



**MALAWI GOVERNMENT**

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

For The Year Ended 30th June, 2020

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

NATIONAL AUDIT OFFICE

VISION : To be an autonomous Supreme Audit Institution that effectively contributes to public accountability, transparency and good governance.

MISSION : To promote accountability, transparent administration and good governance in the public sector through the provision of quality audit services, which assure the Nation that public resources are economically, efficiently and effectively applied.

CORE VALUES : Professionalism integrity  
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Malawi

Ref

30th August, 2021

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,

Pursuant to the provision of Section 184 (2) of the Constitution of the Republic of Malawi and the Public Audit Act Cap 37:01, I have the honour to submit my report on the results of the audit of the Accounts of the Government of the Republic of Malawi for the year ended 30th June, 2020 for tabling in the National Assembly.

Yours faithfully,

THOMAS K. B. MAKIWA  
*Acting Auditor General*

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## EXECUTIVE SUMMARY

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

The audits have not been limited to the accounts for the year ended 30th June 2020, but have where necessary extended into the reviews of the preceding years wherever it has been considered significant and material.

The Government budgetary operation registered an expansion in both revenue and expenditure during the year under review. Total revenue collected increased favourably by K1,181 billion from K1,144 billion realized in 2018/19 financial year which represents an increase of 103%. Total expenditure increased by K231.8 billion from K1,106 billion in 2018/2019 financial year to K1,338.1 billion which represents an increase of 21%. Domestic revenue remained relatively buoyant and continue to maintain an upward trend. This was mainly premised on the improved tax collection and administration by the Malawi Revenue Authority.

Revenue Account registered K2,324.3 billion in revenue while the recurrent expenditure was K1,338.1 billion. However, some funds from the Recurrent Account were transferred to Development Account Part I and II amounting to K202.8 billion and K159.4 billion respectively. In addition, funds amounting K20.9 billion and K589.3 billion were paid in respect of tax refunds and repayment of borrowings. This brings the total expenditure on Recurrent Budget to K2,310.6 billion. The overall picture of the recurrent expenditure was a net surplus of K13.7 billion.

Development Receipts which include External Loans/Grants and Malawi Government Transfers from Recurrent Revenue/Receipts, increased by K74.2 billion from K288 billion to K362.2 billion in 2019/20. Total expenditure charged to the Development Account was K309.2 billion which increased by K103.4 billion when compared to K205.7 billion for 2018/19 financial year representing an increase of 50.28%. Government in this fiscal year continued to get donor support.

The fiscal year 2019/2020 is considered as another year of remarkable achievements in terms of financial reporting because Controlling Officers continued to prepare financial statements using the approved and acceptable format introduced in the ministries and departments. So far, MDAs are preparing their financial statements using International Public Sector Accounting Standards

(IPSAS) Stage 2. My audit opinions on most of these financial statements were qualified based on the various material matters that affected their truthfulness and fairness. Obviously, some MDAs received clean opinions, an indication that public financial management and control systems still continue to improve.

Although ministries and departments are now getting used to preparing their own financial statements for reporting and audit purposes, there are still a lot of challenges that should be mitigated in order to ensure timely preparation of the financial statements. The Accountant General should continue training accounting personnel into professional development in various ministries and departments in order to enhance capacity and improve quality of the financial statements prepared by the MDAs. The objective is to improve compliance with International Public Sector Accounting Standards (IPSAS), application of provisions of Public Audit Act (Cap37.01), Public Finance Management Act (Cap 37.02), Public Procurement and Disposal of Public Assets (Cap 37.03), and other related Acts on public financial management, Treasury Instructions Finance and Stores and other various Regulations on public financial management.

### **Summary and analysis of findings**

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

### **Categorization of the findings**

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

#### **(a) Irregularities above K500 Million**

The main irregularities with values above K500Million, with a total value of K4,003,293,622,540.69 include: Public debt not part of the Statement of Financial Position. This irregularity alone is K3,817,780,562,960.00 (88%). Apart from this, other irregularities in this category are: Revenue collected by MRA not recorded in IFMIS; Payment Vouchers not provided for audit inspection; Compensation Payments Without Sufficient Proof of Loss; Failure to Account for Outward Transfers; Contracts Not Vetted by Government Contracting Unit (GCU) and Ministry of Justice; Payment of Arrears without the Auditor General's Certificate; Failure To Prepare Bank Reconciliation; Delay In Paying Contractors

Funds Transfer for Referral Medical Cases Abroad Not Liquidated; Failure to recover loans; Understatement of Mombera University Expenditure; Failure to pay Contractors for Chief's Houses; Underutilization of Funds; Fuel Not Accounted For and Payment vouchers Without Adequate Supporting Documents.

Figure 1 below depicts these irregularities whose value is above K500Million.

Bar Chart of Irregularities with a value above K500Million

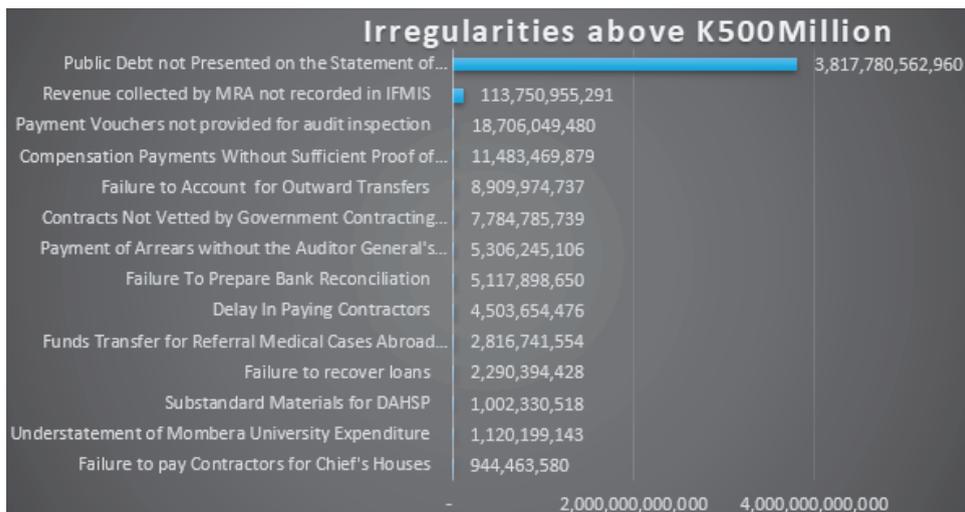


Figure 1: Irregularities with values above K500Million

**(b) Irregularities with a value between K50 Million and K500 Million**

Irregularities with values between K50 million and K500 million, with a total value of K2,762,293,152.46 include: Purchase of Drugs from Private Suppliers Without Waiver from Central Medical Stores Trust; Stores Not Accounted For; Visa Revenue Collected By Embassies Not Accounted For; Misallocations of Expenditure; Activity Reports Not Submitted for Audit Inspection; Procurement Using Single Sourcing; Long Outstanding Receivables; Long Outstanding Debts; Uneconomical Use of Resources; Revenue Spent at Source; Revenue not Accounted for; Funds Not Liquidated; Single Sourcing; General Receipt Books Not Recorded In The Security Document Register; Abuse of funds for MDBNL; Failure to Surrender a Motor Vehicle; Failure to Perform Mandatory Contractual Obligation By Land Landscape And Security Services Providers; Payments of Salaries to Officers who are on Unpaid Personal Leave and Unpaid Study Leave; Long Outstanding Development Charges and Procurement of Goods and Services without IPDC Approval.

**Figure 2: Bar Chart of Irregularities with a value between K500million and K50Million: K2,62,293,152.46**

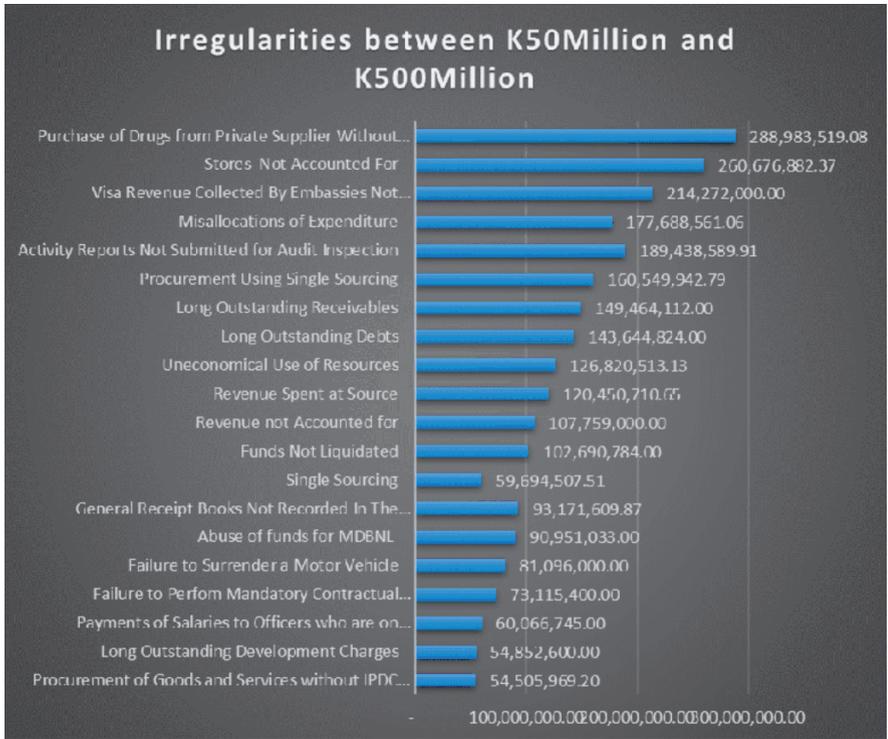


Figure 2: Irregularities with values between K50Million and K500Million

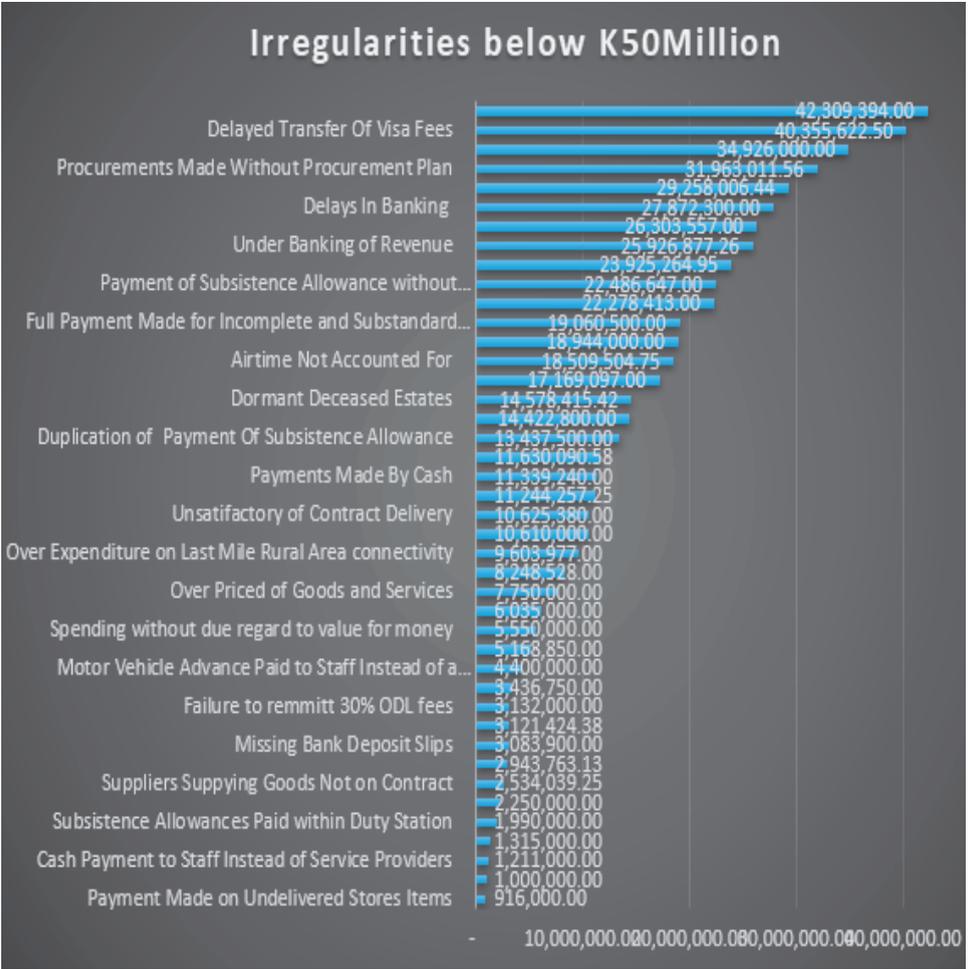
**(c) Irregularities with values below K50Million**

Irregularities with a value below K50Million, with a total value of K577,586,443.80 include: Payment Made on Undelivered Stores Items; Payments Made On Security Services Not Rendered Due To Guards Absenteeism; Allowances Paid on Fully Sponsored Trip; Cash Payment to Staff Instead of Service Providers; Payment of Subsistence Allowance without means of Travel; Subsistence Allowances Paid within Duty Station; Deceased Estate Funds Transferred To Legal Practitioners Without Liquidation; Suppliers Supplying Goods Not on Contract; Training expenditure not supported with training plan, training committee and training contract bond; Missing Bank Deposit Slips; Food and Ration Not Accounted For; Failure to remit 30% ODL fees; Mis-procurement of office furniture; Irregular procurement; Motor Vehicle Advance Paid to Staff Instead of a Supplier; Under Collection of Revenue; Spending without due regard to value for money; Revenue used at Source; Over Priced of Goods

and Services; Procurements From Suppliers Without Valid Documents; Over Expenditure on Last Mile Rural Area connectivity; Overlapping Field Days of Subsistence Allowances; Unsatisfactory of Contract Delivery; Unbudgeted for Payment of External Travel Allowance Arrears; Payments Made By Cash; Over payment of Salaries; Duplication of Payment Of Subsistence Allowance; Revenue from Visa Stickers Not Accounted for; Dormant Deceased Estates; Engaging and Paying for Food and Ration Without Contract Agreement; Airtime Not Accounted For; Procured Stores Items Under Delivered; Full Payment Made for Incomplete and Substandard Work; Cash Paid To Staff On Behalf Of Suppliers; Payment of Subsistence Allowance without “Authority to leave Duty Station Forms” ; Purchases Made Without Procurement Plan; Under Banking of Revenue; Payments Made Without IPDC Approval; Delays In Banking; Motor Vehicle Maintenance Not Recorded In Motor Vehicle Files; Procurements Made Without Procurement Plan; Failure to raise Receipts for Revenue Received Through Direct Banking; and delayed Transfer Of Visa Fees;

**Bar Chart of Irregularities with a value below K50Million:  
K577,586,443.80**

Figure 3: Summary of Irregularities with values between K10 Million and K50 Million



**(d) Other areas of Non-Compliance Not by Value**

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

- Assets not recorded in fixed assets register
- Bank statements and revenue cash book not produced for audit inspection
- CHAM units staff not yet entered in the human resources for health information system
- Contracts without service contract agreements
- Delays in preparation of financial statements
- Delays in project implementation of kwacha house rehabilitation
- Different employment numbers on payroll and payslip
- Dilapidated condition of Mikolongwe veterinary buildings
- Documents not produced for audit inspection
- Embarking on the project for rehabilitation of kwacha house without adequate budget
- Employees on payroll but not on staff return
- External recruitment and selection of the post of internal audit manager not advertised
- Failure to follow original plan on construction of a dispensary
- Failure to maintain a non-current assets register
- Failure to maintain the votes ledger
- Failure to meet maize production output target
- Failure to perform bank reconciliations
- Failure to prepare financial statements
- Failure to prepare procurement plan
- Failure to prepare reconciliation on manual visa system
- Failure to prepare revenue control book
- Failure to update fixed asset register
- General receipt books not presented for audit inspection
- Incomplete fixed asset register
- Lack of annual performance reviews for the high commission
- Malfunctioning Constant Current Regulators (CCRS) and departure runway systems.
- Non-maintenance of security document register

- Non-segregation of duties
- Officers at school without government approval
- Overdue permit applications
- Procurement made without procurement plan
- Revenue cashbooks not maintained
- Staff working after retirement age
- Status reports not updated
- Suppliers delivering low quality building materials
- Unavailability of cash flow at Karonga and Mzuzu airports
- Uninhabitable condition of kwacha house
- Unprocedural recruitment
- Visa stickers not recorded in visa sticker register
- Lack Of Clear Policy Direction On The Usage Of Funds From Visa Account

## PART I

### INTRODUCTION

#### AUDIT OF PUBLIC ACCOUNTS

1. I am required under Section 184 (1) of the Constitution of the Republic of Malawi to audit and report on the public accounts of the Government of Malawi, and to exercise such other powers in relation to Ministries, Departments and Agencies (MDAs) accounts, and accounts of the other public authorities and bodies as may be prescribed by an Act of Parliament, in so far as they are compatible with the principal duties of my office.
2. Section 184 (2) requires me to submit reports at least once a year to the National Assembly through the Minister responsible for Finance. Section 15 of the Public Audit Act requires me to report to the President and the Speaker of the National Assembly. Although the provision of Section 15 of the Public Audit Act is deemed inconsistent with the Constitution in a way, it gives me as an opportunity to submit a copy of my report direct to the Speaker of National Assembly whilst respecting the Constitution as a supreme law by reporting through the Minister Responsible for Finance. Consultations with the Ministry of Justice and Constitutional Affairs and the Law Commission have been initiated to have the deemed inconsistency cleared. Following the institutional Review of National Audit Office undertaken in 2010/11 financial year by the Department of Public Service Management in the Office of the President and Cabinet and this was confirmed in the 2015 Public Sector Reforms report. The review report, which was approved by the Government, has included a recommendation that I should be reporting directly to the National Assembly. The Constitutional Amendment Bill on Section 184 of the Constitution and Public Audit Bill were sent to National Assembly for possible amendment of the two inconsistencies. During the Parliament sitting of November 2016, these were tabled and deliberated. However, the plenary noted some gaps, referred to three committees for further scrutiny, and make some proposals on the amendments. The committees are: Legal and Constitutional Affairs, Public Accounts, and Budget and Finance Committees. The objective was to harmonise and comply with INTOSAI declarations of Lima, October 1977, Mexico, November 2007 and also UN resolutions 66/209 and 66/288 of 22 December 2011 and 20 November 2014 respectively which call for independence of SAIs as a way of fostering sound public financial management and administration. The bills were re-tabled in February 2018 Parliamentary Session, only Public Audit Amendment bill was passed leaving Constitutional Amendment Bill

Section 184 at its second reading. Up to now, the constitutional amendment bill has not been re-tabled in the August House. The Public Audit Amendment Act was assented to by the State President of the Republic of Malawi. The amended Act is awaiting implementation to be facilitated by the Ministry of Finance. So far, since 2018, there has been no progress on the matter.

3. The Public Audit Act provides, inter alia, for the administration, control and audit of the public finances of Malawi. In discharging these duties, I am required in terms of Section 6 (4) (d) to determine whether the procedures and systems of internal control of each ministry, department, agency and public authority or body do ensure that; -
  - (a) Revenue is properly assessed and collected;
  - (b) Expenditure is validly and correctly authorised;
  - (c) Revenue, expenses, assets and liabilities are properly recorded and accounted for;
  - (d) Resources are employed and managed in an economic, effective and efficient manner;
  - (e) There has been no waste or extravagance;
  - (h) Outcomes or provisions produced are consistent with those specified in any Appropriation Act;
  - (i) Relevant government policies and legislation are being complied with;
  - (j) All expenditure is charged against the relevant allocation appropriated by the National Assembly; and
  - (k) The accounts and records have been properly kept.
4. Section 6 (2) of the Act requires me to undertake an audit programme to review and approve the audited accounts of statutory bodies and conduct audits of any statutory body that has not had its financial statements audited by a firm of auditors, this includes where I do not approve the audited financial statements.
5. Section 6 (3) of the Act requires me to audit and examine transactions, books and accounts and other financial records associated with any project, programme, and any other activity receiving funding in whole or in part from money or public resources which in my opinion justifies further investigations.

6. In fulfilling my duties, powers and responsibilities lawfully conferred on me under Section 7 (1) of Public Audit Act (cap. 37 .01), I am required and any person authorized by me to;
- (a) Have full access at all reasonable times to all documents, books and accounts, public funds, public securities, government contracts, and books and accounts relating thereof and subject to audit; and to any place where they are kept;
  - (b) Request any person to supply any information or answer any questions relating to documents, books and accounts, money or operations subject to audit and examination by me;
  - (c) Give notice in writing, requiring any person having possession or control on any documents, books and accounts subject to audit and examination by my office to deliver all or any of them at a time and place and to such a person specified in the notice;
  - (d) Inspect, measure or test any real or personal property to which any Government contract relates; and
  - (e) Enter any land, building, or place, other than a dwelling house, where a government contract is being performed that is subject to audit and examination by me.

## **SUBMISSION OF FINANCIAL STATEMENTS**

7. Section 83 (1) of the Public Finance Management Act requires the Secretary to the Treasury to prepare, sign and transmit to me the Consolidated Statements of Accounts within a period of four (4) months, but not later than 31st October after the 30th June closure of each financial year. The form and content of the financial statements are as follows: -
- (a) A consolidated Operating Statement showing revenue and expenditure and the surplus or deficit for the reporting period;
  - (b) A statement of Financial Position showing the assets, liabilities and net financial position as at statement of financial position's date of the reporting period;
  - (c) A Statement of Cash Flows showing the receipts and cash payments during the reporting period, and cash balance as at statement of financial position's date of the reporting period;

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

## **CONTROLLING OFFICERS' RESPONSIBILITY**

- 8.** In terms of Section 10 of the Public Finance Management Act, it is the Controlling Officers' responsibility to maintain proper financial management systems. This involves keeping appropriate financial records, and where applicable, following generally accepted accounting principles. Responsibilities of management also include ensuring that: -
- (a) Public funds are only used to the extent, and for the purpose intended by the National Assembly;
  - (b) All necessary precautions are taken to safeguard the collection and custody of public money;
  - (c) All necessary precautions are taken to safeguard public resources;

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

The Controlling Officers prepared financial statements of their Ministries, Departments and Agencies for the 2019/2020 financial year and submitted them for audit before they were consolidated by the Accountant General. In the year 2019/2020, most Controlling Officers submitted their financial statements for audit in time.

## **SCOPE OF AUDIT**

9. In line with Section 13 (1) of the Public Audit Act (Cap.37.01), I am required to use Generally Accepted Auditing Practice (GAAP). In order to comply with the GAAPs, the audit of public accounts is performed in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The audit is intended to provide an overall assurance of the general accuracy and propriety of Government's financial and accounting transactions. Although the audit is conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs), it does not guarantee absolute accuracy of the accounts or detection of every error, financial irregularities and fraud. However, I provide an assurance in my audit opinion as to whether or not the financial statements fairly present in all material respects the consolidated financial position of the Government of Malawi as at 30th June, of each year, and of its consolidated financial performance for the year then ended. In addition, commencing year ended 30th June 2013 each Controlling Officer is issued with a separate audit opinion on their individual financial statements.

The Public Audit Act Cap37:01 empowers me to use discretion and make tests in any particular case. The extent of audit examinations varied depending on the strength of internal control systems in operation and the nature of transactions involved. Substantive tests were made on selected areas of various ministries, departments and agencies, which form part of public accounts in order to form an opinion as to whether or not public money is expended economically, and in conformity with the wishes of the National Assembly. The audits have not been limited to the accounts for the year ended 30th June 2020 but have, where necessary, extended into the reviews of the preceding years.

## **AUDIT METHODOLOGY**

- 10.** The core objective of the external audit function is to ensure accountability of public funds. To discharge this responsibility my approach to audit involves the following:
- (a) Planning the audits to obtain relevant information in the most efficient manner and to determine the audit procedures employed;
  - (b) Evaluation and testing of the accounting and internal control systems;
  - (c) Testing of controls to ensure that procedures have been applied and that the relevant laws and regulations have been complied with, including the test for validity, completeness and accuracy of the accounts; and
  - (d) Reporting the audit findings based on the audit procedures performed and evidence gathered.

## **RESPONDING TO AUDIT REPORTS**

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

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

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

## **REPORTING PROCEDURE**

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

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

## **AUDIT OPINION ON THE ACCOUNTS**

13. I am required to express an opinion on the public accounts based on my audit. My audit opinion on the public accounts for the financial year ended 30th June, 2020 is modified as follows:

### **Opinion**

I have audited the accompanying Consolidated Annual Appropriation Accounts of the Government of Malawi for the year ended 30th June, 2020 and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the Consolidated Annual Appropriation Accounts of the Government of Malawi present fairly, in all material respects, the financial position of the Government of Malawi as at 30th June, 2020, and of its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) accrual Stage Two (2) and the provisions of the Public Finance Management Act (2003).

### **Basis for Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Malawi Government in accordance with the International Standards of Supreme Audit Institutions 30- Code of ethics (ISSAI 130) as promulgated by the International Organisation of Supreme Audit Institutions (INTOSAI), and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of Matter**

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

## **Areas that need to continue improving**

### **Reconciliation of the Salaries Account**

The salaries Account has been reconciled up to 2016/2017 financial year. This has made me to still rely on the Automated Transfer System (ATS) daily reconciliation which accounts for over 80% of the Total Personal Emoluments Bill currently standing at K448 billion. Pay As You Earn Tax (PAYE) and Advances are not paid through ATS, this represents the remaining 20% of total salaries. There is need to increase the effort to ensure that the reconciliation is current. The implementation of the new Integrated Financial Management System will greatly improve reconciliation in this area.

