministry for the period under audit review revealed that payment vouchers amounting to K17,683,662.47 were not presented for audit inspection. It was, therefore, difficult for the audit team to ascertain the accountability of the expenditure made using such vouchers.

(d) Payment Vouchers Without Supporting Documents: K6,872,839.50

Treasury Instructions 2004, Section 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. In addition, Treasury Instructions 2004, Section 5.9 (a), states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

An inspection of payment vouchers for the Ministry disclosed that payment vouchers amounting to K6,872,839.50 did not have relevant supporting documents attached. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge against public funds.

KARONGA AGRICULTURAL DEVELOPMENT DIVISION

2017/2018

26. An audit of financial and other information of Karonga Agricultural Development Division for the financial year ended 30th June, 2018 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. The weakness is presented in paragraph (a) below.

(a) Fuel Not Accounted For: K893,270.00

Treasury Instructions 2004, Section 11.7.1.2 requires that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger. Section 11.7.1.3 further states that consumable stores must be subject to reasonable control to ensure that they are not pilfered or wasted.

An inspection of the payment vouchers revealed that fuel worth K893,270.00 procured between August 2018 and June 2019 was not properly accounted for, because fuel was not recorded in the log books despite being recorded in the fuel register. The audit team requested for other disposal records, for further inspection, but they were not provided.

MACHINGA AGRICULTURAL DEVELOPMENT DIVISION

2017/2018

27. An audit of financial and other information of Machinga Agricultural Development Division for the financial year ended 30th June, 2018 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Payments With No Evidence of Loose Minutes: K20,898,872.27

Treasury Instructions 2004, Section 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment.

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

It was noted during the audit inspection that the ADD made payments amounting to K20,898,872.27 for fuel, public utilities and subsistence allowances and the audit team was not given and/or presented with source documents like loose minutes. In the absence of loose minutes, it was difficult to ascertain whether the payments were authorized and a proper charge to public funds.

(b) Abuse of Farm Mechanization Funds: K1,874,926.17

The Ministry of Agriculture through Agricultural Development Divisions (ADDs), embarked on a tractor-hire scheme and other farm machinery available to farmers for hiring to achieve sustainable food security. The focused agricultural operations undertaken are ploughing, ridging, harrowing, transportation and maize shelling. The revenue generated from hiring tractors and other farm mechanization was meant to be used for the maintenances of the equipment, allowances for operators and other directly involved officers.

The audit exercise revealed that funds amounting to K1,874,826.17 from farm mechanization revenue were used to pay for repair, maintenance and service of motor vehicles, expenses that were supposed to be paid through ORT funding.

MAKOKA AGRICULTURAL RESEARCH STATION

28. An audit of financial and other information of Makoka Agricultural Development Division for the financial year ended 30th June, 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. The weaknesses is presented in paragraph (a) below.

(a) Fuel Not Recorded in The Motor Vehicle Log Books: K1,197,288.22

According to a Circular Ref. No. CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government, one of the measures on management of Government fleet is that the amount of fuel filled in the motor vehicles should be entered in the log book and that this should also include fuel from third parties.

A reconciliation of motor vehicle log books with the fuel register for the period under review revealed that fuel worth K1,197,288.22 was issued to officers undertaking various official duties but was not recorded in log books of the vehicles used. It was, therefore, difficult for the audit team to ascertain accountability of the fuel

SUSTAINABLE AGRICULTURAL PRODUCTION PROGRAMME (SAPP)

29. An audit of the Financial Statements and other information for Sustainable Agricultural Production Programme (SAPP) project the period ended 30th June, 2019 was completed in November, 2019. The audit disclosed some weaknesses in financial control and other related gaps which were detailed in the management report addressed to the Controlling Officer.

(a) Stores Not Accounted For: K4,198,080.00

Treasury Instructions 2004, Section 11.7.1.5 requires that a Stores Ledger for the purpose of recording the receipts and issues of all stores will be kept for each store.

A review of stores records disclosed that stores items valued at K4,198,080.00 procured during the period under review were not recorded in the stores ledger. In the absence of such record, the accountability of the stores items purchased could not be ascertained.

(b) Payment Vouchers Without Supporting Documents: K2,309,786.53

Treasury Instructions 2004, Section 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. In addition, Treasury Instructions 2004, Section 5.9 (a) states that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions.

An inspection of payment vouchers during the period under review revealed that payment vouchers amounting to K2,309,786.53 were presented for audit without supporting documents. This made it difficult for auditors to ascertain details and the accountability of the expenditure in question.

MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

30. An audit inspection of the financial and other information for the Ministry of Education, Science and Technology for the year ended 30th June, 2019 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Opinion on the financial statements of the Ministry.

Overall Performance on the Recurrent Budget

This was budgeted at K42,835,251,752 and revised upwards to K44,899,864,205. However, the actual out-turn was K44,375,698,626 representing 98.84% of utilization of the revised total budget.

Overall Performance Development Budget

The approved development budget was K43,603,579,454 and revised to K27,728,413,493. However, the actual out-turn was K25,823,013,328 representing 93.13% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Ministry of Education, Science and Technology for the year ended 30th June, 2019.

MINISTRY HEADQUARTERS

(a) Lack of Linkage Between Headquarters and Treasury Cashier IFMIS

An inspection of expenditure statement by cost centre extracted by the Ministry Headquarters from the Integrated Financial Management Information System (IFMIS) disclosed that there was no linkage between the IFMIS which the Ministry uses and the IFMIS from Treasury Cashier's offices which the cost centres use when making payments. This was evidenced by non-reflection of the cost centres expenditures in the expenditure statement by cost centre extracted by the Ministry.

When preparing financial statements, expenditure from the cost centres were incorporated manually by Accountant General's Department.

EDUCATION INFRASTRUCTURE MANAGEMENT UNIT (EIMU)

31. An audit inspection of the financial and other information for the Education Infrastructure Management Unit (EIMU) for the year ended 30th June, 2019 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Delay in Completing Projects: K13,220,855,182.32

An inspection of contract files disclosed that the time frame stipulated in most of the contracts was not adhered to and the period for extension was unreasonable as some of the contracts which were supposed to be completed between twenty (20) and thirty (30) weeks ran for over three (3) years.

The reasons contributing to the delay are categorized in two areas as detailed below:

i. **Delays Caused by Lack of Contractors' Capacity**

A review of warning letters from EIMU to the contractors disclosed that some of the contractors did not have sufficient capacity to complete the work. This is evidenced by the sample of warning letters sent to contractors.

ii. **Delays in Paying Contractors: K 13,220,855,182.32**

Payment to contractors was supposed to be made according to contractual agreement. Therefore, payments to contractors are supposed to be done within the time frame stipulated in the contracts. Any delay in making payments would result into having outstanding amounts after the expiry period of the contract which may end up affecting the implementation of future projects.

A review of documents disclosed that the Ministry of Education, Science and Technology through EIMU was delaying in paying contractors. Consequently, after the expiry of contract period of several contracts, there was total outstanding amount of K13,220,855,182.32 and the projects were not yet completed at the time of compiling the audit report.

(b) Works Not Done According To Contract Specifications

Specifications for works in every contract are highlighted in the Bills of Quantities (BOQs). Therefore, when implementing the project, the works are supposed to be done exactly the way they were highlighted in the Bills of Quantities.

A review of contract documents, Bills of Quantities, and a field visit to Chilumba CDSS, Ekwendeni CDSS, Blantyre Secondary School, Namasimba Primary School, Machinga Secondary School, Namalimwe Primary School, Mpiranjira CDSS projects disclosed the following common shortfalls: Poor quality doors; uncompleted works; substandard lockers; substandard floors; and poor installation of sewer pipes which was contrary to the BOQs.

KARONGA TEACHERS TRAINING COLLEGE

32. An audit inspection of the financial and other information for the Karonga Teachers Training College for the year ended 30th June, 2019 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. The weakness is presented from paragraph (a) below.

(a) Non-preparation of Bank Reconciliation Statements for Revenue Account

Accountant General’s Desk Instructions 2007, 12.1 defines Bank Reconciliation as an accounting procedure for agreeing the balance as per bank statement with the balance as per cash book and it further states that officers authorized to operate bank accounts shall reconcile the bank balance with the cashbook balance at least once a month.

An inspection of revenue records for Karonga Teachers Training College and casting of receipts and payments on the bank statements for the year under review disclosed that the college was not preparing monthly reconciliations which was against the desk instruction mentioned above.

MWANZA SECONDARY SCHOOL

2017/2018

33. An audit inspection of the financial and other information for the Mwanza Secondary School for the year ended 30th June, 2018 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Revenue Not Accounted For: K5,809,375.00

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

A reconciliation of the fees' registers against the bank statement from Standard Bank fees account for the period September 2018 to June 2019 (First term to third term), disclosed that school fees that K41,722,750 was collected. However, the bank statement indicated only K35,913,375.00 leaving a balance of K5,809,375.00 which was not accounted for.

(b) Ration not Accounted for: K9,224,185.00

Treasury Instructions 2004, Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger. Further to that, Section 8.4 of the handbook on guidelines of 2016 for the collection and retention of fees in public secondary schools and teacher training colleges states that each institution shall maintain stores records: such delivery notes files, copies of goods received notes, stores ledger, book index, bin cards where stores are kept in bulk and stock sheets.

To the contrary, an inspection of the payment vouchers, invoices, delivery notes and ledger relating to ration revealed that during the period under review, the institution purchased ration worth K9,224,185.00 and issued the same for consumption without recording them in the ledger. As such, it was difficult to establish accountability of the items.

ST JOSEPH TEACHERS TRAINING COLLEGE

34. An audit inspection of the financial and other information for St Joseph Teachers Training College for the year ended 30th June, 2019 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. The weakness presented in paragraph (a) below.

(a) Failure To Reconcile ORT Account

Accountant General's Desk Instructions 2007, No 12.1 states that officers authorized to operate bank accounts shall reconcile the bank balance with the cashbook balance at least once a month.

An inspection of the College ORT account No. 91000048187005 disclosed that the college did not reconcile its operating account which was contrary to the above requirement.

KASUNGU TEACHERS TRAINING COLLEGE

35. An audit inspection of the financial and other information for Kasungu Teachers Training College for the year ended 30th June, 2019 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Non-Preparation of Bank Reconciliation Statement for General Purpose Fund Account

Accountant General Desk Instructions 2007, No 12.1 defines Bank Reconciliation as an accounting procedure for agreeing the balance as per bank statement with the balance as per cash book and it further states that officers authorized to operate bank accounts shall reconcile the bank balance with the cashbook balance at least once a month.

An inspection of revenue records at the Kasungu Teachers Training College and casting of receipts and payments on the bank statement for the year under review disclosed that the college was not preparing monthly reconciliations which is against Desk Instructions mentioned above.

CHIWALE SECONDARY SCHOOL

2017/2018

36. An audit inspection of the financial and other information for Chiwale Secondary School for the year ended 30th June, 2018 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Lack of Segregation of Duties: K1,579,352

Treasury Instructions 2004, Section 5.13.1 (b) requires that adequate internal controls must exist within each Ministry and Department to ensure that expenditure is only incurred if appropriation exists, and is always validly and correctly authorized.

An inspection of payment vouchers for the year under review disclosed that the Assistant Accountant authorized a payment amounting to K1,579,352 paid to himself which was contrary tos the internal control requirement above.

(b) Stores Not Accounted For: K3,389,120

Treasury Instructions 2004, Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger.

An inspection of payment vouchers and stores ledger for the period under review disclosed that stores items worth K3,389,120 could not be traced through the stores ledger as such it was difficult to ascertain accountability of stores items.

MALAWI COLLEGE OF DISTANCE EDUCATION

2017/2018

37. An audit inspection of the financial and other information for Malawi College of Distance Education for the year ended 30th June, 2018 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Misallocations of Expenditures: K40, 438,791.77

Treasury Instructions 2004, Section 4.14.1 states that if the Controlling Officer is satisfied that the provision against a programme/item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application shall be in writing and shall be signed personally by the Controlling Officer.

An inspection of payment vouchers and expenditure statement by cost centre disclosed that funds amounting to K40,438,791.77 were charged to wrong budget lines.

(b) Payment Vouchers Not Produced For Audit Inspection: K24,253,848

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

Contrary to the above requirement, it was noted that some payment vouchers worth K24,253,848 were not presented for audit inspection. It was, therefore, difficult to ascertain whether the payments were a proper charge to public funds.

(c) Stores Not Signed For: K 6,595,500

Treasury Instructions 2004, Section 11.7.1.3 states that consumable stores of a durable nature but of small intrinsic value shall be subject to reasonable control to ensure that these are not pilfered or wasted.

An inspection of the stores ledger revealed that stores items amounting to K6,595,500 were issued without being signed for by the recipients. It was therefore, difficult to ascertain if the names appearing as receivers of these items actually received these stores items.

(d) Fuel Not Accounted For: K19,020,922

Treasury Instructions 2004, Section 5.9 (b) requires Controlling Officers to ensure that all transactions are recorded in a primary Government record or ledger.

An inspection of payment vouchers and fuel registers revealed that fuel amounting to K3,439,022 was purchased but not recorded in the fuel register, so it was very difficult to ascertain its accountability.

A further review of the fuel records disclosed that fuel worth K15,581,900 issued out was not traced in motor vehicle logbooks. It was, therefore, difficult to ascertain if the fuel in question was used officially.

MULANJE SECONDARY SCHOOL

2016/2017 and 2017/2018 Financial Years

38. An audit inspection of the financial and other information for Mulanje Secondary School for the years ended 30th June, 2017 and 2018 was

completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. The weakness is presented in paragraph (a) below.

(a) Uncollected School Fees: K5,652,101

Treasury Instructions 2004, Section 5.6.3 states that officers designated as Receivers of Revenue shall be responsible for the correct assessment and collection of those items of revenue assigned to them.

A review of the list of students with outstanding balances indicated that at the beginning of the academic year of 2017/2018, school fees amounting to K2,033,450 had not been paid by students. This amount increased to K5,652,101 as at 30th June, 2018.

MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION

MALAWI EMBASSY, BRAZIL

39. An audit inspection of the financial and other information for Malawi Embassy, Brasilia, Brazil for the years ended 30th June 2016, 2017 and 2018 was completed on 22nd November, 2018. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Misallocation of Voted Funds: K39,273,928.04

Treasury Instructions 2004, Section 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.

An inspection of expenditure records for the Embassy for the periods under review revealed that payments amounting to K39,273,928.04 were charged to wrong account codes.

(b) Telephone Airtime Not Accounted For: K1,420,893.42

Treasury Instructions 2004, Section 11.7.1.2, among other things, regulates that where consumable stores are received in bulk for subsequent issue in small lots, the transactions shall be entered in a Consumable Stores Ledger.

An inspection of payment vouchers and telephone air-time ledger revealed that airtime purchased amounting to K1,420,893.42 was not recorded in the ledger. As such, it was difficult to ascertain the accountability of the airtime.

