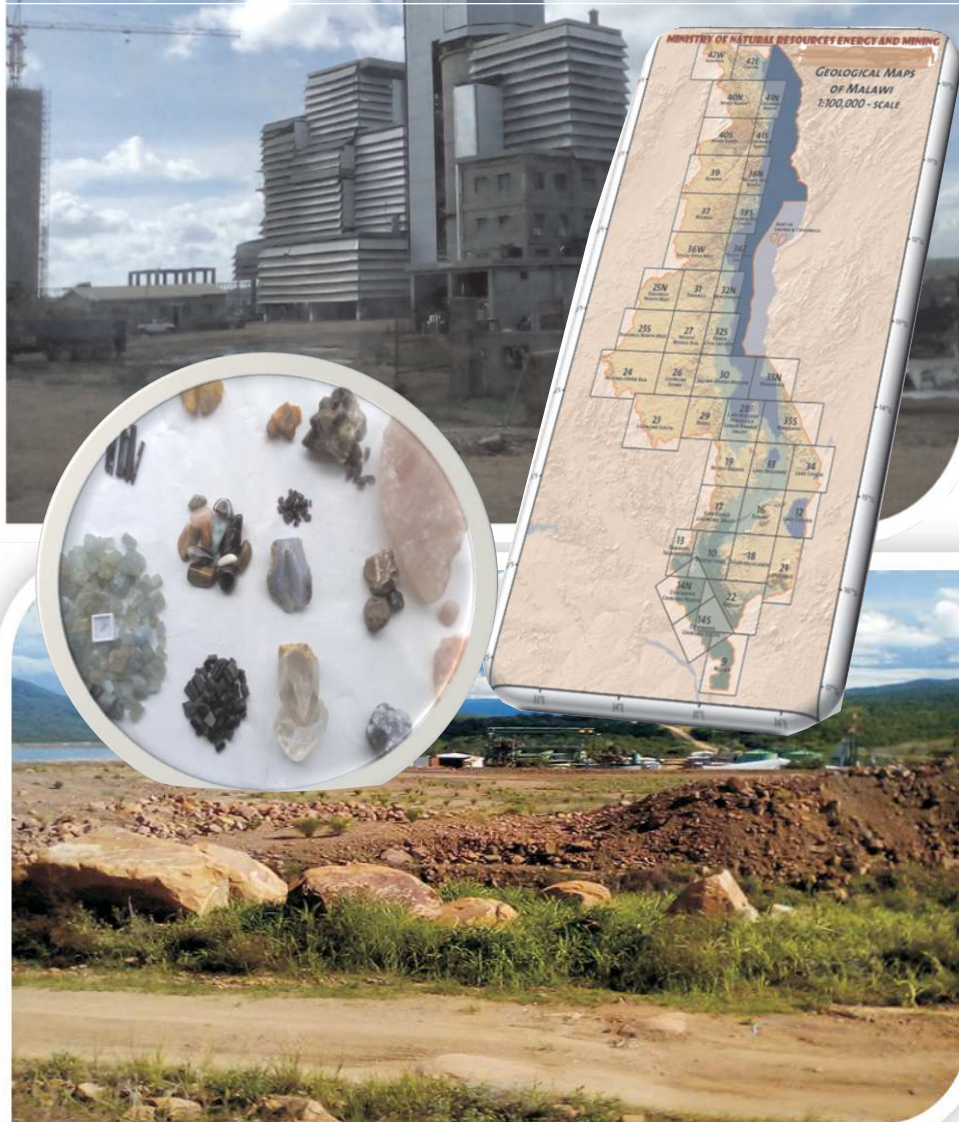




PERFORMANCE AUDIT REPORT ON SOCIO ECONOMIC CONTRIBUTION FROM MINING SERVICES



IN THE MINISTRY OF NATURAL RESOURCES, ENERGY AND MINING

NATIONAL AUDIT OFFICE
P.O. Box 30045
LILONGWE 3

OCTOBER 2019

PERFORMANCE AUDIT REPORT

ON

SOCIO ECONOMIC CONTRIBUTIONS FROM
MINING SERVICES

IN

THE MINISTRY OF NATURAL RESOURCES,
ENERGY AND MINING

NATIONAL AUDIT OFFICE

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23rd October, 2019

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

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

Dear Madam,

PERFORMANCE AUDIT ON SOCIO ECONOMIC CONTRIBUTION FROM
MINING SERVICES

Pursuant to the provision of Section 184 (2) of the Constitution of the Republic of Malawi (1994) and the Public Audit Act Cap 37:01, I have the honour to submit my report on the results of the Performance Audit on Socio Economic Contribution from Mining Services in the Ministry of Natural Resources, Energy and Mining.

A Performance Audit is an audit of Economy, Efficient and Effectiveness with which the audited entity uses its resources to achieve its goals. The prime aim of a performance audit is to ensure better use of resources, improved operations and better decision making in reaching policy objectives set.

Yours faithfully,



THOMAS K.B. MAKIWA
Acting Auditor General

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LIST OF ACRONYMS

ASM:	Artisanal Small Scale Miners
CSO:	Civil Society Organisations
CSR:	Corporate Social Responsivity
DoM:	Department of Mines
EAD:	Environmental Affairs Department
EPL:	Exclusive Prospecting License
FBT:	Fringe Benefit Tax
GDP:	Gross Domestic Product
GoM:	Government of Malawi
GR:	General Receipt
GSD:	Geological Survey Department
ILR:	Issued License Register
JICA:	Japanese International Corporation Agency
MCL:	Mining Claim License
MGDS:	Malawi Growth Development Strategy
MGGSP:	Mining Governance and Growth Support Project
MICR:	Mining Industries Collections Reports
ML:	Mining License
MNREM:	Ministry of Natural Resources Energy and Mining
MOEST:	Ministry of Education Science and Technology

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MOF:	Ministry of Finance
MRA:	Malawi Revenue Authority
MSCE:	Malawi School Certificate of Education
MUST:	Malawi University of Science and Technology
MWEITI:	Malawi Extractive Industry Transparency Initiative
NAO:	National Audit Office
NEPL:	Non Exclusive Prospecting License
NRT:	Non Resident Tax
OVOP:	One Village One Product
PAYE:	Pay as You Earn
RL:	Reserve License
RML:	Reserve Mineral License
SAS:	Self-Assessment System
TPIN:	Tax Payer Identification Number
USAID:	United States Agency for International Development
VAT:	Value Added Tax
WHT:	Withholding Tax
ZALCO:	Zalewa Lime Company

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EXECUTIVE SUMMARY

The mining sector's resources and growth can be harnessed as inputs for holistic sustainable development including the socio economic development. Socio economic contribution of the mining sector encompasses issues to do with creation of employment opportunities to communities around the mines and to the country as whole, revenue mobilization through royalties, taxes and other relevant fees for the country's development and infrastructure development around the mining sites through corporate social responsibilities (CSR). CSR activities include construction of school blocks, clinics, bridges and other financial support initiatives on education and agricultural activities.

In Malawi mining is primarily concerned with the production of raw minerals that are used elsewhere as raw materials in downstream industries. There are a variety of known mineral resources in the country that include uranium, heavy mineral sands, strontianite, rare earth minerals, phosphate, bauxite, gypsum, vermiculite, semiprecious stones, limestone, dimension stone, silica sand, sulphides and coal¹.

Mining Services fall under the extractive sector in the Ministry of Natural Resources Energy and Mining (MNREM) in Malawi. Government of Malawi prioritized mining services and included it in its priority within priorities as espoused in the Malawi Growth and Development Strategy (MDGS) II. Several private companies have been and are actively engaged in various mineral exploration and mining activities in the country. Artisanal and small-scale miners are also engaged in prospecting, gemstone mining, rock aggregate crushing, lime production, ceramics and pottery and salt processing².

The audit was motivated by the following:

- According to the MGDS II, the contribution of the mining sector was expected to increase to at least 20% of the Gross Domestic Product (GDP) by the year 2016 from the year 2011. However, Annual Economic reports showed that the contribution of the extractive sector to the GDP had been 1% in 2001, 3% in 2005, 10.8% in 2010 and 0.9% in 2015³.
- There also had been public outcry on a number of issues. For instance, there was a public outcry regarding the trend of implementation of corporate social responsibility by mining companies and on environmental

¹ Mines and Minerals Policy of Malawi - 2013

² Mines and Minerals Policy of Malawi - 2013

³ Annual Economic Reports – 2001, 2005, 2010 and 2015

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degradation as established by the Joint Baseline Study on Malawi's Mining Sector compiled by the United States Agency for International Development (USAID) in March 2014⁴.

- In addition, there had been calls from the public for the government to review and enforce the mining legislation to avoid tax evasion⁵.
- Based on the NAO's Audit Management Letter for the Year ended 30th June 2013 for the Department of Mines (DoM), there were indications of risks that revenue generated may not be accounted for fully, resulting into loss of public funds. The Management Letter further stated that there were significant lapses in terms of the processes of revenue collection and recording as DoM did not keep any cashbook for the K1,577,536,696 revenue which it collected in 2012/13 financial year.

As such a performance audit was conducted to assess whether the Ministry had efficiently and effectively implemented mining services in order to achieve adequate generation of revenue, promotion and growth of the mining sector, strengthened institutional capacity and monitoring of health, safety and environmental issues for socio-economic development. The audit covered a period of three financial years, thus, 2013/2014, 2014/2015 and 2015/2016. This period was selected to establish a trend of contribution from the mining services and its impact on economy thereof. Data collection was conducted through interviews, document reviews and physical observation in order to obtain testimonial, documentary and analytical evidence so as to address the audit questions and achieve the audit objective.

Generally, based on the findings the audit concluded that the target for the socio-economic contribution from the mining services had not been realized as per envisaged. Thus the 20% contribution towards the Gross Domestic Product was not achieved by the end of strategic plan period of 2016. This conclusion drawn from the following specific conclusions:

1. Generation of revenue from the mining services by Department of Mining (DoM) and Geological Survey Department (GSD)

⁴ CCJP calls for uranium mining water impact assessment, November 01, 2014; Malawi's Salima Community blame contractor over sand mining, September 21, 2014; The failed promise of mining embitters Malawians Nation online October 6, 2016; There is a mining war going on Nation online January 9, 2016;

⁵ Outdated mining laws annoy CSOs February 7, 2014; Mining industry not regulated-Judge May 22, 2014; Australian miner accused of dodging tax in world's poorest country – The Sydney Herald Reports July 11, 2015.

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- Department of Mines (DoM) managed to surpass revenue targets in 2014/15 by 40% where the target was MK600,000,000 and actual collection was MK837,762,775.64. In 2015/2016 it was unable to meet the set target by 10% where the target was MK200,000,000 and actual collection was MK179,791,986.10. Substantial amount of revenue collected came from royalties which totalled to MK 1,451,021,135.93 out of total revenue of MK 1,780,726,017.99 for the three years under review. The main contributing factors to the decline in 2015/16 were:
 - Suspension of production of Kayerekera uranium mine.
 - Transfer pricing practiced by the mining companies with examples of ZALCO and Shayona Cement Corporation. Limestone was being sold to themselves MK150 per ton and MK5 per ton by ZALCO and Shayona respectively which could be sold at an international market quoted in January 2017 at US\$35 per ton.
 - Non enforcement of submission of mineral export sales returns
 - Geological Survey Department (GSD) did not collect substantial amount of revenue on account of not utilizing its full potential in terms of the sources of revenue generation it had at its disposal. In addition revenue collection by GSD showed a decreasing trend. The picture portrayed by GSD with regards to revenue generation hindered MoF to set annual revenue targets for the department.
 - There was conflicting revenue information between DOM and MoF, MRA and Mining companies and DOM and Mining Companies which was as result of poor record keeping by both DOM and MRA. In addition, conflicting information was as a result of inadequate monitoring mechanisms by the DOM.
2. Promoting of growth of the mining sector
- The legislation and regulation governing the mining sector did not adequately promote the growth of the sector because of the shortfalls in its system due to outdated legal system.

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- The Fiscal regime governing the mining sector did not adequately promote the growth of the sector because of the loopholes in its system which is resulting in tax noncompliance by players in the sector. This resulted into inadequate revenue collection by Malawi Revenue Authority (MRA).
- Not many investors were attracted in the mining sector as the fiscal and taxation regime was not viable enough to attract potential investors. This limited the growth of the sector.
- Artisanal Small scale Miners' (ASM) participation for the period under review had experienced an increased trend of 20% and 22% in 2015 and 2016 respectively. Despite the increase, ASM businesses did not significantly grow due to minimal support in terms of facilitation of their businesses linkages to financial lending institution .
- The Ministry did not establish market centres during the period under review. This development which led to a continued rise in smuggling of precious and semi-precious minerals due to lack of an established market centre.
- 7 out of 12 cooperatives were organised with funding of MK5,100,000 in 2015/16 financial year representing 58% of the target. Two thirds of the sampled ASM were not organized into cooperatives contrary to the ministry's plan during the period under review. There was also a decrease in funding allocation for ASM trainings during the period under review. This limited the ASM from benefiting from trainings in minerals value addition and eventually led to persistently low growth of ASM business due to lack of mineral value addition skills and financial support, as cooperatives were regarded as an ideal platform for facilitation of ASM support by the ministry. Besides, this further led to environmental degradation.
- ASM who mine sand for construction projects, clay soil for making pots and making bricks were neither issued with permits by the District Assembly nor being monitored on how to sustainably manage the environment.

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3. Strengthening Ministry's institutional capacity development

- The overall vacancy levels remained high despite the Ministry setting a targeted to fill all vacant positions by 2016. The vacancy rates were 24%, 55, 63%, and 61% for the Ministry Headquarters, DOM Headquarters, DOM Northern Region, DOM Southern Region and Geological Survey Department respectively. This affected negatively the service delivery.
- The ministry was faced with a challenge of inadequate minimum entry qualifications for technical personnel. This was as opposed with the best human resources management practice and it had a negative effect on delivery of service.

4. Monitoring of implementation of mining activities

- There was inadequate monitoring by DOM on issues relating to occupation health, safety and welfare of mining workers and on environmental management of active mining sites.

The following recommendations were made:

- a. Generation of revenue from the mining services by DOM and GSD
 - The Ministry should create a conducive environment for attraction of new large scale investors to boost revenue generation in the mining sector.
 - DOM should come up with strategies of monitoring mining companies on their minerals pricing structures to curb the malpractice of transfer pricing which does not follow the arm's length principle so as to increase its annual revenue collection.
 - DOM should not only rely on estimated export royalties determinations from inspections. Instead, it has to ensure that minerals exporters submit export sales returns to the Commissioner of Mines for verification of royalties. This will enhance transparency on actual proceeds realised from export sales and will increase DOM's annual revenue collection.

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- Ministry should consider replacing outdated revenue generating equipment at GSD which include laboratory and lapidary equipment and drilling machinery. In addition, GSD should ensure that it has an updated book keeping system and come up with internal control system that will ably track revenue generated from all sources in the department.
- DOM should ensure that its revenue collection records are up to date. In addition, DOM should put in place monitoring mechanism for assessing and validating sales and royalties values remitted by mining companies. Similarly, MRA should consider migrating from manual record system to an automated system so as to have its clients' records up to date.

b. Promoting Growth of the Mining Sector

- The Ministry should speed up with the process of reviewing the legal framework governing the mining sector so that transparency and accountability in issuance of mining licences is enhanced. Inefficiencies and ineffectiveness of CSR projects will be ironed out as the new law also incorporates contract agreements on implementation of CSRs.
- DOM should ensure that applications for renewal of licences should accompany tax clearance certificates from MRA to their application documents.
- Ministry should ensure proper coordination with other government agencies responsible for formulation of trade policies so that the mining sector is well regulated in as far as importation of minerals/mineral products is concerned. MRA should consider coming up with tax strategies that will attract investors at development or exploration stages. This will make the mining sector to be conducive for investors.
- The Ministry should ensure that funding intended to increase ASM participation has to be prioritised. Availability of funding will enable implementation of ASM trainings and formulation of cooperatives.

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- The Ministry should come up with initiatives which will facilitate linkages of ASM with financial lending institution to ensure growth of their business.
- The Ministry should ensure market centres are opened in the country as initially planned. It should also ensure that adequate financial resources are provided for the smooth running of the proposed market centres so as to make a positive impact in terms of the growth of ASM in the country.
- The Ministry should ensure that resources for ASM activities are utilised for the intended purposes to enable adequate implementation of ASM trainings and effective organisation of corporative. The ministry should also consider prioritising ASM funding in its budget so that planned training activities are effectively implemented.
- The ministry should consider devolving the DOM function so that it has personnel on the ground at a district level to ensure monitoring of ASM mining activities and prevention of illegal mining and smuggling.

c. Strengthening MNREM'S institutional capacity development

- The Ministry should allocate funding for recruitment in order to fill vacancies of technical personnel. The Ministry should ensure that its technical personnel is motivated in order to retain its technical personnel. The Ministry should ensure transparency and accountability in the processes of recruitment, promotion and trainings.
- Ministry should find alternative sources of funding to ensure that its technical staff attain relevant qualifications from institutions in other countries to supplement the locally trained graduates.

d. Monitoring of implementation of mining activities

- The ministry should ensure that adequate resources are provided for implementation of monitoring activities in the active mining sites.

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1.0 INTRODUCTION

1.1 Background information

Mining is described as the activities relating to the extraction of “any substance in solid or liquid form occurring naturally in or on the earth, or on or under the seabed, formed by or subject to geological process including building and industrial minerals.”⁶ In Malawi mining is primarily concerned with the production of raw minerals that are used elsewhere as raw materials in downstream industries. There are a variety of known mineral resources in the country that include uranium, heavy mineral sands, strontianite, rare earth minerals, phosphate, bauxite, gypsum, vermiculite, semiprecious stones, limestone, dimension stone, silica sand, sulphides and coal⁷.

The mining sector’s resources and growth can be harnessed as inputs for holistic sustainable development including the socio economic development. Socio economic contribution of the mining sector encompasses issues to do with creation of employment opportunities to communities around the mines and to the country as whole, revenue mobilization through royalties, taxes and other relevant fees for the country’s development and infrastructure development around the mining sites through corporate social responsibilities (CSR). CSR activities include construction school blocks, clinics, bridges and other financial support initiatives on education and agricultural activities.

Mining Services fall under the extractive sector in the Ministry of Natural Resources Energy and Mining (MNREM) in Malawi. Government of Malawi prioritized mining services and included it in its priority within priorities as espoused in the Malawi Growth and Development Strategy (MDGS) II. Several private companies have been and are actively engaged in various mineral exploration and mining activities in the country. Artisanal and small-scale miners are also engaged in prospecting, gemstone mining, rock aggregate crushing, lime production, ceramics and pottery and salt processing⁸.

⁶ Ghana's Minerals & Mining Law, PNDCL 153

⁷ Mines and Minerals Policy of Malawi - 2013

⁸ Mines and Minerals Policy of Malawi - 2013

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The trend of economic performance of the mining and quarrying sector in the country experienced significant growth of 14.9% in 2012 in terms of both production and monetary value compared to the preceding years, thus in 2013 and 2014, the sector contracted by 6.9% and negative 4.6% respectively, mainly on account of the suspension of production of uranium at Kayelekera Mine⁹.

1.2 Motivation

The audit was motivated by the factors ranging from mining sector's contribution to the country's GDP, public outcry regarding mining companies' trend of implementation of corporate social responsibility, and significant lapses in the processes of revenue collections and recording as revealed by independent financial audits conducted by National Audit Office (NAO) in the Department of Mines.

According to the MGDS II, the contribution of the mining sector was expected to increase to at least 20% of the GDP by the year 2016 from 2011. However, Annual Economic reports showed that the contribution of the extractive sector to the GDP had been 1% in 2001, 3% in 2005, 10.8% in 2010 and 0.9% in 2015¹⁰.

There had been public outcry on a number of issues drawn from media reports. For instance, the trend of implementation of corporate social responsibility by mining companies and on environmental degradation as established by the Joint Baseline Study on Malawi's Mining Sector compiled by the United States Agency for International Development (USAID) in March 2014¹¹. In addition, there had been calls from the public for the government to review and enforce the mining legislation to avoid tax evasion¹².

Based on the NAO's Audit Management Letter for the Year ended 30th June 2013 for the Department of Mines (DoM), there were indications of risks that revenue generated may not be accounted for fully resulting into loss of

⁹ Annual Economic Reports (2013 & 2014)

¹⁰ Annual Economic Reports – 2001, 2005, 2010 and 2015

¹¹ CCJP calls for uranium mining water impact assessment, November 01, 2014; Malawi's Salima Community blame contractor over sand mining, September 21, 2014; The failed promise of mining embitters Malawians– Nation online October 6, 2016; There is a mining war going on Nation online January 9, 2016;

¹² Outdated mining laws annoy CSOs February 7, 2014; Mining industry not regulated–Judge May 22, 2014; Australian miner accused of dodging tax in world's poorest country – The Sydney Herald Reports July 11, 2015.

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public funds. The Management Letter stated that there were significant lapses in terms of the processes of revenue collection and recording as DOM did not keep any cashbook for the K1, 577,536,696 revenue which it collected in 2012/13 financial year.

1.3 Audit Objective, Audit Questions and Audit Scope

1.3.1 Audit Objective

The objective of the audit was to assess whether the Ministry had efficiently and effectively implemented mining services in order to achieve adequate generation of revenue, promotion and growth of the mining sector, strengthened institutional capacity and monitoring of health, safety and environmental issues for socio-economic development.

1.3.2 Audit Questions

To achieve the objective of the audit the following audit questions were used.

1. To what extent has the mining services contributed to the social economic development of the country with regards to revenue collection?
 - a. How much has the mining services generated from royalties, Mining/Exploration License fees, ground rent, so as to contribute towards the country's economy during the period under review?
 - b. How much has the mining services generated from laboratory processing fees, so as to contribute towards the country's economy during the period under review?
2. Has the Ministry promoted the growth of the mining sector with regards to legislation, regulation, fiscal regimes and provision of training and financial support for increasing participation of artisanal and small scale miners in the sector?

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- a. Have the mining laws and policies that are in place effectively regulated the mining services?
 - b. Have the fiscal regimes in place effectively promoted the growth of the mining sector?
 - c. Has the Ministry ensured support for increased participation of Artisanal Small Scale miners?
3. Has the Ministry strengthened institutional capacity for ensuring efficient and effective mining service delivery?
 - a. Has the Ministry provided adequate human resources towards implementation of mining services?
 - b. Does the Ministry's human resources for technical positions in the mining services have the required qualifications?
 - c. Has the ministry adequately trained its technical personnel in the mining services?
4. Did the Ministry monitor and evaluate implementation of mining activities with regards to environment and health and safety?
 - a. Did the Ministry effectively monitor and evaluate health and safety issues related to mining services?
 - b. Did the Ministry monitor and evaluate environmental issues related to mining services?

1.3.4 Audit Scope

The audit was conducted at the Department of Mines (DoM) and the Geological Survey Department (GSD) in the Ministry of Natural Resources, Energy and Mining (MNREM).

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- The Department of Mines was targeted as an arm of the MNREM responsible for facilitating and regulating mineral development as well as spearheading mining development in the country.
- Department of Geological Survey was focused on as another arm of the MNREM responsible for collecting, assessing, disseminating and archiving all geo-scientific data related to geology and mineral resources.

The focus of the audit was on assessing the social economic contribution of mining services as regards revenue collection; the extent to which the ministry has promoted the growth of the mining services; strengthening of institutional capacity; and monitoring of mining services.

The audit covered a period of three financial years, thus, 2013/2014, 2014/2015 and 2015/2016. This period was selected to establish a trend of contribution from the mining services and its impact on economy thereof.

The audit covered districts sampled from all the three regions with a country wide perspective. DoM and GSD headquarters and regional offices were visited. Mining companies and artisanal small scale miners sampled from all the three regions were also visited with a country wide perspective.

2.0 METHODOLOGY

2.1 Data collection Methods

Data collection was conducted through interviews, document reviews and physical observation to obtain testimonial, documentary and analytical evidence in order to address the audit questions.

2.1.1 Interviews

Interviews were done to obtain testimonial evidence from senior officials in the MNREM, Department of Mines and Geological Survey Department, workers representatives at the

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mining sites, artisanal miners, large scale mining and exploration company officials. Details of the interviewees and their specific purposes are reflected in appendix 1.

2.1.2 Document Review

Several documents were reviewed to supplement on data collected from interviews. These included annual plans, strategic plans, legal instruments, policies, budget documents and periodic reports. Details for the documents reviewed are reflected in appendix 2.

2.1.3 Mining Sites Visits

Visits to mining sites were conducted in order to appreciate actual implementation of mining services by DOM to mining companies. Specific visited mining sites are reflected in appendix 3.

2.2 Sampling Methods

- Purposive sampling was used to select the large and medium scale mining/exploration companies and sites. The sampling was based on the companies that were remitting substantial amounts of royalties to the Department of Mine. Further stratified random sampling was used to ensure geographical representation. Out of 95 Large/medium scale mining/exploration companies 9 were selected. A sample of two mining companies and one mineral exploration company had been taken from southern, central and northern regions respectively. A list of these mining/exploration companies are reflected in appendix 3.
- Convenient sampling was used to select artisanal small scale miners. Selection was based on those that could be reached within the locality where the Large/medium scale mining/exploration companies were found. Out of 607 artisanal small scale miners 8 were selected. This was done to ensure efficient use of time and financial resources allocated for the audit.

3.0 DESCRIPTION OF THE AUDIT AREA AND CRITERIA FOR ASSESSING THE PERFORMANCE

3.1 Description of the audit area

This chapter includes the description of Mining Services, the auditee legal and regulatory framework, fiscal regimes and key stakeholder.

3.1.1 Mining Services in Malawi

Mining Services in the DOM is concerned with issuance of mining and exploration licences; collection of revenue; issuance of export permits; monitoring of implementation of mining activities by mining companies and small scale miners.

On the other hand in the GSD mining services is concerned with collecting, assessing, disseminating and archiving all geo-scientific data related to geology and mineral resources of the country.

3.1.2 Ministry of Natural Resources Energy and Mining

i. Mission and Strategic Objectives

The Ministry of Natural Resources, Energy and Mining's mission is to coordinate, facilitate and promote participation of all stakeholders in the sustainable development, utilization and management of mineral resources and monitoring geo-hazards for Malawi's socio-economic growth and development.¹³ The MNREM's specific objectives and strategies in relation to the audit during the period under review are as stated in table 1.

¹³ Strategic plan for Ministry of Mining: 2014-2016 and Parliamentary Cluster Report on Agriculture, Irrigation, Natural Resources and Climate Change for 2015/2016

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Table 1: Specific objectives and strategies of the MNREM during the period under review.

OBJECTIVES	STRATEGIES
To improve the legal and institutional framework of the mining sector	<ul style="list-style-type: none"> • Finalize the Mines and Minerals Act by 2016
To increase participation by small and medium scale miners	<ul style="list-style-type: none"> • Finalize the Artisanal and Small Scale Mining Policy by 2016 • Actively participate in local, regional and international mining investment for a provision of training to artisanal and small scale miners.
To improve investment in the mineral sector.	<ul style="list-style-type: none"> • Lobbying for inclusion of the minerals sector in the regional and international protocols and agreements. • Provision of competitive mining incentives to investors

Source: Compiled by NAO based on data from Program Based Budget Documents – 2014 to 2016 Financial Years.

ii. Organisational set up of the Ministry

The MNREN's organizational set up with regards to mining services comprises of the Department of Mines and the Geological Survey Department.

a. The Department of Mines

The department of mines was established to facilitate and regulate mineral development as well as spearhead mining development as a way of diversifying the economic base of the country. Its mission is to coordinate, facilitate, and promote

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participation of all stakeholders in the sustainable development, utilization, and management of mineral and petroleum resources for socio-economic growth and development.

