MALAWI GOVERNMENT

REPORT OF THE AUDITOR GENERAL

ON THE

ACCOUNTS OF THE GOVERNMENT OF THE REPUBLIC OF MALAWI

FOR THE YEAR ENDED 31ST MARCH, 2022

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

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07th February 2023

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

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

Dear Madam,

Pursuant to the provision of Section184 (2) of the Constitution of the Republic of Malawi (1994) and section 15 of the Public Audit Act, 2003, I have the honour to submit my report on the results of the audit of the Accounts of the Government of the Republic of Malawi for the year ended 31st March, 2022 for tabling in the National Assembly

Yours faithfully,

THOMAS K. B. MAKIWA
Acting Auditor General

Prologue

I am honored and privileged to meet the constitutional mandate of submitting my report on the accounts of the Government of the Republic of Malawi for the financial year ended 31st March, 2022 as required by Section 184 of the Constitution of the Republic of Malawi, 1994 as well as Section 15 of the Public Audit Act, 2003.

I have highlighted in this report a number of internal control weaknesses that continue to negatively affect our public financial management performance. I have also highlighted isolated issues which appear to be root causes of financial mismanagement in the Government of Malawi.

I wish to report that two of the biggest challenges that are so common in most Ministries, Departments and Agencies (MDAs) include not availing to my staff documents for audit as well as failure to attach accountability documents to payment vouchers for audit. I have in the past relegated such mishaps to poor record management, however due to the prevalence of such occurrences, I am persuaded to think that failure to avail documents to my staff means that the MDAs are actually hiding fraudulent activities. This is how such weaknesses will be looked at henceforth. Accordingly, I will be reporting this matter separately to the relevant authorities because it is a violation of Section 7(1)(a) of the Public Audit Act, 2003 whose offence is; *in the case of an individual, a fine of K50,000 and imprisonment for two years, and if the offence is a continuing one, to a further fine not exceeding K10,000 for every day that the offence continues; or (b) in the case of a body corporate (including a statutory body), a fine of K100,000 and if the offence is a continuing one to a further fine of K20,000 for every day that the offence continues,* as stipulated by Section 29 (2) (a) (b) of the same Act.

I also came across irregularities that have hampered our revenue collection and accountability efforts. In most Police stations there is a continued problem of using revenue at source (instead of depositing it into Government Account Number 1).

Failure to plan public procurements, ignoring IPDC when making procurements as well as general flouting of procurement laws and regulations were rife during the 2021/2022 Financial Year. Spending of funds on different allocations other than those approved by parliament (Misallocation) continued to occur. Making payments without following prescribed laws and regulations (Irregular payments) was another major weakness. Most MDAs also did not provide performance information, as such, I was not able to gauge their performance against their plans. Apart from these common issues, there were also some isolated ones albeit quite significant as follows: There were significant cases of overfunding and over expenditure above the approved budget and actual funding in our foreign missions; reconciliations of public service loans and advances interests were not performed and in some cases unreconciled transactions were not followed up and Some contractors used substandard building materials on some public projects. I also came across a significant amount of outstanding court cases which highlight the snail pace of access to justice.

Lastly, I have reported of the delays in IPSAS accrual implementation. This will deprive GoM the benefits of IPSAS accrual such as improved financial management information reporting and transparency, greater accountability and fight against fraud and corruption and improved use and management of public sector resources. It is my hope that the Ministry of Finance & Economic Affairs will take this matter of IPSAS migration seriously and urgently, otherwise I will strongly report on the same in my subsequent submissions if I see that there is no effort towards pursuing the issue.

Finally, I sincerely hope that the Parliament, Secretary to the Treasury, Accountant General and Office of the President & Cabinet among other relevant stakeholders will put in place measures that will counter and contain the weaknesses as highlighted in this report.

THOMAS K. B. MAKIWA
Acting Auditor General

TABLE OF CONTENTS

List of Tables PAGE

List of Figures

Paragraph

PART I

INTRODUCTION

PART II

OVERALL BUDGET PERFORMANCE 2019/2020

PART III

MINISTRIES, DEPARTMENTS AND AGENCIES

PART IV

RECOMMENDATIONS AND ACKNOWLEDGEMENT

EXECUTIVE SUMMARY

In accordance with Section 184(2) of the Constitution of the Republic of Malawi, 1994, 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 resources.

The audits have not been limited to the accounts for the year ended 31st March, 2022, but have where necessary extended into the reviews of the preceding years wherever it has been considered significant and material.

The Government budgetary operations registered a decrease in both revenue and expenditure during the year under review. Total revenue collected decreased by K992 billion from K2,626 billion realized in 2020/21 financial year to K1,634 billion which represents a decrease of 37.8%. Total expenditure decreased by K1,206.5 billion from K2,916.3 billion in 2020/2021 financial year to K1,709.8 billion which represents a decrease of 41.4%. The net effect of this is that Government underspent by 3.6% because the decrease in expenditure was more than that of revenue which is good fiscal management practice. Domestic revenue relatively decreased during the year. This was mainly due to the transitional change of Government financial year from twelve (12) to nine (9) months. However, Malawi Revenue Authority continued to improve on tax collection and administration.

Revenue Account registered K1,634 billion while the recurrent expenditure was K1,709.8 billion. This recurrent expenditure is inclusive of Tax Refunds, Development Part I and Development Part 1I of K30.2 billion, K107.3 billion and K98.6 billion respectively. In addition, funds amounting to was paid in respect of tax refunds. The overall picture of the recurrent budget was a net deficit of K75.8 billion.

Development Receipts which include External Loans/Grants and Malawi Government Transfers from Recurrent Revenue/Receipts, decreased by K158.9 billion from K364.8 billion in 2020/2021 to K205.9 billion in 2021/22. Total expenditure charged to the Development Account was K257.7 billion which decreased by K2.1 billion when compared to K259.8 billion for 2020/2021 financial year representing a decrease of 0.8%. Government in this fiscal year continued to get donor support.

The fiscal year 2021/2022 is considered 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) Accrual Adoption Stage 2. My audit opinions on some 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.

However, I am worried with the stagnation of implementation with respect to IPSAS Accrual adoption. In this year, the Government was supposed to be on simplified accrual basis but the framework is still at Stage 2. One of the critical issues is the incorporation of assets in the Statement of Financial Position

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 Secretary to the Treasury through the Accountant General should ensure that the migration is done properly by the 2024/2025 fiscal year. Similarly, there is need to 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, 2003 and Public Audit (Amendment) Act, 2018 , Public Finance Management Act, 2022, Public Procurement and Disposal of Public Assets Act, 2017, and other related Acts on public financial management, Treasury Instructions 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 summarized into the following categories as follows:

1. Documents not submitted for audit
2. Payment vouchers presented without supporting documents
3. Miscellaneous Irregularities
4. Revenue Irregularities
5. Overfunding and Over-expenditure
6. Financial Statement Irregularities
7. Procurement Irregularities
8. Irregular Payments
9. Irregularities in construction project
10. Misallocation of public funds

11. Activity Reports Not Presented for Audit
12. Irregular funding
13. Underutilization of funds
14. Funds not accounted for
15. Reconciliation Irregularities Relating To MG Account Number One
16. Failure to prepare and Update Fixed Asset Register
17. Failure to perform bank reconciliation
18. Long Outstanding Court Cases/Delayed Justice
19. Format of Cashbooks Not Properly Configured
20. Deposit Account Not Presented for Audit Review
21. Failure to Control Debt Increase
22. Failure to Reduce Domestic Debt To Twenty Percent (20%) of GDP

(a) Documents not Submitted for Audit

According to Section 7 (a) of Public Audit Act, 2003 for the purpose of fulfilling the functions and duties lawfully conferred or imposed on the Auditor General, he/she and every person authorized by him/her 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. This important fact is also emphasized in the Public Finance Management Act through Treasury Instructions (2004), Section 5.9 (a), which states that Controlling Officers shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff. Thus availing documents for audit is a very important audit prerequisite.

To my dismay, recurrently, a majority of MDAs continue to be elusive on this matter. During the 2021/2022 Financial Year, payment vouchers in excess of K27 billion were not availed to my staff for audit. Figure 1 below provides details of MDAs who failed to produce these documents for audit.

Bar Chart of Payment Vouchers by Amount and MDA not submitted foraudit

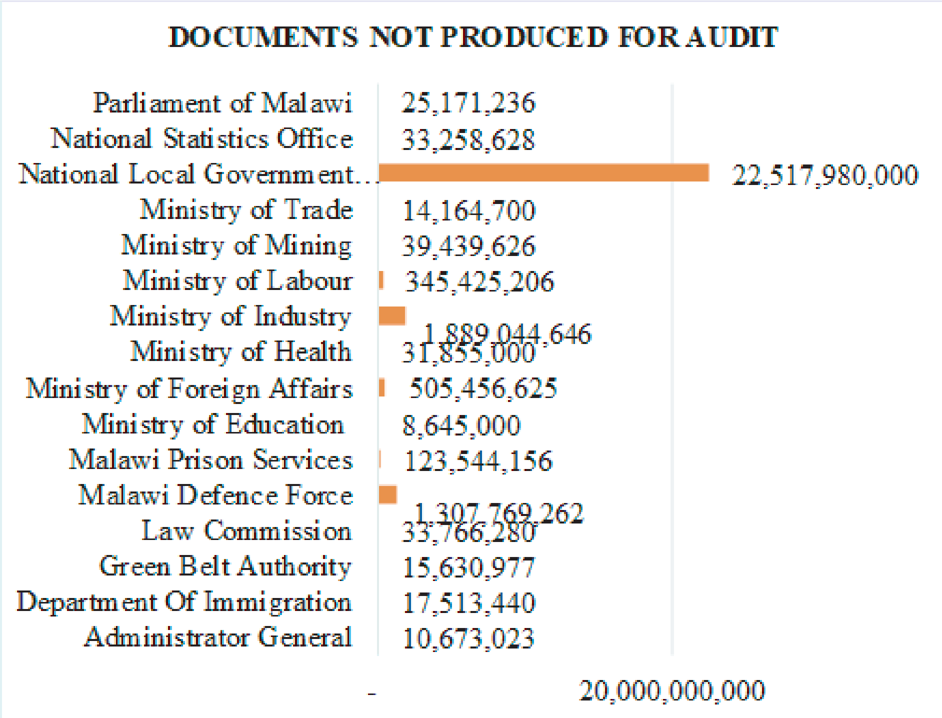

Figure 1: Payment Vouchers not Presented for Audit

According to the Association of Certified Fraud Examiners (ACFE) Report to the Nations, 2022 (ACFE.com), there are five (5) main ways in which occupational fraudsters conceal their fraud. They include: creating fraudulent physical documents (39%), altering physical documents or files (32%), creating fraudulent electronic documents (28%), altering electronic documents or files (25%) and destroying or withholding physical documents (23%).

MDAs have for a long time been guilty of this vice. In the past we have attributed that to poor record management, but this time am persuaded to think, in accordance with the ACFE report (which comes out every year with more or less the same results) that the MDAs which fail to avail documents for audit are actually committing fraud and they would want to hide it. On that note, Government should take stiff disciplinary actions on Controlling Officers who do not provide accountable documents to the auditors during the time of audit.

(b) Payment Vouchers Presented Without Supporting Documents

Similar to the anomaly at (a) above, and also according to Section 7 (a) of Public Audit Act, 2003, we also observed issues to do with lack of supporting documentation.

On this anomaly, it is not enough just to present a payment voucher. All accountability documents before and after the payment must be intact, either firmly attached to the voucher or kept elsewhere but properly referenced to enable a proper audit. In the 2021/2022 financial year, payment vouchers in excess of K507 million, were presented for audit without adequate supporting documents for me to authenticate the payments. Such accountability documents included loose minutes, receipts, quotations, invoices, delivery notes just to mention some. Figure 2 below provides details of MDAs who failed to produce these documents for audit.

Bar Chart of Payment Vouchers without adequate supporting documents

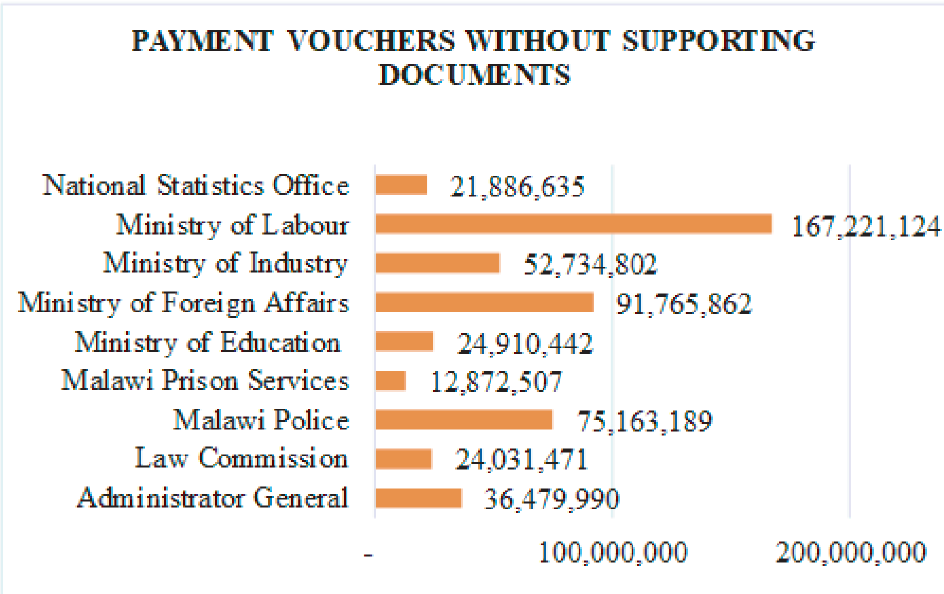

Figure 2: Payment Vouchers presented without Supporting documents

In the past, we have relegated this irregularity to poor record management, but this time am persuaded to think, in accordance with the ACFE report (which comes out every year with more or less the same results) that the MDAs which fail to avail documents for audit are actually committing fraud and they would want to hide it. Similarly, Government should take stiff disciplinary actions on Controlling Officers who do not provide accountable documents to the auditors during the time of audit.

(c) Miscellaneous Irregularities

In this category, I have grouped all irregularities that could not be classified properly. One big anomaly worth noting in this category is the failure by Administrator General to publish long outstanding deceased estate claims of K1.2 billion during the 2021/2022 Financial Year. The miscellaneous irregularities totalled K1.3 billion. Table 1 below has the details of these miscellaneous irregularities:

Table 1: Miscellaneous Irregularities

Query	Amount (K)	MDA
Failure To Publish Long Outstanding Deceased Estate Claims	1,182,082,721.88	Administrator General
Failure To Deduct Withholding Tax	13,901,836.03	Ministry of Defence
Inconsistences in TRF Numbers	62,904,912.49	Ministry of Finance
Negligence In Safeguarding A Motor Vehicle Involved In Accident	34,000,000.00	Ministry of Health
Motor Vehicle Repairs Without PVHES Inspection Certificate	16,936,659.85	Ministry of Local Government
Total	**1,309,826,130.25**	

(d) Revenue Irregularities

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. However, for most Police Office stations across the country, revenue continues to be used at source and not deposited in Government Account Number 1. Secondly, Ministry of Transport and Public Works had unverified revenue due to lack of system's reports. Thirdly, the Immigration Department breached revenue collection holding period and deposits for visa revenue were not presented for audit Lastly, Ministry of Labour had revenue not accounted for due lack of accountability documents. Total revenue irregularities during the period under review amounted to K7 billion. Figure 3 below depicts a summary of these revenue irregularities by MDA and amount.

Bar Chart of Revenue Irregularities

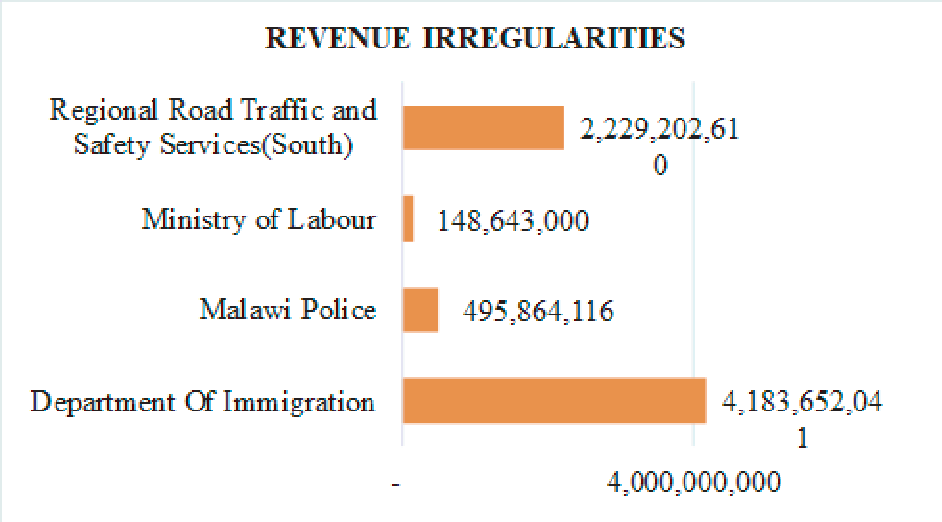

Figure 3: Revenue Irregularities

(e) Over-Funding And Over-Expenditure

Section 10 (e) of the Public Finance Management Act, 2003 dissuades Controlling Officers from over-expenditure and over-commitment of funds. This is amplified in Treasury Instruction (2004), Section 4.14.1 which requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another.

During the 2021/2022 audit of MDA's, I came across significant cases of over-funding at Ministry of Foreign Affairs to foreign missions totaling K1.6 billion. I also came across cases of over-expenditure totaling K3.4 billion as detailed in the figure 4 below. to some MDA's as shown in figure 4 below.

Bar Chart of Over-Expenditure Of Public Funds

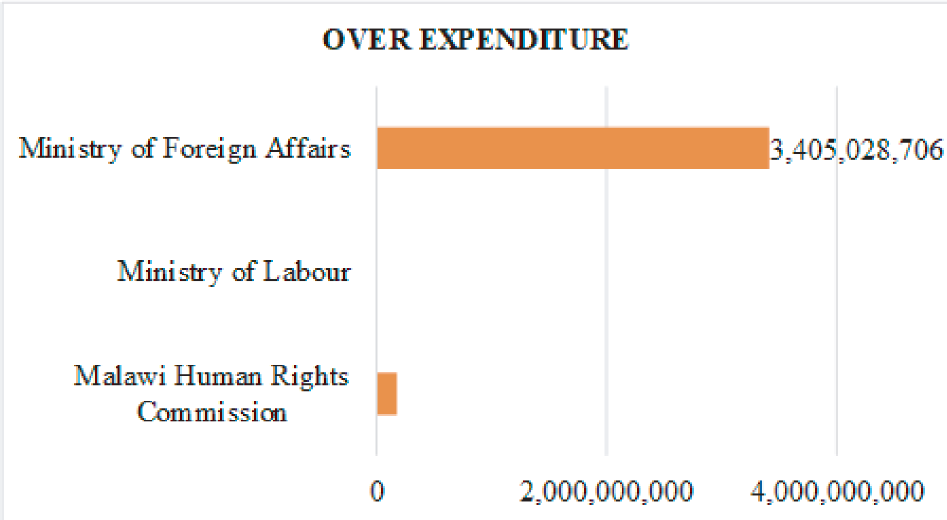

Figure 4: Over-Expenditure Of Public Funds

(f) Financial Statements Related Irregularities

The Accountant General issued a Circular Ref. No. T4400 dated 4th June 2020 which requires MDAs to incorporate financial assets and financial liabilities in their financial statements in order to comply with International Public Sector Accounting Standards (IPSAS), in a quest to move from the cash basis of accounting to full accrual. This will be done in a phased approach and currently we are at Stage 2 which requires the Statement of Financial Position to include financial Assets and Financial Liabilities.

While a number of MDAs have been doing this, quite a few are still struggling. Supporting schedules to the figures presented in the financial statements have often not been presented for audit. Additionally, there has been a problem of omitting important information in the financial statements. The financial statements irregularities amounted to K38.4 billion. Figure 5 below depicts a summary of these anomalies.

Bar Chart of Financial Statement Related Irregularities

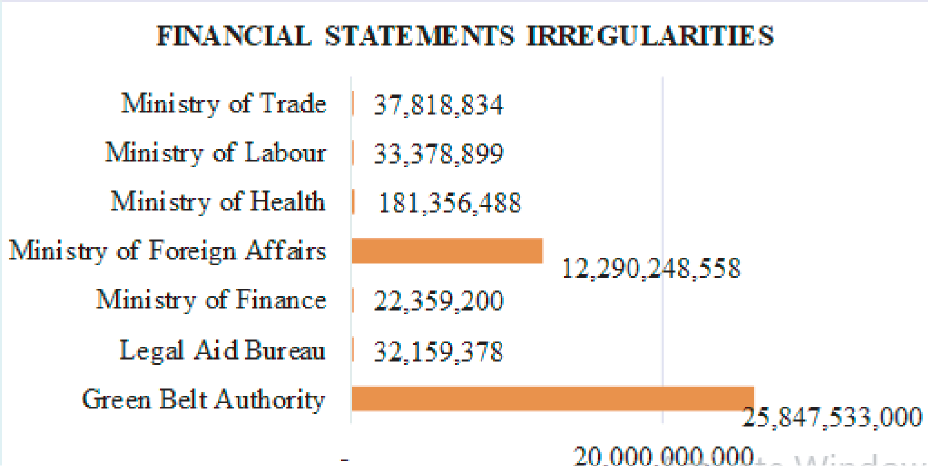

Figure 5: Financial Statement Related Irregularities

(g) Procurement Irregularities

Public Procurement and Disposal of Public Assets Act (PPDA), 2017, Section 39 (1) requires procuring entities to 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 the Act. However, during the 2021/2022 financial year, a number of MDAs procured goods and services without a procurement plan. Additionally, some procurements were done without the approval of the Internal Procurement and Disposal of Assets Committee (IPDC). There were also cases of general flouting of the PPDA. These procurement irregularities amounted to K402 Million. Figure 6 below depicts in summary by MDA and amount how the procurement regulations were flouted.