### **Reconciliation of the Pensions Account**

The following transactions reported on the reconciliations statement were still outstanding as at 30th June 2020. These amounts need further investigation

- Unpresented cheques K8,442,617,633.86
- Payments on bank statement not in cash book K345,378,689.79
- Receipts in cashbook and not on bank statement K85,958,963.91

### **Public Debt**

Stage 2 accrual, the financial reporting framework currently in operation requires the inclusion of financial assets and financial liabilities in the statement of financial position. However, there has only been a disclosure of the current portion of government debt both domestic and foreign. As the Government progresses towards full accruals this should be an area for improvement.

### **Key Audit Matters**

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

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

## The Secretary to the Treasury's Responsibility for the Consolidated Annual Appropriation Accounts

The Secretary to the Treasury is responsible for the preparation and fair presentation of the Consolidated Annual Appropriation Accounts in accordance with International Public Sector Accounting Standards (IPSAS) Financial Reporting (Accrual Stage 2) and with provisions of the Public Finance Management Act of 2003, and for such internal control as he/she determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the Consolidated Annual Appropriation Accounts that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibilities for the Audit of the Consolidated Annual Appropriation Accounts**

My objectives are to obtain reasonable assurance about whether the Consolidated Annual Appropriation Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Annual Appropriation Accounts.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Governments' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Reporting Requirements

### *Compliance with laws and regulations*

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

#### **The Ministries and Department failed in the main following areas:**

Revenue collected by MRA not recorded in IFMIS	113,750,955,290.73
Payment Vouchers not provided for audit inspection	18,706,049,479.73
Compensation Payments Without Sufficient Proof of Loss	11,483,469,879.49
Failure to Account for Outward Transfers	8,909,974,737.16
Contracts Not Vetted by Government Contracting Unit (GCU) and Ministry of Justice	7,784,785,738.70
Payment of Arrears without the Auditor General's Certificate	5,306,245,105.94
Failure To Prepare Bank Reconciliation	5,117,898,649.53
Delay In Paying Contractors	4,503,654,475.52
Funds Transfer for Referral Medical Cases Abroad Not Liquidated:	2,816,741,554.08
Failure to recover loans	2,290,394,428.00
Failure to pay Contractors for Chief's Houses	944,463,580.38
Underutilization of Funds	735,581,287.00
Fuel Not Accounted For	527,185,777.59
Payment vouchers Without Adequate Supporting Documents	513,129,935.31

The audit opinion is presented separately in Volume 1 of the Consolidated Annual Appropriation Accounts for the year ended 30th June 2020.

## PART II

### OVERALL BUDGET PERFORMANCE 2019/2020

#### BUDGET OUTTURN – REVENUE

14. Total revenue collected during the period ended 30th June, 2020 was K2,324.3 billion which reflected an increase of K1,180.7 billion (103.2%) over the 2018/19 amount of K1,143.6 billion. The sources of revenue were Tax Revenue K1,004.8 billion, Non-Tax Revenue K1,116.7 billion, Project Grants K84.1 billion, Project Loans K79.8 billion, Dedicated Grants K38.4 billion and Program Grants K0.5 billion.

The approved budgeted revenue was K2,467.7 billion and was revised to K2,447.3. Actual revenue collection for the 2019/20 financial year was K2,324.3 which was K123 billion (5%) less as compared to the revised amount of K2,447.3 billion. The under-collection was evident mainly on Tax Revenue amounting to K249.4 billion, Project Loans amounting to K21.9 billion and Project Grants amounting to K2.9 billion which in total amounted to K274.2 billion. There was an over-collection on Non-Tax Revenue amounting to K130.5 billion, Dedicated Grants amounting to K20.3 billion and Program Grants K0.4 billion totaling K151.2 billion which reduced the under-collection to a net deficit of K123 billion.

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

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

	Approved	Revised	Actual	Over/	Percentage
	Provision	Provision	Collection	(Under)	Over/
<u>Year</u>	<u>K'000</u>	<u>K'000</u>	<u>K'000</u>	<u>Collection</u>	<u>Collection</u>
				<u>K'000</u>	<u>%</u>
2016/2017	829, 949, 871	988,065,000	953,910,389	(34,154,611)	(4%)
2017/2018	1,104,784,111	1,009,749,629	1,011,827,903	2,078,274	0.2%
2018/2019	1,268,120,774	1,268,120,774	1,143,631,502	(124,489,272)	(10%)
2019/2020	2,467,737,668	2,447,328,715	2,324,306,133	(123,022,582)	(5%)

With reference to Table 1 above, the general assessment of revenue budget provision compared to the actual collection indicates that they were some to a larger extent, under-collections. Except for 2017/2018 FY, there which had a slight improvement in revenue collection, the other three financial years had under-collection and most noticeable in 2018/2019 FY which was about 10%. However, in 2018/2019 and 2019/2020 there was also a negative difference although it was not significant. It is therefore, encouraging that the budget planning and forecasts had an average error of 4.7% for the past four (4) financial years.

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

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

	<u>2016/2017</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2019/2020</u>
Tax Revenue	-5.6	40.1	-13.6	-249.4
Non-Tax Revenue	-28.7	1.6	-23.1	130.6
Programme Grants	0.3	0	-29.3	0.4
Dedicated Grants	18.9	1.4	-24.4	20.3
Project Grants	-19.1	-41.1	-34.1	-2.9
Project Loans	0	0	0	-21.9
<b>Total</b>	<b>-34.2</b>	<b>2.0</b>	<b>-124.5</b>	<b>-122.9</b>

For the past four years, there have been across all revenue streams under-collections of revenue except in the 2017/2018 financial year. In the 2019/20 financial year, Tax Revenue was worse in under-collection and Non-Tax Revenue and Dedicated Grants registered over-collection. Project Grants have consistently been registering deficits in each of the past four years as analyzed in Table 2 above.

## **BUDGET OUT TURN - EXPENDITURE**

- During the year under review, total recurrent expenditure charged to the Consolidated Fund was K1,948.4 billion resulting into an increase in expenditure of K842.1 billion (76%) when compared to the total expenditure of K1,106.3 billion for 2018/2019 financial year. During the financial year under review, funds amounting to K362.2 billion from the Recurrent Account were transferred to Development Account Part I and II amounting to K202.8 billion and K159.4 billion respectively. The overall performance of the recurrent expenditure had a net surplus of K13.7 billion which compared favorably to a net deficit of K250.7 billion for the financial year 2018/2019. The other contributing factor apart from the transfers to the development budgets is the Tax refunds of K20.9 billion and Repayments of borrowings amounting to K589.2 billion. This brings the total expenditure on Recurrent Budget to K2,310.6 billion.

## **CONSOLIDATED REVENUE ACCOUNT**

- The consolidated revenue account slightly improved in performance during the 2019/2020 financial year since the account had a cumulative deficit of K626 billion as at 30th June, 2020, as compared to a cumulative deficit of K639.7 billion as at 30th June, 2019 and was arrived at as follows:

**Table 3: The Consolidated Revenue Account as at 30th June, 2020**

<b>Description</b>	<b>K'000</b>
Deficit balance (brought forward) as at 1st July, 2019	(639,682,763)
<i>Add:</i> Revenue for the year	2,324,306,133
<i>Less:</i> Expenditure for the year	(1,948,359,115)
Transfer to Development Part II	(159,402,020)
Transfer to Development Part I	(202,846,895)
Cumulative Deficit carried forward as at 30th June, 2020	(625,984,660)

The planned recurrent surplus for the year under review was K1,168.7 billion since the Government planned to collect and spend K2,467.7 billion and K1,299 billion respectively but the actual position was a surplus of K13.7 billion as at 30th June, 2020. However, the actual Revenue Account out-turn as at 30th June, 2019 was a deficit of K250.7 billion as shown in Table 3 below.

The annual surplus is largely attributed to financial discipline on expenditure management on the recurrent budget.

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

<b>Years</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
<b>Amount in</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
Actual Revenue	953,910,389	1,011,827,903	1,143,631,502	2,324,306,133
<i>Less:</i> Actual Expenditure	(786,057,755)	(1,068,055,444)	(1,106,342,038)	(1,948,359,115)
Transfer to Dev. Part II	(26,345,854)	(73,165,053)	(84,875,273)	(159,402,020)
Transfer to Dev. Part I	(133,694,011)	(188,208,017)	(203,098,581)	(202,846,895)
<b>Surplus/(Deficit)</b>	<b>7,812,769</b>	<b>(317,600,611)</b>	<b>(250,684,390)</b>	<b>13,698,103</b>

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

Two (2) votes on Central Government recorded an over expenditure of K1.4 billion, under the Recurrent Budget as follows:

<b>Vote</b>	<b>MDA</b>	<b>Amount (K'000)</b>
271	Accountant Generals Department	1,371,844
100	Ministry of Defence	40,065
		<b>1,411,909</b>

The overall under-expenditure was K23.2 billion recorded on Forty- Five (45) votes.

The amount under vote 271 came about due to clearance of bank commission which was not adequately covered by the budget under the vote. The over expenditure under vote 100 was due to double funding made in July 2019 and June 2020

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

<u>Vote</u>	<u>MDA</u>	<u>Amount (K'000)</u>
420	Roads Authority	4,217,707
250	Ministry of Education and Technology	3,919,808
470	Ministry of Natural Resources Energy and Mining	2,918,490
260	Ministry of Foreign Affairs and International Cooperation	2,740,879
310	Ministry of Health	1,718,793
050	State Residences	1,609,285
274	Road Fund Administration	1,544,294
		<b>18,669,256</b>

The underperformance could relate to decreased activities or low funding but no clear reasons were provided for my independent review

The overall state of affairs of the Recurrent Budget as at 30th June, 2020 was a net surplus of K13.7 billion, registering an increase of K264.4 billion from a net deficit of K250.7 billion recorded at the end of the 2018/2019 financial year. This indicates that there was a big improvement of budget performance in the Recurrent Budget.

## **CONSOLIDATED DEVELOPMENT ACCOUNT**

17. The total expenditure charged to Development Account for the year ended 30th June, 2020 amounted to K309.2 billion reflecting an increase of K103.5 billion over the previous year's expenditure of K205.7 billion.

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

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

<b>Years</b>	<b>2016/2017</b>	<b>2017/2018</b>	<b>2018/2019</b>	<b>2019/2020</b>
<b>Amount in</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>	<b>K'000</b>
Approved Estimates	246,674,936	336,274,000	318,931,372	438,248,524
Revised Estimates	246,674,936	357,496,451	277,959,556	367,440,616
Actual Expenditure	155,680,420	202,577,247	205,732,907	309,171,512
Under Expenditure	90,994,516	154,919,204	72,226,649	58,269,104
Under expenditure %	37%	43%	26%	16%

The following is an analysis of the votes under Development Budget of which four (4) on Central Government recorded an over expenditure of K20.2 billion:

<b>Vote</b>	<b>MDA</b>	<b>Amount (K'000)</b>
320	Ministry of Health	11,633,243
120	Local Development Fund	3,886,658
310	Ministry of Gender Children, Disability and Social Welfare	2,957,947
120	Ministry of Local Government and Rural Development	1,766,643
		<b>20,244,491</b>

The following is the list of the sampled votes under Development Budget with largest unspent balances:

<b>Vote</b>	<b>MDA</b>	<b>Amount (K'000)</b>
190	Ministry of Agriculture Irrigation and Water Development	49,666,145
274	Road Fund Administration	6,307,865
370	Ministry of Labour and Man Power Development	5,904,726
250	Ministry of Education Science and Technology	4,483,404
330	Ministry of Information and Civic Education	3,678,121
275	Subvented Organisation	3,560,816
180	Ministry of Youth Sports and Culture	2,109,641
260	Ministry of Foreign Affairs and International Cooperation	1,004,552
		<b>76,715,270</b>

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

The overall state of affairs of the Development Account as at 30th June, 2020 was a cumulative Surplus of K156.5 billion, registering an increase of K30.7 billion from a cumulative surplus of K125.8 billion recorded at the end of the 2018/2019 financial year. Details are in Table 5 below:

**Table 6: Cumulative Surplus in Development Account**

	<u>Amount (K'000)</u>
Receipts during the year	362,248,915
<i>Less:</i> Payments	(309,171,512)
<b>Surplus/(Deficit) for the year</b>	<b>53,077,403</b>
<i>Add:</i> Opening balance	125,778,538
<b>Cumulative Surplus as at 30th June, 2020</b>	<b>178,856,066</b>

## CONSOLIDATED FUND

### FINANCING OF THE DEFICIT

18. The overall Approved Revenue and Expenditure in the 2019/2020 financial year were K2,467.7 and K1,737.2 billion respectively. The approved Revenue was revised downwards to K2,447.3 billion and the Expenditure to K1,781.9 billion. This envisaged a surplus of K665.4 billion.

During the year under review, the Recurrent Revenue Account collected K2,324.3 billion while the Recurrent Expenditure was K2,310.6 billion resulting into a surplus of K13.7 billion.

The Development Account realized K362.2 billion; registering an increase of K74.3 billion when compared to K287.9 billion of 2018/2019 financial year. Expenditure for the year as at 30th June 2020 was K309.2 billion resulting into a surplus of K53 billion.

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

<u>Year</u>	<u>Combined (Deficit)/Surplus K'000</u>
2016/17	(86,655,992)
2017/18	(345,460,782)
2018/19	(513,904,225)
2019/20	(447,128,594)

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

## **PREPARATION OF FINANCIAL STATEMENTS BY MINISTRIES AND DEPARTMENTS**

19. The Controlling officers started preparing financial statements for their ministries and departments from 2011/2012 financial year when an acceptable format for presenting the financial statements was approved and introduced in the ministries and departments.

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

The financial statements of the votes listed below for the financial years ended 30th June 2019 and 2020 were submitted to me for audit. My audit opinions on these financial statements were either modified based on the various material matters that affected their true and fair view or unmodified.

**TYPE OF AUDIT OPINION**

<b>VOTE</b>	<b>MDA</b>	<b>TYPE OF AUDIT OPINION</b>	
		<b>2020</b>	<b>2019</b>
70	The Malawi Judiciary	Adverse	Qualified
93	Department of Human Resource Management and Development	Unqualified	Unqualified
100	Ministry of Defence	Unqualified	Unqualified
120	Local Government and Rural Development	Unqualified	Unqualified
130	Lands, Housing and Urban Development	Qualified	Unqualified
190	Agriculture, Irrigation & Water Development	Unqualified	Unqualified
240	Office of the Vice President and Disaster Management Affairs	Unqualified	Unqualified
250	Education, Science and Technology	Unqualified	Unqualified
260	Foreign Affairs and International Cooperation	Qualified	Qualified
270	Finance, Economic Planning & Development	Unqualified	Unqualified
271	Accountant General	Unqualified	Unqualified
276	National Statistical Office	Unqualified	Unqualified
320	Gender, Children, Disability and Social Welfare	Qualified	Qualified
330	Information, Civic Education and Communication Technology	Qualified	Qualified
340	Homeland Security	Unqualified	Unqualified
350	Ministry of Justice	Unqualified	Unqualified
353	Administrator General	Qualified	Qualified
370	Labour, Sports, Youth and Manpower Development	Unqualified	Qualified
390	Industry, Trade and Tourism	Qualified	Unqualified
400	Transport and Public Works	Unqualified	Unqualified
430	Malawi Human Rights Commission	Qualified	Qualified
460	Malawi Electoral Commission	Unqualified	Unqualified
470	Natural, Resources, Energy and Mining	Unqualified	Unqualified
510	Anti-Corruption Bureau	Unqualified	Unqualified
520	Legal Aid Bureau	Unqualified	Unqualified
560	Law Commission	Unqualified	Unqualified
	National Youth Council	Unqualified	Unqualified
	Cotton Council of Malawi	Unqualified	Unqualified
	Public Land Development Fund	Unqualified	Unqualified
	Housing Management Fund	-	Unqualified
	Research Services Fund	-	Unqualified
	Public Home ownership Fund	-	Unqualified
	Public Procurement and Disposal of Assets	Unqualified	Unqualified
	Malawi Police Service	Unqualified	Unqualified
	Department of Immigration and Citizenship services	Qualified	Qualified
	Office of the Ombudsman	Unqualified	Qualified
	The Registra General's department	Unqualified	Qualified

## PART III

### MINISTRIES, DEPARTMENTS AND AGENCIES

#### THE JUDICIARY

20. An audit inspection of the financial and other information for the Judiciary for the year ended 30th June, 2020 was completed in January, 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the opinion on the financial statements of the Authority.

#### **Overall Performance on the Recurrent Budget**

The Malawi Judiciary's ORT was budgeted at K10,811,842,698 and was revised upwards to K11,890,656,356. The funds allocated were K11,890,656 and the actual out-turn was K11,798,854,033 representing 99.2% utilization of the revised budget.

#### **Overall Performance Development Budget**

The approved budget was at K600,000,000.00 and revised downwards to K500,000,000.00. The actual expenditure was K499,940,000.00 representing 99.9% utilization of the revised budget.

#### **Audit Opinion**

I issued an adverse audit opinion on the Financial Statements the Judiciary for the year ended 30th June, 2020.

#### **(a) Misallocations Of Expenditures: -K22, 364, 277.69**

Treasury Instruction number 4.14.1 of 2004 states that specific approval is required before any allocations can be vired or transferred between a programme /item within the same Vote. The section further states that if the Controlling Officer is satisfied that the provision against a programme/item will be inadequate, he may submit an application to the Secretary to the Treasury in writing to vire or transfer funds between a programme/item within the same Vote.

An inspection of payment vouchers disclosed that some payments amounting to K22,364,277.69 were charged to wrong sub-items which is contrary to the above requirement. There was no evidence to show that virement of funds was sought from the Secretary to the Treasury.

**(b) Single Sourcing Of Quotations: -K36,243,943.12**

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

To the contrary, an inspection of payment vouchers, disclosed that procurements valued at K36,243,943.12 were effected from single source without authority from the Director of Procurement or providing any reasonable explanation.

**(c) Stores Items Not Accounted For – K17, 601, 106.28**

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

Contrary to the instruction, an inspection of payment vouchers against the store's ledger disclosed that stores items worth K17,601,106.28 purchased were not recorded in the stores ledgers such that accountability of the purchased items could not be ascertained.

**(d) Failure To Prepare Bank Reconciliations For Sherrif Fees Account**

Treasury Instructions 5.7.2 (j) and (k) of 2004 states that for purposes of these instructions, sound cash management shall include - performing the bank reconciliation on a daily basis to detect unauthorized entries; and ensuring that dishonored cheques are followed up immediately.

Contrary to this requirement, the office did not perform any reconciliation for Sherriff fees, Sherriff fees Development or follow up on the revenue collected from the services it rendered to the public.

**THE OFFICE OF THE PRESIDENT AND CABINET**

**STAFF DEVELOPMENT INSTITUTE**

- 21.** An inspection of the financial and other information for Staff Development Institute for the year ended 30th June, 2020 was completed in February, 2020. The audit disclosed a weakness in revenue collection system ;

## **Long Outstanding Receivables: K32,701,880.00**

Treasury Instructions (2004), Section 5.7.2 (i) states that sound cash management includes- pursuing the debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the government are collected and banked promptly.

A review of debtors' list revealed that some students owe the institution money in form of fees amounting to K32,701,880.00. It was not certain as to when the students will pay the fees.

## **GREENBELT AUTHORITY**

22. An audit inspection of the financial and other information for Greenbelt Authority for the year ended 30th June, 2020 was completed in January, 2021. The audit disclosed weaknesses in financial and internal controls.

### **Overall Performance on the Recurrent Budget**

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

### **Overall Performance Development Budget**

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

### **Audit Opinion**

Greenbelt Authority did not prepare Financial Statements for the year ended 30th June, 2020. Therefore, I could not provide an audit opinion.

The weaknesses in financial and other controls are presented from paragraph (a) and below:—

#### **(a) Assets Not Recorded In Fixed Assets Register**

Government Circular Ref. No CS/S/001 dated 2nd March, 2010 from the Chief Secretary to the Government on Government Physical Assets Register, among other things stipulates that all controlling officers shall maintain asset registers for all non-current assets bought using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets;

An asset register for Government/Donor must be maintained to record all durable stores and details must include value of items, quality and serial numbers.

Green Belt Authority did not record in the asset register the details of two dredging vessels which are stationed at Salima Sugar Company and Blantyre Water Board. As a result, the audit team failed to determine their value.

**(b) Documents Not Produced For Audit Inspection**

The Public Audit Act (Amended) 2018, Section 7.1 (a) states that for the purpose of fulfilling the functions and duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

Greenbelt Authority did not provide the audit team with the Risk Management Policy, Operational and Strategic Plan, as requested. As a result, the audit team was not able to ascertain if the Greenbelt Authority was achieving its objectives.

**(c) Unprocedural Recruitment**

Section 2, Subsection 1 (i) of Greenbelt Authority (GBA) conditions of service stipulates that the appointment to any post shall be on merit and open to anyone with appropriate qualifications, skills and experience.

Contrary to the above provision, GBA failed to produce advertisements and interview minutes for the vacant positions which were filled. As a result, the audit team failed to determine if the recruitment process was fair and open

**(d) Failure to prepare Financial Statements**

Section 25 (2) of the Greenbelt Authority Act, 2017 stipulates that the Authority shall cause to be prepared within four months of the end of each financial year, its annual audited accounts and Section 25 (3) further stipulates that the accounts of the Authority shall be audited by the Auditor-General or by an Auditor appointed by the Authority with the written approval of the Auditor General in accordance with the Public Audit Act. This is also in line with Section 79 (1) & (2) of the Public Finance Management Act of 2003.

Contrary to these provisions, GBA failed to prepare the annual financial accounts as stipulated.

## **MINISTRY OF NATIONAL DEFENCE**

23. An audit inspection of the financial transactions for the Ministry of Defence for the year ended 30th June, 2020 was completed in March, 2021. The audit disclosed some weaknesses in financial control and other related gaps. The audit disclosed weaknesses in financial and internal controls.

### **Overall Performance on the Recurrent Budget**

The approved budget was at K638,364,819.40 and revised to K496,447,449.00. Funding received was K538,637,560.00. However, the actual out-turn was K536,512,860.00 representing 108% of the revised budget.

### **Overall Performance on Development Budget**

The approved budget was at K1,300,000,000.00 and revised to K1,800,000,000.00, and actual out-turn was K1,740,652,387.63 representing 97% of the revised budget.

### **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Ministry of Defence for the year ended 30th June, 2020.

The weaknesses in financial and other controls are presented from paragraph (a) and below:—

#### **(a) Payment Vouchers Not Presented For Audit Inspection: K8,286,675.00**

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

An inspection of payment vouchers and itemized statement by cost centre revealed that payment vouchers amounting to K8,286,675.00 were not produced for audit. The audit team was therefore not able to ascertain the authenticity and propriety of the payments made.

**(b) Stores Not Accounted For: K3,688,013.00**

Treasury Instructions (2004), Section 11.7.1.5 states that a stores ledger for the purpose of recording the receipts and issues of all stores will be kept for each store.

An inspection of payment vouchers, invoices and stores ledgers disclosed that items worth K3,688,013.00 were not recorded in the stores ledgers.

**MALAWI ELECTORAL COMMISSION**

24. An audit inspection of the financial and other information for Malawi Electoral Commission for the year ended 30th June, 2020 was completed on 30th October, 2020. The audit disclosed weaknesses in financial and internal controls.

**Overall Performance for Other Recurrent Transactions**

This was budgeted at K4,557,847,170.00 and revised to K33,573,300,035.00. The actual out-turn was K33,344,316,009.00 representing 99.3% of the budgeted funds.

**Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for Malawi Electoral Commission for the year ended 30th June, 2020.

The weaknesses in financial and other controls are presented from paragraph (a) and below:—

**(a) Stores Not Accounted For: K42,507,547.00**

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

An inspection of payment vouchers, delivery notes and stores ledgers disclosed that polling materials worth K42,507,547.00 purchased during the period under review were not recorded in their respective ledgers, such that accountability of the items could not be established.

**(b) Procured Stores Items Under Delivered: K18,944,000.00**

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

An inspection of payment vouchers, delivery notes and stores ledgers revealed that during the period under review, the Commission made payments valued at K51,200,000.00 to Fattani Offset Printers in respect of plastic voter registration sticker vouchers but only K32,256,000.00 worth of items were delivered leading to under delivery of items worth K18,944,000.00.

**(c) Procurement Using Single Sourcing: K154,457,699.75**

Public Procurement and Disposal of Public Assets Act (2016), Section 37 (9) states that single source method of procurement is only permitted in the following circumstances (a) when the estimated value does not exceed the amount set in the regulations, (b) where only one supplier has the technical capability or capacity to fulfil the Procurement requirement or when only one supplier has the exclusive right to manufacture the goods, carry out the work, or perform the services to be procured (c) where there is an emergency need for the goods, works and services, or (d) where the procuring and disposing entity, having procured goods, services and works from a supplier determines that additional goods, works and services need to be procured from the same source for reasons of standardization or because of the need for compatibility with existing goods, equipment, technology or services taking into account the effectiveness of original procurement in meeting the needs of the procuring and disposing entity, the limited size of the proposed procurement in relation to the original procurement, the reasonableness of price and the suitability of alternatives to the goods and services in question.

An inspection of payment vouchers and procurement documents disclosed that procurement of goods valued at K154,457,699.75 from various suppliers were made using single source method without seeking authority from the Director of Public Procurement and Disposal of Assets Authority. This impacts negatively on achieving value for money since it is a source of poor quality of work and supplies, prolonged completion of work and exorbitant price.

**(d) Fuel Not Accounted For: K10,780,130.88**

Treasury Instructions (2004), Section 5.13.1 (g) and (h) requires that adequate internal controls must exist within each Ministry and Department such that resources are employed and managed in an effective, economic, and efficient manner and that there is no waste or extravagance, respectively.