The Department's strategic objectives are: Disseminate information and promote minerals in Malawi for investment and mining; Provide technical support to Small-scale Miners (SSM) to exploit mineral deposits suitable for small scale operations; Facilitate orderly, accident free, safe and sustainable mining operations; Encourage development of small-scale mineral based industries; Conduct research in mineral processing and assist operators in ensuring uninterrupted mineral production; and Provide value-adding services and promote marketing of resultant products.

b. The Geological Survey Department

The Geological Survey department was established with a mandate to collect, assess, disseminate and archive all geo-scientific data related to geology and mineral resources of the country. Its mission is to acquire, monitor, update, archive and disseminate geo-scientific information of Malawi in order to foster socio-economic development and contribute to poverty reduction through the utilisation and management of minerals and other geological resources.

iii. Staffing Arrangements

The establishment warrant for the Department of Mines and the Department of Geological Survey provides for 209 and 288 established posts respectively, making a total of 497 established posts for the 2 departments.

An organogram for the Departments of Mines and the Geological Survey in the MNREM is shown in appendix 4.

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iv. Funding arrangements and Budgets

Activities for DOM and GSD were funded by the Malawi Government and Development Partners. Approved government funding budgets for DOM and GSD were as follows:

YEAR	TOTAL APPROVED BUDGET FOR DOM AND GSD (MK)	TOTAL ACTUAL FUNDING FOR DOM AND GSD (MK)
2014	357,164,321.00	107,966,758.85
2015	384,197,546.00	297,240,982.00
2016	707,853,756.00	365,717,889.98
TOTAL	1,449,215,623.00	770,925,630.83

More details of government funding are reflected in appendix 5.

Total Development partners actual funding from World Bank– International Development Agency Loan and European Union Grant was MK902,632,859.20, MK1,438,806,656.29 and MK1,433,207,027.65 in 2013/2014, 2014/2015 and 2015/2016 respectively totaling to MK3,774,646,543.14. Details are as reflected appendix 6.

3.1.3 Legislation and Regulatory Framework of the Mining Services.

The MNREM is mandated to ensure sustainable development and utilisation of energy, mineral, fauna and flora resources for socio-economic growth and development of Malawi. This mandate is derived from the laws of Malawi, International Conventions, Mines and Mineral Act (1981) and

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Environmental Management Act (1996)¹⁴. Cascading to the mining services, the MNREM through the department of Mines is mandated to ensure sustainable development through facilitating and regulating the development of mining sector with a view of creating an orderly and environmentally sustainable mining industry.¹⁵

The legislation and regulatory framework for the mining services amongst others, focuses on mineral development, governance of the mining sector, investment climate of the mining sector, environmental management, social issues, fiscal regime, regional integration issues and monitoring of the mining sector. These focus areas formed a basis from which audit assessment criteria were drawn.

3.1.4 Key players and their roles.

Players in the mining industry sector include mining/exploration companies, artisanal small scale miners, development partners, civil society organizations, government departments and support institutions.

i. Development Partners:

The two key development partners in the mining services were the World Bank and European Union. Both of them provided technical and financial support through the Mining Governance & Growth Support Project (MGGSP) in the MNREM .

ii. Civil Society Organizations

Civil Society Organizations (CSO) take an active role in addressing community challenges affecting the mining sector such as empowerment to lobby for citizen's rights, and the creation of community action groups. There are a number of civil society organizations in Malawi and these include: Action Aid International, Centre for

¹⁴ Parliamentary Cluster Report on Agriculture, Irrigation, Natural Resources and Climate Change for 2015/2016.

¹⁵ Ministry of Mining Strategic Plan: 2014-2016.

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Environmental Policy and Advocacy, and Norwegian Church Aid. The specific roles of these CSOs are reflected in appendix 7.

iii. Government ministries, departments and support institutions

Key Government Ministries and departments include Environmental Affairs Department (EAD) and Ministry of Finance (MoF). The EAD is responsible for enforcement of Environmental Management Act and conducting Environment Impact Assessment for new mining/exploration license applicants. The MoF is responsible for formulation of fiscal regime in the country.

There are a number of institutions that provide support to the mining services in Malawi. These include The Ministry of Education Science and Technology (MOEST) which promotes the mining sector by facilitating mining studies at the Chancellor College and the Malawi Polytechnic; Ministry of Labour ensures that principles of occupation health and safety are adhered to by mining investors and their workers by enforcing the legal provisions stipulated in the Occupational Health and Safety Act (1997); The Water Department plays a role in granting permissions to all users of large volume water resources in the country as stipulated in the Water Resources Act (2013);

3.2. Process Description

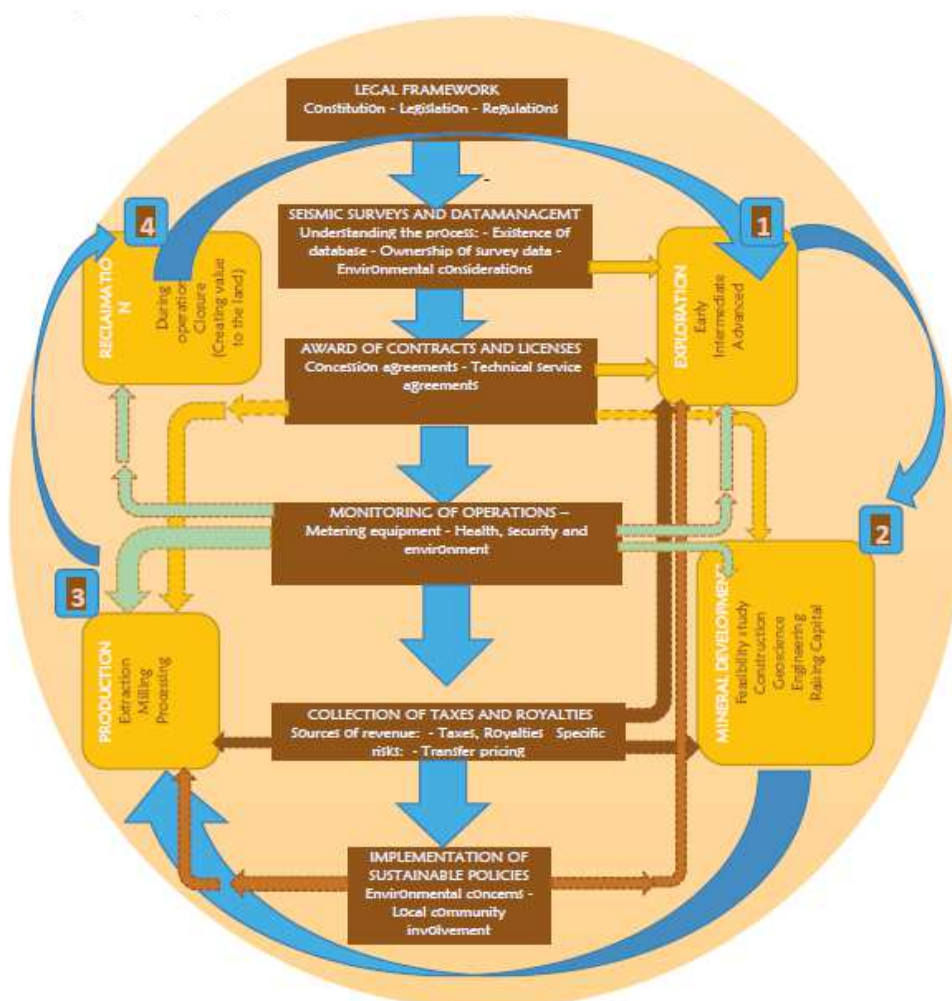
The process of mining from the perspective of mining companies constitutes 4 stages of the mining cycle and these include, exploration, mineral development, production/operations and reclamation. From the perspective of the ministry, mining process constitutes elements of the value chain which include: legal framework; seismic surveys; award of contracts/licenses; monitoring of operations; collection of

¹⁶ MGGSP C1 & C2 COMPONENT REPORT JUNE 2016

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revenue; and implementation of sustainable policies. These elements form the basis of mining services provided by DOM and GSD. For the purposes of the audit, the following key processes involved in the mining services were focused on: award of contracts, collection of revenue and monitoring of operations. The mining cycle and the elements of the value chain have been presented in the figure 1.

Figure 1: Mining Cycle and Elements of the Mining Value Chain



Source: Compiled by NAO based on data from DOM and GSD

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i. Mining/Exploration companies and Artisanal Small Scale Miners:

Mining/exploration companies and artisanal small scale miners have a major role of the country's economic contribution through offer of employment and payment of taxes and royalties to the GoM. Their work ranges from basic reconnaissance surveys to some detailed feasibility studies. Artisanal and small-scale miners are also engaged in prospecting, gemstone mining, rock aggregate crushing, lime production, ceramics and pottery and salt processing¹⁷.

ii Award of contracts and licenses

Contracts and licenses are awarded at exploration and the production phase of the mining cycle. There are two main categories of mining/exploration licenses. These are large scale licenses and small scale licenses.

a. Large Scale Licenses

There are three types of licenses that are awarded to companies that are classified as large scale. These include Exclusive Prospecting License (EPL), Mining License (ML) and Reconnaissance Mining License (RML).

The first stage of the process of awarding large scale license is application and validation. Application for minerals rights is submitted to the Mineral Rights Section in the Department of Mines. Then the section validates the availability of the area for the proposed mining activities and the applicants pay application processing fees depending on the type of applications.

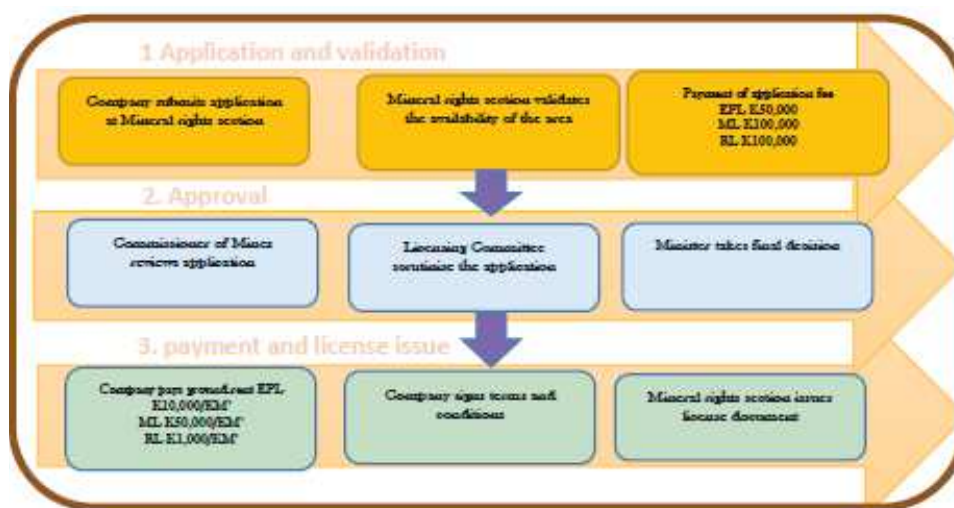
¹⁷ Mines and Minerals Policy – 2013 pp:5-11

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The second stage is the approval of applications. The Commissioner of Mines reviews the applications and then forwards them to the Assessing Committee. The committee meets on monthly basis to thoroughly scrutinize the applications. After that, the committee sends the applications to the minister who takes the final decision of either approving or disapproving them.

The third stage is payment of ground rent fees by successful applicants. The final stage is issuance of license by the Mineral Rights Section. The process of awarding large scale licenses is summarized in figure 2. The flow chart for its specific stages has been illustrated in appendix 8.

Figure 2: Summary of Large Scale License Application and Grant Procedure



Source: Compiled by NAO basing on data from DOM

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b. Small Scale Licenses:

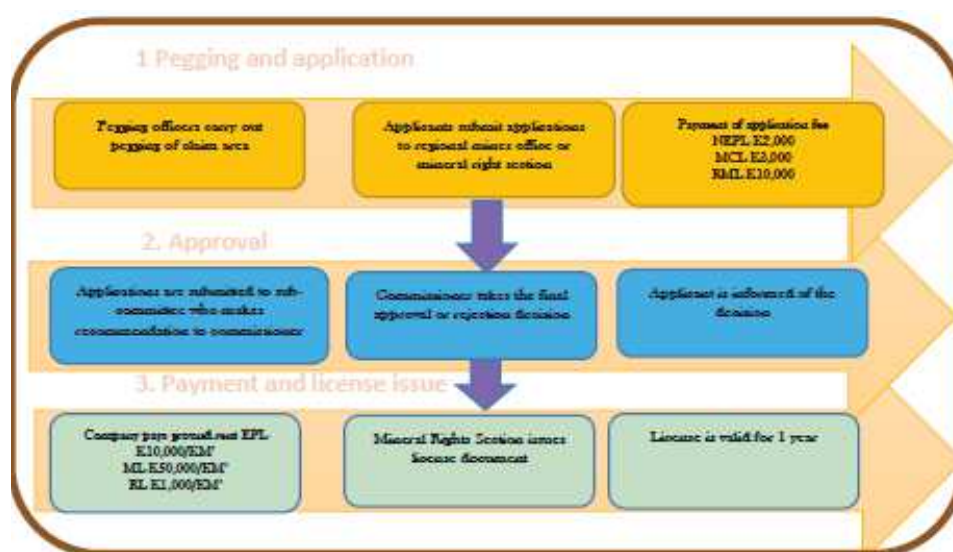
Small-scale licenses include Non-exclusive Prospecting License (NEPL), Mining Claim License (MCL) and Reserve Mineral License (RML). The first stage of this is pegging of application. Pegging officers from the Department of Mines carry out pegging of the claim area. Applicant submits application to regional Mines Office or mineral Rights Section. Then the applicant pays the application fees as MK2,000.00 for NEPL, MK3,000.00 for MCL and MK10,000.00 for RML.

The second stage is the approval of applications. Applications are submitted to the subcommittee who makes recommendation to commissioner. The commissioner takes the final rejection or approval decision. Applicant is informed of the decision.

The third stage is that the applicant pays for ground rent of MK2,000.00 per square kilometer for MCL. The mineral rights section issues license document which is valid for one year. The process of awarding small scale license is summarized in figure 3. The flow chart for its specific stages has been illustrated in appendix 9 and 10.

It must also be noted that both categories of large scale and small scale licenses are renewable as follows: Non Exclusive Prospecting License for every year; Reconnaissance License for every year; Exclusive Prospecting License for every 2 years and Mining License 25 years.

Figure 3: Summary of Small Scale License Application and Grant Procedure



Source: Compiled by NAO basing on data from DOM

iii. Process description of revenue collections

Key sources of revenue from mining services consists of royalties, export permit fees, and ground rent.

Collection of royalties starts from compilation of monthly statement of operations by mining companies which indicate total monthly volume of production, value of minerals produced and amount of royalties due for payment to DOM. Then the process finishes with remittance of royalties by companies either on monthly or quarterly basis to DOM.

Collection of export permit fees starts with inspection by GSD on minerals that are supposed to be exported. Processing fees/export permit fees is charged on exported minerals and then an exporter remits fees together with royalties to DOM.

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Ground rent fees is collected by DOM from large scale license holders. Upon approval of the application for a license as explained in the process of issuance of license, ground rental fees is paid before a license is actually issued to a holder.

3.4 Fiscal Regimes

The mining sector in Malawi is governed by fiscal regimes in the form of contractual and license schemes and development agreements. Fiscal regimes include tax regimes, royalties, ground rates and licencing fees.

i. Contractual and license schemes

There are a number of contractual and license schemes being offered in Malawi. These vary from exploration to mining licences and their categories vary from small scale to large scale license as presented in the process description under 3.2.i-ii.

ii. Development agreements

A development agreement regulates large mining projects separately. It determines the provisions for a mining project on a contract by contract basis. The fiscal regimes under DA includes percentage of equity that are issued to government; An agreed amount of depreciation of capital expenditure from the normal corporate tax rate; Exemption from the resources rent tax for an agreed period of time; Exemption from agreed taxes; Payment of royalty after an agreed period of time and at an agreed percentage of royalties;

iii. Tax Regimes

Tax regimes include Domestic Tax and customs and excise which cover, Value Added Tax, Pay as You Earn (PAYE), corporate tax, Fringe Benefit Tax, dividends, withholding tax excise duty and customs duty. The rates of taxes vary. These tax regimes are relevant in the processes of licence application and issuance processes. For DOM to issue a license, it looks on several key

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aspects, one of which is a tax clearance certificate from MRA which shows compliance of the businesses in tax remittances for the previous financial years.

iv. Royalties

Under the current regime, there is negotiation-based licensing with a legally defined 5% royalty on other minerals and 10% royalty on gemstones.

v. Ground rents

Ground rents are charged at the set rates by the DOM according to the category of licences as follows: MK 10, 000,000.00/km² MK50,000.00 km² and MK1,000.00 km² for EPL, ML and RL holders respectively.

vi. Licensing fees

Licensing application fees are charged at the rates set by the department of mines according to the category of licences or mineral rights as follows: MK50,000.00 for EPL, MK100,000.00 for ML and MK100,000.00 for RML.

3.5 Assessment Criteria Used

Audit criteria used to assess performance were taken from the Mines and Minerals Act 1981, Ministry of Mining's Strategic Plan 2014-2016, Mines and Minerals Policy 2013; Ministry's Authorised Establishment Warrant, Ministry's Staff Return and Budget Documents Vote Number 470. Detailed criteria used for assessment of performance with regards to audit questions are presented in appendix 11.

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4.0 FINDINGS

4.1 Mining revenue collection

4.1.1. Revenue collected by DOM

Revenue targets as provided by MOF to DOM were MK 600,000,000.00 and MK200,000,000.00 in 2014/2015 and 2015/2016 respectively. No revenue targets by MOF to DOM for the financial year 2013/2014 were provided for audit review.

Generals Receipts (GRs) obtained from DOM were reviewed and it was established that actual revenue collection figures were MK763,171,256.25, MK837,762,775.64, MK179,791,986.10 in the years 2013/2014, 2014/2015 and 2015/2016 respectively. Table 2 shows details of revenue projections as provided by MoF and actual revenue collections by DOM.

Table 2: REVENUE PROJECTIONS AND COLLECTION

Year	Projected Revenue	Actual Collection	Variance	Percentage
2013/2014	Not Provided	763,171,256.30	-	-
2014/2015	600,000,000.00	837,762,775.64	237,762,775.64	140%
2015/2016	200,000,000.00	179,791,986.10	-20,208,013.90	90%
2016/2017	200,000,000.00	179,791,986.10	-20,208,013.90	90%

Source: Compiled by NAO basing on data from Ministry of Finance and DOM

Table 2, depicts that in 2014/2015 DOM exceeded the set target by 40% while as in 2015/2016 DOM was unable to meet the set target by 10%.

The actual collections presented in table 2 were derived at through the detailed analysis of the GRs as presented in table 3 which were in form of royalties, ground rent, license fees, processing fees and export permits.

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Table 3: General Receipt record of revenue by type for the period from 2013/2014 – 2015/2016

OVERALL DOM GENERAL RECEIPTS SUMMARY								
YEAR	OFFICE LOCATION	PROC. FEE	NEW LICENSE APPLICATION FEE	EXPORT PERMIT	LICENSE RENEWAL FEES	ROYALTY FEES	GROUND RENT	ANNUAL TOTALS
2013/2014	LILONGWE	733,610.00	896,000.00	178,480.00	1,510,100.00	600,466,816.48	140,558,656.35	744,343,662.83
	BLANTYRE	324,400.00	898,500.00	-	204,000.00	3,124,337.90	317,000.00	4,868,237.90
	MZUZU	12,500.00	1,189,271.50	2,600.00	72,500.00	11,337,724.52	1,344,759.50	13,959,355.52
		1,070,510.00	2,983,771.50	181,080.00	1,786,600.00	614,928,878.90	142,220,415.85	763,171,256.25
2014/2015	LILONGWE	418,000.00	1,158,972.00	1,636,393.58	2,887,500.00	731,170,828.75	82,332,271.00	819,603,965.33
	BLANTYRE	123,700.00	714,225.00	-	449,500.00	4,183,551.81	5,911,582.50	11,382,559.31
	MZUZU	2,500.00	17,000.00	238,500.00	238,500.00	6,175,751.00	104,000.00	6,776,251.00
		544,200.00	1,890,197.00	1,874,893.58	3,575,500.00	741,530,131.56	88,347,853.50	837,762,775.64
2015/2016	LILONGWE	441,000.00	1,090,500.00	550,790.00	7,093,922.00	73,736,913.18	73,323,298.63	156,236,423.81
	BLANTYRE	95,000.00	535,000.00	37,500.00	378,500.00	13,941,022.47	1,491,150.00	16,478,172.47
	MZUZU	3,700.00	22,000.00	2,500.00	157,000.00	6,884,189.82	8,000.00	7,077,389.82
		539,700.00	1,647,500.00	590,790.00	7,629,422.00	94,562,125.47	74,822,448.63	179,791,986.10

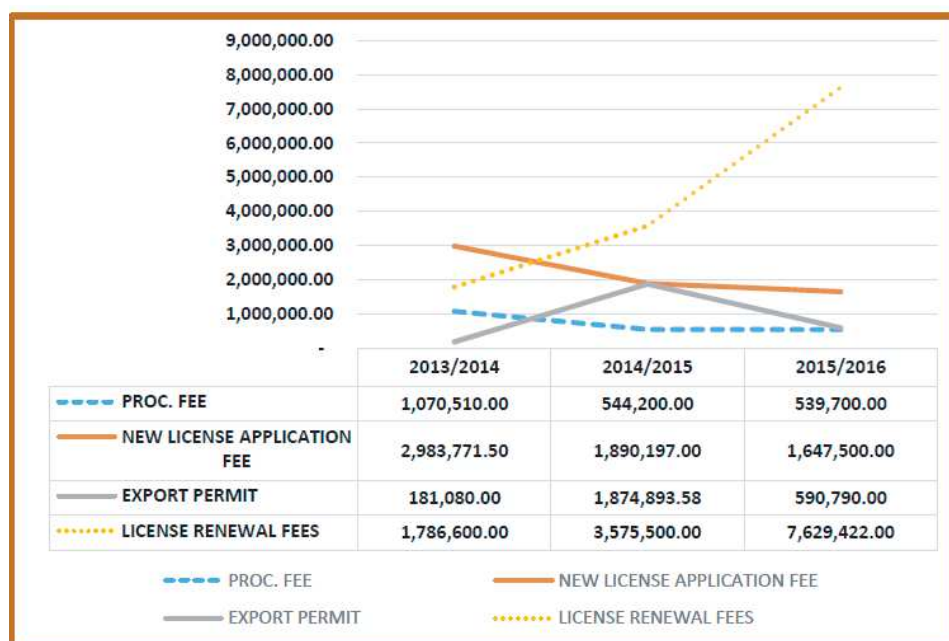
Source: Compiled by NAO basing on data from Department of Mines

It was depicted from Table 3 that Lilongwe DOM office collected MK744,343,662.83, MK819,603,965.33 and 156,236,423.81 in 2013/2014, 2014/2015 and 2015/2016 respectively. Blantyre DOM office revenue totals were MK4,868,237.90, MK11,382,559.31 MK16,478,172.47 81 in 2013/2014, 2014/2015 and 2015/2016 respectively. Mzuzu DOM office collected MK13,959,355.52, MK6,776,251.00 and 7,077,389.82 in 2013/2014, 2014/2015 and 2015/2016 respectively.

Further analysis of data in table 3, revealed that in 2013/2014 more revenue was collected through royalties followed by ground rent. In 2014/2015 and 2015/2016 more revenue was collected through royalties followed by ground rent and licence renewal fees. Overall, during the period under review, DOM collected more revenues through royalties. Furthermore the analysis established that the trend of revenue collections by type during the period under review was as depicted in figure 4.

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Figure 4: Trend of processing fees, license fees and export permits fees (2014-2016).

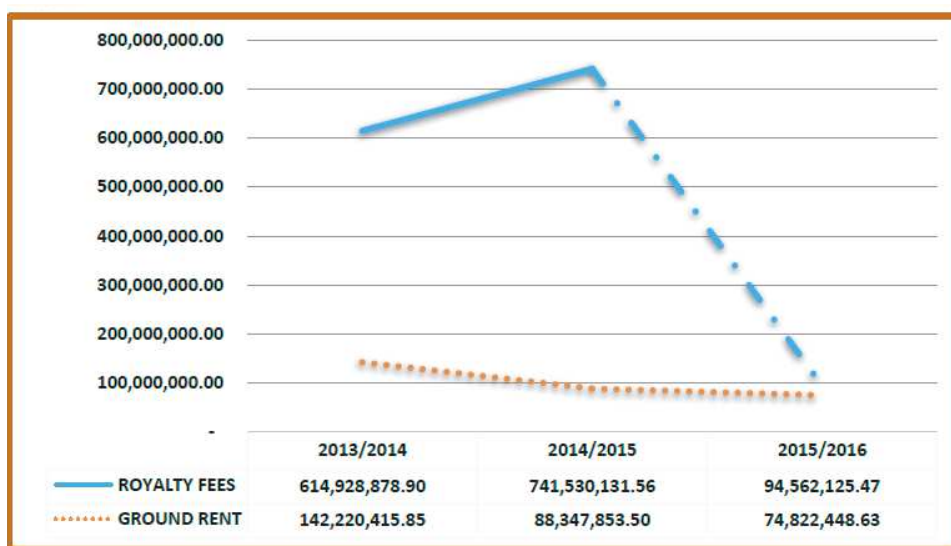


Source: Compiled by NAO basing on data from Department of Mines

It was noted from figure 4 that there was a rise in trend of revenue collected from License Renewal Fees from 2013/2014 up to 2015/2016. On the contrary, there was a falling trend of revenue collected from license application fees during the same period despite successful implementation of Kauniuni project by GSD which was aimed at attracting more investors in the mining sector so as to increase revenue generation. Figure 5 further shows trend details of revenue collections from royalties and ground rent.

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Figure 5: Details of Royalties and ground rental fees (2014-2016).



Source: Compiled by NAO basing on data from Department of Mines

The trend analysis from figure 5 noted that there was a sharp decline in revenue collected from royalties from 2014/2015 to 2015/2016 and there was a gentle decline in revenue collected from ground rent during the same period.

The audit established that the collection of revenue beyond the set target in the year 2014/2015 was attributed to the substantial inflows of revenues from uranium mine in Kayelekera by Paladin Africa. Collection of revenue by DOM below set targets and a sharp decline in royalties in the year 2015/2016 was attributed to a number of factors including suspension of production of uranium by Paladin at Kayelekera, transfer pricing by mining companies and noncompliance to a requirement of remitting export sales returns for verification of royalties.

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i. Suspension of production of uranium by Paladin Africa

An analysis of GR records from DOM revealed that out of annual total revenue of MK763,171,256.30, MK837,762,775.64 and MK179,791,986.10 Paladin Africa contributed up to MK546,364,964.85, MK685,370,892.75, MK4,233,500.00 representing 72% 82% and 2% for 2013/2014, 2014/2015, and 2015/2016 respectively. This portrays that Suspension of production of the uranium in 2014 negatively affected the contribution of revenue from Paladin in subsequent years as depicted by the tremendous decline in percentage of revenue contribution.

ii. Transfer Pricing

Transfer pricing is a business practice that consists of setting a price for the purchase of a good or service between two “related parties” (e.g. subsidiary companies that are owned or controlled by the same parent company). This becomes abusive when the related parties distort the price of a transaction to reduce their taxable income.¹⁸ In the event that a company engages in a controlled transaction, transfer pricing rules recommend the arm’s length principle. That is the transaction should reflect the market value of the goods or services exchanged. In other words, affiliated companies should trade with each other as if they were not affiliated.¹⁹

A review of monthly statement of operations revealed that Shayona Cement Corporation and Zalewa Lime Company (ZALCO) priced their extracted minerals and sold to themselves at relatively lowest prices before processing them into value added products e.g. cement and Agricultural lime. Table 4 shows how transfer pricing was practiced by companies.

¹⁸ https://resourcegovernance.org/sites/default/files/documents/nrgi_primer_transfer-pricing.pdf as at 30.06.2017.

¹⁹ Preventing tax base erosion in Africa: a regional study of transfer pricing challenges in the mining sector (2016), page 6.