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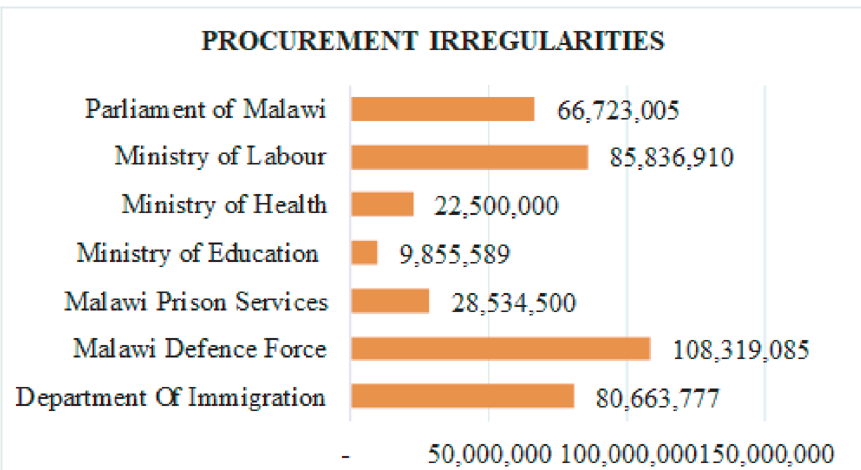


(h) Irregular Payments

Public Finance Management Act (2003), Section 10 subsection I (h) and (I) states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources. However, during the 2021/2022 audit, a number of MDAs made payments amounting to K1.3 billion that were contrary to the provisions of the Public Finance Management Act. Figure 6 below depicts a summary of the MDAs and the amounts for these irregular payments.

Bar Chart of Irregular payments

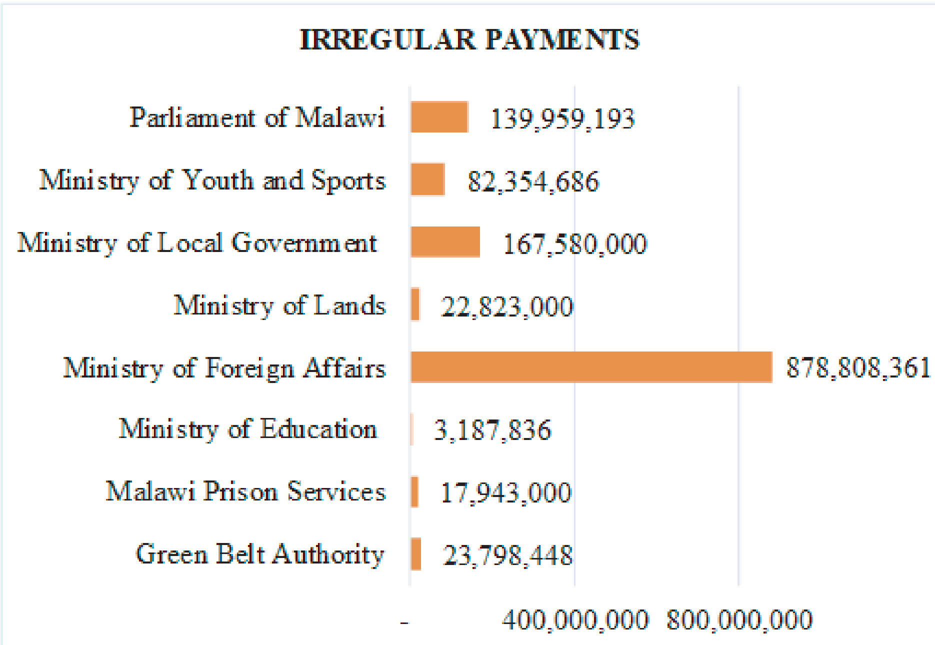


Figure 6: Irregular payments

(i) Irregularities In Construction Project

The anomaly under this category happened at Ministry of Education and was relating to wasteful expenditure on construction of Chinolampeni CDSS Laboratory and Library Block. 71.3% of the contracted funds were paid to the contractor and later the project was abandoned while at foundation and slab level. The amount spent was K57 million. Therefore, the amount spent was wasted since the project was abandoned.

(j) Misallocation Of Expenditure

Treasury Instruction (2004), 4.14.1 requires all expenditures to be charged to an appropriate vote and that the expenditure be classified strictly in accordance with estimates. The provisions further require funds to be spent on 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.

However, it was noted during the audit that Malawi Defence Force and Malawi Prison Services misallocated funds amounting to K315 million and K113 million respectively, contrary to this instruction. Figure 7 below shows MDAs that violated this instruction.

Bar Chart of Misallocation of Expenditure

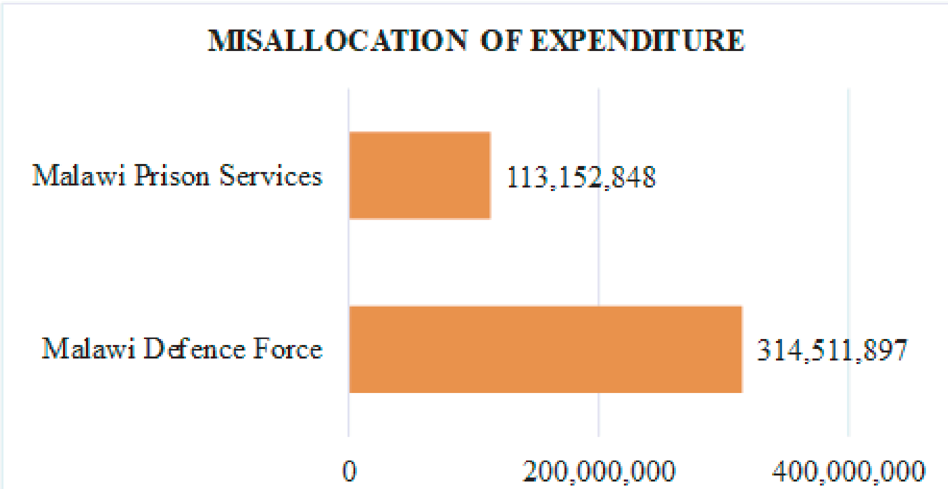


Figure 7: Misallocation of public funds

(k) Activity Reports Not Presented For Audit

Government Circular Reference Number 15/15/7 dated 18th December, 2015, from the Chief Secretary states that in line with travel policy, each officer who is paid subsistence allowances must submit a report to the Controlling Officer indicating among other aspects, where she/he travelled to, the purpose of the trip, the institutions/persons consulted and benefits of the trip to the Ministry/Department or Agency. This must be done within one (1) week after each official trip. However, during the audit, it was noted that a number of activities by MDAs amounting to K462 million were not supported with activity reports. Figure 8 below has a summary by MDA and amount where activity reports were not produced.

Bar Chart of Activity Reports not presented for Audit.

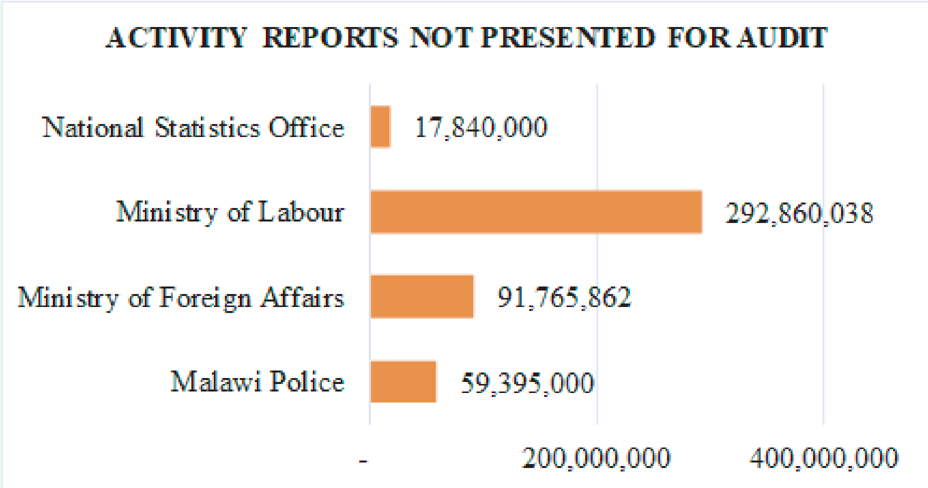


Figure 8: Activity Reports Not Presented For Audit

(l) Funding Irregularities

Public Finance Management Act (2003), Section 10 (1) (c, e & f) stipulates 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; all expenditure, including salaries and other personal emoluments, is properly authorized and applied to the specific purposes for which it is appropriated; and 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. The audit disclosed funding irregularities at Ministry of Foreign Affairs and Ministry of Economic Planning, Development and Public Sector Reforms amounting to K2 billion and K526 million respectively as shown in figure 9 below.

Bar Chart of Funding Irregularities.

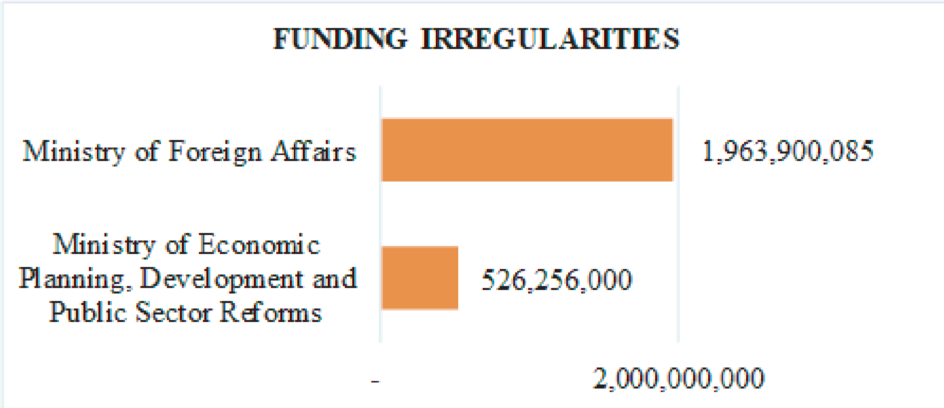


Figure 9: Funding Irregularities

(m) Under Utilization of Funds

Public Finance Management Act (No.4 of 2022), Section 15 (b) states that every officer shall ensure that public resources within the officer's area of responsibility are used in a way which is lawful, economic, efficient, effective, transparent and accountable. The audit disclosed underutilization of resources by K16 million at Ministry of Education. This implies that the amount spent was less than the amount funded to the ministry during the period under review.

(n) Funds Not Accounted For

Treasury Instructions (2004), Section 5.13.1 (d) 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, the following control objectives are met –revenue, expenditure, assets and liabilities are properly recorded and accounted for. The audit disclosed that there were some MDAs which failed to account for funds amounting to K1.4 billion. Figure 10 below shows a summary of funds not accounted for by MDAs.

Bar Char of Funds Not Accounted.

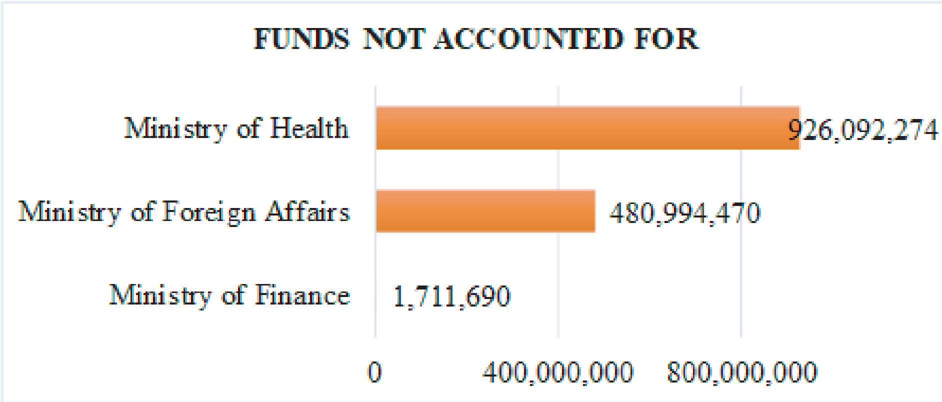
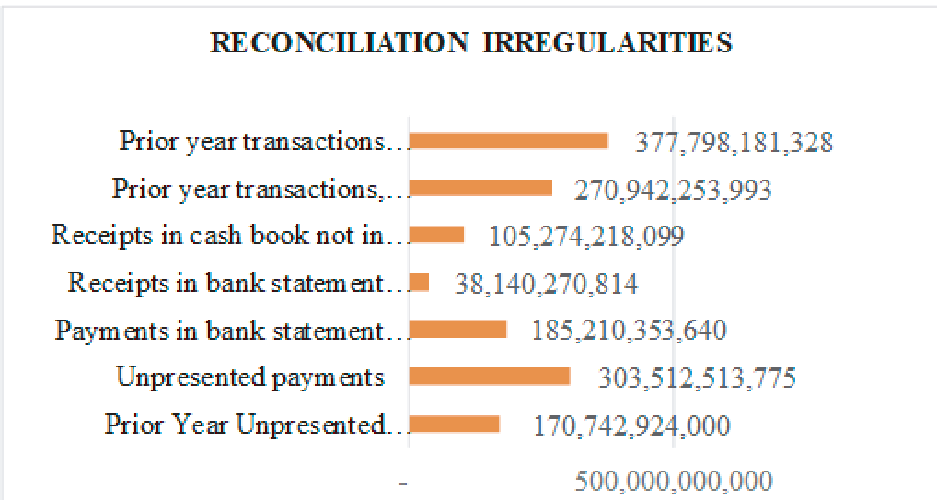


Figure 10: Funds Not Accounted For

(o) Reconciliation Irregularities On MG Account Number 1

The Accountant Generals Department Desk Instructions (2007) 12.6 states that after the Bank Reconciliation Statement is prepared, it is necessary that adjustments required are promptly made for correcting errors and omissions revealed by the Reconciliation Statement. It was noted that bank reconciliation statement for the Salaries, Consolidated ORT, Consolidated Development (Part II), had several irregularities totaling K1.5 trillion. Figure 11 below shows the details.



Bar Char of Reconciliation Irregularities.

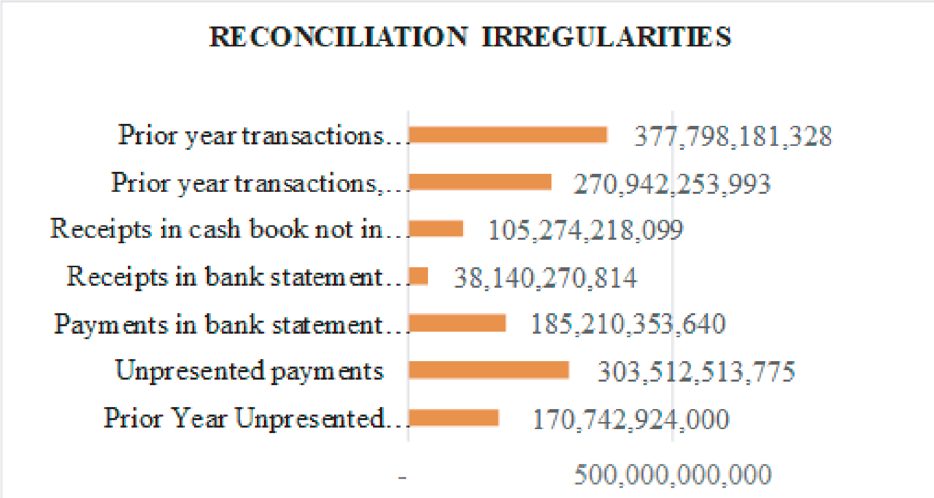


Figure 11: Reconciliation Irregularities

(p) Failure to prepare and update fixed Asset Registers

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. We noted, however, that some few MDAs failed to prepare and maintain a Fixed Asset Register. These MDAs include: Ministry of Transport and Public Works, Ministry of Youth and Sports, Police Management Development Centre and Bandawe Secondary School.

(q) Failure to Perform Bank Reconciliations

Treasury Instruction (2004) Section 5.6.2 requires the Controlling Officer of a Ministry or Department to manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for identification, collection, safeguarding, recording and reconciliation of information in respect of revenue. However, the audit disclosed a number of instances where the MDAs did not perform bank reconciliations. There is a risk that fraud may go unnoticed due to non-performance of bank reconciliation. Notable MDAs where such failures were noted include: The Malawi Judiciary, the Administrator General and the Department of Immigration. It was also noted that AGD failed to reconcile MG Control Account Number 1 for transactions period from 1st July 2021 to 31st March 2022.

(r) Delayed Justice

The Constitution of Malawi, 1994 Section 42 (2) (f) (i), states that every person arrested for, or accused of, the alleged commission of an offence shall, in addition to the rights which he or she has as a detained person have the right as an accused person, to a fair trial, which shall include the right to public trial before an independent and impartial court of law within reasonable time after having been charged. I noted, however, at the Neno Magistrate Court, had long outstanding cases, dating as far back as 2019 which have not been tried. The same was noted at Chikwawa Police Station, Neno Police Station and Legal Aid Bureau. As they say justice delayed is justice denied.

(s) Format of Cashbooks Not Properly Configured

The Accountant Generals Department Desk Instructions (2007) Number 7.7 on Combined Receipts and Payment Cashbook states that Payment vouchers shall be entered in the combined payments and receipts cashbook as soon as transactions take place. At banking stations, one cashbook shall be kept for each bank account. I however noted that cashbooks that were used by AGD for bank reconciliation statements for all accounts were not as per the format of the Central Government of combined receipts and payments cash book that shows the opening balance, receipts, payments and closing balance. Instead, the single format was configured in the system that shows receipts and payments separately without showing closing balances.

(t) Deposit Account Not Presented for Audit Review

The Accountant Generals Department Desk Instructions (2007) 12.8 (ii) Bank Reconciliation Section shall forward reconciled statements each month to the Controlling Officer with copies to the Accountant General, (Government wide Reconciliation Section) and the Auditor General. I, however, noted that AGD management on reconciliation statement for the period under review for Deposit Account was not done as a result it was not submitted for audit review to ascertain the occurrence and validity of the transactions.

(u) Failure to Control Debt Increase

Medium Debt Management Strategy for 2018-2022 dated December, 2018 signed by Minister of Finance states that Malawi will strive to ensure that future domestic and external financing remains prudent to ensure debt sustainability for current and future generations. Contrary to the above requirement, Malawi Government public debt portfolio keeps on increasing, raising fear that it may reach unsustainable levels.

(v) Failure to Reduce Domestic Debt To Twenty Percent of GDP

Medium Debt Management Strategy for 2018-2022 dated December 2018 signed by Minister of Finance states that Malawi will strive to ensure that future domestic and external financing remains prudent to ensure debt sustainability for current and future generations. Fiscal policy in the medium term, therefore, will aim at reducing domestic debt to 20 percent of Gross Domestic Product. It was however noted that Malawi's public debt portfolio has not been maintained in accordance with the above requirement.

(w) Slow Pace in Adopting Full Accrual International Public Sector Accounting Standards (IPSAS)

Although in the year 2022/2023, Malawi was supposed to be in full accrual as per the roadmap, the framework is still at stage ii. Which translates to a slow pace in IPSAS adoption. Since 2011, this is twelve (12) years down the line and the progress is not worth the length of time invested. This will deprive the Government the benefits of IPSAS Accrual such as improved financial management information reporting and transparency, greater accountability and fight against fraud and corruption, improved use and management of public sector resources, particularly assets and improved cash-flow management.

(x) Delay In Payment Of Pension And Gratuity To Retired Staff And Beneficiaries

During the audit, it was noted that pension and gratuity payments to retired officers and beneficiaries of the same were hugely delayed.

As at the date of audit, the Accountant General's Department was paying officers who retired in February, 2021 meaning that there was a delay of almost two years.

General Recommendations

- There is need to ensure that the plan for the adoption of IPSAS is strictly implemented through commitment from Government by adequately resourcing the drive. Now that the Government has embarked on improving its public financial management systems and one critical area under public financial management which is to enhance accountability on usage of public resources, IPSAS will greatly contribute to its realisation;
- 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;
- 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;

- 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;
- Procurement of goods and services should be executed within set processes and regulations and procedures to ensure that maximum value of money is obtained;
- 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 as a matter of urgency;
- All officers responsible for the breach of procurement regulations should be dealt with in accordance with the law;
- 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;
- Strict compliance with financial provisions should be enforced in the MDAs in order to improve public financial management and control;
- The use of invalid supporting documents should be stopped forthwith and no payment should be made without adequate and valid supporting documentation;
- Ministries and Departments should set up an effective electronic filing system that allows easy location of all documentation;
- The systems requirements and procedures should be reinforced with capable supervision;
- Further investigations should be conducted by special teams on the areas suspected that public resources may have been lost or mismanaged;
- The Secretary to the Treasury through the Accountant General should ensure that with the coming of IFMIS, automated bank reconciliation is accurately done in the system;
- The Accountant General 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;
- Payment vouchers and supporting documents not presented for audit should be traced and submitted for audit inspection. Those responsible for not availing the said documents for audit should be dealt with in accordance with the PFMA and MPSR;
- The over funding, over expenditure above the approved and revised budget; and over expenditure above the actual funding in Embassies should be fully investigated;

- A decision must be made on revenue used at source in Police Stations and Embassies;
- The Department of Immigration should ensure that E-Passport and E-Visa revenues should be collected and banked with the Reserve Bank of Malawi. Regular reconciliations of such revenues should be done under proper supervision;
- The Department of the Accountant General should ensure that civil servant loans and advances interests are reconciled periodically. Further all outstanding transactions for the reconciliation of the consolidated account should be investigated and cleared within a specific period of time;
- All payments made in breach of regulations should be investigated and culprits dealt with accordingly;
- All project related anomalies should be investigated, and corrective action taken;
- All officers responsible for misallocation of expenditure should be dealt with accordingly;
- Controlling officers should ensure that performance information is provided for audit and that what is planned is actually achieved;
- MDAs which did not administer training bonds should do so and hence forth training bonds for officers on long training should be administered;
- Controlling officers must ensure that Fixed Asset Registers are maintained and updated. Those failing to do so should be dealt with accordingly;
- Accountant General's department should ensure that all reconciliation irregularities observed by the Auditor General relating to MG account number one are thoroughly addressed;
- The Government should ensure that retirees and related beneficiaries are paid their pension and gratuity in time to minimize future claims and suffering of the beneficiaries;
- Judiciary should ensure that long outstanding cases are tried and subsequent cases are dealt with speed;
- Ministry of Finance should ensure that public debt is managed in accordance with Government policies including introducing or activating the public debt module; and
- Government should improve on Public Debt Management by improving on domestic revenue collection and strengthening exports to improve the liquidity and Governments cashflows.