An inspection of fuel liquidation/signing sheets revealed that fuel issues valued at K10,780,130.88.00 for the period between 22nd and 25th June, 2020 for Mchinji, Dowa and Lilongwe were not signed for by the recipients. This made it difficult to ascertain whether the fuel was issued to the said recipients or not.

## **MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT**

25. An audit inspection of the financial and other information for Ministry of Local Government and Rural Development for the year ended 30th June, 2020 was completed in November, 2020.

### **Recurrent Budget Overall Performance**

ORT was budgeted at MK1,403,601,948.00 and was revised to K1,276,924,971.76. The actual expenditure was K1,251,201,137.66 representing 98% utilization of the revised budget

### **Development Budget Overall Performance**

Development expenditures were budgeted at K10,534,902,000.00 and were revised upwards to K12,034,901,999.69. The actual out-turn was K13,801,545,080.64, representing 114.7% utilization of the revised budget.

### **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Ministry of Local Government for the year ended 30th June, 2020

The weaknesses in financial and other controls are presented from paragraph (a) and below:-

#### **(a) Failure To Pay Contractors Constructing Chiefs Houses: K944,463,580.38**

Section 10 (1) (i) of the Public Finance Management Act (2003) states that it is the responsibility of Controlling Officers to ensure that all necessary precautions are taken to safeguard public assets.

Public moneys are needlessly wasted every time government is ordered to pay interest or compensation to contractors for breaching by government of certain clauses of the contracts such as delays in payment.

The audit revealed that a number of contractors who were engaged to construct chiefs' houses in various districts across the country ended up abandoning their projects due to Ministry's failure to honor their obligations to pay contractors the sums due to them. The total amount due is K944,463,580.38.

**(b) Failure To Follow Original Plan On Construction Of A Dispensary**

Public Finance Management Act (2003), Section 10 (1) (i) states that it is the responsibility of Controlling Officers to ensure that public resources are employed and managed in an effective, economic and efficient manner.

The audit team sampled a few projects for audit verification. Amongst the projects was the construction of Namikoko Maternity Block. The health facility is located in Lirangwe (Blantyre North Constituency), Traditional Authority Lundu in Malenga Village. The project was budgeted at K30 million but was instead funded with K25,582,850.00.

The audit team learnt that according to the original plan, the facility was meant to house a placenta pit and a VIP latrine. Besides, there were plans to install solar electricity and to replace a water pump that was vandalized. However, it was observed that all these were omitted on implementation of the same.

## **MINISTRY OF LANDS, HOUSING & URBAN DEVELOPMENT**

- 26.** An audit inspection of the financial and other information for Ministry of Lands, Housing & Urban Development for the year ended 30th June, 2020 was completed in October, 2020.

### **Recurrent Budget Overall Performance**

This was budgeted at K17,071,392,183.00 and revised to K17,283,306,266.00. Funding received was K17,303,872,616. However, the actual out-turn is K17,036,014,183 representing 99.9% of revised budget.

### **Development Budget Overall Performance**

The approved budget was K11,665,124,932 but it was revised downwards to K7,843,505,407. The actual out-turn is K7,662,595,637, representing 99% of the revised budget.

## **Audit Opinion**

I issued a qualified audit opinion on the Financial Statements for the Ministry of Lands, Housing & Urban Development for the year ended 30th June, 2020

The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) and below:

### **MINISTRY OF LANDS HEADQUARTERS**

#### **OTHER RECURRENT TRANSACTIONS - ORT**

##### **(a) Incomplete Fixed Asset Register**

Treasury Instruction 5.32.1 requires all Controlling Officers to maintain asset registers for all fixed assets bought using public resources in both electronic and hard copies. The Asset Registers should conform to the format provided by Secretary to the Treasury for all classes of fixed assets.

A review of the Ministry's records revealed that the Fixed Asset Register submitted for audit review did not capture all the Ministry's Assets namely Survey Equipment, Water Vessel, Dwelling houses, Office Buildings, Motor Vehicles, Office Equipment, and Furniture.

##### **(b) Misallocation: K63,986,873.76**

Treasury Instruction 4.14(1) (2004) requires that all expenditures should be charged to an appropriate vote and that the expenditure should be classified strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another as represented by codes in the Integral Financial Management Information System.

An examination of expenditure records for the Ministry indicated that the Ministry charged K63,986,873.76 to unrelated provisions. Below are the details;

<u>Cost centre</u>	<u>Amount (K)</u>
Headquarters	58,264,755.16
Urban Development	308,100.00
Housing	3,200,000.00
Surveyor General	2,214,018.60
	<u>63,986,873.76</u>

**DEVELOPMENT — DEPARTMENT OF HOUSING DECENT AND AFFORDABLE HOUSING SUSTAINABLE PROGRAMME (DAHSP)**

**(c) Suppliers delivering low quality building materials: K1,002,330,518.40**

Public Procurement Regulations in Section 18 (1) (i) among other things stipulates that the general functions of the Internal Procurement Committees in the Ministries, Departments and parastatal organizations shall be, assessment of the quality of the procured goods, works and services.

The verification exercise indicated that most suppliers delivered substandard building materials. These substandard materials were subsequently distributed to DAHSP beneficiaries in form of a soft loan. The materials under query were worth K1,002,330,518.40.

**(d) Revenue collected but used at source: K6,035,000.00**

Treasury Instruction 5.7.2 (2004) states that sound cash management should be employed which includes collecting revenue when it is due and banking it promptly.

The audit verifications revealed that not all revenue collected was deposited in the designated Government Account # 1 with the Reserve Bank of Malawi. The cash not banked amounted to K6,035,000.00 which was used at source at Dedza District Council without an appropriation in aid/ authority.

**(e) Failure to Recover Loans: K2,290,394,428.00**

The DAHSP loans mortgage advance agreement p11 (i) in the fund order states that the beneficiary of the fund shall be entitled to enter possession of a house purchased or built wholly or partially with the loan where the borrower or his agent accumulates arrears within 20 years.

The verification revealed that DAHSP loans are not being repaid in full by beneficiaries some even clocking 3 years without making any recoveries. Details are in Table 8 below.

**Table 8: Failure to recover loans: K2,290,394,428.00**

<u>District</u>	<u>Phase 1</u>	<u>Phase 2</u>	<u>Total</u>	<u>Repayments</u>	<u>Balance</u>
Dedza	215,688,308	175,997,036	391,685,344	15,453,650	376,231,694
Mchinji	598,093,444	161,320,175	759,413,619	1,695,300	757,718,319
Ntchisi	154,726,647	161,862,630	316,589,276	—	316,589,276
Ntcheu	189,903,514	224,405,817	414,309,331	1,429,250	412,880,081
Kasungu	174,000,000	—	174,000,000	2,620,249	171,379,751
Salima	94,717,737	161,045,569	255,763,307	168,000	255,595,307
			<b>2,311,760,877</b>	<b>21,366,449</b>	<b>2,290,394,428</b>

## REGIONAL COMMISSIONER FOR LANDS (SOUTH)

### (a) General Receipt Books Not Presented For Audit Inspection

Public Audit Act (2003), Section 7 (1) (a) stipulates that for the purpose of fulfilling the functions and duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him shall have full access at all reasonable times to all documents, books and accounts, relating thereto and subject to audit, and to any place where they are kept.

An inspection of security documents register and general receipt books disclosed that nine (9) general receipt books were not presented for audit inspection contrary to the above requirement. Therefore, it was difficult to ascertain the revenue, which was collected from the missing general receipt books. See the table below for details.

**Table 9: General Receipt Books Not Presented For Audit Inspection**

<u>Date</u>	<u>Serial Number (150 pages/book)</u>
20/06/2019-01/08/2019	7372001-7372150
03/12/2019-18/12/2019	7675301-7675450
02/08/2019-19/08/2019	7678001-7678150
03/07/2019-18/07/2019	6603551-6603700
18/07/2019-01/08/2019	6603701-6603850

### (b) Long Outstanding Development Charges: K54,852,600.00

Treasury Instructions (2004), Section 5.7.2 (i) states that for purposes of these Instructions, sound cash management includes pursuing the debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the government are collected and banked promptly.

Conditions of the offer letter for plot allocation stipulates that the applicant is supposed to pay development charges in full. Failure to do so may result in the cancellation of the offer of lease, the plot will then be withdrawn, and re allocated to another prospective developer on the waiting list.

An inspection of offer letters and clients' files against general receipts disclosed that the office failed to collect outstanding development charges amounting to K54,852,600.00 which were supposed to be paid in full within 90 days of the date of the offer.

**(c) Status Reports Not Updated**

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

The operating policy for monitoring procedures require that allocated plots are supposed to be monitored using a status report. This report shows the status of allocated plots in terms of payments made so far and the balances thereof, among other things.

An inspection of status reports, client files, general receipts and offer letters disclosed that the status reports as at 30th June 2020 were not up to date, as they did not reflect the amounts paid and outstanding balances; necessary for a proper follow up.

**(d) Failure To Perform Bank Reconciliation: K5,117,898,649.53**

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

An inspection of revenue records disclosed that even though the cashbook was maintained, the office did not perform bank reconciliation for the year under review. As a result, there were unexplained differences amounting to K5,117,898,649.53 between revenue collected and revenue banked.

**(e) Under Banking Of Revenue: K25,926,877.26**

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

An inspection of general receipt books and deposit slips against bank statements disclosed that the institution collected revenue amounting to K25,956,877.26 and banked K30,000.00, representing an under banking of K25,926,877.26. There was no evidence on how the under banked funds were accounted for.

**(f) Failure To Account For Outward Transfers: K8,909,974,737.16**

Public Finance Management Act (2003), Section 33 subsection (1) and (2) states that every bank at which any Government account of any nature is kept shall send to the Ministry of Finance and to the National Audit Office, statements of such accounts as the Secretary to the Treasury or the Auditor General may require and that all such statements shall show such particulars of the accounts concerned as the Secretary to the Treasury or the Auditor General may require.

An inspection of NBS Bank statements for account number 11898866 through which the Government collects revenue under Regional Commissioner for Lands (South), disclosed that there were outward transfers amounting to K8,909,974,737.16 which were not explained by either the Bank or office and the recipients of the same were not disclosed.

**(g) Procurement Of Goods Without IPDC Approval: K7,806,810.00**

Public Procurement & Disposal of Assets Act (2016), Section 26 (c) states that (1) there shall be established in all procuring and disposing entities Internal Procurement and Disposal Committees. (2) The functions of the Internal Procurement and Disposal Committees shall include- (b) approving the methods of procurement and disposal to be used in each case.

An inspection of payment vouchers and Internal Procurement and Disposal of Assets Committee minutes revealed that in the period under review, the office procured goods and services amounting to K7,806,810.00 without evidence of the committees' approval, which is contrary to the stated requirement.

**(h) Fuel Not Accounted For: K3,850,958.00**

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

An inspection of payment vouchers and fuel ledgers for the period under review disclosed that fuel purchases worth K3,850,958.00 was not accounted for through the fuel ledger and logbooks. It was therefore difficult to ascertain whether the fuel was used for intended purposes.

## TREASURY FUNDS

### HOUSING MANAGEMENT AND DEVELOPMENT FUND

#### 2018/2019 Financial Year

27. An audit inspection of the financial and other records of the Housing Management and Development Fund for the financial year ended 30th June 2019 was completed on 4th December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) and below;

**(a) Under Remittance of Treasury Contributions: K12,748,502.27**

UNDP Treasury Fund Order Chapter 9 dated 1st July, 2013, states that the fund shall remit 10% of its revenue into the consolidated fund and the remaining 90% shall be retained by the fund for its operational costs.

An inspection of revenue records and amount of funds that were transferred from the Holding Account (RBM Account number: 0013008970008) to Operating Account (FDH Bank Account number: 1552727003001), disclosed that the Housing Management and Development Fund realized revenue amounting to K317,485,023.00 and 10% Treasury contribution was supposed to be K31,748,502.27. However, it was noted that the management remitted only K19,000,000.00 leaving a balance of unremitted funds amounting to K12,748,502.27.

### PUBLIC SERVICE HOME OWNERSHIP

#### 2018/2019 Financial Year

28. An audit of the financial statements of the Public Service Home Ownership Treasury Fund for the financial year ended 30th June, 2019 was completed on 14th December, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) and below;

**(a) Non-Remittance Of Treasury Contributions: K2,026,654.00**

Chapter 9 of the Public Servants Home Ownership Fund Order dated 1st July, 2013, states that the fund shall remit 1% of its revenue into the Consolidated Fund and the remaining 99% shall be retained by the Fund for its operational costs.

An inspection of revenue records revealed that the Public Servant Home Ownership Fund realized revenue amounting to K202,665,406.98 as at 30th June 2019. This meant the Fund was supposed to remit K2,026,654.07 as 1% contribution to Treasury. However, no remittance was made.

**(b) House Loan Defaulters: K188,589,527.08**

Treasury Instructions (2004), Section 5.7.2(i) states that sound cash management includes pursuing the debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the government are collected and banked promptly;

An inspection of house loan records for the Public Service Home Ownership Fund disclosed that house loans totaling K188,589,527.08 were outstanding. The period of dormancy for payment ranged from 1st August, 1994 to 24th June, 2019.

## **OFFICE OF THE VICE PRESIDENT**

29. An audit inspection of the financial transactions for the Office of the Vice President for the year ended 30th June, 2020 was completed in March, 2021. The audit disclosed some weaknesses in financial control and other related gaps. The audit disclosed weaknesses in financial and internal controls.

### **Overall Performance on the Recurrent Budget**

The approved budget was at K5,624,072,000 and revised to K10,709,088,752. Funding received was K10,709,088,752. However, the actual out-turn was K10,597,996,231 representing 99% of the revised budget.

### **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Office of the Vice President for the year ended 30th June, 2020.

The weaknesses in financial and other controls are presented from paragraph (a) and below:—

**(a) Stores Items Not Accounted For: K40,776,014.87**

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

An inspection of stores records and other related documents disclosed that stores items worth K40,776,014.87 were not recorded in the stores ledgers and inventory sheets.

## **DEPARTMENT OF DISASTER MANAGEMENT AFFAIRS (DODMA)**

30. An audit inspection of the financial transactions for the Office of the Department of Disaster Management Affairs for the year ended 30th June, 2020 was completed in March, 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) and below.

### **(a) Funds Not Liquidated: K102,690,784.00**

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

An inspection of payment vouchers disclosed that the office disbursed funds amounting to K102,690,784.00 to various district councils to be used for disaster management. However, there was no acknowledgement of receipt, expenditure returns or reports from the Councils, which details how the funds were used. In the absence of these documents, the accountability of the disbursed funds could not be ascertained.

### **(b) Payments Without Adequate Supporting Documents: K7,286,534.00**

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

An inspection of payment vouchers disclosed that payments amounting to K7,286,534.00 did not have adequate supporting documents. Consequently, it was difficult for the audit team to ascertain the propriety of the expenditure.

**(c) Stores Not Accounted For: K33,241,129.00**

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

An inspection of payment vouchers for the Department revealed that stores items worth K33,241,129.00 were not recorded in the stores ledgers. Consequently, it was difficult for the audit team to ascertain the accountability of the items in question.

**(d) Fuel Not Accounted For: K25,033,700.00**

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

An inspection of payment vouchers revealed that fuel amounting to K25,033,700.00 for the period under review was not recorded in the fuel ledger. This made it difficult to ascertain the accountability of the fuel purchased.

**PUBLIC PROCUREMENT & DISPOSAL OF ASSETS AUTHORITY (PPDA)**

31. An audit inspection of the financial transactions for the Public Procurement and Disposal of Public Assets Authority for the year ended 30th June, 2020 was completed in November, 2020.

**Overall Performance on the Recurrent Budget**

The approved budget was at K1,240,817,405 and revised to K1,349,552,416. The actual out-turn was K1,175,400,000 representing 87% of the revised budget.

**Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Directorate of Public Procurement and Disposal of Public Assets for the year ended 30th June, 2020.

The weaknesses in financial and other controls are presented from paragraph (a) and below:—

**(a) External Recruitment and Selection of the Post of Internal Audit Manager Not Advertised**

The Staff Terms and Conditions of Services for the PPDA, under paragraph 1.2, provides that a responsible departmental head advises the Director General to fill an existing vacancy through either internal or external recruitment. The paragraph expressly states that external recruitment shall require advertising the vacancy in the press and instituting an interview panel to interview the short-listed candidates.

An inspection of the documentation on the recruitment process of the newly recruited staff for the period between July, 2019 and June, 2020 revealed that the post of Internal Audit Manager (Grade PPDA 5) was filled through external recruitment but without advertising the vacancy.

**(b) Overpayment of Salaries: K11,630,090.58**

The Staff Terms and Conditions of Services for PPDA, under paragraph 4.2, provides that all appointments shall be made at the minimum of the relevant salary grade except where incremental credit is given for appropriate qualifications, experience and previous level of salary.

An inspection of financial records for personnel emoluments and human resource records including personal files for the period between June, 2019 and October, 2020 established that four (4) newly recruited officers were receiving salaries higher than the amounts on the approved salary structure (dated 16th January, 2020 and reference number HRM/CS/06). The overpayment amounted to K11,630,090.58.

**MINISTRY OF AGRICULTURE, IRRIGATION AND WATER DEVELOPMENT**

32. An audit inspection of the financial transactions for the Ministry of Agriculture for the year ended 30th June, 2020 was completed in March, 2021. The audit disclosed some weaknesses in financial control and other related gaps..

**Overall Performance on the Recurrent Budget**

The approved budget was at K60,752,397,199 and revised to K59,836,174,175. Funding received was K59,836,083,748. However, the actual out-turn was K59,599,747,673.43 representing 99.6% of the revised budget.

## **Overall Performance on Development Budget**

The approved budget was at K106,438,209,686 and revised to K115,522,945,446 and actual out-turn was K65,856,800,650 representing 57% utilization of the revised budget.

### **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Ministry of Agriculture for the year ended 30th June, 2020.

The weaknesses in financial and other controls are presented from paragraph (a) and below:-

#### **(a) Stores Not Accounted For: K4,665,785.00**

Treasury Instructions (2004), Section 11.7.1.5 states that a stores ledger for the purpose of recording the receipts and issues of all stores will be kept for each store.

An inspection of payment vouchers, invoices and stores ledgers disclosed that items worth K4,665,785.00 were not accounted for in the stores ledger.

## **SHIRE VALLEY AGRICULTURAL DEVELOPMENT DIVISION**

### **2018/2019 Financial Year**

33. An inspection of the financial and other information for Shire Valley Agricultural Development Division for the year ended June, 2018 was completed on 4th December, 2018. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) and below;

#### **(a) Misallocation of Expenditure: K6,594,980.06**

Treasury Instructions (2004), Section 4.14.1 stipulates that specific approval is required before any allocations can be vired or transferred between outputs. The PFM Act authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/item under a Head/Vote of expenditure, or to create a new programme/item if the amount appropriated under the Head/Vote is not exceeded. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within same Vote. The application should be in writing and should be signed personally by the Controlling Officer

An inspection of payment vouchers and itemized statement by cost centre established that some expenditure amounting to K6,594,980.06 was charged to wrong budget line items. There was no evidence to indicate that approval to transfer funds within the sub items was sought from the Secretary to the Treasury and that no measures were taken to correct the situation.

**(b) Payments Vouchers Without Adequate Supporting Documents: K2,182,819.00**

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

An inspection of payment vouchers disclosed that payments in respect of utilities in the period under review amounting to K2,182,819.00 were made without attaching the bills and receipts as proof that the payment was made to a rightful supplier.

**(c) Single Sourcing: K1,572,750.00**

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

An inspection of payment vouchers disclosed that the office made payments amounting to K1,572,750.00 to suppliers without sourcing at least three quotations.

**(d) Fuel Not Accounted For: K1,567,222.00**

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

An inspection of payment vouchers and fuel registers disclosed that fuel purchased amounting to K1,567,222.00 was not recorded in the fuel registers, therefore, it was difficult to ascertain its accountability.

**(e) Purchases Made Without Procurement Plan**

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

An inquiry for a procurement plan revealed that the institution did not have a procurement plan which resulted in items purchased randomly against the regulation stated above.

**KARONGA AGRICULTURAL DEVELOPMENT DIVISION**

**34.** An audit inspection of the financial and other information for Karonga Agricultural Development Division for the year ended 30th June, 2020 was completed in September, 2020. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) and below.

**(a) Payment of Subsistence Allowances Within Duty Station: K1,990,000.00**

Malawi Public Service Regulations (MPSR), Section 118 (1) and other Government Circulars clearly stipulate that a civil servant who is authorized by his or her Responsible Officer to travel on duty within Malawi may be paid Subsistence Allowance for every night that he or she spends away from his or her duty station.

An inspection of payment vouchers and other related documents disclosed that payments amounting to K1,990,000.00 were paid in form of subsistence allowances but the activities took place within the duty station of Karonga.

**BAKA RESEARCH STATION**

**35.** An audit inspection of the financial and other information for Baka Research Station for the year ended June 2020 was completed in September, 2020. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below;

**(a) Activity Reports Not Submitted For Audit Inspection: K4,045,000.00**

Government Circular Reference Number 15/15/7 dated 18th December, 2015 from the Chief Secretary states that in line with travel policy, each officer who is paid subsistence allowances must submit a

report to the Controlling Officer indicating among other aspects, where she/he travelled to, the purpose of the trip, the institutions/persons consulted and benefits of the trip to the Ministry/Department.

An inspection of payment vouchers revealed that subsistence allowances amounting to K4,045,000.00 were paid but were not substantiated by activity reports. As such, it was not certain whether the expenditure was a proper charge to public funds.

## **LUNYANGWA RESEARCH STATION**

**36.** An audit inspection of the financial and other information for Lunyangwa Research Station for the year ended 30th June 2020 was completed in January, 2021. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) and below.

**(a) Motor Vehicle Maintenance Not Recorded In Motor Vehicle Files: K2,635,642.26**

Treasury Instructions (2004), Section 5.13.2 states that every Controlling Officer shall ensure that processes and procedures are in place, and necessary steps are taken, which will meet the stated internal control objectives. This is achieved by compliance with the Sections of part 5 of these instructions, and other related instructions. The responsibility, however, rests with each Controlling Officer to be sure that adequate procedures exist to properly protect all public money

An inspection of motor vehicle files revealed that motor vehicle maintenances amounting to K2,635,642.26 were not recorded in the respective motor vehicle files. It was therefore, difficult to validate the expenditure incurred.

## **BOREHOLE CONSTRUCTION AND GROUND WATER MANAGEMENT FUND**

### **2018/2019 Financial Year**

**37.** An audit of financial and other information of the Borehole Construction and Ground Water Management Fund for the financial year ended 30th June, 2019 was completed on 21st September, 2020. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) and below.

**(a) Fuel Not Accounted For: K43,424,696.00**

Treasury Instructions (2004), Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger. Also, Treasury Instructions (2004), Section 5.9 (b) requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger before being issued to subsequent users for accountability and transparency.

A review of payment vouchers, fuel registers and motor vehicle log books disclosed failure by management to monitor the recordings and issuance of fuel. It was noted that between 31st July, 2018 and 17th June, 2019, fuel worth K43,424,696.00 was not recorded in the motor vehicle log books. It was difficult for the audit team to ascertain proper accountability of the fuel purchased.

**(b) Outstanding Trade Receivables: K16,292,874.00**

Treasury Instructions (2004), Section 11.3.1 (c) states that a Controlling Officer is to report promptly, in the prescribed form, to the Secretary to the Treasury, any irrecoverable debts and overpayments.

A review of the debtor's schedule disclosed that the Borehole Construction and Ground Water Management Fund has long outstanding debtors totaling K16,292,874.00 as at 30th June, 2019.

## **MAKOKA AGRICULTURAL RESEARCH STATION**

### **2018/2019 Financial Year**

**38.** An audit of financial and other information of Makoka Agricultural Research Station for the financial year ended 30th June, 2019 was completed in November, 2019. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) and below.

**(a) Fuel Not Accounted For: K734,536.64**

Treasury Instructions (2004), Section 11.7.1.5 requires that a stores ledger be opened and maintained for each store for the purpose of recording receipts and issues of all stores items. In this regard, fuel register is a type of specialized ledger to record receipts and issues of fuel.

An inspection of fuel records disclosed that fuel amounting to K734,536.64 was not recorded in the fuel register. It was difficult for the auditors to ascertain the accountability of the fuel.

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

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

A reconciliation of motor vehicle log books with the fuel register revealed that fuel worth K1,197,288.22 was not recorded in log books. It was, therefore, difficult for the audit team to ascertain accountability of the fuel

**SUSTAINABLE AGRICULTURAL PRODUCTION PROGRAMME (SAPP)**

**2018/2019 Financial Year**

39. An audit of the financial statements and other information for the Sustainable Agricultural Production Programme (SAPP) project the period ended 30th June, 2019 was completed in November, 2019. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) and below.

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

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

An inspection of stores records disclosed that stores items valued at K4,198,080.00 were not recorded in the stores ledger. In the absence of such records, the accountability of the stores items purchased could not be ascertained.

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

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

payment. In addition, Treasury Instructions 2004, section 5.9 (a) states that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions.

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

## **MIKOLONGWE VETERINARY**

- 40.** An audit inspection of the financial and other information for Mikolongwe Veterinary for the year ended June 2020 was completed on 13th November, 2020. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) and below.

### **(a) Dilapidated Condition of Mikolongwe Veterinary Buildings**

Treasury Instructions (2004), Section 5.13.1 (f) states that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act (2003), and is recognized as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objectives are met – all assets are safeguarded against loss or destruction, and unauthorized use.

An inspection of documents, observations and enquiries from management disclosed that structures at Mikolongwe were in a dilapidated state. A number of buildings were not fit for use as they were dilapidated. The Institution was established in 1950 but no meaningful investment has been made through the years to retain its potential.