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Table 4: Companies Practicing Minerals Transfer Pricing

COMPANY NAME	MINERAL	PRICE PER TONNE (MK) AS REFLECTED IN MONTHLY STATEMENT OF OPERATIONS	RECOMMENDED INTERNATIONAL PRICE PER TONNE – IN USD (LOWEST QUOTE)	RECOMMENDED INTERNATIONAL PRICE PER TONNE (MK)[1]	DIFFERENCE (MK)
SHAYONA	Limestone	5	35	26,250.00	26,245.00
SHAYONA	Iron Ore	2,600.00	69	51,750.00	49,150.00
ZALCO	Limestone	150	35	26,250.00	26,100.00

Source: Compiled by NAO basing on data from DOM (Monthly Statement of operations) & International Minerals Prices Website

Table 4 depicts that Shayona priced limestone minerals at MK5 per ton while on an international market its lowest quoted price was found to be MK26,250.00 as at 30th June 2017 leading to a variance of MK26,245.00 per ton. It also depicts that iron ore was priced at MK2,600 while on an international market its lowest quoted price was found to be MK 51,750.00 as at 30th June 2017 leading to a variance of MK49,150.00 per ton.

Similarly, ZALCO also priced its limestone at MK150.00 per ton while on international market its lowest quoted price was found to be MK26,250.00 as at 30th June 2017 leading to a variance of MK26,100.00 per ton.

Indicatively, if the companies had sold their production volumes at the recommended international prices, the total sales would have been MK8,575,782,600.00 MK522,906,840.00 and MK 672,997,500.00 for Shayona's limestone, Shayona's iron ore and ZALCO'S limestone respectively. In return, the royalties would have been MK415,527,000.00, MK26,145,342.00 and MK33,649,875.00 respectively. Further details including the differences on declared royalties are reflected in table 5.

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Table 5: An indication of limestone and iron ore sales at an international price.

Limestone production volumes and values – Shayona						
YEAR	PRODUCTION VOLUMES	INTERNATIONAL PRICE	SALES VALUE @ INT. PRICE IN MKP ²⁰	5% royalties	DECLARED ROYALTIES	DIFFERENCE
2013/2014	75,596	26,250.00	1,984,395,000.00	99,219,750.00	18,899.00	99,200,851.00
2014/2015	100,185	26,250.00	2,629,856,250.00	131,492,812.50	25,046.25	131,467,766.25
2015/2016	140,811	26,250.00	3,696,288,750.00	184,814,437.50	35,202.75	184,779,234.75
TOTAL			8,310,540,000.00	415,527,000.00	79,148.00	415,447,852.00
Iron Ore production volumes and values – Shayona						
YEAR	PRODUCTION VOLUMES	INTERNATIONAL PRICE	SALES VALUE @ INT. PRICE	5% royalties	DECLARED ROYALTIES	DIFFERENCE
2013/2014	2,798	\$1,750.00	144,777,352.50	7,238,867.63	363,691.90	6,875,175.73
2014/2015	4,040	\$1,750.00	209,048,782.50	10,452,439.13	469,733.63	9,982,705.50
2015/2016	3,267	\$1,750.00	169,080,706.00	8,454,035.25	424,696.80	7,620,609.72
TOTAL			522,906,840.00	26,145,342.00	833,425.53	24,478,490.94
Limestone production volumes and values – ZALCO						
YEAR	PRODUCTION VOLUMES	INTERNATIONAL PRICE	SALES VALUE @ INT. PRICE	5% royalties of sales on Int Price	DECLARED ROYALTIES	DIFFERENCE
2013/2014	11,250	26,250.00	295,312,500.00	14,765,625.00	84,375.00	14,681,250.00
2014/2015	7,266	26,250.00	190,732,500.00	9,536,625.00	51,716.25	9,484,908.75
2015/2016	7,122	26,250.00	186,952,500.00	9,347,625.00	53,415.00	9,294,210.00
TOTAL			672,997,500.00	33,649,875.00	189,506.25	33,460,368.75

Source: Compiled by NAO basing on data from DOM (Monthly statement of operations) and Mineral Resource Website.

Table 5 depicts an indication of the total sales and royalties paid from production of iron ore and limestone by Shayona and ZALCO for the 3 years under review. It also provides an indication of how much the country may have lost in revenue from royalties on annual basis if the said companies had based their sales on indicative standard international prices.

iii. Non enforcement of submission of minerals export sales returns

Export Permits require that mineral exporters have to submit export sales returns to the Commissioner of Mines once sales are done²¹. This is to allow DOM to establish the true value of the minerals that are exported so as to form a basis of future valuations. This would also

²⁰ Exchange rate was MK750.00 as at 30.06.2017

²¹ Mines and Minerals Act (1981) section 128:3 (3)

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allow DOM to verify the validity of the declared royalties and make possible adjustments in remittances. This process would have helped DOM to collect more royalties from the under declared royalties from mineral exports and hence a rise in the generated revenue.

During the period under review, GSD conducted inspections on 63,568 tons of minerals for exports upon which DOM issued Exports Permits. These exported minerals were estimated at a total value of MK32,637,434,127.26 and royalties totaling to MK 3,245,593,978.33. Details for certificates of inspections are presented in appendix 12. However, no export sales return was presented for audit inspection in relation to these exports.

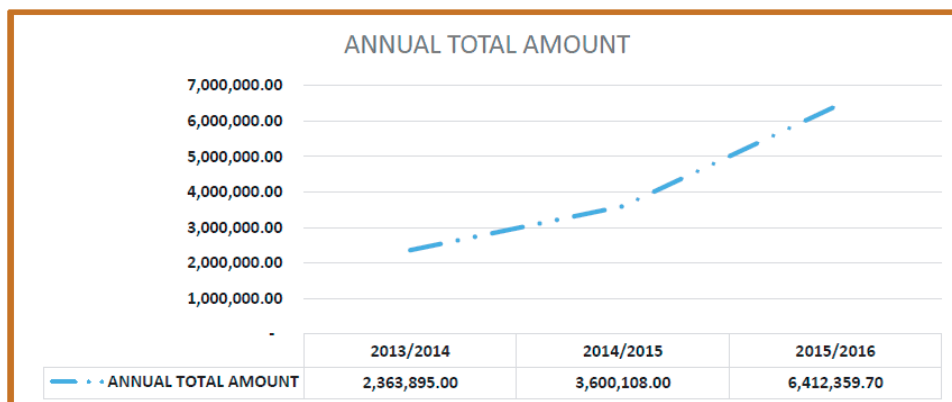
There is a risk that export royalties are under-declared due to the fact that exported minerals are priced by estimations not actual sales value. This reduces revenue generated by DOM.

4.1.2 Revenue from GSD

A review of GRs from the GSD established that a total of MK 12,376,362.70 was collected from various service charges including Analytical Laboratory Test Charges, sale of High Resolution Data, sale of Geological maps, hiring of Drilling Machine. Details of revenue collected are reflected in figure 6.

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Figure 6: Total annual revenue collected by GSD during the period under review.



Source: Compiled by NAO basing on data from GSD revenue data

Figure 6 depicts that there was a rise in trend of annual revenue totals collected by GSD. A detailed analysis of General Receipts (GR) that were presented for audit revealed that, from 2013/2014 to 2014/2015 revenue was solely collected by GSD through laboratory test analytical fees totaling to MK 2,363,895.00, MK 3,600,108.00 in 2013/2014 and 2014/2015 respectively. However, the audit established through a review of Equipment Hiring Contracts Files that GSD had collected revenue through hire of drilling machine to Mchenga Coal Mines on 29th September, 2014 at an fee of MK3,552,718.39 whose GR number 394890 was not presented for audit. This provided an indication that GSD did not present for the audit some of the GR books which might also include miscellaneous revenue in 2013/2014 and 2015/2016 financial years.

In 2015/2016 total revenue collected was 6,412,359.70 which was collected through laboratory test analytical fees amounting to MK924,000.00 and other miscellaneous sources amounting to MK5,488,359.70. These miscellaneous sources included glazing charges, hiring charges, lapidary services fees, processing fees and sale of high resolution data amounting to MK240,000.00, MK600,000.00,

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MK12,000.00, MK8,600.00 and MK4,627,759.70 respectively.

Details for revenue generated by GSD in 2015/2016 are reflected in figure 7.

Figure 7: An analysis of GSD revenue collection during in 2015/2016.

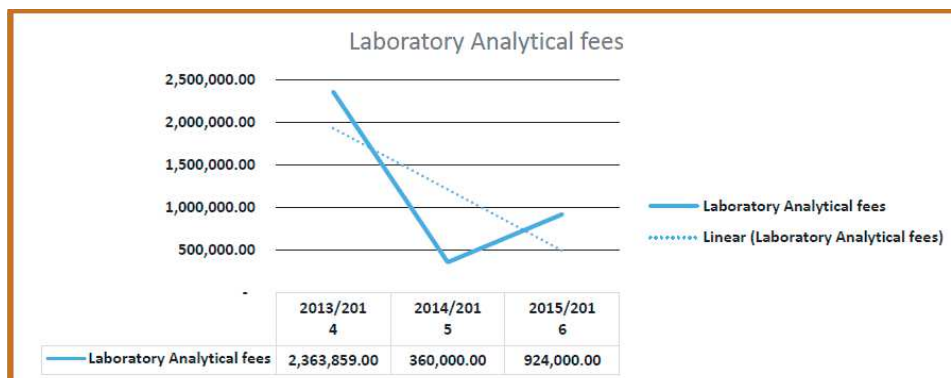
Source: Compiled by NAO basing on General Receipt data from GSD

Figure 7 depicts that high resolution data generated up to 72%, analytical laboratory test fees generated 14% and miscellaneous sources of revenue generated 13%.

Further analysis of revenue collected through analytical laboratory test fees for the period under review established a decrease in trend as presented in figure 8.

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Figure 8: Trend of revenue collected from analytical laboratory test fees



Source: Compiled by NAO basing on General Receipt data from GSD

Interviews with Laboratory Officers and physical inspection revealed that a decline in trend of laboratory revenue collection was attributed obsolete laboratory testing and lapidary equipment. Figure 9 shows some of the outdated lab and lapidary equipment captured during the audit.

Figure 9: Outdated Laboratory and Lapidary Equipment at GSD Headquarters.



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The pictures in figure 9 depict some of the obsolete equipment that are not currently being used and have not been replaced. An oven in diagram 9 (1) depicts an oven which is not currently in use. The muffle furnace in diagram 9 (2) is used for roasting sample is functional but consumes a lot of energy for heating and was procured 50 years ago. The computers in diagram 9 (3), are old version of Pentium with Windows 1993. The rock cutting machine in diagram 9 (4) is functional but not reliably as it breaks down frequently.

Out of the 4 balancing scales only 1 was operational during the time of audit

A decline in the trend of revenue collections from mining companies by the DOM and GSD, had a negative impact on the country's GDP share from the mining sector. The general performance of the mining sector's contribution to the GDP from 2012 to 2016 was an average of 1% which was contrary to the projected 20%. Details of the mining sectoral shares to the GDP are as reflected in table 6.

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Table 6: GDP projections and growth rate from 2012 to 2016

DETAILS	Projections				
	2012	2013	2014	2015	2016
GDP by activity at constant prices ²²	11,240.00	12,091.00	11,147.00	11,388.00	-
GDP by activity at constant prices ²³	-	12,021.00	11,467.00	11,695.00	12,067.00
sectoral shares to the GDP	0.01	0.01	0.09	0.09	0.09
Annual Percentage Growth rate	14.9	6.9	-4.6	2	3.2

Source: Compiled by NAO basing on data from 2012-2016 Annual Economic Reports.

Table 6 depicts that projections for GDP by activity at constant prices for the years 2012,2013,2014,2015 and 2016 were 11240, 12091, 11,147 11695 and 12067 respectively which led to sectoral shares to the GDP of 0.01%, 0.01%, 0.09%, 0.09% and 0.09% respectively. These did not justify the 20% GDP projection from the mining sector by 2016. It was also, however, noted that projection figures of GDP by activity at constant prices in 2014 and 2015 were not consistently reflected in the Annual Economic Reports.

Management Comments:

The audit findings indicate that GSD collected K12,376.70 from various service charges including laboratory, sale of high-resolution airborne data, geological maps and reports and hiring of drilling Machine. Furthermore, the trend from 2013114, 014115 and 2015116 was on the decline.

GSD would like to agree with the audit findings. The department collected less revenue due to many factors including:

- *The laboratories are in dilapidated state due to lack of proper maintenance. Currently they are undergoing refurbishments. Most of the sample preparation and analytical equipment is broken down and obsolete in need of maintenance and/or replacement.*
- *Inadequate equipment to conduct most of the services and tests required by clients.*

²² 2014 ANNUAL ECONOMIC REPORT

²³ 2015 ANNUAL ECONOMIC REPORT

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- *World economic recession has resulted in most exploration and mining companies scaling down their operations hence demand for services offered by GSD has declined.*
- *The laboratory at GSD is not accredited / certified, thus most companies prefer to send their samples to accredited laboratories outside Malawi. Ministry of Finance could also not set target for the department considering issues of inadequate equipment and dilapidated state of the laboratories.*

GSD is currently working on some of these issues to provide quality services and generate more revenue.

- *Refurbishing the laboratories to provide a conducive environment to conduct analyses.*
- *Procurement of modern analytical equipment for the laboratory and lapidary.*
- *Training of laboratory staff.*
- *Putting in place a book keeping system and internal control system that will ably track revenue generated from all sources in the department.*

4.1.3 Conflicting Records on Revenue Information

The audit found a number of discrepancies in the record of revenue from the DOM, MOF, Mining companies and MRA.

i. Conflicting Records of DOM and MOF revenue information

A comparison of figures obtained from GRs at DOM against actual revenue collections as presented by MOF revealed differences in annual totals. Thus, the annual totals from GRs were established to be MK763,171,256.30, MK837,762,775.64 and MK179,791,986.10 while annual totals presented by MOF were MK1,708,665,190.41, MK553,790,370.97 and MK237,139,953.24 for the years 2013/2014, 2014/2015 and 2015/2016 respectively. Details of the differences are presented in table 7.

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Table 7: Details of differences between DOM GRs and MOF actual revenue data

Year	Projected Revenue	Actual Collection - DOM	ACTUALS - MOF	Difference
2013/2014	Not Provided	763,171,256.30	1,708,665,190.41	(945,493,934.11)
2014/2015	600,000,000.00	837,762,775.64	553,790,370.97	283,972,404.67
2015/2016	200,000,000.00	179,791,986.10	237,139,953.24	(57,347,967.14)
TOTALS		1,780,726,018.04	2,499,595,514.62	

Source: Compiled by NAO basing on revenue data from DOM and MOF

As depicted in table 7, there were differences in total annual revenue of (MK945,493,934.11), MK283,972,404.67 and (MK57,347,967.14) in 2013/2014, 2014/2015 and 2015/2016 respectively. These differences revealed the possibility of poor record keeping by DOM. The audit established through a review of NAO's financial audit management letter of 2012/2013 financial year that revenue amounting to K1,577,536,696.00 was not recorded in DOM's books of accounts due to non-maintenance of revenue cash book. This was also due to poor record keeping by the DOM as evidenced from the GR books reviewed.

These conflicting records on revenue information negatively impacted on decision making by policy makers in the mining sector. For instance projections of having the mining GDP share was unrealistically made and pegged at 20% by the year 2016 which was never achieved. The MWEITI scoping study²⁴ also underpinned that the GDP share projected for the mining sector as being unrealistic.

ii. Conflicting Records of MRA and Mining Companies revenue information

A review of records from Mining Industries Collections Reports (MICR) from MRA against Tax Remittance

²⁴ MWEI SCOPING STUDY – 2016, Page 18

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Reports from mining companies established that there were differences in figures reflected in either records.

Interviews with Zalewa Lime Company management and a review of its Tax Remittance Reports established that the company had been remitting taxes amounting to a total of MK98,752,183.89 in the form of corporate tax, provisional tax, Fringe Benefit tax (FBT), VAT, Withholding Tax (WHT) and Customs Duty in the year 2014/2015. On the contrary, a review of MICR at MRA established that ZALCO which operates under Tax Payer Identification Number (TPIN) 30400080 was recorded as not to have remitted any amount of tax in 2013/2014. The MICR showed that the company remitted MK154,310.72 and MK11,769,494.28 to MRA in 2014/2015 and 2015/2016 respectively. Details for tax remittances as reflected in the MICR and ZALCO Tax Remittance Reports are as reflected in appendix 13.

Conflicting records on revenue information by Mining Companies and MRA and mining companies were as a result of poor record keeping by MRA. This was evidenced by interviews with planning department officials who alluded that record keeping was being managed manually using Self-Assessment System (SAS) which posed a challenge in updating client information.

Considering that mining companies' tax remittance advices were verified, conflicting information between MRA and Mining companies poses a risk of mismanagement by MRA officials on revenue funds collected from mining companies. On the other hand, in case mining companies realize these discrepancies, they will lose trust in the way MRA manages its record. Conflicting information has a negative impact on ensuring transparency and accountability of revenue collected from mining companies by MRA.

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iii. Conflicting Records of DOM and Mining Companies revenue information

a. Conflicting Records between DOM and Paladin Africa

A review of Monthly Statement of operations reports for Paladin Africa in comparison with those from DOM established that the company paid royalties amounting to annual totals of MK 1,327,024,540 and MK 87,652,252.00 in 2013/2014 and 2014/2015 financial years respectively, adding to a grand total of MK 1,414,676,792.00 during the period under review. Contrary to that, GR records showed that annual royalty totals amounted to MK546,362,464.85, MK684,425,892.75 and MK 2,500.00, in 2013/2014, 2014/2015 and 2015/2016 financial years respectively, thus, adding to an overall total of MK1,230,790,857.60 for the period under review.

Considering poor record keeping of DOM with reference to statement of monthly operations from mining companies, conflicting revenue information negatively affected the reliability of revenue information from DOM and Mining companies. It may also provide an indication of revenue mismanagement by DOM officials and on the other hand, also negatively affecting issues of transparency and accountability on mining sector revenue.

b. Conflicting Records between DOM and Mchenga Coal Mine

A review of monthly production reports for Mchenga Coal Mine in comparison with DOM monthly statement of operations revealed conflicting information with regards to sales values and remitted royalties. Computation of sales values based on

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monthly production volumes of coal products (duff, peas and grains) for the period from February 2015 up to June 2016 totalled to MK 710,936,748.25 whose 5% royalties totalled to MK35,546,837. On the contrary, a review of monthly statement of operations submitted to DOM for the same period established that declared total sales was MK 669,868,566.49 whose 5% royalties totalled to MK 33,493,428. That is, the amount remitted to DOM in form of royalties was under declared by MK 2,053,409.14.

Furthermore, a review of financial statements for financial years ending in December 2014 and December 2015 revealed that total sales were MK1,108,042,000 and MK824,314,000 respectively. These figures were found to be contrary to both computations from monthly production reports and monthly statement of operations submitted to DOM. That is, sales value from computations of monthly production reports were MK725,851,000 and MK575,930,000 in 2014 and 2015 financial years respectively while declared sales and royalties from DOM monthly statement of operations were MK725,851,000 and MK552,585,751 respectively. The analysis revealed that the company under declared the royalties for the year 2014/2015 with MK 911,232 basing on figures presented in the financial statements. Detailed information on declared sales and royalties by the company is presented in appendix 15.

Conflicting information was attributed to inadequate monitoring mechanisms by the DOM for assessing declared sales volumes and royalties against the actual production records of the mining company. As a result, this negatively affected revenue generated from mining companies by the DOM.

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Management Comment:

1. *Management agrees with the auditors' observation that there were conflicting revenue information between Department of Mining and Ministry of Finance, Malawi Revenue Authority and Mining Companies and Department of Mining and Mining Companies. This was as a result of poor record keeping and consequently lack of monitoring by our department.*

However, Management is of the view that sometimes mining companies under declare their mineral production figures to evade payment of high amount of mineral royalties. In this context, probability of having discrepancies on revenues figures in form of royalties and taxes cannot be completely ruled out.

Management would like to assure the auditors that it will record and report revenue collection through the recently installed modern computer based cadastre system that ably tracks down defaulting mining and minerals exploration companies in payment of royalties, taxes and ground fees which automatically sends SMS to remind the mining companies to make necessary payments within the agreed period. In addition to this, management will conduct technical capacity building for accounts and mineral rights personnel in record keeping and operations of the newly introduced modern computer based mining cadastre system.

4.2 Promotion of Growth of the Mining Sector

4.2.1 Legislation and regulatory framework of the mining sector

According to the Mines and Minerals policy 2013, government had set plans through DOM to put in place a clear, transparent and equitable regulatory framework for the minerals sector, to effectively regulate the mining services. In addition, Ministry's strategic plan (2014-2016) provided for a strategic outcome of having improved mining policies, strategies and legislation and a target of revising mining legislative framework by June 2016.

An enquiry into the legal and regulatory framework for the mining services established that Malawi was using the Mines

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and Minerals Act of 1981 which is out of date and now overdue for revision. Review of the 1981 Mines and Minerals Act and interviews with DOM officials revealed that there were shortfalls in the existing legislation which affected the way how contracts were being awarded to large scale mining companies. This contributed to ministry's failure in its mandate by not fulfilling the critical strategic outcomes in its 2014-16 strategic plan. These shortfalls include among others:

i. Ownership of mineral rights under the Act with regards to award of contract to large scale mining companies

Section 2 of the Act stipulates that ownership of Mineral rights under the Act is predicated on the principle of social trust whereby the entire property in, and control over minerals in land in Malawi are vested in the President on behalf of the people of Malawi. This creates a room for abuse by political leaders in offering mining contracts. This is evidenced in the way how Paladin's contract award was handled. Thus a review of Paladin's company file at DOM revealed that the process of contract award did not comply with the requirements of having the contract reviewed by the Commissioner of Mines.

Noncompliance to the requirements of the award of contracts by the MNREM led to the crafting of a fiscal regime that did not benefit the country in terms of revenue generation. For instance, the fiscal regime provided for 15% stake in form of Paladins' dividends to GOM. However, with reference to this provision, the audit established that during the period under review, the company had been reflecting net losses after tax in its financial statements of MK27.5 billion in 2013/2014, MK33.3 billion in 2014/2015 and MK6.1 billion 2015/2016. This meant that no dividends were paid to GOM throughout the whole period of the company's operations.

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Furthermore, the fiscal regime provided for tax holidays which led to loss of tax revenue by GoM as Paladin was given exemption from the resources rent tax for life of the mine and exemption from import duty and import VAT.

ii. Requirement for implementation of CSR Projects by mining companies

The Mines and Minerals Act of 1981 does not provide for a requirement of implementation of CSR projects by mining/exploration companies which would have led to social and economic development of the communities surrounding the mines. As a result, companies were implementing CSR projects at their own will and not by compulsory since it is meant to be voluntary.

Lack of provision for implementation of CSR projects resulted into delayed completion, substandard of CSR projects and projects that could not meet the needs of communities.

Management Comment:

Management agrees with auditors' observation that the Mine and Minerals Act (1981) does not indeed provide for a requirement on CSR projects by mining and mineral exploration companies.

Management would like to assure the auditors' that the Mines and Minerals Act (1981) has been reviewed and includes CSR requirements for mining and mineral exploration companies. The Mines and Mineral Bill currently at Ministry of Justice, stipulates a requirement for the mining company to enter into agreement with communities surrounding mines before commencement of any mining operation.

a. Delayed completion of CSR Projects

4 out of 8 major CSR project infrastructures that were physically inspected were found to have experienced delays in their completion for hand

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over to community beneficiaries. These include Nambazo Secondary school blocks in Phalombe by Optchem Limited, Zalewa Maternity wing in Blantyre by ZALCO and Kayerekera health centre in Karonga by Paladin as shown in figures 10, 11 and 12.



Source: Visited CSR Project Site

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Claims were made that delayed approval of projects by Government authorities to have these CSR projects implemented further led to delayed commencement of construction of health centres at Kayelekera in Karonga district and at Zalewa in Blantyre district. Both of the health centres took over 8 years before Government had approved their designs and locations. Since commencement of these CSR projects till the day of physical inspection on 29th January 2017, the facilities were not working yet.

b. Substandard CSR projects

Physical inspection at Livwezi Primary school blocks constructed by Shayona Cement Corporation in Kasungu and a primary school office structure by Mchenga Coal Mine in Mzimba which were already handed over to beneficiaries were not of high standard quality. The structures have no concrete floor and walls were not painted as they are shown in figure 13 and 14.



Source: Visited CSR Projects by Mining Companies

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c. CSR Project that could not meet the needs of communities

As opposed to the priority needs of communities, interviews with of community leaders around Kayelekera uranium mine revealed that Karonga Water Project on which Paladin spent over, finally became a white elephant after the then Member of Parliament pushed for its implementation without consulting communities around the area. Figure 15 is a water project which is basically not working since its completion apart from a few pipes being temporarily used by Northern region Water Board to channel water to reservoirs.

Communities were dire need of additional school blocks and a quick opening of the health facility. Similarly, communities around Mchenga Coal mine and Shayona Cement bemoaned shortage of classroom blocks and learning materials respectively.

As in the case of a maternity wing at Zalewa by ZALCO and classroom blocks at Nambazo by OPTCHEM that were constructed long time ago but were not opened yet, they are only white elephants. Communities are nit benefiting as per intended purpose hence no impact to the communities around the facilities.

Management Comment:

The audit findings indicate that Malawi was using a 1981 Mines and Mineral Act and that this law has some shortfall to properly regulate the sector.

GSD agrees with this finding. It is worth noting that the legislation was enacted in a period when mining was not among priority sectors for sustainable economic growth the country and in a one party political system hence lacking in many aspects.

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The MNREM has reviewed the Mines and Minerals Act, 1981 through a wide consultative process. The review has aligned the Act with international best practices in areas of ownership of minerals, removal of discretionary powers of the Minister responsible for Mining, establishment of the Licensing board and mining cadastre system, introduction of mandatory community development agreements, community engagement plans. The New bill is with Ministry of Justice for vetting before it is sent to Parliament.

The Ministry has participated in international mining fora. e.g. Mining Indaba in Cape Town, RSA; Africa Down Under in Perth Australia where the Mining Sector was Promoted.

4.2.2 Fiscal and Tax Regime

Fiscal Regimes are a set of tools that govern the relationship between parties and determines how financial benefits and risks of extractive projects are shared²⁵. The mining sector in Malawi is governed by fiscal regimes in the form of contractual and license schemes and development agreements. Fiscal regimes include tax regimes, royalties, ground rates and licencing fees.

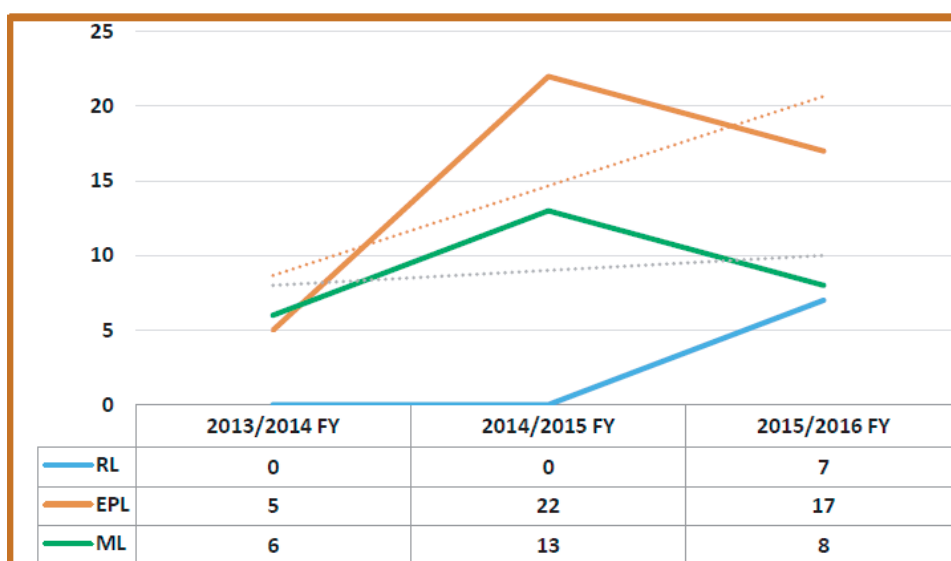
i. Participation trend of large scale licensees during the period under review

A statistical review of data for large scale licences established a rising trend of issued Exclusive Prospecting licenses and Reserve Licences. It also established a constant trend of issued Mining Licenses. Details of issued large scale licenses are presented in figure 16.