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 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.

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;

   (f) Outcomes or provisions produced are consistent with those specified in any Appropriation Act;

   (g) Relevant government policies and legislation are being complied with;

   (h) All expenditure is charged against the relevant allocation appropriated by the National Assembly; and

   (i) 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 107 (2) of the Public Finance Management Act (2003) requires the Secretary to the Treasury to prepare in accordance with section 26, and submit to the Auditor General as soon as practicable, but not later than 30th June each year, the consolidated financial statements for all votes for that year in the form specified in the Fourth Schedule, including statements of any such funds and accounts as are required to be included in the financial statements by this act or any other written law. The form and content of the financial statements as per the fourth schedule 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 the closure date of the reporting period;

(c) a statement of changes in equity/net assets during the reporting period;

(d) notes to the financial statements;

(e) all necessary disclosures as required;

(f) a statement of cash flows showing the cash receipts and cash payments for operating, financing and investing activities during the reporting period, and the cash and cash equivalent at the beginning of the reporting period and also as at date of closure of the reporting period;

(g) a statement of funds showing, for each Fund, balances at the beginning and end of the reporting period, and the nature of the movement in the reporting period;

(h) a statement of cash balances showing a breakdown of the balances held by type of holding;

(i) a statement of service performance showing appropriated budgets, approved variations to appropriated budgets, actual performance and variation between actual and budget;

(j) disaggregated statements of service performance for each Ministry, department and agency showing appropriated budgets and variations to those budgets, actual receipts and payments for appropriated items, including third party outputs and transactions on behalf of the Government, and the variation between appropriated budget and actual performance;

(k) a statement of statutory expenditure showing details of domestic debt servicing, external debt servicing, statutory remuneration and other material items of expenditure;

(l) a statement of investments showing the nature or type of investments and current and non-current investments;

(o) a statement of borrowings showing total debt and the break-down of current and non-current debt, and for each debt showing the opening and closing balances for the reporting period and the nature of the movement during the period, the impact of exchange rate movements, average interest rate, and loan balances available for drawdown (if applicable);

(p) a statement of contingent gains and liabilities' showing where possible an indication of the gain or cost

(q) a statement of ex-gratia payments approved under the provisions of this act;

(r) a statement of write-offs approved under section 113 showing, in aggregate, losses and deficiencies of public money, irrecoverable amounts of revenue, irrecoverable debts and overpayments, the value of assets including investments written-off; and

(s) a statement on the level of asset values, including a statement of Government policy for the maintenance of asset values";

(t) a statement showing, for each account in the trust Fund and treasury Fund, balances at the beginning and end of the reporting period, and the nature of the movement in the reporting period; and

(u) statement of accounting policies setting out the significant accounting policies on which the financial statements are prepared, and other information specified by the secretary to the treasury in treasury Instructions as are required to provide more detailed information or explanations.

CONTROLLING OFFICERS' RESPONSIBILITY

8. In terms of Section 14 of the Public Finance Management Act (2003), it is the Controlling Officers' responsibility to maintain proper financial management systems. This involves keeping appropriate financial records, and where applicable, following generally accepted accounting principles. Responsibilities of management also include ensuring that: -

- adequate information on financial allocation and utilization, revenue collection, and acquisition, management and disposal of assets is provided to the responsible Minister;
- all accounts and records relating to the functions and operations of the institution are properly maintained;
- all necessary precautions are taken to safeguard the collection and custody of public money;
- all expenditure, is properly authorized and applied to the specific purposes for which it is appropriated;
- the collection of public money is according to approved plans and estimates;
- all expenditure is incurred with due regard to economy, efficiency, effectiveness and the avoidance of waste;
- there is no over-expenditure or over-commitment of funds;
- all necessary precautions are taken to safeguard public resources;
- any tax, duty, fee, levy or other charge for which the institution is responsible for collecting under law, is collected promptly and to the fullest extent; and

- any proposal to charge for the supply of goods or services is consistent with the economic and fiscal policy of the Government;

Section 107 (1) of the Public Finance Management Act (2002) requires every controlling officer responsible for a vote shall, not later than 31st May each year to prepare and submit to the Secretary to the Treasury in accordance with section 26 and applicable treasury Instructions, the financial statements for that vote for that financial year. The Controlling Officers prepared financial statements of their Ministries, Departments and Agencies for the 2021/2022 financial year and submitted them for audit before they were consolidated by the Accountant General.

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 31st March, 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 Cap. 37:01 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 31st March 2022 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. Before preparing this report, each Controlling Officer was sent a Management Letter to respond within 14 days. Where responses were received in good time and happened to be materially satisfactory, the affected audit queries were amended accordingly, or dropped altogether. In cases where it was not possible for Controlling Officers to provide responses in the time available, the queries 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 31st March, 2022 is unmodified as follows:

Opinion

I have audited the accompanying Consolidated Annual Appropriation Accounts of the Government of Malawi for the year ended 31st March, 2022 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 31st March, 2022, 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 (2022).

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 130-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

Bank Reconciliations for the year ended 31st March 2022

The following transactions reported on the reconciliations statement were still outstanding as at 31st March 2022. These require timely resolution.

(A) Malawi Government Control Account No. 1

In the 2021/2022 financial year, the bank reconciliation statement for this account was compiled manually because configurations were not yet complete both in IFMIS-SAP and at RBM due to transactions' referencing and format of the bank statement. However the following transactions were still outstanding:

(1) Unpresented payments in cashbook amounting to K104,978,533,230.68

(2) Receipts on bank statement but not in cashbook amounting to K173,497,106,835.72

(3) Payments on bank statement but not in cashbook amounting to K88,201,630,472.12

(4) Receipts in cashbook but not on bank statement amounting to K263,217,449.22

(B) Other Pool Accounts (Advances, Development, Other Recurrent Transactions. Compensations, salaries and pensions)

(1) In the 2021/2022 financial year, the unpresented payments amounting to K68,935,014,921.60 on pool accounts were still outstanding; and

(2) Prior year unpresented cheques amounting to K41,072,774,260.99 were still outstanding.

(C) Reconciliation of the Salaries Account

The Salaries Account for 2021/2022 financial year was reconciled. However, for the prior year, I could only rely on the Automated Transfer System (ATS) daily reconciliation which was up to eighty percent (80%) of the K305 billion total personal emoluments.

(D) Stagnation in Adopting Full Accrual International Public Sector Accounting Standards (IPSAS)

As at the reporting date, Malawi's reporting framework was still at stage 2 accrual basis of accounting when it was supposed to be on full accrual according to the roadmap. This development is a concern because it means the financial statements do not provide a comprehensive picture of the government's financial position as at the end of the financial year under review.

It is now twelve (12) years (from 2011) since Malawi government adopted the accrual basis IPSASs. However, the pace of graduation has been really minimal. To the contrary, Local Authorities (Councils) are on Stage 3 accrual and almost graduating to Stage 4.

The current framework (Stage 2) deprives the Government the benefits of IPSAS Accrual such as: improved financial management information reporting and transparency; greater accountability and fight against fraud and corruption; improved use and management of public sector resources, particularly assets, and liabilities (Government stock of arrears); and improved cash-flow management.

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

According to Section 107 (2) of the Public Finance Management Act, 2022, the Secretary to the Treasury shall prepare in accordance with section 26, and submit to the Auditor General as soon as practicable, but not later than 30th June of each year, the consolidated financial statements for all votes for that year in the form specified in the Fourth Schedule, including statements of any such funds and accounts as are required to be included in the financial statements by this act or any other written law. The Financial Statements should be in accordance with International Public Sector Accounting Standards (IPSAS) under the accruals basis of accounting stage two (2) and for such internal control as he 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 financial statements 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:

(1) 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;

(2) 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;

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(4) 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;

(5) 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;

(6) 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; and

(7) 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 following main areas: -

Activity Reports Not Presented For Audit	461,860,900
Documents Not Submitted For Audit	26,919,337,806
Financial Statements Irregularities	38,444,854,357
Funds Not Accounted	1,408,798,434
Irregular Funding	881,866,290
Irregular Payment	1,375,644,132
Irregularities In Construction Projects	57,352,451
Misallocation of Funds	427,664,745
Miscellaneous Irregularities	1,309,826,130
Over-funding and Over-Expenditure	2,574,575,235
Payment Vouchers Without Supporting Documents	507,066,022
Procurement Irregularities	402,432,866
Revenue Irregularities	7,057,361,767
Underutilization of Funds	16,180,184
Reconciliation Irregularities	1,451,620,715,649
Total	**1,533,465,536,970**

The audit opinion is presented separately in Volume 1 of the Consolidated Annual Appropriation Accounts for the year ended 31st March, 2022.

PART II

OVERALL BUDGET PERFORMANCE 2021/2022

BUDGET OUTTURN – REVENUE

14. Total revenue collected during the period ended 31st March, 2022 was K1,634 billion which reflected a decrease of K992 billion (37.8%) over the 2020/2021 amount of K2,626 billion. The sources of revenue were Tax Revenue K962.1 billion, Non-Tax Revenue K108 billion, Net Proceeds from Domestic Borrowings K456.6 billion, Project Loans K97.3 billion, Project Grants K9.6 billion and Dedicated Grants K0.4 billion

The approved budgeted revenue was K1,455 billion and was revised to K1,423.7. Actual revenue collection for the 2021/22 financial year was K1,634 which was K210.3 billion 14.8% above the revised amount of K1,423.7 billion. The over-collection was evident mainly on Non-Tax Revenue amounting to K48.2 billion and proceeds from Domestic Borrowings K456.6 which had no budget. There was an under-collection on Tax Revenue amounting to K81.9 billion, Project Loans amounting to K139 billion, Project Grants amounting to K63 billion and Dedicated Grants amounting to K10.6 billion which resulted into an overall over-collection of K210.3 billion.

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

Table 2: An Analysis Of Total Revenue Collection For The Past Four Years

Year	Approved Provision K'000	Revised Provision K'000	Actual Collection K'000	Over/ (Under) Collection K'000	Percentage Over/ (Under) Collection %
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%)
2020/2021	2,895,976,458	2,953,992,865	2,625,944,857	(328,048,008)	(11%)
2021/2022	1,455,005,103	1,423,651,217	1,633,956,369	210,305,152	14.8%

With reference to Table 2 above, the general assessment of revenue budget provision compared to the actual collection indicates that there were, to a larger extent, under-collections for the past three years. However, during the year under review 2021/2022 there was significant improvement in revenue collection, as it registered over - collection of 14.8%. It is therefore, encouraging that the budget planning and forecasts had an average error of 2.8% for the past four (4) financial years and there is room for improvement.

Table 3: The Analysis On Sources Of Revenue During The Year in Billions of Kwacha

	Approved Amount	Revised Amount	Actual Amount	Variance	Percentage
Tax Revenue	1,044	1,044	962.1	(81.9)	(7.8%)
Non-Tax Revenue	59.7	59.7	108	48.3	80.9%
Net Proceeds from Domestic Borrowings	-	-	456.6	456.6	100%
External Assistance	351.2	320	107.3	(212.7)	(66.5%)
Total	**1,454.9**	**1,423.7**	**1,634**	**210.3**	

The general assessment on sources of revenue with reference to Table 2 above, the tax collection decreased by 7.8% as compared to the revised budget of K1,044. This minimal decrease in the performance of the tax revenues was on account of devastation tropical cyclones and shorter accounting period of only nine months as compared to prior period of twelve months. The non-tax revenue budget for the year was K59.7 billion and the actual collection was K108 billion representing 80.9% of the revised budget. The decrease was attributed to dividends by Reserve Bank of Malawi and also a shorter fiscal year. In the year under review, Government traded on local market and proceeds were K1,032.7 billion and repayments of borrowings were K576.1 billion resulting into a Net Proceeds from Domestic Borrowings of K456.6. While on External Assistance K107.3 was realized from the revised budget of K320 billion representing 33.5%.

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 4: Trend Of (Under)/Over-Collection Of Revenue In Billions Of Kwachas

	2018/2019	2019/2020	2020/2021	2021/2022
Tax Revenue	(13.6)	(249.4)	28.7	(81.9)
Non-Tax Revenue	(23.1)	130.6	(200.1)	48.3
Project Loans	(29.3)	0.4	(0.5)	(63.0)
Dedicated Grants	(24.4)	20.3	9.6	(10.6)
Project Grants	(34.1)	(2.9)	(39.7)	(139)
Program Loans	-	(21.9)	(126)	-
Net proceeds from Borrowings	-	-	-	456.6
Total	**(124.5)**	**(122.9)**	**(328)**	**210.3**

For the past four years, there have been under-collections of revenue across all revenue streams. In the 2020/21 the Non-Tax Revenue was the worst in under-collection but there was an improvement in 2021/2022 as it registered an over collection. Tax Revenue registered under-collection in 2021/2022 followed by Projects Loans, Dedicated Grants and Project Grants. Project Grants have consistently been registering deficits in each of the past four years and in 2021/2022 was worse as analyzed in Table 3 above.

BUDGET OUT TURN - EXPENDITURE

15. During the year under review, total recurrent expenditure charged to the Consolidated Fund was K1,709.8 billion resulting into a decrease in expenditure of K1,206.5 billion (41.4%) when compared to the total expenditure of K2,916.3 billion for 2020/2021 financial year. During the financial year under review, a total amount of K205.9 billion from the Recurrent Account was transferred to Development Account Part I and II amounting to K107.3 billion and K98.6 billion respectively. The overall performance of the recurrent expenditure had a net deficit of K75.8 billion which compared very favorably to a net deficit of K290.3 billion for the financial year 2020/2021. The other contributing factor apart from the transfers to the development budgets is the Tax refunds of K30.2 billion. This brings the total expenditure on Recurrent Budget to K1,709.8 billion.

CONSOLIDATED REVENUE ACCOUNT

16. The consolidated revenue account worsened in performance during the 2021/2022 financial year since the account had a cumulative deficit of K992.2 billion as at 31st March, 2022, as compared to a cumulative deficit of K916.3 billion as at 30th June, 2021 which is a 8% underperformance. The movement for this account is as follows:-

Table 5: The Consolidated Revenue Account As At 31st March, 2022

Description		**K'000**
Deficit balance (brought forward) as at 1st July, 2021		(916,325,372)
Add:	Revenue for the year	1,633,956,369
Less:	Expenditure for the year	(1,503,938,045)
	Transfer to Development Part II	(98,564,933)
	Transfer to Development Part I	(107,285,397)
Cumulative Deficit carried forward as at 31st March, 2022		**(992,157,378)**

The planned recurrent deficit for the year under review was K139.3 billion since the Government planned to collect and spend K1,423.6 billion and K1,562.9 billion respectively but the actual position was a deficit of K75.8

billion as at 31st March, 2022 and this can be compared to the actual Recurrent Budget out-turn deficit of K290.3 billion as at 30th June, 2021. Table 6 has the details:-

The annual deficit is largely attributed to lack of financial discipline on revenue collection and expenditure management on the recurrent budget.

Table 6: Recurrent Budget Performance For The Past Four Years Is As Follows:-

Years	**2018/2019**	**2019/2020**	**2020/2021**	**2021/2022**
Amount in	**K'000**	**K'000**	**K'000**	**K'000**
Actual Revenue	1,143,631,502	2,324,306,133	2,625,944,857	1,633,956,369
Less: Actual Expenditure	(1,106,342,038)	(1,948,359,115)	(2,551,469,456)	(1,503,938,045)
Transfer to Dev. Part II	(84,875,273)	(159,402,020)	(94,341,516)	(98,564,933)
Transfer to Dev. Part I	(203,098,581)	(203,846,895)	(270,474,597)	(107,285,397)
Surplus/(Deficit)	**(250,684,390)**	**13,698,103**	**(290,340,713)**	**(75,832,006)**

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

Only Vote 430: Human Rights Commission on Central Government recorded an over expenditure of K0.5 billion. The over expenditure was due to under estimation on the Personal Emoluments budget which was not revised by Treasury

Similarly, there was overall under-expenditure was K43.4 billion recorded on fifty-six (56) votes.

However, we also observed that there were eleven (11) votes under Recurrent Budget with the largest unspent balances:

Vote	**MDA**	**Amount (K'000)**
341	Malawi Police Service	7,413,520
250	Ministry of Education Science and Technology	4,983,965
190	Ministry of Agriculture Irrigation and Water Development	4,372,643
310	Ministry of Health	3,886,054
420	Roads Authority	3,311,954
273	Malawi Revenue Authority	2,165,221
340	Ministry of Home Affairs and Internal Security	2,059,463
090	Office of President and Cabinet	1,662,571
130	Ministry of Lands and Housing	1,651,947
271	Accountant General's Department	1,628,213
490	Ministry of Energy	1,174,177
		34,309,728

The underperformance in most of the votes could relate to less activities implemented during the year as compared to the planned activities which resulted into underutilization of funds.

The overall state of affairs of the Recurrent Budget as at 31st March, 2022 was a net deficit of K75.8 billion, registering a decrease of K214.5 billion from a net deficit of K290.3 billion, recorded at the end of the year as at 30th June, 2021. This indicates that the budget performance in the Recurrent Budget during the year improved than the immediate prior year.

CONSOLIDATED DEVELOPMENT ACCOUNT

17. The total expenditure charged to Development Account for the year ended 31st March, 2022 amounted to K257.7 billion reflecting a decrease of K2.1 billion over the previous year's expenditure of K259.8 billion as at 30th June, 2021.

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

Table 7: Trend Analysis Of Expenditure For Four Years Of Consolidated Development Account

Years **Amount in**	**2018/2019** **K'000**	**2019/2020** **K'000**	**2020/2021** **K'000**	**2021/2022** **K'000**
Approved Estimates	318,931,372	438,248,524	511,187,820	570,838,330
Revised Estimates	277,959,556	367,440,616	637,145,881	473,275,154
Actual Expenditure	205,732,907	309,171,512	259,809,077	257,733,753
Under Expenditure	72,226,649	58,269,104	377,336,804	215,541,401
Under expenditure %	26%	16%	59%	46%

Only vote 121: Local Development Fund on Central Government recorded an over expenditure of K15 billion and the reasons for over expenditure were not provided.

The overall under-expenditure was K230.5 billion recorded on twenty-nine (29) votes.

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

Vote	MDA	Amount (K'000)
470	Ministry of Forestry and Natural Resources	30,598,245
330	Ministry of Information and Civic Education	27,551,515
490	Ministry of Energy	26,402,574
190	Ministry of Agriculture Irrigation and Water Development	24,948,938
310	Ministry of Health	23,774,643
320	Ministry of Gender Children Disability and Social Welfare	20,061,598
250	Ministry of Education Science and Technology	17,232,755
270	Ministry of Finance and Economic Affairs	17,141,202
274	Road Fund Administration	11,124,752
380	Ministry of Trade	10,141,702
090	Office of President and Cabinet	7,050,756
275	Subvented Organisations	3,570,433
400	Ministry of Transport and Public Works	3,516,934
130	Ministry of Lands and Housing	2,139,581
180	Ministry of Youth and Sports	1,554,112
		226,809,740

However, the reasons for unspent balances on the Development votes were not provided.

The overall state of affairs of the Development Account as at 31st March, 2022 was a cumulative surplus of K232 billion, registering a decrease of K51.9 billion from a cumulative surplus of K283.9 billion recorded at the end of the 2020/2021 financial year. Details are in Table 6 below:

Table 8: Cumulative Surplus In Development Account

	Amount (K'000)
Receipts during the year	205,850,330
Less: Payments	(257,733,753)
Surplus/(Deficit) for the year	**(51,883,423)**
Add: Opening balance	283,863,102
Cumulative Surplus as at 31st March, 2022	**231,979,679**

CONSOLIDATED FUND

FINANCING OF THE DEFICIT

18. The overall Approved Revenue and Expenditure in the 2021/2022 financial year were K1,455 and K1,455.3 billion respectively. The approved Revenue was revised to K1,423.6 billion and the Expenditure to K1,562.9 billion. This envisaged a deficit of K139.3 billion.

During the year under review, the Recurrent Revenue Account collected K1,634 billion while the Recurrent Expenditure was K1,709.8 billion resulting into a deficit of K75.8 billion.

The Development Account realized K205.9 billion; registering a decrease of K158.9 billion when compared to K364.8 billion of 2020/2021 financial year. Expenditure for the year as at 31st March 2022 was K257.7 billion resulting into a deficit of K51.9 billion.

Table 9: The Combined Net Cumulative Position Of The Recurrent And Development Accounts For The Past Four Years Is As Follows:

Year	Combined (Deficit)/Surplus) K'000
2018/19	(513,904,225)
2019/20	(447,128,594)
2020/21	(632,462,270)
2021/22	(760,177,699)

PUBLIC DEBT

The Public Debt Account for the year ended 31st March, 2022 stood at K6,380.7 billion reflecting an increase of K727.6 billion over the previous year's debt stock of K5,653.1 billion as at 30th June, 2021 translating into 12.9% increase.

Public Debt is made up of Domestic and External Debt Stock of K3,405.5 billion and K2,975.2 billion in the financial year 2021/2022 respectively compared to K2,564.9 billion and K3,088.1 billion in 2020/2021

Table 10: Illustration of Public Debt Stock Account (Trend) For The Past Four Years As Follows:

Type of Debt	YEARS			
	2018/2019	2019/2020	2020/2021	2021/2022
Amount in	K'000	K'000	K'000	K'000
Domestic Debt	1,549,888,000	1,800,711,000	2,564,937,000	3,405,518,000
External Debt	2,128,808,000	2,323,295,000	3,088,147,000	2,975,219,000
Totals	**3,678,696,000**	**4,124,006,000**	**5,653,084,000**	**6,380,737,000**

The continuous increase in domestic borrowings is attributed to maturing domestic debt obligations and increase in net domestic financing while increase of external debt (except for 2021/2022 FY if compared to 2020/2021 FY) was a result of new disbursements less principal repayments and exchange rate loss.

It is envisaged that strict compliance with the provisions of the Public Finance Management Act and Public Procurement and Disposal of Public Assets Act will further improve public financial management control in Ministries, Departments and other Government Agencies. However, this is an area that requires a close look, reform and strict controls.

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 year ended 31st March, 2022 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.