### **(b) Revenue Spent At Source: K4,882,500.00**

Treasury Instructions (2004), Section 5.7.3 states that all public moneys shall be paid into Government bank accounts designated by the Secretary to the Treasury for that purpose, and these accounts shall form part of the Consolidated Fund.

An inspection of general receipt books and cashbooks revealed that the office collected revenue amounting to K4,882,500.00 but did not account for such as there was no proof of any deposit slips.

**(c) Delays in Banking: K24,012,300.00**

Treasury Instructions (2004), Section 5.7.2 (e) States that for the purpose of these instructions sound cash includes collecting revenue when it is due and banking promptly.

An inspection of general receipts, cashbook and deposit slips disclosed that there were delays in banking of revenue amounting to K24,012,300.00 by an average of 51 days.

**(d) Stores not accounted for: K9,735,253.00**

Treasury Instructions (2004), Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue in small lots, transactions will be recorded in a consumable stores' ledger.

An inspection of payment vouchers, delivery notes and other relevant ledgers disclosed that purchases of stores items amounting to K9,735,253.00 were not accounted for.

**MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY**

- 41.** An audit inspection of the financial and other information for the Ministry of Education, Science and Technology for the year ended 30th June, 2020 was completed in January, 2021. The audit disclosed weaknesses in financial and internal controls.

**Overall Performance on the Recurrent Budget**

Recurrent Budget was at K45,575,852,222.00 and revised to K51,342,018,322.00 and the funds allocated were K51,057,156,955.00 while the actual out-turn for Recurrent Budget was K47,422,210,580.05 representing 92.36% of budget utilization

**Overall Performance Development Budget**

Development Expenditure Budget was at K31,382,057,660.00 and revised to K27,021,140,991.00. The actual out-turn for Development Budget was K22,557,736,908.07 which is 83.4% of budget utilization.

**Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Ministry of Education, Science and Technology for the year ended 30th June, 2020.

The weaknesses on financial and internal controls are presented from paragraph (a) and below:-

**(a) Understatement of Mombera University Expenditure: K1,120,199,143.13**

Treasury Instructions (2004), Section 3.9 states that every Controlling Officer and the head of every agency of Government shall provide to the Secretary to the Treasury such relevant information, as specified by him, that will assist in the production of the economic, fiscal data, and other reporting required under the PFM Act. The information shall be accurate and to be provided in a timely manner.

A review of financial statements and expenditure at Malawi Universities Development Program revealed that Mombera University's actual expenditure was K1,351,358,834.65 whilst in the financial statements the total expenditure disclosed was K231,159,691.52. Therefore, the financial statements were understated by K1,120,199,143.13.

**(b) Contracts Not Vetted By Government Contracting Unit (GCU) and Ministry of Justice: K7,784,785,738.70**

The Office of the President and Cabinet through circular number CS/S/001 dated 19th July, 2012 directed that no procurement entity should sign a contract before vetting by the Ministry of Justice and Government Contracting unit.

An inspection of contract records and related documents disclosed that contracts amounting to K7,784,785,738.70 were awarded to various suppliers without being vetted by the Government Contracting Unit and Ministry of Justice.

**(c) Activity Reports Not Produced For Audit: K64,892,426.00**

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

An inspection of payment vouchers revealed that subsistence allowances amounting to K12,877,426.00 and K52,015,000.00 were paid at Central West Education Division and the Department of Teacher's Education and Development (DTED) respectively, but were not substantiated by activity reports. As such, it was not certain whether the expenditure was a proper charge to public funds.

**(d) Fuel Not Accounted For: K76,255,896.00**

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

An inspection of payment vouchers revealed that fuel worth K76,255,896.00 was not recorded in the fuel. Therefore, the audit team could not ascertain how the fuel was accounted for.

## **SHIRE HIGHLANDS EDUCATION DIVISION**

### **2017/218 Financial Year**

- 42.** An inspection of the financial and other information Shire Highlands Education Division for the year ended June, 2018 was completed on 4th December, 2018. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) and below.

**(a) Stores Items Not Recorded In the Ledger: K1,532,655.72**

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

Contrary to the instruction above, an inspection of payment vouchers and stores ledger revealed that stores purchases amounting to K1,532,655.72 were not recorded in the ledger. As such, it was difficult to establish if the items were really delivered by the suppliers.

**(b) Airtime Not Accounted For: K1,138,800.00**

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

Contrary to the instruction above, an inspection of payment vouchers revealed airtime purchased amounting to K1,138,800.00 was not recorded in the ledger. It was difficult to establish if the airtime was really purchased and distributed to the intended beneficiaries.

## **MLARE SECONDARY SCHOOL**

- 43.** An audit inspection of the financial and other information for Mlare Secondary School for the year ended 30th June, 2020 was completed in September, 2020. The audit disclosed some weaknesses in financial control

and other related gaps which are detailed in the management letters dated December, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below.

**(a) Activity Reports Not Produced For Audit Inspection: K1,275,000.00**

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

An inspection of payment vouchers disclosed that subsistence allowances amounting to K1,275,000.00 were paid but were not substantiated by activity reports. As a result, the propriety of the expenditure could not be ascertained.

**(b) Use Of Single Sourcing: K1,124,700.00**

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

An inspection of payment vouchers and other related documents revealed that the Institution procured goods and services amounting to K1,124,700.00 without sourcing at least three quotations.

**MNJIRI COMMUNITY DAY SECONDARY SCHOOL**

**44.** An audit inspection of the financial and other information for Mnjiri Community Day Secondary School for the year ended 30th June, 2020 was completed in July, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letters dated December, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) and below.

**(a) Cash Payments On Behalf Of Staff And Suppliers: K7,677,871.00**

Treasury Instructions (2004), Section 5.19.3 states that wherever possible all payments must be made by cheque or direct debit to a bank account.

An inspection of payment vouchers and other related documents revealed that the school made payments amounting to K7,677,871.00 in the name of staff instead of the beneficiaries' bank account numbers.

**(b) Failure To Remit 30% Collected (ODL Fees) To Main School Account: K3,132,000.00**

Guideline for the collection and retention of finances in public schools and colleges states that 70% of center fees shall be used for teachers and supervisors' allowances and that the 30% of the fees shall be used for the day to day running of the Open School and development work of the host institution.

An inspection of fees records for ODL and remittances to the open school revealed none of the fees collected from Open School was remitted to the Main School's Account. The expected remittance was K3,132,000.00.

## **RUMPHI SECONDARY SCHOOL**

**45.** An audit inspection of the financial and other information for Rumphu Secondary School for the year ended 30th June, 2020 was completed in July, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letters dated December, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) and below.

**(a) Cash paid to staff on behalf of suppliers: K7,174,950.00**

Treasury Instruction (2004) Section 5.19.3 states that wherever possible payments for all payments must be made by cheque or direct debit to a bank account.

An inspection of payment vouchers processed revealed that Rumphu Secondary School made cash payments to staff on behalf of suppliers amounting to K7,174,950.00; contrary to regulations.

## **MZUZU GOVERNMENT SECONDARY SCHOOL**

**46.** An audit inspection of the financial and other information for Mzuzu Secondary School for the year ended 30th June 2020 was completed in July, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letters dated December, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below.

**(a) Cash payments on behalf of staffs and suppliers: K4,901,592.00**

Treasury Instruction (2004), Section 5.19.3 states that wherever possible payments for all payments must be made by cheque or direct debit to a bank account.

An inspection of payment vouchers and receipted payment vouchers revealed that the school made payments amounting to K4,901,512.00 in the name of staff instead of the beneficiaries' bank account numbers.

## **MZIMBA SECONDARY SCHOOL**

47. An audit inspection of the financial and other information for Mzimba Secondary School for the year ended 30th June, 2020 was completed in July, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letters dated December, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) and below.

**(a) Cash Payments On Behalf Of Staffs And Suppliers: K2,524,000.00**

Treasury Instruction (2004), Section 5.19.3 states that wherever possible payments for all payments must be made by cheque or direct debit to a bank account.

An inspection of payment vouchers revealed that the school made cash payments amounting to K2,524,000.00 in the name of staff instead of the beneficiaries' bank account numbers.

**(b) Fees Due Not Collected: K6,582,641.00**

As prescribed in School Finance Management, all Government schools are mandated to collect fees from students for smooth run of its operations. Such fees is supposed to be banked and a receipt issued to a student.

An examination of the revenue collected and students in attendance reveals that not all students paid the fees. The receivable amount uncollected is K6,582,641.00.

## **YAMBA DAY SECONDARY SCHOOL**

48. An audit inspection of the financial and other information for Yamba Day Secondary School for the year ended 30th June 2020 was completed in August, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated December, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) and below.

**(a) Stores Not Accounted For: K8,752,660.00**

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

An inspection of payment vouchers and the stores ledger revealed that stores worth K8,752,660.00 were not recorded in the stores ledger. As such, the accountability could not be ascertained.

**(b) Activity Reports Not Produced For Audit Inspection: K2,010,000.00**

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

An inspection of payment vouchers revealed that subsistence allowances amounting to K2,010,000.00 were paid but were not substantiated by activity reports. As such, it was uncertain whether the expenditure was a proper charge to public funds.

**(c) Use of Single Sourcing: K6,403,800.00**

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

An inspection of payment vouchers revealed that goods and services amounting to K6,403,800.00 were procured without sourcing at least three quotations which was against the above regulation.

## **MALAWI COLLEGE OF DISTANCE EDUCATION**

### **2017/2018 Financial Year**

- 49.** An inspection of the financial and other information for Malawi College of Distance Education for the year ended 30th June, 2018 was completed on 4th December, 2018. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) and below.

**(a) Misallocations Of Expenditure: K40,438,791.77**

Treasury Instructions (2004), Section 4.14.1 stipulates that specific approval is required before any allocations can be vired or transferred between outputs. The PFM Act authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/ item under a Head/Vote of expenditure, or to create a new programme/item if the amount appropriated under the Head/Vote is not exceeded. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within same Vote. The application should be in writing and should be signed personally by the Controlling Officer

An inspection of payment vouchers and itemized expenditure statement disclosed that funds amounting to K40,438,791.77, which were meant for other activities, were used on unrelated activities without any approval from the Secretary to the Treasury.

**(b) Payment Vouchers Not Produced For Audit Inspection: K24,253,848.92**

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

An inspection of payment vouchers and itemized expenditure statement by cost centre revealed that payment vouchers worth K24,253,848.92 were not presented for audit inspection.

**(c) Procurement Made Without Procurement Plan**

Public Procurement and Disposal of Asset Act (2017), Section 39 (1) Procuring and disposing entities shall plan procurement and disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in this Act.

An inspection of payment vouchers and other related documents revealed that procurements of goods and services were made without a procurement plan for the whole year.

**(e) Stores Items Not Signed For: K6,595,500.00**

Treasury Instruction (2004), Section 11.7.1.5 states that a Stores Ledger for recording the receipts and issues of all stores will be kept for each store.

An inspection of the stores ledger revealed that stores items amounting to K6,595,500.00 were issued without being signed for by the recipients. It was therefore difficult to ascertain the accountability of the stores items.

**(f) Fuel Not Accounted For: K19,020,922.00**

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

An inspection of payment vouchers for fuel revealed that fuel amounting to K19,020,922.00 was not recorded in both the fuel ledger and motor vehicle logbooks. It was therefore difficult to ascertain the accountability of the fuel.

## **NGABU SECONDARY SCHOOL**

### **2017/2018 Financial Year**

**50.** An inspection of the financial and other information for Ngabu Secondary School for the years ended June, 2018 was completed on 4th December, 2018. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) and below.

**(a) Under Collection Of Revenue: K6,376,650.00**

Treasury Instructions (2004), Section 5.7.2 states that Officers designated as Receivers of Revenue are responsible for the correct assessment and collection of those items of revenue assigned to them.

An inspection of general receipts against the students' enrolment register for the 2017/2018 academic year revealed that the school had 313,310 and 309 in first, second and third terms respectively. Basing on the number of students, the expected revenue collection was K41,458,500.00. However, only K35,081,850.00 was collected, as a result, there was an under collection of schools fees amounting to K6,376,650.00.

**(b) Payment Vouchers Not Produced For Audit Inspection: K4,893,174.00**

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

An inspection of payment vouchers and itemized expenditure statement revealed that payment vouchers worth K4,893,174.00 were not presented for audit inspection.

**(a) Stores Not Accounted For: K1,205,525.00**

Treasury Instructions (2004), Section 11.7.1.2 states that a Stores Ledger for the purpose of recording the receipts and issues of all stores shall be kept for each store.

An inspection of payment vouchers and stores ledger revealed that stores items amounting to K1,205,525.00 were not recorded in the stores ledger. It was therefore, very difficult to ascertain the accountability.

## **PHALOMBE SECONDARY SCHOOL**

**51.** An audit inspection of the financial and other information for Phalombe Secondary School for the year ended 30th June 2020 was completed in November, 2020. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below.

**(a) Under-collection of Revenue: K5,168,850.00**

Desk Instruction (Finance) (2007), Section 15.2 states that it is the responsibility of the Revenue Collectors to collect revenue falling within their jurisdiction and account for it to the Treasury Cashier or their Ministry's holding account.

An inspection of general receipts, revenue collection books and school enrollment registers revealed that the school expected to collect boarding fees totaling K48,285,000.00. However, the actual collection amounted to K43,116,150.00 resulting in an under collection of K5,168,850.00. Under-collection may affect implementation of some of the school's planned programmes due to resource constraints.

## KARONGA TEACHERS TRAINING COLLEGE

52. An audit inspection of the financial and other information for Karonga Teachers Training College for the year ended June, 2020 was completed in August, 2020. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) and below.

**(a) Payment Vouchers Without Adequate Supporting Documents: K24,484,337.01**

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

An inspection of payment vouchers revealed that payment vouchers amounting to K24,484,337.01 were presented for audit inspection without relevant supporting documents. As such, it was difficult to ascertain the propriety of the expenditure.

**(b) Engaging and Paying For Supply of Food Items without Contract Agreement: K17,169,097.00**

Public Procurement and Disposal of Assets Act (2017), Section 51 (I) states that a procuring and disposing entity shall be responsible for the administration of procurement contracts into which they enter, and to that end, they shall establish procedures for contract administration and provide the necessary material and human resources for their implementation.

An inspection of payment vouchers and other related documents revealed that the Institution engaged the services from Lusubilo Mwenefumbo for supply of food items without a contract. The Institution had signed a contract with Merria Limited for supply of food items to the College. But due to internal squabbles in Merria Limited, the supplier failed to supply items to the College as per required as a result, the College engaged and paid another supplier without any contract an amount totaling K17,169,097. In addition, the items purchased could not be traced to the ledgers to ascertain their accountability due to poor recording system.

## CHIRADZULU TEACHERS TRAINING COLLEGE

53. An audit inspection of the financial and other information for Chiradzulu Teachers Training College for the year ended 30th June, 2020 was completed on 13th November, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated March, 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) and below;

**(a) Misallocation of Expenditure: K5,347,217.46**

Treasury Instructions (2004), Section 4.14.1 states that specific approval is required before any allocations can be vired or transferred between a Programme/ Item within the same vote. The section further states that if the controlling Officer is satisfied that the provision against a Programme/Item will be in adequate, he may submit an application to the Secretary to Treasury in writing to vire or transfer funds between a Programme/Item within the same vote.

An inspection of Payment vouchers and itemized expenditure statement revealed that payments amounting to K5,347,217.46 were charged to irrelevant sub items. However, there was no authority from the Secretary to the Treasury for such.

**(b) Procurements Without A Procurement Plan: K12,845,492.56**

Procurement regulations of (2004), Section 23 requires that prior to the determination of annual budgetary allocations, procuring entities shall provide to the Minister of Finance or in the case of Local Authorities, to the Local Government Finance Committee, a general plan describing the extent, timing and purposes of projected procurements for the budgetary period.

An inspection of payment vouchers and other related documents revealed that the office procured items worth K12,845,492.56 without the use of Procurement plan.

**(c) Unsatisfactory Contract Delivery: K10,625,380.00**

Public Procurement and Disposal of Public Assets Act (2017), Section 51 (1) stipulates that a procuring and disposing entity shall be responsible for the administration of procurement contracts into which they enter, and to that end, they shall establish procedures for contract administration and provide the necessary material and human resources for their implementation.

An inspection of payment vouchers together with contract agreements for the construction of toilets revealed that the office paid K10,625,380.00 to New Cabba Building Contractors for the construction of 7 toilets. However, physical inspection disclosed that quality of the work done was below the standard to warrant the payment of such huge amount.

**(d) Payments Made By Cash: K11,339,240.00**

Treasury Instructions (2004), Section 5.19.3 states that wherever possible all payments must be made by cheque or direct debit to a bank account. However, payments of K1,000.00 or less may be made in cash from the standing imprest depending on prevailing circumstances.

An examination of payment vouchers disclosed that payments amounting to K11,339,240.00 were made by cash. Different officers cashed cheques on behalf of their colleagues in respect of allowances and other receipts.

**(e) Fuel Not Accounted For: K13,158,303.00**

Treasury Instructions (2004), Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger. Also, Treasury Instructions (2004), Section 5.9 (b) requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger before being issued to subsequent users for accountability and transparency.

An inspection of payment vouchers and fuel ledgers for the period under review revealed that fuel worth K13,158,303.00 was not accounted for. It was therefore, difficult for the audit team to ascertain whether the fuel was really used for the intended purpose or not.

**(f) Stores Not Accounted For: K5,668,487.03**

Treasury Instructions (2004), Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger. Also, Treasury Instructions (2004), Section 5.9 (b) requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger before being issued to subsequent users for accountability and transparency.

An inspection of payment vouchers, delivery notes together with relevant ledgers disclosed that purchases worth K5,668,487.03 for stores items were not accounted for through the ledger. In absence of such, it was difficult to ascertain accountability.

## **MWANZA SECONDARY SCHOOL**

### **2018/2019 Financial Year**

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

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

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

A reconciliation of the fees registers against the bank statement from Standard Bank fees account for the period September 2018 to June 2019 (First term to third term), disclosed that school fees amounting to K41,722,750.00 was collected, however, bank statement indicated only K35,913,375.00 leaving a balance of K5,809,375.00 not accounted for.

**(b) Ration Not Accounted For: K9,224,185.00**

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

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

## **BLANTYRE TEACHERS TRAINING COLLEGE - 2019/2020 FINANCIAL YEAR**

55. An audit inspection of the financial and other information for the Blantyre Teacher Training College for the year ended 30th June, 2020 was completed on March, 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

**(a) Failure To Raise Receipts For Revenue Received Through Direct Banking: K34,926,000.00**

Treasury Instruction (2004), Section 2.6.1 (c) states that the responsibilities of Controlling Officers include ensuring that all accounts and records relating to the functions and operations of the Ministry are properly maintained.

An inspection of revenue reconciliations and general receipts raised during the period, disclosed that receipts amounting to K34,926,000.00 for funds received through direct banking by clients were not generated. It was difficult to establish the actual amount of revenue received during the period.

**(b) Payments Without Adequate Supporting Documents: K28,132,291.48**

Treasury Instructions (2004), Section 5.16.1 states that payment vouchers must be fully supported by relevant documents such as receipts invoices, memos, and loose minutes among others.

An inspection of the revenue payment vouchers and ORT payment vouchers revealed that payments worth K14,374,113.13 and K13,758,178.35 did not have supporting receipts attached. In the absence of these it was difficult to ascertain the propriety of the expenditure.

**(c) Misallocations Of Expenditure: K5,016,278.20**

Treasury Instruction (2004), Section 4.14.1 states that if the Controlling Officer is satisfied that the provision against a programme/item shall be inadequate, he shall submit an application to

the Secretary to the Treasury to wire or transfer funds between a programme/item within the same Vote. The application shall be in writing and shall be signed personally by the Controlling Officer.

An inspection of payment vouchers disclosed that funds amounting to K5,016,278.20 meant for other activities were used on unrelated activities without any approval from the Secretary to the Treasury.

**(d) Fuel Not Accounted For: K7,901,936.20**

Treasury Instructions (2004), Section 5.13.1 (d) states that revenue, expenditure, assets and liabilities are properly recorded and accounted for, read together with 5.9 (b) which states that all transactions shall be recorded in a primary Government record or ledger, either within the records held by a Ministry with the approval of the Secretary to the Treasury and summarized in the ledgers held by the Ministry of Finance, or in a record maintained by the Ministry of Finance.

An inspection of payment vouchers for the purchase of fuel revealed that fuel amounting to K7,901,936.20 was not recorded in motor vehicle logbooks. It was therefore difficult to conclude if at all the fuel was used on official purposes.

**(e) Failure To Update Fixed Asset Register**

Treasury Instructions (2004), Section 5.13.1 (g) states that every Controlling Officer to ensure that internal controls exist within each Ministry and Department to ensure that all assets are recorded and safeguarded against loss, destruction or unauthorised use.

An inspection of Fixed Asset Register has reviewed that some fixed assets like motor vehicles, motor cycles and Institutional buildings were not recorded in the Fixed Asset Register. It was therefore difficult to establish the location and condition of assets under the Institution.

## **BLANTYRE TEACHERS TRAINING COLLEGE**

### **2017/2018 Financial Year**

- 56.** An inspection of the financial and other information Blantyre Teachers Training College for the years ended June, 2018 was completed on 4th December, 2018. The audit disclosed some weaknesses in financial control and other related gaps. These weaknesses are presented from paragraph (a) below;

**(a) Under Banking Of Revenue: K2,812,000.00**

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

An inspection of the receipts issued on boarding fees against the corresponding deposits on bank statement revealed that cash amounting to K24,188,700.00 was collected and K21,376,700.00 was banked leaving a balance of K2,812,000.00 not banked.

**(b) Misallocation of Expenditure: K2,914,570.80**

Treasury Instructions (2004), Section 4.14.1 states that specific approval is required before any allocations can be vired or transferred between outputs. The PFM Act authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/item under a Head/Vote of expenditure, or to create a new programme/item if the amount appropriated under the Head/Vote is not exceeded. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

An inspection of payment vouchers disclosed that funds amounting to K2,914,570.80 were used on unrelated activities without any approval from the Secretary to the Treasury.

**(c) Payment Vouchers Not Produced For Audit: K73,388,597.71**

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

An inspection of payment vouchers and itemized expenditure statement by cost centre revealed that some payment vouchers in respect of fuel purchases worth K73,388,597.71, were not presented for audit inspection.

**(d) Fuel Not Signed For: K3,382,512.13**

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

An inspection of the fuel register disclosed that the entity issued fuel worth K3,382,512.13 without being signed for by recipients to acknowledge receipt. It was difficult to ascertain whether the fuel was used for official duties.

**(e) Fuel Not Accounted For: K1,966,648.36**

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

An inspection of payment vouchers for fuel revealed that fuel amounting to K15,961,699.66 was purchased and was recorded in fuel ledger. However, only fuel worth K13,995,051.30 was recorded in motor vehicle logbooks. This shows that fuel totaling K1,966,648.36 could not be accounted for.

**(f) Stores not Accounted for: K3,204,856.00**

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

An inspection of payment vouchers and stores ledgers disclosed that stores items worth K3,204,856.00 were purchased but not recorded in the ledger contrary to the requirement. As such it was difficult to ascertain how the stores were accounted for.

## **MONTFORT COLLEGE FOR SPECIAL NEEDS**

57. An audit inspection of the financial and other information for Montfort College for Special Needs for the year ended June 2020 was completed on 13th November, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated March 2021 addressed to the Controlling Officer. The weakness presented in paragraph (a) and below.

**(a) Misallocations of Expenditure: K12,488,753.13**

Treasury Instructions (2004), Section 4.14.1 states that specific approval is required before any allocations can be vired or transferred between outputs. The PFM Act authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/ item under a Head/Vote of expenditure, or to create a new programme/item if the amount appropriated under the Head/Vote is not exceeded. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

An inspection of Payment vouchers and itemized expenditure statement revealed that payments amounting to K12,488,753.13 were charged to unrelated sub items without authority from the Secretary to the Treasury.

**(b) Procurements Done Without A Procurement Plan: K19,117,519.00**

Procurement regulations (2004), Section 23 states that prior to the determination of annual budgetary allocations, procuring entities shall provide to the Minister of Finance or in the case of Local Authorities, to the Local Government Finance Committee, a general plan describing the extent, timing and purposes of projected procurements for the budgetary period.

An inspection of payment vouchers and procurement records disclosed that goods and services worth K19,117,519.00 were procured without a procurement plan.

**(c) Fuel Not Accounted For: K1,391,966.00**

Treasury instructions (2004), Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a consumable stores ledger.

An inspection of fuel register and motor vehicle log books for the period under review disclosed that fuel amounting to K1,391,966.00 drawn by various motor vehicles, was not accounted for through ledgers and motor vehicle log books.

**(d) Duplication Of Payments Of Subsistence Allowance: K2,370,000.00**

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

Inspection of payment vouchers and subsistence allowance claim forms disclosed that some officers received allowances amounting to K2,370,000.00 in duplicate. The officers were purported to have had spent nights in two different destinations on same dates, which is practically impossible.

**(c) Payment of Training Expenses Without Training Plan: K2,943,763.13**

Procurement regulations (2004), Section 23 states that prior to the determination of annual budgetary allocations, procuring entities shall provide to the Minister of Finance or in the case of Local Authorities, to the Local Government Finance Committee, a general plan describing the extent, timing and purposes of projected procurements for the budgetary period.

Inspection of payment vouchers and other relevant records disclosed that the office paid K2,943,763.13 in respect of training without any training plan as a road map.

**MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL COOPERATION**

**58.** An audit inspection of the financial and other information for Ministry of Foreign Affairs and International Cooperation for the year ended 30th June 2019 was completed. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter addressed to the Controlling Officer.