²⁵ Natural Resources Governance Institute – March 2015

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Figure 16: Trend of issued large scale licenses during the period under review



Source: Compiled by NAO basing on DOM data.

The trend in figure 14 illustrates that there were less mining license holders than exploration license holders. A constant trend in the issued mining licenses indicated that there was an insignificant growth in terms of large scale miners in the sector. However, the sector experienced some growth in terms of participation of exploration activities in the sector in 2014/2015 with a decrease in 2015/2016.

The rise in trend for issued EPL was attributed to availability of geophysical data as a result of countrywide geophysical survey in 2014. On the other hand, the constant trend in issued ML was attributed to delays in

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processing Development Agreements by department of lands. This was evidenced through interviews with officials of Globe Metals and Sovereign Metals who bemoaned delays in processing their Development Agreements by the Department of Lands.

Management Comment:

The Ministry would like to agree with the audit finding indicating a rising trend of issued exploration licences in 2013/14 and 2014/2015 FY and a decrease in 2015/16 FY. It should be noted that exploration licences are issued for an initial period of 3 years and can be renewed for a period of 2 years on two occasions (7 years maximum). More licences that were issued the previous years mean most of the highly prospective areas were occupied and may only be available for new licencing after 3 or 5 or Tyears.

Retarded growth of the sector is due to several factors including:

- 1. Long gestation period for mining project from exploration to production. (on average 10 to 15 years).*
- 2. Lack of incentives offered to exploration and mining companies.*
- 3. Inadequate power supply from ESCOM.*
- 4. Poor transport infrastructure and high transport costs.*
- 5. Poor development of mining service industry, which requires the companies to get these services from outside Malawi hence increasing on operation costs.*
- 6. Hostile communities and CSO towards exploration and mining.*
- 7. Delays in passing of Mines and Minerals Bill.*
- 8. Suspension of coal export to Tanzania that affected most of the coal mines in the Northern Region to the extent that some have closed.*
- 9. Competition with imported coal and cement, which has affected growth in the local industry.*

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It is also worth noting that the Ministry of Finance has reviewed the mining fiscal regime to align it with international best practices to attract investment in the sector.

ii. Compliance to Business tax remittances by mining companies

The process of issuance of licenses by DOM requires meeting key obligations, one of which is a Tax Clearance Certificate from Malawi Revenue Authority (MRA) which shows the status of compliance of the businesses in tax remittances for the previous financial years. These taxes include PAYE, VAT, Withholding tax, Fringe benefit tax, Non Resident Tax, Provisional Tax, Corporate Tax and Dividend Tax.

A review of renewed licenses files at DOM and Mining Industries Companies Reports (MICR) at MRA established that out of 714 mining businesses listed in the corresponding reports for the years under review, 115 had Tax Identification Numbers (TPIN) which would be used as references for tax remittances to MRA. This represented a 16% tax compliance rate in terms of registration. In addition, it was revealed that 90 mining businesses which had TPINs, were recorded not to be remitting taxes. Details of these businesses are presented in appendix 14.

The issue of tax noncompliance was also justified by the unconcluded case of Nyala Mines, registered under TPIN 20180197 which was found to have made 10 export sales of rubies from 2009 to 2012 to Columbia Gem House in USA amounting to MK62.8 million²⁶. MRA records showed that the company only remitted MK 2,996,642.97 in 2014/2015 for PAYE and that the company did not remit PAYE tax in 2013/2014 and 2015/2016 and all other taxes during the period under review.

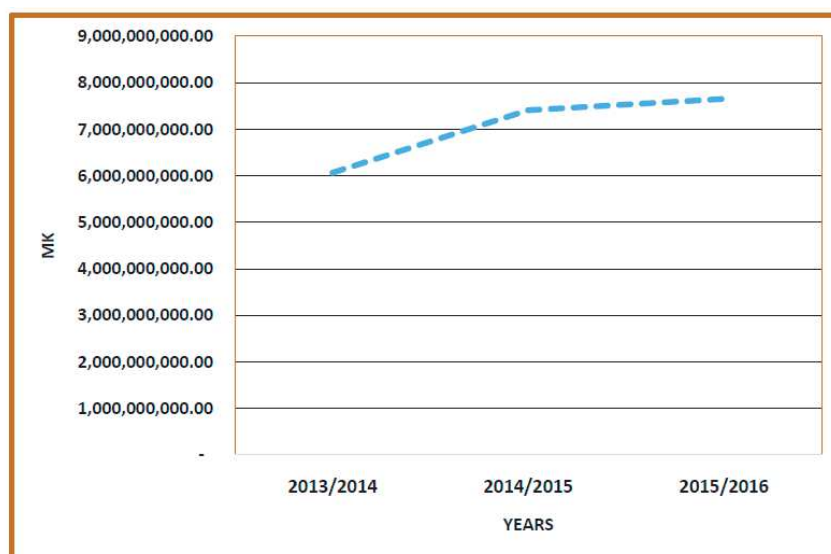
²⁶ MRA – Nyala Mines Export Report & interviews with Investigative Department Officers.

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Noncompliance to tax remittance obligation by registered businesses was established to be a collective responsibility of both DOM and MRA of failure to enforce the requirements of the fiscal regime. DOM was renewing licenses to businesses although they had no tax clearance certificates from MRA. On the other hand, MRA was not proactive in collecting tax revenue from all mining businesses which were meeting annual proceeds threshold for tax remittances.

This had a negative effect on the trend of revenue in taxes and royalties. The trend of tax remittances by mining companies during the period under review only increased from 2013/2014 to 2014/2015 but remained almost constant from 2014/2015 to 2015/2016 as shown in figure 17.

Figure 17: Trend of tax revenue from mining companies



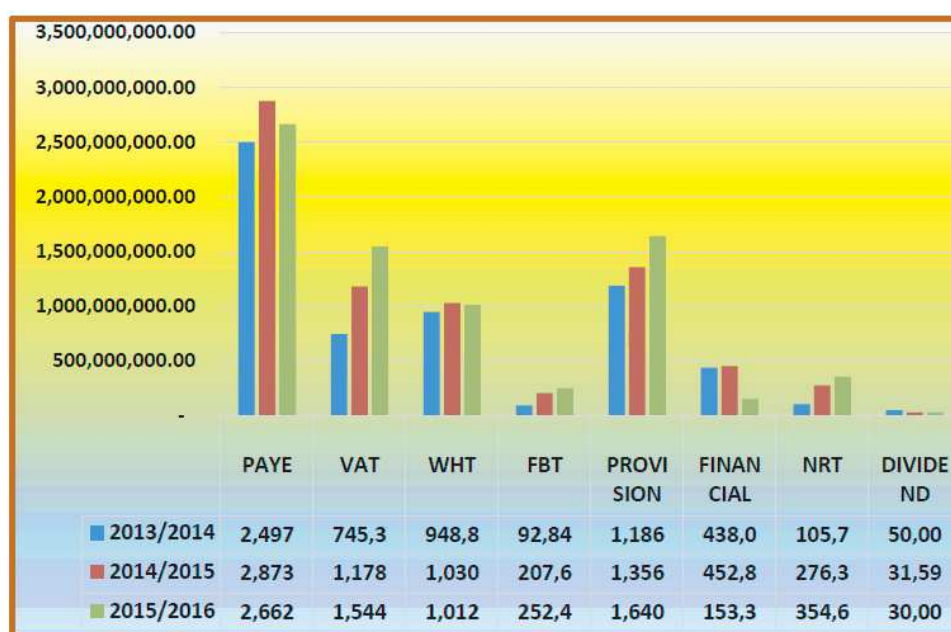
Source: Compiled by NAO basing on data from MRA MICR

Detailed analysis of tax remittances by category as depicted by figure 18 shows that substantial amounts of taxes were remitted through PAYE, VAT, Withholding tax and Provisional tax. More PAYE was collected in 2014/2015 followed by Provisional tax and VAT in 2015/2016.

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The level of compliance by mining companies in remittance of other taxes including, nonresident tax (NRT) dividend, financial and fringe benefit was relatively low. Figure 18, illustrated the extent of tax remittances from mining companies by category.

Figure 18: Extent of tax remittance from mining companies by category.



Source: Compiled by NAO basing on data from MRA Mining Companies Record

Figure 18 depicts that less tax was collected from FBT, NRT and dividend. A review of monthly statement of operations for Shayona and Kayelekera established that the companies did not include number of expatriates hired from whom NRT was to be paid. Physical inspection at Shayona's Livwezi

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Cement Factory in Kasungu noted that there were 11 expatriates who were said to have been hired by a consultant in the name of CEMTEC Limited. Further probe with MRA on whether CEMTEC was remitting NRT, established the nonexistence of the company in MRA's record. Similarly, physical inspection at Kayelekera noted the presence of expatriates despite not being reflected in their monthly statement of operations. This was supported by the retrenchment news in the media that the company had also laid off some expatriates, leaving not more than 10 on its wage bill. Details of Kayekera's retrenchment news are presented appendix 17.

Management Comment:

Management has noted the auditors' observation that renewal of mining licenses were done without tax clearance certificates from MRA.

Management would like to agree with the auditors' observation that this happened because of weak collaboration between Department of Mining and MRA. In addition to this the mineral rights management system was manual and prone to human errors.

Management would like to assure the auditors that the current use of the modern computer based mining cadaster system will not have anomalies since the system does not allow the renewal of mining license without tax clearance certificate from MRA

iii. Implementation of tax regimes that attracts investors for promotion of growth of the mining sector

According to Mines and Minerals Policy 2013, through DOM/MoM/MoF, Government planned to review, develop and implement a viable and transparent fiscal and taxation regime that attracts investors in the minerals sector and ensures a substantial amount of revenue is retained in Malawi.

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Interviews with officials of Globe Metals and Sovereign Metals established that implementation of tax regimes by MRA is prohibitive on exploration companies. Both companies complained that MRA did not allow them to claim tax on exploration capital expenditure and purchases despite that the companies had not started making profits yet as they are still awaiting mining licenses for production.

Interviews with the senior management staff of Shayona Cement Corporation and Mchenga Coal Mine established that there was stiff competition for minerals and mineral products due to an influx of imported cement and coal on the local market. This was due to lack of coordination amongst national policy making institutions, thus the Ministry of Trade and Industry which regulates importation of goods and the MNREM which promotes the growth of the mining sector by attracting investors.

This had negatively affected the growth of the mining sector, as potential investors were not impressed to open their businesses in the country. Thus, the sector had experienced a retarded growth during the period under review. This was justified by a review of Issued Licenses Register (ILR) at DOM during the period under review which revealed that the number of issued licences remained constant. Thus, in 2014/2015 and 2015/2016 there were 246 and 247 number of issued licences respectively.

Furthermore, retarded growth of the sector was also justified by employment statistics during the same period as established by a review of annual economic reports. Details of the employment statistics are presented in table 8.

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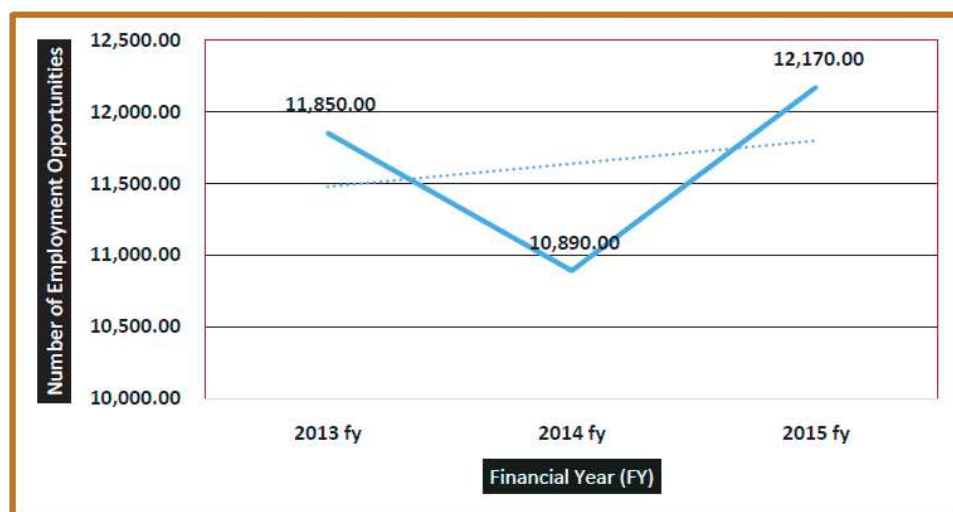
Table 8: Employment opportunities created by minerals

MINERAL	EMPLOYMENT OPP.			
	2013 FY EMPLOYMENT OPP.	2014 FY EMPLOYMENT OPP.	2015 FY EMPLOYMENT OPP.	AVERAGE
Ornamental	30	29	33	31
Cement limestone	106	101	145	117
Gemstones	124	117	201	147
Uranium concentrates	703	300	288	430
Coal	637	606	706	650
Agricultural lime	1,677	1,593	1,781	1,684
Rock aggregate	8,573	8,144	9,016	8,578
Overall Totals	11,850	10,890	12,170	11,637

Source: Compiled by NAO basing on data from 2013, 2014 and 2015 Annual Economic Reports.

The annual employment totals were 11,850; 10,890; and 12,170 in 2013, 2014, and 2015 respectively, thus giving almost a constant trend as reflected in figure 19.

Figure 19: Trend of Formal Employment from the mining sector



Source: Compiled by NAO basing on data from 2013, 2014 and 2015 Annual Economic Reports.

From the figure above, it was noted that the mining sector created employment number went down in 2014 and a slight rise in 2015 thus giving almost an average constant trend of employment levels during the period under review.

4.2.3 Support for increasing participation of ASM.

The MNREM targeted to increase participation of ASM players in the sector with 20% by 2016. In addition, the MNREM planned to facilitate linking ASM to financial lending institutions.²⁷

²⁷ Strategic Plan for the MNREM 2013-2016

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i. ASM Participation in mining

A review of register for Artisanal Small scale Miners (ASM) at the DOM revealed that ASM participation in the mining sector had an annual increment of 20% and 22% in 2015 and 2016 respectively. The overall increase in ASM participation for the period under review was 38% by 2016.

Details for ASM participation growth are reflected in table 9.

Table 9: ASM Participation from 2013/2014 to 2015/2016

TYPE OF LICENCE	2013 - 14	2014 - 15	2015 – 16
Non Exclusive Prospecting license (NEPL)	81	100	127
Mining Claim License (mcl)	50	60	85
Reserved Minerals License (RML)	53	70	83
Totals	184	230	295
Annual increase in participation		20%	22%
Overall increase in participation			38%

Source: Compiled by NAO basing on data from DOM ASM Register.

However, interviews with ASM from sampled districts revealed that 100% of the ASM players lack financial capacity to boost their businesses. An improvement of ASM participation in the sector, was attributed to the growth of the mining culture in the country.

However, the growth of ASM businesses has not been significant due to the ministry's inadequate support in terms of facilitation of linkages for ASM businesses to financial lending institution.

The growth in participation of ASM in the sector and failure by the ministry to regularize and support the ASM resulted into undeclared royalties due to illegal mining.

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ii. Establishment of market centres

To promote the mining culture in the country, the ministry targeted to establish two market centers for ASM by 2016.²⁸

Field visits to sampled districts established that DOM did not establish market centres as initially planned. Instead it was learnt through interviews and physical verification that DOM only refurbished department of mines district office block in Mzimba and turned it into a GEM-CENTRE.

A review of budgets and actual funding figures for 2015/2016 financial year, revealed that K2,187,500.00 out of a budget of K2,800,000.00 was spent for setting up one market centre in Mzimba representing 165% over expenditure. However, physical verification of the market noted that no works were done on the office block to substantiate the expended amount as shown in figure 20.

²⁸ 2013 Mines & Minerals Policy and MNREM strategic plan

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Figure 20: Gem Centre in Mzimba District



Source: Compiled by DOM during physical inspection on site.

As shown in figure 20 the mineral cutting and polishing equipment was donated to the gem centre by One Village One Product (OVOP).

Failure to meet the target of establishing the market centres was attributed to the ministry not prioritizing funding for the activity. Absence of market centres further resulted into a continued lack of proper coordination between miners and mineral traders in the country. It further led to lack of transparency in the buying and selling of gemstones and an increase in mineral

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smuggling due to lack of market centers. This eventually led to failure to promote the mining culture among ASM players.

iii. Organising ASM into cooperative groups and trainings.

The DOM planned to facilitate the organization of 12 cooperatives with budgeted funding of K8,450,000.00 in 2015/16. In addition, the Ministry targeted to train and sensitize 200, 200 and 120 ASM in 2014, 2015 and 2016 respectively²⁹.

However, a review of 2016 budget documents established that out of the targeted 12 corporatives, 7 were actually organized with funding of K5,100,000.00 from the budgeted K8,450,000.00 in 2015/16 representing 58% of output target and 102% funds utilization. Furthermore, two out of 6 ASM that were Interviewed indicated that they belonged to a corporative representing 67% of the sample.

Formation of less cooperatives resulted into limited access to loan capital as corporative were also deemed as a good platform for ASM access to financial lending institutions and other support from ministry. For example, Kawale Quarry Stone Miners and Road Side Quarry in Kasungu district who bemoaned lack of access to financial lending institutions as a result of not being in cooperatives.

A review of the achievements from Budget Document No.5, revealed that out of 200 targeted ASMs, 150 were trained in both 2013/2014 and 2014/2015³⁰. These ASMs were reported to be from Mchinji and Dowa districts. The analysis of the reviewed record showed that DOM had replicated the targets and achievements of 2013/2014 in 2014/2015. This affected the reliability and validity of the

²⁹ Annual Budget 2013/2014 - Vote #470.

³⁰ Annual Budget 2015/2016 - Vote #470.

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record considering that DOM did not provide the list of the trained ASM for audit verification. The audit also established that out of the targeted 120 ASM, only 75 were trained in 2015/16 representing 63% target achievement. The list of those that were trained was not presented for audit verification.

Interviews with the Accounts Department officials at DOM alluded that less ASM trainings were attributed to the ministry's misallocation of resources that were meant for ASM cooperatives organisation and trainings. Another reason was reported to be inadequate financial resources. A review of the Ministry's financial records revealed that the Ministry provided a funding of MK31,892,242.00 and MK15,550,000.00 for 2014/2015 and 2015/2016 respectively towards ASM programs.³¹ An analysis of the funding allocation statistics revealed a decrease in the trend of funding of 49% for ASM training programs.

This resulted into inadequate implementation of ASM training activities which eventually led to persistently low growth of ASM business due to lack of mineral value addition skills and environmental degradation.

iv. Regulation and monitoring of ASM at district level

Mineral Permits Guidelines stipulates that District Assemblies are supposed to issue permits and regulate ASM mining activities at a district level.

Interviews with sampled DC Officers revealed that over 100% of ASM who mine sand for construction projects, clay soil for making pots and making bricks are neither issued with permits nor monitored on how to sustainably manage the environment.

Non issuance of permits and failure to monitor ASM was due to lack of coordination between the DOM and District Assemblies on how to regulate ASM at district

³¹ MNREM funding record for ASM

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level. In addition, there were no DOM officers at district level as the department was not yet devolved.

Failure to regulate and monitor ASM at district level resulted into loss of revenue from permit fees that would have been issued. It also resulted into environmental degradation due to lack of ownership attitude on care and protection of natural resources.

4.3 Strengthening Ministry's institutional capacity development

4.3.1 Filling of vacant posts in the Ministry

The MNREM targeted to fill all vacant positions by 2016³².

A review of an establishment warrant and staff return for the Ministry established that the corporate office had 147 authorized positions, 111 filled and 36 vacant posts, representing 24% vacancy rate during the period under review.

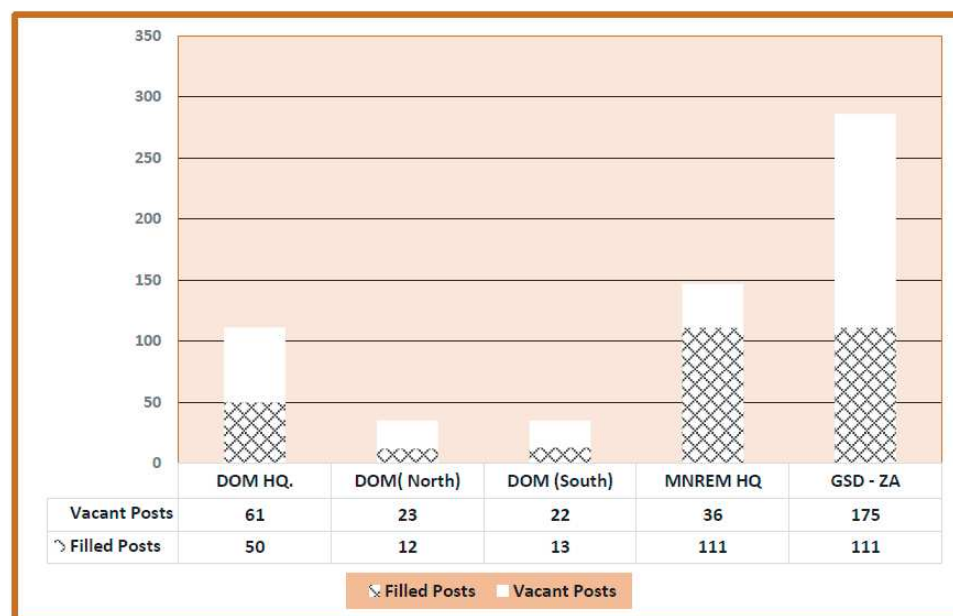
DOM headquarters had 111 established positions, 50 filled posts and 61 vacant posts representing 55% vacancy rate. DOM northern regional office had 35 established positions, 12 filled posts and 23 vacancies, representing 66% vacancy rate. DOM southern regional office had 35 established positions, 13 filled posts and 22 vacant posts representing 63% vacancy rate. Overall established positions, filled posts and vacant posts for DOM were 181, 75 and 106 respectively. This represented an overall vacancy rate of 59%

The Geological Survey Department had 286 established positions, 111 filled posts and 175 vacancies, representing 61% vacancy rate. Figure 10 shows details for vacancy rates. The overall vacancy rate for the Ministry as a whole was 52%. This is reflected in figure 21.

³² Strategic Plan for the Ministry of Mines 2013-2016

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Figure 21: Details of vacancies at Ministry



Source: Compiled by NAO basing on data from Ministry Human Resources Department

High vacancy levels at DOM and GSD were attributed to a number of issues including, inadequate recruitment funding, resignation of technical personnel at GSD, Promotion of staff taking longer period and excess positions at corporate level.

Interviews with senior human resources officers revealed that during the period under review there has not been funding for the Ministry hence failure to fill vacant posts.

Interviews with human resources officers and a review of personnel files established that there were resignations of technical personnel at GSD who went looking for greener pastures. For instance, one officer joined Chancellor College in 2015 while in 2016 three officers joined Malawi University of Science and Technology (MUST).

Further review of personnel files revealed that promotion of staff

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at GSD took longer period. For instance, out of 120 employees at GSD, only 13 got promoted thereby leaving a gap of 107 employees not promoted and hence more vacancies.

Review of Authorised Establishment Warrant and staff return established that there were 25 excess positions at Ministry Corporate Level and 9 positions at GSD. This meant that financial resources that would have been used to fill up other positions in the Ministry were used to pay staff that were serving on excess positions.

High vacancy rate negatively affected service delivery by the Ministry.

Management Comment:

GSD would like to agree with the audit finding about the high vacancy rate due to resignations, retirement, death and delays to fill the positions.

The department has requested authority to fill the vacancies. Authority for some positions has been granted by DHRMD. Currently two positions for deputy directors have been filled; recruitment for 11 geologists and 8 technicians is in progress.

A number of officers have also been sent on training during the period. To keep the officers engaged, there is involvement of the officers in current project such as Mining Governance and Growth Support Project (MGGSP) and Geological Mapping and Mineral Assessment Project (MGGSP).

4.3.2 Qualifications of Technical Officers

Best human resources management practice requires that recruitment of technical staff should base on right qualifications in right positions. Geologists in the GSD are supposed to have minimum entry qualification of Bachelor's Degree in Geology majoring in Chemistry, Earth Science or Geo Physics while as in the DOM technical staff are supposed to have a minimum of Bachelor of Technology Degree in Mining Engineering as recommended by the Engineering Council of South Africa.

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Review of 22 sampled Personal files for Geologists in the GSD revealed that 10 files had the required minimum entry qualifications while the other 10 had Bachelor of Science Degrees in other disciplines than in geology or earth sciences. Conspicuous amongst these, were 2 files which had Bachelor of Education Degrees and the other 2 files with Diplomas in Education. This represented 55% of holders without minimum entry qualifications for geologists at GSD. At the DOM there were 11 technical staff members out of which, none had an entry qualification of a Bachelor of Technology Degree in Mining Engineering. Instead, 3 mining engineers had Bachelor of Science in Environmental Sciences, 4 had Bachelor's Degree in Civil Engineering and 2 had Diplomas in Civil Engineering. The rest had Diplomas in metallurgy and Malawi School Certificate of Education (MSCE).

Inadequate minimum entry qualifications for technical personnel was because relevant mining science studies were not included in the national curriculum of Malawi. It was only in 2013 when earth sciences studies and mining engineering studies were introduced in the national curriculum through the Malawi University of Science and Technology (MUST), the Malawi Polytechnic and Chancellor College with support from the Mining Governance and Growth Support Project (MGGSP). Low funding levels in the Ministry for further technical studies in other countries has also contributed to the problem. Table 9 a list of staff that were on training programme outside the country from 2014 to 2017.

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Table 9: OFFICERS TRAINED OUTSIDE THE COUNTRY					
NAME	DESIGNATION	GRADE	INSTITUTION	SPONSOR	STUDY PERIOD
Hendrix Kaonga	Geologist	I	University of Akita, Japan	JICA ³³	2014-2017
Moses Kachemwe	Chemist	I	University of Akita, Japan	JICA	2014-2017
Gift Tsokonombwe	Principal Geologist	G	University of Iceland, Iceland	MGGSP	2014-2017
Charles Missi	Principal Chemist	G	University of Oklohoma, USA	MGGSP	2015-2018
Victor Nyalugwe	Senior Geologist	H	University of Oklohoma, USA	MGGSP	2015-2018
Davie Jambo	Geologist	I	University of Nottingham Trent	Self	2015-2018
Anock Chiona	Chief Geologist	F	New Castle University, UK	New Castle University	2015-2019
Samuel Sakhuta	Senior Geologist	H	University of Macquarie, Australia	MGGSP	2016-2017
Brave Manda	Geologist	I	University of Macquarie, Australia	MGGSP	2016-2017
Samson Chilije	Geologist	I	University of Macquarie, Australia	MGGSP	2016-2017
Harrison Mtumbuka	Senior Geologist	H	University of Twente, Netherlands	Malawi Government	2015-2017

Source: Compiled by NAO basing on data from GSD HR Record

It is noted from the table, that only one officer out of 11 got financial training support from Malawi Government representing 9%. 6 officers got support from MGGSP, 2 got from JICA 1 from New castle and another 1 was on self-sponsored program.

Inadequate minimum entry qualifications for technical personnel in the Ministry led to skills and knowledge gap among officers resulting to low quality of service delivery which consequently led to a retarded growth of the mining sector in the country. For instance, inspection services of precious and semi-precious minerals require skills of well-trained gemmologists and geologists. Unfortunately, in Malawi there was one gemmologist.

Management Comment:

Management has noted the auditors' observation that there is inadequate minimum entry qualifications for technical staff.

³³JICA means Japanese International Corporation

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Management would like to assure the auditors that it will strengthen the technical capacity of the existing officers through further training in mining and mineral processing engineering and recruitment of officers with relevant qualifications.

GSD would like to agree with the audit findings in relation to minimum entry qualifications. The minimum qualification for geoscientists is BSc in Geology or Earthsciences.