PART III

MINISTRIES, DEPARTMENTS AND AGENCIES

COMPLIANCE WEAKNESSSES DISCLOSED DURING THE AUDIT

THE JUDICIARY

20. An audit of the financial and other information for Malawi Judiciary for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls, which are detailed in the management letter dated 4th November, 2022 addressed to the Controlling Officer. These weaknesses are presented from paragraph 21 (a) below after the overall performance on both the Recurrent and Development Part II budgets as well as the opinion on the financial statements under Neno Magistrate.

Overall Performance on the Recurrent Budget

The Malawi Judiciary's approved recurrent budget was K10,660,328,554.00 and was revised upwards to K11,743,756,045.00. The funds allocated were K11,668,756,050.00 and the actual out-turn was K10,594,833,503.58 representing 90.22% utilization of the revised budget.

Overall Performance on the Development Part II Budget

The approved budget was K1,540,000,000 and was revised downwards to K1,105,000,000.00. The actual expenditure was K381,715,653.73 representing 34% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements for Judiciary for the year ended 31st March, 2022.

21. NENO MAGISTRATE COURT

An audit inspection of the financial and other information for Neno Magistrate Court for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below:-

(a) Long Outstanding Cases

The Constitution of the Republic of Malawi (1994), Section 42 (2) (f) (i) states that every person arrested for, or accused of, the alleged commission of an offence shall, in addition to the rights which he or she has as a detained person have the right as an accused person, to a fair trial, which shall include the right to public trial before an independent and impartial court of law within reasonable time after having been charged.

An inspection of case register disclosed that a number of cases dating from July to December 2020 were still outstanding as at the time of audit (September, 2022) which is contrary to the Constitution that requires justice not to be delayed.

(b) Exhibit Stores In Dilapidated State

Treasury Instructions (2004), Section 2.6.1 (i) states that responsibilities of Controlling Officers include ensuring that-all necessary precautions are taken to safeguard public resources.

An inspection of exhibits and the respective premises disclosed that Neno magistrate has a dilapidated exhibit stores house. Sometimes the stores room is difficult to open because ant hills are often built within the room. With that status items stored therein are not safe.

PARLIAMENT OF MALAWI

22. An audit inspection of the financial and other information for Parliament of Malawi for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Parliament of Malawi's approved recurrent budget was K15,269,324,395 and was revised upwards to K17,383,873,286. The actual out-turn was K16,507,474,692.00 representing 94.9% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Parliament of Malawi for the year ended 31st March, 2022.

(a) Failure To Certify Works Done By Service Providers: K50,926,010.70

The Accounting Procedures Manual (2015), Section 11.2.1.1 on General Provisions and Regulations requires that before a payment voucher is raised, among other requirements, the following procedures shall be observed:

- Evidence to support Receipt of Goods or Services. Goods or services shall be certified to have been received by an authorized receiving officer through delivery note duly signed by the stores officer or evidence through a completion certificate and

- Suppliers Invoice: in original form

Contrary to the above requirement, it was noted that the institution processed payments to service providers totalling to K50,926,010.70 for maintenance of air conditioners and carports. Before payment was made either an electrician or the section responsible for air conditioners maintenance and carports installation was supposed to certify the works done but they did not.

(b) Payment Vouchers Not Provided For Audit Inspection: K25,171,236.25

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

An inspection of payment vouchers against the expenditure statement by cost centre showed that Parliament did not submit payment vouchers amounting to K25,171,236.25 for audit. It was, therefore, difficult to ascertain the propriety of the expenditure made using the vouchers in question.

(c) Failure To Maintain Insurance Cover Policy Of Assets

Treasury Instructions (2004), Section 5.13.1 (f) requires that all government assets are properly safeguarded against, fire, loss, theft, and destruction and that controlling officer(s) adopts a set of internal controls to ensure that the aforementioned risks are minimized.

Public Service ICT Standards (2013), Section 3.1.2.3 dictates that an organization responsible for ICT implementation in Malawi will liaise with concerned office to ensure adequate insurance coverage for ICT equipment/facility.

Contrary to aforementioned instructions, it was noted that the Parliament of Malawi's office buildings, other property, plant, and equipment were not insured.

(d) External Travel Trips Not Undertaken: K139,959,192.72

The Public Finance Management Act (2003), Section 10 (h) and (i) states that each Controlling Officer is responsible for ensuring that in relation to his Ministry/Department, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste, and all necessary precautions are taken to safeguard public resources.

An internal audit report disclosed that Parliament paid external travel allowances to various officers and Members of Parliament amounting to K139,959,192.72 for various trips and study tours which did not take place due to travel restrictions of Covid 19 pandemic. However, months have elapsed without these trips being undertaken.

OFFICE OF PRESIDENT AND CABINET

23. An audit inspection of the financial and other information for Office of President and Cabinet (OPC) for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed a weakness in financial and other internal controls. The weakness is presented in paragraph (a) below after the overall performance on both the Recurrent and Development Part II budgets as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

OPC's approved recurrent budget was K9,284,291,595.00 and was revised upwards to K11,994,492,267.47 and the actual out-turn was K10,472,639,426.58 representing 87.31 % utilization of the revised budget.

Overall Performance on the Development Part II Budget

OPC's approved Development budget was K9,669,686,250.00 and was not revised. The actual expenditure was K2,618,929,987.00 representing 27.08% utilization of the approved budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Office of President and Cabinet for the year ended 31st March, 2022.

(a) Loss of Relief Items Due to Delays in Distributing to Affected Households- DoDMA

Public Finance Management Act (2003), Section 10 (1) (i) states that a Controlling Officer shall ensure that all necessary precautions are taken to safeguard public resources.

The Department of Disaster Management Affairs (DoDMA) in the Office of the President and Cabinet (OPC) procures relief items under different programs and receives relief items donated from different individuals, companies, and NGO's. The relief items are kept in DoDMA warehouses in readiness for distribution to disasters affected people.

A review of the internal audit report which was conducted in April, 2022 by OPC's internal audit section disclosed that 369 bags of beans and 105 bags of rice were damaged due to overstaying in the storage facilities. The bags were received in 2018 and no effort was made to distribute them to the intended or identified beneficiaries, sadly they got damaged whilst in the custody of DoDMA. Table 11 below has the details:

Table 11: Damaged Relief Items

Relief Item	Year Received	Quantity	Damaged
Beans- DODMA	2018	1001 bags	369 bags
Rice-Indian Government	2018	105 bags	105 bags

GREEN BELT AUTHORITY (GBA)

24. An audit inspection of the financial and other information for Green Belt Authority for the year ended 31st March, 2022 was completed in December, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development budgets as well as the opinion on the financial statements.

Overall Performance On The Recurrent Budget

Greenbelt Authority approved recurrent budget was K571,149,972.00 and was not revised during the mid-year and the actual out-turn was K515,517,020.00 representing 90% utilization of the revised budget.

Overall Performance On The Development Budget

The approved budget was K2, 000,000,000.00 and was not revised during the mid-year review. The actual expenditure was K1,241,445,097.00 representing 62% utilization of the revised budget.

Audit Opinion

I issued a disclaimer of opinion on the financial statements of Greenbelt Authority for the year ended 31st March, 2022.

(a) Non-Provision Of Supporting Schedules For Financial Statements

Treasury Instructions (2004), Section 5.9 (a) provides that every Controlling Officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and readily accessible and can be produced immediately upon the request of Ministry of Finance and National Audit office staff. Furthermore, the Public Audit Amendment Act, Section 7 (1) of 2018 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.

Contrary to the above regulations, Green Belt Authority failed to produce schedules to the audit team for trade payables, investment in Salima Sugar and Quasi Capital in Salima Sugar amounting to K10,096,000.00, K8,491,457,000.00 and K17,346,000,000 respectively.

(b) Payment For Staff On Behalf Of Suppliers: K23,798,448.00

Treasury Instructions (2004) No 5.19.3 stipulates that wherever possible payments for all vouchers exceeding K1,000.00 must be made by cheques or direct debit. The payment is supposed to be paid direct to the supplier. In addition, a circular letter from Accountant General with reference number T4400 dated 3rd April, 2012, stipulates that payments should be made by cheques and deposited in respective accounts of the recipients of public funds.

An inspection of payment vouchers revealed that payments amounting to K23,798,448.00 for various goods like fuel, consumables, electricity, and airtime were paid to suppliers through cheques drawn in the name of staff instead of paying directly to the suppliers. Therefore, the practice contravenes the requirement of the above regulation.

(c) Payment Vouchers Not Produced For Audit: K15,630,976.83

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

A review of payment vouchers for Greenbelt Authority against the cashbook revealed that payment vouchers amounting to K15,630,976.83 were not presented for audit inspection. Therefore, it was difficult to ascertain the validity of the expenditure made.

MINISTRY OF DEFENCE

25. An audit inspection of the financial and other information for Ministry of Defence for the year ended 31st March, 2022 was completed in December, 2022. The audit disclosed a weakness in financial and other internal controls. The weakness is presented in paragraph (a) below after the overall performance on both the Recurrent and Development Part II budgets as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

The Ministry of Defence's approved recurrent budget was K392,474,765.24 and was revised upwards to K409,266,955.24 and the actual out-turn was K369,364,857.00 representing 90% utilization of the revised budget.

Overall Performance on the Development Part II Budget

The Ministry of Defence's approved development budget was K3,769,296,596.00 and the figure was not revised. The actual expenditure was K3,675,245,013.24 representing 96% utilization of the approved budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Defence for the year ended 31st March, 2022.

(a) Failure To Deduct Withholding Tax: K13,901,836.03

The Taxation Act (2000), Chapter 41:01, Section 102A requires that withholding tax should be deducted at source on all payments for goods and services and be remitted to Malawi Revenue Authority (MRA) unless the supplier produces a valid withholding tax exemption certificate.

A review of payment vouchers revealed that the Ministry did not deduct withholding tax amounting to K13,901,836.03 as required by the Act. Therefore, non-deduction of withholding tax may attract penalties and contravenes the requirement of the above regulation.

MALAWI DEFENCE FORCE

26. An audit inspection of the financial and other information for Malawi Defence Force for the year ended 30th June, 2021 was completed in November, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent budget and the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Malawi Defence Force's approved recurrent budget was K62,835,537,362 and was revised upwards to K72,054,129,869.96 and the actual out-turn was K72,054,464,549.95 representing 100%utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Malawi Defence Force for the year ended 30th June, 2021.

(a) Misallocation of Funds: K314,511,896.75

Treasury Instructions (2004), Section 4.14.1 states that specific approval is required before any allocations can be vired/transferred between outputs. The PFM Act authorises the Secretary to the Treasury with the approval of the Minister at the request of the Controlling Officer, to direct the virement of funds between the provisions assigned the 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.

Contrary to the above quoted regulations, Malawi Defense Force misallocated funds totaling K314,511,896.75 without the approval of the Secretary to the Treasury.

(b) Procurement Of Food Rations From Suppliers Who Did Not Participate In The Bidding Process: K108,319,085.00

Public Procurement and Disposal of Assets Act No 27 of 2017, Section 49 (1) states that a notice of acceptance of the bid, shall be given to the successful bidder and the procuring and disposing entity shall prepare and sign the contract with such bidder prior to its institution.

A review of procurement records revealed that MDF purchased food rations amounting to K108,319,085.00 from suppliers that did not compete in the bidding process for the provision of the rations to MDF.

(c) Payment Vouchers And Other Related Records For Rations Not Produced For Audit- K59,133,988.28

Public Audit Act (2017), Section 7 (1) requires the Auditor General and every person authorized by him to have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

Contrary to above regulation, a review of records at Changalume Barracks disclosed that payment vouchers and related records pertaining to purchase of rations amounting to K59,133,988.28 were not produced for audit. Therefore, it was difficult for the audit team to ascertain the payments made.

(d) Failure To Produce Contract Documents For Audit:

Treasury Instructions (2004) 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 readily accessibility upon request by Ministry of Finance and National Audit Office Staff.

A review of payment vouchers amounting to K1,248,635,274.06 in respect of contracts for the supply of goods and services revealed that contract documents were not submitted for audit inspection. In the absence of these documents, it was difficult for the audit team to ascertain existence of the contracts and the accountability of the expenditure in question.

NATIONAL LOCAL GOVERNMENT FINANCE COMMITTEE

27. An audit inspection of the financial and other information for National Local Government Finance Committee for the year ended 31st March, 2022 was completed in September, 2022. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

National Local Government Finance Committee's approved recurrent budget was K13,959,587,389.00 and was revised upwards to K14,049,898,731.00 and the actual out-turn was K13,850,791,047.00 representing 98.58% utilization of the revised budget.

Overall Performance Development Part II Budget

The approved budget was K4,000,000,000.00 and was revised to K285,814,000.00. There was no expenditure which is 0% utilisation of the approved budget. In our view, this is poor planning and organization because what could be a better reason to justify this if at first there was proper feasibility dine on the project in terms of need and value for money.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the National Local Government Finance Committee for the year ended 31st March, 2022.

(a) Failure To Present Advance Records For Councilors: K688,500,000.00

Accountant General's Desk Instructions (2007), Number 9.3.3 stipulates that each advance should be recorded in a separate register according to the type of the advance. The advances section shall ensure that each advance is recorded in accordance with the terms of the advance. The register is one of the key records considered for regular inspections by designated responsible officers.

Contrary to the above requirement, National Local Government Finance Committee did not present for audit inspection records for the councillor's files, loan application forms and advance cards amounting to K688,500,000.00.

(b) Invoices For The Medical Supplies Not Submitted For Audit: K10,802,240,000.00

Accountant General's Desk Instructions (2007), Number 6.8 (i) stipulates that payment vouchers are supported by the original invoices, duplicate local purchase orders, official copy of receipts (in case of refunds) and other relevant documents.

Contrary to the above requirement, National Local Government Finance Committee did not present to the inspecting auditors the invoices for medical supplies worth K10,802,240,000.00. Instead, NLGFC submitted only a contract agreement between Central Medical Stores Trust (CMST) and Government which only indicated the intention to enter into a legal relationship but could not serve us with bills to warrant payments to be processed.

(c) Payments Vouchers For UNICEF Vaccines Not Presented For Audit Inspection: K225,000,000.00

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

Contrary to the regulation, the comparison of the expenditure statement by cost-centre against payment vouchers revealed that payment vouchers amounting to K225,000,000.00 for UNICEF were not presented for audit inspection.

MINISTRY OF LOCAL GOVERNMENT

28. The audit inspection of the financial and other information for the Ministry of Local Government for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management report which was issued to the Controlling Officer in 10th September, 2022. These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent budget and the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Local Government's approved recurrent budget was K13,959,587,389.00 and was revised upwards to K14,049,898,731.00 and the actual out-turn was K13,853,154,269.00 representing 99% utilization of the revised budget.

Audit Opinion

I issued unqualified audit opinion on the financial statements of the Ministry of Local Government for the year ended 31st March, 2022.

(a) Motor Vehicle Repairs Without PVHES Inspection Certificate: - K16,936,659.85

Circular 1/2000 issued by the Office of the President and Cabinet (OPC) dated 1st June, 2000 states that maintenance of motor vehicles at private garages should be backed by Plant and Vehicle Hire Engineering Services (PVHES) inspection report.

An inspection of payment vouchers and invoices amounting to K16,936,659.85 disclosed that the Ministry maintained its motor vehicles at various motor vehicle dealers without inspection reports from PVHES. Consequently, it was difficult to ascertain the propriety of the expenditure.

(b) Paid for Motor Vehicles Not delivered: K167,579,999.50

Treasury Instructions (2004), Section 5.26.1 requires that payment for goods and services received shall be effected upon verification and confirmation that goods were received or that those services were rendered.

An inspection of payment vouchers and physical verification of the Ministry's fleet of motor vehicles revealed that on 28th March 2022, the Ministry paid for the purchase of three motor vehicles, a Toyota Corolla and two Toyota Hilux, from Toyota Malawi amounting to K167,579,999.50 on contract No. LG/PROC/IPDC/01. However, the supplier only delivered a Toyota Corolla within a contractual period of eight (8) weeks, the remaining two vehicles had not yet been delivered twelve (12) months after the payment was made.

MINISTRY OF LANDS

29. The audit inspection of the financial and other information for the Ministry of Lands for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management report which was issued to the Controlling Officer in November, 2022.These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent and Development Part II budget and the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Lands's approved recurrent budget was K11,367,086,974.00 and was revised upwards to K11,524,107,889.00 The actual out-turn was K9,872,161,316.00 representing 86% utilization of the revised budget.

Overall Performance on the Development Part II Budget

Ministry of Lands's approved development budget was K9,400,000,000.00 and was revised downwards to K6,855,208,568.00 The actual out-turn was K4,745,627,887.00 representing 68.92% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Ministry of Lands for the year ended 31st March, 2022.

(a) Delays In Paying Rent To Landlords: K22,823,000.00

Tenancy Agreement between the Department of Housing and Landlords, Clause No 4 (j) requires rental payments to landlords to be made half-yearly in advance on the anniversary of the tenancy and proportionately for any part thereof.

A review of payment records against Tenancy Agreements for a sample of landlords, revealed that the Department was paying landlords six to twelve months after the tenancy agreement was entered into.

(b) Failure To Comply With The Requirement For Landlords To Provide Title Deeds

Tenancy Agreements between the Department of Housing and Landlords, Clause 4 (ii) stipulates that renting of a house would be based on condition that the landlord proves entitlement to the property by providing a Title Deed to be attached to the contract.

A review of rental records, however, revealed that the Department entered into Tenancy Agreements with landlords without demanding proof of entitlement to their property in the form of a Title Deed.

(c) Failure To Comply With The Requirement To Enter Into Tenancy Agreements Only With Landlords That Insured Their Property

Tenancy Agreements between the Department of Housing and Landlords, Clause 4 (ii) stipulates that renting of a house would be based on condition that the landlord insures the property and provided an insurance certificate as proof of this to be attached to the Tenancy Agreement.

However, a review of Tenancy Agreement records and landlords' files revealed that most tenancy agreements were entered into, without proof of insurance of the property.

MINISTRY OF YOUTH AND SPORTS

30. An audit inspection of the financial and other information for Ministry of Youth and Sports for the year ended 31st March, 2022 was completed in October, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management report issued to the Controlling Officer in October, 2022. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Youth and Sports' approved recurrent budget was K687,022,351.00 and was revised upwards to K750,364,143.00. The actual out-turn was K706,814,795.00 representing 99.41% utilization of the revised budget.

Overall Performance on the Development Part II Budget

The approved budget was K10,612,531,678.00 and was revised to K8,366,813,866.00. The actual expenditure was K6,812,702,202.00 representing 81.4% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Youth and Sports for the year ended 31st March, 2022.

(a) Payment Of Recurrent Transactions Using Development Funds: K82,354,685.61

Public Finance Management Act (2003), Section 10 (1) (e) states that a Controlling Officer shall ensure that all expenditure, including salaries and other personal emoluments, is properly authorized, and applied to the specific purposes for which it is appropriated.

An inspection of payment vouchers revealed that Other Recurrent Transactions (ORT) activities amounting to K82,354,685.61 were paid using Development Account funds contrary to the above requirement.

(b) Failure To Record All Assets Of The Ministry In The Fixed Asset Register

A circular on assets 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.

Contrary to the above requirement, the Ministry failed to update the fixed asset register that contains all assets from all the cost centres of the Ministry.

MINISTRY OF EDUCATION

31. An audit inspection of the financial and other information for the Ministry of Education for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budgets as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

The analysis of the approved budget and expenditure figures disclosed that the approved Recurrent Budget was K48,288,131,729.90 which was revised upwards to K52,570,308,875.99. Funds allocated were K50,658,159,442; however, the actual out-turn was K47,586,524,160.67 representing 93.94% of budget utilisation.

Overall Performance on the Development Part II Budget

This was budgeted at K10,700,000,000.00 and revised downwards to K8,374,279,972.00. However, the actual out-turn was K7,968,884,104.36 representing 95.16% of revised budget utilization.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Education for the year ended 31st March, 2022.

(a) Loss Of Public Funds Due To An Employee Who Did Not Report At His Duty Station: K3,187,836

Treasury Instructions (2004), Section 2.6.1. (i) states that the Controlling Officer shall ensure that all necessary precautions are taken to safeguard public resources.

A review of employment files, payroll and staff return at Central West Education Division (CWED) revealed that in March, 2022, Mr. Innocent Macharika, holding Employment number 344171 was introduced on the payroll as a secondary school teacher and was immediately paid salary for the month of March, 2022 (same month he was recruited) amounting to K354,204.00 while K2,833,632.00 was paid to him from April to November, 2022.

Mr. Innocent Macharika had never worked at Gowa CDSS where the Ministry of Education posted him upon offer of employment as a Secondary School Teacher.

(b) Stalling Of School Project Due To Lack Of Compensation To Land Owners

Public Finance Management Act (2003), Section 10 (h) states that: A Controlling Officer shall ensure that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

A review of payment Contracts, vouchers and certificates of completion shows that the Ministry of Education contracted Real and Ekali as a contractor for the construction of Mtiya Primary School in Zomba. In accordance with the contract, the project sum is

K335,594,415.54 of which K238,274,988.86 was paid leaving a balance of K97,319,426.68. While the project is at 60% of completion, the contractor has failed to continue working on the project due to demands made by the community to have their land compensated before any work is continued. Further, the project has been in idle state since 2017.

(c) Wasteful Expenditure On The Construction Of Chinolampeni CDSS Laboratory And Library Block: K57,352,450.97

Public Finance Management Act (2003), Section 10 (1) subsections (f and g) stipulates that each Controlling Officer is responsible for ensuring there is no over-expenditure or over-commitment of funds, and a review is undertaken each month to ensure that there is no such over-expenditure or over-commitment; and that there is no waste or extravagance with respect to public resources.

Contrary to the requirements, an inspection of construction work in the Ministry of Education under Education Implementation Management Unit (EIMU) established that Coorperative and El Elyon JV was contracted for the construction of a laboratory and library block at Chinolampeni CDSS in Phalombe District. Further review of Contract documents, payment vouchers and certificate of completed work done indicates that K80,337,885.02 was the contract sum of which K57,352,450.97 was paid thereby leaving a balance of K22,985,434.05. However, while 71.3% of contracted funds were paid to the contractor, only 15% of work has been completed at the construction site which is a foundation and a slab. While same projects for the construction of laboratories and libraries in other districts are at roofing level and towards completion, this project has stalled. Further, the project was abandoned in 2017 and there is no sign of work resuming soon.

