

REPORT OF THE AUDITOR GENERAL
ON THE
ACCOUNTS OF THE GOVERNMENT
OF THE
REPUBLIC OF MALAWI
FOR THE YEAR ENDED
31ST MARCH, 2023

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In reply, please quote No.

National Audit Office

P.O. Box 30045

Capital City

Lilongwe 3

Malawi

18th June, 2024

AUDITOR GENERAL

The Right Honourable Speaker

National Assembly

Private Bag B362

Capital City

Lilongwe 3

Through: The Honourable Minister of Finance

Ministry of Finance, Economic Planning and Development

P.O. Box 30049

Lilongwe 3

Malawi

Dear Madam,

Pursuant to the provision of Section 184 (2) of the Constitution of the Republic of Malawi, 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, 2023 for tabling in the National Assembly.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'TKB' or similar initials, enclosed in a faint circular outline.

THOMAS K. B. MAKIWA

Auditor General

Prologue

I am honoured and privileged to fulfil 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, 2023 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 (GoM).

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 attributed such anomalies 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 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; in some cases, unreconciled transactions were not followed up ; 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 sincere 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 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
AUDITOR GENERAL

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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, 2023, but have, where necessary, extended into the reviews of the preceding years wherever it has been considered significant and material.

The Government budgetary operation registered an increase in both revenue and expenditure during the year under review. Total revenue collected increased favourably by K1.616 Trillion from K1.634 Trillion realized in 2021/22 financial year to K3.250 Trillion which represents an increase of 98.9%. Total expenditure increased by K1.704 Trillion from K1.710 Trillion in 2021/2022 financial year to K3,414 Trillion which represents an increase of 99.7%. Domestic revenue increased during the year. The increase was due to longer accounting period of 12 months compared to the previous period of 9 months. However, Malawi Revenue Authority continued to improve on tax collection and administration.

Revenue Account registered K3.250 Trillion, while the recurrent expenditure was K3.414 Trillion. This recurrent expenditure is inclusive of Tax Refunds, Development Part I and Development Part II of K45.7 Billion, K830.1 Billion and K230.2 Billion respectively. The overall picture of the recurrent expenditure was a net deficit of K163.6 billion.

Development Receipts which include External Loans/ Grants and Malawi Government Transfers from Recurrent Revenue/Receipts, increased by K854.4 billion from K205.9 Trillion in 2021/2022 to K1.060 Trillion in 2022/2023. Total expenditure charged to the Development Account was K635.6 billion which increased by K377.9 billion when compared to K257.7 billion for 2021/2022 financial year representing an increase of 146.6%. Government in this fiscal year continued to get donor support.

The fiscal year 2022/2023 was considered as another year of remarkable achievements in terms of financial reporting because Controlling Officers continued to prepare financial statements using the approved and acceptable format introduced in the Ministries and Departments Agencies (MDAs) continued 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, after 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 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, Public Finance Management Act, Public Procurement and Disposal of Public Assets Act, 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 categories as follows:

1. Activity Reports Not Presented for Audit
2. Payment Vouchers Not Presented for Audit
3. Payment Vouchers Presented Without Supporting Documents
4. Miscellaneous Irregularities
5. Funding Irregularities
6. Revenue Irregularities
7. Procurement Irregularities
8. Irregular Payments
9. Misallocation of Expenditure
10. Financial Statements Related Irregularities
11. Long Outstanding Payables
12. Stores Items Not Accounted for

13. Fuel Not Accounted For
14. Employment irregularities
15. Failure to Prepare Accounts for the TIP Fund
16. General Receipt Books Not Submitted for Audit Inspection
17. Failure to Constitute an Audit Committee
18. Failure to Safeguard Public Assets
19. Failure to Achieve Value for Money

(a) 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 implemented by MDAs amounting to K352.6 million were not supported with activity reports. Figure 1 below has a summary by MDA and amount where activity reports were not presented.

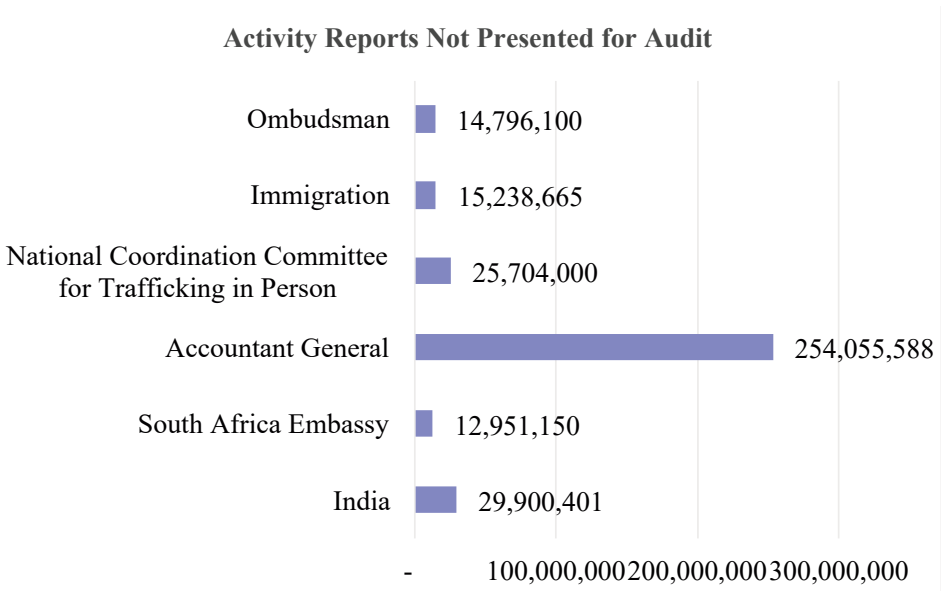


Figure 1: Activity Reports Not Presented for Audit

(b) Payment Vouchers Not Presented 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, the Auditor General and every person authorized by him shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept. 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 2022/2023 Financial Year, payment vouchers in excess of K905 million were not availed to my staff for audit. Figure 2 below provides details of MDAs who failed to produce these documents for audit.

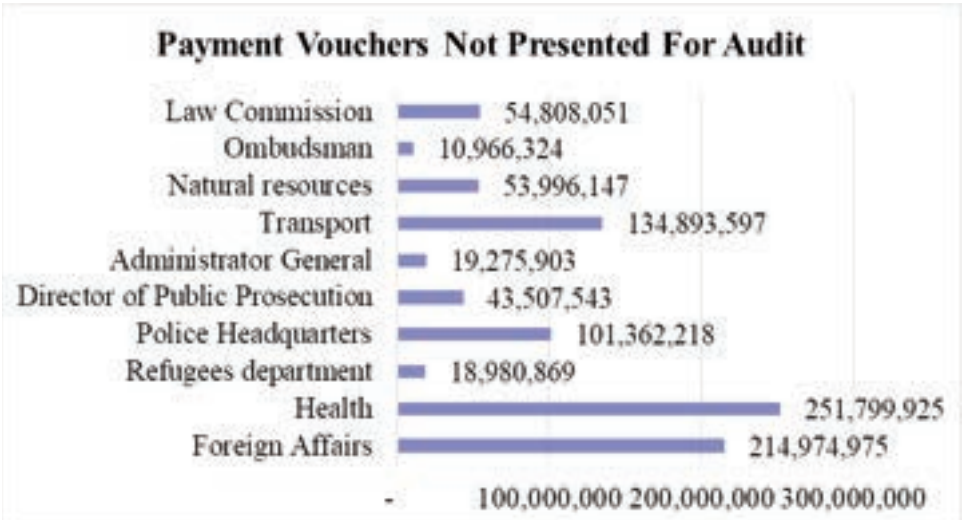


Figure 2: Payment Vouchers Not Presented for Audit

(c) Payment Vouchers Presented Without Supporting Documents

Similar to the anomaly at (b) above, according to Section 7 (a) of Public Audit Act, 2003, I 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. For the 2022/2023 financial year, payment vouchers in excess of K374.6 million, were presented for audit without adequate supporting documents for me to authenticate the payments. Such accountability documents included loose minutes, receipts, quotations, invoices just to mention some. Figure 3 provides details of MDAs who failed to produce these documents for audit.

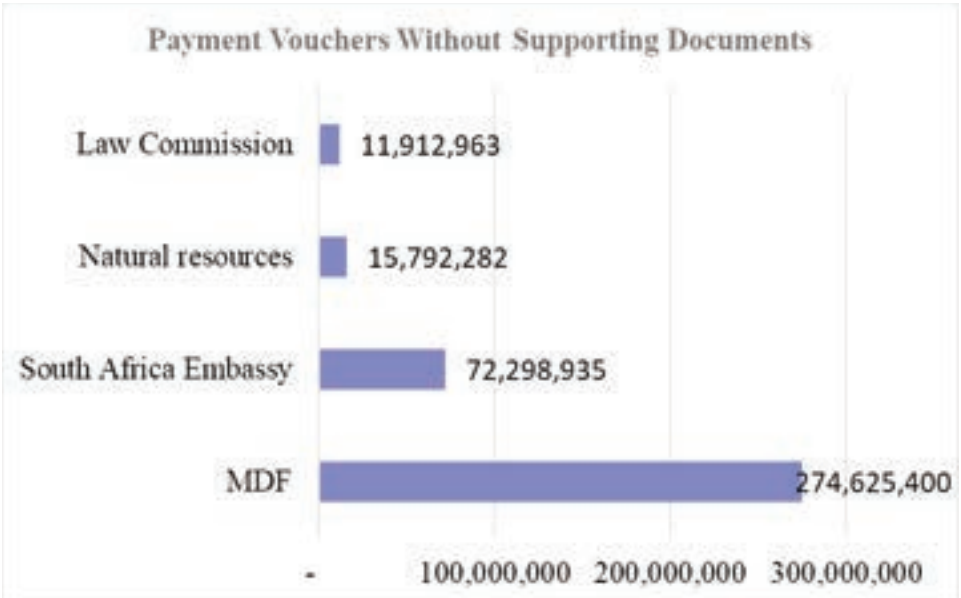


Figure 3: Payment Vouchers Presented Without Supporting Documents

(d) 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 Green Belt Authority to produce legal ownership and valuation records for equity instruments worth K27.06 billion. The miscellaneous irregularities totalled K29 billion. Table 1 has the details of these miscellaneous irregularities.

Table 1: Miscellaneous Irregularities

Query	Amount (K)	MDA
Failure to Prepare Expenditure Budget for Court Fees	893,677,435	Judiciary
Legal ownership and valuation records for equity instruments not provided for audit	27,036,132,000.00	Green Belt Authority
Failure to Deduct Withholding Tax	54,252,095	Ministry of Defence
Transfer of funds without authority	588,077,884.51	Ministry of Foreign Affairs

Unauthorised Usage of funds	248,029,275.08	Ministry of Foreign Affairs
Failure to refund the borrowed funds	93,395,579.91	Ministry of Foreign Affairs
Medical bills without patient counter signature	54,031,657.31	Ministry of Foreign Affairs
Payment of patients' allowances	14,087,657.04	Ministry of Foreign Affairs
TOTAL	28,981,683,879.15	

(e) Revenue Irregularities

Treasury Instructions, 2004, No. 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, the Malawi Police, through Nkhata-Bay Police Station, used revenue at Source and did not deposit it in Government Account number 1. Secondly, Ministry of Labour and the Judiciary did not present revenue budgets for audit. Thirdly, Ministry of Lands under-collected revenue by K3.03 billion . Total revenue irregularities during the period under review amounted to K4.731 billion. Figure 4 depicts a summary of these revenue irregularities by MDA and amount.

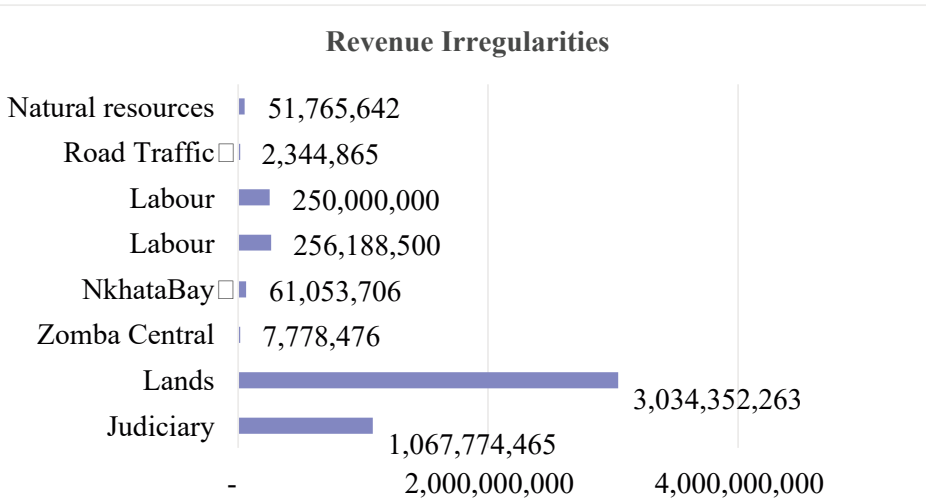


Figure 4: Revenue Irregularities

(f) Financial Statements Related Irregularities

The Accountant General issued a Circular Ref. No. T4400 dated 4th June, 2020 which require 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 complied with this requirement, a few struggled. Supporting documents to payables’ figures in the financial statements were not presented for audit. Additionally, revenue and expenditure figures were understated and overstated respectively in the financial statements. Figure 5 below depicts a summary of these anomalies.

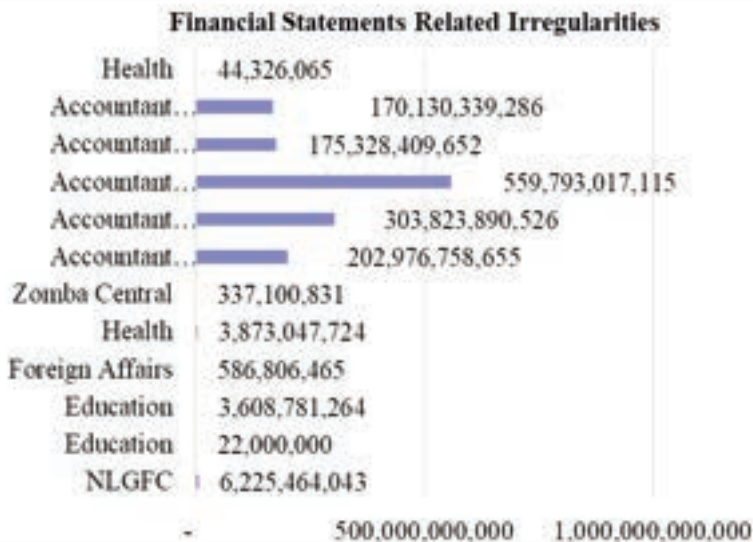


Figure 5: Financial Statements Related Irregularities

(g) Procurement Irregularities

Public Procurement and Disposal of Public Assets Act No 27 of 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 2022/2023 financial year, a number of MDAs made some procurements without the approval of the Internal Procurement and Disposal of Assets Committee (IPDC). Additionally, there were also cases of general flouting of the procurement Act. Figure 6 depicts in summary by MDA and amount how the procurement regulations were flouted.