**Recurrent Budget Overall Performance**

This was budgeted at K24,058,080,851.00 and revised down to K22,475,134,604.00. However, the actual out-turn is K19,734,255,215.16. Representing a revised Budget utilization of 88%.

## **Development Budget Overall Performance**

The approved budget was at K1,000,000,000.00 which was earmarked for renovation of the London Chancery. During mid-year budget review, the budget was revised downwards to K300,000,000.00. However, funds received were K300,000,000.00 but there was no expenditure due to logistics.

## **Audit Opinion**

I issued a qualified audit opinion on the Financial Statements for the Ministry of Foreign Affairs and International Cooperation, for the year ended 30th June, 2019. Some of the observations below form part of the basis for qualified opinion.

The weaknesses in financial and other controls for each foreign mission is presented below:-

## **TANZANIA HIGH COMMISSION**

### **2016/2017, 2017/2018 & 2018/2019, Financial Years**

**59.** An audit inspection of the financial transactions for Tanzania High Commission for the years ended 30th June 2017, 2018 and 2019 was completed in March, 2020. The audit disclosed some weaknesses in financial control and other related gaps which were detailed in the management report addressed to the Controlling Officer. The weaknesses are presented from paragraph (a) and below;

#### **(a) Non-Segregation Of Duties**

Treasury Instructions (2004), Section 5.23.1 states that activities relating to authorization of payments and the recording of those payments may not be performed by the same person.

A review of financial records for the period under review disclosed that the Malawi High Commission office has no senior accounts officer instead an accounts assistant prepares all payment vouchers, record in appropriate books, make payments to relevant suppliers or beneficiaries. The absence of a senior accounts is void of checks and balances to account for resources and this may lead to inefficiencies in achieving Mission objectives.

#### **(b) Failure To Prepare Procurement Plan**

The Public Procurement and Disposal Act (2017), Section 39 (1) states that procuring and disposing entities shall plan procurement and

disposal activities with a view to achieving maximum value from both public expenditures and disposal proceedings including other objectives set forth in this Act.

A review of procurement records for the Dar-es Salaam Mission disclosed that the office did not prepare a procurement plan from 2016/2017 to 2018/2019 fiscal year to guide its procurement activities. The absence of a procurement plan may affect value for money and entity's objectives could not be effectively achieved.

**(c) Stores Not Accounted For: K2,693,348.44 (TSh 6,739,575)**

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

An inspection of payment vouchers and stores ledgers revealed that stores items for the Commission worth K2,693,348.44 (TSh6,739,575) purchased between August 2017 and March, 2018 were not recorded in stores ledgers. It was, therefore, difficult for the audit team to ascertain their accountability.

**(d) Fuel Not Accounted For: K11,769,117.61 (TSh40,800,000.02)**

Treasury Instructions (2004), Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger. Also, Treasury Instructions (2004), Section 5.9 (b) requires Controlling Officers to ensure that all transactions are recorded in a primary government record or ledger before being issued to subsequent users for accountability and transparency.

An inspection of payment vouchers and fuel records disclosed that fuel worth K11,769,117.61 (TSh40,800,000.02) was not recorded in the fuel register. It was therefore difficult to ascertain how the fuel was used.

**(e) Failure To Prepare And Maintain Monthly Fuel Expenditure Returns: K5,913,404.67 (TSh18,500,000.00)**

Government Circular Ref. N0. CS/S/001 dated 2nd March, 2010 on measures of Management of Government Fleet from the Chief Secretary to the Government states that Controlling Officers shall be obliged to submit Monthly Motor Vehicle Returns to the Chief Secretary to the Government with copies to the Auditor General and the Accountant General.

An inspection of payment vouchers and other related records revealed that fuel valued at K5,913,404.67 (TSh18,500,000.00) had no monthly fuel expenditure returns maintained.

**(f) Non-Maintenance Of Security Document Register**

The Public Finance Management Act (2003), Section 10 (1) c states that the Controlling Officer shall ensure that all accounts and records relating to the functions and operations of the Ministry are properly maintained. This is amplified with Treasury Instructions (2004), Section 5.15.3, which states that every Controlling Officer must ensure in respect of receipts their Ministry holds, are kept secure in a strong room, safe or strong lockable box until required for use.

An inspection of payment vouchers and others related documents disclosed that the Commission did not maintain the security register relating to GRs.

**(g) Payment Vouchers Without Adequate Supporting Documents: K57,388,398.75**

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

An inspection of payment vouchers revealed that payments amounting to K57,388,398.57 in 2018 were made without supporting documents. It was therefore difficult to ascertain the propriety of the expenditure.

**(h) Borrowed/Transfer Funds Not Returned: K71,551,267.19**

Treasury Instructions (2004), Section 2.6.1 (e) and Section 4.14 (1) states that responsibilities of Controlling Officers include ensuring that (e) all expenditure, including salaries and other personal emoluments, is properly authorized and applied to the specific purposes for which it is appropriated. And it also requires that all expenditures should be charged to an appropriate vote and that expenditure should be allocated strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another.

Inspection of payment vouchers disclosed that the Commission borrowed funds from various designated accounts to other accounts such as property account equivalent of K79,740.046 in 2016/17, K32,203,068.76 in 2017/18 and K116,670,809.97 in 2018/19 and only refunded K45,119,542.70 leaving a balance K71,551,267.19 still outstanding.

**(i) Cash Payment To Individuals Instead Of Service Providers: K15,472,278.00**

Treasury Instructions (2004), Section 5.19.3 states that wherever possible payments for all vouchers must be made by cheque or direct debit to a bank account.

An inspection of payment vouchers and other relevant records revealed that payments amounting to K12,998,343 for 2017/2018 FY and K2,473,935 for 2018/19 FY for various goods and services were paid for using cash instead of cheque.

**(j) Visa Stickers Not Recorded In Visa Sticker Register**

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

A review of visa sticker for the Commission revealed that nine visa sticker books received by the Commission were recorded in the visa sticker book register. In the absence of the VISA sticker books, it is very difficult to reconcile the VISA fees

## **MALAWI CONSULATE JOHANNESBURG**

### **Financial Years Ending 2016/2017, 2017/2018 & 2018/2019**

**60.** An audit inspection of the financial and other information for the Malawi Consulate in Johannesburg for the years ending 30th June, 2017, 2018 and 2019 was completed in March, 2020. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) and below;

**(a) Revenue Spent At Source: K54,560,045.80 (ZAR142,550)**

Treasury Instruction (2004), Section 5.7.2 (e) stipulates that all Controlling Officers to ensure that revenue collected when it is due and have it banked intact and promptly.

An inspection of payment vouchers and bank statements disclosed that funds amounting to K54,560,045.80 (ZAR142,550) were transferred from revenue account to other accounts and used for other activities without authority from Treasury.

**(b) Delays In Banking Of Revenue: K30,991,271.02 (ZAR584,410)**

Treasury Instructions (2004), Section 5.7.2 (e) calls for all Controlling Officers to ensure that revenue collected when it is due and have it banked intact and promptly.

An inspection of general receipts and deposit slips disclosed that there were delays in depositing revenue collected amounting to K30,991,271.02 (ZAR584,410). The funds were being kept up to 45 days without being banked.

**(c) School Fees For Diplomats' Children Being Paid For Despite Discontinuation Order: K10,946,995.92 (ZAR206,303.55)**

Circular letter Ref No. EA/1/3/33 dated 31st March, 2016 from the Secretary for Foreign Affairs and International Cooperation to all Malawi Missions abroad, among other things provides that school fees would be paid in cash as opposed to paying directly to the learning institutions. The school fees would instead be paid to the diplomats as a fixed sum of money in form of allowances.

An inspection of payment vouchers and other related documents revealed that the Consulate paid school fees direct to third parties amounting to K10,946,995.92 (ZAR206,303.55) which was against the above regulation.

**(d) Payment Vouchers Without Adequate Supporting Documents: K9,581,758.38 (ZAR179,432.20)**

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

An inspection of payment vouchers for the period under review, revealed that some payment vouchers amounting K9,581,758.38 (ZAR179,432.20) were submitted for audit review without supporting documents such as quotations, invoices, receipts and loose minutes. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge against public funds.

**(e) Stores Not Accounted For: K6,664,070.40 (ZAR71,068.04)**

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

An inspection of payment vouchers, invoices and stores ledgers disclosed that some stores items amounting to K6,664,070.40 (ZAR71,068.04) could not be accounted for through the stores ledger.

**(f) Failure To Refund Borrowed Funds: K2,680,598.76 (R50,605.98)**

Treasury Instructions (2004), Section 5.13.1 (g) states that adequate internal control must exist within each Ministry and Department. Internal control is defined in the PFM Act and is recognised as including all the controls and procedures adopted to ensure that within Government and within each entity in Government, the following control objectives are met- resources are employed and managed in an effective, economic and efficient manner.

An inspection of payment vouchers and other related records revealed that in February, 2018, the Ministry of Foreign Affairs and International Cooperation borrowed K2,680,598.76 (R50,605.98) from the Consulate's Revenue (Immigration) Account Number 007445024 for meeting repatriation costs of the remains of the late His Excellency, Necton Mhura who died in the United States of America. However, contrary to the quoted Treasury requirement, the funds had not yet been reimbursed to the Consulate's revenue account as at the date of audit.

**(g) Failure To Maintain A Non-Current Assets Register**

Circular letter from the Chief Secretary to the Government dated 2nd March, 2010 titled 'Government Physical Assets Register stipulates that all Controlling Officers shall maintain asset register for all non-current assets bought using public resources in both electronic and hard copies. The assets register shall conform to the format provided by the Secretary to the Treasury for all classes of fixed assets.

It was observed during the audit, that the Consulate did not have a non-current asset register to monitor the assets, contrary to the requirement. Consequently, the Consulate was not certain on the number of properties they have. It was also noted that the Consulate did not have ownership papers for almost all the properties Malawi Government has in and/or around Johannesburg.

# MALAWI MISSION LONDON

## Financial Years Ending 2016/2017, 2017/2018 And 2018/2019

61. An audit inspection of the financial and other information for Malawi Mission in London, United Kingdom for the years ending 30th June, 2017, 2018 and 2019 was completed in March, 2020. The audit disclosed weaknesses in financial and internal controls. The weaknesses are presented from paragraph (a) below;

**(a) Lack Of Annual Performance Reviews For The High Commission**

According to Malawi Government Performance Management System, all MDAs are required to conduct annual performance reviews which are supposed to be made in accordance to their strategic plans, annual plans and progress reports.

The Commission in London has a strategic plan to run from 2019 through to 2024. In addition, there are individual officers' annual plans that are produced.

An enquiry into the annual planning process and the assessment of the control environment, revealed that there were no annual performance reviews for the High Commission in terms of what was planned against what was achieved.

**(b) Over- Expenditure On Some Budget Line Items Without Virement Of Funds**

**Authorized By Treasury: £224,659.85 (K216,347,439)**

Treasury Instructions (2004), Section 2.6.1 (f) states that it is the responsibility of Controlling Officers to ensure that there is no over-expenditure or over-commitment of funds and a review is undertaken each month to ensure that there is no such over-expenditure or over-commitment.

An inspection of expenditure returns for 2016/2017, 2017/2018 and 2018/2019 financial years revealed that the Mission over - spent on some budget line items without seeking prior approval, through virement, from the Secretary to the Treasury. The total over-expenditure on individual budget lines for the three years totaled £224,659.85 (K216,347,439).

**(c) Remittance Without A Corresponding Deposit: £10,459.42 (K10,042,600.00)**

Treasury Instructions (2004), Section 5.8.1.2 stipulates that deposits to a bank for the credit of a Government banking account must - (a) be made on deposit slips approved by the Secretary to the Treasury; and (b) show a detailed analysis of the amount paid in as to currency notes, coins, cheques, bank drafts and other instruments.

A review of remittances against bank statement for rent and fees revealed that a remittance amounting to £10,459.42 (K10,042,600.00) was not reflected on the bank statement for the related period as per the date of the transmission from Reserve Bank of Malawi and remittance advice form.

**(d) Embarking on The Project For Rehabilitation of Kwacha House Without Adequate Budget**

Treasury Instructions (2004), Section 8.4.3.3 stipulates that boards should submit Performance Management Plan and Budget for subsequent year to the Treasury through line Ministries during the fourth quarter of each financial year.

An inspection of budget documents for the three years under review revealed that the rehabilitation of Kwacha House was not specifically budgeted for. It was further noted that provisions of K1,878,094.00 and K2,100,000.00 were made in 2017 and 2018 financial years respectively for maintenance of buildings.

However, preconstruction phase alone which took place in 2016/2017 and 2017/2018 costed the Mission £104,706.60 (K96,120,658.80). This resulted in unbudgeted for expenditure of K92,142,564.80.

**(e) Delays in Project Implementation Of Kwacha House Rehabilitation**

Public Procurement and Disposal of Assets Act (2017), Section 51 (1) (2) stipulates that a procuring and disposing entity shall be responsible for the administration of procurement contracts into which they enter, and to that end, they shall establish procedures for contract administration and provide the necessary material and human resources for their implementation. A procuring and disposing entity may appoint a contract manager, depending on the nature and complexity of the contract, whose main responsibility shall be to ensure that the supplier, contractor or consultant performs the contract in accordance with the terms and conditions specified therein.

An inspection of payment vouchers, cash books, bank statement, memos, loose minutes and procurement documents revealed that the Commission started rehabilitation of Kwacha House in 2014. However, as at the date of audit on 6th March, 2020, the project was far from completion. The only phase implemented so far was pre-construction phase which was planned to take only nine (9) months from August, 2016 to December, 2017

The negative impact of the delay could be noticed on the rentals for the official residence of the High Commissioner. The Commission incurred rental costs for the official residences amounting to £197,753.80 (K177,146,464.93) between July, 2016 to June, 2019.

**(f) Uninhabitable Condition Of Kwacha House**

Treasury Instructions (2004), Section 5.13.1 (f) stipulates that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognized as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objectives are met. All assets are safeguarded against loss or destruction, and unauthorized use.

Kwacha House is on leasehold land by the Malawi Government for 999 years from December, 1937. The property has not been revalued for a long time but based on sale price of similar property in 2014 the value was pegged at £5,250,000.

An inquiry from management disclosed that the official residence was last used by the High Commissioner (HC) over a decade ago. Thereafter, when it was evident that it was not suitable for HC's Residence, the High Commission resorted to use it as the Chancery for five years up to October, 2010

A physical verification of Kwacha House confirmed the decrepit and uninhabitable condition of the house.

**(g) Lack Of Clear Policy Direction On The Usage Of Funds From VISA Account**

Treasury Instructions (2004), Section 5.13.1(g) states that adequate internal control must exist within each Ministry and Department. Internal control is defined in the PFM Act and is recognised as including all the controls and procedures adopted to ensure that within Government and within each entity in Government, the following control objectives are met- resources are employed and managed in an effective, economic and efficient manner.

An inspection of revenue returns, cash books, payment vouchers, bank statements, memos and loose minutes revealed that the Commission generated funds amounting to £420,362.06 (K404,808,663.78) as at the time of audit. It was also established that as at 15th January, 2020 the Commission had £255,810.70 (K246,345,193.76) in the VISA account.

However, these funds are not remitted to Malawi to Government Account number one because of some restrictions in the UK. The Commission is required by the Public Finance Management Act (2003) and Treasury Instructions to seek prior approval from Treasury in order to use the funds. As a result, the money in the VISA account is always idle. This was happening despite the Commission going through underfunding challenges. Therefore, there is lack of policy direction on how Visa funds should be used to effectively assist the Commission discharge its mandate.

**(h) Use Of Funds From Visa (Immigration) And Deposit Accounts Without Authority From Treasury: £92,333.02 (K85,559,082.91)**

Treasury Instructions of (2004), Section 4.13.2.3 further requires that if a demand arise during the financial year, for a new type of expenditure, which although not included in the description in the estimates, can be charged to an existing programme, the Controlling Officer shall seek Treasury Authority to incur that expenditure; and every such expenditure should be made within the approved budget and shall not be treated as extra budgetary expenditure.

The Malawi Government Standing Regulations require that revenue generated from sale of Visas, Temporary travel documents and renewal of passports by immigration in the foreign missions are banked intact and that if need arises to use these funds for operations authority should be granted by Treasury.

An inspection of payment vouchers, memos and bank statements disclosed that the High Commission used funds from VISA and Deposit accounts totaling £92,333.02 an equivalent to K85,559,082.91 without prior approval from Treasury. The Commission mostly used letters written by the Principal Secretary for Foreign Affairs and International Cooperation as approvals.

**(i) Failure To Refund Funds Borrowed From Rent Account: £30,971.29 (K29,881,088.78)**

Treasury Instructions (2004), Section 5.13.1 (g) states that adequate internal control must exist within each Ministry and Department. Internal control is defined in the PFM Act and is recognised as including all the controls and procedures adopted to ensure that within Government and within each entity in Government, the following control objectives are met- resources are employed and managed in an effective, economic and efficient manner.

An inspection of payment vouchers, cash books and bank statements revealed that funds amounting to £30,971.29 (K29,881,088.78) were borrowed from rent account to different accounts such as ORT but they were not refunded back to the rent account.

## **BRUSSELS HIGH COMMISSION**

### **Financial Years Ending 2016/2017, 2017/2018 and 2018/2019**

**62.** An audit inspection of the financial transactions for Johannesburg Consulate General for the years ending 30 June 2017, 2018 and 2019 was completed in March, 2020. The audit disclosed some weaknesses in financial control and other related gaps. The weaknesses are presented in paragraphs below:

**(a) Visa Funds Used At Source: K255,850,781.44 (€308,708.75)**

Treasury Instructions (2004), Section 5.6.4 require all receivers of revenues and public moneys to account for and bank promptly all the moneys received under their charge, on behalf of the Government. Further to that, the Secretary for Foreign Affairs and International Corporation in his Circular letter Ref. No. EA/1/3/6/5 dated 17th August 2017 advised all Heads of Malawi Missions abroad that the Secretary to the Treasury suspended the use of funds from Revenue Accounts in all Missions abroad.

An inspection of payment vouchers, bank statements of the VISA account revealed that the Embassy used visa funds at source and without prior authority from the Secretary to the Treasury amounting to K255,850,781.44 (€308,708.75) on activities not related to visa costs.

**(b) Payments Charged To Wrong Bank Account: K7,901,765.65 (€9,703.45)**

Treasury Instructions (2004), Section 4.14.1 states that Specific approval is required before any allocations can be vired or transferred between outputs. The PFM Act authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/item under a Head/Vote of expenditure, or to create a new programme/item if the amount appropriated under the Head/Vote is not exceeded. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

An inspection of payment vouchers relating to rentals revealed that payments amounting to K7,901,765.65 (€9,703.45) related to school fees were paid from the rental account.

**(c) Medical Insurance Payments Without 20% Diplomats' Contribution: K3,800,296.13 (€4689.40)**

Circular No. EA/1/3/06 dated 4th August 2014, requires members of staff serving in Foreign Missions to contribute 20% of their Medical Insurance bills.

A review of payments made for Medical Insurance bills amounting to K3,800,296.13 (€4689.40) showed that the required 20% contribution was not deducted from members of staff.

**(d) Use of Single Sourcing: K22,900,899.22 (€26,822.90)**

Public Procurement and Disposal of Public Assets Act (2016), Section 37 (9) states that single source method of procurement is only permitted in the following circumstances (a) when the estimated value does not exceed the amount set in the regulations, (b) where only one supplier has the technical capability or capacity to fulfil the Procurement requirement or when only one supplier has the exclusive right to manufacture the goods, carry out the work, or perform the services to be procured (c) where there is an emergency need for the goods, works and services, or (d) where the procuring and disposing entity, having procured goods services and works from a supplier determines that additional goods, works and services need to be

procured from the same source for reasons of standardization or because of the need for compatibility with existing goods, equipment, technology or services taking into account the effectiveness of original procurement in meeting the needs of the procuring and disposing entity, the limited size of the proposed procurement in relation to the original procurement, the reasonableness of price and the suitability of alternatives to the goods and services in question.

An inspection of payment vouchers revealed that goods and services worth K22,900,899.22 (€26,822.90) were purchased without sourcing a minimum of three quotations.

## **THE ACCOUNTANT GENERAL'S DEPARTMENT**

63. An audit inspection of the financial and other information for the Accountant General's Department was conducted for the year ended 30th June, 2020. The audit disclosed some weaknesses in financial control and other related gaps.

### **Recurrent Budget Overall Performance**

The Department of Accountant General approved budget in 2019/20 financial year was K8.7 billion in Recurrent Transactions. This was revised upwards to K11.9 billion, an increase of 37.62%. Actual expenditure was K13.3 billion which represent 111.47% of the revised budget

### **Development Budget Overall Performance**

The Development Expenditure was budgeted at K3.3 billion and revised to K3.7 billion. The actual expenditure was K3.7 billion representing 98.82% of the Revised Budget.

### **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Accountant General's Department for the year ended 30th June, 2020.

The weaknesses on financial and other internal controls are presented from paragraph (a) and below;

#### **(a) Revenue Collected By MRA Not Recorded In IFMIS: K113,750,955,290.73.**

Integrated Financial Management Information Systems (IFMIS), Section 4.4.6.6 of the desk instructions stipulates that on a monthly basis a ministry or department or agency shall send a notification to Treasury giving the details on the revenue collected. Treasury shall

then transfer funds from ministry recurrent revenue bank account to Malawi Government bank account number one (1). Before transferring such funds, and to avoid transferring revenues that are not in the IFMIS, Accounts Office must make sure that all the revenue details have been entered in the IFMIS.

A review of revenue reports from IFMIS, showed that non tax revenue collected by the Malawi Revenue Authority amounting to K113,750,955,290.73 was not recorded in the IFMIS.

### **Consolidated Financial Statements**

**(b) Public Debt Not Part of the Statement of Financial Position: K3,817,780,562,960**

Stage two of IPSAS Acrual requires the presentation of Financial Assets and Financial liabilities on the face of the Statement of Financial Position.

As at 30th June 2020, Total Public Debt (TPD) stood at K3,817,780,562,960.00. This comprised K2,363,595,514,000 for domestic debt and K1,454,185,048,960.00 for the foreign component.

The review of the Consolidated Financial Statements revealed that public debt was not included as part of the financial statements.

**(c) Compensation Payments Without Sufficient Supporting Documents: K11,483,469,879.49**

A review of compensation payments showed that compensations amounting to K11,483,469,879.49 were paid out to individuals and companies for various reasons. However, the audit team was not presented with sufficient proof of loss or breach of contract.

### **THE REGIONAL TREASURY CASHIER (NORTH)**

- 64.** An audit inspection of the financial and other information for Regional Treasury Cashier (North) for the year ended 30th June 2020 was completed in September, 2020. The audit disclosed some weaknesses in financial control and other related gaps. The weaknesses are presented from paragraph (a) below:

**(a) Activity Reports Not Presented For Audit: K34,859,000.00**

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

An inspection of payment vouchers disclosed that subsistence allowances amounting to K34,859,000.00 were not substantiated by activity reports. As a result, the propriety of the expenditure could not be ascertained.

**(b) Procurement Of Goods And Services Without IPDC Approval: K3,262,848.95**

Public Procurement and Disposal of Assets Act (2017), Section 26 (1) states that there shall be established in all procuring and disposing entities Internal Procurement and Disposal Committees which will be responsible for all procurement and disposal of assets in procuring entities.

An inspection of payment vouchers revealed that the office procured goods and services worth K3,262,848.95 without seeking IPDC approval.

## **MINISTRY OF HEALTH**

- 65.** An audit inspection of the financial transactions for the Ministry of Health for the year ended 30th June, 2020 was completed in January, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the accompanying management report addressed to the Controlling Officer.

### **Recurrent Budget Overall Performance**

The approved budget was at K62.440 billion and revised to K68,456 billion. Funding received was K64.851 billion, however, the actual out-turn was K66.748 billion representing 97.5% of the Revised Recurrent Budget. There was an increase of K16.6 billion on the 2018/2019 FY actual expenditure of K50.1 billion and this increase was due to recruitment of 2000 health workers and also the outbreak of COVID 19 Pandemic.

## **Development Budget Overall Performance**

The approved Development Budget was at K24.6 billion and revised to K11.8 billion and actual out-turn was K23.5 billion representing 198% budget utilization.

### **(a) Non-Maintenance of Fuel Ledgers and Log Books: K46,684,235.65**

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

An inspection of payment vouchers and other related documents disclosed that the Ministry Headquarters as well as the department of Nutrition did not maintain fuel ledgers and log books for fuel purchases amounting to K46,684,235.65. Out of this amount, Ministry Headquarters purchased fuel worth K38,524,435.36 while Nutrition department purchased fuel worth K8,159,800.29.

### **(b) Payment Vouchers Not Presented For Audit Inspection: K166,682,222.73**

Public Audit Act (2003), Section 7 (1) (a) states that for the purpose of fulfilling the functions and Auditor General duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him - shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

An inspection of fuel ledgers disclosed that fuel amounting to K166,682,222.73 was purchased and properly recorded but its corresponding payment vouchers were not provided for audit inspection.

### **(c) Payment Vouchers Without Adequate Supporting Documents: K122,695,171.68**

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

payment. In addition, Treasury Instruction 5.9 (a), states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions.

An inspection of payment vouchers revealed that payment vouchers amounting to K122,695,171.68 had no receipts, invoices and Local Purchase Orders. In the absence of the supporting documents, the audit team could not ascertain the validity of the expenditure incurred.

**(d) Stores Not Accounted For: K3,707,712.00**

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

A review of stores ledger for the Nutrition Department disclosed that stores items valued at K3,707,712.00 were not recorded in the stores ledger. In the absence of such record, accountability of stores items purchased could not be ascertained.