(d) Use Of Substandard Materials In The Construction Of Laboratories And Libraries At CDSSs

Public Finance Management Act (2003), Section 10 (h) states that: A Controlling Officer shall ensure that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

The Ministry engaged Coorperative and El Elyon JV and ACH Ltd to construct laboratory and library blocks at Ntambanyama CDSS in Thyolo for a contract sum of K85,110,919.49 (Contract No. 025/IPC/MOEST/EIMU/CW/2015-16/004 LOT No. 27) and at Misanjo CDSS in Mulanje for a contract sum of K80,887,747.18 (Contract No. 025/IPC/MOEST/EIMU/CW/2015-16/007 LOT No. 28) respectively.

However, a physical inspection and inquiry from management revealed that the contractors constructed laboratory and library blocks using untreated bricks which could be easily broken. This was done despite the contractors having been paid substantial part of the contract amounts. For instance, Coorperative and El Elyon JV was paid K59,989,035.61 out of the contract sum of K85,110,919.49 while ACH Ltd was paid K60,794,054.51 out of the contract sum of K80,887,747.18.

(e) Stalling of Construction Work In School Projects

Public Finance Management Act (2003), Section 10 (h) states that: A Controlling Officer shall ensure that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

A physical verification of school projects and interview with management established that contractors had abandoned work as they did not have resources to continue with contracted work due to lack of funding. At Rivirivi CDSS where a school Laboratory and Library block was being constructed under Tapita Building Contractors, the contractor locked the constructed block which is nearing completion as he awaits the remaining K4,542,909.43 (6.1%) of K74,480,291.54 (contract sum) to be paid. Further, at Chisoka Primary School in Thyolo where teachers' houses are being constructed, the contractor (J & J Construction) abandoned work in 2020 as a result of not being paid. The Contractor was paid K461,360,810.90 of K564,700,897.88 (contract sum) leaving a balance of K123,340,086.48. Likewise, at Mbayani II Primary School the ministry paid Victory Vision Contractor K317,419,381.15 leaving a balance of K139,536,894.55 out of the contract sum of K456,956,275.70

SOUTH EAST EDUCATION DIVISION

32. An audit inspection of the financial and other information for the South East Education Division for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below: -

(a) Payments for Bursaries Not Supported by Student Listing: K11,403,000.00.

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 that full supporting documents are retained and filed for easy and ready accessibility upon request by Ministry of Finance and National Audit Office staff.

An inspection of the financial records disclosed that payment vouchers amounting to K11,403,000.00 for bursary payment had no list of beneficiary students to substantiate the validity of the payment.

(b) Payment Vouchers Not Presented for Audit Inspection: K8,645,000.00

The Public Audit Act (2003), Section 7 (1) (a) requires 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

However, South East Education Division did not present for audit payment vouchers totaling K8,645,000.00. This made it difficult to ascertain the authenticity of the transactions.

BANDAWE SECONDARY SCHOOL

33. An audit inspection of the financial and other information for Bandawe Secondary School for the year ended 31st March, 2022 was completed in July, 2022. The audit disclosed some weaknesses in financial control which are detailed in the management report which was issued to the Controlling Officer.These weaknesses are presented from paragraph (a) below: -

(a) Under Utilization of Approved Budgeted Funds on Other Recurrent Transactions: K16,180,184.10

Treasury Instructions (2004), Section 5.13.1 states that adequate internal controls must exist within each Ministry and Department. Internal control is defined in the Public Finance Management Act (2003) Section 10 (k), and is recognised as including all the controls and procedures adopted to ensure that within Government, and within each entity in Government, overall, there is effective and efficient management of financial resources of Government

The approved budget and expenditure figures provided disclosed that the total approved recurrent budget was K21,136,922.80 and funding allocation was K21,136,922.80. However, the actual expenditure was K4,956,738.70 resulting in under expenditure of K16,180,184.10 and 23% of approved budget utilization, contrary to the regulation stated above.

(b) Goods and Services Paid For But Not Delivered: K9,855,588.80

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 disclosed that goods and services procured amounting to K9,885,588.80 were not delivered despite the fact that they were fully paid for.

(c) Payment Vouchers without Adequate Supporting Documents: K13,507,441.90

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

An inspection of payment vouchers revealed that payments amounting to K13,507,441.90 were submitted for audit inspection without supporting documents such as requisitions, invoices and receipts. In the absence of the supporting documents, it was difficult to ascertain whether the payments were a proper charge against public funds.

MINISTRY OF HEALTH

34. An audit inspection of information other than financial statements for the Ministry of Health for the year ended 31st March, 2022 was completed in October, 2022. The audit disclosed weaknesses in internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Health's approved recurrent budget was K62,824,366,384.00 and was revised upwards to K82,216,777,266.85 and the actual out-turn was K78,330,723,373.91 representing 95% utilization of the revised budget.

Overall Performance on the Development Part II Budget

The approved budget was K40,620,791,793.00 and was revised downwards to K36,698,106,801.00. The actual expenditure was K12,923,463,602.43 representing 35.2% utilization of the revised budget.

(a) Non-inclusion of Some Assets in the Non-Current Asset Register

The circular letter from the Chief Secretary to the Government dated 2nd March, 2010 titled 'Government Physical Assets Register', the asset register should among other things indicate the monetary values of the assets and their condition.

An inspection of the non-current asset register for Ministry of Health and Population revealed that some of the non-current assets such as motor vehicles and motorcycles were not included in the asset register. Therefore, the completeness of the asset register could not be ascertained.

(b) Failure to Dispose Worn Out Assets Within the Ministry of Health

Public Procurement and Disposal of Assets Act No 27 of 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 the non-current asset register and physical verification of assets disclosed that the Ministry failed to dispose of worn-out assets from 2017 to the date of the audit. Consequently, the assets keep on losing value every year such that value for money will not be achieved at the time of disposing them. The assets which are due for board off are motor vehicles and various office furniture.

(c) Long Term Trainings Offered to Officers Without Signing Training Bonds

Circular number HRP&D/POL/1/VOL11 dated 26th February 2009 from the Secretary for Human Resources Management states that, in an effort to further ensure effectiveness in the loss of personnel trained under Government/Donor resources, Government revised the training bond to make provisions for enforcement in a court of law for any breach of the agreements. It further states that all officers trained under Government/Donor resources who deliberately decide to leave the public services before expiry of the bond period (5 years) shall be required to refund to Government the expenses incurred for their training failing which they shall be taken to court.

A review of approved training plan of the Ministry disclosed that five (5) officers were trained by the Ministry at various institutions. However, the officers did not sign training bonds before commencing the trainings, which is contrary to the above requirement. Consequently, there is a risk that value for money may not be achieved because the trained officers in question are at liberty to leave for other organizations any time they wish to do so.

ZOMBA CENTRAL HOSPITAL

35. An audit inspection of the financial and other information for Zomba Central Hospital for the year ended 31st March, 2022 was completed on 17th July, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management report issued to the Controlling Officer in November, 2022. These weaknesses are presented from paragraph (a) below: -

(a) Failure To Perform Bank Reconciliation

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

An inspection of records disclosed that the hospital failed to perform bank reconciliation for Zomba Central Hospital Miscellaneous account No. 9100001866262 held at Standard Bank for the months of February and March, 2022. Therefore, errors made either in the cashbook or bank statement and fraudulent transactions could not be detected.

(b) Failure To Collect Receivables: K181,356,487.90

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 debtors' list and invoices generated from the paying clinic revealed that the hospital failed to collect outstanding receivables amounting to K181,356,487.90 for the period from 1st July, 2021 to 31st March, 2022.

(c) Documents Supporting Payments Of Subsistence Allowances Not Presented for Audit: K31,855,000.00

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

An inspection of the payment vouchers amounting to K31,855,000.00 revealed that documents such as attendance registers, activity reports, loose minutes or proposals were not presented for audit inspection. This made it difficult to ascertain the validity of the expenditure made.

(d) Negligence In Safeguarding A Motor Vehicle Involved In Accident: K34,000,000.00

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

A review of motor vehicle files and fixed assets register revealed that hospital management failed to recover Motor Vehicle, a Toyota Hilux, MG 691 AK from the former hospital director Dr. Martias Joshua who took the said vehicle belonging to Zomba Central Hospital to his new duty post in Lilongwe. While using the vehicle he was involved in an accident on 14th February, 2022 at Lizulu in Ntcheu district. Currently, the accident vehicle is in custody of Zomba Central Hospital and the Motor vehicle file has no police report as well as driver's report.

Further enquiry indicated that there was no documented evidence for Dr. M. Joshua to self-drive a vehicle on long distance which needed an authority to do so. The process to claim for the loss from the insurance company had not yet commenced since the date of the accident. This may lead to government financial losses if management launches a bid to claim from insurance and it fails.

Issues From 2020/2021

ZOMBA CENTRAL HOSPITAL

An audit inspection of the financial and other information for Zomba Central Hospital for the year ended 30th June, 2021 was completed on 17th July, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management report issued to the Controlling Officer on 30th November, 2022. These weaknesses are presented from paragraph (a) below: -

(a) Motor Vehicle Procured But Not Delivered: K22,500,000.00

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

A review of contract document, Internal Procurement and Disposal Committee minutes and tender documents revealed that HTD Limited agreed to deliver four (4) manual KIA Cerato saloon vehicles at a cost of K22,500,000.00 each. The total contract sum was K90,000,000 and the contract number was ZCH-003-4113-HSSPII-MV-20/21-G-RT.

The hospital paid the full amount of K90,000,000.00 to HTD Limited on cheque number 116833, voucher number 271PV7061402 dated 18th June, 2021. HTD Limited acknowledged receipt of the full amount through receipt number 6932 on 14th July, 2021. However, HTD Limited supplied three (3) vehicles in May, 2022 instead of four (4) leaving the balance of one vehicle as undelivered. Therefore, payment of K22,500,000.00 for the undelivered vehicle which had already been done contravenes the above Instruction that requires payment for goods and services received to be effected upon verification and confirmation that goods were received or that services were rendered.

(b) Failure To Account For Drugs: K64,485,237.40

Treasury Instructions (2004), Section 11.7.1.2 requires that where consumable stores are received in bulk for subsequent issues in small lots, the transactions must be recorded in a consumable stores ledger and all issues will be kept for each store.

An inspection of requisitions, issue vouchers and stock cards revealed that drugs amounting to K64,485,237.40 issued to Dispensary and Tisungane clinics could not be traced since there were no corresponding records to show that they were received by these departments. In addition to lack of evidence regarding to the receipt of the drugs, there were also no records to show how they were used and accounted for. The absence of these records made management fail to account for the drugs in question.

MINISTRY OF FOREIGN AFFAIRS

36. An audit inspection of the financial and other information for the Ministry of Foreign Affairs for the year ended 31st March 2022 was completed in October 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on the recurrent and the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Foreign Affair's approved recurrent budget was K16,633,872.00 and was revised upwards to K21,675,794,305.32 and the actual out-turn was K20,986,695,352.00 representing 97% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Foreign Affairs for the year ended 31st March, 2022.

(a) Failure To Produce Performance Information For Audit

Principles of sound public sector financial management requires public entities to meticulously budget for and utilize funds as approved by parliament to achieve properly planned outputs that benefits the citizens. The achieved outputs should be in tandem with the planned outputs.

The audit team requested for the performance information from management. However, at the time the audit assignment was being completed, the performance information had not been produced for audit inspection. Therefore, it was difficult to ascertain whether the Ministry achieved its planned outputs or not.

(b) Payment Vouchers Not Produced For Audit: K356,522,363.37

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

An inspection of payment vouchers and expenditure statement by cost centre disclosed that the Ministry did not submit payment vouchers totaling K356,522,363.37. Therefore, it was difficult to ascertain the propriety of the expenditure made.

(c) External Travel Documents for External Travel Allowances Not Produced for Audit Verification: K148,934,262.02

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 cashbooks revealed that the Ministry did not submit external travel documents in form of passports, itineraries and boarding passes of officers who were paid external travel allowances amounting to K148,934,262.02. Therefore, the audit team could not ascertain the propriety of the expenditure in question.

(d) Activity Reports Not Presented for Audit: K91,765,862.02

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 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 the Ministry paid officers' external travel allowances amounting to K91,765,862.02 in respect of various activities. However, there were no activity reports to substantiate that the activities really occurred. Therefore, the propriety of the expenditure in question could not be ascertained.

(e) Payment Vouchers Without Supporting Documents: K49,718,277.00

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

An inspection of various payment documents disclosed that payment vouchers amounting to K49,718,277.00 were not supported by IPDC minutes and quotations.

(f) Irregular Management of Funds in The Ministry and Embassies

Public Finance Management Act (2003), Section 10 (1) (c, e & f) stipulates 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; all expenditure, including salaries and other personal emoluments, is properly authorized and applied to the specific purposes for which it is appropriated; and 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.

Treasury Instructions (2004), Section 4.14(1) requires that all expenditures should be charged to an appropriate vote and that expenditure should be classified strictly in accordance with estimates. 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.

Contrary to the requirements above, an inspection of approved budget for the Ministry and Embassies, remittance of funds advice notes, Reserve Bank of Malawi (RBM) fund transmission slips, funding reports, expenditure reports, cash books and cash controls revealed a number of irregularities within the Ministry and the Embassies as outlined in the ensuing paragraphs.

(i) Funding Embassies Above Their Approved Budgets: K1,608,289,795

The approved budget for Embassies was K10,463,092,441.00. However, the actual funding was K12,071,382,236 resulting in an overfunding of K1,608,289,795. This excludes extra budgetary funding of K734,482,875 sent to Embassies on 22nd March, 2022 for recalls and postings of diplomats. The overfunding per Embassy is illustrated by figure 1 below. For instance, Berlin and Geneva accounted for sixteen percent (16%) and fifteen percent (15%) of the total overfunding respectively. Despite the significant amount herein reported, the Ministry took no initiative to rectify the anomaly with Treasury, contrary to the requirements above. Refer to Figure 12 below.

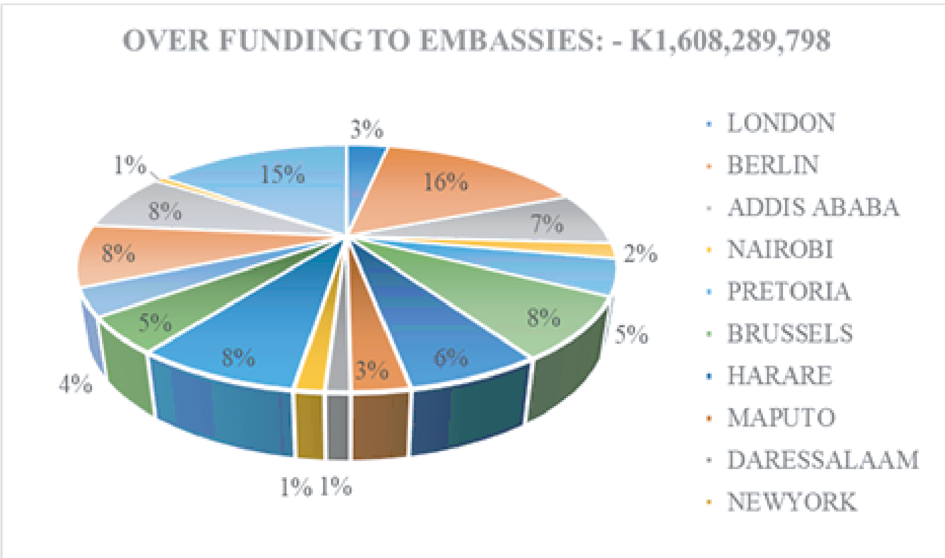


Figure 12:Pie Chart 1: Illustrating Over Funding to Embassies in Terms of Percentages of the Total Over Funding

(ii) Expenditure Without A Budget: K878,808,361.00

An inspection of expenditure returns, cash books, bank statements, bank reconciliation statements and cash controls from seven (7) Embassies, namely London, Nairobi, Pretoria, Brussels, Lusaka, New York, and New Delhi revealed that funds amounting to K878,808,361.00 were spent on budget line items which were not budgeted for. Therefore, it was difficult to establish the propriety of the expenditure in question.

(iii) Expenditure above Approved Budget K2,623,484,281 and Funding K781,544,425

An inspection of approved budget, funds remittance advice notes, memos, funding reports, expenditure returns, cash books, bank statements, bank reconciliation statements and cash controls for twelve (12) Embassies namely, London, Pretoria, Addis Ababa, Nairobi, Tokyo, Brussels, New Delhi, Brasilia, New York, Geneva, Beijing, and Lusaka which submitted these documents revealed that they overspent on their annual approved budget. Their total annual approved and revised budget was K6,168,832,551 while actual expenditure was K8,792,316,832. This gave rise to an over expenditure of K2,623,484,281.

Further analysis of the documents revealed that five (5) Embassies, namely Brussels, Lusaka, New York, New Delhi, and Addis Ababa received funding amounting to K3,251,393,099 against their approved and revised budget of K2,550,030,670. However, their actual expenditure was K4,032,937,524. This resulted in an over expenditure above the actual funding of K781,544,425. The Ministry could not provide details regarding the source of these extra funds as no approvals from Treasury were furnished to the audit team to indicate that these extra funds were drawn from sources other than the normal funding channels to foreign missions. Refer to figures 13 and 14 showing the level of over expenditure above the approved budget and actual funding per affected Embassies.

Figure 13: Pie Chart 2: Illustration of Over Expenditure Above the Approved Budget Per Embassy

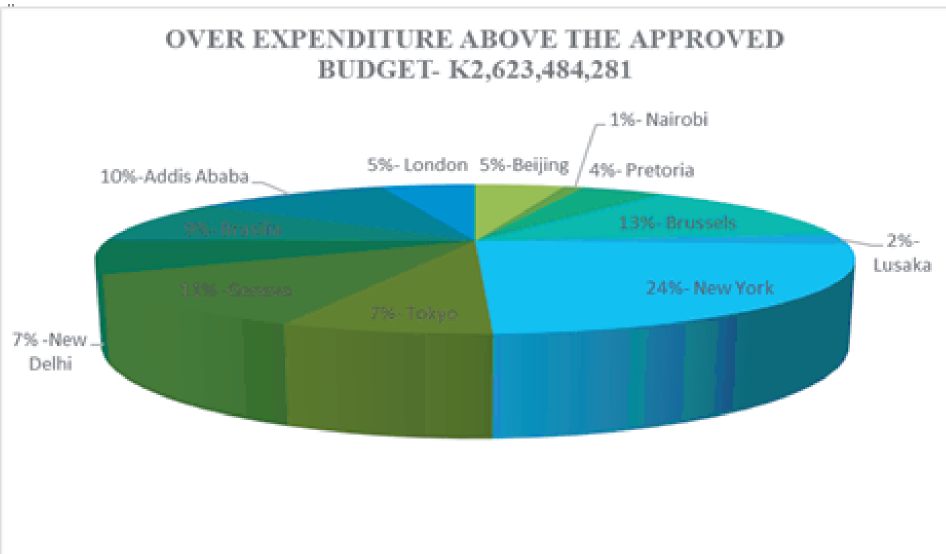
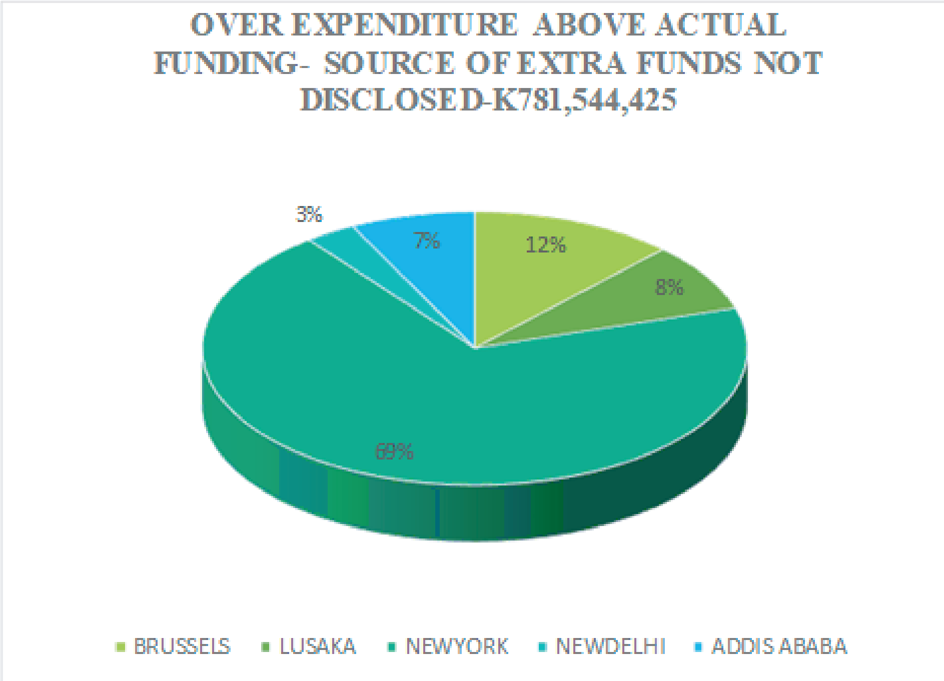


Figure 14: Pie Chart 3: Illustration of Over Expenditure Per Affected Embassy Above the Actual Funding



(iv) Funding Of Personal Emoluments To Lusaka Not Accounted For: K16,134,877.14 (USD19,569.70)

An inspection of remittance of funds advice notes, Reserve Bank of Malawi (RBM) funds transmission slips, expenditure statements, bank statements and bank balances for Lusaka High Commission revealed that in the Month of November, 2021 the Ministry remitted funding for personal emoluments amounting to K44,055,556.79 (US$53,434.19) instead of K27,920,678.65 (US$33,864.49). This resulted into an overage funding for the month of K16,134,877.14 (US$19,569.70). The Ministry noted the anomaly and directed the Commission to keep the overage until an instruction on what to do with the excess funds would be issued.

However, a further analysis of subsequent monthly funding of personal emoluments to the Commission, from November 2021 to 30th June 2022, revealed that no deductions of the overage was made. Furthermore, the Ministry did not produce any alternative evidence to show how the funds were accounted for. Therefore, it was difficult to ascertain the accountability of the overage.