(c) Payments Vouchers Without Supporting Documents: K178,897,849.56

Treasury Instructions 2004, Section 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. In addition, Treasury Instructions 2004, Section 5.9(a) states that Controlling Officers shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit Office staff.

An inspection of payment vouchers revealed that payment vouchers for payments amounting to K178,897,849.56 did not have supporting documents such as invoices, loose minutes and authority to leave duty station forms attached at the time of audit. This made it difficult for auditors to ascertain details and the accountability of the expenditure in question.

(d) Failure To Maintain a Non-current Asset Register: K5,841,690.33

The Circular from the Chief Secretary to the Government dated 2nd March, 2010 titled 'Government physical asset register' requires the maintenance of an asset register which should among other things, indicate the monetary values of the assets and their condition.

An inspection of payment records and other related documents revealed that the Embassy purchased non-current assets amounting to K5,841,690.33 for which they did not maintain a non-current asset register. This made it difficult for auditors to verify the actual assets being owned by the Embassy.

MALAWI HIGH COMMISSION: HARARE

40. An audit inspection of the financial and other information for Malawi High Commission in Harare for the years ended 30th June 2016, 2017, 2018 and period from July 2018 to November 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Failure to Contribute Towards Utility Bills: K1,876,508.38

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 60% towards water and electricity bills.

An inspection of payment vouchers and utility invoices for the sampled months in 2015/2016 financial year disclosed that the Head of Mission did not comply with the operational guidelines by not contributing the required percentage. This resulted in a total amount of K1,876,508.38 not contributed.

(b) Payment Vouchers Without Supporting Documents: K5,302,807.59

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

An inspection of the financial records revealed that payment vouchers amounting to K5,302,807.59 were presented for audit without supporting documents like invoices and receipts. In the absence of the supporting documents it was difficult to ascertain whether the payments were a proper charge against public funds.

(c) Misapplication of Payments: K216,319,743.69

The High Commission maintains several bank accounts for specific purposes of immigration revenue, rent revenue, ORT remittances and others. Good finance general practice does not allow withdraw of funds for activities not related to the nature of purpose of the bank account.

An inspection of payment vouchers for the 2017/2018 financial year, revealed that ORT related transactions were effected from Immigration Revenue Account, Rent Account and Holding Account in meeting obligations of a different nature from that of the bank account's core objectives.

(d) Payment Of School Fees To Non-Deserving Beneficiaries: K10,376,728.43

Public Service Regulations in Book 4, Chapter 4.69l(1), guiding Foreign Service states that an officer who serves abroad with the Foreign Service and whose children reside with him in a country in which suitable free education for such children is not available shall be entitled to an education allowance in respect of each school term of Primary or Secondary Education which is undergone wholly or partly in that country by any of his children and which begins after such child's fifth and before his twenty-first birthday.

Contrary to this guidance, an inspection of payment vouchers disclosed that the Mission made a payment amounting to K10,376,728.43 in respect of school fees for students whose biological parents are not the diplomats or who were not adopted by the diplomats.

(e) Failure To Collect Rent On Mission's Property: K187,603,112.99 (US$ 255,537.07US$)

During the audit, it was noted that one of the Mission's properties at 42-44 Harare Street had unpaid rentals amounting to 255,537.05 US$ (K187,603,112.99) from 2011 to 2016. The property was an old Chancery of the Malawi Mission in Harare and was leased out to Britmac Distributors (Pvt) Ltd. The tenant was later evicted in 2016 and at the date of audit, the outstanding rent was still not collected.

(f) Outstanding Rent On 9 Weale Park Harare: K24,557,394.45 (US$ 33,450US$)

During the audit, it was noted that one of the Embassy properties at 9 Wealie Park had unpaid rentals amounting to US$ 33,450US$.

The Tenant, Mr. Gerald Gomani, was evicted from the property in 2017 and a new lease agreement was signed with Mr. L. Chamatowa on 8th September 2017. As at November 2018 the outstanding rent of the former tenant, Mr. Gomani, amounting to K24,557,394 remained unpaid.

(g) Failure to Safeguard Mission Properties

Public Finance Management Act of 2003, Section 10 (1) (c) states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all accounts and records relating to the functions and operations of the Ministry are properly maintained.

It was, however, observed that the Mission did not have title deeds for all of its 14 properties.

(h) Defence Account Used For Non-Defence Activities: K7,543,087.19

One of the bank accounts maintained at the Mission is the Defence Account. Remittances to this account are made by the Ministry of Defence.

In a letter dated June 2015, Ref CQ/119/1 the Ministry of Defence gave guidelines for the use of the funds with respect to the Defence Attachees office and any other emergencies or tasks that may be directed by the Commander or any other requirement that the Defence Attaché might consider appropriate for the functioning of his office.

Contrary to the guidance given, it was noted that the Mission was making payments from the Defence Account that were outside the stipulated guidelines. The payments included among other things payment of refunds and allowances to other diplomats amounting to K7,543,087.19.

MALAWI HIGH COMMISSION: LUSAKA

41. An audit inspection of the financial and other information for Malawi Embassy in Lusaka for the years ended June 2016, 2017, 2018 & period from July 2018 – November 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Failure to Reimburse Borrowed Funds: K1,576,978.20 (US$ 2,160)

An inspection of payment vouchers disclosed that during the 2015/2016 financial year, funds totaling K1,576,978.20 (US$ 2,160) were borrowed from Lusaka Mission Deposit Account Number 1084818 by Ministry of Foreign Affairs and International Cooperation. The funds were for allowances to officials attending inauguration of the Zambian President as per memo written by Secretary for Foreign Affairs and International Cooperation dated 9th September, 2016 and referenced EA/1/4/63.

The memo indicated that the funds will be refunded by the Ministry Headquarters accordingly. However, as of 23rd November, 2018, the funds had not yet been reimbursed to the Mission revenue account.

(b) Payments Without Documentation: K110,311,862 (US$ 201,700)

Treasury Instructions 2004, Section 5.16.1 states that every Controlling Officer must ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment.

An inspection of expenditure records revealed that the Mission had payments amounting to K110,311,862 (US$201,700) with no evidence of documents such as payment vouchers and related attachments.

(c) Misapplication of Funds in Chancery Account: K2,767,714 (US$ 4,187)

An inspection of payment vouchers and bank statements for the US Dollar Chancery Account number 1034284 revealed that amounts totaling K2,767,714 meant for the building of the Chancery were applied on unrelated activities.

(d) Unexplained Transfers from Chancery Account: K3,519,220 (US$ 4,767)

An inspection of bank statements for the Chancery Account Number 1034284 disclosed that funds amounting to K3,519,220 (US$4,767) were transferred to the Main Account number 1017290 used for operating activities without evidence of what the transfers were made for. The authority to transfer these funds was not accompanied by an expenditure need or transaction and was not supported by authority from the Secretary of Foreign Affairs and International Cooperation.

(e) Payment Vouchers Not Produced for Audit Inspection: K11,294,369

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

An inspection of the cashbook for the period under review disclosed that payment vouchers amounting to K11,294,369 were not produced for audit inspection. As such the nature of expenditure incurred could not be verified.

(f) Revenue Not Banked: K34,794,001

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

An inspection of the General Receipt book for visas revealed that the Mission collected money through processing of travel documents, replacements of passport books amounting to K34,794,001. Money collected from the GRs amounted to K1,738,580 against cash deposits in the Visa Kwacha Account 6978920 of K1,480,894 leaving a balance of K257,685 not banked. Additionally, General Receipts for Visa Dollar Account number 1036090 disclosed that cash amounting to K77,439,146.00 was collected while the bank statements indicated that money deposited was K42,902,839 leaving an under banking of K34,536,316.

(g) Non-Reconciliation of Revenue Accounts

Treasury Instructions 2004, Section 5.7.2 (j) requires that bank reconciliation statement should be prepared so that errors in the bank statement or cash book are detected.

An inspection of revenue records revealed that the Mission did not prepare bank reconciliation statement for its Visa Accounts, which is contrary to the requirement stated in the above Section.

(h) Misallocation of Expenditure: K6,962,280

Treasury Instructions 2004, Section 4.14.1 states that if the Controlling Officer is satisfied that the provision against a programme/item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application shall be in writing and shall be signed personally by the Controlling Officer.

An inspection of payment vouchers disclosed that expenditure amounting to K1,724,606 for the year 2016/2017 and K5,237,673 for the year 2017/2018 were charged to wrong budget line items.

MALAWI EMBASSY: MAPUTO

42. An audit inspection of the financial and other information for Malawi Embassy in Maputo for the years ended 30th June 2016, 2017, 2018 and period from July to November 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Procurement of Representational Car Without an Approved Budget: K54,533,323.24 (US$ 74,223.95)

Public Finance Management Act, 2003, Section 10 SubSection 1 (f) prohibits subjecting the Government to unbudgeted for expenditure. Section 8 (3) of the Public Procurement Act, 2003 states that one of the functions of the Internal Procurement Committee is to ascertain the availability of funds to pay for each procurement. In addition, Treasury Instructions, 2004, Section 4.14(1) requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates.

In June 2017, the Mission procured a representational car from Leites Toyota, Swaziland at a cost of US$74,223.95 (K54,533,323.24) without a budget.

(b) Engaging and Paying for Security Services Without Contract Agreement

Public Procurement Act, 2003, Section 22(1) states that procuring entities are responsible for the administration of procurement contracts into which they enter, and to that end, procuring entities shall establish procedures for contract administration and provide the necessary material and human resources for their implementation.

However, it was noted that the Mission engaged the services of Strong Security Company for the provision of security services at the chancery without signing a contract with the service provider. A payment for the same was made in August 2018.

(c) Payment Vouchers Without Supporting Documents: K99,819,924.69

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

An inspection of the financial records revealed that payment vouchers amounting to K99,819,924.69 were presented for audit without supporting documents like invoices and receipts. In the absence of the supporting documents it was difficult to ascertain whether the payments were a proper charge against public funds.

(d) Stores Not Accounted For: K7,893,669.03

Treasury Instructions, 2004, Section 11.7, among other things, require that receipts and issues of all stores be recorded in the stores ledger for proper accountability.

An inspection of payment vouchers, delivery notes, invoices disclosed that items valued at K7,893,669.03 were purchased from different suppliers but not entered into a stores ledger. As a result, accountability of the stores items could not be established as to whether goods purchased were delivered and properly utilized by the Mission.

(e) Fuel Not Accounted For: K13,580,024.53

Treasury Instructions, 2004, Section 11.7 among other things, require that receipts and issues of all stores be recorded in the stores ledger for proper accountability.

A review of payments for purchase of fuel revealed that fuel amounting to K13,580,024.53 purchased in the year under review was not recorded in log books. It was, therefore, difficult for the audit team to ascertain the disposal of the fuel.

(f) Payment To An IT Specialist After Expiry Of Contract: K2,606,428.60

The Mission engaged an IT specialist, DP Nhar, to service computers on a monthly basis. The contract stipulated that the Mission would pay him a fixed amount of US$ 350 per month.

An inspection of contract payments revealed that the Mission continued to pay the IT Specialist even after the expiry of the contract in June, 2017. The total amount paid (post contract expiry) was K2, 606,428.60.

(g) Using Defence Attachees Account For Activities Not Related To The Planned Activities: K2,849,358.70

The guidelines for the use of the Defense Attaches funds, as stated in the letter dated 2 June 2015, include among others activities related to gathering of intelligence and any other requirements that the Defence Attaché may consider appropriate for the functioning of his office.

A review of the payment vouchers and bank statements was done for the DAs account and revealed that there were transactions undertaken in the account to a total of K2,849,358.70 while the office was vacant. The office of the Defence Attachee was vacant between 22nd January 2017 and 1st October, 2017.

No authority from the Army Commander was presented authorizing that payments should be made from the account. No further documentation was provided to ascertain if the activities undertaken during this period were planned for as the Office of the DA was still vacant to undertake such activities.

(h) Failure To Transfer Visa Revenue To Government Account No. 1: K16,576,543.23

According to Circular Ref. No. EA/1/3/6/5 the Secretary for Foreign Affairs and International Cooperation suspended the use of funds from revenue accounts in all Malawi Missions abroad with effect from 29th August 2017. It is required that at the end of financial year, all funds remaining in any account must be transferred to Government Account number one.

A review of transactions for the revenue account disclosed that revenue collected amounting to K16,576,543.23 was not transferred to Government Account No. 1.

(i) Revenue Collected But Not Banked And Accounted For: K9,630,128.01 (US$14,800)

Treasury Instructions, 2004, Section 5.7.2(e) stipulates that sound cash management involves among other things collecting revenue when it is due and banking it promptly.

It was noted that revenue receipts amounting to K9,630,128.01 (US$14,800) did not have corresponding deposit slips evidencing the banking of the money.

(j) Cash Received From Passport Application Fees Not Accounted For: K1,591,511.06

Treasury Instructions, 2004 Section 5.6.2 requires the Controlling Officer of a Ministry or Department to manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for identification, collection, safeguarding, recording and reconciliation of information in respect of revenue.

An audit inspection of revenue records in respect of passport applications, renewals and replacements disclosed that the Mission failed to furnish the audit team with records to ascertain accountability of revenue amounting to K1,591,511.06 collected between October 2015 and June 2018.

MALAWI MISSION: KUWAIT

43. An audit inspection of the financial and other information for Malawi Mission in Kuwait for the year ended 30th June, 2018 was completed on 22nd November, 2018. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Delayed Banking Of Revenue: K8,447,964.96

Treasury Instructions, 2004 Section 5.7.2 (e) states that sound cash management involves collecting revenue when it is due and banking it promptly.

A review of revenue collection records from July 2016 to June 2017 including the revenue cash book, bank deposit slips and bank statements revealed that revenue collected from Administrative fee charges and Visa fees amounting to K3,253,871.09 and K5,194,093.87 respectively were not banked promptly.

MALAWI MISSION: NAIROBI

44. An audit inspection of the financial and other information for Malawi Mission in Nairobi for the years ended 30th June, 2016, 2017, 2018 and the period from July to November 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Incomplete Fixed Asset Register

Treasury Instructions 2004, Section 5.9 (b), as read together with Treasury Instruction of 2004 in Section 5.13.1(d) require, among other things, that Controlling Officers should ensure all transactions are recorded in a primary Government record or ledger, either within the records held by a Ministry with the approval of the Secretary to the Treasury and summarized in the ledgers held by the Ministry of Finance, or in a record maintained by the Ministry of Finance; and that adequate internal controls exist within the entity such that revenue, expenditure, assets and liabilities are properly recorded and accounted for.

In addition, Government Circular Ref. No. CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that all Controlling Officers shall maintain an asset register for all fixed assets purchased using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.

A review of the Fixed Asset Register revealed that some assets such as a gen set, air conditioner, Chancery, Club House and the Residence did not have monetary values.

(b) Payment To Suppliers In The Name Of Staff: K9,436,091.00

Treasury Instructions, 2004 Section 5.19.3 stipulates that wherever possible payments for all vouchers must be made by cheques or direct debit. The payment is supposed to be paid direct to the supplier. The instruction is further corroborated with Circular Ref. No. EA/1/4/82 dated 30th April, 2008 where missions are advised to refrain from making cash transactions for procurement of goods and services.