**(e) Funds Transfer For Referral Medical Cases Abroad Not Liquidated: K2,816,741,554.08**

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

An inspection of payment vouchers revealed that payments amounting to K2,816,741,554.08 had not been liquidated as the Ministry failed to present to auditors supporting documents relating to funds transfers made for medical referral cases abroad in India and South Africa. In the absence of such essential documents, it was difficult for the inspecting auditors to ascertain whether expenditures which were made in respect of external medical referrals were correctly charged and that expenditure was in tandem with the purpose it was set for. Furthermore, the Ministry failed to present to auditors total outstanding bills on medical referral cases abroad as at 30th June, 2020.

# CHRISTIAN HEALTH ASSOCIATION OF MALAWI

## 2018/2019 Financial Year

66. An audit inspection of the financial and other information for CHAM was conducted for the year ended 30th June, 2019. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated February 2021 addressed to the Controlling Officer. The weaknesses are presented from paragraph (a) and below;

### (a) **Employees on Payroll But Not On Staff Return**

Memorandum of Understanding between Malawi Government and CHAM (2016), Section 4.1.5 states that CHAM Secretariat will be responsible for staff establishment control, payroll control and all related performance management for all CHAM units.

An inspection of payroll and staff return at Health Units for August, September, and October 2018 revealed that some employees were on payroll but not on staff return. As such, the audit team could not ascertain whether salaries were paid to bonafide unit personnel.

### (b) **Ghost Workers: K7,719,665.00**

Memorandum of Understanding between Malawi Government and CHAM (2016), Section 4.1.5 states that CHAM Secretariat will be responsible for staff establishment control, payroll control and all related performance management for all CHAM units.

An inspection of staff return, payroll, identity cards and physical verification of employees at Health Units revealed that there were names on the payroll that were duplicated and had different employment numbers. A total of K7,719,665.00 was paid for the period of ten months.

### (c) **Staff Working After Retirement Age**

Memorandum of Understanding between Malawi Government and CHAM (2016), Section 4.1.1 states that CHAM Secretariat For the eligible facilities, Government will, through the CHAM Secretariat, pay salaries, leave grants, pension scheme contributions and any other allowances applicable in the civil service and as introduced by Government from time to time for all local staff working in CHAM units. This will be based on the staff establishment, conditions of service for local staff and Government pay day. This support will be voted for in Parliament as part of the subvention to CHAM under the Other Recurrent Transaction.

An inspection of staff return and identity cards for employees at Health Units revealed that a total of 26 employees appearing on payroll reached retirement age yet they were not removed from the payroll. The audit team was not provided with any evidence as to whether they were engaged by the Government through CHAM on month to month basis or any other arrangement.

**(d) CHAM Units Staff Not Yet Entered In The Human Resources For Health Information System**

Memorandum of Understanding between Malawi Government and CHAM (2016) Section 4.1.7 states that CHAM Secretariat will ensure that every CHAM Unit staff covered under this MOU has a unique payroll identifying number which will be entered into CHAM Secretariat payroll system and the Government's Integrated Human Resources for Health Information System (IHRIS) together with other relevant personal data.

An inspection of the Human Resources for Health Information System (IHRIS) revealed that a unique payroll identifying number was only entered into the CHAM Secretariat payroll but not on the Government's Integrated Human Resources for Health Information System.

## **QUEEN ELIZABETH CENTRAL HOSPITAL**

67. An audit inspection of Queen Elizabeth Central Hospital for the year ended 30th June, 2020 was completed in November, 2020. The audit disclosed some weaknesses in financial control and administrative controls as highlighted from paragraph (a) and below: —

**(a) Spending at Source: K3,024,500.00**

Accountant General's Desk Instructions number 15.7.1 (iii) of May 2007 states that once the money is collected, it should be accounted for and immediate arrangement for banking shall be made. The banking officer shall prepare deposit slip which shall take place at the nearest commercial bank or Reserve bank of Malawi

A recalculation of general receipts and bank deposit slips revealed that revenue amounting to K290,188,381.30 was collected and only K287,163,881.30 was banked giving a difference of K3,024,500.00 which was used.

**(b) Purchase of Drugs From Private Supplier Without Waiver From Central Medical Stores Trust-K288,983,519.08.**

It is Government requirement that drugs should not be procured anyhow without the consultation of Central Medical Stores Trust if they have the drugs in stock or not.

An inspection of payment vouchers, invoices and other related documents disclosed that the hospital had no waiver to support the purchase of drugs and medical items from private suppliers amounting to K288,983,519.08.

**(c) Uneconomical Use Of Resources: K126,820,513.13**

Treasury Instructions (2004),Section 5.13.1 (h) states that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognised as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objectives are met that there is no waste or extravagance.

An inspection of the Intensive Care Unit (ICU) department disclosed that the department has 8 beds and out of these, 4 beds were not operational and to cover the gap the hospital was sending their patients to Mwaiwathu Private Hospital for treatment. The Central hospital spent K126,820,513.13 for this service at Mwaiwathu Private Hospital. The continued use of the private facilities was costly and a drain of the public funds if proper strategies are not put in place to have the ICU equipped and extended.

**(d) Poor Service By Land Scape And Security Services Providers: K73,115,400.00.**

Public Procurement and Disposal of Public Assets Act (2017), Section 51. (I) states that a procuring and disposing entity shall be responsible for the administration of procurement contracts into which they enter, and to that end, they shall establish procedures for contract administration and provide the necessary materials and human resources for their implementation.

An inspection of bid documents and contract agreements between the hospital and service providers of landscaping and security services and conservation on service delivery disclosed that the performance of the said services were unsatisfactorily done. However, the hospital spent K73,115,400.00 on the services.

## **MINISTRY OF GENDER, COMMUNITY DEVELOPMENT AND SOCIAL WELFARE**

- 68.** An audit inspection of the financial transactions for the Ministry of Gender, Community Development and Social Welfare for the year ended 30th June, 2020 was completed in November, 2020. The audit disclosed some weaknesses in internal and financial controls.

### **Overall Performance for Other Recurrent Transaction (ORT)**

This was budgeted at K6,715,127,345 and revised downwards to K6,613,086,204, funds allocated was K6,825,891,470. However, the actual out-turn was K6,478,879,386 representing 97.97% utilization of the revised budget.

### **Audit Opinion**

I issued a qualified audit opinion on the Financial Statements for the Ministry of Gender, Community Development and social Welfare for the year ended 30th June, 2020. Some of the observations that form part of the opinion are highlighted from paragraph (a) and below;

**(a) Payment Vouchers Not Presented For Audit Inspection: K12,533,560.00**

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

An inspection of payment vouchers and itemized expenditure statement revealed that payment vouchers amounting to K12,533,560.00 were not produced for audit. The audit team was therefore not able to ascertain the authenticity and propriety of the payments made.

**(b) Stores Not Accounted For: K13,950,792.50**

Treasury Instructions (2004) Section 11.7.1.5 states that a stores ledger for the purpose of recording the receipts and issues of all stores will be kept for each store.

An inspection of payment vouchers, invoices and stores ledgers disclosed that stores items worth K13,950,792.50 purchased from different suppliers were not accounted for in the stores ledger.

# MINISTRY OF INFORMATION, CIVIC EDUCATION AND COMMUNICATION TECHNOLOGY

69. An audit of the financial statements of the Ministry of Information, Civic Education, and Communication Technology for the year ended 30th June, 2020 was completed in January, 2021. The audit disclosed weaknesses in financial and internal controls.

## Recurrent Budget Overall Performance

This was budgeted at K2,896,118,136.99 and revised to K2,802,251,538.25. However, the actual out-turn is K2,774,476,283.30. Representing a revised Budget utilization of 99.7%.

## Development Budget Overall Performance

The approved budget was at K17,063,939,840 and revised to K10,540,053,032. However the actual out-turn is K3,042,204,310 representing 29% revised budget utilization.

## Audit Opinion

I issued a qualified audit opinion on the Financial Statements for the Ministry of Information and Communication Technology, for the year ended 30th June, 2020.

The weaknesses on financial and internal controls are presented from paragraph (a) and below:—

### (a) Failure To Produce Payment Vouchers For Audit: K129,292,897.86

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

An inspection of itemized expenditure statement by cost centre, cashbooks and other related records disclosed payment vouchers amounting to K129,292,897.86 were not presented for audit. It was therefore difficult for the auditors to ascertain the propriety of the expenditure.

### (b) Stores Not Accounted For: K44,882,976.02

Treasury Instructions (2004), Section 11.7 states that where consumable stores are received in bulk for subsequent issues in small lots, the transactions must be recorded in the Stores Ledger for accountability and transparency.

An inspection of payment vouchers, stores ledger and other related documents revealed that stores items for ORT, Development and DICEP project amounting to K44,882,976.02 were not recorded in the stores ledger. As a result, the accountability of the stores could not be ascertained.

**(c) Fuel Not Accounted For: K16,429,082.37**

Treasury Instructions (2004), Section 11.7 require all fuel purchased to be recorded in the fuel registers, and issues signed for by the recipients. Fuel drawn into vehicles should be recorded in the respective motor vehicles' log books.

An inspection of payment vouchers and fuel ledger revealed that fuel worth K16,429,082.37 was not entered in the fuel ledger. It was, therefore, difficult for the audit team to ascertain the disposal of the fuel.

**(d) Activity Plans And Reports Not Presented For Audit: K68,865,000.00**

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

An inspection of payment vouchers and other related documents revealed that subsistence allowances amounting to K68,865,000.00 were paid without being supported by activity plans and reports. It was difficult to the auditors ascertain the propriety of the expenditure.

**(e) Payments Without Adequate Supporting Documents: K15,320,325.91**

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

An inspection of payment vouchers revealed that payments amounting to K15,320,325.91 were submitted without supporting documents such as quotations, invoices, receipts and loose minutes. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge against public funds.

**(f) Telephone Units Not Accounted For: K4,156,345.25**

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

An inspection of payment vouchers and airtime ledgers disclosed that airtime amounting to K4,156,345.25 was not recorded in the ledgers. Consequently, the audit team failed to ascertain the accountability of the same.

**(g) Abuse Of Funds Meant For Malawi Digital Broadcast Network Limited (MDBNL) Operational Activities: K29,957,433.00**

Treasury Instructions of (2004), Section 4.14 (1) require all expenditures to be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another as represented by codes in the IFMIS.

An inspection of funding advice notes, payment vouchers, cheques pads and cash books revealed that Malawi Digital Broadcast Network Limited (MDBNL) received funding amounting to K1,400,000,000.00 for development (operational) activities. However, MDBNL made payments amounting to K29,957,433.00 for Ministry Headquarters' staff salaries, subsistence allowances and fuel expenses which were not related to development activities.

**(h) Payment Of External Travel Allowance Arrears Not Budgeted For: K11,244,257.25**

Public Finance Management Act (2003), Section 23 (1) subject to Section 178 of the Constitution, no public money shall be expended unless the expenditure has been authorized by an Appropriation Act in accordance with subsection (2) or is statutory expenditure.

An inspection of payment vouchers and expenditure statement by cost centre revealed that arrears for external travel allowances amounting

to K11,244,257.25 were paid without a budget provision. The arrears were accumulated from 29th September, 2012 to 7th October, 2018.

**(i) Failure To Surrender A Motor Vehicle By The Former Principal Secretary: K81,096,000.00**

Treasury Instructions of (2004), Section 5.13.1 (f) stipulate that adequate internal controls must exist within each Ministry and Department to among other things, ensure that all assets are safeguarded against loss or destruction, and unauthorized use.

An inspection of motor vehicle files, Plant and Vehicle Hire Engineering Services Forms and enquiries with management revealed that the Ministry bought a Toyota Prado TX, registration number MG701AL (CA8155), Chassis Number JTEBH380K29991, Engine Number IKD283079, made in 2018 in 2018/2019 financial year. The former Principal Secretary (PS), used the vehicle. At the time she was posted away she did not surrender it despite several attempts by the Ministry to take it back.

**(j) Documents Not Produced For Audit Inspection: K1,236,675,926.00**

Public Audit Act (2003), Section 7 (1) (a) empowers the Auditor General or any other officer delegated by him to have unlimited access to all documents and books of accounts, among other things, that are subject to audit for his examination. Furthermore Treasury Instructions of (2004), Section 5.9 (a) states that Controlling Officers shall ensure proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff.

An inspection of the detailed expenditure from development fund revealed that the Ministry implemented National Physical Addressing, Last Mile Rural Area Connectivity and Development of Kamuzu Memorial Park projects in 2019/2020 financial year. The total expenditure for the three projects totaled K1,236,675,926.00 out of K1,250,000,000.00 development budget. However, the Ministry did not furnish the audit team with projects' documents such as activity plans and reports, payment vouchers, expenditure returns, cashbooks, bank statements and bank reconciliation statements. It was therefore difficult to ascertain the propriety of the expenditure made.

**(k) Over Expenditure On Last Mile Rural Area Connectivity Project: K9,603,977.00**

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

An inspection of the detailed expenditure for development fund revealed that the Ministry overspent on Last Mile Rural Area Connectivity Project by K9,603,977.00. The total budget was K1,000,000,000.00 and expenditure was K1,009,603,977.00. The Ministry could not produce substantive evidence why the over expenditure occurred.

**(l) Failure To Bank Collected Revenue Promptly: K3,860,000.00**

Treasury Instructions (2004), Section 5.7.2 (e) requires that for purposes of these Instructions, sound cash management includes collecting revenue when it is due and bank it promptly.

An inspection of general receipt books, bank deposit slips and bank statements revealed that the Ministry collected revenue amounting to K3,860,000.00. The revenue was kept for a minimum of three (3) weeks to a maximum of four (4) months without being banked after collection.

## **REGIONAL INFORMATION OFFICE (SOUTH)**

**70.** An audit inspection of Regional Information Office (South) for the year ended 30th June, 2020 was completed in January, 2021. The audit disclosed some weaknesses in financial control and administrative controls as highlighted in the following observations:—

**(a) General Receipt Books Not Recorded In The Security Document Register: K31,754,700.00**

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

An inspection of general receipts against security documents register revealed that four (4) receipt books were not recorded in the security documents register. However, revenue amounting to K31,754,700.00 was collected using the said general receipt books.

**(b) Misallocations Of Expenditure: K1,952,000.00**

Treasury Instructions (2004), Section 4.14.1 states that specific approval is required before any allocations can be vired or transferred between outputs. The PFM Act authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/item under a Head/Vote of expenditure, or to create a new programme/item if the amount appropriated under the Head/Vote is not exceeded. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

An inspection of payment vouchers and itemized expenditure statement revealed that payments amounting to K1,952,000.00 were charged to wrong votes. However, there was no documentation to indicate that virement warrant was granted by the Secretary to the Treasury to vire funds.

## **MINISTRY OF TRANSPORT AND PUBLIC WORKS**

71. An audit inspection of the financial and other information for Ministry of Transport and Public Infrastructure was conducted for the year ended 30th June 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated February 2021 addressed to the Controlling Officer.

### **Overall Performance for Recurrent Transaction (ORT)**

This was budgeted at K5.5 billion. It was, however, revised to K5.2 billion but the actual expenditure was K5.03 billion which represented 95.92 % of the revised budget.

### **Overall performance for Development Expenditure**

This was budgeted at K8.3 billion. It was however, revised to K5.4 Billion but the actual expenditure was K5.3 billion. The development expenditure represented 98.86 % of the revised budget.

## **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Ministry of Transport and Public Works for the year ended 30th June, 2020.

### **(a) Malfunctioning Constant Current Regulators (CCRs) and departure runway systems.**

The Constant Current Regulators (CCRs) are designed to provide precision power control of runway lighting series circuit in low, medium and high intensity applications. Runway lighting are supplied from series circuits served by Constant Current Regulators. These systems facilitate aircraft landing on and departing from the airport safely.

Physical verification exercise at Chileka Airport discovered that the airport had been operating on obsolete and malfunctioning constant current airfield regulators and runway systems for a period of more than 20 years making it to be a very high risk area of accidents.

### **(b) Unavailability of Cash flow at Karonga and Mzuzu Airports**

Treasury instructions (2004), Section 4.13.2.1 states that every Controlling Officer shall submit to the Secretary to the Treasury a monthly cash flow which shall form the basis for funding. The cash flow shall be revised during the course of the year in the light of developments during budget execution.

Audit review at Karonga and Mzuzu airport which is under Aviation Department revealed that the expenditure of the budget is done without estimates and monthly cashflows.

### **(c) Motor Vehicle Advance paid to staff instead of a supplier: K4,400,000.00**

Final desk instruction (2007), Section 9.8.3(i) states that vouchers for motor vehicle and bicycle advances should be made payable to sellers.

An inspection of advances records revealed that motor vehicle application payments amounting to K4,400,000.00 were paid directly to officers who applied for motor vehicles advances instead of service providers. Further review of the supporting documents revealed that there was no receipt attached to ascertain the purchase of the vehicle.

**(d) Misallocation of funds: K11,008,330**

Treasury Instructions (2004), Section 4.14.1 states that Specific approval is required before any allocations can be vired or transferred between outputs. The PFM Act authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/ item under a Head/Vote of expenditure, or to create a new programme/item if the amount appropriated under the Head/Vote is not exceeded. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

An inspection of payment vouchers and itemised expenditure statement revealed that payments amounting to K5,019,330.00 and K5,989,000.00 for Ministry Headquarters Development funds Account and Department of Marine ORT Account respectively, were misallocated.

**(e) Failure to Submit Activity Reports: K21,525,000.00**

Government Circular reference number 15/15/7 (iii), dated 18th December 2015, signed by the Secretary to the President and Cabinet, stipulates that: “In line with the travel policy, each officer who is paid subsistence allowance must submit a report to the Controlling Officer indicating, among others aspects, where he/she travelled to, the purpose of the trip, the institutions/individuals consulted, and the benefits of the trip to the Ministry/Department. This must be done within one week after each official trip”.

An inspection of payment vouchers and other relevant records revealed that subsistence allowances amounting to K21,525,000.00 were paid to officers but were not supported by activity reports.

**(f) Payment Vouchers Not Presented For Audit Inspection: K2,558,188.00**

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

An inspection of expenditure by cost centre report extracted from IFMIS revealed that payment vouchers amounting to K2,558,188.00 were not presented for audit inspection. It was, therefore difficult to ascertain the validity and propriety of the expenditure incurred.

**(g) Payment Vouchers Without Adequate Supporting Documents: K19,298,803.61**

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

An inspection of payment vouchers revealed that payment vouchers amounting to K19,298,803.61 had no supporting documents, such as, quotations, invoices, receipts and loose minutes. In the absence of the supporting documents it was difficult to ascertain the validity of the payments.

**(h) Purchase Of Airtime Not Recorded In Airtime Register: K7,466,759.50**

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

An inspection of payment vouchers with their supporting documents and stores ledgers disclosed that airtime amounting to K7,466,759.50 were purchased but not recorded in airtime register. The audit team failed to ascertain accountability of the same as the beneficiaries' receipt signatures could not be verified. As a result, it was difficult to confirm whether airtime purchased was delivered and properly utilized by the Ministry.

**(i) Use Of Single Sourcing: K6,092,243.04**

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

An inspection of payment vouchers and other related documents revealed that goods, works and services worth K6, 092,243.04 were procured without obtaining the required minimum number of quotations. It was, therefore, difficult to ascertain the propriety of such procurements.

## **ROAD TRAFFIC DIRECTORATE (NORTH)**

72. An audit inspection of the financial and other information for Road Traffic Directorate (North) for the year ended June 2020 was completed in July, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated August, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below.

### **(a) Activity Reports Not Presented For Audit Inspection: K1,985,000.00**

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

An inspection of payment vouchers revealed that subsistence allowances amounting to K1,985,000.00 were not substantiated by activity reports.

### **(b) Payments Without Supporting Documents: K1,995,000.00**

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

An inspection of payment vouchers revealed that payments made for subsistence allowances amounting to K1,995,000.00 were not supported by 'Authority to leave duty station forms'. Therefore, the propriety of the expenditure could not be ascertained.

**(c) Stores Not accounted For: K1,967,171.89**

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

An inspection of payment vouchers and the stores ledger revealed that worth K1,967,171.89 were not recorded in the stores ledger. It was therefore difficult to ascertain accountability of the stores items.

**(d) Procurement of Goods and Services without IPDC Approval: K1,957,843.52**

Public Procurement and Disposal of Assets (2017), Section 26 states that there shall be established in all procuring and disposing Internal Procurement and Disposal of Assets Committees whose functions among others will include approving the methods of procurement and disposal to be used in each case.

An inspection of payment vouchers revealed that between August, 2019 and June, 2020 payments amounting to K1,957,843.52 were made without the approval of the Internal Procurement and Disposal of Assets Committee (IPDC) as evidenced by the absence of IPDC minutes.

**REGIONAL ROAD TRAFFIC AND SAFETY SERVICES (SOUTH)**

73. An audit inspection of the financial and other information for Road Traffic Directorate (South) 30th June, 2018 was completed in August, 2018. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

**(a) Failure To Prepare Daily Revenue Returns and Cashbooks: K36,574,555.00**

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

An inspection of general receipts books disclosed that revenue totalling K36,574,555.00 comprising of K29,056,655.00 and K7,517,700.00 collected by Muloza and Mwanza Weigh Bridge Stations respectively, of which neither corresponding daily revenue returns nor cash books were prepared in their respect.

**(b) Payment Vouchers Not Presented For Audit Inspection: K4,550,500.00**

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

An inspection of the detailed itemized expenditure report by cost centre and payment vouchers revealed that payment vouchers amounting to K4,550,500.00 in respect of internal travel were not presented for audit.

**(c) Fuel Not Accounted For: K18,511,000.00**

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

An inspection of payment vouchers and fuel ledgers disclosed that fuel worth K18,511,000.00 was issued through the fuel ledger without indicating the recipients of the fuel such accountability of fuel in question could not be ascertained.

**(d) Stores Not Accounted for : K3,237,377.00**

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

An inspection of stores ledgers and delivery notes disclosed that stores items amounting to K3,237,377.00 were not recorded in the ledgers. It was therefore difficult to ascertain its accountability.

## **CHILEKA INTERNATIONAL AIRPORT**

74. An audit inspection of the financial and other information for Chileka International Airport for the year ended 30th June, 2020 was completed on 31st August, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

**(a) Long Outstanding Debts: K143,644,824.00**

Treasury Instructions (2004), Section 5.7.2 (i) states that sound cash management includes – pursuing the debtors with appropriate sensitivity and rigor to ensure that amounts receivable by the government are collected and banked promptly.

An inspection of revenue records such as debtors' invoices revealed that invoices amounting to K143,644,824.00 issued to different airlines had not been honoured as at the date of audit.

**(b) General Receipt Books Not Presented For Audit Inspection**

Public Audit Act (2003), Section 7 (1) (a) stipulates that the Auditor General and every person authorized by him shall have full access at all reasonable times to all documents, books and accounts, relating thereto and subject to audit, and to any place where they are kept.

An inspection of Security documents register and General receipt books disclosed that some receipt books were not presented for audit inspection. It was therefore, difficult to substantiate the amount that was collected through such books.

**(c) Overlapping Of Subsistence Allowances: K2,570,000.00**

Treasury Instructions (2004), Section 5.13.1 inter alia states that adequate internal controls must exist within each Ministry, Department and Agency to ensure meeting control objectives which ensure that resources are employed and managed in an effective, economic and efficient manner and that there is no waste or extravagance.

An inspection of payment vouchers and request to leave duty station forms disclosed an overlap of field days. Subsistence allowance totalling K2,570,000.00 was paid to officers who were purported to have travelled to two different locations for field work on the same dates.

**(d) Misallocation Of Expenditure: K2,133,300.00**

Treasury Instructions (2004), Section 4.14.1 states that specific approval is required before any allocations can be vired or transferred between a Programme/Item within the same vote. The section further states that if the controlling Officer is satisfied that the provision against a Programme/Item will be in adequate, he may submit an application to the Secretary to Treasury in writing to vire or transfer funds between a Programme/Item within the same vote.

An inspection of payment vouchers and itemized expenditure statement revealed that payments amounting to K2,133,000.00 were allocated to irrelevant sub items.

**(e) Procurements Made Without Internal Procurement And Disposal Of Assets Committee Approval: K4,090,734.63**

The Public Procurement & Disposal of Assets Act (2017), Section 26 (2) (a-g) outlines the functions of the Internal Procurement & Disposal of Assets Committee in all procuring and disposing entities as; ascertaining the availability of funds to pay for each procurement; approving the methods of procurement and disposal to be used in each case; approving the procurement and disposal plans for the procuring and disposing entity; appointing the chairperson of the bid opening from amongst its membership; appointing ad-hoc evaluation team for the examination, evaluation and comparison of bids; reviewing and approving bid evaluation reports and reviewing and approving any contract amendments.

An inspection of payment vouchers and Internal Procurement and Disposal of Assets Committee (IPDC) minutes revealed that the office procured some goods and services amounting to K4,090,734.63 without evidence of the committees' approval.

**(f) Fuel Not Accounted For: K7,739,189.25**

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

An inspection of payment vouchers, fuel ledgers and motor vehicle logbooks revealed that fuel worth K7,739,189.25 was not accounted for neither in the fuel ledgers nor in the motor vehicle logbooks. It was therefore, difficult to ascertain if the fuel was really used for official purposes.

**(g) Payment Made For Un-Delivered Stores Items: K916,000.00**

Treasury Instructions (2004), Section 5.19.1 states that payment for goods and services received shall be affected upon verification and confirmation that goods were received or that services were rendered.

An inspection of payment vouchers, invoices, delivery notes and stores ledgers revealed that the department paid K916,000.00 to three suppliers for un-delivered stores items.