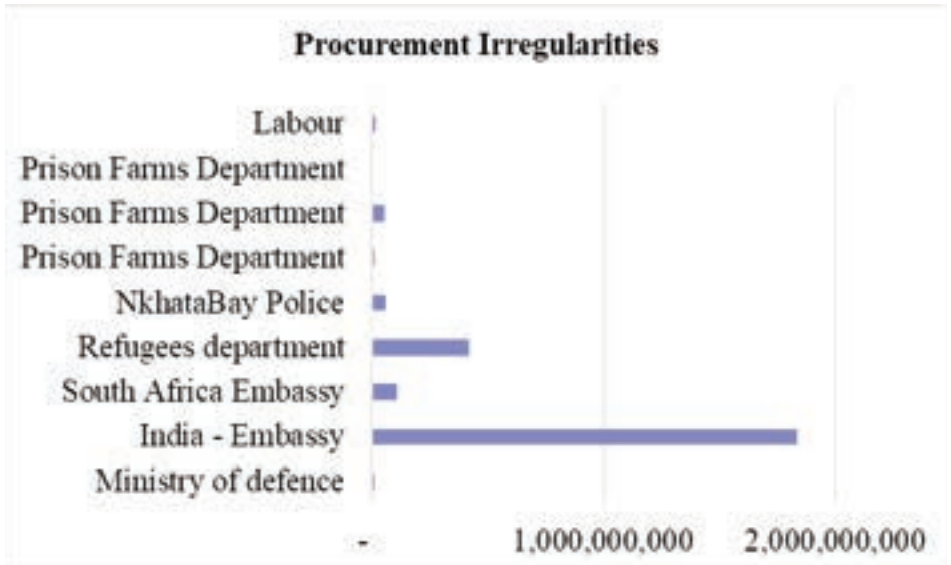


Figure 6: Procurement Irregularities

(h) Irregular Payments

Public Finance Management Act, 2022, Section 14.1(h&j) states that a controlling officer shall, with respect to the controlling officer’s institution, ensure that, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources. However, during the 2022/2023 audit, a number of MDAs made payments that were contrary to the provisions of the Public Finance Management Act. Figure 7 depicts a summary of the MDAs and the amounts for these irregular payments.

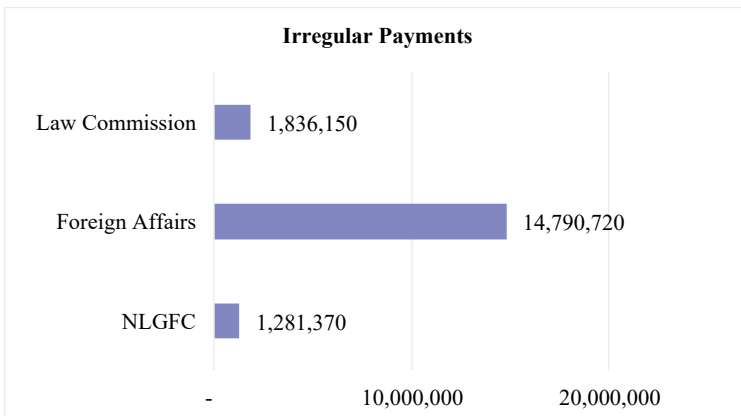


Figure 7: Irregular Payments

(i) Misallocation of Expenditure

Treasury Instructions, 2004, No. 4.14.1 states that specific approval is required before any allocations can be vired or transferred between outputs. If the controlling officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed personally by the controlling officer.

However, it was noted during the audit that five (5) MDAs misallocated funds amounting to K196 million, contrary to this instruction. Figure 8 shows MDAs that violated this instruction.

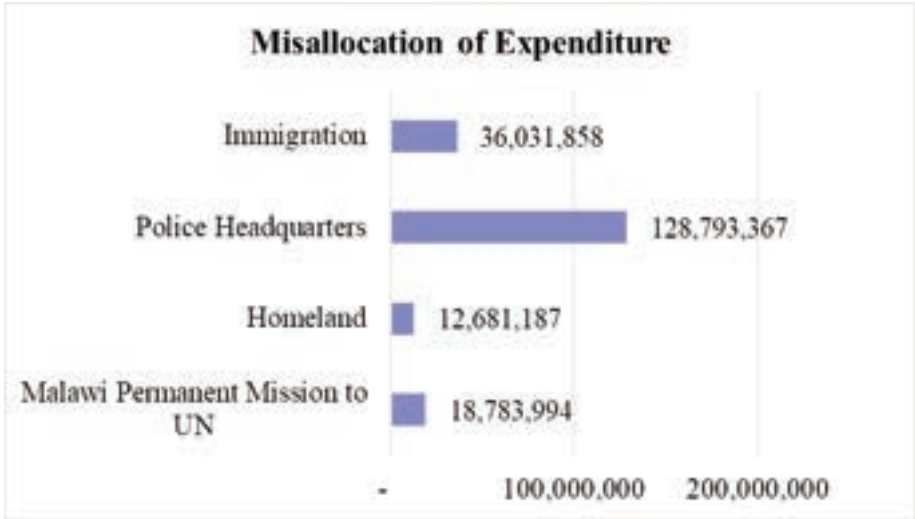


Figure 8: Misallocation of Public Funds

(j) Long Outstanding Payables

Public Finance Management Act, 2022, Section 109.4 (m) states that a controlling officer, chief executive officer or any officer engages in improper conduct where the controlling officer, chief executive officer or officer incurs arrears, without taking necessary precautions to avoid incurrence of the arrears. In addition, PFM Act, 2022, Section 109 (6) describes “arrears” as all unpaid bills, inclusive of contractual and statutory obligations, after the end of a financial year.

However, the audit revealed that the Ministry of Transport and Public Works and Malawi Police Service had unsettled payables amounting to K166,5 Million and K500 Million respectively which had been outstanding for a long time. This could lead to loss of public resources if the creditors claim interest on late payment on the unsettled amounts. Figure 9 shows MDAs that violated this regulation.

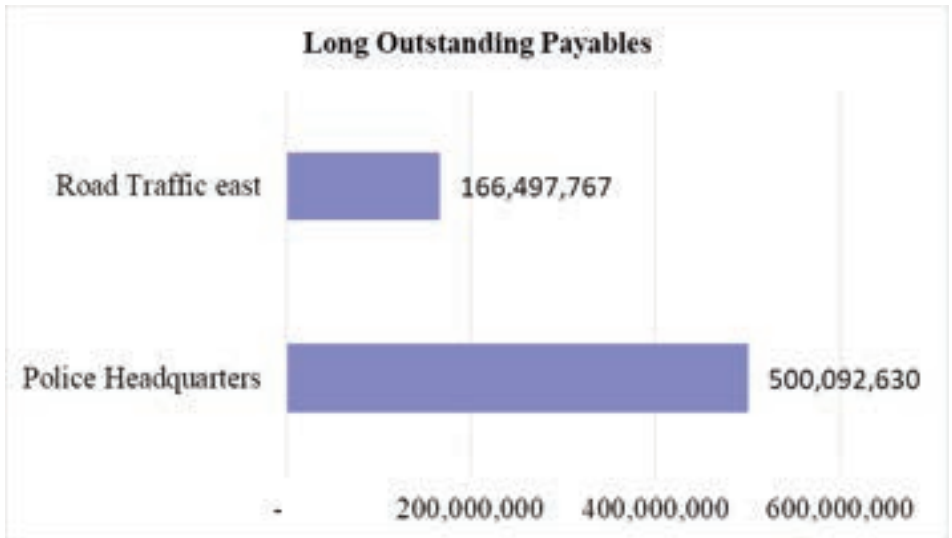


Figure 9: Long Outstanding Payables

(k) Fuel Not Accounted For

Similar to the anomaly above, the the Ministry of Labour did not record the procurement and issuance of fuel amounting to K36 Million leading to its non-accountability.

(l) Employment irregularities

Green Belt Authority’s Staff Conditions of Service number 2.2.4.4 & 2.2.1 dated June, 2019 stipulates that within the limit of the approved annual budget the chief executive officer may engage from time to time casual and temporally employees in order to carry out specific tasks. Such employees, shall not be subject to terms and conditions of service, but shall be governed by the conditions of service specified in their contracts; and if there is a need for an external recruitment, it shall require advertising the vacancy in the press and instituting an interview panel to interview the shortlisted candidates. In addition, the Malawi Public Service Regulation number 1:175 (1), 1:176 (2) and 1:119 requires a letter of secondment or loan when seconding an officer to perform duties outside the public service; and the maintenance of personal files by every responsible officer in respect of every Civil Servant for whom he/she is responsible.

However, the audit revealed that Greenbelt Authority contravened regulations by employing casual and temporary employees without signing a formal contract, externally recruiting employees to work in MEGA farms without advertising, seconding an officer from the Ministry of Agriculture to work in the MEGA farm project without completing a letter of secondment or loan and failing to maintain employment records for workers in MEGA farms.

In addition, the Malawi Human Rights Commission failed to fill vacant positions which comprised 61% of the Commission’s established posts contrary to the requirement of Malawi Public Service Regulation number 12 (1) of 2015.

(m) Documents Not Submitted for Audit

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

However, the audit revealed that the Ministry of Homeland Security and the Malawi Police Service did not submit accounts of the Trafficking in Person’s (TIP) fund and general receipt (GR) books respectively for audit. As such, I could not ascertain the accountability of the resources appropriated to the fund. In addition, I could also not ascertain how the revenue collected using the unrepresented GR books were accounted for.

(n) Failure to Constitute an Audit Committee

Public Finance Management Act, 2022, Section 19.1 states that there shall be established for each Ministry or Government institution, an audit committee which shall perform functions and exercise such powers as are conferred on the audit committee. Contrary to this, Parliament of Malawi did not have an audit committee during the period of the audit. This means that there was no sufficient independent oversight of financial reporting, internal controls, and compliance with laws and regulations which could lead to fraud and mismanagement.

(o) Failure to Safeguard Public Assets

According to Public Finance Management Act, 2022, Section 16 (c), every officer shall ensure that adequate arrangements are made for the proper use, custody, safeguard and maintenance of public assets and stores which are in the custody or under the control of the officer.

Contrary to this section, the Ministry of Agriculture, the Ministry of Foreign Affairs, the Ministry of Labour and the Accountant General’s Department failed to safeguard public assets as shown in Table 2.

Table 2: Failure to Safeguard Public Assets

Query	Risk or Implication	MDA
Encroachment of Nathenje Livestock Development Centre's Land	<ul style="list-style-type: none"> • Legal disputes that can be time consuming and costly • Loss of ownership of part of the Ministry's land 	Ministry of Agriculture
Malawi Government Property Abroad Without Title Deeds	<ul style="list-style-type: none"> • Legal Uncertainty about ownership of the property which can lead to loss of the property 	Ministry of Foreign Affairs
Failure to Claim Replacement of Motor Vehicle Reg. No. MG 924 AM On Comprehensive Policy Cover	<ul style="list-style-type: none"> • Financial Loss to the Government 	Ministry of Foreign Affairs
Irregular Arrangement for VISA Fees Collection	<ul style="list-style-type: none"> • VISA fees may be misappropriated leading to financial loss to the Government 	Ministry of Foreign Affairs
Failure to Value Fixed Assets and Update the fixed Asset Register	<ul style="list-style-type: none"> • Inaccurate financial reporting in the financial statements due to misstated asset values • Impaired decision making related to asset management which can negatively impact performance • Failure to Track and Maintain Assets • Risk of theft due to the non-recording of the assets 	Accountant General's Department & Ministry of Labour

(p) Failure to Achieve Value for Money

As per public finance management Act, 2022, Section 14.1 (h), a controlling officer shall, with respect to the officer's institution, ensure that all expenditure is incurred with due regard to economy, efficiency, effectiveness and the avoidance of waste.

Nevertheless, Ministry of Homeland Security, Malawi Prison Service and Ministry of Labour did not achieve value for money in the performance of their duties. The details are shown in Table 3.

Table 3: Failure to Achieve Value for Money

Query	Risk or Implication	MDA
Failure to Develop Guidelines for Funds Disbursement	<ul style="list-style-type: none"> • Financial Mismanagement • Misallocation of funds 	Ministry of Homeland Security
Failure to Meet Target on Maize Production	<ul style="list-style-type: none"> • Failure to feed prisoners 	Malawi Prison Service
Award of a Contract to a Supplier Without Financial Capacity	<ul style="list-style-type: none"> • Risk of non-performance leading to delays or non-delivery of Fertilizers leading to low maize yield • Delivery of poor-quality Fertilizers which can also lead to low maize yield 	Malawi Prison Service
Lack of Training for Supervisors And Mentors In The Internship Programme performance	<ul style="list-style-type: none"> • Ineffective leadership leading to decreased interns’ 	Ministry of Labour
Lack of Monitoring and Evaluation of The Internship Programme	<ul style="list-style-type: none"> • Poor performance • Missed opportunity for improvement of the programme 	Ministry of Labour
Lack of Monitoring and Supervision of Community Technical Colleges	<ul style="list-style-type: none"> • Decreased academic quality • Financial mismanagement • Missed opportunity for improvement 	Ministry of Labour

General Recommendations

- The Government must ensure the strict implementation of the IPSAS adoption plan by adequately resourcing the initiative. As the Government improves its public financial management systems, IPSAS will significantly enhance accountability in the usage of public resources;
- The functioning of Audit Committees in all Ministries and Departments should be enhanced immediately to facilitate prompt responses to audit reports and ensure the implementation of audit recommendations;
- Bank reconciliations for all accounts maintained at the Reserve Bank of Malawi must be prepared timely in compliance with Government financial rules and regulations;
- The Secretary to the Treasury should ensure that monthly and quarterly bank auto reconciliations are done for all accounts;

- Strict compliance with financial provisions should be enforced in the MDAs in order to improve public financial management and control;
- Ministries and Departments should set up electronic filing system to ensure easy location of all documentation;
- Government through the Office of the Director of Public Procurement and Disposal of Assets with support from the Department of E-Government should evolve public procurement systems to E-Procurement;
- Payment vouchers and supporting documents not presented for audit should be traced and submitted for audit inspection. Those responsible for not availing the documents for audit should be dealt with in accordance with the PFMA and MPSR;
- A decision must be made on revenue used at source in Malawi Police Service;
- All MDAs responsible for collecting Government revenue should ensure that they meet budget estimates, and that all collected revenue is complete in the cashbook and financial statements. Banking must be done on a timely basis per financial regulations;
- All Officers responsible for breaches of procurement regulations, taxation laws, and misallocation of expenditure should be dealt with according to the law. Payments made in breach of regulations should be investigated, and corrective actions taken;
- Controlling Officers must ensure Fixed Asset Registers are maintained and updated, with those failing to comply dealt with accordingly;
- The Accountant General's Department should ensure that all reconciliation outstanding transactions are thoroughly addressed;
- The Ministry of Finance should manage public debt in accordance with Government policies, ensuring that the public debt module is incorporated or interfaced with IFMIS for effective and accurate reporting;
- Payables and receivables presented in financial statements should be fully supported by schedules; and
- Ministries and departments should collect revenue as per their approved budgets by ensuring that revenue management controls are in place and effective.