An inspection of payment vouchers amounting to K9,436,091.00 for the period under review revealed that payment for goods and services were mostly done by cash to service providers in the name of staff. Cash imprest was drawn and used to pay for goods and services.

(c) Stalled Renovations At High Commissioner's Residence

On 7th March, 2018, the High Commissioner had a meeting with the PS and other Ministry of Foreign Affairs officials, where it was reported that the mission had agreed to start renovations at the residence using the quarterly rental fees on the understanding that the High Commissioner would occupy it. The residence had become inhabitable due to the long period it stayed without being occupied after the closure of the mission.

Due to security reasons, (armed burglary) the High Commissioner moved out to an apartment of lower class not befitting her status. The renovations at the residence, halted as the quarterly rentals are now paying for the apartment.

(d) Issue Of Visa Books Without Signature In The Security Document Register

Security documents should be kept under lock and key, and when they are being issued, should be signed for by the officer receiving them. Visa books are one of the security documents requiring the necessary strict custody and issuance security.

A review of the security documents management (VISA) revealed that despite the strict measures in place e.g. recording and securing under lock and key, five visa books were issued to 3rd Secretary (Immigration) without signing for them in the security document register.

MALAWI MISSION: NEW YORK

45. An audit inspection of the financial and other information for Malawi Mission in New York for the year ended 30 June 2018 was completed on 22nd

November, 2018. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Over-Expenditure of PE and ORT Transactions: K389,952,445.88

Treasury Instructions, 2004 Section 4.13.2.1 and 4.12.2.2 stipulates that every Controlling Officer shall submit to the Secretary to the Treasury a cash flow, which shall form the basis for funding. The cash flow shall be revised during the course of the year in the light of developments during budget execution. Unless otherwise indicated in the notes in the approved estimates, every Controlling Officer shall ensure that expenditure is in accordance with budgetary provisions, and that there are no over-expenditures.

An inspection of payment vouchers for Personal Emoluments (PE) and Other Recurrent Transactions (ORT) for the period under review revealed that PE and ORT were overspent by K389,952,445.88 contrary to the above quoted instruction. The audit failed to establish the justification of over spent funds.

(b) Use Of Development Funds For ORT Activities Without Treasury Authority: K85,262,876.64

Good financial general practice does not allow withdraw of funds for activities not related to the nature of purpose of the bank account.

Contrary to the above quoted instruction, the Mission used development funds amounting to K85,262,876.64 which was the balance from the procurement of the Mission's office suite 486 in 866 UN Plaza for ORT activities between June and September 2018 without Treasury Approval.

(c) Stores Ledger Not Produced For Audit Examination: K10,991,783.16

Public Audit Act, 2003 Section 7(1) (a) 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.

It was noted during the audit that the Mission failed to provide the stores ledger relating to stores items purchased during the period under review amounting to K372,919.65 purchased on 4th November, 2016 and K10,618,863.51 purchased between 8th August, and November 2016. Consequently, the accountability of how the mission disposed of these stores items could not be determined.

(d) Payments To Staff On Behalf Of Suppliers: K 11,397,308.15

Treasury Instructions, 2004 Section 5.19.3 stipulates that wherever possible payments for all vouchers must be made by cheques or direct debit. The payment is supposed to be paid direct to the supplier. The instruction is further corroborated with Circular Ref. No. EA/1/4/82 dated 30th April, 2008 where missions are advised to refrain from making cash transactions for procurement of goods and services.

An inspection of payment vouchers for the financial years ended 30th June, 2016, 2017, and 2018 revealed that payments amounting to K11,397,308.15 were paid to the Mission staff to pay suppliers of various goods and services instead of paying directly to the suppliers either by Cheque or direct debit.

(e) Procurements Not Approved By The IPDC: K 1,853,481.01

The Public Procurement and Disposal of Asset Act, 2017 Section 26 (b) stipulates that IPDC shall approve methods of procurement and disposal to be used in each case.

An inspection of payment vouchers and procurement records revealed that on 20th July and 30th August, 2017, the Mission procured services and stationery totaling K1,853,481.01 without IPDC approval. Consequently, it was difficult to ascertain whether value for money was achieved when making these procurements.

(f) Misallocation Of Expenditure: K11,808,810.16

Treasury Instructions, 2004 Section 4.14.1 stipulates that if the Controlling Officer is satisfied that the provision against a program/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a program/item within the same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

However, the Mission used funds meant for one item for unrelated item without Treasury authority. The funds that were misallocated amounted to K11,808,810.16.

(g) Overpayment of Rental Fees' Costs to Staff: K6,667,813.71

Circular Reference Number EA/1/3/33 dated 29th February, 2016 from the Secretary of Foreign Affairs and International Cooperation to all heads of Malawi Missions abroad stipulates a change in rental policy. It further states that cash will be paid to diplomats to pay rent instead of the Government paying for them. Rates of rent allowances for diplomats working for the Malawi Permanent Representative to the UN in New York City shall be $3,500, $2,700 and $2,500 for the Deputy Representative to the UN, Counsellor and all attachés, and other diplomats respectively. Later on, the Ministry of foreign affairs gave authority to the deputy representative to receive $4,000.00 rent allowances according to a letter ref number EA/PF/D/28/18.

An inspection of payment vouchers for 24th June, 2016 and the period between July 2016 and June 2017 revealed that the Mission paid K28,603,682.51 instead of K21,935,868.80. Therefore, there was an over payment of rent by K6,667,813.71 because the Mission was paying officers' rent allowances at higher rates than the ones shown in the above quoted circular and letter.

MALAWI MISSION: PRETORIA

46. An audit inspection of the financial and other information for Malawi Mission in Pretoria for the years ended 30th June 2017, 2018 and period from July to November 2018 was completed in November 2018. The weaknesses are presented from paragraph (a) below.

(a) Under Deduction Of Utilities From Members Of Staff: K4,813,083.02

Circular Ref. No. EA/1/4/82 dated 30th April 2008 titled "Operational Guidelines on Expenditure Control Measures" requires all diplomats to contribute 40% and Malawi Government to contribute 60% towards water and electricity.

An inspection of payment vouchers and utility bills disclosed that the diplomats were contributing less than the required amount on water and electricity since they had a standard rate of contribution resulting into huge under contributions. The total under-contribution on utility bills for the two financial years was K4,813,083.02. This was also raised in our previous audit report of May 2016 but it seems no action has been taken since the situation on the ground has not changed.

(b) Receipted Payment Vouchers For External Travel Allowances Not Produced For Audit: K2,463,561.70

Public Audit Act, 2003, Section 7.1 (a) 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 inspection of payment vouchers revealed that the Mission made payments "for staff" in respect of external travel allowances amounting to K2, 463,561.70 for the years ended 30th June 2016 and 2017. The cashier did not produce any document where the recipients signed for the money. As such it was difficult to ascertain the accountability of the money.

(c) Payments Vouchers Without Supporting Documents: K5,546,836.87

Treasury Instructions, 2004, Section 5.9 (a) states that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit Office.

Contrary to the above quoted instruction, it was observed that payment vouchers amounting to K5,546,836.87 for the years ended 30th June, 2017 and 2018 had no supporting documents as at the time of audit. As such, the audit team failed to ascertain the validity of the related expenditure.

(d) Fuel Not Accounted For: K9,770, 517.48

Treasury Instructions, 2004, Section 11.7, among other things, 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 inspection of payment vouchers and fuel registers revealed that fuel amounting to K9,770,517.48 purchased during the three financial years was not entered in the motor vehicle log books. It was, therefore, difficult to ascertain the disposal of the fuel.

(e) Procurement Of Carpets Above Threshold: K14,254,159.70

The Public Procurement and Disposal of Assets Act (PPDA), 2016, Section 6.1 sets procurement threshold to enable procurement entities procure services, works and goods without its involvement. The threshold are periodically reviewed to be in line with economic realities, and all procurement entities are supposed to abide by the threshold when making procurements.

An inspection of procurement records disclosed that the Mission purchased carpets worth K14,254,159.70 above their procurement threshold and from a single source without the involvement of PPDA yet their procurement threshold was K10 million.

(f) Stores Not Accounted For: K5,255,544.38

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

An inspection of payment vouchers, delivery notes, invoices and stores ledgers disclosed that items valued at K5,255,544.38 for the years ended 30th June, 2017 and 2018 were not recorded in the stores ledger. As such, it was difficult to confirm whether goods purchased were delivered and properly utilized by the Mission.

(g) Failure To Conclude Sale Agreement On The Malawi Properties In Namibia With Democratic Republic Of Congo (DRC)

In the year 2005 the Malawi Government closed its Mission in Namibia, and the five properties were offered for sale. Out of the five (5) properties, three (3) were sold out. The two (2) remaining properties namely; 56 Bismark Street and 27 Papageien Road valued at US$429,943.00 and US$209,802.10 respectively were at that time occupied by the Embassy of the Democratic Republic of Congo.

It was also reported that DRC had expressed interest to purchase the two properties when the properties were offered for sale and to that effect made deposits amounting to N$2,935,000.00 (K112,322,450.00) towards the purchase of the properties.

When the DRC Mission was making the above payments towards the purchase of the properties, it stopped paying the rentals. Management of the Mission in Pretoria decided to cancel the sale process because DRC purportedly failed to meet all conditions for the sale to be effective and further decided to treat the amount paid for purchase of property as rental arrears. As a result, as at 30th June, 2014 tenant's account balance was N$1, 098, 220 (K42,028,879.40 prepayment) and as May, 2016 the balance was N$458,130.00 (K17, 532, 635.10 prepayment).

At the time of writing this report the issue had not yet been resolved with DRC.

MALAWI MISSION: WASHINGTON DC

47. An audit inspection of the financial and other information for Malawi Mission in Washington DC for the years ended 30th June, 2016, 2017, 2018 and period from July 2018 to November 2018 was completed in November, 2018. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Management of Government Properties In Ottawa, Canada

Malawi Government owns two (2) properties in Ottawa, Canada. These properties were part of the six (6) properties used by the Malawi High Commission in Canada, prior to the High Commission being closed in 2004 and subsequent sale of four (4) properties. The Malawi Embassy in Washington DC is responsible for the management of the remaining two properties.

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

An examination of files, reports and transactions for the period under audit relating to the two (2) properties revealed the following:

i. Accumulation Of Debt: US$707,274.89

It was noted that house number 240 on Coltrine road in Rockcliffe (former Official Residence) has been vacant since the mission was closed in 2004 and requires major maintenance for it to be rented out. Despite being vacant, the house incurs expenses in form of taxes and property management fees. House number 1850 on Camborne Road was rented out at 4,000 Canadian Dollars (3,080 US$) per month but it was also accumulating expenses in form of insurance, taxes and property management fees. As at the time of the audit the total expenses accumulated amounted to US$707,274.89. It should be noted that these properties are no longer classified as diplomatic properties since the closure of the embassy. They are treated as commercial properties in Canada. Looking at the expenses the properties are incurring and the income being generated, it is very clear that Government of Malawi is losing on this investment.

ii. Lack Of A Clear Policy Direction On How To Deal With The Properties

An inspection of reports and communication between the Embassy Officials and Ministry Officials revealed that since the sale of the four properties in Canada, there have been no clear policy direction on how to deal with the remaining two properties.

(b) Over Payment Of Rentals To Diplomats: K21,297,243.30 (US$29,000)

Circular reference number BA/1/3/33 dated 29th February, 2016 states that the rentals and school fees should be paid in cash. These rates are lower than those which the diplomats were entitled to when direct payment to the landlords was being done. The idea was to reduce on rentals since it was established that it was expensive and less negotiable when Government was dealing with the Landlords direct.

An inspection of payment vouchers in respect of rentals disclosed that diplomats were being paid rentals using the old rates instead of the revised ones. Consequently, there was an over payment of K21,297,243.30 (US$29,000) to Diplomats.

(c) Misallocation Of Expenditures: K2,117,667.84

Treasury Instructions, 2004 Section 4.14.1 stipulates that if the Controlling Officer is satisfied that the provision against a program/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a program/item within the same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

An inspection of payment vouchers disclosed that expenditure amounting to K2,117,667.84 was charged to wrong budget lines.

(d) Use Of Visa And Passport Fees Account For Other Activities Without Authority: US$214,526.25

Circular Ref. No. EA/1/3/6/5 dated 27th August, 2017 on use of revenue accounts in Malawi Missions abroad suspended the use of revenue from Revenue Accounts in all Missions. It further stated that treasury will not grant authority for any Mission to use revenue from VISA or any other deposit account to finance Mission activities.

Contrary to the Circular referred above, a review of bank statements against other revenue and expenditure records disclosed that the mission used US$214,526.25 from VISA account for ORT activities, personal emoluments, insurance, and loans.

(e) Payments To Staff On Behalf Of Suppliers: K4,534,536.69 (US$6,170.58)

Treasury Instructions, 2004, Section 5.19.3 stipulates that wherever possible payments for all vouchers must be made by cheques or direct debit. The payment is supposed to be paid direct to the supplier. The instruction is further corroborated with Circular Ref. No. EA/1/4/82 dated 30th April, 2008 where missions are advised to refrain from making cash transactions for procurement of goods and services.

An inspection of payment vouchers for the period under review revealed that payments amounting to K4,534,536.69 equivalent to USD6,170.58 were paid to suppliers through cheques drawn in the name of staff.

(f) Failure To Maintain A Proper Advance Register And Advances Card

Accountant General's Desk Instructions, 2007 number 9 outlines procedures on how Government entities should account for advances. The accounting for advances has the following objectives: (i) To ensure that all advance transaction are correctly reflected in the National Accounts (ii) To enable the Treasury to restrict advances outstanding within the limits imposed by Parliament. (iii) To ensure that individual accounts of advances paid are correctly maintained and recoveries are effected without delay.

An inspection of personnel files, payment vouchers and other related records from July 2015 to November 2018 revealed that the Embassy did not maintain a proper advance register and advances cards in personnel files. The record that was maintained did not contain dates of advances, reference to payment vouchers, authority for the advances and terms of repayments making it difficult to ascertain the transparency and accountability of the advances granted to officers. The Embassy paid advances amounting to US$80,517.42 during the period under review.

(g) Paying Personal Advances From Revenue Account: US$80,517.42

Treasury Instructions, Section 5.4.1.1 stipulates that no salary advance may be made except from an advances account. Applications for authority to open an advance account should be addressed in writing to the Secretary to the Treasury.

Contrary to the above requirement, the embassy paid out advances to members of staff amounting to US$80,517.42 from revenue account.

MINISTRY OF FINANCE, ECONOMIC PLANNING AND DEVELOPMENT

MALAWI FLOODS EMERGENCY RECOVERY PROJECT (MFERP)

48. An audit of the Malawi Flood Emergency Recovery Project (MFERP) Financial Statements for the period ended 30th June, 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Borehole Drilled But Not Working At Chikazinga In Rumphi District: K4,605,500.00

The project entered into a contract in the sum K4,605,500.00 with Water Tech Drilling Contractors to drill a borehole at Chikazinga in Rumphi District. The contract duration was between 17th May, 2017 and 18th July, 2017.

