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Executive Summary

Audit Mandate and Rationale
The Auditor General as mandated by Section 184 of the Constitution of the Republic of Malawi of 1994 as well as the Public Audit Act Amendment No 10 of 2018, carried out an investigative audit on the usage and accountability of the K6.2 Billion which was provided by the Government of Malawi to help in the fight against CoVID-19 pandemic.

Objectives of the Assignment
The investigative audit was carried out with the view to ensure whether;
(a) The guidelines on CoVID-19 funds management are in place and that various institutions receiving funds were fully aware of them and they were followed;
(b) The CoVID-19 funding to the benefiting institutions was based on needs assessment and the budget;
(c) The CoVID-19 funding advice notes from Secretary to the Treasury to various organisations tally with those actually received by the clusters;
(d) Organisations that received the funds for CoVID-19 related spending had a meeting and discussed the criteria and the basis of allocation of the funds to various MDAs. If such a process was followed, minutes of such a meeting duly signed by participants should be examined;
(e) The funds disbursed by Secretary to the Treasury to the Department of Disaster Management Affairs (DoDMA), Ministry of Health (MoH) and later on to implementing agencies or units was receipted and spent as expected right to the ultimate beneficiary;
(f) The implementing MDAs spent the CoVID-19 resources, with due attention to economy, efficiency, and effectiveness;
(g) The implementing MDAs used the funds in line with the criteria mentioned in “(d) “above;
(h) The implementing MDAs liquidated the funds that were given to them in line with Government laws and regulations especially procurement procedures;
(i) In line with Section 10(1)(c), the implementing MDAs have all the financial accounts and records in place (including, but not limited to cashbooks and bank reconciliations); and
(j) The implementing MDAs have examinable stores and assets that are properly recorded and could be physically inspected

Audit Standards
This investigative audit has been conducted in accordance with the following International Standards of Supreme Audit Institutions (ISSAIIs) and International Standards on Related Services (ISRS):

a) ISSAI 130-Code of Ethics, which requires auditors to have ethics such as integrity, independence, objectivity, impartiality, professional secrecy and competence in the conduct of their duties;
b) ISSAI 100-Fundamental Principles of Public-Sector Auditing;
c) ISSAI 400-Fundamental Principles of Compliance Auditing;
d) ISRS 4400 (Revised)-Agreed Upon Procedures Engagements, which gives direction on how to conduct agreed upon procedures engagements.
Audit Approach
The investigative audit included the following procedures;
- Examination of budgets and expenditure, and activity reports;
- Examination of cashbooks, bank statements, cheque images, procurement and stores records;
- Examination of payment vouchers and their supporting documentation to determine if payments were genuine and in line with regulations;
- Interviews with employees, beneficiaries and suppliers;
- Physical verifications of PPEs and other items which were still in stock at the time of the audit

Key findings in general
1) Expenditure on procurement flaws amounted to K493,907,232.42. Out of this K321,578,996.42 related to use of RFQs instead of open tendering procurement methods, K105,995,500.00 related to irregular procurements, K48,582,220.00 related to use of single sourcing procurement method, K7,559,016.00 related to failure to produce original bid documents and K10,191,500.00 related to procurement at inflated prices;

2) Allowance related irregularities amounted to K80,277,500.00. Out of this K29,158,000.00 related to irregular payment of ‘risk allowance’, K17,742,000.00 related to over -payment of subsistence and lunch allowance, K12,908,500.00 related to payment of allowances using incomplete documentation, K5,385,000.00 related to ineligible expenditure on ‘duty allowances’, K9,391,000.00 related to payment of allowances within duty station, K3,010,000.00 to payment of allowances to ghost officers while the rest related to some other irregularities;

3) There was a problem in accounting for cash withdrawn amounting to K83,056,539.00. Out of this amount K53,486,464.00 was not liquidated, K12,045,350.00 went missing without trace, K989,500.00 excess cash after an activity was shared among officers without justification, K16,149,225.00 was brought on charge after a very long time, K108,000 related to under-liquidation of expenditure and K278,000.00 could not be explained;

4) Expenditure on Fuel related accountability amounted to K39,786,585.80. Out of this K20,090,401.00 related to fuel which was not liquidated, K7,650,080.00 to missing fuel while the rest related to general fuel accountability flaws;

5) An amount of K23,649,094.00 was unbudgeted for, ineligible, wastefully and dubiously spent;

6) At the time of audit about K1 billion (K947,124,460.00) out of the allocated K6.2 Billion had not been spent/used by the Clusters that received them; and

7) Funding to the Local Authorities was made without a basis and budget

Key findings by category in graphs
The key findings have also been grouped in six categories as follows:
1. Miscellaneous Irregularities : Figure 1
2. Procurement Irregularities : Figure 2
3. Cash Related Irregularities : Figure 3
4. Allowances related Irregularities : Figure 4
5. Fuel related Irregularities : Figure 5
6. Expenditure related Irregularities : Figure 6