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 Parliament of Malawi 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 Parliament of Malawi. 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 Parliament of Malawi 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;
 - (h) Outcomes or provisions produced are consistent with those specified in any Appropriation Act;
 - (i) Relevant government policies and legislation are being complied with;
 - (j) All expenditure is charged against the relevant allocation appropriated by the Parliament of Malawi; and
 - (k) The accounts and records have been properly kept.
4. Section 6 (2) of the Act requires me to undertake an audit programme to review and approve the audited accounts of statutory bodies and conduct

audits of any statutory body that has not had its financial statements audited by a firm of auditors, this includes where I do not approve the audited financial statements.

5. Section 6 (3) of the Act requires me to audit and examine transactions, books and accounts and other financial records associated with any project, programme, and any other activity receiving funding in whole or in part from money or public resources which in my opinion justifies further investigations.
6. In fulfilling my duties, powers and responsibilities lawfully conferred on me under Section 7 (1) of Public Audit Act (Cap. 37.01), I am required and any person authorized by me to;
 - (a) Have full access at all reasonable times to all documents, books and accounts, public funds, public securities, government contracts, and books and accounts relating thereof and subject to audit; and to any place where they are kept;
 - (b) Request any person to supply any information or answer any questions relating to documents, books and accounts, money or operations subject to audit and examination by me;
 - (c) Give notice in writing, requiring any person having possession or control on any documents, books and accounts subject to audit and examination by my office to deliver all or any of them at a time and place and to such a person specified in the notice;
 - (d) Inspect, measure or test any real or personal property to which any Government contract relates; and
 - (e) Enter any land, building, or place, other than a dwelling house, where a government contract is being performed that is subject to audit and examination by me.

SUBMISSION OF FINANCIAL STATEMENTS

7. Public Finance Management Act, 2022, Section 107 (2) 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;
- (m) 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);
- (n) A statement of contingent gains and liabilities' showing where possible an indication of the gain or cost
- (o) A statement of ex-gratia payments approved under the provisions of this act;
- (p) 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;

- (q) A statement on the level of asset values, including a statement of Government policy for the maintenance of asset values”;
- (r) 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
- (s) 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 2022, 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, 2022 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 2022/2023 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, 2003 (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 Parliament of Malawi. The audits have not been limited to the accounts for the year ended 31st March, 2023 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. Public Audit Act, 2003, Section 14 (1) 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 Parliament of Malawi.

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, 2023 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, 2023 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, 2023, and of its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) Accrual recommendation 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 further improving

Bank Reconciliations for the year ended 31st March, 2023

The following transactions reported on the reconciliations statement were outstanding as at 31st March, 2023. These amounts need further follow up and timely resolving.

(a) Malawi Government Control Account No. 1

In the 2022/2023 financial year, the bank reconciliation statement for this account was reconciled manually because configurations were not yet completed both in IFMIS-SAP at Accountant General's Department (AGD) and at Reserve Bank of Malawi (RBM) for auto reconciliation on the format of the bank statement. As a result, the following transactions were still outstanding:

- i. Payments in cashbook not on bank statement (Unpresented payments) amounting to K202,976,758,655.08;
- ii. Receipts/credits on bank statement not in cashbook amounting to K303,823,890,525.77;
- iii. Payments on bank statement and not in cashbook amounting to K559,793,017,114.88;
- iv. Payments on bank statement and not in cashbook amounting to K175,328,409,651.84 for 2021/2022; and
- v. Receipts/credits on bank statement not in cashbook amounting to K170,130,339,285.85 for 2021/2022.

(b) Other Pool Accounts (Other Recurrent Transactions, Development, Salaries, Pensions, Compensations, Advances and Deposits)

In the 2022/2023 financial year, the accounts were auto reconciled and there was an improvement, as outstanding transactions were reduced. However, the remaining unreconciled transactions on these pool accounts should be adjusted and resolved.

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

Malawi was supposed to be on recommendation Stage Three (3) simplified accrual by 2021 according to the IPSAS implementation roadmap. However, as at the reporting date, the Government of Malawi was still at recommendation Stage Two (2) of the IPSAS framework. This development is a concern because it means the financial statements do not provide a comprehensive picture of the financial position. Since IPSAS was adopted in 2011, the pace of graduation has been very minimal. To the contrary, Local Authorities' (Councils) financial statements are on recommendation Stage 3 and almost graduating to recommendation 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, 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 or not the Consolidated Annual Appropriation Accounts ,as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Annual Appropriation Accounts.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Governments' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during my audit; and
- 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, Departments and Agencies failed in the following main areas: -

Activity Reports Not Presented For Audit	352,645,904.38
Payment Vouchers Not Presented For Audit	904,565,552
Payment Vouchers Without Supporting Documents	374,629,579.33
Financial Statements Irregularities	14,653,200,326.22
Procurement Irregularities	2,521,051,843.11
Revenue Irregularities	4,731,257,917.07
Miscellaneous Irregularities	28,981,683,879.15
Irregular Payments	17,908,240.00
Misallocation of Funds	196,290,404.30
Long Outstanding Payables	666,590,396.96
Fuel Not Accounted For	36,010,200.00
Funds Not Accounted For	776,352,180.89
Reconciliation Irregularities (Un-reconciled Items)	1,412,096,741,298.42
Total	1,466,308,927,721.27

The audit opinion is presented separately in Volume 1 of the Consolidated Annual Appropriation Accounts for the year ended 31st March, 2023.

PART II

OVERALL BUDGET PERFORMANCE 2022/2023

BUDGET OUTTURN – REVENUE

14. Total revenue collected during the period ended 31st March, 2023 was K3.250 Trillion which reflected a 98.9% increase of K1.616 Trillion over the 2021/2022 amount of K1.634 Trillion. The sources of revenue were Tax Revenue K1.543 Trillion , Non-Tax Revenue K86.9 Billion, Net Proceeds from Domestic Borrowings K790.8 Billion, Project Loans K416.2 Billion and Project Grants K413.9 Billion.

The approved budgeted revenue was K2,851 Trillion and was revised to K3,087 Trillion. Actual revenue collection for the 2022/23 financial year was K3,250 Trillion which was K163.9 Billion surplus, representing 5.3% as compared to the revised amount of K3,087 Trillion. The over-collection was evident mainly on Net Proceeds from Domestic Borrowings of K44.8 Billion, Project Grants of K125.8 Billion and Project Loans of K20.1 Billion. There was an under-collection on Tax Revenue amounting to K25.8 Billion and Non-Tax Revenue of K1.0 Billion which reduced the over-collection to a net surplus of K163.9 Billion.

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

Table 4: 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/	Percentage
				(Under) Collection K'000	Over/ (Under) Collection %
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%
2022/2023	2,851,371,894	3,086,503,128	3,250,370,782	163,867,654	5.3%

With reference to Table 1, the general assessment of revenue budget provision compared to the actual collection indicates that there were under-collections in the financial years of 2019/2020 and 2020/2021 followed by over collection in the subsequent two years. During the year under review, (2022/2023), there was no significant improvement in revenue collection with an over-collection of 5.3% compared to 2021/2022 which registered over-collection of 14.8%. It is therefore,

encouraging that the budget planning and forecasts had an average error of 1.0% for the past four (4) financial years and there is room for improvement.

Table 5: The analysis on sources of revenue during the year.

Amounts in K'bln					
	Approved	Revised	Actual	Variance	Percentage
Tax Revenue	1,534.8	1,568.4	1,542.6	(25.8)	(1.6%)
Non-Tax Revenue	100.7	88.0	86.9	(1.1)	(1.2%)
Net Proceeds from Domestic Borrowings	654.0	746.0	790.8	44.8	6.0%
External Assistance	561.9	684.2	830.1	145.9	21.2%
Total	2,851.4	3,086.5	3,250.4	163.9	5.3%

The general assessment on sources of revenue with reference to Table 2 noted tax and non-tax revenue collections were short by 1.6% and 1.2% comparing to the revised budget of tax revenue amounting to K1.568 Trillion against actual collection of K1.543 Trillion and non-tax revenue revised budget of K88.0 Billion against the actual collection of K86.9 Billion respectively. This minimal decrease in the performance of the tax revenues was due to devastation of cyclone freddy and the cholera outbreak that had hit most districts of the country. The decrease on non-tax revenue was attributed to low dividends by Reserve Bank of Malawi. In the year under review, Government traded on local market where proceeds were K2,019.8 Trillion and repayments of borrowings were K1.229 Trillion resulting into Net Proceeds from Domestic Borrowings of K790.8 Billion. External Assistance of K830.1 Billion out of the revised budget of K684.2 Billion was realised which represents a surplus of 21.2%.

A trend analysis of under/over collection on each source of revenue for the past four (4) years is presented in Table 6:

Table 6: Trend of (under)/over-collection of revenue in billions of kwachas.

	2019/2020	2020/2021	2021/2022	2022/2023
Tax Revenue	(249.4)	28.7	(81.9)	(25.8)
Non-Tax Revenue	130.6	(200.1)	48.3	(1.0)
Project Loans	0.4	(0.5)	(63.0)	20.1
Dedicated Grants	20.3	9.6	(10.6)	-
Project Grants	(2.9)	(39.7)	(139)	125.8

Program Loans	(21.9)	(126)	-	-
Net proceeds from Borrowings	-	-	456.6	44.8
Total	(122.9)	(328)	210.3	163.9

For the past four years, there have been under-collections of revenue mainly across all revenue streams and more specific on tax revenue. Net proceeds from borrowings registered over-collection on the past two years. In 2022/2023, there was also improvement in over-collection for Project Loans and Project Grants as analysed in Table 6.

BUDGET OUT TURN - EXPENDITURE

15. During the year under review, total recurrent expenditure charged to the Consolidated Fund was K3.414 Trillion resulting into an increase in expenditure of K1.704 Trillion which is 99.7% when compared to the total expenditure of K1.710 Trillion for 2021/2022 financial year. In 2022/2023, an amount of K2.308 Trillion was charged to Other Recurrent Transactions. Further, a total amount of K1.060 Trillion from the Recurrent Account was transferred to Development Account Part I and II amounting to K830.1 Billion and K230.2 billion respectively. The other contributing factor apart from the transfers to the development budgets was the Tax Refunds of K45.7 billion. This brings the total expenditure on Recurrent Budget to K3,414 Trillion. The overall performance of the recurrent expenditure had a net deficit of K163.6 billion resulting into an increase in deficit of K87.8 which is 115.8% compared to a net deficit of K75.8 billion registered in the financial year of 2021/2022.

CONSOLIDATED REVENUE ACCOUNT

16. The consolidated revenue account worsened in performance during the 2022/2023 financial year since the account had a cumulative deficit of K1.156 Trillion as at 31st March, 2023, as compared to a cumulative deficit of K992.2 billion as at 30th June, 2022 and was arrived at as follows:

Table 7: The Consolidated Revenue Account as at 31st March, 2023

Description	K'000
Deficit balance (brought forward) as at 1st April, 2022	(992,157,378)
Add: Revenue for the year	3,250,370,782
Less: Expenditure for the year	(2,353,625,470)
Transfer to Development Part II	(230,232,031)
Transfer to Development Part I	(830,096,691)
Cumulative Deficit carried forward as at 31st March,2023	(1,155,740,788)

The planned recurrent deficit for the year under review was K236 billion since the Government planned to collect and spend K3.087 Trillion and K3.323 Trillion respectively. The actual position was a deficit of K163.6 billion as at 31st March, 2023 and this can be compared to the actual Revenue Account out-turn deficit of K75.8 billion as at 31st March, 2022 as shown in Table 8 below. The annual deficit is largely attributed to lack of financial discipline on revenue collection and expenditure management on the recurrent budget.

Table 8: Recurrent Budget Performance for the past four years is as follows: -

	Amounts in K'000			
	2019/2020	2020/2021	2021/2022	2022/2023
Actual Revenue	2,324,306,133	2,625,944,857	1,633,956,369	3,250,370,782
Less: Actual Expenditure	(1,948,359,115)	(2,551,469,456)	(1,503,938,045)	(2,353,625,470)
Transfer to Dev. Part II	(159,402,020)	(94,341,516)	(98,564,933)	(230,232,031)
Transfer to Dev. Part I	(203,846,895)	(270,474,597)	(107,285,397)	(830,096,691)
Surplus/(Deficit)	13,698,103	(290,340,713)	(75,832,006)	(163,583,410)

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

Furthermore, the overall under-expenditure recorded on fifty-six (56) votes was K73.1 billion. The following is an analysis of the votes under Recurrent Budget with the largest unspent balances:

Vote	MDA	Amount (K'000)
260	Ministry of Foreign Affairs	29,664,964
274	Road Fund Administration	8,248,860
420	Roads Authority	6,966,439
490	Ministry of Energy	5,248,868
310	Ministry of Health	4,440,707
250	Ministry of Education	2,760,476
341	Malawi Police Service	2,387,158
190	Ministry of Agriculture	1,844,405

278	Unforeseen Expenditures	1,600,000
470	Ministry of Natural Resources and Climate Change	1,147,254
275	Subvented Organisations	1,052,571
	Total	65,361,702

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, 2023 was a net deficit of K163.6 billion, registering an increase of K87.8 billion from a net deficit of K75.8 billion, recorded at the end of the year as at 31st March, 2022. This indicates that the budget performance in the Recurrent Budget during the year of twelve months worsened than the immediate prior year of nine months.

CONSOLIDATED DEVELOPMENT ACCOUNT

17. The total expenditure charged to Development Account for the year ended 31st March, 2023 amounted to K635.6 billion reflecting an increase of K377.9 billion over the previous year's expenditure of K257.7 billion as at 31st March, 2022.