(vi) Unexplained Funding Of Construction Of Lusaka Chancery: K210,000,000.00

An inspection of remittance of funds advice, Reserve Bank of Malawi funds transmission slips and funding reports revealed that on 19th July, 2021 the Ministry remitted funds amounting to K210,000,000.00 for the construction of a Chancery in Lusaka.

Further analysis of the documents submitted revealed that the Ministry continued funding the project without a clear basis as most of the works were completed in August 2015. So much that, between April and June, 2022, the Ministry sent funds amounting to K68,699,125.17 for the same project. As at 30th June, 2022 the Chancery Account had K344,389,646.97.

This was done despite the Ministry being queried in 2019/2020 management letter for failing to account for funds amounting to K402,373,442.00 which were remitted for the same project and up to the time of the audit the issues raised had not yet been addressed.

The continued funding of the project without paying particular attention to audit queries raised in the previous report advances more questions than answers regarding the propriety, transparency, and accountability of these remittances.

(vii) Failure To Produce Memorandum Of Understanding And Reconciliation Records For Freight Charges Paid By The Tokyo Embassy On Behalf Of Universal Freight Solutions

The Ministry of Foreign Affairs engaged Universal Freight Solution to provide goods packing, logistics, customs clearing, shipping and freight forwarding services at a contract sum of K562,572,619.08 to the Ministry.

An inspection of payment vouchers, expenditure statement by cost centre, letters, contracts, invoices, receipts and other related documents revealed that the Ministry paid Universal Freight Solutions K349,947,404.00 for services rendered in the year under review. However, through a letter Ref. No. EA/MIS/6/14/4 dated 23/02/2022 it was revealed that the Ministry at several times authorised Tokyo Embassy to pay Good Communication Trading, an agency in Tokyo, subcontracted by Universal Freight Solution to provide freight forwarding and clearing services of personal effects for the recalled diplomats. The Universal Freight Solutions could not pay the Agency because of forex challenges experienced by Malawi at the time. In the letter the Ministry specifically authorised the Embassy to make a second payment to the Agency for effects belonging to Fanny Bwanali. Total invoice was US$20,153.00. The first payment was US$16,453.00 while second one was US$3,700.00.

The Ministry requested the Embassy to provide proof of all payments made on behalf of Universal Freight Solutions for all the recalled diplomats including the payment for Fanny Bwanali. The proof of payments was to be used for reconciliations with Universal Freight Solutions.

However, the Ministry failed to produce the Memorandum of Understanding with Universal Freight Solutions for audit inspection to confirm the agreement that the Ministry, through the Embassy would pay Good Communication Trading on behalf of Universal Freight Solutions and that these would be refunded or deducted from subsequent invoices. The Ministry also failed to produce the summary of total payments made by Tokyo Embassy on behalf of Universal Freight Solutions. Therefore, the audit team could not establish whether all payments made by the Embassy were refunded or not.

(viii) Funds Drawn from Visa Account Without Treasury Approval at London High Commission: K145,610,290

An inspection of revenue and expenditure returns, cash controls, cash books, bank statements and other related documents for July to October, 2021 and March, 2022 revealed that London High Commission spent funds from Visa Account amounting to K145,610,290 on various activities.

However, neither the Ministry nor the Commission produced evidence to show that authority was sought from Treasury to use these funds or that the funds were later refunded to the Visa Account.

(g) Differences In The Reported And Verified Figures In The Financial Statements

Public Finance Management Act (2003), Section 10 (1)(c) stipulates 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.

A review of the financial statements, cash controls, cash books, bank balances, schedules of funding and expenditure returns for the Embassies on one hand revealed differences in the reported and verified actual figures from the Embassies. For instance, the reported total funding for all 21 Embassies was K12,781,747,574 whilst the verified one was K12,805,865,111 giving a difference of K24,117,537. On the other hand, the reported total expenditure was K9,266,449,245 whilst the verified one was K8,792,316,832 giving a difference of K474,132,412.

It is worth noting that the audit team could only verify expenditure figures for twelve (12) Embassies which submitted the required expenditure documents. These included London, Pretoria, Addis Ababa, Nairobi, Tokyo, Brussels, New Delhi, Brasilia, New York, Geneva, Beijing, and Lusaka.

(h) Failure To Produce Embassies' Expenditure And Cash & Cash Equivalent Documents For Verification: K11,791,998,609.40

Public Finance Management Act (2003), Section 10 (1)(c) stipulates 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. The Public Audit Act (2003), Section 7 (1) (a) requires that the Auditor General and any officer assigned by him should be given sight and access to the information he deems fit for the discharge of his oversight duties.

However, an inspection of expenditure returns, cash books, cash controls, bank statements, bank reconciliation statements, bank balances and schedules revealed that some Embassies did not submit these documents to support their expenditure and cash and cash equivalents amounting to K11,791,998,609.40. The expenditure documents which were not submitted for verification relate to nine (9) Embassies and their total expenditure was K4,573,020,744.26 whilst documents supporting cash and cash equivalent figures relating to six (6) Embassies amounted to K7,218,977,865. Therefore, it was not possible to verify the completeness, occurrence, validity and accuracy and existence of the expenditure and cash and cash equivalent for these Embassies.

(j) Expenditure On Personal Emoluments Not Accounted for: K464,859,593

Public Finance Management Act (2003), Section 10 (1) (c, e & f) stipulates 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; all expenditure, including salaries and other personal emoluments, is properly authorized and applied to the specific purposes for which it is appropriated; and 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.

Contrary to the requirements above, an inspection of payroll used as the basis to fund personal emoluments to foreign Missions, funding, expenditure returns of personal emoluments and Statement 4 of the financial statements revealed that expenditure of personal emoluments amounting to K464,859,593 reported in the expenditure returns and financial statements could not be substantiated with evidence of what has actually been paid for in terms of existing bodies at New York (K181,026,042.00) and London (K287,545,168.00) foreign Missions.

MINISTRY OF ECONOMIC PLANNING, DEVELOPMENT AND PUBLIC SECTOR REFORMS

37. An audit inspection of the financial and other information for Ministry of Economic Planning Development and Public Sector Reforms for the year ended 31st March, 2022 was completed in October, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Economic Planning, Development and Public Sector Reforms approved recurrent budget was K1,002,267,075 and was revised upwards to K1,095,011,799. The actual out-turn was K1,081,769,830 representing 99% utilization of the revised budget.

Overall Performance on the Development Part II Budget

The approved budget was K1,950,000,000 and was revised downwards to K836,434,035. The actual expenditure was K716,689,068 representing 86% utilization of the revised budget.

Audit Opinion

I issued an Unqualified audit opinion on the financial statements of the Ministry of Economic Planning and Development for the year ended 31st March, 2022.

(a) Inconsistences in Transfer Reference of Funds (TRF) Numbers: K526,256,000.00

Treasury Instructions (2004), Section 5.11.3 states that The Secretary to the Treasury shall ensure that adequate documentation of the financial management information system exists and that any officers using the system have been provided with sufficient training. Furthermore, Treasury Instructions (2004), Section 5.13.1 (e) requires that adequate internal controls exist to ensure that financial and operating information is accurate and reliable.

Contrary to the above stipulated regulations, a sample of payment vouchers revealed that TRF numbers on payment vouchers did not match with the TRF numbers on reports generated by the Integrated Financial Management Information System (IFMIS) amounting to K526,256,000. As such, it was difficult to ascertain the validity of the transactions.

MINISTRY OF FINANCE

38. An audit inspection of the financial and other information for Ministry of Finance for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Finance's approved recurrent budget was K2,466,073,669 and was revised upwards to K2,732,005,406 and the actual out-turn was K2,624,717,460.67 representing 96% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Finance for the year ended 31st March, 2022.

(a) Transactions not in cashbook: K22,359,200.00

Treasury Instructions of (2004), Section 5.10 states that all payments, receipts and other accounting transactions must be entered and processed into a financial management information system (IFMIS) approved by the Secretary to the Treasury.

Contrary to the above stipulated requirement, the audit inspection revealed that some payments amounting to K22,359,200.00 were processed outside IFMIS. As such it was difficult to ascertain the validity and completeness of these transactions.

(b) Inconsistences in TRF Numbers: K62,904,912.49

Treasury Instructions (2004), Section 5.11.3 states that The Secretary to the Treasury shall ensure that adequate documentation of the financial management information system exists and that any officers using the system have been provided with sufficient training. Furthermore, Treasury Instructions (2004), Section 5.13.1 (e) requires the availability of adequate controls to ensure that financial and operating information is accurate and reliable.

Contrary to the above stipulated regulations, a sample of payment vouchers by the audit team revealed that TRF numbers on payment vouchers did not match with the TRF numbers on reports generated by IFMIS amounting to K62,904,912.49. As such, it was difficult to ascertain the validity of the transactions.

(c) Failure to Conetrol Debt Increase

Medium Debt Management Strategy for 2018-2022 dated December, 2018 signed by Minister of Finance states that Malawi will strive to ensure that future domestic and external financing remains prudent to ensure debt sustainability for current and future generations.

Contrary to the above requirement, Malawi Government public debt portfolio keeps on increasing raising fear that it may reach unsustainable levels. For example, in the last four (4) years; 2018/2019, 2019/2020, 2020/2021 and 2021/2022 total public debt (Domestic and External) was K 3,678,696,000,000; 4,124,006,000,000; 5,653,084,000,000 and 6,380,737,000,000 respectively. This is according to the Ministry of Finance and Economic Affairs' annual public debt report for 2021/2022.

(d) Failure to Reduce Domestic Debt To Twenty Percent of GDP

Medium Debt Management Strategy for 2018-2022 dated December 2018 signed by Minister of Finance states that Malawi will strive to ensure that future domestic and external financing remains prudent to ensure debt sustainability for current and future generations. Fiscal policy in the medium term, therefore, will aim at reducing domestic debt to 20 percent of Gross Domestic Product.

Contrary to the above requirement, Malawi's public debt portfolio has not been maintained in accordance with the above, where fiscal policy in the medium term was aimed at reducing domestic debt to 20% of Gross Domestic product (GDP). For example, in 2019/2020, 2020/2021 and 2021/2022 the domestic debt against Growth Domestic Product(GDP), in terms of percentages was 21%, 28% and 33% respectively. This is according to the Ministry of Finance and Economic Affairs'annual public debt report for 2021/2022. Table 11 below gives more details.

Table 12: Evolution Of Public Debt (In Millions)

	2005	2006 (HIPC)	2018/19	2019/20	2020/21	2021/22
Total Public Debt (MK)	426,592	130,846	3,678,696	4,124,006	5,653,084	6,380,737
External (USD)	2,969	452	2,747	3,152	3,833	3,644
Domestic (MK)	73,337	68,957	1,549,588	1,800,711	2,564,937	3,405,518
Nominal GDP (MK)	326,957	430,522	7,729,106	8,520,572	9,274,071	10,279,00
Percent of GDP						
Total PD (%)	130	30	48	48	61	62
External PD (%)	108	14	28	27	33	29
Domestic PD (%)	22	16	20	21	28	33

(e) Failure to Disclose Repayment Plan of Public Debt

Public Finance Management Act (2003) Section 56 (4) states that all principal, interest and other money payable under the loan agreement shall be a charge on the public revenues of Malawi and on the consolidated Fund or such other fund or account as the Minister determines and shall be statutory expenditure payable at the time or times provided in the loan agreement.

However, a review of the Ministry's records and its supporting documents on public debt revealed that, there was no schedule on the repayment plan for the loans. In the absence of the repayment schedule, it was difficult to know how much was due for payment as principal and interest.

THE ACCOUNTANT GENERAL'S DEPARTMENT

39. An audit inspection of the financial and other information for the Accountant General's Department, as a vote on its own, for the year ended 31st March, 2022 was completed in December, 2022. The audit disclosed weaknesses in financial and other internal controls. The weaknesses are presented in paragraph (a) below after the overall performance on both the Recurrent and Development Part II budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

The Accountant General's Department approved recurrent budget was K8,400,673,960 and was revised upwards to K8,679,292,915. The actual out-turn was K7,051,079,521 representing 81.24% utilization of the revised budget.

Overall Performance Development Part II Budget

The approved budget was K3,000,000,000 and was not revised. The actual expenditure was K2,807,820,658 representing 93.6% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Accountant General's Department for the year ended 31st March, 2022.

(a) Lack of civil servants' loans database

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 by Ministry of Finance, National Audit Office staff or any other stakeholder.

An enquiry from management and review of loans records at the department, revealed that no data base for loans taken by civil servants is maintained and as a result, Government uses the information supplied by the banks in the management of such loans.

(b) Delay In Payment Of Pension And Gratuity To Retired Staff And Beneficiaries

During the audit, it was noted that pension and gratuity payments to retired officers and beneficiaries of the same were hugely delayed.

It was indicated that the waiting period was twelve months. However, as at the date of audit the Accountant General was paying officers who retired in February, 2021 meaning that there was a delay of almost two years.

This deprives the officers and beneficiaries to engage meaningful in economic activities that are supposed to further improve their lives and contribute to the economy of the country. There is a risk that in future there may be claims of interest and the Government may suffer huge cash outflows.

The weaknesses presented from c to h below fall under the Accountant General's Department as a preparer of consolidated accounts and not necessarily as a vote on its own.

(c) Slow Pace in Adopting Full Accrual International Public Sector Accounting Standards (IPSAS)

Section 13 of the Public Finance Management Act (PFMA) of 2003 Financial reports, financial statements, associated information and accounting procedures required by this Act shall be in accordance with generally accepted accounting practice which currently are standards and practices promulgated by the International Federation of Accountants (IFAC) as applicable to Governments and statutory bodies. Currently IFAC has International Public Sector Accounting Standards (IPSAS) as financial reporting standards for Governments and other Public Enterprises.

The Government of Malawi (GoM) adopted International Public Sector Accounting Standards (IPSAS) as an accounting and financial reporting framework 2011.

In 2018 the Government developed a roadmap for the adoption of accrual basis of accounting as follows;

Stage I which involved all activities performed prior to June 2018 and includes all initial efforts of the project. It relates to 2016 to 2019 and mainly covers Cash Reporting for the Central Government.

Stage II or otherwise known as level ii which relates to three (3) years planned from 2020 to 2022. This was where the accounting system in the Central Government was to be expanded to record all transactions associated with financial assets and liabilities throughout the fiscal year. This shall include all financial assets and liabilities as well as explanatory footnotes for the Central Government. The applicable statements are as follows;

a. Intermediate Statement of Financial Position;

b. Intermediate Statement of Financial Performance; and

c. Statement of Changes in Net Assets.

d. Notes to accompany the financial statements and explain accounting policies as well as any details associated with information presented in the financial statements.

This stage was more of a visible transitioning from cash based IPSAS to Modified Accrual IPSAS.

Stage III relates to two (2) years planned from 2023 to 2024. This stage aimed at covering the establishment of accounting system for the

Government Business Enterprises (GBEs) on the full accrual basis of accounting with adherence to IAS/IFRS.

At this stage the Malawi Government would be on simplified accrual IPSAS.

Stage iv relates to two (2) years planned from 2025 to 2026. This stage will see the expansion of accounting system to record all transactions associated with all assets and liabilities throughout the fiscal year for all levels of government (central and local). This will be full accrual IPSAS.

Although in the year 2022/2023, Malawi was supposed to be in simplified accrual as per the roadmap, the framework is still at Stage 2. This translates to a slow pace in IPSAS adoption. Since 2011, this is twelve (12) years down the line and the progress is not worth the length of time invested. This will deprive the Government the benefits of IPSAS Accrual such as improved financial management information reporting and transparency, greater accountability and fight against fraud and corruption, improved use and management of public sector resources, particularly assets and improved cash-flow management.

GOVERNMENT ACCOUNTS RECONCILLIATION AND CONSOLIDATION

(d) Malawi Government Control Account No. 1 Shortfalls

The Accountant Generals Department Desk Instructions (2007)12.1 states that Bank Reconciliation is an accounting procedure for agreeing the balance as per bank statement with the balance as per cash book. In terms of Treasury Instruction officers authorised to operate bank accounts shall reconcile the bank balance with the cashbook balance at least once a month.

An enquiry from AGD management on reconciliation statement for Malawi Government Control Account No. 1 revealed the following:

(1) Failure to reconcile MG Control Account 1 for transactions period from 1st July 2021 to 31st March 2022.

(2) Failure to follow up on prior year (2020/2021) outstanding transactions

- i. Prior year transactions, payments on bank statement not in cashbook amounting to K270,942,253,993.26
- ii. Prior year transactions payments in cashbook not on bank statement amounting to MK377,798,181,327.83.

(e) Failure to Follow-up on Prior Year Unpresented Cheques

The Accountant Generals Department Desk Instructions (2007) 12.6.1 states that the List of Outstanding Cheques shall be checked and ticked with following month's bank statement. Cheques that have become stale for example after a period of six months from the date of issue shall be brought on charge by preparing a General Receipt and GP 96.

An enquiry from AGD and review of the consolidated bank reconciliation statements revealed that the department failed to follow up and provide status of prior years' unpresented cheques amounting to K170,742,924,000 as such it was difficult to ascertain the validity and completeness of the transactions.

(f) Failure to Follow-Up on Un-Cleared Items on Bank Reconciliation Statements

The Accountant Generals Department Desk Instructions (2007) 12.6 stipulated 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.

A review of bank reconciliation statement for the consolidated Salaries, consolidated ORT, consolidated Development (Part II), Pensions & Gratuity, Compensations & Refunds, and Advances Accounts revealed the outstanding transactions as follows:

(1) Unpresented payments K303,512,513,775.32;

(2) Payments in bank statement not in cashbook K185,210,353,639.97;

(3) Receipts in bank statement not in cash book K38,140,270,813.92; and

(4) Receipts in cash book not in bank statement K105,274,218,098.88.

Table 12 below gives summary of outstanding un-cleared items on bank reconciliation.

Table 13: Summary Of Outstanding Un-Cleared Items On Bank Reconciliation

Account Name	Unpresented Payments	Payments in Bank Statement not in Cash Book	Receipts in Bank Statement not in Cash Book	Receipts in Cash Book not in Bank Statement
Salaries	2,112,085,196	10,973,264,267	35,727,687,159	63,326,404,532
ORT	244,745,859,246	164,976,141,978	1,998,446,670	35,897,443,715
Development	35,656,242,798	1,381,938,351	199,617,577	91,094,466
Pensions and Gratuities	14,454,750,138	7,607,208,259	69,249,170	—
Losses and Compensations	6,319,197,840	264,014,611	19,319,232	5,869,255,639
Advances Operating	224,378,557	7,786,174	125,951,006	90,019,747
TOTALS	**303,512,513,775**	**185,210,353,640**	**38,140,270,814**	**105,274,218,099**

(g) Format of Cashbooks Not Properly Configured

The Accountant Generals Department Desk Instructions (2007)7.7 on Combined Receipts and Payment Cashbook states that Payment vouchers shall be entered in the combined payments and receipts cashbook as soon as transactions take place. At banking stations, one cashbook shall be kept for each bank account.

A review of cashbooks that were used for bank reconciliation statements for all accounts submitted for review revealed that the cashbooks were not as per the format of the Central Government of combined receipts and payments cash book that shows the opening balance, receipts, payments and closing balance. Instead, the single format was configured in the system that shows receipts and payments separately without showing closing balances.

(h) Deposit Account Not Presented for Audit Review

The Accountant Generals Department Desk Instructions (2007) 12.8 (ii) Bank Reconciliation Section shall forward reconciled statements each month to the Controlling Officer with copies to the Accountant General, (Government wide Reconciliation Section) and the Auditor General.

An enquiry from AGD management on reconciliation statement for the period under review for consolidated Deposit Account revealed that the bank reconciliation statement for the account was not done as a result it was not submitted for audit review ascertain the occurrence and validity of the transactions.

REGIONAL TREASURY CASHIER (SOUTH)

40. An audit of the financial and other information for Regional Treasury Cashier South for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed a weakness in financial and other internal controls. The weakness is presented in paragraph (a) below: -

(a) Pensions Funds Not Accounted For: K1,711,689.95

Treasury Instructions (2004), Section 2.6.1 (i) states that responsibilities of Controlling Officers include ensuring that-all necessary precautions are taken to safeguard public resources.

An inspection of pensions funds records and Daily Bank Statement disclosed that Mulanje Treasury cashier withdrew funds amounting to K2,602,906.10. As at the date of the audit, cash on hand amounted to K891,216.15 giving a shortfall of K1,711,689.95. When the audit team enquired about the accountability of the shortfall, management responded by saying that part of the funds was stolen, and the issue was in the hands of the Police. However, the remaining funds were on hand for a long time without being banked and management failed to produce documentary evidence regarding the accountability of K1,711,689.95.

NATIONAL STATISTICS OFFICE

41. An audit inspection of the financial and other information for National Statistical Office for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

National Statistical Office's approved recurrent budget was K688,039,975.00 and was revised upwards to K720,268,613.00. The actual out-turn was K679,885,706.00 representing 99.80% utilization of the revised budget.

Audit Opinion

I issued unqualified audit opinion on the financial statements of National Statistical Office for the year ended 31st March, 2022.

(a) Payment Vouchers Without Adequate Supporting Documents: K21,886,635.06

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 the payment vouchers disclosed that payments amounting to K21,886,635.06 were presented without relevant supporting documentation to substantiate the validity of the payment.

(b) Payment Vouchers Not Presented for Audit Inspection: K18,068,628.26

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.

However, an inspection of payment vouchers with a comparison against system generated expenditure report by cost centre revealed that payment vouchers totaling K18,068,628.26 were not presented for audit. It was, therefore, difficult to ascertain validity of the expenditure.

(c) Activity Reports Not Presented For Audit: K17,840,000.00.

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 or Agency. This must be done within one (1) week after each official trip

However, an inspection of payment vouchers against activity reports indicated that officers drew allowances amounting to K17,840,000.00 for various activities without accounting for them with activity reports.

(d) **Payments Processed Without Loose Minutes: K15,190,000.00**

Accountant General's Desk Instructions (2007), Number 6 stipulates that before undertaking any travel outside the duty station all officers of and below the grade of P5 shall obtain authority to travel on the form. This form is prepared in duplicate. The original copy of the authority shall be submitted with travel claim.