It should be noted that Chancellor College is the only institution that graduates geoscientists (geologists, geophysicists, geochemists). These are from two programs, Bachelor of Science and Bachelor of Education Science. Thus those that have Bachelor of Education Degree actually studied geology, earthscience and other prequisite courses.

The MNREM has been working with Chancellor College to review its curriculum related to geology and earth science. Polytechnic and MUST to introduce mining related programs. The programs at Polytechnic and MUST are now in their second year.

GSD has sent officers for further specialist outside the country on short and long term training (Geological mapping, mineral exploration, geophysics, geochemistry, seismology, environmental geology, GIS and remote sensing). Such type of training is not locally available and require resources that are not readily available.

Furthermore, in Malawi currently there is no institution that train geotechnicians. Generally, these are trained through on the job training.

4.4 Monitoring of implementation of mining activities

The Ministry was supposed to conduct joint monitoring visits to active mining sites on monthly basis to enhance occupation health and safety of mine workers and sustainable management of environment and natural resources³⁴.

³⁴ Mines and Minerals Policy 2013 – page 37.

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4.4.1 Occupation health, safety and welfare of mine workers

A review of inspection reports for the period under review and physical inspection to sampled mining sites revealed that DOM conducted a number of monitoring visits to mining sites in the northern region on a number of issues including Occupation health and safety of mine workers.

For instance, the Mineral Rights section conducted an accident investigation for Kaziwiziwi Coal Mining Company on 4th May, 2015. Another inspection took place from 18th to 29th August 2014 as a routine exercise in the northern region by the Regional Mines Office (North) which was carried at 9 sites. Among others, the objective of inspections was to appraise the occupational, health and safety (OHS) at all mining sites;

Inadequate monitoring by DOM in the southern and central region on workers' health and safety was attributed to inadequate allocation by the ministry on funding for monitoring visits to active mining sites.

Inadequate implementation of joint monitoring by officials from DOM and Ministry of Labour and manpower development resulted into mining companies compromising on the welfare of mining workers at the site. Thus physical inspection of artisanal small scales miners at Chitimbe village in Neno District Gold Panning site and Domwe/Shayona Iron Ore site in Blantyre noticed that workers were not supplied with any personal protective agents. Further this had an effect on the way mining workers were being remunerated. For instance, the workers for Domwe/Shayona iron ore mine were being paid MK9,600 per fortnight and no formal contract agreements were signed between Shayona and the mine workers. Similarly, mining workers for ZALCO did not have any formal contract but rather the approach used by the company was to have the workers form a group to mine lime at Kalulu hills whose license belonged to ZALCO. After mining the lime stone ZALCO was buying from the workers at a price of MK10,000 per ten ton trip.

4.4.2 Environmental monitoring

The audit established that there was inadequate monitoring on environmental issues by DOM. Interviews with DOM officers established that this was supposed to be done as a joint exercise with the Department of Environmental affairs but none took place during the period under review.

However, a review of inspection reports for DOM northern region office revealed that inspection (which was not a joint exercise) took place from 18th to 29th August 2014 as a routine exercise in the northern region by the Regional Mines Office (North) which was carried at 9 sites to assess both underground and open cast mining operations and to assess environmental management at the mines.

Inadequate implementation of Joint monitoring exercises on environmental issues at the active mining sites lead to mining companies contravening the provision of National Environmental Management Act of 2003, Chapter 69 part 2:1 which stipulates that it shall be the duty of every person to take all necessary and appropriate measures to protect and manage the environment and to conserve natural resources and to promote sustainable utilization of natural resources in accordance with this Act and any other written law relating to the protection and management of the environment or the conservation and sustainable utilization of natural resources.

Review of Paladin uranium mine company file revealed there were some flaws relating to the construction of water reservoir pond number 1 which resulted to water spillage into water streams around the mine. It was noted that in 2016 the Water Resource Authority tested water around the mine and the results proved that aquatic environment was negatively affected by water seepage from water reservoirs pond. A fine of MK10,000,000.00 was charged to the Paladin for having contravened the provision of the Act. However, only MK6,000,000.00 was paid. No explanation was made to the auditors as to why Paladin paid less amount than what was fined. Refer to appendix 17 for copies of findings and payment receipt. Figure 22 shows water reservoir number 1 at Kayelekera Uranium Mine.

Figure 22: Water Reservoir Pond 1 at Kayelekera Uranium Mine.



Source: Paladin Uranium Mine site visit.

Physical inspection at Chitimbe village in Neno District Gold Panning site, revealed that there was a massive environmental degradation along water streams where mining activities were done. Figure 23 shows the state of environmental degradation by the time of the audit.

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Source: Field visit at NENO/NTCHEU Gold Panning Site

5.0 CONCLUSIONS

a. General Conclusions

The mining services in Malawi did not adequately contribute to social and economic development of the country due to factors which include, inadequate revenue collection, insufficient promotion of growth of the mining sector as well as un-strengthened institutional capacity development of the ministry.

b. Specific Conclusions

5.1 Revenue collected by DOM & GSD

5.1.1 Revenue collected by DOM

DOM managed to surpass revenue targets by 40% in 2014/2015 while in 2015/2016 it was unable to meet the set target by 10%. Substantial amount of revenue

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collected came from royalties which totalled to MK1,451,021,135.93 out of total revenue of MK1,780,726,017.99. Thus revenue from royalties represented 81% during the period under review. Despite substantial amount of revenue being collected from royalties during the period under review, there was a decline in its trend in 2015/2016 due to Suspension of production of Kayerekera uranium mine.

5.1.2 Revenue collected by GSD

GSD did not collect substantial amount of revenue on account of not utilising its full potential in terms of the sources of revenue generation it had at its disposal. In addition revenue collection by GSD showed a decreasing trend.

The picture portrayed by GSD with regards to revenue generation hindered MOF to set annual revenue targets for the department. According to MoF the minimum threshold of revenue required for determination of annual revenue targets for MDAs is MK10,000,000.00. GSD only managed to generate an average of MK 4,000,000.00 per annum during the period under review.

5.1.3 Conflicting information

The audit concluded that there was conflicting revenue information between DOM and MOF, MRA and Mining companies and DOM and Mining Companies which was as result of poor record keeping by both DOM and MRA. In addition, conflicting information was as a result of inadequate monitoring mechanisms by the DOM.

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5.2 Promoting of growth of the mining sector

5.2.1 Legislation and regulations

The legislation and regulation governing the mining sector did not adequately promote the growth of the sector because of the shortfalls in its system due to outdated legal system.

5.2.2 Fiscal regime

The Fiscal regime governing the mining sector did not adequately promote the growth of the sector because of the loopholes in its system which is resulting in tax noncompliance by players in the sector. This resulted into inadequate revenue collection by MRA.

5.2.3 Attraction of investors in the mining sector

Not many investors were attracted in the mining sector as the fiscal and taxation regime was not viable enough to attract potential investors. This limited the growth of the sector.

5.2.4 Support for increasing participation of ASM

ASM participation for the period under review had experienced an increased trend. Despite the increase, ASM businesses did not significantly grow as their support in terms of facilitation of their businesses linkages to financial lending institution was so minimal.

5.2.5 Establishment of market centres

The Ministry did not establish market centres during the period under review. This development which led to a continued rise in smuggling of precious and semi-precious minerals due to lack of an established market centre.

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5.2.6 Organising ASM into cooperative groups and trainings

Two thirds of ASM were not organized into cooperatives contrary to the ministry's plan during the period under review. There was also a decrease in funding allocation for ASM trainings during the period under review. This limited the ASM from benefiting from trainings in minerals value addition and eventually led to persistently low growth of ASM business due to lack of mineral value addition skills and financial support, as cooperatives were regarded as an ideal platform for facilitation of ASM support by the ministry. Besides, this further led to environmental degradation.

5.2.7 Regulation and monitoring of ASM at district level

ASM who mine sand for construction projects, clay soil for making pots and making bricks were neither issued with permits by the District Assembly nor being monitored on how to sustainably manage the environment.

5.3 Strengthening Ministry's institutional capacity development

5.3.1 Filling of vacant posts in the Ministry

The overall vacancy levels remained high despite the Ministry set a targeted to fill all vacant positions by 2016. This affected negatively the service delivery.

5.3.2 Qualifications of Technical Officers

The ministry was faced with a challenge of inadequate minimum entry qualifications for technical personnel. This was as opposed with the best human resources management practice and it had a negative effect on delivery of service.

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5.4 Monitoring of implementation of mining activities

There was inadequate monitoring by DOM on issues relating to occupation health, safety and welfare of mining workers and on environmental management of active mining sites.

6.0 RECOMMENDATIONS

The following recommendations were made to the Ministry, DOM, GSD and MRA based on findings and conclusions from the previous chapters.

6.1 Mining sector revenue

Government should be realistic when establishing GDP targets. The Ministry should ensure that records are consistent and properly recorded to avoid conflicting information which misleads policy decision makers.

6.1.1 Revenue collected by DOM

- The Ministry should create a conducive environment for attraction of new large scale investors to boost revenue generation in the mining sector.
- DOM should come up with strategies of monitoring mining companies on their minerals pricing structures to curb the malpractice of transfer pricing which does not follow the arm's length principle so as to increase its annual revenue collection.
- DOM should not only rely on estimated export royalties determinations from inspections. Instead, it has to ensure that minerals exporters submit export sales returns to the Commissioner of Mines for verification of royalties. This will enhance transparency on actual proceeds realised from export sales and will increase DOM's annual revenue collection.

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6.1.2 Revenue collected by GSD

Ministry should consider replacing outdated revenue generating equipment at GSD which include laboratory and lapidary equipment and drilling machinery. In addition, GSD should ensure that it has an updated book keeping system and come up with internal control system that will ably track revenue generated from all sources in the department.

6.1.3 Conflicting revenue information

DOM should ensure that its revenue collection records are up to date. In addition, DOM should put in place monitoring mechanism for assessing and validating sales and royalties values remitted by mining companies. Similarly, MRA should consider migrating from manual record system to an automated system so as to have its clients' records up to date.

6.2 Promoting Growth of the Mining Sector

6.2.1 Legislation and regulation

The Ministry should speed up with the process of reviewing the legal framework governing the mining sector so that transparency and accountability in issuance of mining licences is enhanced. Inefficiencies and ineffectiveness of CSR projects will be ironed out as the new law also incorporates contract agreements on implementation of CSRs.

6.2.2 Fiscal Regime

DOM should ensure that applications for renewal of licences should accompany tax clearance certificates from MRA to their application documents.

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Ministry should ensure proper coordination with other government agencies responsible for formulation of trade policies so that the mining sector is well regulated in as far as importation of minerals/mineral products is concerned. MRA should consider coming up with tax strategies that will attract investors at development or exploration stages. This will make the mining sector to be conducive for investors.

6.2.3 Support for increasing participation of ASM.

The Ministry should ensure that funding intended to increase ASM participation has to be prioritised. Availability of funding will enable implementation of ASM trainings and formulation of cooperatives.

The Ministry should come up with initiatives which will facilitate linkages of ASM with financial lending institution to ensure growth of their business.

6.2.4 Establishment of market centres

The Ministry should ensure market centres are opened in the country as initially planned. It should also ensure that adequate financial resources are provided for the smooth running of the proposed market centres so as to make a positive impact in terms of the growth of ASM in the country.

6.2.5 Organising ASM into cooperative groups and trainings

The Ministry should ensure that resources for ASM activities are utilised for the intended purposes to enable adequate implementation of ASM trainings and effective organisation of corporative. The ministry should also consider prioritising ASM funding in its budget so that planned training activities are effectively implemented.

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6.2.6 Regulation and monitoring of ASM at district level

The ministry should consider devolving the DOM function so that it has personnel on the ground at a district level to ensure monitoring of ASM mining activities and prevention of illegal mining and smuggling.

6.3 Strengthening MNREM'S institutional capacity development

6.3.1 Filling of vacant posts in the MNREM

The Ministry should allocate funding for recruitment in order to fill vacancies of technical personnel.

The Ministry should ensure that its technical personnel is motivated in order to retain its technical personnel.

The Ministry should ensure transparency and accountability in the processes of recruitment, promotion and trainings.

6.3.2 Qualifications of Technical Officers

Ministry should find alternative sources of funding to ensure that its technical staff attain relevant qualifications from institutions in other countries to supplement the locally trained graduates.

6.4 Monitoring of implementation of mining activities

The ministry should ensure that adequate resources are provided for implementation of monitoring activities in the active mining sites.

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Appendix 1: List of interviews conducted and their purposes

Date	Place/office where interviews were conducted	Interviewees	Purpose of the interviews
08.08.2016	Department of Mines HQ in Lilongwe	Chief Mining Engineer	To get a thorough understanding of the activities and operations of the Department of Mines
08.08.2016	Department of Mines HQ in Lilongwe	Mining Engineers	To collect data on the activities being carried out by mining companies in Malawi
09.08.2016	MNREM HQ in Lilongwe	Director of planning services	To collect data on plans and policy issues relating to the mining sector
12.09.2016	MNREM HQ in Lilongwe	Chief Director of Energy/Acting Chief Director of Mines	To obtain an overall guidance on identification of risk areas during the planning phase of the audit
12.09.2016	MNREM HQ in Lilongwe	Deputy Director of Human Resources	To collect data on the management of human resources allocated to the mining services
13.09.2016	MNREM HQ in Lilongwe	Chief Accountant	To collect data on the management of financial resources allocated to the mining services
13.09.2016	MNREM HQ in Lilongwe	Director of planning services	To collect data planning implementation and monitoring of the mining services programme

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Date	Place/office where interviews were conducted	Interviewees	Purpose of the interviews
14.09.2016	Department of Mines HQ in Lilongwe	Deputy Director of Mines (Acting Director)	To collect data on implementation of mining services programme
03.10.2016	Department of Geological Survey in Zomba	Human Resource Officer	To collect data on the management of human resources allocated to the geological survey department
03.10.2016	Department of Geological Survey in Zomba	Accountant	To collect data on the management of financial resources allocated to the geological survey department
04.10.2016	Department of Geological Survey in Zomba	Director of Geological Services	To collect data on overall implementation of geological survey programmes
04.10.2016	Department of Geological Survey in Zomba	Prospector	To collect data on prospecting of minerals
04.10.2016	Department of Geological Survey in Zomba	Drillers	To collect data on activities involved in the process of drilling of minerals samples

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Date	Place/office where interviews were conducted	Interviewees	Purpose of the interviews
05.10.2016	Department of Geological Survey in Zomba	Cartographer	To collect data on the processes involved in the reproduction of maps from geologists sketch maps
05.10.2016	Department of Geological Survey in Zomba	Chief Geologist	To collect data on the strategic processes involved in the conducting geological surveys
06.10.2016	Department of Geological Survey in Zomba	Geologist	To collect data on the operational processes involved in the conducting geological surveys
06.10.2016	Department of Geological Survey in Zomba	Senior Lab Technician	To collect data on the processes involved in testing chemical contents of mineral rocks
06.10.2016	Department of Geological Survey in Zomba	Seismologist	To collect data on the processes involved in seismic forecasts and reporting
07.10.2016	Cement Products Limited in Mangochi	Acting Managing Directors	To collect data on the extent of mining being done at the site

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Date	Place/office where interviews were conducted	Interviewees	Purpose of the interviews
10.10.2016	Shayona Cement Corporation	Human Resources and Administration Manager;	<ul style="list-style-type: none"> • To collect data on the extent of mining being done at the site • To collect data on health and safety, environment, social corporate responsibility and social issues at the mining site.
11.10.2016	Mchenga Coal Mine	Mine Engineer And Human Resource Manager	<ul style="list-style-type: none"> • To collect data on the extent of mining being done at the site • To collect data on health and safety, environment, social corporate responsibility and social issues at the mining site.
12.10.2016	Kayerekera Uranium Mine	Acting General Manager (Environmental Engineer)	<ul style="list-style-type: none"> • To collect data on the extent of mining being done at the site • To collect data on health and safety, environment, social corporate responsibility and social issues at the mining site.

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Date	Place/office where interviews were conducted	Interviewees	Purpose of the interviews
19.12.2016	Ministry of Finance HQ	MWEIT officers	<ul style="list-style-type: none"> To collect MWEIT report, Revenue projections for the mining sector
09.01.2017	Lisungwi Gold panning artisanal miners	Patrick Mangwiro Village Head Chitimbe and wife Micheck Garaja Ivy	<ul style="list-style-type: none"> To establish if the government is supporting ASM to increase their participation in the sector
09.01.2017	Mwaiwathu artisanal miner- along Zalewa road Terrazo	Martin Tebulo – Artisanal Miners	<ul style="list-style-type: none"> To establish if the government is supporting ASM to increase their participation in the sector
10.01.2017	ASM- Gemistone miner in Blantyre	Jonathan Mathius Chimbuto	<ul style="list-style-type: none"> To establish if the government is supporting ASM to increase their participation in the sector
10.01.2017	MRA	Director of Investigations	<ul style="list-style-type: none"> To collect data on smuggling of minerals

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Date	Place/office where interviews were conducted	Interviewees	Purpose of the interviews
11.01.2017	Zalewa Agricultural Lime Company in Blantyre	Managing Director Finance Director	<ul style="list-style-type: none"> • To collect data on revenues and the extent of mining of lime stone being done at the site • To collect data on health and safety, environment, social corporate responsibility and social issues at the mining site.
11.01.2017	Kasamale artisanal miners for gemistones in Blantyre	Ben Kasamale, Mwai Kasamale and Wesley Kasamale	<ul style="list-style-type: none"> • To establish if the government is supporting ASM to increase their participation in the sector
12.01.2017	Optichem in BT and Phalombe	Operations Manager; Mr. Sing	<ul style="list-style-type: none"> • To collect data on revenues and the extent of mining of phosphate being done at the site • To collect data on health and safety, environment, social corporate responsibility and social issues at the mining site.

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Date	Place/office where interviews were conducted	Interviewees	Purpose of the interviews
16.01.2017	Mkango Mining Resource/Lancaster	Country Director (Mkango Minerals Resources) Company Book Keeper/Administrator Company accountant	<ul style="list-style-type: none"> • To collect data on the extent of mining being done at the site • To collect data on health and safety, environment, social corporate responsibility and social issues at the mining site.
25.01.2017	ASM-Gemstone miners in Mzimba	James Phiri and Yamikani Jimsole	<ul style="list-style-type: none"> • To establish if the government is supporting ASM to increase their participation in the sector
26.01.2017	ASM-Gemstone miners in Mzimba	Margret Nkhoma	<ul style="list-style-type: none"> • To establish if the government is supporting ASM to increase their participation in the sector
26.01.2017	Mzimba District Commissioner	Director of planning and Development	<ul style="list-style-type: none"> • To collect data on promotion and regulation of ASM at district level

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Date	Place/office where interviews were conducted	Interviewees	Purpose of the interviews
13.02.2017	Mac Court, Sovereign Metals Area 44 in Lilongwe	Operations Manager	<ul style="list-style-type: none"> • To collect data on the extent of exploration of graphite being done at the site • To collect data on health and safety, environment, social corporate responsibility and social issues at the mining site.
14.02.2017	Chisomo ASM in Kawale Lilongwe	Ellias Chisande; Lawrence Sande Harry Sumbleta; Yona Samuel Mai Jekitala; Mai Kathewera	<ul style="list-style-type: none"> • To collect data on promotion and regulation of ASM at district level
01.03.2017	Globe Metals-Kanyika Niobium in Mzimba/Kasungu	Country Director and Financial Controller	<ul style="list-style-type: none"> • To collect data on revenues and the extent of exploration/mining of niobium being done at the site • To collect data on health and safety, environment, social corporate responsibility and social issues at the mining site.

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Appendix 2: Documents Reviewed and Respective Type of Information.

DOCUMENT	TYPE OF INFORMATION
1. Mines and Minerals Act (1981); 2. Environmental Management Act (1996); 3. Occupational Health and Safety Act (1997); 4. Water Resources Act (2013) 5. Mines & Minerals Policy (2013)	Laws, regulations, policies guidelines and procedures relating to mining services programmes.
6. Strategic plan for the Ministry of Mines; 7. Annual Activity Plans; 8. Annual Appropriation Acts;	Strategic goals and objectives of: <ul style="list-style-type: none"> • MNREM, • Department of Mines and • Geological Survey Department
9. Organization Charts; 10. Establishment warrants; 11. Staff Returns;	Roles and responsibilities of the ministry and departments, organization structure and their establishment.
12. Expenditure Returns	Expenditures for the MNREM.
13. Annual Reports from Private Investors 14. Monthly returns 15. Financial statements 16. Reports on CSR activities implemented.	Production and sales quantities, royalties and tax remittances, local staffing and expatriates. CSR activities implemented by the mining companies
17. Environmental Impact Assessment Reports;	Environmental related issues associated with mining

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DOCUMENT	TYPE OF INFORMATION
18. Baseline Survey Report	Survey findings on the mining sector
19. Parliamentary Cluster Report	Achieved and planned milestones by the MNERM on the mining services
20. Performance Contract between the MNREM and the OPC	Achieved and planned milestones by the MNERM on the mining services
21. Audit Management Letters for the Department of Mines (2013 and 2014 Financial Years	Independent Audit Findings from the Department of Mines
22. Brief Notes from the Department of Mines	Achieved and planned milestones by the MNERM on the mining services
23. Media Reports	Reports on public outcry on corporate social responsibility, and environmental issues.
24. Inspection Reports from GSD 25. Export Permits From DOM 26. General Receipts from DOM	Number of inspections conducted on minerals exported and the royalties remitted.
27. Mining/Exploration Licenses/contracts 28. Mining Companies' files at DOM	Fiscal regimes information
29. Staff personal files 30. Staff returns 31. Establishment warrants 32. Training plans and reports 33. Human resources plans for DOM and GSD	Information of institution capacity development

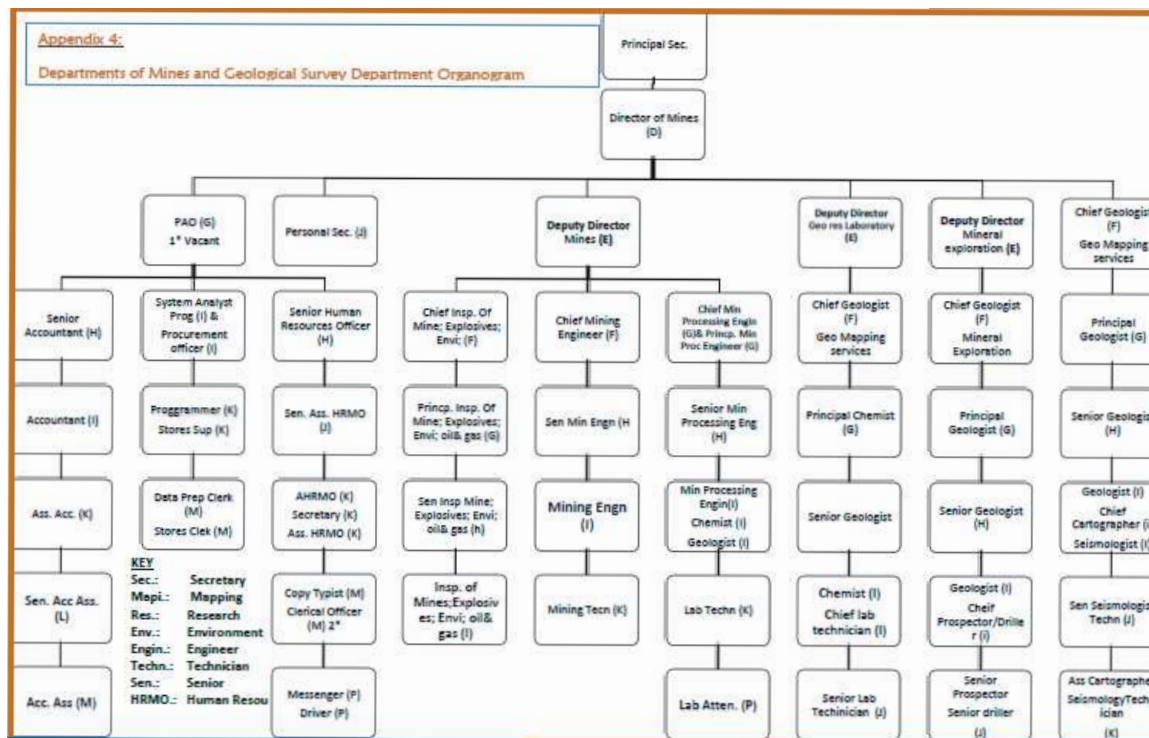
Source: Pre-study and Main study Work.

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APPENDIX 3: SAMPLED VISITED PLACES

COMPANY	MINERAL	PLACE	DISTRICT	REGION
LARGE SCALE MINING COMPANIES				
Zalewa Lime Company	Limestone	Kalulu	Blantyre	South
Optichem Limited	Phosphate	Tundulu	Phalombe	South
Shayona Cement Corporation	Iron Ore	Domwe	Blantyre	South
Terrastone Ltd	Rock Aggregates	Kautsi	Lilongwe	Central
Shayona Cement Corporation	Limestone	Livwezi	Kasungu	Central
Paladin Africa	Uranium	Kayelekera	Karonga	North
Mchenga Coal mine	Coal	Mchenga	Rumphi	North
EXPLORATION COMPANIES				
Globe Metals	Niobium	Kanyika	Mzimba/ Kasungu	North
Lanchester Limited	Rare Earth	Songwe Hills	Phalombe	South
Sovereign Metals	Graphite	Malingunde Hills	Lilongwe	Central
ARTISANAL SMALL SCALE MINERS				
Gold Panning	Alluvial Gold	Chitimbe Village	nen/Ntcheu	South
Mwaiwathu	Terrazo	Along Zalewa Road	Neno/Ntcheu	South
Road Side Quarry	Quarry Stone	Along M1 Road	Kasungu	Central
Chikondi Quarry Ass.	Quarry Stone	Kamuzu Institute of Sports	Lilongwe	Central
James Phiri & Yamikani Jimsole	Gemstones	Mbiliwiri	Mzimba	North
Magret Nkhoma	Gemstones	Forest near Mzimba round about	Mzimba	North
Smart Mundu Ben Kasamale	Gemstone	Blantyre	Blantyre	South
Mathius Chimbuto	Gemstone	Blantyre	Blantyre	South

APPENDIX 4: DEPARTMENTS OF MINES AND GEOLOGICAL SURVEY DEPARTMENT



Source: Compiled by NAO basing on data from The MNREM's Human Resources Department

Appendix 5: Government funding for the Departments of Mines and Geological Survey during the period from 2013/2014 FY to 2015/2016 FY.						
FUNDING DETAILS FOR THE DEPARTMENTS OF MINES AND GEOLOGICAL SURVEY						
YEAR	APPROVED BUDGET			ACTUAL FUNDING		
	MINES DEPARTMENT	GEO-SURVEY DEPARTMENT	TOTAL FOR MINES AND GSD	MINES DEPARTMENT	GEO-SURVEY DEPARTMENT	TOTAL FOR MINESAND GSD
2014	204,873,777.00	152,290,544.00	357,164,321.00	58,450,552.85	49,516,206.00	107,966,758.85
2015	217,738,613.00	166,458,933.00	384,197,546.00	173,406,125.00	123,834,857.00	297,240,982.00
2016	286,267,590.00	421,586,166.00	707,853,756.00	256,992,519.98	108,725,370.00	365,717,889.98
TOTALS	708,879,980.00	740,335,643.00	1,449,215,623.00	488,849,197.83	282,076,433.00	770,925,630.83

Source: Compiled by NAO basing on data from GSD and Mines Department.

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**Appendix 6: MNREM's MGGS Project funding during the period from
2013/2014 up to 2015/2016**

SOURCE (DONOR)			
Year	World Bank - International Development Agency (IDA) Loan	European Union Grant	Both IDA and EU
2013/2014	676,620,311.63	226,012,547.57	902,632,859.20
2014/2015	1,279,869,490.30	158,937,165.99	1,438,806,656.29
2015/2016	1,407,536,285.17	25,670,742.48	1,433,207,027.65
Totals	3,364,026,087.10	410,620,456.04	3,774,646,543.14

Source: Compiled by NAO basing on data from Mining Governance and Growth Support Project Office.