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

Table 9: Trend analysis of expenditure for four years of consolidated development account

	Amounts in K'000			
	2019/2020	2020/2021	2021/2022	2022/2023
Approved Estimates	438,248,524	511,187,820	570,838,330	799,671,925
Revised Estimates	367,440,616	637,145,881	473,275,154	914,288,694
Actual Expenditure	309,171,512	259,809,077	257,733,753	635,558,854
Under Expenditure	58,269,104	377,336,804	215,541,401	278,729,840
Under expenditure %	16%	59%	46%	30%

The overall under-expenditure was K296 billion recorded on thirty (30) votes.

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

Vote	MDA	Amount (K'000)
190	Ministry of Agriculture	60,418,314
270	Ministry of Finance and Economic Affairs	57,218,335
250	Ministry of Education	43,068,703
121	National Local Government Finance Committee	40,881,913
274	Road Fund Administration	34,337,815
320	Ministry of Gender Community Development and Social Welfare	16,957,619
400	Ministry of Transport and Public Works	9,229,865
210	Ministry of Water and Sanitation	9,038,577
490	Ministry of Energy	5,702,490
275	Subvented Organisation	4,885,482
330	Ministry of Information and Digitalisation	4,328,446
310	Ministry of Health	3,865,007
120	Ministry of Local Government and National Unity	1,095,694
Total		291,028,260

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

The overall state of affairs of the Development Account as at 31st March, 2023 was a cumulative Surplus of K656.7 billion, registering an increase of K424.7 billion from a cumulative surplus of K232 billion recorded at the end of the previous financial year 31st March, 2022. Details are in Table 10:

Table 10: Cumulative Surplus in Development Account

	Amount (K'000)
Receipts during the year	1,060,328,722
Less: Payments	(635,558,854)
Surplus/(Deficit) for the year	424,769,868
Add: Opening balance	231,979,679
Cumulative Surplus as at 31st March, 2023	656,749,547

CONSOLIDATED FUND

FINANCING OF THE DEFICIT

18. The overall Approved Revenue and Expenditure in the 2022/2023 financial year were K2.851 and K2.869 Trillion respectively. The approved Revenue was revised to K3,086.5 Trillion and the Expenditure to K3.323 Trillion. This envisaged a deficit of K236 billion.

During the year under review, the Recurrent Revenue Account collected K3.250 Trillion while the Recurrent Expenditure was K3.414 Trillion resulting into a deficit of K163.6 billion.

The Development Account realised K1.060 Trillion; registering an increase of K854.4 billion when compared to K205.9 billion of 2021/2022 financial year. Expenditure for the year as at 31st March 2023 was K635.6 billion resulting into an increase of K377.9 billion as compared to K257.7 of 2021/2022 financial year.

Table 11: The combined net cumulative position of the Recurrent and Development Accounts for the past four years is as follows:

Year	Combined (Deficit)/Surplus <i>K'000</i>
2019/20	(447,128,594)
2020/21	(632,462,270)
2021/22	(760,177,699)
2022/23	(498,991,241)

PUBLIC DEBT

19. The Public Debt Account for the year ended 31st March, 2023 stood at K9.411 Trillion reflecting an increase of K3,031 Trillion, 47.5% over the previous year's debt stock of K6.381 Trillion as at 31st March, 2022.

Public Debt is made up of Domestic and External Debt Stock of K5.363 Trillion and K4.049 Trillion in the financial year 2022/2023 respectively compared to K3.406 Trillion and K2.975 Trillion in 2021/2022.

Table 12 illustrates the trend of public debt stock account for the past four years as follows:

Years	2019/2020	2020/2021	2021/2022	2022/2023
Amount in	K'000	K'000	K'000	K'000
Domestic Debt	1,800,711,000	2,564,937,000	3,405,518,000	5,362,526,000
External Debt	2,323,295,000	3,088,147,000	2,975,219,000	4,048,769,000
Totals	4,124,006,000	5,653,084,000	6,380,737,000	9,411,295,000

The increase in domestic borrowings is attributed to maturing domestic debt obligations and increase in net domestic financing while increase of external debt 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 2022 and Disposal of Public Assets Act 2017 will further improve public financial management control in Ministries, Departments and Agencies.

PREPARATION OF FINANCIAL STATEMENTS BY MINISTRIES AND DEPARTMENTS

- 20.** 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 financial statements in order to enhance capacity and improve quality of the financial statements.

Financial statements of the votes for the financial year ended 31st March, 2023 were submitted to me for audit. My audit opinions on the 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

THE JUDICIARY

21. An audit inspection of the financial statements and other information for Malawi Judiciary for the year ended 31st March, 2023 was completed on 28th October, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated September, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) below after the overall performance on both recurrent and development budget as well as the opinion on the financial statements of the Judiciary.

Overall Performance on the Recurrent Budget

The approved recurrent budget was K13,948,950,359 and was revised upwards to K19,536,575,296 and the actual expenditure was K18,278,410,646 representing 93.6% utilization of the revised budget.

Overall Performance on the Development Budget

The approved budget was K500,830,850 and was revised upwards to K758,066,929. The actual expenditure was K452,096,177 representing 60% utilization of the revised budget.

Audit Opinion

I issued a qualified opinion on the financial statements of the Judiciary for the year ended 31st March, 2023.

- a) **Failure to Prepare Revenue and Expenditure Budget for Court Fees: K1,067,774,465.00 and K893,677,435.00**

Public Finance Management Act, 2022, Section 14.1(f & g) states that a controlling officer shall, with respect to the controlling officer's institution, ensure that all expenditure, is properly authorized and applied to the specific purposes for which it is appropriated and the collection of public money is according to approved plans and estimates.

An inspection of budget estimates revealed that the Judiciary neither prepared revenue nor expenditure budgets for court fees amounting to K1,067,774,465.00 and K893,677,435.00 respectively. In addition, the revenue and expenditure in question were not included in the financial statements leading to misstatements.

b) Lack of Storage Facility for Goods Seized by the Sheriff

Public Finance Management Act, 2022, Section 14.1 (j) states that a controlling officer shall with respect to the controlling officer's institution, ensure that all necessary precautions are taken to safeguard public resources.

An inspection of sheriff seized assets and storage facilities disclosed that the Blantyre, Lilongwe and Mzuzu Sheriff division lack facilities for proper storage of seized goods. The goods are stored at an open space or in office corridors which could result into loss of the assets.

GREEN BELT AUTHORITY (GBA)

- 22.** An audit of financial and other information for Green Belt Authority (GBA) for the year ended 31st March, 2023 was completed in October, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated October, 2023 addressed to the controlling officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the GBA.

Overall Performance on the Recurrent Budget

Greenbelt Authority approved recurrent budget was K761,533,296 and was not revised and the actual out-turn was K761,533,296 representing 100% utilization of the revised budget.

Overall Performance Development Budget

The approved budget was K2,300,000,000 and was not revised. The actual expenditure was K1,255,307,704 representing 45% utilization of the revised budget.

Audit Opinion

I issued a disclaimer of opinion on the financial statements of Green Belt Authority for the year ended 31st March, 2023.

- a) Engagement of Casual and Temporally Employees Without Signing a Formal Contract Agreement**

Green Belt Authority Staff Conditions of Service number 2.2.4.4, dated June 2019 stipulates that within the limit of the approved annual budget the chief executive officer may engage from time to time casual and temporally

employees in order to carry out specific tasks. Such employees shall not be subject to terms and conditions of service but shall be governed by the conditions of service specified in their contracts.

The conditions of Service describe casual labour as a temporally employment of a person on an hourly, daily or weekly basis not exceeding a period of Six (6) months and a temporally employee as a person employed by the company for a specified period, not exceeding six months unless otherwise extended.

An inspection of payment records and interviews with responsible officers revealed that the Authority employed some of its casual and temporally employees in its mega farms without signing a formal contract agreement contrary to the requirement of the Green Belt Authority Staff Condition of Service .

b) Un-Procedural Recruitment of Key Personnel to Work in GBA Farms

Green Belt Authority's Staff Conditions of Service number 2.2.1 dated June 2019, stipulates that whenever a vacancy occurs within the company, it shall be the duty of the respective head of department to advise the director of human resources and administration. If there are suitable candidates within the company, such candidates will be engaged through the internal recruitment procedure. External recruitment shall require advertising the vacancy in the press and instituting an interview panel to interview the shortlisted candidates.

An inspection of payment records and interviews with responsible officers revealed that some of the key personnel working in its MEGA farms were hired without following recruitment procedures. There was no evidence to support that vacancies were advertised in the press and an interview panel was instituted to interview the shortlisted candidates as required by Green Belt Authority Staff Conditions of Service.

c) Seconding Staff to MEGA Farm Project without Following Procedures

Malawi Public Service Regulation number 1:175 (1) stipulates that where the public interest so requires a Civil Servant, the civil servant may with his consent be seconded or loaned by the Government to perform duties outside the public service.

Malawi Public Service Regulation number 1:176 (2) stipulates that where a secondment or loan occurs under the provisions of this Regulation, the responsible officer will complete three copies of Part A of either a letter of secondment or a letter of loan on Form PSR 25 and shall send one copy to the civil servant, another copy to the responsible officer who will be

responsible for the civil servant during the period of secondment or loan and will place the remaining copy on the civil servant's personal file. The old responsible officer shall ensure that the substantive post of a seconded or loaned civil servant is retained in the old responsible officers' authorized establishment, with if appropriate, a token item of expenditure being provided in respect of that post for the period of secondment.

An inspection of payment records and interviews with responsible officers from Greenbelt Authority revealed that Mr. Emmanuel Sichali, an Agricultural Extensions Development Coordinator (AEDC) from the Ministry of Agriculture has been working as the farm manager for Chipoka Cotton Mega Farm from September, 2022 to date without being formally loaned or seconded as he does not have either a letter of secondment or a letter of loan on Form PSR 25 as required by this regulation. The officer was receiving his salary from the Malawi Government and Greenbelt Authority under its mega farm project, was only paying him a top up tax free amount of K1,800,000 per annum.

d) Failure to Maintain Employment Records

Malawi Public Service Regulation No 1:119 stipulates that every responsible officer will maintain a personal file in respect of every civil servant for whom he is responsible. Every personal file will contain, among other documents, a copy, of the civil servant's Application Form, Letter of Appointment or Contract, and Record of Service on Form PSR 22.

Interviews with relevant officials and concerned officers revealed that the Authority did not maintain personal files for key personnel working in its MEGA farms. It was therefore very difficult for the auditors to appreciate employment history in terms of date of first appointments and qualifications.

e) Limitation of Scope in the Audit of Financial Statements

- i. Legal ownership and valuation records for equity instruments not provided for audit: K27,036,132,000.00

Legal ownership and valuation records for equity instruments amounting to K27,036,132,000.00 were not provided for audit review. This presented a limitation of scope in that I could not determine if the equity figure presented in the statement of financial position was fairly stated.

- ii. Supporting Documentation for Investments not Produced for Audit: K27,036,132,000.00

Documentation supporting investments amounting to K30,079,415,000.00 presented in the statement of financial position were not presented for audit inspection. As a result, I could not determine the truth and fairness of the investment figure presented in the statement of financial position.

MINISTRY OF DEFENCE

23. An audit of financial and other information for Ministry of Defence for the year ended 31st March, 2023 was completed in December, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated December, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the Ministry of Defence.

Overall Performance on Recurrent Budget

Ministry of Defence approved recurrent budget was K603,285,425 and was revised downwards to K528,201,495 and the actual out-turn was K434,163,758 representing 82% utilization of the revised budget.

Overall Performance on Development Budget

The approved budget was K338,824,995 and was revised downwards to K315,937,617. The actual expenditure was K262,598,052 representing 78% utilization of the budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Ministry of Defence for the year ended 31st March, 2023.

a) Failure to Deduct Withholding Tax: K54,252,095.30

The Taxation Act, 2000, Chapter 41:01, Section 102 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.

An inspection of payment vouchers revealed that the Ministry did not deduct withholding tax amounting to K54,252,095.30 as required by the Act. In addition, no evidence was shown that the suppliers had a valid withholding tax exemption certificate.

**b) Payment for Contract Made Without Certification:
K11,682,700.84**

A letter from the Director General of Public Procurement and Disposal of Assets Authority (PPDA) Reference No. PPDA/03/7 dated 8th November, 2018 advised the Ministry to pay Homeland Construction price adjustment for the completion of 43 NQ waterborne toilets, kitchens, bathroom and rehabilitation of camp hospital at Changalume Barracks in Zomba after certification by the Director of Buildings and the Auditor General.

Contrary to the advice above, the Ministry paid Homeland Construction K11,682,700.84 for completion of waterborne toilets and kitchens at Changalume Barracks without certification by the Director of Buildings and the Auditor General.

MALAWI DEFENCE FORCE (MDF)

2021/2022

24. An audit of financial and other information for Malawi Defence Force (MDF) for the year ended 31st March, 2022 was completed in November, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated November, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on recurrent budget and the opinion on the financial statements for the Malawi Defence Force (MDF).

Overall Performance on the Recurrent Budget

MDF approved recurrent budget was K67,907,010,761 and was revised upwards to K82,323,887,515 and the actual out-turn was K82,323,874,236 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 31st March, 2022.

**a) Failure to Provide Liquidation Documents for Defence Attachés:
USD294,000 (K274,625,400)**

Treasury Instructions, 2004, No. 5.9 (a) stipulates that every controlling officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents are retained and filed in such a way that they are easily and

readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit Office staff.

An examination of payment vouchers for funds disbursement to the Defence Attachés for Malawi Permanent Mission to the United Nation, Malawi Embassies in China and Tanzania showed that USD294,000 (K274,625,400) was disbursed from Headquarters. However, liquidation records were not provided for audit. Consequently, it was difficult to determine how the funds were accounted for.

NATIONAL LOCAL GOVERNMENT FINANCE COMMITTEE

25. An audit of financial and other information for National Local Government Finance Committee for the year ended 31st March, 2023 was completed in September, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated October, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on recurrent budget and the opinion on the financial statements for the National Local Government Finance Committee.

Overall Performance on the Recurrent Budget

National Local Government Finance Committee approved recurrent budget was K17,692,949,398 and was revised upwards K26,813,457,053 and the actual out-turn was K26,813,457,053 representing 100% utilization of the revised budget.

Overall Performance Development Budget

The approved budget for Development Part II was K4,000,000,000 and was revised downwards to K167,552,440. The actual expenditure was K111,968,725 representing 67% utilization of the revised budget.