## **REGIONAL PLANT AND VEHICLE HIRE AND ENGINEERING SERVICES (SOUTH)**

75. An audit inspection of the financial and other information for Plant and Vehicle Hire and Engineering Services Regional Office (South) for the year ended June 2020 was completed on 29th January, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter addressed to the Regional Mechanical Engineer (South). These weaknesses are presented from paragraph (a) below;

**(a) Long Outstanding Receivables: K116,762, 232.00**

Treasury Instructions (2004), Section 5.7.2 (i) states that sound cash management includes pursuing the debtors with appropriate sensitivity and rigour to ensure that amounts receivable by the government are collected and banked promptly.

An inspection of Invoices and Debtors aged analysis revealed that PVHES (South) had outstanding debts totaling K116,762,232.00. These debts were accumulated in the period between October 2012 and May 2020 for hiring and technical services.

**(b) Stores Not Accounted For: K1,436, 142.03**

Treasury instructions (2004), Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a consumable stores ledger.

An inspection of payment vouchers and stores ledger disclosed that the office procured stores items worth K1,436,142.03 but failed to account for them through the ledger.

## **MINISTRY OF HOMELAND SECURITY**

76. An audit inspection of the financial and other information for Ministry of Homeland Security was conducted for the year ended 30th June 2020.

**Overall Performance on the Recurrent Budget**

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

## **Overall Performance Development Budget**

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

### **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Ministry of Homeland Security for the year ended 30th June, 2020.

The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

#### **(a) Underutilization Of Funds: K735, 581,287.00.**

The Ministry failed to achieve some of its targeted activities due to inadequate resources, among others, finalization of the Migration Policy, Strategic development plan and Drug control policy.

An inspection of financial records and performance information highlighted in the financial statements disclosed that funds amounting to K735,581,287.00 was transferred into account no 1 which indicates the underutilization of resources.

## **MALAWI POLICE SERVICE**

77. An audit inspection of the financial and other information for the Department of Malawi Police Service was conducted for the year ended 30th June, 2020 and completed December, 2020.

### **Recurrent Budget Overall Performance**

The original total budget for Personal Emoluments and Other Recurrent Transactions was K53,548,100,674 and later revised upwards to K74,446,887,427. The Actual Funds received from 1 July 2019 to 30 June 2020 amounted to K74,364,891,375 and the actual expenditure amounted to K74,364,891,375. This represents 100% utilization of the actual expenditure.

### **Development Budget Overall Performance**

The original budget for Development Account amounted to K800,000,000 and later revised downwards to K765,078,660 representing a decrease of 50%. The actual funds received amounted to K100,000,000 and actual expenditure was K96,495,477. This represents a revised budget utilization rate of 96.5%.

## **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Malawi Police Service for the year ended 30th June, 2020.

The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

### **(a) Fuel Not Accounted For: K270,000,000.00**

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

An inspection of payment vouchers and fuel ledger revealed that fuel totaling K270,000,000.00 was not recorded in the fuel ledger. It was, therefore, difficult for the audit team to ascertain disposal of the fuel.

### **(b) Spending Without Due Regard to Economy, Efficiency and Effectiveness: K5,550,000.00**

Public Finance Management Act (2003), Section 10.1 (h) requires that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

Contrary to the requirement, an inspection of payment vouchers revealed that the Department purchased 5 tyres from Wheels & Exhaust Centre at K1,200,000 each. This was too exorbitant considering that according to the authorized price list, the standard price for each tyre was not more than K550,000.00.

Further, it was noted that a vehicle registration number MP 2423 was serviced at K4,500,000 instead of standard price of K2,200,000.00. As such, there was a total over-expenditure of K5,550,000.00 for the two transactions.

### **(c) Payment without Supporting Documents: K200,245,500.00**

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

An inspection of payment vouchers revealed that a payment voucher number 341PV7006977 dated 11th December 2019 paid on cheque number 38280 to Mars International amounting to K200,245,500.00 was paid without all necessary attachments, such as, quotations, delivery note, and invoice.

**(d) Payment Of Salaries To Officers Who Are On Unpaid Personal Leave And Unpaid Study Leave: K60,066,745.00**

Circular letter number HRM/CS/18 dated 4th February 2016, states that Government through its departments approves applications from civil servants to those who would like to proceed on un paid personal leave, un paid study leave or paid study leave in order for officers to upgrade their academic qualifications as well as professional education while narrowing skills gap and building capacity with better competences.

An inspection of personal files and payroll disclosed that the office paid salaries amounting to K60,066,745.00 to officers while on personal unpaid leave or unpaid study leave.

**(e) Retirees Still Appearing on Government Pay-Roll: K42,309,394.00**

According to circular Ref. No. HRM/P & G/01/65 of 16th May 2006 on revision of mandatory retirement age for civil servants, all civil servants attaining the mandatory age of 60 years shall cease from getting the salary and be removed from the government payroll system after the age limit.

An inspection of the Police Service staff return and muster payroll revealed that retirees were still appearing on government pay roll system despite reaching mandatory age limit of 60 years in the service.

**(f) Payment Vouchers Not Presented For Audit Inspection: K16,835,466,156.89**

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

An inspection of payment vouchers and expenditure statement by cost centre revealed that Malawi Police Service failed to provide payment vouchers totalling K16,835,466,156.89. It was therefore difficult to ascertain the propriety and validity of expenditure.

## **MWANZA POLICE STATION**

### **2017/2018 Financial Year**

78. An audit inspection of the financial and other information for the Mwanza Police Service was conducted for the year ended 30th June, 2018 was completed in February, 2019. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

**(a) Revenue Used at Source: K11,447,875.59**

Treasury Instructions (2004), Section 5.7.3 states that all public moneys shall be paid into Government bank accounts designated by the Secretary to the Treasury for that purpose, and these accounts shall form part of the Consolidated Fund.

An inspection and recalculation of general receipts and bank deposit slips revealed that K20,323, 500.00 was collected and receipted but only K8,875,624.41 was banked giving a difference of K11,447,875.59 which was later established to have been used by the office before it was banked.

**(b) Fuel Not Accounted For: K1,091,037.77**

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

An inspection of payment vouchers, fuel ledger and motor vehicle logbooks revealed that fuel worth K1,091,037.77 was not recorded in respective motor vehicle log books. It was therefore difficult to ascertain the accountability of the fuel.

## **NENO POLICE STATION**

### **2017/2018 Financial Year**

79. An audit inspection of the financial and other information for Neno Police Station for the year ended June 2018 was completed on 14th December, 2018. The audit disclosed some weaknesses in financial control and other

related gaps which are detailed in the management letter dated June 2019 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

**(a) Stores Not Accounted For: K1,582,500.00**

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

An inspection of payment vouchers and stores ledger revealed that stores items amounting to K1,582,500.00 were not recorded in the stores ledger. As a result it was difficult to ascertain how the stores items were accounted for.

**(b) Fuel Not Accounted For: K4,819,976.48**

Treasury Instructions (2004) Section 5.13.1 (f) of 2004 States that internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act and is recognized as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objective is met; all assets are safeguarded against loss or destruction, and unauthorized use.

An inspection of payment vouchers, fuel ledgers and motor vehicle logbooks revealed that fuel worth K4,819,976.48 was not recorded in the fuel ledger and motor vehicle log books. It was therefore difficult to ascertain accountability of the fuel.

**MALAWI POLICE SERVICE (FISCAL POLICE AND FRAUD SECTION)**

**2018/2019 Financial Year**

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

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

Treasury Instructions 2004, section 4.14.1 states that if the Controlling Officer is satisfied that the provision against a programme/item shall be inadequate, he shall submit an application to the Secretary to the

Treasury to vire or transfer funds between a programme/item within the same Vote. The application shall be in writing and shall be signed personally by the Controlling Officer.

An inspection of payment vouchers and itemized expenditure statement revealed that funds amounting to K1,786,616.22 were charged to wrong budget line.

**(b) Fuel Not Accounted For: K6,522,145.83**

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

An inspection of payment vouchers and fuel register disclosed that fuel amounting to K6,522,145.83 was not recorded in the fuel register. It was therefore difficult to ascertain how the fuel was accounted for.

## **LIKOMA POLICE STATION**

**81.** An audit inspection of the financial and other information for Likoma Police Station for the year ended 30th June 2020 was completed in January, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letters dated October, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

**(a) Payments of Allowances Using Incomplete “Authority to Leave Duty Station Forms”: K17,811,647.00**

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

An inspection of payment vouchers revealed that payment vouchers amounting to K17,811,647.00 in respect of subsistence allowances were processed using incomplete ‘Authority to leave duty station forms.’ They lacked information such as the dates of travel, mode of transport used and places where officers were travelling. The propriety of the expenditure could, therefore, not be ascertained.

**(b) Stores not accounted for: K1,920,824.72**

Treasury Instruction (2004) Section. 11.7.1.2 states that among other things, requires that receipts and issues of all stores be recorded in the stores ledger for proper accountability.

An inspection of payment vouchers and the stores ledgers revealed that stores worth K1,920,824.72 were not recorded in the stores ledger. It was therefore difficult to ascertain how the fuel was accounted for.

## **MZIMBA POLICE STATION**

82. An audit inspection of the financial and other information for Mzimba Police Station for the year ended June 2020 was completed in July, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letters dated December, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

**(a) Revenue Spent At Source: K63,682,146.55**

Treasury Instructions (2004), Section 5.7.3 states that all public moneys shall be paid into Government bank accounts designated by the Secretary to the Treasury for that purpose, and these accounts shall form part of the Consolidated Fund.

An inspection of General Receipts and bank deposit slips revealed that revenue amounting to K74,730,000.00 was collected out of which K11,047,231.00 was banked leaving a balance of K63,682,146.55 which was spent at source.

## **RUMPHI POLICE STATION**

83. An audit inspection of the financial and other information for Rumphu Police Station for the year ended 30th June 2020 was completed in July, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letters dated December, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

**(a) Revenue Spent At Source: K27,229,964.10**

Treasury Instruction number (2004) Section 5.7.3.5 states that public money shall be paid into Government bank accounts designated by the Secretary to the Treasury for that purpose, and these accounts shall form part of the Consolidated Fund.

An inspection of general receipts and bank deposit slips revealed that revenue amounting to K33,516,800.00 was collected out of which K6,286,835.90 was banked leaving a balance of K27,229,964.10 which was spent at source.

## **POLICE MOBILE SERVICES - DELTA DIVISION (NORTH)**

**84.** An audit inspection of the financial and other information for Police Mobile Services – Delta Division for the year ended 30th June, 2020 was completed in January, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letters dated October, 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

**(a) Revenue spent at source: K21,631,600.00**

Treasury Instructions (2004), Section 5.7.3 states that all public moneys shall be paid into Government bank accounts designated by the Secretary to the Treasury for that purpose, and these accounts shall form part of the Consolidated Fund.

An inspection of general receipts and bank deposit slips revealed that revenue amounting to K78,065,000.00 was collected out of which K56,433,400.00 was banked leaving a balance of K21,631,600.00 which was spent at source.

**(b) Subsistence Allowances Paid Without Activity Reports: K1,913,780.00**

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

An inspection of payment vouchers disclosed that subsistence allowances totaling K1,913,780.00 were not substantiated by activity reports. This made it difficult for the inspecting auditors to justify the expenditure incurred.

## **DEPARTMENT OF MALAWI PRISON SERVICES**

**85.** An audit inspection of the financial and other information for Department of Malawi Prison Services for the year ended 30th June, 2020 was completed in December, 2020. The audit disclosed weaknesses in financial and internal controls.

## **Recurrent Budget Overall Performance**

The original total budget for Personal Emoluments and Other Recurrent Transactions was K9,518,247,316 and later revised upwards to K10,047,440,376. The Actual Funds received from 1 July 2019 to 30 June 2020 amounted to K10,055,239,130 and the actual expenditure amounted to K10,034,495,429. This represents 99.79% utilization of the actual expenditure.

## **Development Budget Overall Performance**

The original budget for Development Account amounted to K630,000,000 and was not revised. The actual funds received amounted to K630,000,000 and actual expenditure was K629,999,794. This represents a budget utilization rate of 99.99%.

## **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Malawi Prison Service for the year ended 30th June, 2020.

The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) and below;

## **PRISON FARMS DEPARTMENT**

86. An audit inspection of the financial and other information for Prison Farms for the year ended 30th June, 2020 was completed in December, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letters dated December 2020 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below.

### **(a) Failure to meet maize production output target**

In accordance with the annual plans, Prison Farms' maize production output for 2019/20 growing season was estimated at 2,997.5 metric tonnes through the cultivation of 599.5 hectares. The corresponding farm inputs were budgeted at 15 metric tonnes for maize seeds and while fertilizer for both basal and top dressing was budgeted at 4,848 bags of 50Kgs thus 2,424 bags for each type of fertilizer.

However, the audit exercise established that actual maize production output was 1,372.95 metric tonnes representing 45.8 percent of estimated output. It was also observed that farm inputs used was as per the budget. The scenario implies that the objectives of producing enough food to feed prisoners throughout the year and to generate government revenue through the sale of the surplus production may not be achieved.

## DEPARTMENT OF IMMIGRATION AND CITIZENSHIP SERVICES

87. An audit inspection of the financial and other information for Department of Immigration and Citizen Services for the year ended June 2020 was completed on 13th November 2019..

### **Recurrent Budget Overall Performance**

This was budgeted at K5,272,306,027. However, the actual out-turn is K5,236,760,863.00. Representing a Budget utilization of 99.3%.

### **Audit Opinion**

I issued a qualified audit opinion on the Financial Statements for the Department of Immigration and Citizen Services for the year ended 30th June, 2019. Some of the observations below form part of the basis for qualified opinion.

The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated March 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) and below

#### **(a) Passport Revenue Not Accounted For: K71,010,000.00**

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

An inspection of General Receipts, bank deposit slips and other related documents revealed that revenue amounting to K71,010,000.00 in respect of passports issued through various embassies was not accounted for. The revenue was not remitted to Immigration Department after collection by the embassies.

#### **(b) Delayed Transfer of Visa Fees: K40,355,622.50**

Treasury Instructions (2004), Section 5.7.2 (e) states that for the purposes of these instructions sound cash management includes, among others, collecting revenue when it is due and banking it promptly.

An inspection of e-visa applications and the revenue collection records disclosed that the office has been receiving revenue and transferring it to immigration account. However, the agent acting on behalf of FDH Bank transferred funds totaling K40,355,622.50 to Immigration account two months after collection.

**(c) Visa Revenue Collected By Embassies Not Accounted For: K214,272,000.00**

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

An inspection of the Visa register and revenue records disclosed that the office issued Visa books to embassies worth K214,272,000.00 but no revenue was remitted to the department by the Embassies.

**(d) Revenue From Visa Stickers Remitted To District And Regional Offices Not Accounted For: K14,422,800.00**

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

An inspection of visa sticker books and returns disclosed that the office issued out visa books to District and Regional offices worth K14,422,800.00 but were not accounted for.

**(e) Failure To Prepare Reconciliation On Manual Visa System**

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

An inspection of visa system disclosed that the office had changed its system of processing and collecting visa fees from manual to computerized system called e-visa; as such, there was need of cutoff point to mark the close of books of the manual system, the office failed to produce the records for that.

**(f) Overdue Permit Applications**

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

An inspection of the clients applications permits register revealed that the office had overdue permit applications. The office was taking a long time on average to process permits applications.

**(g) Full Payment Made For Uncompleted And Substandard Work: K19,060,500.00**

Public Procurement Regulations (2004), Section 154(1) states that final payment shall be implemented once performance of the procurement contract has been completed and accepted by the procuring entity.

An inspection of contract agreement between the department and Uvwazi construction, quotations and payment vouchers in tandem with physical inspection of Mbilima Border post disclosed that on 19 June 2020, the department made full payment to Uvwazi Construction through cheque number 007505, amounting to K19,060,500. However, works costing K7,950,000.00 were not yet done and even part of the contract which was already discharged was substandard.

**(h) Misprocurement Of Office Furniture: K3,436,750.00**

Public Procurement and Disposal of Assets Act (2017), Section 30 states that all Public Procurement proceedings shall be conducted in a manner which promotes transparency, accountability, non-discrimination, fairness, open competition, anonymity, economy, efficiency and responsiveness to modern information and communication technology.

An inspection of payment vouchers for the period under review disclosed that the Department paid K3,436,750.00 to Blockbuster Megastore for 1 Sofa set for the Regional Immigration Officer (RIO) (South)'s office. The RIO himself directed that the Sofa set should be procured from Blockbuster Megastore and no other furniture company.

**(i) Use Of Single Sourcing In Procurement Of Goods And Services: K8,390,205.00**

Public Procurement and Disposal of Assets Act of 2017, Sections 37 (9) (a), (b) and (c) state that single-source method is permitted only where the estimated value of the procurement does not exceed the amount set in the regulations; where only one supplier has the technical capability or capacity to fulfil the procurement requirement, or only one supplier has the exclusive right to manufacture the goods, carry out the works, or perform the services to be procured and; where there is an emergency need for the goods, works and services, respectively.

An inspection of payment vouchers disclosed that the office made payments amounting to K8,390,205.00 to suppliers through single-source method for procuring of goods and services.

**(j) Overlapping Of Nights Paid For Subsistence Allowance: K8,040,000.00**

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

An inspection of payment vouchers and subsistence allowance claim forms disclosed that some officers received allowances amounting to K8,040,000.00 for night that were overlapping. The officers were purported to have had spent nights in two destinations on same dates.

**(k) Misallocation Of Expenditure: K3,215,000.00**

Treasury Instruction (2004), Section 4.14.1 states that specific approval is required before any allocations can be vired or transferred between outputs. The PFM Act authorizes the Secretary to Treasury, with the approval of the Minister at the request of a Controlling Officer, to direct the virement or transfer of funds between the provisions assigned to programmes/item under a Head/Vote of expenditure, or to create a new programme/item if the amount

appropriated under the Head/Vote is not exceeded. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed personally by the Controlling Officer.

An inspection of payment vouchers revealed that payments amounting to K3,215,000.00 were charged to unrelated sub items.

**(l) Food And Rations Not Accounted For: K3,121,424.38**

Treasury instructions (2004), Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a consumable stores ledger.

An inspection of payment vouchers and stores ledger disclosed that food and ration items worth K3,121,424.18 were not accounted for through the stores ledger.

**(m) Fuel Not Accounted For: K8,551,030.14**

Treasury instructions (2004), Section 11.7.1.2 states that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a consumable stores ledger.

An inspection of payment vouchers and fuel register revealed that fuel amounting to K8,551,030.14 was not accounted for through fuel ledger.

**MINISTRY OF LABOUR, SPORTS, YOUTH AND MANPOWER DEVELOPMENT**

**88.** An audit of the financial and other information of Ministry of Labour, Sports, Youth and Manpower Development for the financial year ended 30th June, 2020 was completed on 16th January 2021. The audit disclosed weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budget as well as the Opinion on the financial Statements of the Ministry. These weaknesses are presented from paragraph (a) below;

**Recurrent Budget Overall Performance**

This was budgeted at K4,263,634,906.00 and revised to K3,838,931,589.00. However, the actual out-turn is K4,263,634,906.00 Representing a Budget utilization of 100%.

## **Development Budget Overall Performance**

The approved budget was at K5,770,000,000.00 and revised to K13,236,094,732.43. Funding received was K7,605,965,569.00 however the actual out-turn is K7,331,369,037.23 representing 59% budget utilization.

### **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Ministry of Labour for the year ended 30th June, 2020.

## **BLANTYRE TRADE TESTING CENTRE**

89. An inspection of the financial and other information Blantyre Trade Testing Centre for the years ended June, 2020 was completed in October, 2020. The audit disclosed some weaknesses in financial controls. These weaknesses are presented from paragraph (a) below;

### **(a) Stores Not Accounted For: K1,442,525.00**

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

An inspection of payment vouchers and stores ledger disclosed that certificates amounting to K1,442,525.00 purchased from Electrocard Systems were not recorded in the stores ledgers.

## **SOCHE TECHNICAL COLLEGE**

90. An inspection of the financial and other information for Soche Technical for the years ended June, 2020 was completed on March 2021. The audit disclosed some weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) and below;

### **(a) Missing Bank Deposit Slips: K3,083,900.00**

Treasury Instructions (2004), Section 5.8.2.1 & 5.8.2.2 states that the Secretary to the Treasury may, if he considers it to be necessary, authorize a revenue collector to deposit his revenue direct to a bank or bank agency for credit of a prescribed Government bank account. Where such written authority is issued, the collecting officer must forward a copy of each bank deposit slip, stamped by the bank or bank agency, to the Ministry of Finance.

An inspection of General Receipts and corresponding bank deposit slips revealed that bank deposit slips amounting to K3,083,900.00 were missing. Without deposit slips, it was difficult to verify the date when the deposit was made and the validity of the receipt.

**(b) Failure To Perform Bank Reconciliations**

Treasury Instructions (2004), Section 5.7.2 (j) states that sound cash management includes - performing the bank reconciliation on a daily basis shall detect unauthorized entries.

An inspection of revenue records revealed that the institution did not perform bank reconciliations. It was therefore, difficult to rely on the revenue totals provided by the institution.

**(c) Bank Statements And Revenue Cash Book Not Produced For Audit Inspection**

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

A request was made for NBS bank and National Bank statements, however only bank statement of National Bank was provided to the audit team by the end of the audit exercise. It was therefore, difficult to verify some electronic transfers' payments that were credited into the institutions bank account.

**(d) Payment Vouchers Without Adequate Supporting Documents: K42,117,206.64**

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

An inspection of the payment vouchers showed that payments worth K42,117,206.64 did not have supporting documents attached. In the absence of the receipts, it was difficult to ascertain the propriety of the expenditure.

**(e) Misallocations Of Expenditure: K2,849,375.00**

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

An inspection of payment vouchers disclosed that funds amounting to K2,849,375.00 meant for other activities were used on unrelated activities without any approval from the Secretary to the Treasury.

**(f) Payment Vouchers Not Produced For Audit Inspection: K314,553,853.25**

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

An inspection of revenue generated totals and revenue payment vouchers disclosed that vouchers for revenue generated amounting to K306,404,817.03 were not produced. This follows the difference between total revenue of production and parallel programs of K372,317,658.89 as per bank deposit slip records, against revenue expenditure payment vouchers totaling to K65,912,841.86. It was therefore difficult to ascertain the accountability of the aforesaid revenue due to the absence of the vouchers.

Also, an inspection of ORT payment vouchers at the College revealed that some payment vouchers were not presented for audit review. Payment vouchers worth K8,149,036.22 were not produced for audit inspection. This meant that payment vouchers totalling K314,553,853.25 were not produced for audit. Inspection.

**(g) Use of single Sourcing: K1,568,074.79**

Public Procurement and Disposal of Assets (2017), Section37(8) states that request for quotations method may be used for the procurement of goods, works and routine services when the estimated value of the procured does not exceed the amount set by the regulations.

An inspection of the quotations against payment vouchers revealed that funds amounting to K1,568,074.79 were used in payments to transactions where only one quotation was used. Some IPDC minutes cited that this was done because the supplier was on contract, however the said contracts had nothing to do with the goods being supplied.

**(h) Suppliers Supplying Goods That Are Not On Contract: K2,534,039.25**

Procurement Regulations (2004) Section 31 (8) states that procuring entities may not use framework agreements improperly or in such a way as to restrict or to distort competition.

An inspection of payment vouchers, contract agreements and goods supplied revealed that some suppliers were supplying goods that they were not contracted to supply. Funds amounting to K2,534,039.25 were paid to these suppliers in respect of such procurements.

**(i) Fuel Not Accounted For: K2,986,017.33**

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

An inspection of payment vouchers for the purchase of fuel revealed that fuel amounting to K2,986,017.33 was not recorded in motor vehicle logbooks. It was therefore difficult to conclude if at all the fuel was used on official purposes.

## **SOCHE TECHNICAL COLLEGE**

### **2018/2019 Financial year**

**91.** An inspection of the financial and other information for Soche Technical College for the years ended June, 2019 was completed on December, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

**(a) Receipts Not Captured In The Student Fees Data: K15,608,500.00**

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

An inspection of tuition revenue receipts against corresponding entries in student fees data revealed that receipts amounting to K15,608,500.00 were not recorded in the student fees data.

**(b) Student Names Not Recorded In Student Fees Data: K6,250,350.00**

Treasury Instruction (2004), 5.7.2 (a) states that for purposes of these Instructions, sound cash management includes-recognizing the time value of money economically efficiently and effectively managing cash.

An inspection tuition revenue receipts against corresponding entries in student fees data revealed that some student names were missing in the student fees data. Receipts corresponding to these missing names amount to K6,250,350.00. It was therefore difficult to rely on the information provided in the student fees data.

**(c) Long Outstanding Creditors: K58,472,737.58**

Treasury Instruction number (2004) Section 5.16.4 states that every Controlling Officer shall ensure that commitments shall be made against available funding not against budget provisions, and further that commitments in any one month do not exceed monthly funding levels. Information on cancellable and non-cancellable commitments shall be disclosed in a monthly statement of expenditure submitted to the Secretary to the Treasury.

An inspection of list of creditors and other related documents disclosed that the Institution had creditors amounting to K58,472,737.58. Some of these creditors dates back to year 2014. And some are even suing them for non-payment.

**(d) Stores Not Accounted For: K2,231,449.59**

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

An inspection of payment vouchers and stores ledger disclosed that stores items amounting to K2,231,449.59 were not recorded in the stores ledgers. It was difficult to ascertain accountability of the items.

# SOCHE TECHNICAL COLLEGE

## 2017/2018 Financial Year

92. An inspection of the financial and other information Soche Technical College for the year ended June, 2018 was completed on 4th December, 2018. The audit disclosed some weaknesses in financial and internal control. These weaknesses are presented from paragraph (a) and below;

### (a) Revenue Cashbooks Not Maintained

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

An inspection of tuition revenue records revealed that the Institution did not maintain cashbooks for the purposes of recording the revenue collections. It was therefore, difficult to reconcile the amount collected against the deposits made.