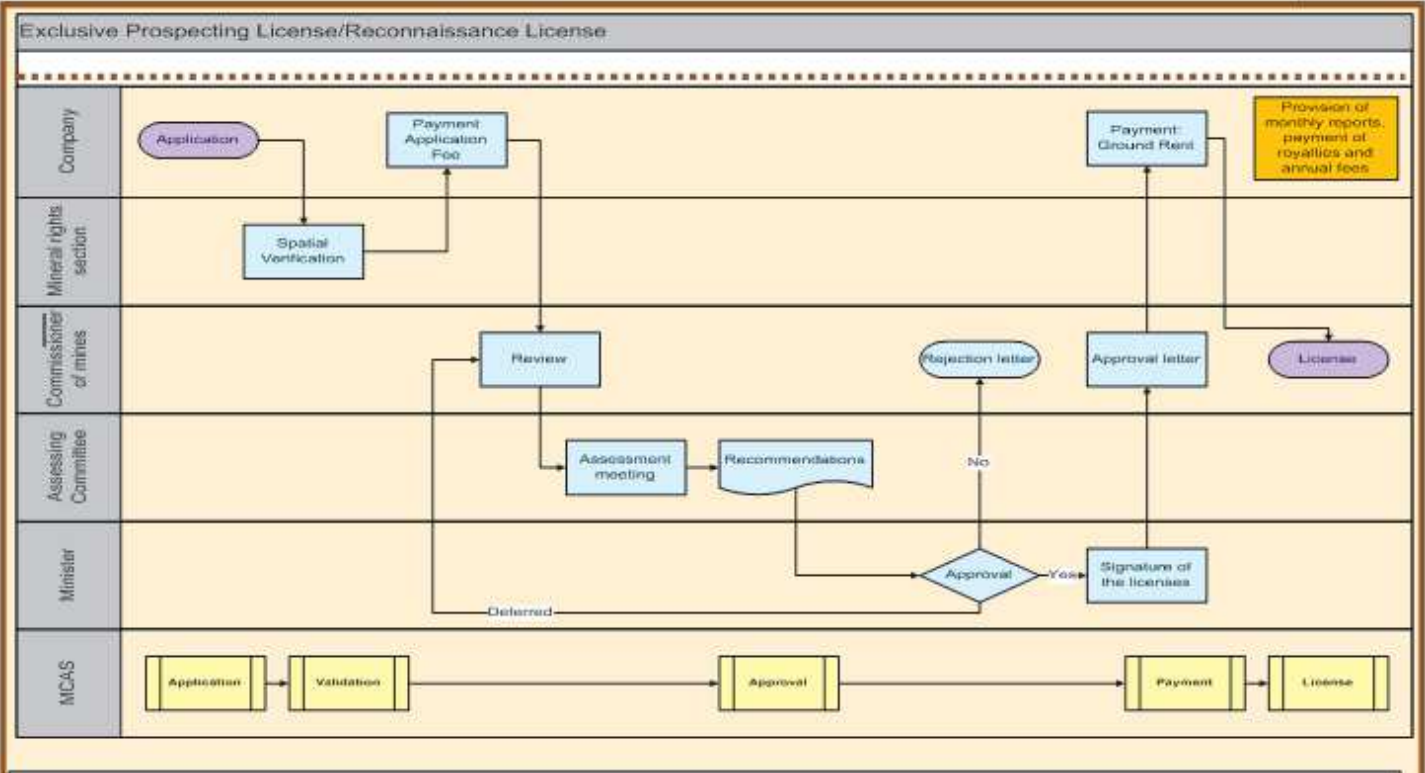
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**APPENDIX 7: SPECIFIC ROLES OF CSOS IN THE MINING
SECTOR**

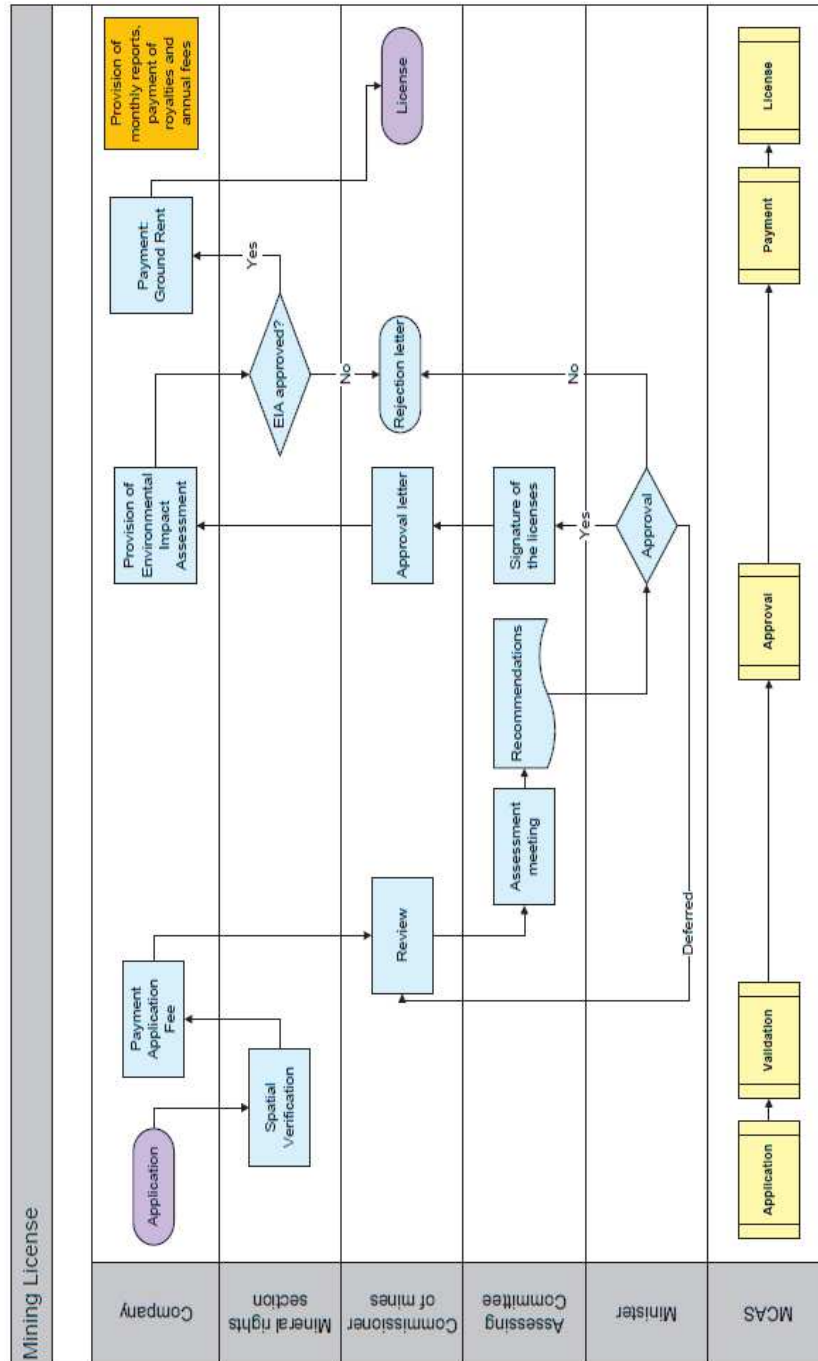
Name of CSO	Role in the Mining Sector
Action Aid International	It is implementing a project on Responsive Mining Governance for Equitable and Sustainable Development of Malawi whose main goal is promoting transparency and accountability in the extractive sector for equitable and sustainable development.
Norwegian Church Aid	Implements a project called Tonse Tipindule – Promoting Increased Inclusions, Accountability, and Responsiveness in Malawi’s Mining Sector. The main goal of this project is Contributing to Improved Social Inclusion, Accountability and Responsiveness among duty bearers in Malawi through strengthened citizens’ voice.
Centre for Environmental Policy	Implemented a two year project on strengthening mining governance in Malawi whose overall goal was to ensure that governance in the mining sector in Malawi is more inclusive and accountable, with the purpose of engagement of CSOs, private sector and citizens in mining policy processes.
Natural Resources Justice	For monitoring the activities of the department of mines on behalf of the citizenry in Malawi.
Malawi Extractive Industry Transparency Initiatives (MWEITI)	For transparency of management of natural resources in Malawi.

Source: Compiled by NAO basing on data from Department of Mines

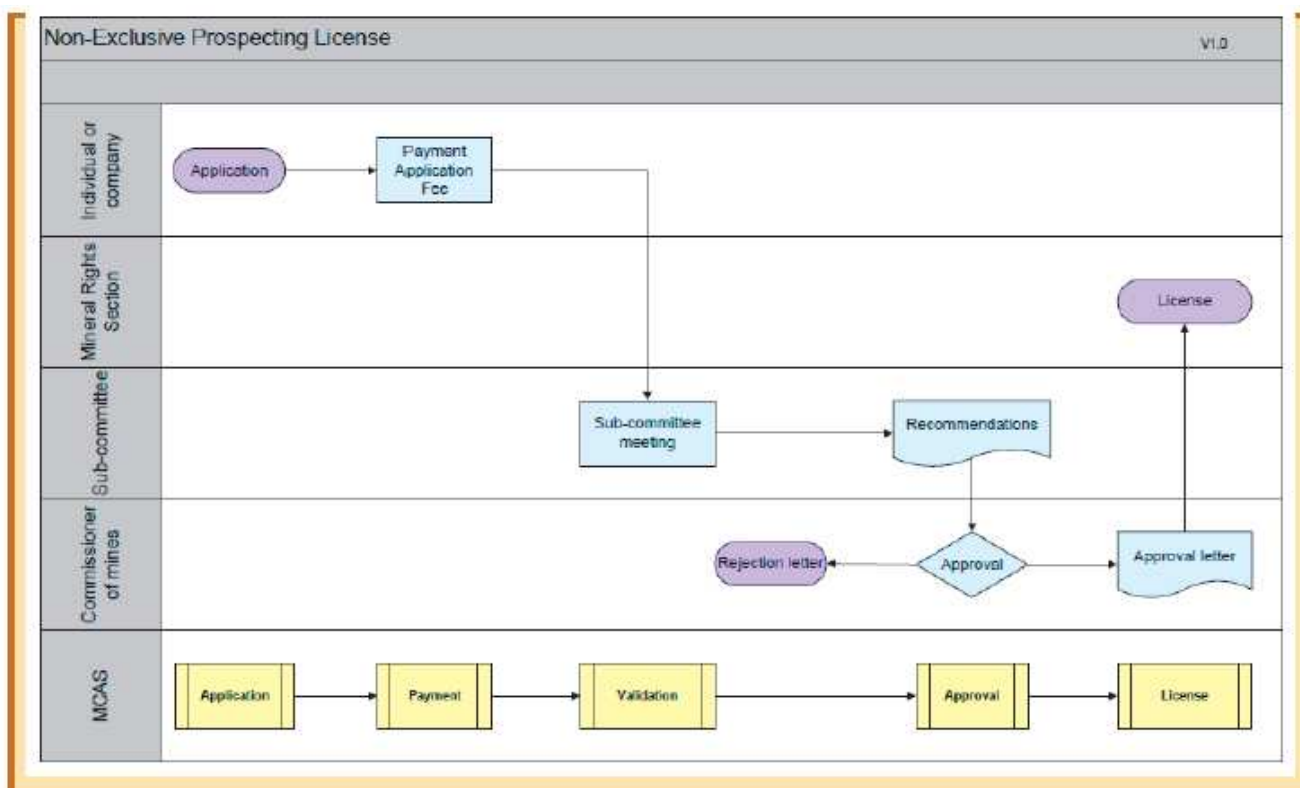
Appendix 8: Application and Granting Procedures for specific Large Scale Licenses



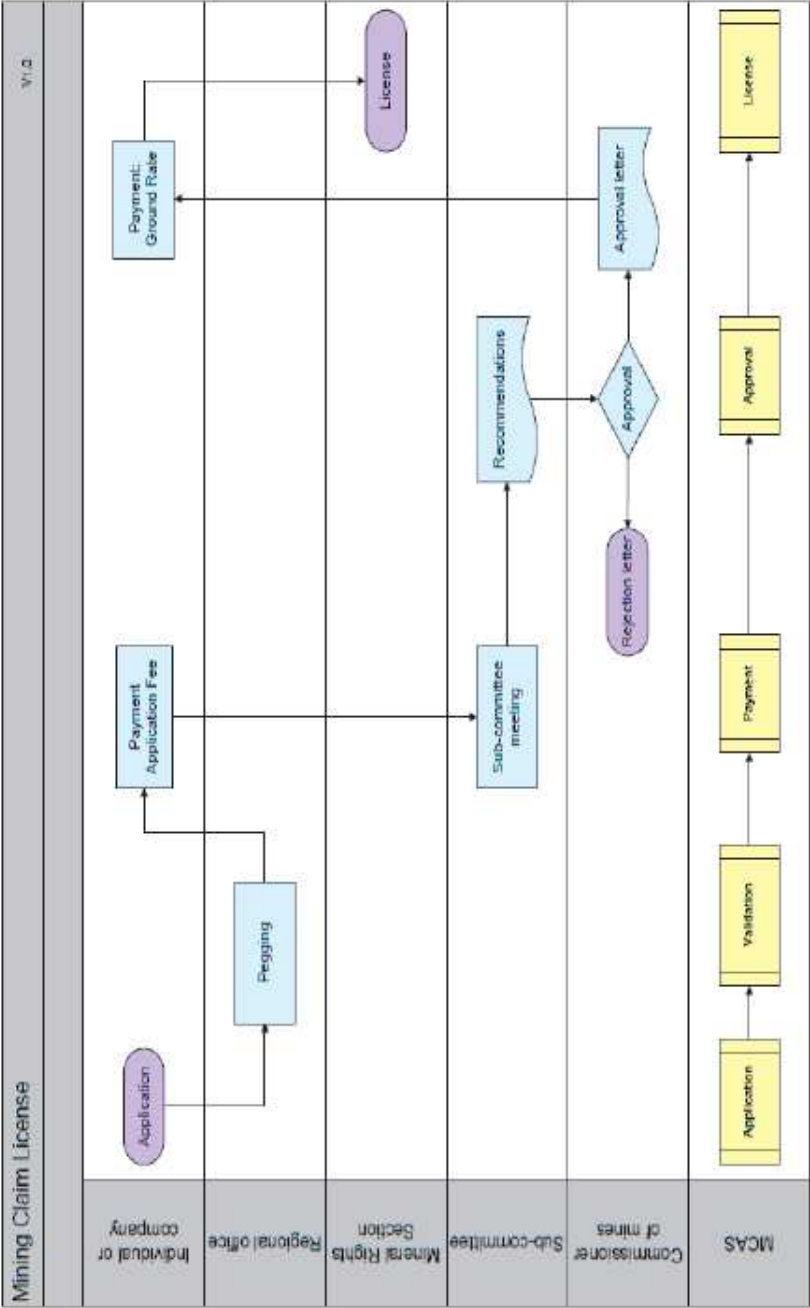
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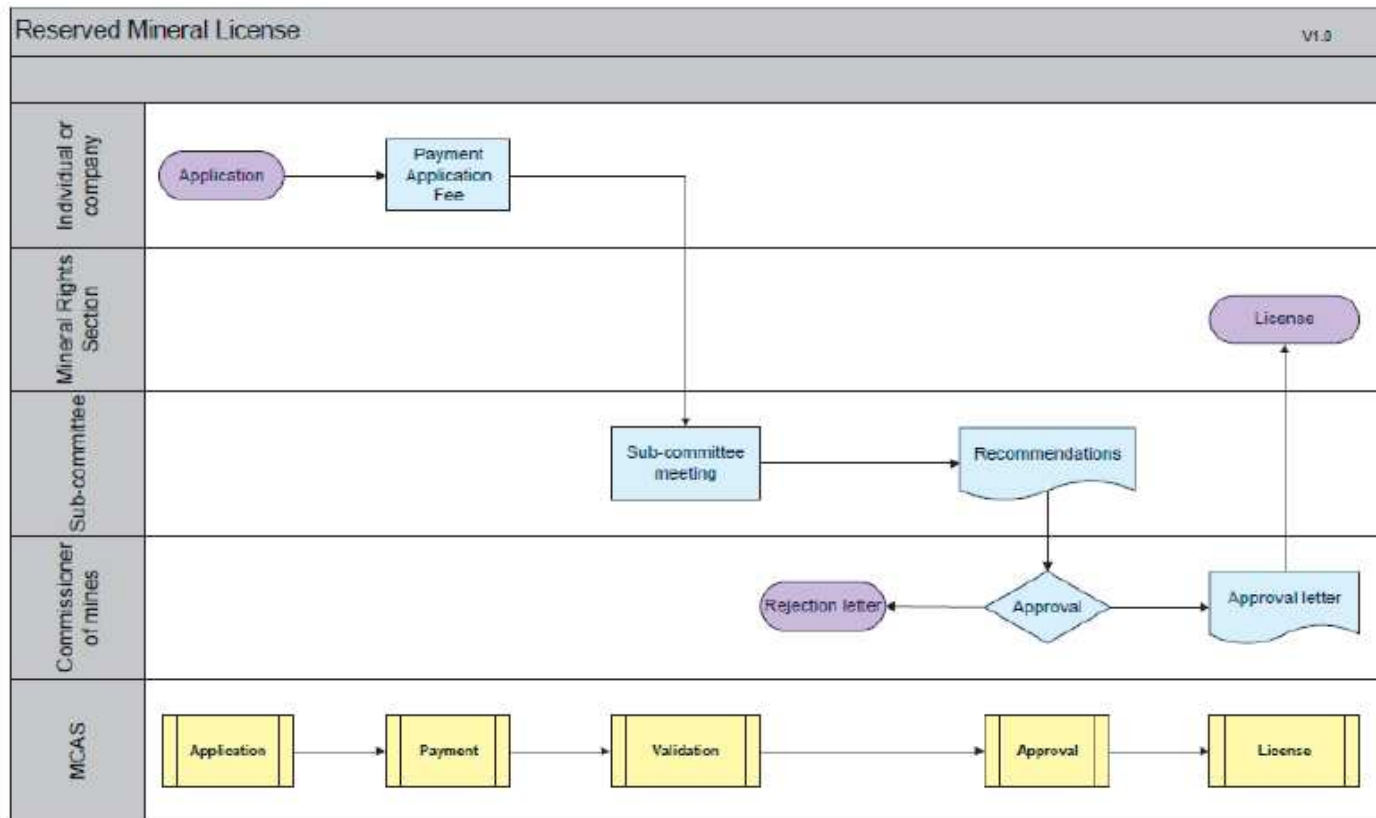
Appendix 9: Application and Granting Procedures for specific Small Scale Licenses



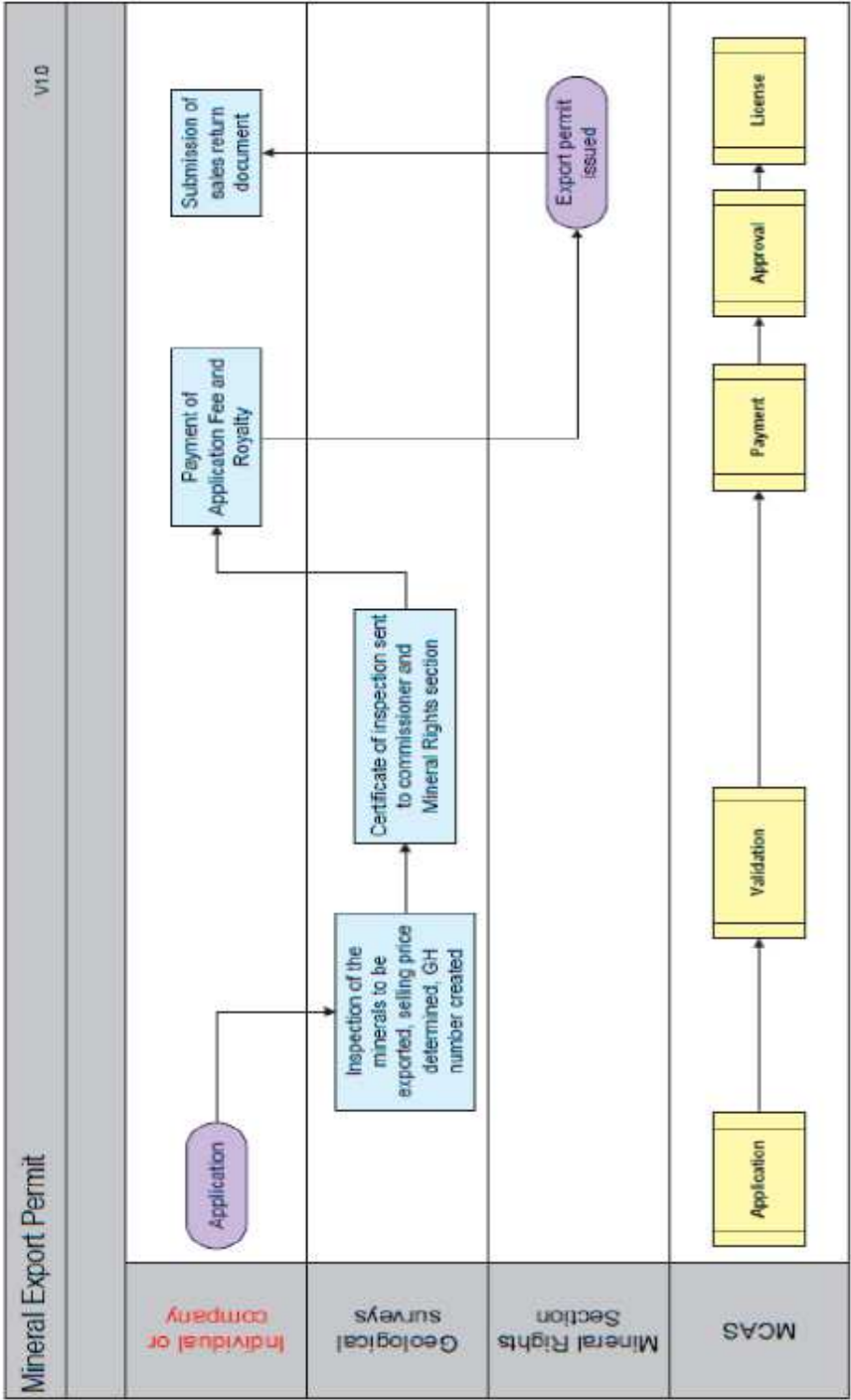
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Appendix 10: Application and Granting Procedures for specific Small Scale Licenses



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**Appendix 11: Assessment Criteria for Performance Audit on Social
Economic Contribution from the Mining Sector**

Audit Question 1: To what extent has the mining services contributed to the social economic development of the country with regards to revenue collection?	
Sub-questions	Audit criteria
What we want to know	The standards we measure evidence against
a. How much has the mining services generated from royalties, Mining/Exploration License fees, ground rent, so as to contribute	Set revenue targets by Ministry of Finance for Department of Mines during the period under review
b. How much has the mining services generated from laboratory processing fees, so as to contribute towards the country's economy during the period under review?	Set revenue targets by GSD during the period under review

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Audit Question 2: Has the Ministry promoted the growth of the mining sector with regards to legislation, regulation, fiscal regimes and provision of training and financial support for increasing participation of artisanal and small scale miners in the sector?	
Sub-questions What we want to know	Sub-questions What we want to know
a. Have the mining laws and policies that are in place effectively regulated the mining services?	i. Government had set plans to put in place a clear, transparent and equitable regulatory framework for the minerals sector, to effectively regulate the mining services. (Mines and Minerals policy 2013). ii. Ministry had set a strategic outcome of having Improved Mining policies, strategies and legislation and a target of Revising Mining legislative framework by June 2016. Ministry's strategic plan (2014-2016).
b. Have the fiscal regimes in place effectively promoted of the growth of the mining sector?	According to Mines and Minerals Policy 2013, through DOM/MoM/RBM/MRA/MITC/MoF, government planned to review, develop and implement a viable and transparent fiscal regime.

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<p>c. Has the Ministry ensured support for increased participation of Artisanal Small Scale miners?</p>	<p>The MNREM targeted to promote the mining culture and to have a 20% increase in participation of ASM in the country by 2016 (Strategic Plan for the MNREM 2013-2016 FY)</p> <p>In addition, the MNREM planned to facilitate linking ASM to financial lending institutions.</p> <p>To promote the mining culture in the country, the MNREM targeted to establish market centers for ASM by 2016 – (2013 Mines & Minerals Policy and MNREM strategic plan).</p> <p>The MNREM targeted to train and sensitize 200, 150 and 500 ASM in 2014, 2015 and 2016 respectively - Annual Budget 2014 - Vote #470.</p>
<p>Audit Question 3: Has the Ministry strengthened institutional capacity for ensuring efficient and effective mining service delivery?</p>	
<p>Sub-questions</p> <p>What we want to know</p>	<p>Sub-questions</p> <p>The standards we measure evidence against</p>
<p>a. Has the Ministry provided adequate human resources towards implementation of mining services?</p>	<p>Ministry's strategic plan for the period 2014-2016 provides for a strategic outcome of improved provision of policy guidance and leadership for the prudent use of resources and an outcome target of conducting recruitment to fill all vacant positions in the Ministry by 2016.</p>

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b. Does the Ministry's human resources for technical positions in the mining services have the required qualifications?	According to the Authorised Establishment Warrant of the Ministry, Geologists in the GSD are supposed to have minimum entry qualification of Bachelor's Degree in Geology majoring in Chemistry, Earth Science or Geo Physics. On the other hand in the DOM technical staff are supposed to have a minimum of Bachelor of Technology Degree in Mining Engineering as recommended by the Engineering Council of South Africa.
c. Has the ministry adequately trained its technical personnel in the mining services?	The ministry's strategic plan for the period 2014-2016 provides for a strategic outcome of having training needs assessed and recommendations acted upon. It further provided for an outcome of having training need assessment started and finalized.
Audit Question 4: Did the Ministry monitor and evaluate implementation of mining activities with regards to environment and health and safety?	
Sub-questions What we want to know	Sub-questions The standards we measure evidence against
a. Did the Ministry effectively monitor health and safety issues related to mining services?	The ministry's strategic plan for the period 2014-2016 showed set a target of having improved provision of Mining Safety, Health and Environmental Inspectorate Services and an output of having Occupational Health, Safety and Environment (OHSE) Inspections conducted. Furthermore, Mines and Minerals policy 2013 provides for monthly inspections of OHSE activities.
b. Did the Ministry monitor environmental issues related to mining services?	