Audit Opinion

I issued a qualified opinion on the financial statements of National Local Government Finance Committee for the year ended 31st March, 2023.

a) Supporting Documents for Payables not Produced for Audit :K6,225,464,043.00

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

A review of financial statements revealed that National Local Government Finance Committee owed Central Medical Stores payables amounting to K6,225,464,043.00. However, supporting documents for the payables were not produced for Audit. As a result, it was difficult to verify their existence and validity.

b) Allowances not Refunded Despite Activity Cancellation: K1,281,370.00

Accountant General's Desk Instructions, 2007, Number 14.4.4, states that the subsistence allowance for the nights required to be spent outside the duty station shall be paid in advance after the proposed journey has been approved by the authorised officer. The subsistence allowance paid shall be allocated to voted expenditure and shall not be treated as an imprest. In the event that the trip outside the duty station is curtailed for any reason, the amount of subsistence allowance drawn in excess shall be forthwith refunded on the officer's return to the duty station.

An inspection of payment vouchers disclosed that NLGFC paid K28,218,960 to Board of Directors and Management for an external training activity in the United Arab Emirates. However, the activity was cancelled and some of the paid allowances amounting to K26,937,590 were refunded leaving a balance of K1,281,370.

MINISTRY OF LANDS

- 26.** An audit of financial and other information for the Ministry of Lands for the year ended 31st March, 2023 was completed in October, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated 28th October, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the Ministry of Lands.

Overall Performance on the Recurrent Budget

The approved budget for the Ministry of Lands was K21,013,661,706. This was revised upwards to K53,404,313,294. Total funding received was K51,816,939,912. The actual out-turn is K50,384,352,067 representing 97% utilization of the revised budget.

Overall performance on Development Budget

The approved budget was K5,500,000,000 and was revised upwards to K34,459,316,551. The actual out turn was K32,241,165,676 representing 93% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on financial statements of the Ministry of Lands for the year ended 31st March, 2023.

a) Under-Collection of Revenue for the Public Land Development Fund: K3,034,352,263

Treasury Instructions, 2004, No. 5.6.2 stipulates that the controlling officer of a Ministry or Department shall 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 the Ministry's financial records, however, revealed that the Ministry made an under-collection of revenue for the Public Land Development Treasury Fund. The approved budget for the year was K4,737,950,000 and was not revised. The actual collection, however, was K1,703,597,737 hence a difference of K3,034,352,263 representing 64% under-collection.

MINISTRY OF AGRICULTURE

27. An audit of financial and other information for Ministry of Agriculture for the year ended 31st March, 2023 was completed in November, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated November, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the Ministry.

Overall Performance on the Recurrent Budget

The approved budget was K139,936,09711 and was revised upwards to K199,192,332,358 and the actual expenditure was K197,347,927,666 representing 99% utilisation of the revised budget.

Overall Performance on Development Budget

The approved budget was K134,785,535,106 and was revised upwards to K138,413,521,837. The actual expenditure was K82,785,210,362 representing 59.8% utilisation of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Ministry of Agriculture for the year ended 31st March, 2023.

a) Failure to Safeguard Government Property: Encroachment of Nathenje Livestock Development Centre's Land

Public Finance Management Act, 2022, Section 14.1 (t) as read together with Section 16 (b & c) states that each controlling officer shall, with respect to the controlling officer's institution, ensure that public resources are employed and managed in an efficient, effective, economic, transparent and responsible manner; 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; and that adequate arrangements are made for the proper use, custody, safeguard and maintenance of public assets and stores which are in the custody or under the control of the officer.

Physical verification of assets at Nathenje Livestock Development Centre revealed that part of the land for the livestock centre was encroached by Nathenje Church of Central Africa Presbyterian (CCAP) and Spoken Word Christian Fellowship Church. Further enquiries with the DAHLD management disclosed that the churches encroached the land between 2006 and 2012.

MINISTRY OF EDUCATION

- 28.** An audit of financial and other information for Ministry of Education for the year ended 31st March, 2023 was completed in September, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated November, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the Ministry.

Overall Performance on the Recurrent Budget

The approved recurrent budget was K69.338 billion which was revised upwards to K83.182 billion. The actual expenditure was K80.484 billion, representing 96.76% utilisation of the revised budget.

Overall Performance on Development Budget

The approved budget was K46.12 billion which was revised upwards to K82.12 billion. The actual expenditure was K39.05 billion representing 47.5% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Education for the year ended 31st March, 2023.

a) Failure to Provide Supporting Documents for Payables: K22,000,000

Treasury Instructions, 2004, No. 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.

However, the amount of payables disclosed in the financial statements of the Ministry for the year ended 31st March, 2023 was not supported by a schedule, statements and invoices. Therefore, validity of the payables amounting to K22,000,000 could not be ascertained.

b) Failure to Reconcile Payables: K3,608,781,264.23

Accountant General's Circular Ref. No. T4400 dated 4th June, 2020 requires financial statements to incorporate financial assets and financial liabilities in order to comply with IPSAS modified Cash Basis which is equivalent to Accrual IPSAS Stage 2.

An inspection of payment vouchers, certified arrears by National Audit Office and financial statements disclosed that the Ministry did not reconcile the certified arrears against outstanding payables amounting to K3,608,781,264.23 so that the actual amount is established and reported in the financial statements for the year ended 31st March, 2023. Therefore, it was difficult to ascertain whether the figure reported in the financial statements was accurate.

MINISTRY OF FOREIGN AFFAIRS

29. An audit of financial and other information for Ministry of Foreign Affairs for the year ended 31st March, 2023 was completed in September, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated November, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on the Recurrent budget as well as the opinion on the financial statements of the Ministry of Foreign Affairs.

Overall Performance on Recurrent Budget

The approved budget was K26,680,110,763. This was revised upwards to K36,519,022,137. Actual expenditure was K35,728,344,456 representing 98% 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, 2023.

(a) Malawi Government Property Abroad Without Title Deeds

Treasury Instructions, 2004, No. 5.13.1 requires that all government assets are properly safeguarded against loss, theft and destruction and that the controlling officer adopts a set of internal controls to ensure that the aforementioned risks are minimized. Further, Circular Ref. No: CS/S/001 dated 23rd March, 2018 from The Secretary to the Government, Office of the President and Cabinet on “Government Expenditure Control Measures and Fleet Management” (6) states that controlling officers should ensure that records keeping in the Ministries is up to date at all times.

An inspection of records such as asset register and property files disclosed that the Ministry of Foreign Affairs did not have title deeds for the Malawi Government property abroad except for Malawi Government property in Zambia.

(b) Failure to Claim Replacement of Motor Vehicle Reg. No. MG 924 AM on Comprehensive Policy Cover

Treasury Instructions, 2004, No. 5.13.1 requires that all Government Assets are properly safeguarded against fire, loss, theft and destruction and that the controlling officer adopt a set of internal controls to ensure that the aforementioned risks are minimised. Further, Public Finance Management Act, 2022, Section 16 (b) & (c) directs that every officer shall – (b) 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; while (c) mentions that every officer shall ensure that adequate arrangements are made for the proper use, custody, safeguard and maintenance of public assets and stores which are in the custody or under the control of the officer.

A review of motor vehicle files, loose minute, traffic accident report dated 30/08/2022 Ref. No. SPLT 82/ issued by Zambia Police Services and a Note Verbale No. 66/2022 from the High Commission of the Republic of Zambia, indicated that the Ministry’s Toyota Hilux double cab bearing

registration No. MG 924 AM was involved in a road accident on 27th August, 2022 in Mwami, Chipata, Zambia. Further, documents indicated that at the time of the accident, the motor vehicle had an Insurance Policy No. CVR2109280042M that was on comprehensive cover and was expiring on 27/09/2022. However, management failed to claim replacement of the vehicle from CIC General Insurance Company for almost a year after the accident.

(c) Failure to Provide Supporting Documents for Payables: K586,806,464.71

Public Finance Management Act, 2022, Section 26 states that all financial reports, financial statements, associated financial information and accounting procedures required by the Act shall be made in accordance with generally accepted accounting practices.

A review of financial statements and other records revealed that payables amounting to K586,806,464.71 was reported in the financial statements of the Ministry as at 31st March, 2023 lacked supporting documents. This made it difficult to ascertain the validity of the payables amount.

(d) Payment Vouchers not Produced for Audit Inspection: K214,974,975.97

Treasury Instructions, 2004, No. 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, expenditure statement by cost centre and other related records revealed that the Ministry did not submit payment vouchers totalling K214,974,975.97. Therefore, it was difficult to ascertain the propriety of the expenditure.

(e) Payment of External Travel Allowances to Malawi Delegates on Fully Funded Trip: K14,790,720

Public Finance Management Act, 2022, Section 14.1 (h) states that a controlling officer shall, with respect to the controlling officer's institution, ensure that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste. Further, Circular from Chief Secretary to the Government, Ref. No. 15/15/7 dated 29th October, 2014 titled "External Travel by Government Officials" directed on paragraph (2) that where external travel is donor funded, there shall be no

government financial outlay towards such travel. In this regard, top-up allowance shall not be paid towards fully funded external travel.

A review of a loose minute, Ref: EA/ADMIN/44 dated 14th October, 2022 titled “Request for Authority to Visit Morocco for Preparations to open an Embassy from 16th to 25th October, 2022” among other things, mentioned that the trip was fully funded by the host country, Morocco. However, an inspection of payment vouchers and loose minutes disclosed that the Ministry paid external travel allowances amounting to K14,790,720 to officers who were on a fully funded trip by the Government of Morocco.

EMBASSY AUDITS

EMBASSY OF THE REPUBLIC OF MALAWI TO JAPAN-TOKYO

30. An audit inspection of financial and other information for Embassy of the Republic of Malawi to Japan-Tokyo for the years ended 30th June 2018, 2019, 2020, 2021 up to 31st December, 2022 was completed on 25th February, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated February, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a).

a) Transfer of Funds Without Authority: K236,538,901.75 (¥34,204,197)

Public Finance Management Act, 2022, Section 50 (1) subject to any other provision of this Act, the Secretary to the Treasury may transfer any balance or any part of any balances of any fund or account within the Consolidated Fund to another fund or account within the Consolidated Fund for such period of time and on such terms as the Secretary to the Treasury determines appropriate.

An inspection of payment vouchers disclosed that the Embassy “borrowed” funds amounting to ¥26,945,970.00 (K183,241,740.89) from Visa Account to various accounts and between 25th November, 2015 and 24th February, 2022, the Embassy also borrowed funds amounting to K53,297,160.86 (¥7,258,227) from Holding Account No 8461316 to various Accounts without authority from the Secretary to the Treasury.

b) Unauthorised Usage: K248,029,275.08 (¥ 35,969,651)

Public Finance Management Act, 2022, Section 48 (1, 2 & 3) states that the Secretary to the Treasury may direct that any public money received outside Malawi be paid into a bank account for the credit of such imprest account or other account as the Secretary to the Treasury may determine. The bank

account referred to shall be operated by a person appointed for that purpose, by the Secretary to the Treasury. No money shall be withdrawn from a bank account, moved to another bank account or spent except with the written approval of the Secretary to the Treasury.

An inspection of bank statement for Holding Account No. 8461316 disclosed that the Malawi Embassy-Tokyo utilized funds amounting to K248,029,275.08 (¥ 35,969,651) without seeking approval from the Secretary to the Treasury as per requirement.

c) Failure to Provide Information Arrangement for VISA Fees Collection

Public Finance Management Act, 2022, Section 14.1 (e) stipulates that a controlling officer shall, with respect to the controlling officer's institution, ensure that all necessary precautions are taken to safeguard the collection and custody of public money.

An inspection of VISA collection documents disclosed that in Australia, South Korea and New Zealand, there is a person who collects VISA money on behalf of the Embassy. Technical or administrative arrangement of such an assignment were not provided for review. In addition, a review of the payroll for the Embassy, disclosed that the person was neither employed by the Embassy nor gets a salary for such a service. Therefore, it was difficult to establish the contractual arrangements between the Embassy and the person.

d) Failure to Recover Furniture Advance: K15,600,823.74 (\$21,298.33)

Circular Ref. No. 1/3/03 dated 4th August 2015, provide guidelines for recovery and source of funds on procurement of furniture for diplomats. The circular states that a newly appointed diplomat is entitled to furniture allowance equivalent to three months Foreign Service Allowance (FSA) and is recoverable within thirty-six (36) months tour of duty. In case of premature recall to home service/Malawi, for a civil servant recovery is from monthly salary. Non -Civil servant, recovery is from contract gratuity.

A review of personal file and payment vouchers revealed that Dorcus Mwangi was appointed a Counsellor (Grade F) on 5th July, 2016. On 14th November, 2016, she was granted three months' furniture advance amounting to K19,366,478.91 (\$26,439.24) on voucher number 296 and cheque number 180722. However, on 31st May, 2017, she was recalled back after paying back only K3,765,687.14 (\$5,140.94) of the loan leaving an outstanding balance of K15,600,823.74 (\$21,298.33).

NEW DELHI–INDIA

31. An audit inspection of financial and other information for Malawi High Commission New Delhi–India for the period ending 31st January, 2023 was completed in February, 2023. The audit disclosed some weaknesses in financial controls and other related gaps, which are detailed in the management letter, dated March, 2023 addressed to the Controlling Officer.

a) **Lack of Activity Reports and Proof of Travel for Travel Allowances Paid- K29,900,401.22 (USD 33,652.67)**

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

An inspection of payment vouchers and other related documents revealed that the Commission did not provide activity reports for subsistence allowances paid amounting to K29,900,401.22 (USD 33,652.67)

b) **Transfer of Funds Without Authority from Treasury: K264,310,299.37 (USD255,080)**

Public Finance Management Act, 2022, Section 50 (1) subject to any other provision of this Act, the Secretary to the Treasury may transfer any balance or any part of any balances of any fund or account within the Consolidated Fund to another fund or account within the Consolidated Fund for such period of time and on such terms as the Secretary to the Treasury determines appropriate.

An inspection of payment vouchers, cash books, bank statement, memos and loose minutes revealed that the Mission transferred money amounting to K264,310,299.37 (USD255,080) from Rent account to Trade Account for daily operations without approval from the Secretary to the Treasury.

c) **Procurement of Services Without Contracts: K1,834,162,850.16 INR151,293,533**

Public Procurement and Disposal of Public Assets Act No 27 of 2017, Section 30 stipulates that all public procurement proceedings shall be conducted in a manner which promotes transparency, accountability, non-public discrimination, fairness, open competition, anonymity, economy, efficiency and responsiveness to modern information and communications technology.

An inspection of payment vouchers and related supporting documents revealed that the Commission procured health and related services amounting to K1,834,162,850.16 (INR151,293,533) without formalised contracts.

d) Medical Bills Without Patient Counter Signature: K54,031,657.04 (INR4,186,034.00)

Public Procurement and Disposal of Public Assets Act No 27 of 2017, Section 30, among other things, stipulates that all public procurement proceedings shall be conducted in a manner which promotes transparency and accountability.