Physical verification revealed that the bore hole was not functional. It was also noted from interviews with the beneficiaries of the project that the borehole only worked for less than two weeks after commissioning.

(b) Abandonment Of Construction Works At Chingoli Primary School: K243,044,542.50

The Project entered into a contract with Ever Fresh Investments for construction of Chingoli Primary School in Mulanje District at a contract sum of K243,044,542.50.

General Conditions of Contract (GCC) 1.1 stipulate that the intended completion period for the whole works shall be a maximum of 90 days from date of commencement. The contract agreement was signed on 9th April, 2019 and commencement date was 24th April, 2019 with estimated completion date of 25th July, 2019.

A physical project verification in September, 2019 and review of the project documentation revealed the following:

- Contractor requested for extension of contract period on 24th June, 2019 and the extension was granted on 2nd July, 2019. The extension was granted for 70 calendar days and that the handover date shall be 17th September, 2019.

- Works were incomplete as at September, 2019 and the contractor was not on site

- There was no evidence that the contractor was to work beyond the revised project period.

MALAWI DROUGHT RECOVERY AND RESILIENCE PROJECT (MDRRP)

49. An audit of the Malawi Drought Recovery and Resilience Project (MDRRP) Financial Statements for the period ended 30th June, 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Abandonment Of Construction Works At Phandiro Irrigation Scheme: K1,020,434,293.89

The project entered into a contract with TAHIT NETWORKS for a sum of K1,020,434,293.89 for the rehabilitation of Kwisa, Zumulu and Phandiro Irrigation Schemes in Machinga District. The contract was for 10 months from 30th April, 2018 to 23rd February 2019.

A physical project verification on 2nd November, 2019 brought to light the following:

- The Contractor abandoned digging a trench that was designed to control natural water from flooding the scheme as depicted in picture 1;

- There is a lot of water seepage in tertiary canals as only five meters of the canal was plastered; and

- The weir was designed to have a mortar for pumping water however it was noted that the mortar is not secured as it is in an open space without fencing.

(b) Sub-Optimal Boreholes In Ntchisi: K77,007,300.00

The project entered into a contract in the sum of K77,007,300.00 with GIMM Water Expert for the drilling of 12 boreholes in Ntchisi and 10 boreholes in Nkhotakota district. General Conditions of Contract (GCC) 1.1 stipulated defects liability period to run for 365 days.

Documentation review and visits to Ntondo village in TA Kalumo and Kansonga in TA Malenga revealed that there were no formal site hand overs to the users. From the inscription on the borehole slabs, it was indicated that Ntondo borehole was commissioned on 13th February, 2019 while Kansonga borehole was commissioned on 1st June, 2019. It was however, observed that it was too hard to pump water mainly due to the following reasons:

- The plunger was pumping water in the rising mains instead of pumping water right in the cylinder, which has glassy appearance allowing free movement of the plunger;
- Rod centralizers were worn out resulting in excessive friction between the pump rod joints and the rising mains;
- There was a space between the foot valve and plunger and this makes a quick down movement of the handle;
- The rising mains were not straight which hampers up and down movement of the handle; and
- Poor timing of the length of handle and the number of pump rods.

(c) Abandonment Of And Sub-standard Borehole Construction Works: US$858,433.38

The project entered into a contract in the sum of US$858,433.38 with FISD Ltd for drilling of high yielding boreholes including siting and development; transmission pipe lines and solar sets in Ntchisi, Mchinji, Nkhotakota and Madisi under lot 1. General Conditions of Contract (GCC) 1.1 stipulates that the intended completion for the whole works shall be maximum of 150 days from date of commencement. The contract agreement was signed on 5th December, 2017 and commencement date was 20th April, 2018, with estimated completion date of 24th May, 2018.

A physical project verification in Ntchisi in October, 2019 and a review of the project documentation revealed the following:

- Two boreholes were drilled one meeting the standard measure of 5 litres per second and one below the standard just about 2.5 litres per second;
- Replacement borehole for the below standard borehole has not yet been drilled;
- Boreholes pumps were not installed, pipe work and solar set were also not installed; and

The Contractor was not on site and the project was abandoned.

THE ACCOUNTANT GENERAL'S DEPARTMENT

50. An audit of the financial statements of the Accountant General's Department for the financial year ended 30th June, 2019 was completed in October, 2019. The audit disclosed weaknesses in financial and internal controls. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below after the overall performance on the recurrent budget as well as the opinion on the financial statements of the Department.

Recurrent Budget Overall Performance

In 2018/19 financial year the Department was allocated an approved budget of K8,511,925,000 and revised downwards to K5,962,909,989. In the same financial year, the Department made payments amounting to K5,962,909,989 representing 100% utilization of the revised budget.

Development Budget Overall Performance

The Department's approved budget was pegged at K5,110,000,000 and revised to K4,468,083,552 with the actual expenditure of K4,468,083,552 resulting in 100% utilization of budget.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Accountant General's Department for the year ended 30th June, 2019.

(a) Non-reconciliation of IFMIS Supplier List and PPDA Supplier list

An enquiry from the authorities of Accountant General revealed that the Public Procurement and Disposal Authority does not have access to IFMIS so that they can review or reconcile IFMIS's suppliers list of respective MDA's including AGD against their database. The risk of this lapse in control is that bogus suppliers might be inserted and maintained in the system leading to fraudulent transactions. Further, suppliers who fail to renew their registration with PPDA may still appear in the IFMIS database.

(b) Interbank Transfers Without Supporting Documentation: K3,722,346,889.03

Treasury instructions 2004, Section 5.9 (a) states 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 staff.

A review of bank transfers and payment vouchers for the purchase of new IFMIS system revealed that payments amounting to K3,722,346,889.03 did not have supporting documents. Consequently, the auditors failed to validate authenticity of the transactions.

(c) Failure To Produce Procurement Records For Audit Inspection: K3,903,294,365.72

Public Audit Act, Section 7 (1) (a) of 2003 empowers the Auditor General or any 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. Likewise, Treasury Instruction (2013) Section 5.15.1 states 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.

The documentation not provided included the following:

- Specification as to the number of lots contract split in
- Method of procurement. For single-source contracts, letter of no-objection from ODPP

- Publication for Invitation to Bid in national/international paper
- Original Bidding document
- Minutes of pre-bid meeting
- Tender opening document - Information read out
- Tender opening document - signed document of witnesses / list of attendance
- Original bid submissions for all winning and losing suppliers
- Internal Procurement Committee minutes
- Bid Evaluation Report (BER)
- Letter of no-objection issued by OPPB/EIB
- Letter of no-objection issued by EIB
- Correspondence from suppliers to accept contract
- Publication of award of contract document
- Covenant of Integrity
- Signed contracts
- Performance bank guarantee / security
- Correspondence with regards to contract amendments

PENSIONS SECTION

(d) Suspicious Long Standing Pensioners: K590,766,657.28

An analysis of the pension number pattern for the month of June 2019 (both bank and warrant) revealed that some pensioners retired over 60 years ago. For example, four (4) pensioners seem to have retired in 1957. As such, the audit team has not been able to validate authenticity of this issue. There are 2325 flagged transactions ranging from 1957 to 1999 with suspected long standing pensioners.

(e) Failure To Indicate Basis Of Pension Amounts On The Payroll

A review of the pension payroll for the year ended 30th June, 2019 (both bank and warrant) revealed that pension payroll had no basis on which the monthly pension amount for each pensioner could be referenced on. As such, the audit team could not authenticate the amounts paid to individual pensioners.

(f) Names Of Retirees Not Traced From HRMIS Master File

Matching the data on the change sheet and HRIMS master file (for both active and deleted employees) using an employee number as the key value revealed that a total of 27 retirees for the year ended 30th June, 2019 could not be traced.

MINISTRY OF HEALTH AND POPULATION

51. An audit of inspection of the financial and other information of the Ministry of Health for the period ended 30th June, 2019 was completed in November, 2019. The audit disclosed some weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Fuel Records Not Produced For Audit Inspection: K61,722,238.21

Public Audit Act, 2003 Section 7 (1) (a) stipulates that in terms of the Auditor General and his staff shall at all times be entitled to have access to all books, records, or returns relating to accounts, and all Controlling Officers shall give them every facility for inspecting such documents.

Contrary to the above instruction, the Ministry failed to produce fuel receipts and liquidation reports for fuel amounting to K61,722,238.21 for audit inspection. Consequently, the accountability of fuel in question could not be verified and accounted for. Out of the amount of fuel in question, fuel amounting to K57,892,993.71 was for the Ministry Headquarters and K3,829,244.50 was for Kamuzu Central Hospital.

(b) Payment Vouchers Not Produced For Audit Inspection: K25,608,300.91

Public Audit Act, 2003 Section 7 (1) (a) empowers the Auditor General or any 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. Likewise, Treasury Instruction (2013) Section 5.15.1 states 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 inspection of financial records revealed that payment vouchers amounting to K25,608,300.91 were not produced for audit inspection. Therefore, the audit team was not able to ascertain the authenticity and propriety of the payments made.

(c) Payment Vouchers Without Supporting Documents: K6,038,829

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

An inspection of financial records revealed that payment vouchers amounting to K6,038,829 were not supported with receipts, invoices and local purchase orders. In the absence of the supporting documents, it was difficult to ascertain the validity of the expenditure incurred.

(d) Stores Not Accounted For: K128,915,153.52

Treasury Instructions 2004, Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger.

An inspection of stores records for the Ministry under Development expenditure revealed that stores items worth K128,915,153.52 purchased during the year under review were not recorded in the stores ledger. Therefore, it was difficult ascertain the accountability of stores items purchased.

(e) Failure To Liquidate Funds Transfer For Referral Medical Cases Abroad: K645,849,971.57

Treasury Instructions, 2004 Section 5.15.1 States that Controlling Officers shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible.

An inspection of payment vouchers revealed that payments amounting to K645,849,971.57 in relation to funds transfers made for medical referral cases abroad were not supported by liquidation documents. Therefore, it was difficult to ascertain whether the expenditures were made for the intended purpose.

(f) Failure To Implement Construction Projects

Public Procurement and Disposal of Public Assets Act, 2016, Section 51 (1) states that a procuring and disposing entity shall be responsible for the administration of procurement contracts into which they enter, and to that end, they shall establish procedures for contract administration and provide the necessary material and human resources for their implementation.

An inspection of procurement records relating to construction of a fence at Ntcheu DHO, Ngolongoliwa Health Centre (Thyolo), Scan Building at Mzuzu Central Hospital (Mzuzu) and office/ward block and theatre at Phalombe District Health Centre (Phalombe) revealed that the Ministry of Health and Population failed to provide financial resources for the implementation of the stated projects.

(g) Housing Allowances Paid To Staff Under Malawi Against Physical Disabilities (MAP): K56,311,240.00

Government through circular letters reference numbers HRM/PA/04/3 and MH/CHS/17C dated 12th April, 2006 and 25th April, 2006 respectively, directed with effect from 1st July, 2006, not to pay for housing accommodation to its public servants including medical doctors.

An inspection of payment vouchers and salary documents for MAP officers revealed that the Ministry paid housing allowances amounting to K56,311,240.00 for officers working for MAP for a period of 7 months in the financial year ended 30 June, 2019. Therefore, the payment of these allowances contravened the requirement stated above.

(h) Funds Sub Vented To Organizations Without Memorandum Of Understanding (MOU)

Public Audit Act, 2003, Section 7 (a) states that the Auditor General shall have full access at all reasonable times to all documents, books, and accounts, public funds and securities and to any place where they are kept.

An inspection of records in respect of NTHUO and MAP disclosed that funds were sub-vented to organizations named above without Memorandum of Understanding (MOU). Therefore, it was difficult for the audit team to establish the relationship and other important agreements between NTHUO/MAP and the Ministry of Health and Population.

MALAWI COLLEGE OF MEDICINE AFRICA CENTRE OF EXCELLENCE IN PUBLIC HEALTH AND HERBAL MEDICINE (ACEPHEM)

52. An audit of the financial and other information for Malawi College of Medicine Centre of Excellence in Public Health and Herbal Medicine (ACEPHEM) for the period ended 30th June, 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below.

(a) Fuel Not Accounted For: K4,169,574.43

Treasury Instructions, 2004 Section 11.7 among other things, require that receipts and issues of all stores be recorded in the stores ledger for proper accountability.

A review of payment vouchers disclosed that fuel amounting to K4,169,574.43 was recouped but could neither be traced in the fuel register nor supported with receipts or reports from the officers concerned to show how the fuel was used.

(b) Cost Over-run On Rehabilitation Of Chipatala Avenue House Number 3: K2,232,538.06

The bid evaluation report for the rehabilitation of Chipatala Avenue house number 3, stated that the contract be awarded to Kuwala Building and Civil Contractors at a contract sum of K7,623,087.05.

However, an inspection of payment vouchers revealed that Kuwala Building and Civil Contractors were paid a sum of K9,855,625.11 resulting in a cost overrun of K2,232,538.06.

(c) Failure To Comply With Contractual Terms on Rehabilitation of Chipatala Avenue House Number 3: K9,855,625.11

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

An inspection of the contract file for the rehabilitation of Chipatala Avenue House Number 3 revealed that the maintenance works were done on House Number 2 instead of House Number 3. The team was not provided with any evidence and/or justification for the change of scope of work. Total amount of funds spent on the rehabilitation was K9, 855,625.

MINISTRY OF GENDER, CHILDREN, DISABILITY AND SOCIAL WELFARE

53. An audit inspection of the financial and other information of the Ministry of Gender, Children, Disability and social Welfare for the year ended 30th June, 2019 was completed in October, 2019. The audit disclosed some weaknesses in financial control. These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent budget as well as the opinion on the financial Statements of the Ministry.

Overall Performance for Other Recurrent Transaction (ORT)

This was budgeted at K4,367,385,550 and revised downwards to K3,139,782,581, funds allocated was K3,854,712,079. However, the actual out-turn was K3,810,536,186 representing 98.98% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Statement of Receipts and Payments for the Ministry of Gender, Children, Disability and Social Welfare for the year ended 30th June, 2019. Some of the observations that form part of the basis of opinion are highlighted below;

(a) Payment Vouchers Not Presented For Audit Inspection: K 11,901,880.70

Public Audit Act, 2003, Section 7 (1) (a) 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 inspection of financial records for the period under review revealed payment vouchers amounting to K11,901,880.70 were not produced for audit inspection. Consequently, it was difficult to determine the accountability of funds processed and passed for payment.

(b) Stores Not Accounted For: K29,130,428.34

Treasury Instructions 2004, Section 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, stores ledger and other related documents revealed that stores items for ORT and Development worth K29,130,428.34 were not recorded in the stores ledger. Therefore, the accountability of the stores could not be ascertained.