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Appendix 12: Certificate of inspections

OVERALL NATIONAL SUMMARY OF EXPORTED MINERALS

	TYPE OF	LL GSD	ZOMBA GSD	MZUZU GSD	OVERALL TOTAL	TOTAL
#	MINERAL	KG	KG	KG	KG	TONS
CATEGORY 1: 10,000 - 30,000 TONS						
1	Blue and Banded Agate	—	27,113,092.00	—	27,113,092.00	27,113
2	Coal	8.00	—	16,121,029.00	16,121,037.00	16,121
3	Rock aggregates	10,818,468.33	1,350,000.00	—	12,168,468.33	12,168
CATEGORY 2: 1,000 - 9,000 TONS						
4	Agricultural lime	1.90	2,691,140.00	—	2,691,141.90	2,691
5	Dometic Lime	2.10	1,290,000.00	—	1,290,002.10	1,290
6	Calcitic Lime	—	1,150,000.00	1,150,000.00	—	1,150
7	Natural Uranium Oxide	—	—	1,087,220.83	1,087,220.83	1,087
8	Gypsum;	0.30	—	1,000,000.00	1,000,000.30	1,000
CATEGORY 3: 100 - 900 TONS						
9	Rose Quartz;	43,208.29	—	108,000.00	151,208.29	151
10	Galena	147,311.68	—	220.00	147,531.68	148
11	Beryl	66,486.69	—	51,000.00	117,486.69	117
12	Assorted Cut and Polished Stones	3,462.65	83,104.02	30,000.00	116,566.67	117
CATEGORY 4: 10 - 99 TONS						
13	Poultry Grit	—	80,000.00	—	80,000.00	80
14	Rock samples	59,999.16	222.80	28.49	60,250.45	60
15	Aegerine	461.30	52.81	41,295.70	41,809.81	42
16	Agate	40,681.61	—	—	40,681.61	41
17	Extrafine Lime	—	30,030.00	—	30,030.00	30
18	Uncrashed Limestone Rocks	—	28,000.00	—	28,000.00	28
19	Chevron Amethyst	—	—	25,126.00	25,126.00	25
20	Control samples	16,213.00	—	—	16,213.00	16
21	Blueless Agates	—	15,000.00	60.00	15,060.00	15
22	Soil samples	12,192.87	66.12	—	12,258.98	12

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CATEGORY 5: 1 - 9 TONS						
23	Sand sample	8,796.68	—	—	8,796.68	9
24	Terrazo	—	7,500.00	—	7,500.00	8
25	Core & Soil Samples	—	2,644.30	2,865.00	5,509.30	6
26	Rhodolite	4,956.43	27.70	—	4,984.13	5
27	Garnets	462.78	4.59	4,500.50	4,967.87	5
28	Aquamarine.	4,960.83	—	—	4,960.83	5
29	Basalt, volcanic ash, gneisses	—	—	4,804.80	4,804.80	5
30	Corundum	2,760.91	220.75	300.00	3,281.66	3
31	Clear Quartz	7.59	—	2,000.00	2,007.59	2
32	Red garnets	1,836.71	7.40	20.00	1,864.10	2
33	Blue Corundum	—	1,780.00	—	1,780.00	2
34	Tommaline	1,773.82	—	—	1,773.82	2
35	Rough Blue Corundum	—	1,747.25	—	1,747.25	2
36	Milky Aquamarine	1,399.01	—	—	1,399.01	1
37	Stram sediments	1,188.70	—	—	1,188.70	1
38	Black Toumaline	—	4.70	1,000.00	1,004.70	1
39	Sand stone	1,000.00	3.03	—	1,003.03	1
CATEGORY 6: BELOW 1 TON						
40	Cabochon Tourmaline/ ruby/topaz/beryl/citrine	970.11	—	—	970.11	1
41	Flourite	841.92	—	—	841.92	1
42	Low grade Corundum	—	820.00	—	820.00	1
43	Green Beryl	501.05	—	—	501.05	1
44	Rock and soil sample	427.00	—	—	427.00	0
45	Brocken Quarts, and Blue Agate	—	365.40	—	365.40	0
46	Citrine	363.51	—	—	363.51	0
47	Amythest	223.72	20.00	—	243.72	0
48	Quartz.	166.29	12.90	3.00	182.19	0
49	Amazonite	161.17	—	—	161.17	0
50	Jasper	130.50	—	—	130.50	0
51	Green Tourmaline	19.77	—	—	119.77	0
52	Pink Granite	111.50	—	—	111.50	0
53	Iron Ore	2.50	106.50	—	109.00	0
54	Calcium Powder & oultry grits	—	80.00	—	80.00	0
55	Limestone	75.70	—	—	75.70	0
56	Red Corundum	68.50	0.89	—	69.39	0
57	Smoky quartz	12.33	54.42	—	66.75	0
58	Milky Quartz	62.10	—	—	62.10	0

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59	Heavy Mineral Sand	49.75	—	—	49.75	0
60	Biotite Gneiss	—	42.00	—	42.00	0
61	Gem Stones	41.08	—	—	41.08	0
62	Sodalite	33.60	—	—	33.60	0
63	Graphite	30.50	—	—	30.50	0
64	Pink Quartz	25.00	—	—	25.00	0
65	Lake Sediments	24.00	—	—	24.00	0
66	Quarry Stone	—	20.00	—	20.00	0
67	Lolite,	19.00	—	—	19.00	0
68	Clay	16.78	—	—	16.78	0
69	Clinker	10.00	—	—	10.00	0
70	Industrial Zircon	—	10.00	—	10.00	0
71	Mixed Corundum & Bluelless Agate	—	10.00	—	10.00	0
72	Shale and sandstone	9.58	—	—	9.58	0
73	Tile samples	9.00	—	—	9.00	0
74	Weathered Rocks	—	8.41	—	8.41	0
75	Pulverised rock Sample	7.50	—	—	7.50	0
76	Pyrite	6.00	—	—	6.00	0
77	Malachite	5.66	—	—	5.66	0
78	Black Granite	5.60	—	—	5.60	0
79	Dimension Stone Samples	5.50	—	—	5.50	0
80	Chrysoberyl	5.26	—	—	5.26	0
81	Malosa Specimen Aegerine	4.30	—	—	4.30	0
82	Kyanite	0.08	4.00	—	4.08	0
83	Tantalite	2.51	—	—1.00	3.51	0
84	Emerald	2.76	—	—	2.76	0
85	Patty lime	2.00	—	—	2.00	0
86	Powder Coal Dust	2.00	—	—	2.00	0
87	Ruby	1.99	0.00	—	1.99	0
88	Feldspar powder;	1.63	—	—	1.63	0
89	Moonstone	1.55	—	—	1.55	0
90	Vermiculite	1.20	—	—	1.20	0
91	Zircon	1.15	—	—	1.15	0
92	Pozzolana	—	1.00	—	1.00	0
93	Blue Charcedony	0.90	—	—	0.90	0
94	Orange Garnet	0.80	—	—	0.80	0
95	Yellow Pebble	0.79	—	—	0.79	0
96	Spessartite	0.70	—	—	0.70	0
97	Topaz	0.65	—	—	0.65	0
98	Pegmatite Roze Quartz,	0.50	—	—	0.50	0
99	Sapphire	0.27	0.10	—	0.37	0

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100 REE Mineral Standards	—	0.21	—	0.21	0
101 Geryl	0.20	—	—	0.20	0
102 Ore Samples	0.11	—	—	0.11	0
103 Talc	0.10	—	—	0.10	0
104 Spinel	0.09	—	—	0.09	0
105 Yellow Sulphure	0.08	—	—	0.08	0
106 Rough Sapphire	—	0.04	—	0.04	0
107 Goshenite	0.04	—	—	0.04	0
108 Epidote	0.04	—	—	0.04	0
109 Hessonite	0.01	—	—	0.01	0
110 Chalk;	0.00	—	—	0.00	0
	11,242,209.21	33,846,203.33	18,479,474.32	63,567,886.86	63,568

VALUE	141,169,476.19	172,195,727.51	32,324,068,923.56	32,637,434,127.26
ROYALTIES	13,460,893.62	11,922,538.88	3,220,210,545.84	3,245,593,978.33
PROCESSING FEES	830,425.00	370,000.00	180,000.00	1,380,425.00

Source: compiled by NAO based on GSD and DOM Certificates of Inspection data

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Appendix 13: ZALCO Tax Remittances during the period under review

DETAILS	2013/2014		2014/2015		2015/2016	
Category of Tax Amount as per	Amount from ZALCO Record	Amount as per MICR	Amount from ZALCO Record	Amount as per MICR	Amount from ZALCO Record	Amount as per MICR
CORPORATE	Not Provided	0.00	419,494.00	0.00	Not Provided	0.00
PROVISIONAL	Not Provided	0.00	40,655,396.44	0.00	Not Provided	0.00
FBT	Not Provided	0.00	2,114,737.73	0.00	Not Provided	0.00
PAYE	Not Provided	0.00	3,247,837.31	0.00	Not Provided	0.00
VAT	Not Provided	0.00	42,958,997.35	141,878.02	Not Provided	11,032,016.85
WHT	Not Provided	0.00	6,559,960.68	12,432.70	Not Provided	737,477.43
CUSTOMS DUTY	Not Provided	0.00	2,795,760.38	Not Provided	Not Provided	Not Provided
TOTALS	0.00	0.00	98,752,183.89	154,310.72	0.00	11,769,494.28

Source: Compiled by NAO basing on data from ZALCO Management

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Appendix 14: Businesses registered but recorded as not remitting taxes

#	NAMES OF BUSINESSES	TAX IDENTIFICATION NUMBER
1	ROCKSIZER MINING CONTRACTOR LIMITED	20147316
2	LAKE VALLEY MINERALS	20150710
3	HUSEIN DIAB	20168135
4	SEALAND INVESTMENTS LIMITED	20171493
5	MEAN JALAWÉ COAL MINE LTD	20172186
6	PREMIER CONSTRUCTION EQUIPMENTS LIMITED	20175528
7	ELAND COAL MINE	20178655
8	LYNAS AFRICA	20179364
9	MASTER STONE BREAKERS	20183919
10	CROWN MINERALS LIMITED	20189264
11	MULTIPLE TRADING COMPANY	20190609
12	BWANJE CEMENT PRODUCTS	20193538
13	MOTA ENGIL MINERALS AND MINING (MW) LIMITED	20194510
14	ASPIRE GLOBAL LIMITED	20200854
15	MAKANJIRA MINERALS LIMITED	20207040
16	MIRACLE LIMITED	20208907
17	MIRACLE LIMITED	20208907
18	LIMEX COMPANY LIMITED	20210431
19	GEMALL LIMITED	20210457
20	HAMRA OIL IN JOINT OPERATING AGREEMENT WITH SURESTREAM PETROLEUM	20210564
21	PACIFIC OIL LIMITED	20210720
22	MAGNUM MINING LIMITED	20211075
23	TIJAN MINING COMPANY	20214384
24	SINO MA TOBACCO CO	20215225
25	CHAVI COOPERATIVE	20215340
26	CHITA ONE INVESTMENTS	20216265

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27	HBDK EMAW MINING COMPANY LTD	20216710
28	VOLANTIS MINING COMPANY LIMITED	20218774
29	STRABAG INTERNATIONAL LIMITED	20218998
30	YOUNG SU YOON	20219350
31	VERVE INCORPORATED LIMITED	20220563
32	OCEAN STAR COMPANY LIMITED	20222197
33	TIMES UNITY MINING COMPANY LIMITED	20222204
34	JAMES KIMU	30135372
35	LOWRY S. MBULO	30359021
36	HAROON FEROZ	30360854
37	HAROON FEROZ	30360854
38	ANDREW BILLIAT FARIA	30372164
39	PSM INVESTMENTS	30407812
40	J. BASSAM	30476685
41	DIFFERENCE CONSTRUCTION	30489042
42	SABA GENERAL DEALERS	30605531
43	MOUNT CARMEL CONSTRUCTION LIMITED	30663604
44	TELITA M. K. CHITSULO	30692752
45	MARLYN M. MUNTHALI	30693750
46	SHAMROCK SUPPLIES	30707593
47	SHARATI INVESTMENTS	30723797
48	ARTHUR LIWONGA	30736740
49	JOHN MTHANDI	30801626
50	JOHN MTHANDI	30801626
51	ROYAL BIKITA SUPPLIERS	30853172
52	VERONICA GUNDE	30889705
53	GIFT MWALE	30897683
54	TRIDENT GROUP OF COMPANIES	30911368
55	CHIWANDAMA ENTERPRISES	30915782

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56	ALEXANDER BANDA	30922589
57	TINDOZ D' AFRIQUE LIMITED	30969432
58	COVENANT GENERAL	30980404
59	LENSON MHANGO	30990289
60	CHIKOMENI MANDA	30991477
61	MADI CONTEH	31003198
62	MALETA GEMS AND JEWELS	31005144
63	GIFT MASTER	31014301
64	CHRISTOPHER MAKDA	31019369
65	J J ENTERPRISE	31019377
66	RMP INVESTMENTS	31029615
67	JAITEH ABDULKADRE	31030513
68	MINERAL DEVELOPMENT COMPANY (MINDECO)	31046362
69	JACKPOT SUPPLIERS	31062128
70	CHARITY MHANGO	31062657
71	DIANA MCHILIKIZO	31075923
72	GRACE JERE	31085344
73	MAYAMIKO MWANZA	31096028
74	C. KAICHE	31106752
75	CHAKHALA ENTERPRISES	31114268
76	GEMS AND ORNAMENTAL STONES INVESTMENTS	31164487
77	M. CHIZIMBA	31169908
78	KENETH JERE	31190474
79	THOMAS CHINULA	31191331
80	ALEXANDER MACHINJIRI	31203748
81	FELIX CHINGUWO	31207188
82	UMOZA MINING CLUB	40518823
83	NGWIRA JEPHTER	40523393
84	DONALD STEPHEN BANDA	40542997

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85	P. MAPALA	40556625
86	SOS CONSTRUCTION COMPANY	30306080/30332465
87	ANT TRADERS	30759817/30759825
88	WORLD OF GRANITE	31006639/30937596
89	GIMM HOLDINGS	31022627/31022635
90	MICHAEL MSUNGAMA	40556542/31033476

BUSINESSES RECORDED AS NOT REGISTERED AND NOT REMITTING TAXES

1	SAC OIL HOLDINGS LIMITED	Not registered
2	RAKGAS MB45	Not registered
3	APULE TRADERS	Not registered
4	ASHGILL AUSTRALIA PTY LIMITED	Not registered
5	BLACKFIRE EXPLORATIONS LIMITED	Not registered
6	BLUE BOUND CONSTRUCTION EQUIPMENT AND MATERIAL SUPPLIES	Not registered
7	DANTANSIE MINING COMPANY LTD	Not registered
8	EARTH RESOURCES LIMITED	Not registered
9	FHC MINING HOLDINGS CO. LIMITED	Not registered
10	FSK CIVIL ENGINEERING	Not registered
11	GREEN ACRES LTD	Not registered
12	NEW KING INTERNATIONAL LIMITED	Not registered
13	LIME COMPANY	Not registered
14	RECO LOGISTICS LIMITED	Not registered
15	RIFT VALLEY MINING COMPANY (PTY) LTD	Not registered
16	SINO SKY INDUSTRIAL COMPANY LTD	Not registered
17	SOUTH EAST AFRICAN MINING	Not registered
18	SRI SAI MINING LIMITED	Not registered
19	TATE MINERALS (PTY) LTD	Not registered
20	TENGANI TITANIUM MINERALS (TTM) LIMITED	Not registered

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21	VARIBO MINING COMPANY	Not registered
22	WHY LIMESTONE MINING	Not registered
23	ZASCO INTERNATIONAL LIMITED	Not registered
24	NJATI MINING CORPORATION	Not registered
25	MID WEST MINERALS LIMITED	Not registered
26	H. W. M. RESOURCES LIMITED	Not registered
27	MINDECO	Not registered
28	AFRICAN MINING LIMITED	Not registered
29	PLINTH MINING GROUP LIMITED	Not registered
30	SURYA MINING COMPANY LIMITED	Not registered
31	CHIKALE RESOURCES LIMITED	Not registered
32	TRINITY VENTURES INC.	Not registered
33	FLUORIDE CEMENT COMPANY LIMITED	Not registered
34	LISIKWA INVESTMENTS	Not registered
35	MWABVI COAL MINE	Not registered
36	DDY GENERAL DEALERS	Not registered
37	PREMIER-TEAMWORK MINING	Not registered
38	KULIMBA MINERAL RESOURCES LIMITED	Not registered
39	NKHAUTI TRADING	Not registered
40	ODOX QUARRY LIMITED	Not registered
41	ZAGAF CEMENT SALES	Not registered
42	AFRICAN CONSOLIDATED MINING SA	Not registered
43	AFRICAN BRICKS & TILES	Not registered
44	SINO SKY INDUSTRIAL COMPANY LIMITED	Not registered
45	HENDRIX SHAIBU CHIMALIZENI	Not registered
46	VIRGINIA CHAVULA	Not registered
47	THE MASUMBA'S INVESTMENTS	Not registered
48	FRANCIS MWALABU	Not registered
49	RUTH KUMWENDA	Not registered

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50	ESTHER ANNIE GAVEN	Not registered
51	SAMALANI SAINANI	Not registered
52	ELLIAS NELSON TSOKALIDA	Not registered
53	ANNIE OKOMAATHERANJI KAICHE	Not registered
54	COLUMBUS JEALO MWAFULIRWA	Not registered
55	REGINALD CARVALHO	Not registered
56	STEWARD CHIPALA	Not registered
57	ZIMKOLE MINING GROUP LTD. CO.	Not registered
58	NIXON KAMBALAME	Not registered
59	CHAWEYA JOSHUA MZEMBE	Not registered
60	DAVID DONALD BANDA	Not registered
61	HAROLD KULUSO	Not registered
62	FIKILE NTABA MLOTHA	Not registered
63	EMMANUEL BLESSINGS BANDA	Not registered
64	ANSON SINGINI	Not registered
65	NDUWA VIRGINIA BRACKSON	Not registered
66	MWIMBA COLLEGE OF AGRICULTURE	Not registered
67	CITI MEDICALS	Not registered
68	GLORY MADULA	Not registered
69	MANNAAN MINERAL	Not registered
70	GETRUDE CHISOMO MAKUTI	Not registered
71	DYTON N. A. NYIRENDA	Not registered
72	EDWARD MAKANIKO	Not registered
73	KAYAKANGU JULIUS MALANGE	Not registered
74	CHITSULO TELITA,	Not registered
75	KABONDO BIZWICK,	Not registered
76	SAMEER DIAB,	Not registered
77	EVARISTO NJEWA	Not registered
78	KAMPO GRECIAN TRADING COMPANY	Not registered

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79	AMADOU NIANGADO	Not registered
80	CONTEH MADI CONTEH	Not registered
81	LEVISON ARMSTRONG WHITEWELL GONDWE	Not registered
82	ROBIN MINES LIMITED	Not registered
83	OSCAR HENDERSON KAUWA	Not registered
84	PANJI NYIRENDA	Not registered
85	IBRAHIMA DIANE	Not registered
86	MACHIRA PAUL KONDWANI,	Not registered
87	ALI MUHAMMAD SNAKIE	Not registered
88	HANNIFA ALLI	Not registered
89	JASON THAUZENI	Not registered
90	JAMES MAZULU	Not registered
91	ZEENAT SAMEER	Not registered
92	IMAN MANDUWA,	Not registered
93	AGNESS MBEWE,	Not registered
94	VIVIEN GONDWE,	Not registered
95	CARLOS CHARLES MTHIMBWA,	Not registered
96	JAMES MAZULU	Not registered
97	HAMDAN LIME WORKS	Not registered
98	RENALDS OSMAN MOYO	Not registered
99	GABRIEL ANJILU CHILUNGA	Not registered
100	WALLACE KENNEDY	Not registered
101	VICTORY MASSEWE	Not registered
102	CHANDIWIRA A. M. SHABA	Not registered
103	ANTHONY KONDWANI MWAHIMBA	Not registered
104	TAYAMBA MGS CLUB	Not registered
105	DYNA LONGWE	Not registered
106	BONNEX S. Z. KASONGA	Not registered
107	SEKERANI EZEKIEL NELSON NKHATA	Not registered

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108	BETTIE BANDA	Not registered
109	IMPERIAL MINING AND GEMSTONE PROCESSING	Not registered
110	LUCAS ZIYITE	Not registered
111	FRANK KAONGA	Not registered
112	EARNEST CHIHANA	Not registered
113	LYSON CHAMPION MBALWE	Not registered
114	ZIMKOLE MINING GROUP LTD CO.	Not registered
115	JOYCE JACQUE HOLLA	Not registered
116	ANNIE KAICHE	Not registered
117	ANNIE OKOMAATHERANJI KAICITE.	Not registered
118	FAVOUR GROUP	Not registered
119	ALFRED ABNER MUNTHALI	Not registered
120	DAVID DONALD BANDA	Not registered
121	MBOMA LWITIKO	Not registered
122	CHAWANANGWA DUKE NG'AMBI	Not registered
123	LUKA KANYATTA JELE	Not registered
124	MAJUBA MPHANDE PHIRI	Not registered
125	JASON THAUZENI	Not registered
126	GREEN BENSON	Not registered
127	TANWELL CHILONGA MHANGO	Not registered
128	NATURE GROANS MINING	Not registered
129	SAMSON KAMTHOMA	Not registered
130	EMMANUEL MHANGO	Not registered
131	GRECIAN B. A. SINGANO	Not registered
132	TICHAONA KAPAZIRA,	Not registered
133	CHIMWEMWE MAGAYA,	Not registered
134	HANISHA ISHMAIL	Not registered
135	MWINJIWAWO MWALABU,	Not registered
136	STEWART CHIPALA,	Not registered

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137	ESTER NYONI	Not registered
138	TITUUKULANE GEMSTONE ASSOCIATION	Not registered
139	DYTON N. A. NYIRENDA	Not registered
140	BOND MTEMBEZEKA	Not registered
141	BRENDA CHALANDA	Not registered
142	JONAH CHIMAMCHERE	Not registered
143	TASOSA NAMATHILA	Not registered
144	EDINA BANDA	Not registered
145	TENDAI JAMBO	Not registered
146	J. KATSILIZIKA	Not registered
147	TILIMBIKE WOMEN MINING	Not registered
148	SHOPRITE INVESTMENTS	Not registered
149	J. J. ENTERPRISE	Not registered
150	A. KHAN	Not registered
151	Z. NUKA	Not registered
152	J. NKHOMA	Not registered
153	A. BANDA	Not registered
154	T KAYIRA P	Not registered
155	M. NKHOMA	Not registered
156	Z. KANKHULUNGO	Not registered
157	A. JERE	Not registered
158	A. JUMA	Not registered
159	M. PAKULA	Not registered
160	A. ZGAMBO	Not registered
161	A. MWENEKIFUNGWE	Not registered
162	I. NKHAMBULA	Not registered
163	OASIS FURNITURE	Not registered
164	P. VIYAZYI	Not registered
165	A. GANDA	Not registered

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166	A. FARIA	Not registered
167	A. GROUP AND COMPANIES	Not registered
168	R. NAMAGOWA	Not registered
169	B. TEMBO	Not registered
170	H. SANDE	Not registered
171	K. MWAHIMBA	Not registered
172	L. MUNTHALI	Not registered
173	S. CHADZUNDA	Not registered
174	I. KHEMBO	Not registered
175	M. BOKOSI	Not registered
176	SARU VENTURES	Not registered
177	U. KIMU	Not registered
178	D. MAGOMBA,,	Not registered
179	F. BANDA	Not registered
180	C. MAKDA	Not registered
181	E. CHILEKA	Not registered
182	J. JERE	Not registered
183	K. KUMWENDA	Not registered
184	R. MAHOMED	Not registered
185	D. SIBANDE	Not registered
186	BZP VENTURES	Not registered
187	E. THERA	Not registered
188	A. GUHUM	Not registered
189	PSP GROUP	Not registered
190	DR B. MUNTHALI	Not registered
191	A. KAMANGA	Not registered
192	J. KAWIMBE	Not registered
193	O. MUNKHONDYA	Not registered
194	K. F.MCHOKAISAYA	Not registered

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195	A. KAMOTO	Not registered
196	O. NDEKETA	Not registered
197	R. SIBANDE	Not registered
198	MULTI ROYAL	Not registered
199	TIJAN MINING	Not registered
200	A. HASSAM	Not registered
201	EL-MINERALS	Not registered
202	G. CHILUNGA	Not registered
203	P. MARKETING COMPANY	Not registered
204	MANNAN MINERALS	Not registered
205	EMMA ADAM	Not registered
206	C. MUNTHALI	Not registered
207	L. NTONYA	Not registered
208	GETRUDE MAKUTI	Not registered
209	E. MAKANIKO	Not registered
210	T. NAVAYA	Not registered
211	HASSAM MAHOMED	Not registered
212	SAMSON MADUWA	Not registered
213	STANELY MKANDAWIRE	Not registered
214	IAN PETRO MBEWE	Not registered
215	MLANGALI WOMEN IN MINING	Not registered
216	HAROON ROSMIN	Not registered
217	REUBEN GONDWE	Not registered
218	ZIMKOLE MINING GROUP LTD	Not registered
219	MANDUWA PHIRI	Not registered
220	MACKNESS GONDWE	Not registered
221	GLOBAL ENERGY LIMITED	Not registered
222	MECRAZ WOMEN	Not registered
223	MAHOMED AHMED HASSAM	Not registered

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224	HENRY NSOFI	Not registered
225	PATRIC GAUSI	Not registered
226	ZIMKOLE GROUP	Not registered
227	J AND K INVESTMENTS	Not registered
228	GEORGE NYIRENDA	Not registered
229	TANDU SOMANJE	Not registered
230	P T INVESTMENTS	Not registered
231	CHIKONDI CLUB	Not registered
232	STEWART CHIPALA	Not registered
233	HAMILTON CHAPOMBA	Not registered
234	JAWAD BASSAM	Not registered
235	T. E. NYIRENDA	Not registered
236	G. D CHIDZANKUFA	Not registered
237	P. S. NTHIWATIWA	Not registered
238	J. NKHONDE	Not registered
239	F. MHANGO	Not registered
240	EASTGATE MINING	Not registered
241	P. MAPARA	Not registered
242	A. MUSI	Not registered
243	S. PONDANI	Not registered
244	B. C. CHALANDA	Not registered
245	J. NKHOMA	Not registered
246	W. D. C. MZIWA	Not registered
247	T. NKOSI	Not registered
248	E. NQUMAYO	Not registered
249	K. M. KUMWENDA	Not registered
250	KANTCHENI MINING GROUP	Not registered
251	C. GONDWE	Not registered
252	L. NGWIRA	Not registered

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253	R. R. CHIPETA	Not registered
254	TIJIWUSKE CLUB	Not registered
255	R. GONDWE	Not registered
256	G. RODGERS	Not registered
257	L. MBALWE	Not registered
258	H. ALLI	Not registered
259	C. MHANGO	Not registered
260	M. ZIMBA	Not registered
261	K. MAHOWE	Not registered
262	M. GONDWE	Not registered
263	FESTON MALANJIRA	Not registered
264	GRACE CHAMDURE JERE	Not registered
265	MIKE MTIMAUKANENA	Not registered
266	JONATHAN KATSILIZIKA	Not registered
267	STONIE CHADZUNDA	Not registered
268	SAIDI MATIYASI	Not registered
269	DAMBO C. THEWO	Not registered
270	ABDUL SATTAR GELOO	Not registered
271	STEVENSON E. G. CHILEKA	Not registered
272	MUSSA AHAMED LAMBAT	Not registered
273	JANE JERE	Not registered
274	MOSES KUMWENDA	Not registered
275	RAFIK MAHOMED	Not registered
276	KACHISWASWA HLUPAZI	Not registered
277	MAHOMMED SIKANDAR	Not registered
278	MANDUWA PHIRI	Not registered
279	ISSAC KHOMEZGA	Not registered
280	MARRY NG'AMBI	Not registered
281	LUZU ORPHAN CARE	Not registered

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282	AKRAM SHARIFF KHAN	Not registered
283	KONDWANI MAHOWE	Not registered
284	LAWRENCE FRANK MANKHAMBERA	Not registered
285	ANNASTASIA NTONYA	Not registered
286	ROSE SIBANDE	Not registered
287	MAHOMED HASSAM	Not registered
288	ANTHONY MPANO	Not registered
289	BOND MTEMBEZEKA	Not registered
290	BRENDA CHALANDA	Not registered
291	JONAH CHIMAMCHERE	Not registered
292	TASOSA NAMATHILA	Not registered
293	EDINA BANDA	Not registered
294	H. ISHIMAEI	Not registered
295	Grace Jere	Not registered
296	T. JAMBO	Not registered
297	J. KATSILIZIKA	Not registered
298	TILIMBIKE WOMEN MINING	Not registered
299	SHOPRITE INVESTMENTS	Not registered
300	A. KHAN	Not registered
301	C. KAICHE	Not registered
302	Z. NUKA	Not registered
303	J. NKHOMA	Not registered
304	A. BANDA	Not registered
305	P. MAPALA	Not registered
306	T. KAYIRA P	Not registered
307	M. NKHOMA	Not registered
308	M. CHIZIMBA	Not registered
309	J. BASSAM	Not registered
310	Z. KANKHULUNGO	Not registered