INVESTIGATIVE REPORT ON COVID-19 DISBURSEMENT
Miscellaneous Irregularities

Figure 1: Miscellaneous Findings by Value

Procurement Irregularities

Figure 2: Procurement Irregularities by Value
Cash Related Irregularities

**Figure 3: Cash Related Irregularities by Value**

Allowances Related Irregularities

**Figure 4: Allowances Related Irregularities by Value**
Fuel Related Irregularities

Figure 5: Fuel related Irregularities by Value

Wasteful and Ineligible expenditure related Findings

Figure 6: Wasteful and Ineligible expenditure by Value
Conclusion on the Audit

The Conclusion made on the audit include:

- Guidelines on CoVID-19 funds’ management and reporting were not provided to the clusters, as a result, preparation and submission of expenditure returns was not prioritized by both the clusters and the Presidential Task Force;
- Expenditure on allowances (subsistence, lunch, risk, duty etc) were massively abused by almost all clusters;
- The over-sight role of the Presidential Task Force failed in its duties to act on the procurement of PPEs of K850,000,000.00 by the Ministry of Health and Central Medical Stores Trust (CMST);
- In some clusters, there was financial indiscipline in that money was spent on activities that were not budgeted for as well as activities that were not related to CoVID-19. Others did not even spend the funds that were budgeted for;
- Most clusters did not comply with the procurement regulations on the use of open tendering method of procurement, instead most clusters resorted to using Request for Quotation method which was a breach of a Circular letter dated 15th April, 2020 issued by the Director of Public Procurement and Disposal of Assets required all Ministries and Departments to follow the open tendering method when procuring items using “CoVID-19” funds regardless of value. Additionally, the oversight role of IPDCs in the MDAs was very weak;
- Quite a number of beneficiary institutions did not pay due attention to economy, efficiency and effectiveness in their spending. Such kind of spending hardly provided real value for money and one would tend to wonder how the whole institution could decide to spend the funds on such unwarranted ‘needs’;
- A majority of clusters especially DoDMA failed to fully liquidate the resources advanced to them;
- Fuel was also grossly mismanaged. The mismanagement ranged from not liquidating the fuel cheques collected to failure to account for the fuel received through accountability documents in form of fuel registers and motor vehicle log books; and
- The lapses in financial management portrayed in this report is a reflection of lack of ardent control by Controlling Officers

Recommendation

The following recommendations are made on the findings

Governance Arrangements

- All the key stakeholders in a programme of this nature should have clear roles and responsibilities;
- Structures within a program should have competent and balanced representation of key professions;
- Instructions should always be clear whenever new developments come into scene to avoid huge variations in the way such issues are handled. Instructions should always come from relevant authorities depending on the issue under instruction; and
○ There should be a clear way of allocating funds to the clusters and indeed the local authorities to avoid over or underfunding due to disparities between actual requirements and the level of funding.

**Control Arrangements**

○ Where controls are hardly followed, management teams of those institutions where this anomaly prevailed should lay down corrective measures to ensure that subsequent operations do not suffer in the same way;

○ The Presidential Task Force and DoDMA should ensure proper scrutiny of the budgets from clusters to avoid misapplication of CoVID-19 funds; and

○ The required reports on funding and expenditure should be submitted as required by the Presidential Task Force and be subjected to review and audit.

**Other Corrective Arrangements**

○ Those officers who took part in the malpractices which resulted in the loss of funds should be made to pay back the money;

○ The Government should ensure that all malpractices that are criminal in nature should be handed over to law enforcement agencies for further attention and action; and

○ Administrative remedies should be applied in all applicable case.
1.1. Introduction
An investigative audit on the management of K6.2 billion CoVID-19 funds disbursed from August, 2020 to help in the fight against CoVID-19 pandemic was conducted by the National Audit Office. The audit was performed in accordance with Terms of Reference agreed between the Secretary to the Treasury (Principal Client) and the National Audit Office. This was the second tranche of the CoVID-19 disbursements from Government.

The purpose of this report is to bring to your attention the findings that were noted during the audit.

1.2. General background
In April 2020, the Government of Malawi sought US$91 million from the IMF under the Rapid Credit Facility to help Malawi Government meet the urgent Balance of Payment (BoP) needs stemming from the CoVID-19 Pandemic.

In a letter of intent, signed by the then Minister of Finance and the then RBM Governor addressed to IMF, the Government of Malawi made some commitments which included; That: “the National Audit Office will submit quarterly audit reports on the audit of CoVID-19 related spending (across all MDAs) to the Minister of Finance (for submission to Cabinet) and, once the pandemic abates, will publish and submit to Parliament a comprehensive audit report of CoVID-19 related spending (across all MDAs and ADMARC)”.