MINISTRY OF INFORMATION, CIVIC EDUCATION AND COMMUNICATION TECHNOLOGY

54. An audit of the financial statements of the Ministry of Information, Civic Education, and Communication Technology for the year ended 30th June, 2019 was completed in November, 2019.The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Ministry.

Overall Performance For Other Recurrent Transaction (ORT)

The approved recurrent budget was K2,417,726,656 and revised to K3,101,364,324.58 the actual out-turn for recurrent budget was K3,074,106,221.56 representing 99% of revised budget utilization.

Overall Performance For Development Expenditure

The approved development budget was K3,097,500,000 and was revised to K11,205,318,043.50 with budget utilization of K5,506,994,908.67 representing 49% of revised budget utilization while 2017/2018 was K746,057,497.17

Audit Opinion

I issued a qualified audit opinion on the Statement of Receipts and Payments for the Ministry of Information, Civic Education and Communication Technology for the year ended 30th June, 2019. Some of the observations that form part of the basis of opinion are highlighted below;

(a) Failure To Produce Payment Vouchers For Audit Inspection: K40,833,878.84

Public Audit Act, 2003 Section 7 (1) (a) 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 inspection of financial records for the period under review revealed payment vouchers amounting to K40,833,878.84 were not produced for audit inspection. Consequently, it was difficult to determine the accountability of funds processed and passed for payment.

(b) Payment Vouchers Without Supporting Documents: K15,524,390.00

Treasury Instructions, 2004 Section 5.16.1 require that payment vouchers must be fully supported by relevant documents such as invoices, memos, and loose minutes among others. In addition, Treasury Instruction, 2004 Section 5.9 (a), states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff.

An inspection of payment vouchers for the period under review revealed that payment vouchers amounting to K15,524,390.00 did not have supporting documents such as quotations, invoices, receipts and loose minutes. In the absence of the supporting documents it was difficult to ascertain whether the payments were a proper charge against public funds.

(c) Fuel Not Accounted For: K10,299,812.00

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

An inspection of payment vouchers, loose minutes, itemized reports and expenditure statement by cost centre revealed that fuel worth K10,299,812.00 was not entered in the fuel register. Therefore, it was difficult to ascertain the disposal of fuel in the absence of accountability records.

(d) Stores Items Not Accounted For: K32,038,691.50

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

An inspection of payment vouchers, stores ledger and other related documents revealed that stores items for ORT and Development worth K32,038,691.50 were not recorded in the stores ledger. Consequently, the accountability of stores could not be ascertained.

(e) Telephone Units Not Accounted For: K6,518,292.47

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

An inspection of payment vouchers, invoices, and airtime ledgers disclosed that airtime worth K6,518,292.47 were not recorded in the airtime ledgers. Consequently, the accountability of airtime in question could not be ascertained.

2017/2018

(a) Misallocation Of Expenditure: K27,139,103.34

Treasury Instructions 2004, Section 4.14(1) states that specific approval is required before any allocations can be vired or transferred between outputs. The PFM Act authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/ item under a Head/Vote of expenditure, or to create a new programme/item if the amount appropriated under the Head/Vote is not exceeded. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

An inspection of payment vouchers and expenditure statement by cost centre revealed that funds amounting to K27,139,103.34 were charged to wrong budget lines.

(b) Failure To Claim Compensation For The Stolen Motor Vehicle From Reunion Insurance Company Limited: K23,000,000.00

Treasury Instructions 2004, Section 5.13.1 (f) states that all assets must be safeguarded against loss or destruction, and unauthorized use.

An inspection of motor vehicle files, loose minutes and management reports revealed that motor vehicle registration number MG 748 AF, Toyota Hilux Double Cabin which was purchased in 2012 at K23,000,000.00 was stolen at a gun point robbery on 21st October,2014. The vehicle was insured with Reunion Insurance Company and it was under a comprehensive insurance policy. However, the E- Government department has not claimed compensation from Reunion Insurance Company five years after the incident. This is in contravention to the Section stated above.

(c) Misallocation And Funds Not Accounted For: K3,283,775.00.

Treasury Instructions 2004, Section 4.14(1) states that specific approval is required before any allocations can be vired or transferred between outputs. The PFM Act authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/ item under a Head/Vote of expenditure, or to create a new programme/item if the amount appropriated under the Head/Vote is not exceeded. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

An inspection of payment vouchers, loose minutes and management reports revealed that the Directorate of Information was given a grant to implement an HIV and AIDS Prevention and Behaviour Change Multimedia Interventions Project under the Grant agreement number NAC/GMU/C/0516. The project was approved in 2014/2015 financial year and the budget was K27,077,066.00.

In November 2014, NAC released the first funding of the project amounting to K3,283,775.00. It was however, noted that the project accountant failed to account for the funds and NAC demanded refund of the same. In May and June, 2018, the Directorate of Information refunded the money to NAC by charging purchase of property, plant and equipment, Stationery, Insurance expenses and internal training without seeking prior approval from Treasury to vire funds. It was further noted that management did not ask the responsible officers to pay back the money or take disciplinary action against them before resorting to refunding NAC using ORT funds. This contravened the Treasury Instructions above.

(d) Fuel Not Accounted For: K7,300,821.38

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

An inspection of payment vouchers, loose minutes, itemized reports and expenditure statement by cost centre revealed that fuel worth K 18,924,834.99 was not recorded in the fuel register. It was, therefore, difficult to ascertain the disposal of the fuel in the absence of accountability records.

(e) Stores Not Accounted For: K9,939,922.66

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

An inspection of payment vouchers, stores ledger and other related documents revealed that stores items for ORT and Development worth K9,939,922.66 were not recorded in the stores ledger. Consequently, the accountability of the stores could not be ascertained by the inspecting auditors.

(f) Telephone Units Not Accounted For: K7,251,500.00

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

An inspection of payment vouchers, invoices, and airtime ledgers disclosed that the airtime worth K7,251,500.00 was not recorded in the airtime ledger. Consequently, it was difficult to ascertain the accountability of the same.

(g) Failure To Terminate Or Renew Expired Contracts: K14,241,816.68

Sound Public procurement management principles require that all public procurement proceedings should be conducted in a manner which promotes transparency, accountability, non- public discrimination, fairness, open competition, anonymity, economy, efficiency and responsiveness to modern information and communications technology.

An inspection of payment vouchers, IPDA minutes, loose minutes and contracts revealed that the department of E-Government entered into a contract with Mtsata Security Knights, Greenspace Landscapers & Contractors, Kusala Enterprises and Reunion Insurance Company limited to provide security, landscaping, cleaning and provision of motor vehicle insurance services respectively. The first 3 contracts were supposed to run for one year, thus, from 20/08/2016 to 20/08/2017 and the fourth one from 01/07/2016 to 30/06/2017. However, the first three contracts ran from 20/08/2016 to 20/10/2018 (2 years and 2 months) and the last one from 01/07/2016 to 30/06/2018 (2 years) without being renewed or terminated. The IPDA minutes further revealed that these contracts were just renewed in 2016/2017 without opening up the contracts for tendering. This contravened the provisions as stated above.

MZUZU DISTRICT EDUCATION MANAGER

55. An audit of the financial and other information of Mzuzu District Education Manager for the year ended 30th June, 2018 was completed on 4th January, 2019.The audit disclosed weaknesses in financial and internal controls. The weakness is presented in paragraph (a) below.

(a) Payment of Allowances Without Activity Reports: K59,395,000.00

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

An inspection of payment vouchers for subsistence allowances disclosed that Education Division Manager- North between 31st July 2017 and 30th June 2018 paid officers' subsistence allowances amounting to K59,395,000.00 on activities which did not have any report. It was therefore, difficult for the team to ascertain the occurrence of such activities.

MINISTRY OF TRANSPORT AND PUBLIC WORKS

56. An audit of the financial statements and other information of Ministry of Transport and Public Works for the year ended 30th June, 2019 was completed in November, 2019.The audit disclosed weaknesses in financial and internal controls. The weakness is presented in paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Opinion on the financial Statements of the Ministry.

Overall Performance for Other Recurrent Transaction (ORT)

This was budgeted at K4,686,635,383 and revised to K4,415,242,327. The actual out-turn was K4,376,523,437.54. This represents 99% of the revised budget utilization.

Overall performance for development Expenditure

This was budgeted at K2,900,000,000 and revised to K2,221,512,985. The actual out-turn K938,551,296.58. This represents 42% of the revised budget utilization.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Ministry of Transport and Public Works for the year ended 30th June, 2019.

(a) Failure To Maintain A Fixed Asset Register

Treasury Instructions 2004, Section 5.9 (b), as read together with Treasury Instruction of 2004 in Section 5.13.1(d) require, among other things, that Controlling Officers should ensure all transactions are recorded in a primary Government record or ledger, either within the records held by a Ministry with the approval of the Secretary to the Treasury and summarized in the ledgers held by the Ministry of Finance, or in a record maintained by the Ministry of Finance; and that adequate internal controls exist within the entity such that revenue, expenditure, assets and liabilities are properly recorded and accounted for.

In addition, Government Circular Ref. No. CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that all Controlling Officers shall maintain an asset register for all fixed assets purchased using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.

An inquiry with the Ministry officials revealed that the fixed asset register has been in draft form the way it was during 2017/2018 financial year audit and it does not contain all the assets of the Ministry. Failure to maintain a fixed assets register may lead to misappropriation of assets.

NKHATABAY ROAD MALAWI TRUNK ROADS REHABILITATION PROJECT

57. An audit of the financial and other information of Rehabilitation of Mzuzu-Nkhata Bay Road Malawi Trunk Roads Rehabilitation Project for the year ended 30th June, 2019 was completed in December, 2019.The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Failure to Construct a Road Side Market at Mpamba

Chapter 2.1.1 (i) of Mzuzu - Nkhata Bay Road project appraisal document stated that Road Improvement Component was to comprise (i) Rehabilitation of road between Mzuzu and Nkhata Bay (ii) Construction of Public Social-Economic Infrastructure. The Social–Economic Infrastructure included the construction of a market at Mpamba.

A physical verification at Mpamba Market area revealed that no market structure was built, and that the old market structure was actually demolished by the market users in anticipation of the new market structure. Failure to adhere to the terms and conditions of the contract agreement grossly affect realization of project objectives.

(b) Presence of Numerous Patches on the Road [Ninety-Four (94)]

The General Conditions Chapter 7.1.1 (b) of the Contract Agreement between the Roads Authority (the Employer) and Strabag International GmbH (the Contractor) states that the Contractor shall carry out the manufacture of plant, the production and manufacture of materials and all other execution of works in a proper workmanlike and careful manner in accordance with recognized good practice.

Physical inspection of the Mzuzu - Nkhata Bay Road Project revealed that the road was patched 94 times with small, medium and large patches on sections from km 2+600 to km 30+500 soon after road surfacing. Some of the patches are separating from the original road seal thereby making it difficult for motorists to drive properly and also leaving space for water to penetrate the surface and damage the road.

(c) Inadequate Shoulders

According to technical specifications, Mzuzu - Nkhata Bay Road was designed to have 6.7 m carriage way and 1.5 m shoulders each side both in asphalt.

A physical inspection to the road site revealed that the whole road section had a carriage way of 6.8m but the shoulders from km 0+000 to km 2+700 were 1.0m instead of 1.5m as stipulated in the technical specifications.

(d) Project's Affected Persons (PAPs) Still In Road Reserve Site

The Public Roads Act 2006, Section 28 (3) provides that compensations should be assessed according to the loss sustained by claimant and shall be payable soon after the loss or damage is sustained. The AfDB loan agreement stated that prior to the commencement of the civil works for the construction, Roads Authority (RA)/Roads Fund Administration (RFA) was supposed to submit to the Fund evidence of having compensated all project affected persons.

An audit inspection of the schedule of affected persons established that RFA had paid all compensations totalling K15,805,800 before commencing the project. However, physical inspection established that some compensated persons had structures which were still in the road reserve. One structure was 7.2 meters from the road center line and another one was 14.2. metres from the road center line, contravening the requirement of 60 meters from the centerline for main roads.

(e) Steep Sloped Embankments

The General Conditions Chapter 7.1.1 (b) of the Contract Agreement between the Roads Authority (the Employer) and Strabag International GmbH (the Contractor) states that the Contractor shall carry out the manufacture of plant, the production and manufacture of materials and all other execution of works in a proper workmanlike and careful manner in accordance with recognized good practice.

The Mzuzu - Nkhata Bay Road passes through a mountainous terrain with a lot of cut and fill work carried out. A physical inspection of the side slopes revealed that most of the slopes were almost vertically cut which pose a risk of mud slides during rainy seasons. This is evidenced by the cuts at km 6+000, km 7+400 and km 8+500 on the right hand side which were too steep. Some Sections have started showing signs of sliding into the drainage and the road carriage way.

SOUTHERN AFRICA TRADE AND TRANSPORT FACILITATION PROJECT

58. An audit of the financial and other information of Southern Africa Trade and Transport Facilitation Project for the year ended 30th June, 2019 was completed in December, 2019.The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

Construction of the Karonga – Songwe section of the M1 Road was financed through Credit from the International Development Association (IDA). The road had a budget of US$25 million and it involved rehabilitation of 46 km of Karonga to Songwe section of M1 Road. The works were executed by Zhejiang Provincial Transportation Engineering Construction Group Co. Ltd. As at 30th June, 2019 and a cumulative amount of US$21.9 million (K15.6 billion) was spent towards construction of the road.

(a) Patching Of Road Surface Due To Premature Asphalt Defects

The General Conditions Chapter 7.1.1 (b) of the Contract Agreement between the Roads Authority (the Employer) states that the Contractor shall carry out the manufacture of plant, the production and manufacture of materials and all other execution of works in a proper workmanlike and careful manner in accordance with recognized good practice.

An inspection of the project revealed that road surfacing which started in May, 2018 with a trial section by which the consulting engineer issued the contractor a no objection to go ahead with laying of asphalt developed potholes barely eight months after the completion of laying asphalt.

(b) Longitudinal cracks on the road surface

The audit inspection also observed localized longitudinal cracks along the road. Most of these cracks existed on the shoulders of the road.

NACALA ROAD CORRIDOR PROJECT PHASE IV

59. An audit of financial and other information for Nacala Road Corridor Project Phase IV for the period ended 30th June, 2019 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. The weakness is presented in paragraph (a) below.

(a) Inadequate Drainage At Km 28+000

The Nacala Road Corridor Project Phase IV involves rehabilitation of a 75 km road between Liwonde and Mangochi in Malawi along the Nacala Road Corridor as well as establishment of One-Stop-Boarder-Posts (OSBPs) between Malawi and Mozambique, and between Malawi and Zambia. The total project cost estimate for Malawi is UA 45.390 million net of taxes.

A physical inspection of the project established that the road had inadequate drainage design at km 28+000 from Liwonde which exposes the road section to flooding during the rainy season. Therefore, the designs and specifications as outlined in the contract were contravened

CHILEKA INTERNATIONAL AIRPORT

2017/2018

60. An audit of financial and other information for Chileka International Airport for the period ended 30th June, 2018 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. The weakness is presented in paragraph (a) below.