### (b) Failure To Produce Revenue Documents: K154,176,011.99

Section 5.1.1 of the Guidelines for the management of Continuing Education Programs in Public Technical Colleges states that fees for full time students shall be deposited into Government Account Number One. While tuition fees for continuing education, i.e. 40% shall be retained by the college and may be spent on the purchase of goods and services related to college classroom activities.

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

An inspection of revenue records revealed that the college failed to keep records of the revenue that was retained for use on the College's activities amounting to K154,176,011.99, therefore creating a loophole for fraud. This was difficult to ascertain whether the said amount was indeed 40% of what was supposed to be retained by the institution.

## MINISTRY OF INDUSTRY, TRADE AND TOURISM

93. An audit inspection of the financial and other information for Ministry of Industry Trade and Tourism for the year ended 30th June 2020 was completed in March, 2021.

### **Recurrent Budget Overall Performance**

This was budgeted at K3,342,559,846.63.00 and revised to K2,892,943,126.66. However, the actual out-turn is K2,875,498,337.99 Representing a Budget utilization of 99.4%.

### **Development Budget Overall Performance**

The approved budget was at K2,173,530,997.00 and revised to K2,001,988,604.00. Funding received was K1,151,136,573.00 however the actual out-turn is K942,557,580.00 representing 47.1% budget utilization.

### **Audit Opinion**

I issued a qualified audit opinion on the Financial Statements for the Ministry of Industry, Trade and Tourism for the year ended 30th June, 2020.

The audit disclosed some weaknesses in internal and financial controls. These weaknesses are presented from paragraph (a) below;

**(a) Failure To Provide IPDC Minutes For Procurements Made: K19,313,557.00**

The Public Procurement and Disposal of Assets Act (2017), Section 26 (1), (2) (a) (b) states that there shall be established in all procuring and disposing entities Internal Procurement and Disposal Committees (IPDC) and the functions of the Internal Procurement and Disposal Committees shall include-approving the methods of procurement and disposal to be used in each case; ascertaining the availability of funds to pay for each procurement.

An inspection of payment vouchers and procurement records revealed that IPDC minutes for procurement of goods and services valued at K19,313,557.00 were not presented for audit. It was therefore difficult to confirm whether the procurements were approved by IPDC.

**(b) Outstanding Transactions On Bank Reconciliation Not Followed: K1,515,423,248.40**

The Accountant General's Desk Instructions (2007), Section 12.6 states that after the Bank Reconciliation Statement is prepared it is necessary that adjustments required shall be promptly made for correcting errors and omissions revealed by the Reconciliation Statement.

An inspection of bank reconciliation for the Ministry as at 30th June 2020, revealed that the amount of K1,515,423,248.40 was still outstanding without being followed up. This made it difficult for the audit team to ascertain the validity and accountability of the transactions.

**(c) Payables Without Adequate Supporting Schedules: K102,047,443.00**

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

An inspection of financial statements and other records at the Ministry revealed that an amount of K102,047,443.00 for payables was disclosed in the statement of financial position without supporting schedules. As such, the propriety of the arrears could not be ascertained.

**(d) Failure To Maintain A Non-Current Asset Register**

Treasury Instructions (2004), Section 5.13.1 (f) requires every Controlling Officer to ensure that internal controls exist with the department or ministry to ensure that all assets are recorded and safeguarded against loss, destruction or unauthorized use. In addition, the circular from the Chief Secretary to the Government dated 2nd March, 2010 titled ‘Government Physical Assets Register’, requires the maintenance of an asset register which should among other things indicate the monetary values of the assets and their condition.

An inquiry with the Ministry officials revealed that the non-current asset register had been in draft form but does not contain all the assets of the Ministry. Failure to maintain a non-current assets register may result in misappropriation of assets without being noticed. Further, adoption of the accruals concept requires maintenance of a fixed asset register.

## **TOURISM MARKETING FUND**

- 94.** An audit of Tourism Marketing Fund for the year ended 30th June, 2020 was completed in November, 2020. The audit disclosed some weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) and below;

**(a) Payments Charged To Wrong Budget Line Items: K8,007,536.00**

Treasury Instructions (2004), Section 4.14.1 states that specific approval is required before any allocations can be vired or transferred between a Programme/Item within the same vote. The section further states that if the controlling Officer is satisfied that the provision against a Programme/Item will be in adequate, he may submit an application to the Secretary to Treasury in writing to vire or transfer funds between a Programme/Item within the same vote.

An inspection of payment vouchers and itemized expenditure statement disclosed that K8,007,536.00 was charged to wrong sub-items without Treasury authority.

**(b) External Travel Allowances For Foreign Trip Not Undertaken: K10,293,600.00**

Treasury Instructions (2004), Section 5.13.1 (g) states that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognized as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objectives are met – resources are employed and managed in an effective, economic and efficient manner.

As one of the key tourism market access initiative for 2019/20 financial year as approved by the Tourism Marketing Committee, a delegation of officers from the Department of Tourism had an official trip to Berlin in Germany to participate in International Tourism Bourse (ITB) from 29th February to 12th March 2020. The trip was formerly approved by authorities and payments for travel expenses were made. However, due to the COVID 19 pandemic which brought about travel bans to most of the countries, the trip failed to take place while officers had already cashed the external travel allowances.

An inspection of the payment vouchers and other related documents revealed that the external travel allowances drawn were not fully refunded to the Fund despite the trip having been cancelled. The yet to be refunded external travel allowances amounted to K10,293,600.00.

## **OFFICE OF THE OMBUDSMAN**

- 95.** An audit inspection of the financial and other information for the Office of the Ombudsman for the year ended 30th June 2020 was completed on 13th January, 2021.

## **Recurrent Budget Overall Performance**

This was budgeted at K708,203,084.00 and revised to 718,707,822.47, However, the actual out-turn is K717,974,361.66 Representing a Budget utilization of 75.13%.

### **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Office of the Ombudsman for the year ended 30th June, 2020

The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the accompanying management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) and below:—

#### **(a) Payments Without Adequate Supporting Documents: K6,685,101.58**

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

An inspection of payment vouchers revealed that payment vouchers worth K6,059,101.58, K377,000.00 and K249,000.00 in respect of Ombudsman Headquarters, Balaka Regional Office and Mzuzu Regional Office totaling K6,685,101.58 were processed and passed for payment without supporting documents. It was difficult to ascertain the propriety of the expenditure.

#### **(b) Airtime Not Accounted For: K5,101,400.00**

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

An inspection of payment vouchers and airtime ledgers revealed that airtime for Office of Ombudsman in respect of Headquarters, Balaka Regional Office and Mzuzu Regional Office totaling K5,101,400.00 purchased between August, 2019 to June, 2020 was not recorded in the airtime ledger. It was, therefore, difficult for the audit team to ascertain their accountability.

**(c) Stores Not Accounted For: K8,279,056.36**

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

An inspection of payment vouchers and stores ledgers revealed that stores items for Headquarters, Blantyre Region Office and Mzuzu Regional Office respectively totaling K8,279,056.36 purchased between August, 2019 to June, 2020 were not recorded in the stores ledger. It was, therefore, difficult for the audit team to ascertain their accountability.

**(d) Fuel Not Accounted For: K2,962,724.00**

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

An inspection of payment vouchers and fuel registers revealed that fuel for Headquarters, Blantyre Region Office, Balaka Regional Office and Mzuzu Regional Office respectively totaling K2,962,724.00 were not recorded in the fuel register. It was, therefore, difficult for the audit team to ascertain their accountability.

**MINISTRY OF NATURAL RESOURCES, ENERGY AND MINING**

96. An audit inspection of the financial and other information for the Ministry of Natural resources, Energy and Mining for the year ended 30th June 2020 was completed on 13th January, 2021. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the accompanying management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

**Recurrent Budget Overall Performance**

This was budgeted at K11,313,513,611.16 and revised to 11,735,897,766.78. However, the actual out-turn is K8,817,405,799.84 Representing a Budget utilization of 75.13%.

**Development Budget Overall Performance**

The approved budget was at K28,681,218,473.00 and revised to K1,302,315,893.24. Funding received was K833,083,065.71 however the actual out-turn is K828,378,757.24 representing 99.4% budget utilization.

## **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Ministry of Natural Resources, Energy and Mining for the year ended 30th June, 2020

### **ZONE FOREST OFFICE (NORTH)**

97. An audit inspection of the financial and other information for Zone Forest Office (North) for the year ended June 2020 was completed in January, 2021. The audit disclosed weaknesses in financial and internal controls. The weakness for the Zone office was:—

#### **Revenue Not Accounted For: K36,749,000.00**

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

An inspection of General Receipts and bank deposit slips revealed that between August, 2019 and May, 2020 Mzuzu Zone Forestry Office collected revenue amounting to K37,334,350.00 from the sale of logs, charcoal & transfer permits. It was further noted that an amount of K585,350.00 was banked leaving a balance of K36,749,000.00 not accounted for.

### **THE ANTI-CORRUPTION BUREAU**

98. An audit inspection of the financial transactions for the Anti-Corruption Bureau for the year ended 30th June, 2020 was completed in March, 2021. The audit disclosed some weaknesses in financial control and other related gaps.

#### **Overall Performance on the Recurrent Budget**

The approved budget was at K3,558,483,330 and revised to K3,558,483,330. Funding received was K3,558,099,731.00. However, the actual out-turn was K3,312,727,540 representing 93% of the revised budget.

## **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Anti-Corruption Bureau for the year ended 30th June, 2020.

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

## **THE ANTI-CORRUPTION BUREAU (NORTH)**

### **(a) Fuel Not Accounted For: K2,884,553.00**

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

An inspection of payment vouchers and fuel register and motor vehicle logbooks revealed that fuel worth K2,884,553.00 was not recorded in the respective motor vehicle log books. It was difficult to ascertain its accountability.

### **(b) Payments of Subsistence Allowances without Activity Reports: K24,208,058.00**

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

An inspection of payment vouchers and other relevant records revealed that subsistence allowances amounting to K24,208,058.00 were not substantiated by activity reports.

## **ANTI-CORRUPTION BUREAU (SOUTH)**

99. An audit inspection of the financial and other information for Anti-Corruption Bureau (South) for the year ended June 2020 was completed in September, 2020. The audit disclosed some weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below.

### **(a) Payments Without Adequate Supporting Documents: K7,858,750.00**

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

An inspection of payment vouchers revealed that payment vouchers totalling K7,858,750.00 had no supporting receipts. In the absence of the receipts. It was difficult to ascertain the propriety of expenditure.

**(b) Fuel Not Accounted For: K9,836,205.44**

Treasury Instructions (2004), Section 5.13.1 (d) states that revenue, expenditure, assets and liabilities are properly recorded and accounted for, and Treasury Instructions 5.9 (b) of 2004 states that all transactions shall be recorded in a primary Government record or ledger, either within the records held by a Ministry with the approval of the Secretary to the Treasury and summarized in the ledgers held by the Ministry of Finance, or in a record maintained by the Ministry of Finance.

An inspection of payment vouchers and fuel ledger revealed that fuel amounting to K9,836,205.44 was purchased but there was no evidence that it was recorded in the fuel ledger. It was very difficult to ascertain the accountability of fuel purchased.

**(c) Stores Not Accounted For: K1,064,450.00**

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

An inspection of payment vouchers and stores ledgers revealed that twelve tyres amounting to K1,064,450.00 were not recorded in the ledger. It was therefore difficult to establish the accountability of the stores items.

## **LEGAL AID BUREAU**

**100.** An audit inspection of the financial and other information for Legal Aid Bureau for the year ended 30 June 2020 was completed on 26th January, 2020.

### **Overall Performance on the Recurrent Budget**

This was budgeted at K1,028,373,309.00 and revised to K903,773,277.96. Total funds allocated were K908,649,323.00 and the actual out-turn was K898,329,981.70 resulting into the overall percentage of funds utilized against the revised budget of 99.40 %.

### **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Legal Aid Bureau for the year ended 30th June, 2020.

The audit disclosed some weaknesses in financial and internal controls and these weaknesses are presented from paragraph (a) and below;

**(a) Payments Without Adequate Supporting Documents: K31,471,618.10**

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

An inspection of payment vouchers and other relevant records revealed that payment vouchers amounting to K31,471,618.10 were passed and processed for payment without loose minutes. It was difficult to ascertain the propriety of the expenditure.

**(b) Maintenance Of Motor Vehicles Not Recorded In Motor Vehicle Files: K2,138,166.38**

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

An inspection of payment vouchers and invoices revealed that the Bureau repaired its motor vehicles at a cost of K2,138,166.38 at private garages without recording this information in the individual vehicle files. It was therefore, difficult for the inspecting auditors to ascertain the frequency of these maintenance and repairs.

**(c) Use Of Certificates With Expired Dates: K8,248,528.00**

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

An inspection of payment vouchers, PPDA certificates of registration and tax clearance certificates revealed that payment vouchers amounting to K8,248,528.00 were processed for payment supported by expired PPDA certificate of registration and tax clearance certificates.

**(d) Stores Not Accounted For: K1,679,456.97**

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

An inspection of payment vouchers, stores ledgers disclosed that stores items valued at K1,679,456.97 were not recorded in the stores ledger. It was therefore, difficult to ascertain their accountability.

**LEGAL AID BUREAU (SOUTH)**

**101.** An audit inspection of the financial and other information for Malawi Legal Aid Bureau (South) for the year ended June, 2020 was completed on 27th November, 2020. The audit disclosed some weaknesses in financial and internal controls. These weaknesses are presented from paragraph (a) below;

**(a) Payments By Cash: K1,211,000.00**

Treasury Instructions (2004), Section 5.19.3 states that wherever possible all payments must be made by cheque or direct debit to a bank account. However, payments of K1,000 or less may be made in cash from the standing imprest depending on prevailing circumstances.

An inspection of payment vouchers and receipted vouchers disclosed that payments amounting to K1,211,000.00 in respect of allowances and other receipts were made by raising cheques payable to different officers who later withdrew cash.

**(b) Payment Of Top Up Allowance On Fully Sponsored Trip: K1,000,000.00**

Treasury Instructions (2004), Section 5.13.1 (f) stipulates that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognized as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objectives are met - all asset are safeguarded against loss or destruction, and unauthorized use.

An inspection of payment vouchers disclosed that the Office paid top up external travel allowance amounting to K1,000,000.00 to the Deputy Director of Malawi Legal Aid Bureau in respect of a fully sponsored trip.

**(c) Overlapping Of Nights For Payment Of Subsistence Allowance: K780,000.00**

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

An inspection of payment vouchers and request to leave duty station forms disclosed an overlap of field days. Subsistence allowance totalling K780,000.00 was paid to officers who were purported to have travelled to two different locations for field work on the same dates.

**(d) Procurements Made Without Procurement Plan: K23,925,264.95**

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

An inspection of payment vouchers and procurement records disclosed that goods and services worth K23,925,264.95 were procured without a procurement plan.

**(e) Fuel Not Accounted For: K1,538,833.00**

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

An inspection of payment vouchers and fuel ledgers and motor vehicles logbooks disclosed that fuel amounting to K1,538,833.00 was not accounted for. Accountability could not be ascertained in the absence of such information.

## **MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS**

**102.** An audit inspection of the financial and other information for Ministry of Justice and Director of Public Prosecution for the year ended 30 June, 2020 was completed on 26th January, 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the accompanying management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below;

## **Overall Budget Performance**

This was budgeted at K1,208,255,364.00 and revised to K1,036,929,367.00. Funds received amounted to K1,003,861,983.00. The actual out-turn was K1,003,124,126.00 representing 96.7 % of the revised budget.

## **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Ministry of Justice and Director of Public Prosecution for the year ended 30th June, 2020.

### **(a) Procured Motor Vehicle not Delivered: K26,424,478.00**

Public Procurement and Disposal of Public Assets (2017), Section 51 (2) requires that a procuring and disposing entity may appoint a contract manager, depending on the nature and complexity of the contract, whose main responsibility shall be to ensure that the supplier, contractor or consultant performs the contract in accordance with the terms and conditions specified therein.

An inspection of payment vouchers and procurement contract agreement disclosed that Nissan Urvan 16 seater minibus motor vehicle amounting to K26,424,478.00 was not delivered from supplier.

## **THE REGISTRAR GENERAL'S DEPARTMENT**

- 103.** An inspection of the financial and other information for Registrar General's Department for the year ended June, 2020 was completed on October, 2020.

## **Overall Budget Performance**

This was budgeted at K790,638,394.00 and revised to K604,729,039.00. Funds received amounted to K601,519,609.00. The actual out-turn was K601,519,609.00 representing 99.5 % of the revised budget.

## **Audit Opinion**

I issued an unqualified audit opinion on the Financial Statements for the Registrar General's Department for the year ended 30th June, 2020

The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) and below;

**(a) General Receipt Books Not Recorded In The Security Document Register: K61,416,909.87**

Accountant General's Desk Instruction (2007), Section 15.6.3 (g) states that a Register of Receipt Books in the form of Annexure II shall be kept by all officers entrusted with receipt and issue of Receipt Books. Separate folios shall be used for each type of receipt form and a separate line for each book.

An inspection of General Receipts, and security documents register revealed that seven General receipt books were used to collect revenue amounting K61,416,909.87 but were not recorded in the security documents register. This could consequently lead to revenue receipts going missing without noticing.

**(b) Fuel Not Accounted For: K2,540,000.00**

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

An inspection of payment vouchers and fuel ledgers revealed that fuel amounting to K2,540,000.00 was not recorded and signed for by recipients in the fuel ledgers.

## **ADMINISTRATOR GENERAL**

- 104.** An audit inspection of the financial and other information for Ministry of Justice and Constitutional Affairs (Administrator General) for the year ended 30 June 2020 was completed on 1st February, 2021.

### **Recurrent Budget Overall Performance**

This was budgeted at K529,204,654 and revised to K525,889,438. However, the actual out-turn is K500,242,313.73 representing a budget utilization of 95%.

### **Development Budget Overall Performance**

The approved budget was at K390,000,000 and revised to K290,000,000. The actual out-turn is K281,224,764.27 representing 97% budget utilization.

### **Audit Opinion**

I issued a qualified audit opinion on the Financial Statements for the Administrator General for the year ended 30th June, 2020

The audit disclosed some weaknesses in internal and financial controls and these weaknesses are presented from paragraph (a) and below.

**(a) Misallocation Of Expenditure: K50,675,567.51**

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

An inspection of payment vouchers and itemized expenditure statement revealed that expenses for Other Recurrent Transactions (ORT) amounting to K50,675,567.51 were charged to Development Part II activities.

**(b) Use Of Single Sourcing To Procure Goods And Services: K34,914,438.68**

The Public Procurement and Disposal of Assets Act (2017), Section 37 (9) (a, b, c, d) states that Single-source method is permitted only in the following circumstance (a) where the estimated value of the procurement does not exceed the amount set in the regulations; (b) where only one supplier has the technical capability or capacity to fulfil the procurement requirement, or only one supplier has the exclusive right to manufacture the goods, carry out the works, or perform the services to be procured; (c) where there is an emergency need for the goods, works and services.

An inspection of payment vouchers, delivery notes, invoices and stores ledgers disclosed that items valued at K34,914,438.68 were purchased using single sourcing procurement method. IPDC minutes were not available to give reasons as to why single sourcing method of procurement was used.

**(c) Payments Without Adequate Supporting Documents: K22,854,621.21**

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

An inspection of payment vouchers revealed that payment vouchers totaling K22,854,621.21 were presented for audit without supporting documents, such as, receipts, delivery notes and loose minutes. In the absence of the supporting documents, it was difficult to ascertain the propriety of the expenditure.

**(d) Lack of evidence of IPDC's Approval for the Procurements Made: K37,387,732.10**

The Public Procurement and Asset Disposal Act (2017), Section 26.1 (b) states that there shall be established in all procuring and disposing entities Internal Procurement and Disposal Committees, which shall approve the methods of procurement and disposal to be used.

An inspection of payment vouchers revealed that the Department made procurements worth K37,387,732.10 but there were no IPDC minutes available for inspection to substantiate approval of the same by the IPDC.

**(e) Maintenance Of Motor Vehicles Not Recorded In Motor Vehicle Files: K9,833,543.59**

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

An inspection of payment vouchers and motor vehicle files revealed that motor vehicles were maintained at a cost of K9,833,543.59 without recording this information in the individual vehicle files. As a result, it was difficult to ascertain whether the services were really rendered.

**(f) Payment of Allowances Without Activity Reports: K17,405,000.00**

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

An inspection of payment vouchers and other related documents revealed that allowances amounting to K17,405,000.00 were given to officers but did not submit activity reports to the Controlling Officer. This made it difficult for audit team to substantiate the expenditure incurred.

**(g) Stores Not Accounted For: K12,855,282.48**

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

An inspection of payment vouchers and stores ledgers along with delivery notes disclosed that stores items valued at K12,855,282.48 were not recorded in the stores ledgers. It was therefore, difficult for the audit team to ascertain their accountability.

**ADMINISTRATOR GENERAL (SOUTH)**

**105.** An audit inspection of the financial and other information for Regional Administrator General (South) for the year ended June 2020 was completed on 30th September 2020. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated March 2021 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) and below;

**(a) Deceased Estate Documents Not Presented For Audit Inspection: K29,976,974.00**

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

An inspection of payment vouchers and deceased estate register disclosed that some files in respect of deceased estates amounting to K25,467,674.00 and payment vouchers amounting to K4,509,300.00 were not presented for audit inspection. It was therefore, difficult for the inspecting auditors to establish how funds in such files were administered.

**(b) Deceased Estates Funds Transferred To Legal Practitioners Without Liquidation: K2,250,000.00**

Final Desk Instructions (2007), Section 7.5.1 (iii) states that receipted payment vouchers, shall be returned after ten days from the last date of payment. If the vouchers are not returned within ten days, effort by the officer in-charge to follow up the vouchers shall be made. Any monies unpaid shall be brought on charge.

An inspection of deceased estate files and other relevant documents disclosed that the office transferred K2,250,000.00 to a number of legal practitioners from different estates without any agreement or any written consent from the rightful beneficiaries. It was therefore, difficult for the audit team to ascertain the authenticity of the payments.

**(c) Dormant Deceased Estates: K14,578,415.42**

Treasury Instructions (2004), Section 5.13.1 (g) and (h) states that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the PFM Act, and is recognised as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, the following control objectives are met - resources are employed and managed in an effective, economic and efficient manner and there is no waste or extravagance respectively.

An inspection of deceased estates records disclosed that the office transferred estates amounting to K14,578,415.42 to various district councils for distribution to the beneficiaries. However, since the transfer; the estates have been dormant at the DC's office for a period of more than four years.

**(d) Overlapping Of Nights Paid For Subsistence Allowance: K2,247,500.00**

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

An inspection of payment vouchers and request to leave duty station forms disclosed an overlap of field days. Subsistence allowance totalling K2,247,500.00 was paid to officers who were purported to have travelled to two different locations for field work on the same dates.

**(e) Fuel Not Accounted For: K7,570,000.00**

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

An inspection of payment vouchers and fuel ledgers disclosed that fuel amounting to K7,570,000.00 was not recorded in the fuel ledger. It was therefore difficult to ascertain the accountability of the fuel.

## PART IV

### RECOMMENDATIONS AND ACKNOWLEDGEMENT

#### RECOMMENDATIONS

**106.** In the course of my audit of the 2019/20 Accounts of the Government of the Republic of Malawi, each Controlling Officer was sent appropriate audit inspection report with recommendations. Regrettably, evidence has shown that in certain cases, the recommendations have not been given due consideration by the Controlling Officers.

**A summary of recommendations includes:—**

- i. Although the Government of Malawi started preparing Financial Statements using IPSAS accrual stage II, there is still need to improve on incorporating all financial assets and liabilities which include public debt at both domestic and external levels;
- ii. The Accountant General's Department should continue to train accounting personnel in the ministries on the preparation of the accounts to enhance capacity;
- iii. There should be an improvement in consolidation of financial statements in making sure that all revenue and related expenditure for Malawi Government are taken into account;
- iv. The reconciliation of salaries account should be done as soon as possible to make sure it is up to date like other accounts;
- v. There is immediate need to enhance the functioning of Audit Committees in all Ministries and Departments to facilitate speedy responses to audit reports and to ensure implementation of audit recommendations;
- vi. Procurement of goods and services should be executed within set processes and regulations and procedures to ensure that maximum value of money is obtained;
- vii. In compliance with Government financial rules and regulations, bank reconciliations should be timely prepared for all bank accounts maintained by the Reserve Bank of Malawi;
- viii. Strict compliance with financial provisions should be enforced in the MDAs in order to improve public financial management and control;
- ix. The use of invalid supporting documents should be stopped forthwith and no payment should be made without adequate and valid supporting documentation;

- x. Ministries and Departments should set up an effective filing system that allows easy location of all documentation;
- xi. The systems requirements and procedures should be reinforced with capable supervision;
- xii. Further investigations should be conducted by special teams on the areas suspected that public resources may have been lost or mismanaged.
- xiii. The Secretary to the Treasury should ensure that monthly and quarterly bank reconciliations are performed timely and ensure that bank reconciliations are properly completed, checked and approved in a timely manner.
- xiv. The Secretary to the Treasury should ensure that all the outstanding reconciling amounts are followed up and provide valid reasons for their occurrence and they should be checked to ensure that they relate to genuine timing differences; and
- xv. Government through the Office of the Director of Public Procurement and Disposal of Assets with support from the Department of E-Government should make sure that public procurement systems evolves to E-Procurement

## **ACKNOWLEDGEMENTS**

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

LILONGWE, MALAWI

June, 2021