An inspection of payment vouchers and related supporting documents revealed that payments amounting to K54,031,657.04 (INR4,186,034.00) were made to BLK Hospital without counter signature of the patient or guardian on the bills or invoices. As a result, it was difficult to ascertain the validity of the payments.

e) Payment of Patients' Allowance Without Basis: K14,087,952.31 (INR773,540.00)

Public Finance Management Act, 2022, Section 14 (1) (j) states that a controlling officer shall with respect to the controlling officer's institution, ensure that all necessary precautions are taken to safeguard public resources.

An inspection of payment vouchers and related documents revealed that the Commission made payments amounting to K14,087,952.31 (INR773,540.00) in respect of patients' allowance without basis. This could lead to loss of public resources.

MALAWI PERMANENT MISSION TO THE UNITED NATIONS

32. An audit inspection of financial and other information of the Malawi Permanent Mission to the United Nations (UN) for the years ending 30th June 2019, 2020, 2021 and the period between 1st July 2021 to 31st January 2023 was completed on 22nd February, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated August, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) :

a) Irregular Transfers of Funds Between ORT and PE Accounts: K54,791,505.66; K32,437,178.48 (USD 74,546.79; USD 36,856.20)

Public Finance Management Act, 2022, Section 50 (1) subject to any other provision of this Act, the Secretary to the Treasury may transfer any balance

or any part of any balances of any fund or account within the Consolidated Fund to another fund or account within the Consolidated Fund for such period of time and on such terms as the Secretary to the Treasury determines appropriate.

An inspection of payment vouchers and other related documents revealed that the Mission transferred funds amounting to K54,791,505.66/USD74,546.79 from ORT account to PE during the year 2018/2019 and K32,437,178.48 (USD36,856.20) from PE account to ORT account in 2021/2022 financial year without prior Treasury Authority. Furthermore, there was no evidence that the funds were refunded to their appropriate account later.

b) Misallocation of Expenditure: K18,783,993.51 (USD25,446.16)

Treasury Instructions (2004), No. 4.14.1 states that specific approval is required before any allocations can be vired or transferred between outputs. If the controlling officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same Vote. The application should be in writing and should be signed personally by the controlling officer.

An inspection of payment vouchers and related supporting documents revealed that, during the year 2018/19, the Mission paid from ORT account, funds amounting to K18,783,993.51 (USD25,446.16) for personal emoluments in respect of temporary diplomats to the Mission. There was no evidence that the mission sought prior approval from Treasury to support this arrangement.

MALAWI HIGH COMMISSION – PRETORIA, REPUBLIC OF SOUTH AFRICA

33. An audit of financial and other information for Malawi High Commission - Pretoria, Republic of South Africa for the years ended 30th June 2019, 2020, 2021, 31st March, 2022 and period ended 22nd February, 2023 was completed on 22nd February, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated June, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a)

a) Procurements Made Without IPDC Approval: K107,837,594.50 (R2,077,083.65)

Public Procurement and Disposal of Public Assets Act No. 27 of 2017, Section 26.2 (b) stipulates that among others, the functions of the Internal

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

An inspection of payment vouchers and procurement records revealed that the Mission procured goods and services amounting to K107,837,594.50 (R2,077,083.65) without IPDC approval.

b) Payments Made Without Supporting Documents: K72,298,934.50 (R1,277,733.44)

Final Accountant General's Desk Instruction (2007, No. 6.8 (i) requires the authorizing officer to be fully responsible for correctness of a payment voucher. In the event of any incorrect payment being made, the authorizing officer shall be made responsible and liable to penalties. The authorizing officer shall check that vouchers are supported by the original invoice, duplicate local purchase orders, official copy of receipts (in case of refunds) and other relevant documents.

An inspection of payment vouchers revealed that payments worth K1,277,733.44 (R1,277,733.44) were not supported with necessary documents such as loose minutes, invoices, delivery notes and receipts. In the absence of the documents, it was difficult to ascertain the authenticity of the transactions.

c) Activity Reports Not Presented for Audit: K12,951,150.00(R244,270.80)

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 K12,951,150.00 (R244,270.80) were paid to staff for attending meetings and election observer missions. However, reports or minutes of such undertakings were not provided to substantiate the occurrence of events and justify expenditures incurred.

ACCOUNTANT GENERAL'S DEPARTMENT

- 34.** An audit of financial and other information for Accountant General Department for the year ended 31st March, 2023 was completed in August, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated October,

2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the Accountant General Department.

Overall Performance on Recurrent Budget

The approved budget was K10,026,417,828 and revised upwards to K11,255,561,950, the actual out-turn was K10,058,495,186 representing 84.54% of the revised budget.

Overall Performance on Development Budget

The approved budget was K4,500,000,000 and was not revised. The actual expenditure was K3,240,919,270 representing 72% utilization of revised budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Accountant General Department for the year ended 31st March, 2023.

a) Failure to Produce Activity Reports for Paid Allowances: K254,055,588.36

Government Circular Reference Number 15/15/7 dated 18th December, 2015 from the Chief Secretary to the Government states that in line with travel policy, each officer who is paid subsistence allowance must submit a report to the controlling officer indicating among other aspects, where he/she travelled to, the purpose of the trip, the institutions/person consulted and benefits of the trip to the Ministry, Department or Agency. This must be done within one week after each official trip.

An inspection of payment vouchers disclosed that payment of allowances amounting to K254,055,588.36 were made for various activities but no activity reports were submitted for review. This made it difficult to substantiate the expenditure incurred.

b) Failure to Value Fixed Assets

Circular Ref No CS/S/002 from the Secretary to the President and Cabinet dated 2nd March, 2010 titled, "Government Physical Assets Register", requires the maintenance of an asset register which should have among other things indicate the monetary values of the assets and their conditions.

An enquiry with the Principal Accountant revealed that the Accountant General's Department did not conduct valuations of fixed assets which is contrary to the quoted circular above.

c) Failure to Submit Quarterly Motor Vehicle Returns

Government Circular (OPC), Ref No CS/S/001 dated 23rd March, 2018 states that with effect from 1st April 2018, controlling officers shall be obliged to submit quarterly motor vehicle returns to the Chief Secretary to the Government with copies to the Accountant General and the Auditor General. Before such submissions are made internal auditors shall examine the authenticity and accuracy of vehicle logbooks and the quarterly motor vehicle returns.

An inspection of motor vehicle records and enquiry from management showed that the Department's management failed to submit quarterly motor vehicle returns to the Chief Secretary and no explanation was given for the non-compliance.

GOVERNMENT ACCOUNTS RECONCILIATION 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 Instructions 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:

- Payments in cashbook not on bank statement (Unpresented payments) amounting to K202,976,758,655.08 for 2022/2023;
- Receipts/credits on bank statement not in cashbook amounting to K303,823,890,525.77 for 2022/2023;
- Payments on bank statement and not in cashbook amounting to K559,793,017,114.88 for 2022/2023;
- Payments on bank statement and not in cashbook amounting to K175,328,409,651.84 for 2021/2022; and
- Receipts/credits on bank statement not in cashbook amounting to K170,130,339,285.85 for 2021/2022

e) Failure to Follow-Up on Un-Cleared Items for Auto-Reconciliation Bank Statements on Pool Accounts

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, deposits and advances accounts revealed the outstanding transactions as follows:

Table 13 below gives summary of outstanding un-cleared items on auto reconciliation bank statements

Table 13: Summary of Outstanding Un-Cleared Items on Bank Reconciliation

Account Name	Payments in the cashbook not on bank statement (Unpresented payments)	Payments on Bank Statement not in the Cash Book	Receipts on Bank Statement not in the Cash Book	Receipts in the Cash Book not on Bank Statement
ORT	31,147,437,939	33,183,753,129	36,316,169,092	151,258,359,721
Development	8,025,954,069	5,476,918,982	154,713,665	4,047,217,971
Salaries	5,511,766,640	20,606,034,723	1,873,491,551	19,319,233
Pensions and Gratuities	231,552,552	516,099,851	243,638,873	-
Losses and Compensations	130,640,589	221,451,466	32,193,510	113,116,667
Advances Operating	13,827,486	10,227,000	82,476,017	281,586,186
Advances Recovery	269,362,900	341,295,450	4,025,966,876	-
Deposits	137,540,058	23,862,306	94,729,725	-
TOTALS	45,468,082,233	60,379,642,907	42,823,379,309	155,719,599,778

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

Public Finance Management Act of 2022 Section 26 states that all financial reports, financial statements, associated information and accounting procedures required by this Act shall be in accordance with generally accepted accounting practice.

In line with above requirement, currently the Generally Accepted Accounting Practice (GAAP) 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 in 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 recommendation 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.

MINISTRY OF HEALTH

35. An audit of financial and other information for Ministry of Health for the year ended 31st March, 2023 was completed in October, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated October, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the Ministry.

Overall Performance on Recurrent Budget

The approved budget was K93,390,789,093 and revised upwards to K98,289,745,334, the actual out-turn was K93,849,838,805 representing 95.5% of the revised budget.

Overall Performance on Development Budget

The approved budget was K68,240,174,436 and was revised downwards to K47,339,137,784. The actual expenditure was K43,474,130,848 representing 91.8% utilization of revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Health for the year ended 31st March, 2023.

a) Payment Vouchers Not Presented for Audit Inspection: K251,799,925.49

Treasury Instructions, 2004, No. 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 Ministry's expenditure statement by cost centre revealed that payment vouchers amounting to K251,799,925.49 were not presented for audit inspection. It was therefore difficult to ascertain whether the payments were a proper charge to the public funds.

b) Failure to Liquidate and Provide Relevant Supporting Documents on Expenditure for Medical Referrals: K769,998,353.89

Public Finance Management Act, 2022, Section 14.1 (d) states that a controlling officer shall, with respect to the controlling officer's institution, ensure that all accounts and records relating to the functions and operations of the institution are properly maintained.

An inspection of payment vouchers for the Ministry revealed that funds amounting to K769,998,353.89 were transferred for medical referral cases to India and the Republic of South Africa but no liquidation documents such as original payment vouchers and relevant supporting documents were submitted for audit review. In the absence of such documents, it was difficult to ascertain whether the expenditure made was for the intended purpose.

c) Payables Without Supporting Documents: K3,873,047,723.61

Public Finance Management Act, 2022, Section 26 states that all financial reports, financial statements, associated financial information and accounting procedures required by this Act shall be made in accordance with generally accepted accounting practices.

A review of financial statements revealed that the payables amount of K3,873,047,723.61 reported in the financial statements y as at 31st March, 2023, were not supported with documentation. This made it difficult to ascertain the validity of the payables amount.

d) Failure to Provide Reconciliation for the Miscellaneous Account: K44,326,065

Public Finance Management Act, 2022, Section 14.1 (d), states that a controlling officer shall, with respect to the controlling officer's institution, ensure that all accounts and records relating to the functions and operations of the institution are properly maintained.

An inspection of financial records disclosed that the Ministry transferred K44,326,065 from ORT to Miscellaneous Account. However, a bank reconciliation statement was not produced for review to confirm the occurrence and completeness of the transaction.

ZOMBA CENTRAL HOSPITAL

- 36.** An audit inspection of financial and other information for Zomba Central Hospital (ZCH) for the year ended 31st March, 2023 was completed in September, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated November, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a).

a) Receivables Not Supported by Invoices: K337,100,830.67

Final Desk Instructions Accountant General, 2007, Section 15.7.4(ii) states that when goods or services are provided on credit, invoices shall be raised immediately. Invoices shall be prepared in triplicate on serialised forms obtainable from the Government Printer and issued in serial order. The original and duplicate copy of the invoice shall be sent to the debtor who shall submit the duplicate copy to support the amount paid.

An inspection of financial records for ZCH revealed that receivables amounting to K337,100,830.67 were not supported by invoices. These receivables have been outstanding since 2017. This may lead to loss of revenue since it would be difficult to trace customers.

b) Under Banking of Revenue: K7,778,475.65

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 and bank deposit slips for ZCH revealed that revenue collected on the general receipts was K249,793,480.68 while

the amount banked was K242,015,005.03. This led to an under-banking of K7,778,475.65 which may result into abuse or misappropriation of public funds.

MINISTRY OF HOMELAND SECURITY

37. An audit of financial and other information for Ministry of Homeland Security for the year ended 31st March, 2023 was completed in October, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated October, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the Ministry.

Overall Performance on Recurrent Budget

The approved budget for the year was K12,383,586,118, and the budget was revised upwards to K15,989,042,988, and the actual total out-turn was K14,913,230,252 representing 93% utilization of the revised budget.

Overall Performance on Development Budget Part II

The approved budget for Development Part II was K4,519,800,000 which was revised downwards to K3,813,036,538. The actual out-turn was K3,294,534,817 representing 86% of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Homeland Security for the year ended 31st March, 2023.

a) Misallocation of Expenditure K12,681,186.68

Treasury Instructions, 2004, No. 4.14.1 states that specific approval is required before any allocations can be vired or transferred between outputs. If the Controlling Officer is satisfied that the provision against a Programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same vote. The application should be in writing and should be signed personally by the Controlling Officer.

An inspection of payment vouchers and expenditure records for the Ministry revealed that expenditure amounting to K12,681,186.68 was charged to wrong budget line items without approval from the Secretary to the Treasury.

NATIONAL COORDINATION COMMITTEE FOR TRAFFICKING IN PERSONS (TIP)

b) Failure to Develop Guidelines for Funds Disbursement

Malawi Trafficking in Persons Act, 2015, Section 53 (2) states that the committee shall develop guidelines for disbursement of money from the fund.

An enquiry with management revealed that the committee did not develop guidelines for funds disbursement. Without clear guidelines, there is a likelihood of mismanagement and misuse of funds.

c) Failure to Prepare Accounts for the TIP Fund

Malawi Trafficking in Persons Act, 2015, Part VII under Financial Provisions, Section 56 (1 & 2) states that the committee shall submit accounts of the fund to Auditor General for audit within three months after the end of the Financial year.

Enquiries with management revealed that the Ministry did not prepare accounts for the fund. As such it was difficult to ascertain the accountability of the resources appropriated to the fund.

d) Failure to Produce Activity Reports: K25,704,000

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 allowance must submit a report to the controlling officer indicating among other aspects, where she/he travelled to, the purpose of the trip, the institution/persons consulted and benefits of the trip to the Ministry/Department or Agency. This must be done within one week after each official trip.