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311	A. JERE	Not registered
312	A. JUMA	Not registered
313	M. PAKULA	Not registered
314	A. ZGAMBO	Not registered
315	A. MWENEKIFUNGWE	Not registered
316	I. NKHAMBULA	Not registered
317	OASIS FURNITURE	Not registered
318	P. VIYAZYI	Not registered
319	A. GANDA	Not registered
320	A. FARIA	Not registered
321	R. NAMAGOWA	Not registered
322	B. TEMBO	Not registered
323	H. SANDE	Not registered
324	K. MWAHIMBA	Not registered
325	L. MUNTHALI	Not registered
326	S. CHADZUNDA	Not registered
327	I. KHEMBO	Not registered
328	M. BOKOSI	Not registered
329	U. KIMU	Not registered
330	D. MAGOMBA,.	Not registered
331	F. BANDA	Not registered
332	C. MAKDA	Not registered
333	E. CHILEKA	Not registered
334	J. JERE	Not registered
335	K. KUMWENDA	Not registered
336	R. MAHOMED	Not registered
337	D. SIBANDE	Not registered
338	BZP VENTURES	Not registered
339	E. THERA	Not registered

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340	P S P GROUP	Not registered
341	A. KAMANGA	Not registered
342	J. KAWIMBE	Not registered
343	K. F.MCHOKAISAYA	Not registered
344	A. KAMOTO	Not registered
345	O. NDEKETA	Not registered
346	R. SIBANDE	Not registered
347	MULTI ROYAL	Not registered
348	TIJAN MINING	Not registered
349	EL-MINERALS	Not registered
350	G. CHILUNGA	Not registered
351	EMMA ADAM	Not registered
352	C. MUNTHALI	Not registered
353	L. NTONYA	Not registered
354	E. MAKANIKO	Not registered
355	T. NAVAYA	Not registered
356	SAMSON MADUWA	Not registered
357	KENETH JERE	Not registered
358	IAN PETRO MBEWE	Not registered
359	HAROON ROSMIN	Not registered
360	REUBEN GONDWE	Not registered
361	GLOBAL ENERGY LIMITED	Not registered
362	PATRIC GAUSI	Not registered
363	TANDU SOMANJE	Not registered
364	T. E. NYIRENDA	Not registered
365	G. D. CHIDZANKUFA	Not registered
366	P. S. NTHIWATIWA	Not registered
367	J. NKHONDE	Not registered
368	F. MHANGO	Not registered

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369	P. MAPARA	Not registered
370	A. MUSI	Not registered
371	S. PONDANI	Not registered
372	B. C. CHALANDA	Not registered
373	J. NKHOMA	Not registered
374	W. D. C. MZIWA	Not registered
375	T. NKOSI	Not registered
376	E. NQUMAYO	Not registered
377	K. M. KUMWENDA	Not registered
378	KANTCHENI MINING GROUP	Not registered
379	C. GONDWE	Not registered
380	L. NGWIRA	Not registered
381	R. R. CHIPETA	Not registered
382	R. GONDWE	Not registered
383	G. RODGERS	Not registered
384	L. MBALWE	Not registered
385	H. ALLI	Not registered
386	C. MHANGO	Not registered
387	M. ZIMBA	Not registered
388	K. MAHOWE	Not registered
389	M. GONDWE	Not registered
390	SEEMA GANATRA	Not registered
391	JOHN THOSAND GOMANI	Not registered
392	MUSTAFA SAIDI MILANZI	Not registered
393	MOSES KHEMBO	Not registered
394	AARON MVULA	Not registered
395	THOM CHAFUNGUKA	Not registered
396	GEM GENERAL DEALERS	Not registered
397	JOHN MATTIAS CHIMBUTO	Not registered

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398	HUDSON K. NYIRENDA	Not registered
399	AHMED MUSSA LAMBAT	Not registered
400	OWEN LAWRENCE NKHUNGULU	Not registered
401	ISAIAH JEREMIAH	Not registered
402	MICHAEL EDWARD CHIKAFA	Not registered
403	GEMSTONE ASSOCIATION OF MALAWI (SOUTH)	Not registered
404	IBBS TRUCKING	Not registered
405	STELLA KANTHU LIABUNYA	Not registered
406	FRANK K. MWAUSEGHA	Not registered
407	READERS INVESTMENTS	Not registered
408	BILLY KAUNDA	Not registered
409	READERS INVESTMENTS	Not registered
410	KENNEDY E. CHINDENGA	Not registered
411	BONFANSIO CHIZIWA	Not registered
412	CHRISTOS LIAKOS	Not registered
413	COLLEN M. MTIMAUKANENE	Not registered
414	GOODWILL INVESTMENTS	Not registered
415	MARIA MADULA	Not registered
416	SUZIE SUZGO MTAWALI	Not registered
417	ELIZABETH TSOKALIDA	Not registered
418	CHINGA MDOKA	Not registered
419	OBRIEN PHIRI	Not registered
420	PITSO MATEBESI	Not registered
421	MARTIN S. CHALANDA	Not registered
422	PETER THOMAS NDESOMA	Not registered
423	DUNCAN MAZIYA CHIKAPA	Not registered
424	USMAN MOHMED ADAM GANI	Not registered
425	BEATRICE MONAWE	Not registered
426	FANWEL M. CHIRAMBO	Not registered

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427	FISHER KATUMBI	Not registered
428	FIONA O'DALA	Not registered
429	ROMAN MKANDAWIRE	Not registered
430	VALENTINE SAKALA	Not registered
431	T. S. PHIRI GENERAL DISTRIBUTORS	Not registered
432	MCCLOSEBELL MAFENI SOKO	Not registered
433	OMAR AIWENI ASEDİ	Not registered
434	PETER T. MDULAMIZU.	Not registered
435	FABIO CAPANNESI	Not registered
436	AJA MINING COMPANY	Not registered
437	ALICK LEVISON KWENDA	Not registered
438	5 ENTERPRISES	Not registered
439	ANTHONY JACKSON KITHA	Not registered
440	ROSHAN DE SILVA	Not registered
441	WILLIAM KAZEMBE	Not registered
442	ALL POWER SOLUTIONS	Not registered
443	SUZGO M. KAMANGA	Not registered
444	MICHAEL I. CHISALA	Not registered
445	SHAO LONG XUE	Not registered
446	KHUMBO J. D. NKHWAZI (KAY LIMITED)	Not registered
447	BENSON MANYELA	Not registered
448	JOSEPH MWANSA	Not registered
449	LASTON ZIMBA	Not registered
450	JOHN GAVE	Not registered
451	JOHN MATTHIAS CHIMBUTO	Not registered
452	SHAOXIA ZHANG	Not registered
453	BENSON MANYELA	Not registered
454	JENDA TRADING CENTRE	Not registered
455	ZIMKOLE MINING GROUP CO. (CHAMGULUBE)	Not registered

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456	MLANGALI WOMEN IN MINING	Not registered
457	ZIMKOLE MINING GROUP CO. (TINYADE)	Not registered
458	GEORGE AND RODGER	Not registered
459	DAVID BANDA (SARA)	Not registered
460	ZEENAT SAMEER	Not registered
461	MONIQUE SALAKO	Not registered
462	KISSINGER KUMWENDA	Not registered
463	OSIANA NKHONDIWA	Not registered
464	SONIZAWAKA MVULA	Not registered
465	HAPPINESS KHONJE (CHIYANJANO MINE)	Not registered
466	JESSIE MUNTHALI	Not registered
467	LAZARUS BENSON C. HARAWA	Not registered
468	DAVID BANDA (BRIAN MINE)	Not registered
469	TIJIWUSKE CLUB	Not registered
470	TELITA CHITSULO	Not registered
471	MACKNESS GONDWE	Not registered
472	DR. ORTON MSISKA	Not registered
473	TIYEZGE CLUB	Not registered
474	IAN PETRO MBEWE	Not registered
475	ROBIN MINES	Not registered
476	SUNSTONE LIMITED	Not registered
477	UMESH PATEL	Not registered
478	PAUL ABRAHAM	Not registered
479	TITUS PHASULO NKOSI	Not registered
480	GLADSTONE CHILOMBO	Not registered
481	DAVID DANE	Not registered
482	MAGWAT I HOLDINGS	Not registered
483	DYSON KAZEMBE CHITANI	Not registered
484	CHRISTOPHER BULLA	Not registered

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485	KAKWASI ENTERPRISES	Not registered
486	GROUNG WORTH INVESTMENTS	Not registered
487	ELIZABETH TSOKALIDA	Not registered
488	WILLIAM P. MKANDAWIRE	Not registered
489	MKHUZO THOLE	Not registered
490	MOFFAT KAULANDA JERE	Not registered
491	MALUSO NYIRONGO	Not registered
492	HUDSON K. NYIRENDA	Not registered
493	RODNEY NGULUBE	Not registered
494	JONATHAN C. CHAVULA	Not registered
495	YOHANE NG'OMA	Not registered
496	KENNIE CHAPO KAUNDA	Not registered
497	MIRIAM MSOWOYA	Not registered
498	BRIGHT CHIKOMENI	Not registered
499	MATTIUS K. MKANDAWIRE	Not registered
500	GEMSTONE ASSOCIATION OF MALAWI (SOUTH)	Not registered
501	DYTON D. NYIRENDA	Not registered
502	ISAIAH JEREMIAH	Not registered
503	MARTHA CHIONE	Not registered
504	BILLY KAUNDA	Not registered
505	READERS INVESTMENTS	Not registered
506	EMMA KATENGEZA	Not registered
507	SAM VICTOR KEN	Not registered
508	CHARLES E. KACHINGWE	Not registered
509	MICHAEL I. CHISALA	Not registered
510	FELIX CHINGUWO	Not registered
511	ELIAS M. PHIRI	Not registered
512	LUCY KALUA	Not registered
513	EMMANUELLA T. CHIKAPA	Not registered

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514	DANIES SUPPLIERS	Not registered
515	GODFREY JOHN GONDWE	Not registered
516	GIMM HOLDINGS	Not registered
517	MCCLOSEBELL MAFENI SOKO	Not registered
518	TIYEZGE CLUB	Not registered
519	CATHERINE HARAWA	Not registered
520	DOROTHY MHANGO	Not registered
521	MERCY NYIRENDA	Not registered
522	IAN PEDRO MBEWE	Not registered
523	MILTON KAONGA	Not registered
524	ALLAN ALLABI	Not registered
525	BROMESON ARASTON MBUNDI	Not registered
526	LAWRENCE F. PHUNZA	Not registered
527	ANTONY JACKSON KITHA	Not registered
528	RODRIQUE NYIRENDA	Not registered
529	BENSON MANYELA	Not registered
530	KAY LIMITED	Not registered
531	YAMIKANI JIMUSOLE	Not registered
532	SANDERSON PAUL MPHAPPO	Not registered
533	JIMMY GIVEN CHIWAMBO	Not registered
534	THABO EVERISTO CHALIRA	Not registered
535	KENNETH BONDO	Not registered
536	THUVAN PATRIC MEYER	Not registered
537	ABSALOM CHINGUWO	Not registered
538	MASOWA MSISKA	Not registered
539	PHILADELPHIA FOUNDATION	Not registered
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541	STANLEY A. KADAM'MANJA	Not registered
542	BRETTT WAYNE RHODES	Not registered

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543	FAINES MAJAMANDA	Not registered
544	JOSEPH NOEL BABU	Not registered
545	MACPHERSON BULLA	Not registered
546	ARTHUR MILANZI	Not registered
547	MATTHEWS CHABWERA	Not registered
548	PETER M. JERE	Not registered
549	SUSHRUNTHA N. J. UPPARIGE	Not registered
550	J-3 IMPORT AND EXPORT	Not registered
551	PENSTONE SUNFORD KILEMBE	Not registered
552	CHARLES THOMAS GONDWE	Not registered
553	MOHAMED JAMIL ABDULSATAR	Not registered
554	SIGN OF VICTORY	Not registered
555	A.H.D. MINING COMPANY	Not registered
556	GRACIANO SINGANO	Not registered
557	ROBERT MGUNDO	Not registered
558	PETER HOLLANDE	Not registered
559	STAR MANGANI	Not registered
560	ANNIE KACHERE	Not registered
561	ROYAL BITIKA SUPPLIERS	Not registered
562	FABIO CAPANNESI	Not registered
563	MECRAZ WOMEN COOPERATIVE	Not registered
564	CHANCELLOR COLLEGE	Not registered
565	THANDIZO MINING CLUB	Not registered
566	FANWELL CHIRAMBO	Not registered
567	FANFI MINING	Not registered
568	FISHER KATUMBI	Not registered
569	ESELMAN NYIRENDA	Not registered
570	JOSEPH KAUNDA	Not registered
571	JOSEPH CHISALE	Not registered

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572	VIOLET CHITUZU NYIRENDA	Not registered
573	DOBBEN KAWAMBA	Not registered
574	DENNIS SIMBEYE	Not registered
575	RHEA MARGARET NANTCHENGWA	Not registered
576	SMART MMDU BEN KASAMALE	Not registered
577	SYDNEY PONDANI	Not registered
578	JOSEPH ANDREW	Not registered
579	BENJAMIN B. Z. SITHOLE	Not registered
580	NICKSON THOLE	Not registered
581	KENNEDY E. CHINDENGA	Not registered
582	GARNET THOMS NGUBOLA KAMWAMBE	Not registered
583	JONES MVULA	Not registered
584	STEWART CHIPALA	Not registered
585	STANLEY KADAM'MANJA ANSELMO	Not registered
586	HENRY B. CHAULUKA	Not registered
587	PERCY CHIKUMBUSO MALETA	Not registered
588	FAINES T. MAJAMANDA	Not registered
589	ASHRAF SHARIFF KHAN	Not registered
590	ALEXANDER TOPOLA	Not registered
591	ARTHUR MILANZI	Not registered
592	JOSEPH NOEL BAPU	Not registered
593	JAY FIRESTONE TRADING	Not registered
594	REUBEN MILANZI	Not registered
595	DONALD C. N. CHIKHADZA	Not registered
596	KENNEDY P. JERE	Not registered
597	SIGN OF VICTORY	Not registered
598	CHARLES THOMAS GONDWE	Not registered
599	RONALD CHANTHUNYA	Not registered

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Appendix 15: Mchenga Coal Mine summary of under-declared sales and royalties

**MCHENGA SUMMARY OF UNDER-DECLARED SALES AND ROYALTIES BASED ON
MONTHLY PRODUCTION REPORTS AGAINST MONTHLY STATEMENT OF OPERATIONS**

Month	Total Sales Value from Monthly Production Reports	Declared Sales in Monthly Statement of Returns	Differences	Royalties @ 5% from Monthly Production Reports	Declared Royalties from Monthly Statement of Reports	Differences
Feb 15	62,713,200.07	59,190,619.24	3,522,580.83	3,135,660.00	2,959,530.90	176,129.10
Mar 15	62,930,863.99	48,773,775.68	14,157,088.31	3,146,543.20	2,438,688.78	707,854.42
Apr 15	27,800,246.22	22,150,182.27	5,650,063.95	1,390,012.31	1,107,509.11	282,503.20
May 15	35,854,921.11	33,203,187.96	2,651,733.15	1,792,746.06	1,660,159.40	132,586.66
Jun 15	13,417,008.73	54,855,114.22	-41,438,105.49	670,850.44	2,742,755.71	-2,071,905.27
Jul 15	59,222,831.78	42,060,730.13	17,162,101.65	2,961,141.59	2,103,036.51	858,105.08
Aug 15	59,779,092.00	46,970,256.11	12,808,835.89	2,988,954.60	2,348,512.81	640,441.79
Sep 15	45,032,935.65	45,032,335.65	600	2,251,646.78	2,251,616.78	30
Nov 15	75,621,643.63	71,911,904.92	3,709,738.71	3,781,082.18	3,595,595.25	185,486.93
Dec 15	76,149,041.72	71,029,718.80	5,119,322.92	3,807,452.09	3,551,485.94	255,966.15
Jan 16	4,112,373.50	2,247,540.79	1,864,832.71	205,618.68	112,377.04	93,241.64
Feb 16	15,833,576.88	13,983,152.71	1,850,424.17	791,678.84	699,157.64	92,521.20
Mar 16	72,164,877.61	69,904,791.41	2,260,086.20	3,608,243.88	3,495,239.57	113,004.31
May 16	34,168,655.73	32,323,136.60	1,845,519.13	1,708,432.79	1,616,156.83	92,275.96
Jun 16	66,135,479.63	56,232,120.00	9,903,359.63	3,306,773.98	2,811,606.00	495,167.98
	710,936,748.25	669,868,566.49	41,068,181.76	35,546,837	33,493,428	2,053,409.14

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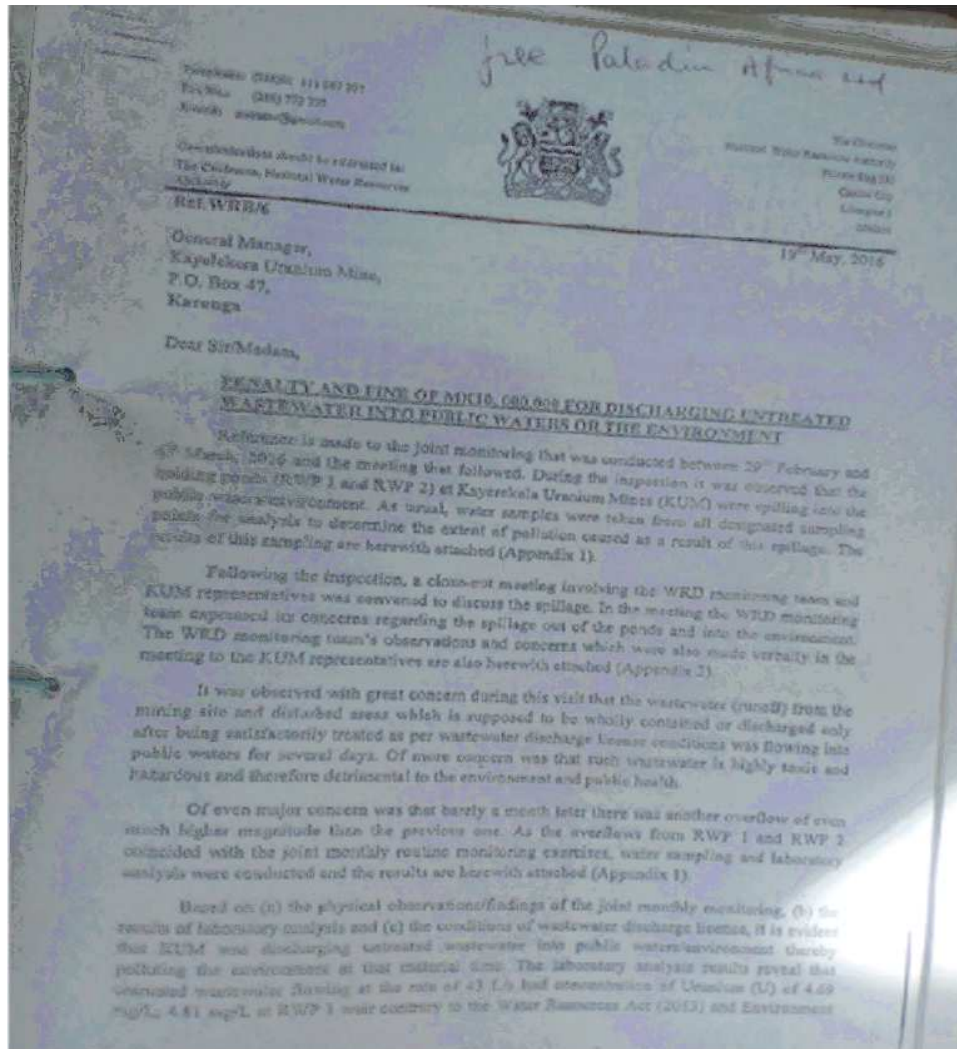
**SUMMARY OF UNDER-DECLARED SALES AND ROYALTIES BASED ON MONTHLY
PRODUCTION REPORTS AND FINANCIAL STATEMENTS**

Month	Total Sales Value from Monthly Production Reports	Declared Sales in Monthly Statement of Returns	Differences	Royalties @ 5% from Monthly Production Reports	Declared Royalties from Monthly Statement of Reports	Differences
Jan 14	44,964,048.90	44,964,048.90	—	2,248,202.45	2,248,202.45	—
Feb 14	47,166,774.57	47,166,774.57	—	2,358,338.73	2,358,338.73	—
Mar 14	58,499,222.66	58,499,222.66	—	2,924,961.13	2,924,961.13	—
Apr 14	48,755,346.61	48,755,346.61	—	2,437,767.33	2,437,767.33	—
May 14	34,213,963.19	34,213,963.19	—	1,710,698.16	1,710,698.16	—
Jun 14	31,942,409.47	31,942,409.47	—	1,597,120.47	1,597,120.47	—
Jul 14	61,241,394.05	61,241,394.05	—	3,062,069.70	3,062,069.70	—
Aug 14	57,257,796.63	57,257,796.63	—	2,862,889.83	2,862,889.83	—
Sep 14	108,573,673.76	108,573,673.76	—	5,428,683.69	5,428,683.69	—
Oct 14	66,687,869.56	66,687,869.56	—	3,334,393.48	3,334,393.48	—
Nov 14	121,086,465.23	121,086,465.23	—	6,054,323.26	6,054,323.26	—
Dec 14	45,461,922.00	45,461,922.00	—	2,273,096.10	2,273,096.10	—
ANNUAL TOTAL	725,850,886.63	725,850,886.63	0	36,292,544.33	36,292,544.33	0

*Performance Audit Report on the Socio Economic Contribution from
Mining Services*

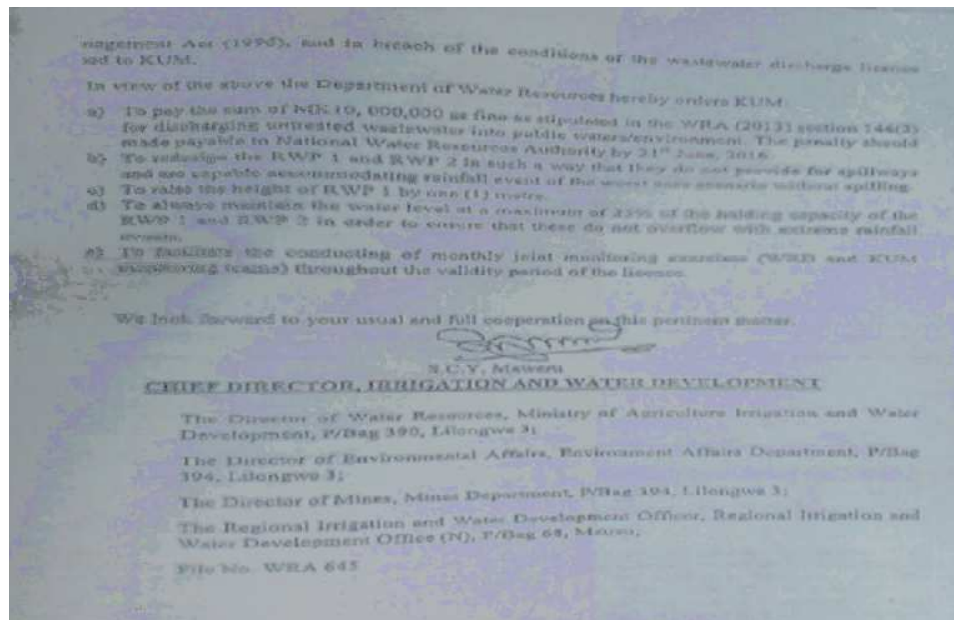
Month	Total Sales Value from Monthly Production Reports	Declared Sales in Monthly Statement of Returns	Differences	Royalties @ 5% from Monthly Production Reports	Declared Royalties from Monthly Statement of Reports	Differences
Jan 15	8,024,095.40	8,024,095.40	–	401,204.77	401,204.77	–
Feb 15	62,713,200.07	59,190,619.24	3,522,580.83	3,135,660.00	2,959,530.90	176,129.10
Mar 15	62,930,863.99	48,773,775.68	14,157,088.31	3,146,543.20	2,438,688.78	707,854.42
Apr 15	27,800,246.22	22,150,182.27	5,650,063.95	1,390,012.31	1,107,509.11	282,503.20
May 15	35,854,921.11	33,203,187.96	2,651,733.15	1,792,746.06	1,660,159.40	132,586.66
Jun 15	13,417,008.73	54,855,114.22	-41,438,105.49	670,850.44	2,742,755.71	-2,071,905.27
Jul 15	59,222,831.78	42,060,730.13	17,162,101.65	2,961,141.59	2,103,036.51	858,105.08
Aug 15	59,779,092.00	46,970,256.11	12,808,835.89	2,988,954.60	2,348,512.81	640,441.79
Sep 15	45,032,935.65	45,032,335.65	600	2,251,646.78	2,251,616.78	30
Oct	49,383,830.30	49,383,830.30	–	2,469,191.52	2,469,191.52	–
Nov 15	75,621,643.63	71,911,904.92	5,119,322.92	3,781,082.18	3,595,595.25	185,486.93
Dec 15	76,149,041.72	71,029,718.80	23,343,959.92	3,807,452.09	3,551,485.94	255,966.15
ANNUAL TOTAL	575,929,710.60	552,585,750.68	19,634,221.21	24,989,033.44	27,629,287.48	911,231.91

Performance Audit Report on the Socio Economic Contribution from Mining Services




*Performance Audit Report on the Socio Economic Contribution from
Mining Services*

**Appendix 16: Evidence of Aquatic Environmental Degradation around
Kayelekera Mine**



Performance Audit Report on the Socio Economic Contribution from Mining Services

File 1: Laboratory analysis results for spillage sample



MINISTRY OF AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT
DEPARTMENT OF WATER RESOURCES/WATER QUALITY SERVICES DIVISION

Tel: 011 725 55272
 Fax: 011 725 55272

Central Water Laboratory,
 Analytical General Chemistry Section,
 DR Paul Kapere Road
 P.O. Box 458,
 Lilongwe,
 Malawi
 14th April 2018

The Director
 Water Resources Development Office
 P.O. Box 245,
 Lilongwe,
 Malawi

**WATER QUALITY ANALYSIS RESULTS FOR KAYELEKERA URBAN WASTE
 SEWAGE SAMPLE**

Sample ID: RWB11 (effluent water sampled from RWB1 Well)

Sampled by: John M. Mwa Date Sampled: 01.03.2018
 Site Location: Kayelekera Uranium Mine (KUM) Region: North
 Station: None

I HEREBY CERTIFY that I have made an analysis of the above described sample with following results:

Parameter	Result	Unit	Recommended Standard
Uranium (U) (mg/L)	4.53	mg/L	0.01
Sulphate (SO ₄) (mg/L)	101	mg/L	400
pH	8.87		6.5-8.5

REMARKS
 Despite the Water Resources Department (WRD) monitoring team advising Kayelekera Uranium Mine (KUM) to-out in place appropriate measures to eliminate the spillage/overflow during March 2016 Joint WRD/KUM (KUM/KUM) Visit, the spillage/overflow was still occurring during April 2016 Joint Monitoring visit. The Monitoring team did not find the technical approach/condition of the spillage/overflow team to eliminate the spillage/overflow. The analysis results have revealed that the sample from the spillage/overflow team is found to be not comply with Uranium Standard of 0.01 mg/L as prescribed in the Terms (Standard) of KUM by Malawi Government through the Water Resources Development Office (WRD) in Lilongwe. It is clear from the table of results that the pH of the spillage/overflow was still above 8.5 during the previous monitoring visit in March 2016. The WRD monitoring team advised KUM to take appropriate measures to address the spillage problem. Among other things, the WRD monitoring team advised KUM to lower the height of RWB1 by 5 meters (5m) to pump and treat 75% of the water from RWB1 & RWB2 as that when rainfall events occur such as high rainfall events RWB1 & RWB2 will have enough capacity to hold the water from the mine treatment.

Appendix 17: News Extract on Kayelekera’s laid off employees including expatriates.

Performance Audit Report on the Socio Economic Contribution from Mining Services



Performance Audit Report on the Socio Economic Contribution from Mining Services





MALAWI GOVERNMENT

PERFORMANCE AUDIT REPORT

ON

SOCIO ECONOMIC CONTRIBUTION FROM
MINING SERVICES

IN

THE MINISTRY OF NATURAL RESOURCES,
ENERGY AND MINING

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

OCTOBER, 2019

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