An inspection of payment vouchers disclosed that payments amounting to K15,190,000.00 were made without minutes to substantiate the payment claims. It was therefore difficult to ascertain validity of the expenditure.

LIWONDE COMMUNITY DEVELOPMENT TRAINING CENTRE

42. An audit of the financial and other information for Liwonde Community Development Training Centre for the years ended 30th June 2021 and 31st March, 2022 was completed in September, 2022. The audit disclosed a weakness in financial and other internal controls. The weakness is presented in paragraph (a) below: -

(a) **Failure to Fulfill the Core Mandate of the Institution**

Liwonde Community Development Training Centre as an Institution was established with the core mandate of providing trainings to the community in areas of adult literacy and Education, Promotion of Savings and Loan Groups, Community Mobilization and Financial Literacy among others.

An enquiry and interviews with management revealed that since the Centre was launched in 2010, it had not yet rolled out fully its activities as per the institution's mandate. As at the date of the audit, the Centre was only being used for accommodation and conferencing services and the revenue collected through these services are deposited into the Malawi Government Account Number 1. Activities in form of trainings to the community in areas of adult literacy and Education, Promotion of Savings and Loan Groups, Community Mobilization and Financial Literacy are not being conducted.

MINISTRY OF TRANSPORT AND PUBLIC WORKS

43. An audit of the financial and other information for Ministry of Transport and Public Works for the year ended 31st March, 2022 was completed in December, 2022. The audit disclosed weaknesses in financial control and other related gaps which are detailed in a management letter which was issued to the Controlling Officer. These weaknesses and gaps are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budgets as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Transport and Public Works approved recurrent budget was K4,663,772,634 and was revised upwards to K5,031,440,229 and the actual out-turn was K4,764,101,404 representing 95% utilization of the revised budget.

Overall Performance on the Development Part II Budget

The approved Development budget was K5,762,389,000 and was revised downwards to K3,881,524,000 with the actual expenditure of K364,590,000 representing 9.3% utilization of the budget.

Audit Opinion

I issued an unqualified opinion on the financial statements of the Ministry of Transport and Public Works for the year ended 31st March, 2022. However, it is worth noting that the findings under the Regional Road Traffic and Safety Services(South) do not affect the opinion of the Ministry as they are under different management structures. It's findings were reported under the Ministry of Transport and Public Works being its mother Ministry.

(a) Failure to Produce Planned Outputs for Audit Inspection

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.

However, the Ministry did not furnish the information of what it planned to achieve during the year under review. It was, therefore, difficult to analyse and assess the effectiveness of the implementation of the 2021/2022 budget in terms of planned outputs against actual outputs.

(b) Incomplete Non-Current 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', requires the maintenance of a non-current assets register which should among other things indicate the monetary values of the assets and their condition.

Contrary to this requirement, the Ministry failed to maintain non-current assets register in conformance with the format provided by the Secretary to the Treasury for all classes of non-current assets.

Failure by the Ministry to maintain a proper non-current assets register will make it very difficult for the Government of Malawi to migrate from cash basis International Public Sector Accounting Standards (IPSAS) to accrual based IPSAS. Further, non-current assets may be misused without being noticed and fraud may be perpetrated.

REGIONAL ROAD TRAFFIC AND SAFETY SERVICES (SOUTH)

44. An audit inspection of the financial and other information for The Directorate of Road Traffic and Safety Services (South) for the year ended 31st March, 2022 was completed on 23rd June, 2022. The audit disclosed weaknesses in financial and other internal controls, which are detailed in themanagement report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below: -

(a) Reported Revenue Not Verified Due To Lack Of System Reports: K2,229,202,610.00

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.

A request to be provided with invoices of all completed transactions for inspection and comparison with the actual revenue reported by the NBS bank proved futile as it was alleged that the system could not produce summaries of such completed transactions as evidence of the business made by the organisation in the period under review. As a result, revenue amounting to K2,229,202,610.00 which was reported by the NBS Bank mandated by the Ministry to collect the same on its behalf but could not be verified.

MALAWI POLICE SERVICE

45. An audit inspection of the financial and other information for the Malawi Police Service for the year ended 31st March, 2022 was completed in December, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budgets as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

The Malawi Police Service's approved recurrent budget was K51,900,917,000.00 and was revised upwards to K55,736,782,000.00. Actual expenditure was K48,323,262,000.00 representing 87% utilization of the revised budget.

Overall Performance Development Part II Budget

The approved budget was K500,000,000 and was not revised. The actual expenditure was K451 916,000.00 representing 90% utilization rate.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Malawi Police Service for the year ended 31st March, 2022.

(a) Failure to Prepare Activity Report: K59,395,000.00

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

An inspection of payment vouchers revealed that subsistence allowances amounting to K59,395,000.00 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.

(b) Payment Vouchers Without Supporting Documents: K75,163,189.00

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 revealed that payments amounting to K75,163,189.00 were presented for audit inspection without supporting documents such as invoices and receipts As such, it was difficult to ascertain the propriety of the expenditure.

REGIONAL POLICE HEADQUARTERS (NORTH)

46. An audit of the financial and other information for the Regional Police Headquarters (North) for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed a weakness in financial and other internal controls which is detailed in the management report addressed to the Controlling Officer. This weakness is presented in paragraph (a) below:-

(a) Revenue Spent At Source: K122,418,536.39

Treasury Instructions (2004), Section 5.7.3.5 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 revenue records revealed that revenue amounting to K122,418,536.39 was not banked intact as per requirement instead, it was spent at source without Treasury Authority.

KARONGA POLICE STATION

47. An audit of the financial and other information for Karonga Police Station for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed a weakness in financial and other internal controls. This weakness is presented in paragraph (a) below: -

(a) Revenue spent at source: K67,427,850.00

Treasury Instructions (2004), Section 5.7.3.5 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 revenue records revealed that revenue amounting to K67,427,850.00 was not banked intact as per requirement instead, it was spent at source without Treasury Authority.

NKHATA BAY POLICE STATION

48. An audit of the financial and other information for Nkhata Bay Police Station for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below: -

(a) Revenue Used At Source: K29,441,031.00

Treasury Instructions (2004), Section 5.7.3.5 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 revenue payment vouchers revealed that Nkhata Bay Police Station used revenue collections worth K29,441,031.00 from private Police services charges, traffic fines, Police reports and abstracts for various activities. It was noted that this amount was not deposited into the Government consolidated revenue account number one instead, it was used for Other Recurrent Transactions (ORT) activities.

(b) Non-Maintenance of Cash Book

Accountant General's Desk Instructions (2009), Section 7.7.1 states that payment vouchers shall be entered in the combined payments and receipts cashbook as soon as transactions take place.

An inspection of general receipts, bank deposit slips and bank statements revealed that Nkhata Bay Police Station does not maintain cash book.

RUMPHI POLICE STATION

49. An audit of the financial and other information for Rumphi Police Station for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed a weakness in financial and other internal controls. The weakness is presented in paragraph (a) below: -

(a) Revenue Spent at Source: K23,053,164.48

Treasury Instructions (2004), Section 5.7.3.5 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 revenue payment vouchers revealed that Rumphi Police Station collected revenue amounting to K23,053,164.48 from private Police services charges, traffic fines, Police reports and abstracts for various activities. However, it was noted that this amount was not deposited into the Government consolidated revenue account number one, instead it was used for Other Recurrent Transactions (ORT) activities.

EASTERN REGION POLICE HEADQUARTERS

50. An audit of the financial and other information for Eastern Region Police Headquarters for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management letter dated 7th September, 2022 addressed to the Controlling Officer. These weaknesses are presented from paragraphs (a) below: -

(a) Revenue Spent at Source: K89,498,200.00

Treasury Instructions (2004), Section 5.7.3.5 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, bank deposit slips and cash book for Eastern Region Police Headquarters revealed that revenue collected from traffic fines was not deposited into Government Account Number One. Out of K93,808,000 collected, K89,498,200.00 was spent at source representing 95% of the total collected revenue.

BALAKA POLICE STATION

51. An audit of the financial and other information for Balaka Police Station for the year ended 31st March, 2022 was completed in October, 2022. The audit disclosed a weakness in financial and other internal controls. The weakness is presented in paragraph (a) below: -

(a) Revenue Spent at Source Without Authority: K 65,293,486.00

Treasury Instructions (2004), Section 5.7.3.5 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, bank deposit slips and cash book for Balaka Police Station revealed that revenue collected from traffic fines was not deposited into Government Account Number One. Out of K89,702,500 that was collected, K65,293,486 was spent at source representing 73% of the total collected revenue.

CHIKWAWA POLICE STATION

52. An audit of the financial and other information for Chikwawa Police Station for the year ended 31st March, 2022 was completed on 27th September, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management letter dated December, 2022 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below: -

(a) Revenue Used At Source: K42,652,700.00

Treasury Instructions (2004), Section 5.7.3.5 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, GP 96 forms, monthly revenue returns, and bank deposit slips disclosed that Chikwawa Police Station collected revenue amounting to K47,517,500.00 out of which K4,864,800.00 was deposited into the bank while K42,652,700.00 was used at source.

(b) Backlog Of Cases

Constitution of Malawi (1994), Section 42 (2) (f) (i) states that every person arrested for, or accused of, the alleged commission of an offence shall, in addition to the rights which he or she has as a detained person have the right as an accused person, to a fair trial, which shall include the right to public trial before an independent and impartial court of law within reasonable time after having been charged.

An inspection of trace register of Criminal and Statutory cases for the prosecution department disclosed that twenty-seven (27) cases were still outstanding since 2019. There was no indication that the cases were being attended to.

NENO POLICE STATION

53. An audit of the financial and other information for Neno Police Station for the year ended 31st March, 2022 was completed on 27th September, 2022. The audit disclosed weaknesses in financial and other internal controls, which are detailed in the management letter issued on 19th December, 2022 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:-

(a) Revenue Used At Source: K37,388,000.00

Treasury Instructions (2004), Section 5.7.3.5 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, GP 96 forms, monthly revenue returns, and bank deposit slips disclosed that the station collected revenue amounting to K40,899,000.00 out of which K3,510,950.00 was deposited into the bank while K37,388,000.00 was used at source.

(c) Backlog Of Cases

Constitution of Malawi (1994), Section 42(2)(f)(i) states that Every person arrested for, or accused of, the alleged commission of an offence shall, in addition to the rights which he or she has as a detained person have the right as an accused person, to a fair trial, which shall include the right to public trial before an independent and impartial court of law within reasonable time after having been charged.

An inspection of trace register of criminal and statutory cases for the Prosecution Department disclosed that seven (7) cases dating back to 2019 and ten (10) cases dating back to 2020 were still outstanding. There was no indication that the cases were being attended to.

(d) Poor Infrastructure For Neno Police Station

Treasury Instructions (2004), Section 2.6.1 (i) states that responsibilities of controlling officers include ensuring that-all necessary precautions are taken to safeguard public resources.

Physical inspection disclosed that Neno Police Station was housed in old small Neno Hospital building, which was not befitting the nature and purpose of the Station. There was no proper exhibit room for the storage of exhibits to mention a few; which means, storage of public property was in jeopardy.

THE DELTA DIVISION

54. An audit of the financial and other information for The Delta Division for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed a weakness in financial and other internal controls, which was detailed in the accompanying management report addressed to the Controlling Officer. The weakness is presented in paragraph (a) below:-

(a) Revenue Spent at Source: K18,691,148.06

Treasury Instructions (2004), Section 5.7.3.5 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 revenue records revealed that revenue amounting to K18,691,148.06 was not banked intact as per requirement but instead was spent at source without Treasury Authority. It was established that K12,883,796.06 was spent at the Delta Division while K5,807,352.00 was spent at the Ipyana Company.

DEPARTMENT OF IMMIGRATION AND CITIZENSHIP SERVICES

55. An audit of the financial and other information for Immigration Department for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management report addressed to the Controlling Officer. These weaknesses and gaps are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budgets as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Department of Immigration and Citizenship Services' approved recurrent budget was K3,391,694,114.00 and revised upwards to K3,611,502,675.00. The actual out-turn was K3,245,825,581.00 representing 89.9 % utilization of the revised budget.

Overall Performance on the Development Part II Budget

The approved budget was K400,000,000.00 and was revised downwards to K200,000,000.00. The actual out-turn was K77,413,311.00 representing 38.7% utilization of the revised budget.

Audit Opinion

I issued an Unqualified opinion on the financial statements of the Department of Immigration and Citizenships Services for the year ended 31st March, 2022.

(a) Failure to Disclose Contingent Liability

IPSAS 19-Provisions, Contingent Liabilities and Contingent Assets states that unless the possibility of any outflow in settlement is remote, an entity shall disclose, for each class of contingent liability and, where practicable;

- An estimate of its financial effect, measurement under paragraphs 44 to 62
- An indication of the uncertainties to the amount or timing of any outflow and;
- The possibility of any reimbursement

A review of financial statements disclosed that the department did not disclose Contingent liabilities as required by IPSAS 19. The Department prematurely terminated contract worth $60 million which it had with Techno-Brain on the upgrade of Passport system. At the day the audit was concluded, the case was in court.

(b) Failure To Perform Bank Reconciliations

Treasury Instruction (2004), Section 5.7.2 (j) stipulates that sound cash management includes performing bank reconciliations on a daily basis to detect unauthorized entries in the accounting systems.

An inquiry with management disclosed that bank reconciliations were not being performed. Therefore, errors made either in the bank statement or cashbook could not be detected.

(c) Deposit Slips For Visa Revenue Not Presented For Audit: K17,513,440.00

Treasury Instructions (2004), Section 5.13.1 (d) requires adequate internal controls to 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 revenue, expenditure, assets and liabilities are properly recorded and accounted for.

An inspection of the general receipt book disclosed that general receipts amounting to K17,513,440.00 did not have corresponding bank deposit slips. In the absence of the deposit slips, it was difficult to verify whether the money collected was deposited.

(d) FDH In Breach Of Revenue Collection Holding Period: K4,183,652,041.25

There is a contractual agreement between Government of Malawi acting through The Accountant General's Department and FDH Bank for revenue collection. The contract stipulates as follows:

Article 11 (Banking Services) 2.1 states that FDH (The Bank) undertakes to provide the following banking services;

- The regular transferring of the revenue balances from the Revenue Collection and Treasury Fund bank accounts to bank accounts held in the RBM nominated by the Accountant General, whereby;
- the transfer is performed electronically such that the transferred sums will be simultaneously sent from the Bank and received by the RBM every 48 (forty-eight) hours

An inspection of bank statements for FDH bank account disclosed that the bank did not comply with Article number 11 stated above since FDH Bank did not transfer the daily collections within the floating period of 48 hours. In some instances, the FDH could hold collections for a period of up to 180 (hundred and eighty) days. During the 2021/2022 financial year, the bank held K4,183,652,041.25 for several days before transferring it to RBM. Details of these anomalies are in Table 13 below:

Table 14: Holding of Daily Revenue Collections Beyond Floating Period of 48 hours

Transfer Date	Account Number	Dates collected	Days Taken	Amount Delayed
10/08/2021	'1040000016379	8 June 2021 to 29 June 2021	21 days	410,500,000.00
10/08/2021	'1040000016379	30 June 2012 to 14 July 2021	15 days	246,300,000.00
28/09/2021	'1040000016379	15 July 2021 to 18 August 2021	33 days	535,600,000.00
28/09/2021	'1040000016379	19 July 2021 to 10 Sept 2021	50 days	453,200,000.00
15/03/2022	'1040000016379	13 Sept 2021 to 17 Feb 2022	180 days	2,538,052,041.25
TOTAL				**4,183,652,041.25**

(e) Funds For Uniform Used For Unrelated Procurements: K80,663,776.97

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

An inspection of payment vouchers against the budget estimates and actuals on itemized expenditure disclosed that uniform funds which were budgeted for K80,663,776.97 were wholly used for unrelated procurements of goods and services such as purchase of electricity, fuel, maintenance of motor vehicles and payment of subsistence allowances.

MALAWI PRISON SERVICE-HEADQUARTERS

56. An audit of the financial and other information for Malawi Prison Headquarters for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

The Malawi Prison Service headquarters' approved recurrent budget was K8,356,198,708.27 and was revised upwards to K9,620,176,624.78 and the actual out-turn was K8,871,377,006.10 thus representing 92.2% utilization of the revised budget.

Overall Performance on the Development Part II Budget

The approved budget was K800,000,000.00 and was revised downwards to K575,656,000 with the actual expenditure of K341,524,386.31 representing 59.3% utilization of budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Malawi Prison Service Headquarters for the year ended 31st March, 2022.

(a) Payment vouchers without supporting documents: K12,872,506.69

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

An inspection of payment vouchers disclosed that payments amounting to K12,872,506.69 had no supporting documents. Consequently, it was difficult to ascertain the propriety of the expenditure.

(b) Misallocation of funds: K113,152,848.38

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 K113,152,848.38 were used on unrelated activities without any approval from the Secretary to the Treasury.

ZOMBA CENTRAL PRISON

57. An audit of the financial and other information for Zomba Central Prison for the years ended 30th June 2020 and 2021 and 31st March 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls, which are detailed in the accompanying management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below: -

Issues From 2021/2022

(a) Payment Vouchers Not Presented For Audit: K123,544,156.19

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

A review of payment transactions posted to the cashbook revealed that payment vouchers worth K123,544,156.19 were not presented for audit inspection. Therefore, it was difficult to ascertain the validity of expenditure made.

(b) Procurement Made Without Planning: K17,204,500.00

Public Procurement and Disposal of Assets Act (2017), section 39(1) of the 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 and analysis of payment vouchers together with relevant supporting documents revealed that Zomba Central Prison did not have a procurement plan hence procurements amounting to K17,204,500.00 were made without procurement and disposal plan. It was further noted that there was lack of general awareness on the importance of procurement planning since there was no procurement professional in the procurement department as at the time of audit.

Issues From 2020/2021

(c) Procurement Made Without Planning: K11,330,000

Public Procurement and Disposal of Assets Act (2017), section 39 (1) of the 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 and analysis of payment vouchers together with relevant supporting documents revealed that Zomba Central Prison did not have a procurement plan hence procurements amounting to K11,330,000.00 were made without procurement and disposal plan. It was further noted that there was lack of general awareness on the importance of procurement planning since there was no procurement professional in the procurement department as at the time of audit.

MALAWI PRISON SERVICE-PRISON FARMS

58. An audit of the financial and other information for Prison Farms for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed a weakness in financial and other internal controls. The weakness is presented in paragraph (a) below: -

(a) Winter Cropping Fertilizer Paid for but Not Yet Delivered: K17,943,000.00

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

An inspection of payment vouchers and IPDC records established that Prison Farms paid Farmers Organization Limited an amount of K17,943,000.00 for procurement of fertilizers meant for winter cropping. However, a physical inspection revealed that the fertilizers had not yet been delivered to the department as at the time of the audit.

MINISTRY OF TOURISM, CULTURE AND WILDLIFE

59. An audit of the financial and other information for Ministry of Tourism, Culture and Wildlife for the year ended 31st March, 2022 was completed in September, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budgets as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Tourism, Culture and Wildlife's approved recurrent budget was K2,916,283,181.00 and was revised upwards to K3,335,590,677.00. The actual out-turn was K3,140,548,505.00 representing 94.15% utilization of the revised budget.

Overall Performance on the Development Part II Budget

The approved budget was K2,577,697,816.00 and was revised downwards to K1,866,697,816.00. The actual expenditure was K227,083,766.00 representing 12% of budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Ministry of Tourism, Culture and Wildlife for the year ended 31st March, 2022.

LENGWE NATIONAL PARK

60. An audit of the financial and other information for Lengwe National Park for the year ended 31st March, 2022 was completed in in September, 2022. The audit disclosed a weakness in financial and other internal controls. The weakness is presented in paragraph (a) below: -

(a) Lengwe National Park Out Of Shape

Treasury Instructions (2004), Section 2.6.1 (i) states that responsibilities of controlling officers include ensuring that-all necessary precautions are taken to safeguard public resources.

An inspection of the Park facilities and enquiry from management disclosed that the Park is out of shape as highlighted by the following challenges: -

- Dry weather roads are not passable during the rainy season which results in zero number of tourists visiting. They can be improved by graveling, installation of culverts, building of bridges and raising the surface level of the roads;
- A number of houses built with mud; these present a risk to the Park's staff; and
- Nkombezi Bridge washed away; during rainy season patrols are difficult to implement; a condition which favors poachers.

MINISTRY OF LABOUR

61. An audit of the financial and other information for Ministry of Labour for the year ended 31st March, 2022 was completed in October, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

The Ministry of Labour's approved recurrent budget was K3,534,731,807.00 and was revised upwards to K4,724,521,633.50 and the actual out-turn was K4,250,806,370.80 representing 89.97% utilization of the revised budget.

Overall Performance on the Development Part II Budget

The approved budget was K5,300,000,000.00 and was revised downwards to K2,439,564,601.00 and the actual out-turn was K1,989,934,189.97 representing 81.57% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Ministry of Labour for the year ended 31st March, 2022.

(a) Payment of Subsistence Allowances Not Supported with Activity Reports: K292,860,038.40

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

An inspection of payment vouchers disclosed that the Ministry paid subsistence allowances to officers amounting to K292,860,038.40 in respect to various activities. However, the allowances were not substantiated with activity reports.

(b) Payments Made Without Supporting Documents: K167,221,124.17

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 payment vouchers amounting to K167,221,124.17 were submitted to auditors without attaching them with relevant supporting documents such as certificates, proof of payments, invoices, delivery notes and summary of works done. In the absence of such documents, it was difficult to ascertain whether the expenditure made was a correct charge to public funds.

(c) Payments Without IPDC Approval: K85,836,909.87

Public Procurement and Disposal of Assets Act No. 27 of 2017, Section 26 (1) and 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 for development account disclosed that payment voucher number 1900000449 amounting to K85,836,909.87 for procurement of various items was processed for payment without IPDC approval. In the absence of the IPDC approval, it was difficult to ascertain whether value for money was achieved in respect to the procurement.

(d) Outstanding Payables Without Supporting Documents: K33,378,898.53

Treasury Instructions (2004), Section 9.10.2 states that the annual financial statements must be produced in the form specified in the Fourth Schedule to the PFM Act and shall include the following information - a statement of financial position showing the assets, liabilities and the net financial position as at balance sheet date of the reporting period.