An inspection of payment vouchers and other related records disclosed that payments amounting to K25,704,000 paid for various activities were not substantiated by activity reports. As such it was difficult to ascertain the occurrence and propriety of the expenditure.

REFUGEES DEPARTMENT

e) Payment Voucher Not Presented for Audit: K18,980,869

Treasury Instructions, 2004, No. 5.9 (a) states that every controlling officer shall ensure that proper accounting records are maintained to support all financial and related transactions and further that full supporting documents

are retained and filed in such a way that they are easily and readily accessible, and can be produced immediately upon the request of Ministry of Finance and National Audit Office staff.

An inspection of expenditure statement by cost centre and payment vouchers revealed that payment vouchers amounting to K18,980,869 were not produced for audit. Therefore, the authenticity and propriety of the payments made could not be ascertained.

MALAWI POLICE SERVICE

- 38.** An audit inspection of financial and other information for Malawi Police Services was conducted for the year ended 31st March, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated 31st March, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on the recurrent and development budget as well as the opinion on the financial statements of the Department.

Overall Performance on Recurrent Budget

The approved budget was K71,836,656,146 and revised upwards to K85,606,475,904. The actual expenditure was K83,213,892,947 representing 97% utilisation of the revised budget.

Overall Performance on Development Budget Part II

The approved budget for Development Part II was K1,400,000,000 which was revised downwards to K293,962,500. The actual expenditure was K253,486,358 representing 80% of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Malawi Police Services for the year ended 31st March, 2023.

a) Payment Made for Un-Delivered Stores items: K421,508,650

Treasury Instructions, 2004, No. 5.19.1 which 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, invoices, delivery notes and stores ledgers revealed that the department paid to SICO Logistics an amount of K421,508,650 for un-delivered uniforms.

NKHATABAY POLICE STATION

39. An audit inspection of financial and other information for Nkhatabay Police Station for the year ended 31st March, 2023 was completed in September 2023. The audit disclosed some weaknesses in financial controls and other related gaps, which are detailed in the management letter, dated September, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a)

a) General Receipt Books Not Submitted For Audit Inspection

Treasury Instructions, 2004, No. 5.9 (a) states that 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 security document register revealed that out of the sixty-eight (68) general receipt books which were used in the 2022-2023 financial year, twenty-six (26) were not presented for audit. It was difficult to ascertain the accountability of the revenue which was collected using the missing general receipt books.

b) Revenue Used At Source K61,053,706

Accountant General's Desk Instructions, 2007, Section 15.13.1 states that monies received each day, cash as well as cheques, shall as far as possible be deposited in the bank on the following working day.

An inspection of general receipts, bank deposit slips, bank statements and payment vouchers revealed that Nkhatabay Police Station used K61,053,706 at source out of K70,775,000 which was collected from private police service charges, traffic fines, police reports and abstracts for various activities.

c) Expenditure Made Without Internal Procurement and Disposal Committee Approval: K61,508,611.36

Public Procurement and Disposal of Public Assets Act No. 27 of 2017, Section 26.2 (b) stipulates that the functions of the Internal Procurement and Disposal Committees shall include approving the methods of procurement and disposal to be used in each case.

An inspection of payment vouchers and procurement records revealed that Nkhatabay Police Station procured items worth K61,508,611.36 without IPDC approval. Therefore, value for money could not be achieved.

MALAWI PRISON SERVICE - HEADQUARTERS

40. An audit inspection of financial and other information for Malawi Prison Service for the year ended 31st March 2023 was completed in September, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated October, 2023 addressed to the Controlling Officer.

Overall Performance on the Recurrent and Development Budget

The approved budget for Other Recurrent Transactions (ORT) and Development Part II budget were K14,243,516,523 and K800,000,000 respectively. The budgets were revised to K16,718,828,112 and K411,245,000 for ORT and Development respectively. The actual funding for ORT was K15,791,924,114 while expenditure amounted to K15,406,349,284 representing 97.5% funds utilisation rate. Funding allocation for Development Part II was K411,245,000 and the actual expenditure amounted to K370,527,199 thus representing 90% funds utilisation rate.

Audit Opinion

I issued a qualified opinion on the financial statements of Malawi Prison Service for the year ended 31st March, 2023.

(a) Misallocation of Expenditure: K128,793,366.61

Treasury Instructions, 2004, No. 4.14.1 states that specific approval is required before any allocations can be vired or transferred between outputs. The section further states that if the controlling officer is satisfied that the provision against a programme/item will be inadequate, he may submit an application to the Secretary to the Treasury to vire or transfer funds between a programme/item within the same vote. The application should be in writing and should be signed personally by the controlling officer.

An inspection of payment vouchers, budget, and expenditure statement by cost center disclosed that National Prison Headquarters spent K128,793,366.61 to pay for maintenance of buildings using accounting programme code number 2004 (Contracts) instead of 2501 (Maintenance of Buildings). This was done without seeking prior approval from the Secretary to Treasury to vire funds between those programmes.

(b) Payment Vouchers Not Presented for Audit: K101,362,217.94

Treasury Instructions, 2004, No. 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 expenditure statement by cost centre and payment vouchers revealed that Prison Headquarters did not submit payment vouchers amounting to K101,362,217.94 for audit. Therefore, authenticity of the payments made could not be ascertained.

(c) Long Outstanding Payables: K500,092,629.96

Treasury Instructions, 2004, No. 5.16.4 states that every controlling officer shall ensure that commitments shall be made against available funding not against budget provisions, and further that commitments in any one month do not exceed monthly funding levels. Information on cancellable and non-cancellable commitments shall be disclosed in a monthly statement of expenditure submitted to the Secretary to the Treasury.

An analysis of payables balance in the financial statements and payables schedule and confirmation of payables revealed that Prison Headquarters had long outstanding payables amounting to K500,092,629.96 which accumulated from 2014. The tendency may attract litigations and interest claims from suppliers leading to loss of public funds.

PRISON FARMS DEPARTMENT

41. An audit of financial and other information for Prison Farms Department for the year ended 31st March, 2023 was completed in October, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated October, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on the recurrent budget.

Overall Performance on the Recurrent Budget

The approved budget was K497,806,948 and was revised upwards to K597,806,948. The actual expenditure was K488,138,165.58 representing 81% funds utilisation rate.

a. Failure to Meet Target on Maize Production

Prison farms operates under three objectives, one of which is to produce enough food that can sustain inmates throughout the year in all prison stations. According to the 2022/2023 maize production plan, the total projected maize production was 62,350 bags of 50Kg each equivalent to 3,117.5 metric tonnes.

An inspection of 2023 prison farms report, interviews with management, recalculation of figures and physical verification of farm stations, revealed that actual maize production from rain fed, irrigation and mega farms farming was 28,371 bags of 50kg each or 1,418.55 metric tonnes representing 46% of target maize production of 62,350 bags of 50 Kg each. Prison farms failed to utilize their farm lands, financial resources and labour force to produce adequate food for inmates.

b. Payments to Suppliers with Expired Tax Clearance Certificates: K11,454,486.25

Public Procurement and Disposal of Public Assets Act No. 27 of 2017, Section 52 states that in order to be eligible to be awarded a procurement contract, a bidder shall be registered, depending upon the nature of the contract, with the Registrar of Companies, or with the National Construction Industry Council of Malawi, or such other entity as may be prescribed by regulations; be tax compliant; and not be debarred from participating in procurement proceedings under this Act.

An inspection of quotations and Malawi Revenue Authority Registration Certificates disclosed that Prison Farms procured goods amounting to K11,454,486.25 from suppliers with Tax Clearance Certificate which had expired on 31st March, 2022.

c. Procurements of Pesticides from a Supplier Without a License: K53,227,000

Public Procurement and Disposal of Public Assets Act No. 27 of 2017, Section 52 states that in order to be eligible to be awarded a procurement contract, a bidder shall be registered, depending upon the nature of the contract, with the Registrar of Companies, or with the National Construction Industry Council of Malawi, or such other entity as may be prescribed by regulations; be tax compliant; and not be debarred from participating in procurement proceedings under this Act. Furthermore, Pesticides Act, 2000, section 23 (1) states that no person shall manufacture, export, distribute, store for sale, or sell a pesticide without a licence issued by the Board and in accordance with any conditions prescribed by the Board.

An inspection of quotations, contract agreements and registration certificates disclosed that a procurement contract number MPS/FARMS/RFQ/2022/12 for the supply of agricultural chemicals was awarded to Fairland General Dealers at a value of K53,227,000. However, the supplier had no licence from Pesticides Control Board.

d. Contract Awarded to a Supplier Without Financial Capacity

Public Procurement and Disposal of Public Assets Act No. 27 of 2017, section 53 (1) states that in order to enter into a procurement contract, a bidder shall qualify by meeting the criteria the procuring and disposing entity considers appropriate. Section 53.2 (c) gives financial resources and condition as one of the criteria for qualification of bidders to enter into a contract.

The post qualification assessment criteria number 4.1(1.1) of the procurement reference number MW/PRIS/F/2022-2023/1 required the prospective supplier to provide proof of availability of funds of not less than 100% of the bid price.

An inspection of bidding documents and evaluation reports disclosed that the institution invited bids for the supply of 1,540 of 50Kg bags of Urea Fertilizer. Farmers World and ASNEP Global Limited offered to supply the commodity at K126,860,000 and K115,099,000 respectively. ASNEP Global Ltd was awarded the contract but did not provide proof of financial capacity. The contract was later terminated on 17th January, 2023 for failure to deliver the fertilizer which resulted into the need to source the fertilizer from an alternative supplier and delayed application of fertilizer in the fields. Consequently, the yield was 1,418.55 metric tonnes which was only 46% of the targeted yield of 3,117.5 metric tonnes.

DEPARTMENT OF IMMIGRATION AND CITIZENSHIP SERVICES

42. An audit inspection of financial and other information for Department of Immigration and Citizenship Services for the year ended 31st March, 2023 was completed on 24th September, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated 27th September, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on the recurrent budget as well as the opinion on the financial statements of the Department.

Overall Performance on Recurrent Budget

The approved budget was K6,378,502,705 and was revised upwards to K9,981,616,232. Actual Expenditure was K9,133,679,401 representing 91.5% of the revised budget.

Overall Performance on Development Budget Part II

The approved budget for Development Part II was K785,366,387 and was revised downwards to K217,683,193. Actual Expenditure was K106,282,716 representing 49% utilisation of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Department of Immigration and Citizenship Services for the year ended 31st March, 2023.

a. Misallocations of Expenditures: K36,031,857.50

Treasury Instructions, 2004, No. 4.14.1 states that specific approval is required before any allocations can be vired or transferred between a programme /item within the same Vote. The section further states that if the controlling officer is satisfied that the provision against a programme/item will be inadequate, he may submit an application to the Secretary to the Treasury in writing to vire or transfer funds between a programme/item within the same Vote.

An inspection of payment vouchers disclosed that payments amounting to K36,031,857.50 were charged to wrong sub-items which is contrary to the above requirement. There was no evidence to show that virement of funds was sought from the Secretary to the Treasury.

b. Payment of Allowances not Supported by Activity Reports: K15,238,664.80

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

An inspection of payment vouchers and authority to leave duty station forms revealed that the Department paid subsistence and external travel allowances amounting to K15,238,664.80 in respect of various activities without supporting them with activity reports to substantiate whether the activities were undertaken and how the funds were spent.

DIRECTOR OF PUBLIC PROSECUTIONS

43. An audit of financial and other information of the Director of Public Prosecutions for the year ended 31st March, 2023 was completed on 30th October, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated November, 2023 addressed to the Controlling Officer. The weaknesses are presented in paragraph (a) after the overall performance of the recurrent budget as well as the opinion on the financial statements of the Directorate.

Overall Performance on Recurrent Budget

The approved budget was K1,982,688,802 and was revised downwards to K1,940,750,382. The actual expenditure was K1,818,124,471 representing 90.7% utilisation of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Director of Public Prosecutions for the year ended 31st March 2023.

a) **Payment Vouchers Not Presented for Audit: K43,507,542.78**

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

Contrary to the requirement above the Directorate did not present payment vouchers amounting to K43,507,542.78. Therefore, it was difficult to ascertain the occurrence and propriety of the expenditure.

ADMINISTRATOR GENERAL

44. An audit of financial and other information of the Administrator General for the year ended 31st March, 2023 was completed on 30th October, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated November, 2023 addressed to the Controlling Officer. The weaknesses are presented in paragraph (a) after the overall performance of the recurrent budget as well as the opinion on the financial statements of the Department.

Overall Performance on Recurrent Budget

The approved budget was K509,701,941 and was revised upwards to K587,770,243. The actual expenditure was K527,180,171 representing 90% utilisation of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Administrator General's Department for the year ended 31st March, 2023.

a) Payment Vouchers Not Presented for Audit: K19,275,902.73

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

Contrary to the requirement above the Directorate did not present payment vouchers amounting to K19,275,902.73. Therefore, it was difficult to ascertain the occurrence and propriety of the expenditure.

MINISTRY OF LABOUR

45. An audit of financial and other information for Ministry of Labour for the year ended 31st March, 2023 was completed in October, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated October, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the Ministry.

Overall Performance on Recurrent Budget

The other recurrent expenditure budget was K7,697,927,708 which was later revised downwards to K7,127,452,298. Actual expenditure was K7,038,432,547 representing 99% utilization of the revised budget.

Overall Performance on Development Budget

The approved budget on development part II was at K1,100,000,000 and it was revised upwards to K5,848,916,556. Actual expenditure was K313,636,364 representing 5% utilization of revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Labour for the year ended 31st March, 2023.

a) Understatement of Revenue: K256,188,500

Treasury Instructions, 2004, No. 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.

A review of cash controls disclosed that the Ministry collected revenue amounting to K256,188,500 through various cost centres. However, the revenue figure collected was not included in Statement 3 of the Ministry.

b) Revenue Budget not Produced for Audit: K250,000,000

Public Audit Act, 2003, Section 7.1 (a) states that for the purpose of fulfilling the functions and duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

A review of revenue budget performance in the controlling officer's report disclosed that the Ministry had an approved revenue budget of K250,000,000. However, the revenue budget in question was not presented to the audit team for verification. Therefore, it was difficult to ascertain the validity of the budgeted revenue figure highlighted in the Controlling Officer's report.

c) Failure to Update Fixed Asset Register

Circular from the Chief Secretary to the Government dated 2nd March, 2010 entitled '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.

A review of fixed asset register disclosed that the register did not include fixed assets from other cost centres other than the headquarters. Therefore, the assets could be misappropriated.

d) Procurement not Approved by IPDC: K19,669,950

Public Procurement and Disposal of Public Assets Act No. 27 of 2017, Section 26.2 (b) states that the functions of the Internal Procurement and Disposal Committees shall include approving the methods of procurement and disposal to be used in each case.