(a) Payment Vouchers Without Supporting Documents: K2,930,704.19

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

An inspection of payment vouchers revealed that payments amounting to K2,930,704.19 did not have supporting documents attached. As such, it was difficult to ascertain the validity of the payments.

(b) Misallocation of Expenditure: K4,869,121.42

Treasury Instructions 2004, Section 4.14.1 states that if the Controlling Officer is satisfied that the provision against a programme/item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application shall be in writing and shall be signed personally by the Controlling Officer.

An inspection of the expenditure statement by cost centre and payment vouchers revealed that payments amounting to K4,869,121.42 were charged to wrong budget line.

(c) Stores Not Accounted For: K1,844,699.59

Treasury Instructions 2004, Section 11.7.1.2 states that, where consumable stores are received in bulk for subsequent issue in small lots, transactions will be entered in Consumable Stores Ledger.

An inspection of payment vouchers revealed that stores items valued at K1,844,699.59 were not recorded in the stores ledger. As such, it was difficult to ascertain the accountability of the stores items.

MINISTRY OF HOMELAND SECURITY

MALAWI POLICE SERVICE

61. An audit inspection of the financial and other information for Malawi Police Service for the year ended 30th June 2019 and was completed in November, 2019. The audit disclosed some weaknesses in financial controls. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Opinion on the financial statements of the Department.

Recurrent Budget Overall Performance

The original total budget for Personal Emoluments and Other Recurrent Transactions was K40,890,582,563 and later revised upwards to K62,131,455,427. The Actual Funds received from 1 July 2018 to 30 June 2019 amounted to K62,131,455,433 and the actual expenditure amounted to K62,114,769,727. This represents 99.97% utilization of the actual expenditure.

Development Budget Overall Performance

The original budget for Development Account amounted to K200,000,000 and later revised downwards to K100,000,000 representing a decrease of 50%. The actual funds received amounted to K100,000,000 and actual expenditure was K96,495,477. This represents a revised budget utilization rate of 96%.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Malawi Police Service for the year ended 30th June, 2019.

(a) Revenue Used At Source: K425,727,406.87

Treasury Instructions 2004, Section 5.7.3.5 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.

An inspection of revenue records revealed that revenue was being used at source instead of depositing after collection.

(b) Revenue Under-Collection: K1,141,934,045.74

Accountant General's Desk Instructions, 15.2(v) stipulates that Revenue collected does not fall below their budget provisions.

An inspection of revenue records revealed that revenue collected during the period under review was K1,358,065,954.26 against a target of K2,500,000,000 resulting in an under-collection of K1,141,934,045.74.

MALAWI POLICE SERVICE (FISCAL POLICE AND FRAUD SECTION)

62. An audit of inspection of the financial and other information of Malawi Police Service (Fiscal and Fraud Section) for the period ended 30th June, 2019 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below;

(a) Misallocation of Expenditure: K1,786,616.22

Treasury Instructions 2004, Section 4.14.1 states that if the Controlling Officer is satisfied that the provision against a programme/item shall be inadequate, he shall submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application shall be in writing and shall be signed personally by the Controlling Officer.

An inspection of payment vouchers and detailed expenditure sheet relating to the period under review revealed that funds amounting to K1,786,616.22 were charged to wrong budget line.

(b) Fuel Not Accounted For: K2,836,938

Treasury Instructions 2004, Section 5.13 .1(d) states that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognized as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government; revenue, expenditure, assets and liabilities are properly recorded and accounted for.

An inspection of payment vouchers and fuel register disclosed that fuel amounting to K2,836,938 was not recorded in the fuel register. As such, it was difficult to ascertain how the fuel was accounted for.

PHALOMBE POLICE STATION

2017/2018

63. An audit of inspection of the financial and other information of Phalombe Police Station for the period ended 30th June, 2018 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below;

(a) Revenue Spent At Source: K2,305,500.00

Treasury Instructions 2004, Section 5.7.2 requires that, revenue collected on general receipts should be banked intact and that no part of it must be used before banking without authority from Treasury.

An inspection of general receipts, deposit slips and expenditure returns revealed that revenue totaling K3,145,500.00 was collected and K840,000.00 deposited during the period under review. The balance of K2,305,500.00 was spent at source.

(b) Procurements Without Sourcing Quotations: K1,880,760.00

Section 37(8) of Public Procurement and Disposal of Assets of 2017 stipulates that the request for quotations method may be used for the procurement of goods, works and routine services when the estimated value of the procurement does not exceed the amount set by the regulations.

An inspection of procurement records revealed that the Station procured goods and services amounting to K1,880,760.00 without sourcing quotations and providing justification where single sourcing method was used.

DEPARTMENT OF MALAWI PRISON SERVICES

64. An audit inspection of the financial and other information for Department of Malawi Prison Services for the years ended 30th June, 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Procured Goods With No Evidence of Delivery: K30,102,295.20

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

An inspection of payments vouchers and invoices revealed that goods valued at K30,102,295.20 were procured but there was no evidence of delivery to the procuring entity.

MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS

65. An audit inspection of the financial and other information of the Ministry for Justice and Constitutional Affairs for the financial year ended 30th June 2019 was completed in November, 2019. The audit disclosed some weaknesses in financial controls. These weaknesses are presented from paragraph (a) below

Overall Performance on the Recurrent Budget

This was budgeted at K1,113,867,862.00 and revised to K829,496,045.00. However, the actual out-turn was K827,111,329.00 representing 98% of utilization of the revised total

(a) Procurement File Not Presented For Audit Inspection: K5, 533,750.00

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

The audit team observed that the Ministry contracted Chibwana and Associate to offer Legal services amounting to K5,333,750.00 to prosecute the Cash gate cases on behalf of the Director of Public Prosecution. However, the Ministry did not provide the procurement file to the auditors. As such, it was difficult for the auditors to ascertain the propriety of the expenditure and the validity of the procurement.

REGISTRAR GENERAL'S DEPARTMENT

66. An inspection of the financial and other information for Registrar General`s Department for the year ended 30th June, 2019 was completed in September, 2019.The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management report addressed to the Controlling Officer.

(a) Transfer Of Motor Vehicle Without Prior Authorization: K13,383,436.00

The Public Procurement and Disposal of Assets Act 2016, Section 38 subsection 2 (a) states that a procuring and disposing entity may, upon obtaining a prior approval from the Director General, use alternative means including transfer the asset to another procuring and disposing entity.

An inspection of payment vouchers disclosed that a motor vehicle worth K13,383,436.00 purchased from CFAO Malawi in April 2019 was transferred to the Ministry of Justice and Constitutional Affairs Headquarters on 18 June 2019 without prior authorization from the Director General. This made it hard to assess the accountability of Government assets.

(b) Purchase Of Motor Vehicle Outside The Procurement Plan: K86,890,274.00

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

An inspection of payment vouchers and procurement plan revealed that the office procured two motor vehicles worth K86,890,274.00 (K60,123,402.00 and K26,766,872.00 respectively) which were not planned for. As such, the auditors could not ascertain the validity of the procurement.

(c) Training Bonds Not Administered For Employees On Long Term Training: K2,811,000.00

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

Contrary to the guideline above, the Department failed to administer training bonds for two officers pursuing courses at Malawi Polytechnic and Catholic University on long-term trainings amounting to K2,811,000.00 and are sponsored by the Department. This may lead to employees leaving the Department after their trainings.

ADMINISTRATOR GENERAL

67. An audit inspection of the financial and other records of the Administrator General for the financial year ended 30th June 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) to (f) below:

(a) Payment Vouchers Not Produced For Audit Inspection: K33,078,231.77

The Public Audit Act (2003) 7 (I) (a) requires that the Auditor General and any officer assigned by him shall have full access to the information at all reasonable time.

An inspection of payment vouchers, cashbooks and other related records showed that the Administrator General did not submit payment vouchers amounting to K33,078,231.77 for audit. It was therefore difficult for the auditors to ascertain the propriety of the expenditure.

(b) Payments Vouchers Without Supporting Documents: K76,170,645.77

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

An inspection of payment vouchers for the period under review revealed that some payment vouchers totaling K76,170,645.77 did not have supporting documents such as quotations, invoices, receipts and loose minutes. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge against public funds.

(c) Misallocation Of Expenditure: K3,347,796.00

Treasury Instructions 2004, Section 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.

The audit review disclosed that K3,347,796.00 was misallocated and utilized 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.

(d) Stores Not Accounted For: K5,112,590.00

Treasury Instructions 2004, Section 11.7.1.5 provides that stores ledger for the purpose of recording the receipts and issues of all stores should be kept for each store.

An inspection of payment vouchers along with delivery notes disclosed that stores items amounting to K5,112,590.00 were purchased but not recorded in the stores ledger. It was, therefore, difficult for the auditors to ascertain accountability.

(e) Development Related Activity Charged to Other Recurrent Transactions (ORT): K2,377,900.00

Treasury Instructions 2004, Section 2.6.1 (e) states all expenditure, including salaries and other personal emoluments, is properly authorized and applied to the specific purposes for which it is appropriated.

An inspection of a sample of payment vouchers revealed that expenses for training on deceased estates amounting to K2,377,900.00 for development activities were charged to ORT.

(f) **Use Of Single Sourcing To Procure Goods And Services: K2,576,050.00**

Public Procurement and Disposal of Assets of 2017 Section 37 (8) stipulates that the request for quotations method may be used for the procurement of goods, works and routine services when the estimated value of the procurement does not exceed the amount set by the regulations.

An inspection of a sample of payment vouchers, delivery notes, invoices and stores ledgers disclosed that items amounting to K2,576,050.00 were purchased from different suppliers using single sourcing. There was no justification to warrant the use of the method

MINISTRY OF LABOUR, SPORTS, YOUTH AND MANPOWER DEVELOPMENT

68. An audit of the financial and other information of Ministry of Labour, Sports, Youth and Manpower Development for the financial year ended 30th June, 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Opinion on the financial Statements of the Ministry.

Recurrent Budget Overall Performance

This was budgeted at K3,926,721,850 and revised to K3,491,841,374. However, the actual out-turn is K3,477,854,410. Representing a Budget utilization of 99.6%.

Development Budget Overall Performance

The approved budget was at K9,873,630,049.99 and revised to K13,865,819,272.00. Funding received was K5,566,918,793.97 however the actual out-turn is K5,327,155,513.45 representing 93.7% budget utilization.

Audit Opinion

I issued a qualified audit opinion on the Statement of Receipts and Payments for the Ministry of Labour, Sports, Youth and Manpower Development for the year ended 30th June, 2019. Some of the observations below form part of the basis for qualified opinion.

(a) Disclosure of Revenue in Statement 3 Without Cash Controls: K194,277,760.30

Public Finance Management Act, 2003, Section 10 (1) c and d states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry that all accounts and records relating to the functions and operations of the Ministry are properly maintained; and that all necessary precautions are taken to safeguard the collection and custody of public money.

An inspection of Statement 3 Revenue revealed that revenue amounting to K194,277,760.30 did not have supporting documents in form of cash controls. Consequently, this made it difficult to ascertain the accuracy of the financial statements.

(b) Non-disclosure of revenue for Lilongwe Trade Test in Statement 3

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

Contrary to the above, it was observed that even though Lilongwe Trade Test collects revenue on trade testing fees, none of the collected revenue was disclosed in Statement 3. Consequently, this made it difficult to ascertain the accuracy of the financial statements.

(c) Operating Without A Strategic Plan

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

During the time of audit, it was noted that the Ministry of Labour, Youth, Sports and Manpower Development did not have an approved Strategic Plan for 2018/2019 fiscal year. As a result, it was difficult for the audit team to analyze and assess the effectiveness of the implementation of its programmes and activities.

(d) Borrowed Compensation Funds Not Refunded: K5,149,219.01

Public Finance Management Act, 2003, Section 10 (e) states that all expenditure, including salaries and other personal emoluments, is properly authorized and applied to the specific purposes for which it is appropriated.

An inspection of policy files, payment vouchers and loose minutes revealed that the Ministry borrowed funds from Workers Compensation Commission worth K5,149,219.01 which were meant for injured clients. However, during the time of audit, no evidence was given as to whether the funds were refunded.

(e) Non-Current Assets Not Insured

Treasury Instructions 2004, Section 5.13.1(f) requires that all Government Assets are properly safeguarded against fire, loss, theft and destruction and that Controlling Officer(s) adopt a set of internal controls to ensure that the aforementioned risks are minimized.

During the year under review, it was discovered that the buildings of the Ministry; all technical college buildings, residential houses, motor vehicles and Bingu National Stadium were not insured as per Treasury Instructions.

(f) Failure to Produce Activity Reports for: K36,955,818.08

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

An audit inspection of payment vouchers disclosed that payments amounting to K36,955,818.08 made between August and November, 2018 for the year ended 30th June, 2019 were paid for various activities but no activity reports were submitted for audit review. This made it difficult for the auditors to substantiate the expenditure incurred.

(g) Outstanding Accumulated Water and Electricity Bills at Bingu National Stadium: K157,808,081.00

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

An inspection of financial and other related records revealed that water bills amounting to K157,808,081.00 was outstanding as at the date of audit.

(h) Outstanding Payments for Foodstuff Purchases - Lilongwe Technical College: K42,838,785.00

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

An inspection of financial and other related records revealed that foodstuff invoices amounting to K42,838,785.00 were unpaid as at the date of audit.

(i) Overpayment of External Travel Allowances: K961,280.00

Public Finance Management Act, 2003, Section 10 (h) and (i) state that the Controlling Officer(s) should ensure that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste and all necessary precautions are taken to safeguard public resources.

An inspection of payment vouchers and other relevant supporting documents such as loose minutes and passports revealed that the Director of Sports travelled to Botswana to attend African Union Sports Region Five Ministers Meeting and was paid external travel allowances using higher rate of $280 instead of $180.This created an overpayment of K961,280.

(j) External Travel Allowances Paid for A Trip Not Undertaken: K5,583,060.00

Public Finance Management Act, 2003, Section 10 (e) states that all expenditure, including salaries and other personal emoluments, is properly authorized applied to specific purposes for which it is appropriated.

An inspection of payment vouchers and relevant supporting documents such as loose minutes and passports revealed that three officers were supposed to travel to Nigeria for a conference. The trip was cancelled but the officers got external travel allowances amounting to K5,583,060.00. As at the time of audit, nothing was refunded.

NAMINJIWA COMMUNITY TECHNICAL COLLEGE

2016/2017/2018

69. An audit inspection of the financial and other information for the Naminjiwa Technical College for the year ended 30th June 2016,2017, and 2018 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Under-Collection of Tuition Fees and Book Fund: K916,500.00

Treasury Instructions 2004, Section 5.6.3 states that officers designated as Receivers of Revenue shall be responsible for the correct assessment and collection of those items of revenue assigned to them.