A review of the financial statements disclosed that the Ministry reported payables as K72,935,202.63. However, the audit team only verified payables amounting to K39,556,304.10 leaving a balance of K33,378,898.53 unverified due to lack of supporting documentation such as invoices. Therefore, it was difficult to ascertain if the payables figure shown in the financial statements was correctly stated.

(e) Failure to Upload Revenue in the Integrated Financial Management Information System (IFMIS): K71,921,500.00

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, Deposit slips, cash controls and monthly reports revealed that the Ministry collected revenue during the year amounting to K71,921,500.00. However, the amount was not captured in the accounting system.

(f) Revenue Not Accounted for: K46,569,500.00

Treasury Instructions (2004), Section 5.6.2 states that a 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 cash controls forms, cash books, GP 96 and bank deposits slips disclosed that the Ministry collected revenue amounting to K71,921,600.00 out of which K25,352,000.00 had supporting documents and K46,569,500.00 was not supported.

(g) Payment Vouchers Not Presented for Audit: K11,656,050.00

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

An inspection of payment vouchers and expenditure statement by cost centre report revealed that the Ministry failed to provide payment vouchers amounting to K11,656,050.00 for audit review. In the absence of these payment vouchers, the validity of the transactions could not be ascertained.

(h) Duplicated Payments to Sana "Cash n' Carry": K2,145,688.02

The Public Finance Management Act (2003), Section 10.1 (i) states that each controlling officer is responsible for ensuring that all necessary precautions are taken to safeguard public resources.

A review of payment vouchers revealed that the Ministry paid K2,145,688.02 on Quotation No 972 dated 20-12-2021; Voucher No 5100000316; Transfer No TRFV3702100002215 and POP Batch Reference No LB301-024/03/2022. However, the Ministry paid again an amount of K2,145,688.00 for the same Quotation No 972 using Voucher No 510000326; Transfer No TRFV3702100001895 and POP Batch reference LB42-015/03/2022 resulting into a loss of K2,145,688.02.

REGIONAL LABOUR OFFICE (SOUTH)

62. An audit of the financial and other information for Regional Labour Office (South) for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below: -

(a) **Lack Of Mobility And Inspection Instruments For Regional Occupation Safety And Health Office (South)**

Occupational safety, Health and Welfare Act of 1997, Section 73 (1) (b) states an inspector shall, for the purpose of administering, monitoring, and enforcing the provisions of this Act, have power to enter, inspect and examine at all reasonable time any place which he has reasonable cause to believe to be a workplace, and any part of any building of which a workplace forms part and in which he has reasonable cause to believe that explosives or inflammable materials are stored or used.

An enquiry into the availability of applicable resources of the operations of the office disclosed that Regional Occupation Safety and Health Office which is responsible for inspection of workplace safety for the southern region was operating without a motor vehicle and inspection instruments such as noise meters, hydraulic pumps, light meter, and dust meter. This negatively affects the effective operation of the office.

BLANTYRE TRADE TESTING CENTRE

63. An audit of the financial and other information for Blantyre Trade Testing Centre for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management letter dated 3rd October, 2022 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below:-

(a) **Workshops Left Redundant Because Of Phasing Out Of Trade Test Exams**

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 enquiry with management and physical verification of workshops revealed that a number of workshops were left redundant. This happened because Trade Test Exams were phased out in 2017 with the intention of bringing another program called Recognised Previous Learning (RPL). Consequently, some machines had deteriorated.

SOCHE TECHNICAL COLLEGE

64. An audit inspection of the financial and other information for Soche Technical College for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed weaknesses in financial and other controls which are detailed in the management report issued to the Controlling Officer.These weaknesses are presented from paragraphs (a) below:-

(a) Payment Vouchers Not Presented For Audit Inspection: K333,769,156.30

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

An inspection of payment vouchers and the expenditure statement by cost centre report revealed that payment vouchers amounting to K333,769,156.30 were not presented for audit inspection. Therefore, it was difficult to ascertain the validity of the expenditure made.

(a) Un-Economical Contract Agreements

Treasury Instructions (2004), Section 2.6.1 (h) states that the responsibilities of Controlling Officers include ensuring that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

Inspection of college premises disclosed that a number of vendors were doing business at the expense of the college due to contractual agreements that were uneconomical. Electricity, water, and security was being provided by the college almost for free. Appliances like Deep fryer, refrigerators, popcorn machine, television screen, decoder and kitchen electrical and firewood pots were some of the appliances used by the vendors. There was no provision for wear and tear of the kitchen facilities. During black outs, electrical generator power was provided by the Institution. Electricity and water bills on average totals to K5,000,000.00 per month.

MZUZU TRADE TEST CENTRE

65. An audit inspection of the financial and other information for Mzuzu Trade Test Centre for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management report which was issued to

the Controlling Officer. These weaknesses are presented from paragraph (a) below:-

(a) Failure to Produce Contract Agreement for the Rental of a Hall to TEVETA

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

Contrary to the above requirement, management failed to produce contract agreement for the rental of the hall to TEVETA. Further enquiry revealed that Mzuzu Trade Test Centre never received any amount from TEVETA related to such rentals. In addition, it was not possible to ascertain the applicable rental charges due to non-existence of the contract agreement between the two parties.

(b) Revenue Not Accounted For: K4,800,000.00

Treasury Instructions (2004), Section 5.13.1 (d) requires adequate internal controls to 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 revenue, expenditure, assets and liabilities are properly recorded and accounted for.

Mzuzu Trade Test entered into a lease agreement with now Malawi Towers (Airtel Malawi Ref. No. ACU/II/87) to construct a tower within the premises of Mzuzu Trade Test in August, 2020 and it was indicated in the agreement that an annual fee of K2,400,000.00 will be paid over a period of five years up to the year 2025 as also stipulated in the Licence Agreement (MZTRADETEST, ID:MW2321, Sect 2.2).

However, an inspection of lease agreement and enquiry from management revealed that revenue amounting to K4,800,000.00 was not accounted for.

MINISTRY OF TRADE

66. An audit of the financial and other information for Ministry of Trade for the year ended 31st March, 2022 was completed in October, 2022. The audit disclosed weaknesses in financial and other internal controls. These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Trade's approved recurrent budget was of K1,423,049,424.00 and was revised downwards to K1,370,852,657.00. The actual out-turn was K938,447,155.43 representing 68.5% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Trade for the year ended 31st March, 2022.

(a) Failure to Provide Supporting Documents for Payables: K37,818,834.00

Treasury Instructions (2004), Section 9.10.2 states that the annual financial statements must be produced in the form specified in the Fourth Schedule to the PFM Act and shall include the following information - a statement of financial position showing the assets, liabilities and the net financial position as at balance sheet date of the reporting period.

A review of the financial statements and other records revealed that the Ministry reported payables amounting to K37,818,834.00 as at 31st March, 2022. However, these payables were not supported by invoices. Therefore, it was difficult to ascertain if the payables figure shown in the financial statements was correctly stated.

(b) Payment Vouchers Not Presented for Audit: K14,164,700.00

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

An inspection of payment vouchers and the expenditure statement by cost centre report revealed that the Ministry failed to provide payment vouchers amounting to K14,164,700.00 for audit. In the absence of these payment vouchers, the validity of the payments could not be ascertained.

MINISTRY OF INDUSTRY

67. An audit of the financial and other information for Ministry of Industry for the year ended 31st March, 2022 was completed in October, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management letter dated October, 2022 addressed to the

Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both the Recurrent and Development Part II budgets as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Industry's approved recurrent budget was K901,924,847.00 and was revised downwards to K867,590,609.00 and the actual out-turn was K766,358,514.00 representing 88.3% utilization of the revised budget.

Overall Performance Development Part II Budget

The approved budget was K2,300,000,000.00 and was revised downwards to K2,245,941,998.00. The actual expenditure was K2,162,522,099.00 representing 96.3% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Industry for the year ended 31st March, 2022.

(a) Special Economic Zone Projects' Status Report Not Provided for Audit: K1,889,044,646

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

The Ministry through the Malawi Investment and Trade Centre (MITC) is implementing several projects under Special Economic Zones development at Chigumula Industrial Park in Blantyre, Matindi in Blantyre, Area 55 in Lilongwe and Dunduzu Industrial Park in Mzuzu.

An inspection of the payment vouchers and requests for funds transfer revealed that the Ministry transferred funds to MITC amounting to K1,889,044,646.00 on transfer no TRFV3902100000958 dated 25/03/2022 for various activities such as compensation payments, compensation assessment, utility vehicles, road design, environmental and social impact assessment, site master planning (design), factory shell design among others. However, there was no report to show the status of the projects and activities done during the year. As such, the validity of the payments could not be ascertained.

(b) Failure to Provide Supporting Documents for Payables: K52,734,802.36

Treasury Instructions (2004), Section 9.10.2 (b) states that the annual financial statements must be produced in the form specified In the Fourth Schedule to the PFM Act and shall include the following information - a statement of financial position showing the assets, liabilities and the net financial position as at balance sheet date of the reporting period.

However, a review of the financial statements and other records revealed that the payables amount of K52,734,802.36 reported in the financial statements of the Ministry for the year ended 31st March, 2022 was not supported with invoices. This made it difficult to ascertain the validity of the payables.

(c) Constructed Factories Not Functioning

The Public Finance Management Act (2003), Section 10 (1) (h) states that each Controlling Officer is responsible ensuring that, in relation to his Ministry all expenditure is incurred with due regard to economy, efficiency, and effectiveness and the avoidance of waste.

The Ministry's mission is to promote, support and facilitate the development of industries in both existing and potential growth sectors, thereby increasing the supply of value-added goods and services for domestic and international markets while sustaining competitive advantage.

The Ministry's strategic objectives include strengthening development and promotion of Malawians' products and services and to empower Malawians to participate in economic activities.

The Ministry started constructing factories in 2010 to support small cooperatives process their products through the Value Addition Section which was popularly known as One Village One Product.

However, an enquiry from management revealed that all the factories constructed throughout the country were not functioning due to non-installation of electricity.

MINISTRY OF MINING

68. An audit of the financial and other information for Ministry of Mining for the year ended 31st March, 2022 was completed in October, 2022. The audit disclosed a weakness in financial and other internal controls, which is detailed in the management letter dated October, 2022 addressed to the Controlling Officer. The weakness is presented in paragraph (a) below after the overall performance on both the Recurrent and Development Part II budgets as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Ministry of Mining's approved recurrent budget was K1,264,586,237.00 and was revised upwards to K1,279,367,113.52.00 and the actual out-turn was K1,122,660,782.61 representing 88% utilization of the revised budget.

Overall Performance Development Part II Budget

The approved budget was K689,144,992.00 and was revised downwards to K689,000,000.00. The actual expenditure was K66,014,045.63 representing 10% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Mining for the year ended 31st March, 2022.

(a) Payment Vouchers Not Presented for Audit: K39,439,626.00

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

An inspection of expenditure statement by cost centre against payment vouchers revealed that payment vouchers amounting to K39,439,626.00 were not produced for audit. Therefore, the authenticity and propriety of the payments made using the vouchers could not be ascertained.

GEOLOGICAL SURVEY DEPARTMENT

69. An audit of the financial and other information for Geological Survey Department for the year ended 31st March, 2022 was completed in December, 2022. The audit disclosed weaknesses in financial and other internal controls, which are detailed in the management letter dated 7th December, 2022 addressed to the Controlling Officer. These weaknesses are presented from paragraphs (a) below: -

(a) Motor Vehicle Logbook for Drilling Truck (MG 314Z) not Presented for Audit Inspection.

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

Contrary to this requirement, the Department did not present for audit inspection a motor vehicle logbook for drilling truck registration number MG 314Z. Consequently, it was difficult to ascertain the usage of the drilling truck.

LAW COMMISSION

70. An audit of the financial transactions for the Law Commission for the year ended 31st March, 2022 was completed in September 2022. The audit disclosed weaknesses in financial and other internal controls and other related gaps, which are detailed in the management letter dated December, 2022 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Law Commission's approved recurrent budget was K654,610.846.00 and was revised upwards to K713,553,493.00. The funds allocated were K642,408,168.00. The actual out-turn was K642,408,168.00 representing 90% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Law Commission for the year ended 31st March, 2022.

(a) Failure To Produce Payment Vouchers For Audit: K33,766,279.63

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

An inspection of payment vouchers, cashbooks and expenditure statement by cost centre disclosed that the Commission did not submit payment vouchers amounting to K33,766,279.63. Therefore, it was difficult to ascertain the propriety of the expenditure.

(b) Payment Vouchers Without Supporting Documents: K24,031,471.05

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

An inspection of payment vouchers amounting to K24,031,471.05 were presented without supporting documents such as loose minutes, quotations, receipts and IPDC minutes. Therefore, it was difficult to ascertain the propriety of the expenditure.

LEGAL AID BUREAU

71. An audit of the financial and other information for Legal Aid Bureau for the year ended 31st March, 2022 was completed in August, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management letter dated November, 2022 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on the Recurrent budget as well as the opinion on the financial statements.

Overall Performance on the Recurrent Budget

Legal Aid Bureau's approved recurrent budget was K1,243,635,720 and was revised upwards to K1,447,137,262.73 and the actual out-turn was K1,404,979,134.00 representing 97% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Legal Aid Bureau for the year ended 31st March, 2022.

(a) Payment Vouchers Not On Expenditure Statement By Cost Centre: K32,159,378.05

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

An inspection of the expenditure statement by cost center and the actual payment vouchers revealed that transactions amounting to K32,159,378.05 were not on the expenditure statement by cost center.

LEGAL AID BUREAU (SOUTH)

72. An audit of the financial and other information for Malawi Legal Aid Bureau (South) for the year ended 31st March, 2022 was completed in June, 2022. The audit disclosed a weakness in financial and other internal controls which is detailed in the management letter dated December 2022 addressed to the Controlling Officer. The weakness is presented in paragraph (a) below: -

(a) Long Outstanding Cases

The Constitution of the Republic of Malawi (1994), Section 42 (2) (f) (i) states that every person arrested for, or accused of, the alleged commission of an offence shall, in addition to the rights which he or she has as a detained person have the right as an accused person, to a fair trial, which shall include the right to public trial before an independent and impartial court of law within reasonable time after having been charged.

An inspection of case register disclosed that as at the end of 2020, 2021 and 2022 financial years, the Bureau had 8034, 9201 and 10335 outstanding cases respectively.

ADMINISTRATOR GENERAL

73. An audit of the financial and other information for Administrator-General for the year ended 31st March, 2022 was completed in October, 2022. The audit disclosed a weakness in financial and other internal controls which is detailed in the management report addressed to the Controlling Officer. The weakness is presented in paragraph (a) below after the overall performance on the recurrent budget and opinion on the financial statements.

Overall Performance on the Recurrent Budget

The Administrator General's approved budget was K381,037,418.00 and was revised upwards to K397,792,225. The actual out-turn was K370,725,908 representing 94% utilization of the revised budget.

Audit Opinion

I issued unqualified audit opinion on the financial statements of the Administrator General for the year ended 31st March, 2022.

(a) Payments Without Supporting Documents: - K36,479,990.00

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

Contrary, an examination of payment vouchers revealed that payments amounting to K36,479,990.00 were not supported by receipts as acknowledgement of payment by the service providers.

REGIONAL ADMINISTRATOR GENERAL (SOUTH)

74. An audit of the financial and other information for Regional Administrator General (South) for the year ended 31st March, 2022 was completed in October, 2022. The audit disclosed a weakness in financial and other internal controls which is detailed in the management report addressed to the Controlling Officer. The weakness is presented in paragraph (a) below:-

(a) Distribution List of Deceased Estate Beneficiaries Not Presented For Audit: K10,673,023.30

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

An inspection of Deceased Estate files revealed that the distribution list for Deceased Estate funds amounting to K10,673,023.30 was not presented for audit. The distribution list displays value of entitlement for each beneficiary, and it also represents an amount a client uses for opening minor's account. Therefore, it was difficult to ascertain whether the payment of the funds was made to the rightful beneficiaries.

REGIONAL ADMINISTRATOR GENERAL (NORTH)

75. An audit of the financial and other information for Regional Administrator General (North) for the year ended 31st March, 2022 was completed in July, 2022. The audit disclosed weaknesses in financial and other internal controls which are detailed in the management report addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below: -

(a) Deceased Estate Money Receipted But Not Recorded in the Paper Money Register: K1,151,628,934.99

Internal memorandum circular dated 30th July, 2019 from Administrator General on management and distribution of deceased estates states that details of payments received should immediately be recorded in appropriate paper money register.

An inspection of pay in vouchers from Accountant General revealed that the Administrator General's office, North received deceased estate money amounting to K1,151,628,934.99 but was not recorded in the Paper Money Register. This made it difficult to ascertain whether all the money received was accounted for.

(b) Failure To Publish Long Outstanding Deceased Estate Claims: K30,453,786.89

Administrator General Act (2011), Section 13 (1), stipulates that, if after payment of all claims which have been made and admitted or established against an estate being administered by the Administrator General there remains in the hands of the Administrator General a balance to which no person has established a claim, the Administrator General shall publish a notice in the Gazette notifying the fact that such balance remains in his hands and calling upon all persons having any claim thereto to send in such claim to him.

An inspection of minors' files revealed that Deceased Estate funds amounting to K30,453,786.89 for minors had remained unclaimed for a long period. Enquires from management revealed that nothing was done to publish notices in the Gazette. Some of them date back to the year 2016.

MALAWI HUMAN RIGHTS COMMISSION

76. An audit of the financial and other information for the Malawi Human Rights Commission for the year ended 31st March, 2022 was completed on 28th September, 2022. The audit disclosed a weakness in financial and other internal controls, which are detailed in the management letter dated 30th October, 2022 addressed to the Controlling Officer. The weakness is presented in paragraph (a) below after the overall performance on the Recurrent budget as well as the opinion on the financial statements.

Overall Performance On The Recurrent Budget

The Commission's approved Recurrent Budget was K911,021,442. The budget was revised upwards to K1,025,520,863. The out turn was K1,070,726,799.14 representing 104.4080% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of Malawi Human Rights Commission for the year ended 31st March, 2022.

(a) Over-Expenditure: K182,595,327.00

Public Finance Management Act (2003), Section 14.1 (h & f) states that each Controlling Officer is responsible for ensuring that in relation to his Ministry/Department, 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 revised budget against actual expenditure revealed that the Commission spent K182,595,327.00 above the approved budget.

PART IV

RECOMMENDATIONS AND ACKNOWLEDGEMENT

RECOMMENDATIONS

78. In the course of my audit of the 2021/2022 Accounts of the Government of the Republic of Malawi, each Controlling Officer was sent appropriate audit inspection report with recommendations. Regrettably, evidence has shown that in certain cases, the recommendations have not been given due consideration by the Controlling Officers.

A summary of recommendations includes: -

1. There is need to ensure that the plan for the adoption of IPSAS is strictly implemented through commitment from Government by adequately resourcing the drive. Now that the Government has embarked on improving its public financial management systems and one critical area under public financial management which is to enhance accountability on usage of public resources, IPSAS will greatly contribute to its realization;
2. 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 by 2024/2025 FY;
3. 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;
4. 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;
5. The Secretary to the Treasury should ensure that monthly and quarterly bank reconciliations through IFMIS;
6. Strict compliance with financial provisions should be enforced in the MDAs in order to improve public financial management and control;
7. The use of invalid supporting documents should be stopped forthwith, and no payment should be made without adequate and valid supporting documentation;
8. Ministries and Departments should set up electronic filing system that allows easy location of all documentation;
9. The systems requirements and procedures should be reinforced with capable supervision;

10. Further investigations should be conducted by special teams on the areas suspected that public resources may have been lost or mismanaged;

11. 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

12. Government through the Office of the Director of Public Procurement and Disposal of Assets with support from the Department of E-Government should make sure that public procurement systems evolves to E-Procurement;

13. Payment vouchers and supporting documents not presented for audit should be traced and submitted for audit inspection. Those responsible for not availing the said documents for audit should be dealt with in accordance with the PFMA and MPSR;

14. The over funding, over expenditure above the approved and revised budget; and over expenditure above the actual funding in Embassies should be fully investigated;

15. A decision must be made on revenue used at source in Police Stations and Embassies;

16. The Department of Immigration should ensure that E-Passport and E-Visa revenues should be collected and banked with the Reserve Bank of Malawi. Regular reconciliations of such revenues should be done under proper supervision;

17. The Department of the Accountant General should ensure that civil servant loans and advances interests are reconciled periodically. Further all outstanding transactions for the reconciliation of the consolidated account should be investigated and cleared within a specific period of time;

18. All officers responsible for the breach of procurement regulations should be dealt with in accordance with the law;

19. All payments made in breach of regulations should be investigated and culprits dealt with accordingly;

20. All project related anomalies should be investigated, and corrective action taken;

21. All officers responsible for misallocation of expenditure should be dealt with accordingly;

22. Controlling officers should ensure that performance information is provided for audit and that what is planned is actually achieved;

23. MDAs which did not administer training bonds should do so and hence forth training bonds for officers on long training should be administered;

24. Controlling officers must ensure that Fixed Asset Registers are maintained and updated. Those failing to do so should be dealt with accordingly.

25. Accountant General's department should ensure that all reconciliation irregularities observed by the Auditor General relating to MG account number one are thoroughly addressed;

26. The Government should ensure that retirees and related beneficiaries are paid their pension and gratuity in time to minimize future claims and suffering of the beneficiaries;

27. Judiciary should ensure that long outstanding cases are tried, and subsequent cases are dealt with speed;

28. Ministry of Finance should ensure that public debt is managed in accordance with Government policies;

29. Secretary to the Treasury should ensure that the public debt module is incorporated in IFMIS for effective and accurate reporting;

30. GoM should come up with a detailed workplan on how the recommendations provided in this report will be implemented by who, when how and probably how much it can cost (if any).

ACKNOWLEDGEMENT

78. I wish to place on record my profound gratitude and appreciation to staff members in my office who carried out their work diligently despite resource 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 members. The cooperation enabled me to obtain information and documentation for the audit services.

LILONGWE, MALAWI
February, 2023

REPORT OF THE AUDITOR GENERAL

ON THE

ACCOUNTS OF THE GOVERNMENT OF THE REPUBLIC OF MALAWI

FOR THE YEAR ENDED 31ST MARCH, 2022