A review of payment vouchers and Internal Procurement and Disposal Committee (IPDC) minutes disclosed that procurements amounting to K19,669,950 were not approved by IPDC. The practice might encourage fraud and corruption.

e) Fuel not Accounted for: K36,010,200

Treasury Instructions, 2004, No. 11.7.1.2 requires that where consumable stores are received in bulk for subsequent issue in small lots, transactions will be entered in a Consumable Stores Ledger. It further states that consumable stores must be subject to reasonable control to ensure that they are not pilfered or wasted.

A review of payment vouchers, fuel register and logbooks revealed that fuel worth K36,010,200 could not be traced in the fuel register and logbooks. Therefore, the fuel was not accounted for.

f) Lack of Training for Supervisors and Mentors in the Internship Programme

National Graduate Policy, 2021-2023, Chapter 4.1.1 (iv) states that the Ministry of Labour shall conduct regular induction programme for supervisors and mentors involved in the internship programme.

An interview with the Chief Planning Officer who is responsible for internship programme disclosed that the Ministry did not conduct any regular induction programme for supervisors and mentors in the internship programme. Therefore, the practice contravenes the requirement of the above regulation.

g) Lack of Monitoring and Evaluation of the Internship Programme

The National Internship Policy, 2021-2023, Chapter 4.3.1 states that the Ministry of Labour shall undertake the monitoring and evaluation of the program to ensure control and provide information needed for improvement and sustainability of the program.

Contrary to the above requirement, the Ministry failed to undertake monitoring and evaluation of the internship program. The practice contravenes the requirement of the above policy.

h) Lack of Monitoring and Supervision of Community Technical Colleges

Terms of reference developed on 11th September, 2014 for Community Technical Colleges, paragraphs 3 (v) and 4 (v) state that the purpose of the District Management Committee shall include monitoring operations of community colleges and supervision of implementation of activities of community colleges.

An enquiry from management revealed that management did not conduct monitoring and supervision activities of community technical colleges. This was evidenced by lack of progress reports, bi-annual reports, monitoring and quarterly reports. Therefore, the colleges' performance could be negatively affected.

MINISTRY OF TRADE AND INDUSTRY

- 46.** An audit of financial and other information for Ministry of Trade and Industry for the year ended 31st March, 2023 was completed in September, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated October, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the Ministry.

Overall Budget Performance on Recurrent Transactions

The approved budget was K3,018,801,598. The budget was revised downwards to K2,699,823,267. Actual expenditure was K2,313,288,659 representing 86% of the revised budget.

Overall Performance on Development Budget

Development Part II approved budget was K2,200,000,000 and was revised downwards to K970,520,606. Actual expenditure was K641,197,892 representing 77% utilization of the revised budget.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Ministry of Trade and Industry for the year ended 31st March, 2023.

a) Failure to Reimburse Air Ticket Funds: K6,353,827

Public Finance Management Act, 2022, Section 14.1 (h) states that all expenditure is incurred with due regard to economy, efficiency and

effectiveness and the avoidance of waste. Further, Circular Ref. No. 15/15/7 from the Chief Secretary to the Government dated 29th October, 2014 titled “External Travel by Government Officials” directed in paragraph (2) that where external travel is donor funded, there shall be no government financial outlay towards such travel. In this regard, air tickets as well as top – up allowance shall not be paid towards fully funded external travel.

An inspection of payment vouchers, memos and loose minutes disclosed that a total payment of K6,353,827 was made to “The Travel Centre” for procurement of air tickets for the Minister and two other officers from the Ministry. Furthermore, Memorandum Ref. No. MOT/INV/22 dated 8th June, 2022 stated that all the costs of the participation including air ticket and accommodation for the Minister invited to attend the 17th Confederation of Indian Industry Exim Bank Conclave on India-Africa Growth Partnership from 19th to 20th July, 2022 was to be met by the Indian Government. The Memo also informed the Ministry of Trade and Industry that the Indian Government was going to reimburse to Malawi Government funds used on the procurement of air ticket after the meeting. However, management failed to provide substantial evidence to authenticate the reimbursement of the funds.

MINISTRY OF TRANSPORT AND PUBLIC WORKS

47. An audit inspection of financial and other information for Ministry of Transport and Public Works for the year ended 31st March, 2023 was completed in August, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated December, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on the recurrent budget as well as the opinion on the financial statements of Ministry of Transport and Public Works.

Overall Performance on Recurrent Budget

The approved budget was K7,311,456,445 and revised upwards to K7,738,257,917 the actual out-turn was K7,275,971,010 representing 94% of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Transport and Public Works for the year ended 31st March, 2023.

a) Payment Vouchers Not Presented for Audit: K134,893,596.85

Public Audit Act 2003, Section 7.1(a) states that for the purpose of fulfilling the functions and duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government Contracts and books of accounts relating thereto are subject to audit, and to any place where they are kept.

A review of expenditure statement by cost centre revealed that payment vouchers amounting to K134,893,596.85 were not presented for audit inspection. As a result, it was difficult to ascertain the occurrence and propriety of the expenditure made.

THE DIRECTORATE OF ROAD TRAFFIC AND SAFETY SERVICES (NORTH)

48. An audit inspection of financial and other information for The Directorate of Road Traffic and Safety Services (North) for the year ended 31st March, 2023 was completed in September, 2023. The audit disclosed some weaknesses in financial controls and other related gaps, which are detailed in the management letter, dated September, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a).

a) Revenue Lost Due to Failure to Renew Weighbridge License: K2,344,865

Treasury Instructions, 2004, No. 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.

Physical inspection of the weighbridge at Songwe Border and a review of data revealed that the Directorate of Road Traffic and Safety Services (North) failed to collect an estimated revenue of K2,344,865 due to the expiry of Malawi Bureau of Standards Mass Equipment Verification Certification on 11th October 2022.

REGIONAL DIRECTORATE OF ROAD TRAFFIC AND SAFETY SERVICES (EAST)

49. An audit of financial and other information for Directorate of Road Traffic and Safety Services (East) for the year ended 31st March, 2023 was completed in August, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the

management letter dated October, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a):

(a) Long Outstanding Overloading Fines: K166,497,767

Treasury Instructions, 2004, No. 5.6.2 states that the controlling officer of a Ministry or Department must manage revenue efficiently and effectively by developing and implementing appropriate processes that provide for identification, collection, safeguarding, recording and reconciliation of information in respect of revenue.

An inspection of revenue reports for RRTSS(E) revealed that the Department is yet to recover debts arising from unpaid overloading fines amounting to K166,497,767 dating back to the year 2016. Further enquiry established that RRTSS(E) does not have clearly defined debt management system in place to monitor and ensure that all debts are collected timely.

MINISTRY OF NATURAL RESOURCES AND CLIMATE CHANGE

- 50.** An Audit of financial and other information for Ministry of Natural Resources and Climate Change for the year ended 31st March, 2023 was completed on 30th October, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated October, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on both the recurrent and development budget as well as the opinion on the financial statements of the Ministry.

Overall Performance on Other Recurrent Transactions

The approved budget was K6,686,713,318, which was revised upwards to K8,727,809,482. The actual expenditure was K7,580,554,994 representing 87% utilization of the revised budget.

Overall Performance on Development Expenditure

The approved budgeted was K2,918,699,592 and was revised downwards to K2,371,936,339. Actual expenditure was K1,614,003,859 representing 68% utilization of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the financial statements of the Ministry of Natural Resources and Climate Change for the year ended 31st March, 2023.

a) Understatement of Revenue: K51,765,642.42

Treasury Instructions, 2004 No. 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.

A review of cash controls disclosed that Department of Fisheries collected revenue amounting to K51,765,642.42. However, the revenue figure collected was not included in Statement 3 of the Ministry.

b) Payment Vouchers not Produced for Audit: K53,996,146.71

Public Audit Act, 2003, Section 7.1 (a) states that for the purpose of fulfilling the functions and duties lawfully conferred or imposed on the Auditor General, the Auditor General and every person authorized by him shall have full access at all reasonable time to all documents, books and accounts, public funds, public securities, Government contracts and books and accounts relating thereto and subject to audit, and to any place where they are kept.

An inspection of payment vouchers, expenditure statement by cost centre and other related records revealed that the Ministry did not submit payment vouchers amounting to K53,996,146.71 for audit. Therefore, it was difficult to ascertain the occurrence and propriety of the expenditure thereof.

c) Payments Vouchers Without Adequate Supporting Documents: K15,792,282.08

Treasury Instructions (2004), No. 5.9 (a) states that every controlling officer shall ensure that proper accounting records are maintained to support all financial and related transactions and 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 the National Audit Office staff.

An inspection of payment vouchers disclosed that payments vouchers amounting to K15,792,282.08 were submitted without supporting documents like loose minutes, receipts, delivery notes etc. Therefore, it was difficult to ascertain whether the payments were a proper charge to public funds.

OFFICE OF THE OMBUDSMAN

51. An audit of financial and other information for Office of the Ombudsman for the year ended 31st March, 2023 was completed in September, 2023. The audit disclosed some weaknesses in financial control and other related gaps, which are detailed in the management letter dated September, 2023 addressed to the Ombudsman. These weaknesses are presented from paragraph (a) after the overall performance on the recurrent and development budgets as well as the opinion on the financial statements of Ombudsman.

Audit Opinion

I issued an unqualified audit opinion on the financial statements of the Office of the Ombudsman for the year ended 31st March, 2023.

Overall Performance on Recurrent Budget

The approved budget was K1,254,573,071 and was revised downwards to K1,219,171,231. The actual expenditure was K1,216,207,250 representing 99.75 % utilization of the revised budget.

Overall Performance on Development Budget

The approved budget was K170,789,586 and was revised upwards to K294,827,881. The actual expenditure was K290,386,768 representing 98.5 % utilization of the revised budget.

a) Payment of Subsistence Allowance Not Supported With Activity Reports: K14,796,100

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. This must be done within one week after each official trip.

Contrary to the above requirement, an inspection of payment vouchers disclosed that the Office of the Ombudsman paid subsistence allowances amounting to K14,796,100 in respect of various activities. However, there were no activity reports to substantiate the payments made. This made it difficult to ascertain propriety of the expenditure.

b) Payment Vouchers Not Presented for Audit: K10,966,324

Treasury Instructions (2004, No. 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 and expenditure statement by cost centre revealed that payment vouchers amounting to K10,966,324 were not presented for audit. Therefore, it was difficult to ascertain propriety of the expenditure.

LAW COMMISSION

52. An audit of financial and other information for Law Commission for the year ended 31st March, 2023 was completed on 30th October, 2023. The audit disclosed some weaknesses in financial control and other related gaps which are detailed in the management letter dated November, 2023 addressed to the Controlling Officer. These weaknesses are presented from paragraph (a) after the overall performance on recurrent budget as well as the opinion on the financial statements of Law Commission.

Overall Performance on Recurrent Budget

The approved budget was K954,266,177 and was revised downwards to K951,825,263. Actual expenditure was K930,092,491 representing 98% utilisation of the revised budget.

Audit Opinion

I issued a qualified audit opinion on the Financial Statements of Law Commission for the year ended 31st March, 2023.

a) Duplication of Payments for Public Utilities: K1,836,150

Public Finance Management Act, 2022, Section 14.1(p) states that a Controlling Officer shall, with respect to the Controlling Officer's institution, ensure that an effective system of internal controls is developed and maintained.

An inspection of payment vouchers disclosed that there was a duplication of payments amounting to K1,836,150 for utilities between September, 2022 and January, 2023. This resulted into loss of public resources.

b) Payment Vouchers Not Produced for Audit: K 54,808,050.94

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

An inspection of payment vouchers, expenditure statement by cost centre and other related records showed that the Commission did not submit payment vouchers amounting to K54,808,050.94 for audit. Therefore, it was difficult to ascertain the propriety of the expenditure.

c) Payment Vouchers Without Adequate Supporting Documents: K11,912,962.75

Treasury Instructions, 2004, No. 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 K11,912,962.75 were submitted without adequate supporting documents such as loose minutes, quotations, receipts and IPDC minutes. This made it difficult to ascertain the propriety of the expenditure.

PART IV

RECOMMENDATIONS AND ACKNOWLEDGEMENT

RECOMMENDATIONS

53. During my audit of the 2022/2023 Accounts of the Government of the Republic of Malawi, each controlling officer received an appropriate audit inspection report with recommendations. Unfortunately, evidence indicates that, in some cases, these recommendations have not been duly considered by the Controlling Officers.

A summary of recommendations includes: -

- The Government must ensure the strict implementation of the IPSAS adoption plan by adequately resourcing the initiative. As the Government improves its public financial management systems, IPSAS will significantly enhance accountability in the usage of public resources;
- The functioning of Audit Committees in all Ministries and Departments should be enhanced immediately to facilitate prompt responses to audit reports and ensure the implementation of audit recommendations;
- Bank reconciliations for all accounts maintained at the Reserve Bank of Malawi must be prepared timely in compliance with Government financial rules and regulations;
- The Secretary to the Treasury should ensure that monthly and quarterly bank auto reconciliations are done for all accounts;
- Strict compliance with financial provisions should be enforced in the MDAs in order to improve public financial management and control;
- Ministries and Departments should set up electronic filing system to ensure easy location of all documentation;
- Government through the Office of the Director of Public Procurement and Disposal of Assets with support from the Department of E-Government should evolve public procurement systems to E-Procurement;
- Payment vouchers and supporting documents not presented for audit should be traced and submitted for audit inspection. Those responsible for not availing the documents for audit should be dealt with in accordance with the PFMA, 2022 and MPSR;

- A decision must be made on revenue used at source in Malawi Police Service;
- All MDAs responsible for collecting Government revenue should ensure that they meet budget estimates, and that all collected revenue is complete in the Cashbook and Financial Statements. Banking must be done on a timely basis per financial regulations;
- All Officers responsible for breaches of procurement regulations, taxation laws, and misallocation of expenditure should be dealt with according to the law. Payments made in breach of regulations should be investigated, and corrective actions taken;
- Controlling officers must ensure Fixed Asset Registers are maintained and updated, with those failing to comply dealt with accordingly;
- The Accountant General's Department should ensure that all reconciliation outstanding transactions are thoroughly addressed;
- The Ministry of Finance should manage public debt in accordance with Government policies, ensuring that the public debt module is incorporated or interfaced with IFMIS for effective and accurate reporting;
- Payables and Receivables presented in Financial Statements should be fully supported by schedules; and
- Ministries and departments should collect revenue as per their approved budgets by ensuring that revenue management controls are in place and effective.

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LILONGWE, MALAWI

June, 2024