An inspection of selection list, attendance registers, general ledgers and receipt books revealed that the College had under-collected tuition fees and book fund by K916,500.00.

(b) Procurement Without IPDC Approval: K1,214,380.50

Public Procurement and Disposal of Assets Act,2016, Section 26 requires all procuring entities to procure goods and services through the scrutiny and approval of the Internal Procurement and Disposal Committee (IPDC).

An inspection of payment vouchers and other procurement records for the period under review, revealed that goods and services valued at K1,214,380.50 were purchased without IPDC approval as there were no signatures on IPDC minutes to show that the IPDC approved the procurements.

(c) Payment Vouchers Without Supporting Documents: K845,030.02

Treasury Instructions 2004, Section 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 for easy and ready accessibility by the stakeholders.

An inspection of financial records for the periods July 2015 to June 2018 revealed that payment vouchers amounting to K845,030.02 did not have supporting documents in respect of purchases of stationery such as invoices, receipts and delivery notes. The audit team was, therefore, unable to verify validity of these payments.

THE DEPARTMENT OF MUSEUMS AND ANTIQUITIES

2017/2018

70. An audit inspection of the financial and other information for the Department of Museums and Antiquities for the year ended 30th June, 2018 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Revenue Not Accounted For: K1,030,000.00

Treasury Instructions 2013, Section 5.7.9.2 states that whenever a public officer, not being a Revenue Collector, nevertheless comes into receipt of public money, he/she shall pay it to a Treasury Cashier or the Cashier in an MDA without delay, arranging for a receipt to be forwarded to the member of public.

A recalculation of the revenue which was recorded as collected in the security register revealed that revenue amounting to K770,000.00 was remitted to accounts office, However, general receipts amounting to K530,000.00 only, were produced for the cash remitted. This shows that a total of K240,000.00 worth of general receipts were not produced.

A further review of fixed fee receipts at Chichiri Museum Offices revealed that the officer responsible for issuing fee receipts to clients could not account for revenue collected amounting to K790,000.

(b) Fuel Not Accounted For : K3,182,000.00

Treasury Instructions 2004, Section 11.6.1 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions shall be entered in a Consumable Stores Ledger.

An inspection of payment vouchers against corresponding entries in the fuel ledger revealed that fuel amounting to K3,182,000 was not recorded in the fuel register.

(c) Payment Vouchers Without Supporting Documents: K2,730,481.50

Treasury Instructions 2004, Section 5.15.1 states that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit Office.

An inspection of payment vouchers against claims for refunds revealed that payment vouchers amounting to K2,730,481.50 were not supported by claim letters.

(d) Stores Not Accounted For: K1,240,040.00

Treasury Instructions 2004, Section 11.6.1.3 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions shall be entered in a Consumable Stores Ledger.

An inspection of payment vouchers for the purchase of stores items disclosed that stores items valued at K1,240,040.00 were not recorded in the stores ledger. Therefore, it was difficult to ascertain the accountability of the items.

(e) Payment Vouchers Not Produced For Audit Inspection: K5,680,376.65

Treasury Instructions 2004, Section 5.15.1 states that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit Office.

An inspection of expenditure statement by cost centre and payment vouchers revealed that payment vouchers amounting to K5,680,376.65, were not presented for audit inspection. This made it difficult for auditors to ascertain whether the expenditure was a proper charge against public funds.

(f) Procurement Of Items Without The Involvement Of Internal Procurement And Disposal Committee (IPDC): K1,059,900.00

Public Procurement and Disposal of Public Assets Act, 2016, Section 26 (2b) states that the functions of Internal Procurement and Disposal

Committee shall include approving the methods of procurement and disposal to be used in each case.

An inspection of payment vouchers and the procurement process established no evidence that IPDC members were involved in the procurement process of goods valued at K1,059,900.00 as IPDC minutes were not presented for audit inspection.

BLANTYRE TRADE TESTING CENTRE

2017/2018

71. An audit inspection of the financial and other information for the Blantyre Trade Testing Centre for the year ended 30th June, 2018 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. The weakness is presented in paragraph (a) below.

(a) Revenue Not Banked: K2,480,000.00

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

An inspection of bank statement obtained from the Reserve Bank of Malawi against General Receipts for the period under review revealed that revenue from Trade Testing Fees was under banked by K2,480,000.00.

MINISTRY OF INDUSTRY, TRADE AND TOURISM

72. An audit of the financial statements of the Ministry of Industry, Trade and Tourism for the financial year ended 30th June, 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Opinion on the financial Statements of the Ministry.

Recurrent Budget Overall performance

This was budgeted at K2,931,596,694 and revised downwards to K2,440,176,671.21. However, the actual out-turn was K2,413,884,040.24. Representing a Budget utilization of 99%.

Development Budget Overall performance

This was budgeted at K2,089,000,700 and revised to K1,697,558,798. However, the actual out-turn K1,370,446,367.48. Representing a Budget utilization of 81%.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Ministry of Industry, Trade and Tourism for the year ended 30th June, 2019.

(a) Under-collection of Revenue: K32,549,200

Treasury Instructions 2004, Section 5.7.1 states that Controlling Officers of MDAs shall manage revenue efficiently and effectively by implementing appropriate processes that provide for identification, collection, recording, safeguarding and reconciliation of information in respect of revenue.

An inspection of cash controls, general receipts books, cashbooks and bank deposit slips revealed that the Ministry under-collected revenue by K32,549,200. The approved budget that was set for the Ministry to collect during the year was K251,000,000.00 but the actual collection during the year was K218,450,800.00.

(b) Payment for Project Without Liquidations and Reports: K81,000,000.00

Treasury Instructions 2004, Section 5.9 (a), states that Every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon request by the Ministry of Finance and National Audit Office staff.

An inspection of the expenditure records revealed that the Ministry transferred funds to United States African Development Foundation (USADF) Project on 14 Dec 2018 payment voucher number 390PV7001629 on reference number 390TRF000805 amounting to K81,000,000.00 for the implementation of the project activities. However, there were no supporting liquidation reports to support the utilization of the funds. In the absence of these reports, the validity of the payments could not be ascertained.

(c) Payments Vouchers Without Supporting Documents: K9,783,373.67

Treasury Instructions 2004, Section 5.9 (a), states that Every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon request by the Ministry of Finance and National Audit Office staff.

An inspection of payment vouchers for the period under review disclosed that payment vouchers amounting to K9,783,373.67 did not have supporting documents attached. As such, the propriety of the expenditure could not be ascertained.

(d) Fuel Not Accounted For: K6,983,690.77

Treasury Instructions 2004, Section 5.9 (b), states Every Controlling Officer shall ensure that all transactions shall be recorded in a primary Government record or ledger. In addition, Treasury Instructions 2004, Section 5.13.1 states that adequate internal controls must exist within each Ministry and Department.

An inspection of payment vouchers revealed that the office purchased fuel amounting to K6,983,690.77 but there was no evidence to show that the purchased fuel was recorded in the fuel register and the log books. This made it difficult for the audit team to ascertain the usage and accountability of the purchased fuel.

MINISTRY OF NATURAL RESOURCES, ENERGY AND MINING

73. An audit inspection of the financial and other records of the Ministry of Natural Resources, Energy and Mining for the financial year ended 30th June 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Audit Opinion on the financial Statements of the Ministry.

Overall Performance on the Recurrent Budget

The approved recurrent budget was K10,467,630,971.00 which was revised downwards to K10,240,994,041.82 and funds allocated were K8,276,129,269.55. The actual expenditure for the period was K8,242,997,398.18 representing 80.5% of the revised budget utilization.

Overall Performance Development Budget

The approved development budget was initially at K11,250,000.00 and it was revised downwards K6,082,428,045.19 during mid-year review. Funds allocated were K848, 037,039.19. The actual expenditure for the period was K848, 037,039.19 representing a budget utilization of 13.9%.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Ministry of Natural Resources, Energy and Mining for the year ended 30th June, 2019.

(a) Payment Vouchers Without Adequate Supporting Documents: K51,660,296.87

Treasury Instructions 2004, Section 5.16.1 requires every Controlling Officer to ensure that internal control measures and procedures are in place in respect of the processing of transactions for payment. In addition, Treasury Instruction 5.9 (a), states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

An inspection of financial records disclosed that payment vouchers amounting to K51, 660,296.87 which were processed and passed for payment in the financial year had no supporting documents like loose minutes, receipts, delivery notes etc. In the absence of the supporting documents it was difficult to ascertain whether the payments were a proper charge to public fund.

(b) Failure to Maintain a Complete Fixed Asset Register

Treasury Instructions 2004, Section 5.9 (b), as read together with Treasury Instruction of 2004 in Section 5.13.1(d) require, among other things, that Controlling Officers should ensure all transactions are recorded in a primary Government record or ledger, either within the records held by a Ministry with the approval of the Secretary to the Treasury and summarized in the ledgers held by the Ministry of Finance, or in a record maintained by the Ministry of Finance; and that adequate internal controls exist within the entity such that revenue, expenditure, assets and liabilities are properly recorded and accounted for.

In addition, Government Circular Ref. No. CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that all Controlling Officers shall maintain an asset register for all fixed assets purchased using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.

An inspection of Fixed Asset Register for the Ministry of Energy, Mining and Natural Resources revealed that the asset register for the Ministry headquarters and some of its cost centers i.e. Mines headquarters, Department of energy, Metrological Headquarters, Forestry headquarters, Climate change etc. did not indicate monetary values such as Cost of purchase, Depreciation and Net Book Value. As a result, the audit team could not assess the values of the assets.

(c) Fuel Not Recorded In Fuel Ledger: K39,427,830.78

Treasury Instructions 2004, Section 11.7.1.5 provides that stores ledger for the purpose of recording the receipts and issues of all stores should be kept for each store.

An inspection of the payment vouchers, fuel records and other relevant records revealed that fuel purchased for the financial year 2018 /2019 for the Ministry Headquarters revealed that fuel paid from Other Recurrent Transactions worth K23, 969,761.50, Forest Headquarters K1,400,000.00 and that of Development for Malawi Youth Forest Restoration Programme (MYFRP) worth K14,058,069.28 was not accounted for through recording in the register and its disposal could not be substantiated.

(d) Stores Not Accounted for: K9,843,421.00

Treasury Instructions 2004, Section 11.7.1.5 provides that stores ledger for the purpose of recording the receipts and issues of all stores should be kept for each store.

An inspection of payment vouchers, delivery notes, invoices and stores ledgers disclosed that items valued at K9,843,421.00 were purchased from different suppliers, but was not recorded. As a result, the audit team failed to ascertain accountability of the stores items.

(e) Airtime Purchased Not Recorded: K8,920,000.00

Treasury Instructions 2004, Section 11.7.1.5 provides that stores ledger for the purpose of recording the receipts and issues of all stores should be kept for each store.

An inspection of records disclosed that airtime worth K8,920,000.00 procured between July, 2018 and June 2019 was not recorded in the Airtime ledger. It was, therefore difficult to ascertain its accountability.

(f) Payment Vouchers Not Produced for Audit Inspection: K983,943.70

Public Audit Act, 2003, Section 7a (1) 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 inspection of Expenditure Statement by Cost Centre and payment vouchers revealed that payment vouchers amounting to K983,943.70 was not produced for audit review.

(g) Misallocation of Expenditure: K4,547,294.31

Treasury Instructions 2004, Section 4.14.1 states that specific approval is required before any allocations can be vired or transferred between outputs. The Section further states that if the Controlling Officer is satisfied that the provision against a programme/item will be inadequate, he may submit an application to the Secretary to the Treasury in writing to vire or transfer funds between a programme/item within the same Vote.

An inspection of payment vouchers for the Ministry revealed that funds amounting to K4,547,294.31 for ORT were charged to wrong budget lines.

(h) Misuse of Project Funds: K19, 231,733.21

Treasury Instructions 2004, Section 2.6.1 (e) states all expenditure, including salaries and other personal emoluments, is properly authorized and applied to the specific purposes for which it is appropriated.

During the audit, the Ministry was implementing Geological Mapping and Mineral Assessment Project (GEMMAP) financed by the French Republic through debt relief and development agreement and its total funding was 10,812,758.71 Euros for a five-year project.

An inspection of a sample of payment vouchers revealed that the project made payments amounting to K19,231,733.21 for rentals and motor vehicles maintanance during the period under review. The project Manager failed to give a clear explanation as to why project funds were used for such payments instead of planned activities.

(i) Failure To Deduct Withholding Tax: K4, 578,562.93

Taxation Act 2000 edition, Section 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.

An inspection of the payments vouchers for the period under review revealed that, Withholding Tax amounting to K4,578,562.93 was not deducted from payments made to various suppliers of goods and services, who did not have Withholding Tax Exemption certificates.

(j) Procurements Made Without Internal Procurement Disposal Committee Authority: K6,510,474.00

The Public Procurement and Disposal of Asset Act 2016, Section 26 stipulates that there shall be established in all Procuring and Disposal Entities Internal Procurement and Disposal Committee (IPDC) whose function will be approving the procurement and disposal to be used in each case.

An inspection of procurement records revealed that procurements with a total amount of K6,510,474.00 were made between July, 2018 and June, 2019 without IPDC authority.

(k) Failure to Source Quotations: K1,719,900.00

Public Procurement and Disposal of Assets 2016, Section 37 (8) stipulates that the request for quotations method may be used for the procurement of goods, works and routine services when the estimated value of the procurement does not exceed the amount set by the regulations.

An inspection of procurement records disclosed failure by the Ministry of Energy, Mining and Natural Resources to abide by the procurement regulations. It was noted that goods and services amounting to K1,719,900.00 for ORT were procured using the single source method. There was no justification to warrant the use of the method.

(l) Service of Motor Vehicles without PVHEs Authority: K738,754.20

Circular Reference number HVMC 1006 of 12th August, 2006 from the Controller of Plant and Vehicle Hiring Engineering Services (PVHES) requires all motor vehicles to pass through P.V.H.E.S for inspection before and after repairs by private garages to ensure that proper maintenance and repair procedures are followed.

However, it was observed that ORT expenditure amounting to K738,754.20 was spent on procurement of motor vehicle maintenance services without prior inspection by P.V.H.E.S.

ANTI-CORRUPTION BUREAU

74. An audit inspection of the financial and other records of the Anti-Corruption Bureau for the financial year ended 30th June 2019 was completed in December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Audit Opinion on the financial Statements of the Bureau.

Overall Performance of the Recurrent Budget

This was budgeted at K 3,293,842,571 and revised to K2, 787,824,805. However, the actual out-turn was K 2,787,824,510 representing 100% utilization of the revised total budget.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Bureau for the year ended 30th June, 2019.

(a) No Fixed Asset Register: K147,801,350.89

Treasury Instructions 2004, Section 5.9 (b), as read together with Treasury Instruction of 2004 in Section 5.13.1(d) require, among other things, that Controlling Officers should ensure all transactions are recorded in a primary Government record or ledger, either within the records held by a Ministry with the approval of the Secretary to the

Treasury and summarized in the ledgers held by the Ministry of Finance, or in a record maintained by the Ministry of Finance; and that adequate internal controls exist within the entity such that revenue, expenditure, assets and liabilities are properly recorded and accounted for.

In addition, Government Circular Ref. No. CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that all Controlling Officers shall maintain an asset register for all fixed assets purchased using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.

Contrary to the instruction quoted above, the Bureau did not record in the register assets amounting to K147,801,350.89 acquired in the year under review. This made it very difficult for the inspecting auditors to verify the completeness of the assets disclosed by the Bureau.

(b) Fuel Not Accounted For: K25,669,251.17

Treasury Instructions 2004, Section 11.7 states that items of stores like fuel should be recorded in the fuel register before being issued out. It further states that Controlling Offices must ensure that an efficient system of stores procedures exists within the ministries or departments to sufficiently safeguard and govern procurement transactions.

An inspection of payment vouchers and fuel records revealed that fuel worth K25,669,251.17 was not recorded in the fuel register. This made it difficult for inspecting auditors to verify its accountability.

(c) Payments Without Supporting Documents: K10,267,200.94

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

An inspection of payment vouchers for the year under review revealed that payment vouchers amounting to K10,267,200.94 had no supporting documents such as loose minutes and request to leave duty station among others. This made it difficult to ascertain how the fuel in question was accounted for.

(d) Stores Items Paid For But Not Delivered: K2,201,383.65

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

An inspection of payment vouchers revealed that stores items amounting to K2,201,383.65 procured during the year under review were not delivered. This made it difficult for the auditors to verify how the stores items were accounted for.

(e) Payment Vouchers Not Produced for Audit Inspection: K20,021,582.64

Treasury Instructions 2004, Section 5.9a 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 inspection of payment vouchers, cashbook and other related documents revealed that payment vouchers amounting to K20,021,582.64 were not presented for audit inspection. This made it difficult for the auditors to confirm the authenticity of the expenditure.

LEGAL AID BUREAU

75. An audit inspection of the financial and other records of the Legal Aid Bureau for the financial year ended 30th June 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Audit Opinion on the financial Statements of the Bureau.

Overall Performance on the Recurrent Budget

This was budgeted at K1, 028,373,309.00 and revised at K903, 773,277.96 the funds allocated were K908, 649,323.00; the actual out-turn was K898, 329,981.70, the overall percentage of funds utilized against the revised budget was 99.40 %.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Legal Aid Bureau for the year ended 30th June, 2019.

(a) Internal Travel Without Reports: K16,545,000.00

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

An inspection of documents and interview with Management showed that the Bureau Officers received allowances amounting to K16,545,000.00 without submitting such report to the Controlling Officer.

(b) Payments Without Internal Audit Certification: K91,335,224.66

Circular (Treasury) Ref; No OA/1/15/13/270 states that, Internal Auditors will be required to pre-audit all payments above K500, 000.00 and the Controlling Officer will ensure that they are bona fide payments.

An inspection of payment vouchers revealed that payment vouchers amounting to K91,335,224.66 which were over and above K500,000.00 were not being pre-audited by the Internal Auditors.

(c) Fuel Not Accounted For: K3,884,113.19

Treasury Instructions 2004, Section 11.7.1.5 provides that stores ledger for the purpose of recording the receipts and issues of all stores should be kept for each store.

An inspection of the fuel records revealed that fuel amounting to K3,884,113.19 was not recorded in the fuel register and that the monthly fuel expenditure returns were not maintained to assist in control of fuel usage making accountability of fuel difficult.

(d) Payment Vouchers Without Supporting Documents: K32,616,290.19

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

An inspection of payment vouchers for the period under review revealed that some payment vouchers amounting to K 32,616,290.19 did not have adequate supporting documents. As such, the validity of the payments could not be ascertained.

LEGAL AID BUREAU (SOUTH)

2017/2018

76. An audit inspection of the financial and other records of the Legal Aid Bureau (South) for the financial year ended 30th June, 2018 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) to (b) below:

(a) Subsistence Allowance Paid Within Duty Station: K10,580,000.00

Treasury Instructions 2004, Section 2.6.1 (i) states that the Responsibilities of Controlling Officers include ensuring that all necessary precautions are taken to safeguard public resources.

An inspection of payment vouchers disclosed that the office paid subsistence allowances amounting to K10,580,000.00 to officers working within duty station.

(b) Fuel Not Accounted For: K6,495,468.00

Treasury Instructions 2004, Section 11.7.1.5 provides that stores ledger for the purpose of recording the receipts and issues of all stores should be kept for each store.

An inspection of fuel payment vouchers and fuel register in the period under review disclosed that fuel amounting to K2,370,355.70 was not recorded in the ledger. It was therefore difficult to ascertain its disposal.

A further review of the fuel register against the log books disclosed that fuel amounting to K4,125,112.30 was not accounted for since the fuel issued out from the register was not traced in the relevant motor vehicle logbooks.

THE MALAWI LAW COMMISSION

77. An audit inspection of the financial and other information of the Law Commission for the financial year ended 30th June 2019 was completed on 5th September, 2019. The audit disclosed some weaknesses in financial controls. These weaknesses are presented from paragraph (a) to (e) below.

(a) Procurements Without IPDC Approval: K26,174,265.26

The Public Procurement and Disposal of Asset Act (2017) Section 26 stipulates that there shall be established in all Procuring and Disposal Entities Internal Procurement and Disposal Committee (IPDC) whose function will be approving the procurement and disposal to be used in each case.

An inspection of payment vouchers and IPDC minutes for the period revealed that some payments amounting to K26,174,265.26 were made without approval of IPDC. It was therefore difficult to ascertain that the payments were a proper charge against the public funds.

(b) Stores Not Accounted For: K31,799,157.60

Treasury Instructions 2004, Section 11.7.1.5 provides that stores ledger for the purpose of recording the receipts and issues of all stores should be kept for each store.

An inspection of payment vouchers, stores ledger and delivery notes revealed that some stores items amounting to K31,799,157.60 purchased during the period under review were not recorded in the stores ledger. As a result, the accountability of the stores could not be ascertained.

(c) Payment Vouchers Without Supporting Documents: K7,624,050.00

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

An inspection of payment vouchers for the period under review revealed that payment vouchers amounting to K7,624,050.00 were submitted for audit review without supporting documents such as quotations, invoices, receipts and loose minutes. In the absence of the supporting documents it was difficult to ascertain whether the payments were a proper charge against public funds.

(d) Failure to Source Quotations: K10,204,093.32

Public Procurement and Disposal of Assets of 2017 Section 37 (8) stipulates that the request for quotations method may be used for the procurement of goods, works and routine services when the estimated value of the procurement does not exceed the amount set by the regulations.

An inspection of payment vouchers, loose minutes and other related documents revealed that the Commission procured goods and services amounting to K10,204,093.32 from various suppliers using single sourcing method. There was no justification as to why single sourcing method was used.

(e) External Travel Allowances For The Cancelled Trips and Early Return Trips Not Brought On Charge: K3,565,851.06

Treasury Instructions 2004, Section 5.5.7 states that whenever an overpayment to an officer is discovered or when an officer is surcharged, the amount involved shall be paid immediately unless repayment by instalment is authorized.

An inspection of payment vouchers, expenditure statement by cost center report, personal files and pay slips for the period under review revealed that the Commission paid Mr. W Mvula and S Phoya external travel allowances amounting to K3,170,664.00 to travel to the UK for a workshop between 3rd and 10th November, 2018. However, the trip was cancelled but the allowances were not brought on charge. It was further noted that the Commission paid Mr. Chinoko external travel allowances amounting to K3,161,496.50 to attend a quality management course in Uganda between 4th and 27th November, 2018. However, he came back on 24th November, 2018, 3 days earlier than scheduled but he did not bring on charge the external travel allowances for the remaining 3 days amounting to K395,187.06. The total external travel allowances not brought on charge or repaid for the two trips totaled K3,565,851.06.

HOUSING MANAGEMENT AND DEVELOPMENT FUND

78. An audit inspection of the financial and other records of the Housing Management and Development Fund for the financial year ended 30th June 2019 was completed on 4th December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Audit Opinion on the financial Statements of the Fund.

Audit Opinion

I issued an unqualified audit opinion on the Statement of Receipts and Payments for the Housing Management and Development Fund for the year ended 30th June, 2019.

(a) Misallocation of Expenditure: K13,284,457.00

Treasury Instructions 2004, Section 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.

An inspection of payment vouchers established that some expenditure amounting to K13,284,457.00 which were paid between 17th September, 2018 and 12th June, 2019 were charged to wrong budget line items. There was no evidence to indicate that approval to transfer funds within the sub items was sought from the Secretary to the Treasury and that no measures were taken to correct the situation.

(b) Under Remittance of Treasury Contributions: K12,748,502.27

UNDP Treasury Fund Order Chapter 9 dated 1st July, 2013, states that the fund shall remit 10% of its revenue into the consolidated fund and the remaining 90% shall be retained by the fund for its operational costs.

An inspection of revenue records and amount of funds that were transferred from the Holding Account (RBM Account number: 0013008970008) to Operating Account (FDH Bank Account number: 1552727003001), disclosed that the Housing Management and Development Fund realized revenue amounting to K317,485,023.00 and 10% Treasury contribution was supposed to be K31,748,502.27. However, it was noted that the management remitted only K19,000,000.00 leaving a balance of unremitted funds amounting to K12,748,502.27.

PUBLIC SERVICE HOME OWNERSHIP FUND

79. An audit inspection of the financial and other records of the Public Home Ownership Fund for the financial year ended 30th June 2019 was completed on 4th December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below

(a) Misallocation of Expenditure: K37,168,030.68

Treasury Instructions 2004, Section 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.

An inspection of payment vouchers established that expenditure amounting to K37, 168,030.68 which were paid between 5th September, 2018 and 28th June, 2019 were charged to wrong budget line. There was no evidence to indicate that approval to transfer funds within the sub items was sought from the Secretary to the Treasury and that no measures were taken to correct the situation.

(b) Non-Remittance of Treasury Contributions: K2,026,654.07

Public Service Home Ownership Fund Order Chapter 9 dated 1st July, 2013, states that the fund shall remit 1% of its revenue into the consolidated fund and the remaining 99% shall be retained by the fund for its operational costs.

An inspection of revenue records for the Public Service Home Ownership Fund revealed that the Fund realized revenue amounting to K202,665,406.98. It was noted that 1% Treasury Contribution of K2,026,654.07 was not remitted to the Secretary for Treasury contrary to the requirements of the fund order.

DEPARTMENT OF PRINTING SERVICES

80. An audit inspection of the financial and other records of the Department of Printing Services for the financial year ended 30th June 2018 was completed on 2nd December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

(a) Payment Vouchers Not Presented for Audit Inspection: K46,839,556.33

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

An inspection of expenditure statement by cost centre and payment vouchers revealed that payment vouchers totaling K46,839,556.33 which were processed between 7th July, 2017 and 28th June, 2018 were not presented for audit review.

(b) Misallocation of Expenditure: K60,149,036.47

Treasury Instructions 2004, Section 4.14 (1) states that specific approval is required before any allocations can be vired or transferred between outputs. If the Controlling Officer is satisfied that the provision against a programme/item will be inadequate, he/she may submit an application to the Secretary to Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed by the Controlling Officer. If the Secretary to the Treasury is satisfied with the application for virement, he shall issue a numbered virement warrant.

An inspection of payment vouchers established that payments amounting to K60,149,036.47 incurred between 14th August, 2017 and 14th June, 2018 were charged to wrong budget lines.

NATIONAL STATISTICAL OFFICE

81. An audit inspection of the financial and other information of the National Statistical Office for the financial year ended 30th June, 2019 was completed in November, 2019. The audit disclosed some weaknesses in financial controls. These weaknesses are presented from paragraph (a) below.

(a) Payment Vouchers Not Presented For Audit Inspection: K9,924,298.23

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

An inspection of the Expenditure Statement By Cost Centre and payment vouchers revealed that payment vouchers amounting to K9,924,298.23 were not presented for audit review.

(b) Payment Vouchers Without Supporting Documents: K217,600,743.00

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

An inspection financial records disclosed that payment vouchers amounting to K217,600,743 did not have supporting documents like invoices and receipts added. In the absence of supporting documents, it was difficult to ascertain whether the payments were a proper charge against public funds.

(c) Stores Not Accounted For: K34,686,700

Treasury Instructions 2004, Section 11.7.1.2 requires that where consumable stores are received in bulk for subsequent issues in small lots, the transactions must be recorded in the Stores Ledger for accountability and transparency.

An inspection of payment vouchers, delivery notes, and invoices disclosed that stores items valued at K34,686,700 were purchased from different suppliers without evidence of recording them in the stores ledger.

(d) Fuel Not Accounted For: K53,858,743.00

Treasury Instructions 2004, Section 11.7.1.2 requires that where consumable stores are received in bulk for subsequent issues in small lots, the transactions must be recorded in the Stores Ledgers for accountability and transparency.

An inspection of payment vouchers and fuel registers revealed that fuel purchased in bulk amounting to K53,585,743.00 was not recorded in the fuel register. Therefore, it was difficult to ascertain the accountability of the fuel purchased.

PART IV

RECOMMENDATIONS AND ACKNOWLEDGEMENT

RECOMMENDATIONS

82. In the course of my audit of the 2018/19 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:—

(1) Salary reconciliation by the Accountant General should be up to date and the issues of referencing and coding sorted once and for all;

(2) The accountability of fuel and stores is still a challenge in most MDAs, therefore, Government should prioritise this matter in terms of reviewing the management, custody and accountability of the same;

(3) The Ministry of Foreign Affairs and International Cooperation should review some rules and regulations as far as foreign service is concerned especially those contained in Book 4

(4) 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;

(5) In compliance with Government financial rules and regulations, bank reconciliations should be timely prepared for all bank accounts maintained by the Reserve Bank of Malawi;

(6) The Secretary to the Treasury should ensure that monthly and quarterly bank reconciliations are performed timely and ensure that bank reconciliations are properly completed, checked and approved in a timely manner.

(7) The Secretary to the Treasury should ensure that all the outstanding reconciling amounts are followed up and provide valid reasons for their recurrence and they should be checked to ensure that they relate to genuine timing differences

(8) MDAs should continue to give attention to financial management requests e.g. audits especially when it comes to coordination and provision of documentation during the audit execution;

(9) Inspectors of finance should be empowered, monitored, supported and their recommendations implemented if their value is to remain as expected

(10) Government through the department of E-Government should embark on a massive project to ensure make most of the systems are electronic e.g. fuel, stores, fleet management;

(11) Government should find ways and means of how to deter recurrence of audit findings in MDAs;

(12) Government through the Office of the Director of Public Procurement and Disposal of Assets with support from the Department of E-Government should make sure that public procurement systems evolves to E-Procurement by 1st July 2020; and

(13) The Secretary to the Treasury should review the IFMIS system of recording receipts and payments in the cash book so that proper records are used for reconciliation statements.

ACKNOWLEDGEMENT

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

Lilongwe, Malawi

21st January, 2020