In keeping with this audit commitment and in response to the public outcry on the alleged misuse of CoVID-19 funds, the Secretary to the Treasury requested the Auditor General to conduct an investigative audit on the usage of the MWK 6.2 Billion on 15th February, 2021.

1.3. Terms of Reference for the Audit/Rationale
The investigative audit was carried out in accordance with the Public Audit Act of 2003, Section 6(4)(f), Public Finance Management Act of 2003 and International Standards of Supreme Audit Institutions (ISSAI’s), and included such tests and auditing procedures as the auditor considered necessary under the circumstances. The audit ensured whether:

(a) The guidelines on CoVID-19 fund’s management are in place and that various institutions receiving funds were fully aware of them and they were followed;
(b) The CoVID-19 funding to the benefiting institutions was based on needs assessment and the budget;
(c) The CoVID-19 funding advice notes from Secretary to the Treasury to various organisations tally with those actually received by the clusters;
(d) Organisations that received the funds for CoVID-19 related spending had a meeting and discussed the criteria and the basis of allocation of the funds to various MDAs. If such a process was followed, minutes of such a meeting duly signed by participants should be examined;
(e) The funds disbursed by Secretary to the Treasury to the Department of Disaster Management Affairs (DoDMA), Ministry of Health (MoH) and later on to implementing agencies or units was received and spent as expected right to the ultimate beneficiary;

(f) The implementing MDAs spent the CoVID-19 resources, with due attention to economy, efficiency, and effectiveness;

(g) The implementing MDAs used the funds in line with the criteria mentioned in "(d) above;

(h) The implementing MDAs liquidated the funds that were given to them in line with Government laws and regulations especially procurement procedures;

(i) In line with Section 10(1)(c), the implementing MDAs have all the financial accounts and records in place (including, but not limited to cashbooks and bank reconciliations);

and

(j) The implementing MDAs have examinable stores and assets that are properly recorded and could be physically inspected

1.4. Audit Mandate

The Mandate of the Auditor General is derived from Section 184, Subsection 1 of the Constitution of the Republic of Malawi, 1994, which stipulates that there shall be the office of the Auditor General who shall audit and report on the public accounts of Malawi and shall exercise such other powers in relation to the public accounts and the accounts of 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 that office.

In addition, the Public Audit Act Amendment No 10 of 2018 also gives the Auditor General powers to examine transactions, books and accounts, and other public records of every ministry, statutory office, office, agency, board, commission and bureau of the Government, and public funds received by a non-profit organization, including relevant international organization.

Therefore, the National Audit Office carried out the investigative audit in line with this mandate.

1.5. Audit Scope

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and covered the K 6.2 billion funding which was received by MDAs in August, 2020 and was spent from late August, 2020 to February 2021.
1.6. **Audit Standards**
International Standards of Supreme Audit Institutions (ISSAI) as well as International Standard on Related Services (ISRSs) were used in this audit and included the following standards, among others:
- ISSAI 130-*Code of Ethics*, which requires auditors to have ethics such as integrity, independence, objectivity, impartiality, professional secrecy and competence in the conduct of their duties;
- ISSAI 100-*Fundamental Principles of Public-Sector Auditing*;
- ISSAI 400-*Fundamental Principles of Compliance Auditing*;
- ISRS 4400 (Revised)-*Agreed Upon Procedures Engagements*, which gives direction on how to conduct agreed upon procedures engagements.

1.7. **Methodology/Audit Approach**
The Audit included the following procedures;
- Examination of budgets and expenditure, and activity reports;
- Examination of cashbooks, bank statements, cheque images, procurement and stores records;
- Examination of payment vouchers and their supporting documentation to determine if payments were genuine and in line with regulations;
- Interviews with employees, beneficiaries and suppliers;
- Physical verifications of PPEs and other items which were still in stock at the time of the audit.

1.8. **Challenges**
In the course of the investigative audit we met the following challenges;
- The arrest of almost all accounting officers and key officers at DoDMA for a week or so affected commencement of the audit at DoDMA which is the main stakeholder as far as this investigation is concerned;
- The interdiction of Controlling Officers affected the collection of audit evidence relating to issues which were directly related to them;
- Getting to the root of the audit query took time since this was an investigation and it required a lot of interviews and documents inspection within and without the spending entity;
- At one point, all the Local Authorities were doing budget estimates and it was not possible to engage them effectively;
- Financial logistics to support the assignment had a little impact as well to the extent that we started the audit without the resources; and
- Still, CoVID-19 measures had an impact on coordination in some cases

1.9. **The Budgeting, Funding and Reporting Processes on CoVID-19 Funds**
The funds available to fight against CoVID-19 amounted to K6.2 billion. The Presidential Task Force directed the Department of Disaster Management Affairs (DoDMA) to make allocations of these funds to the clusters.
In order for the clusters to access the funds allocated to them, they were informed that they should come up with budgets based on the allocations made by DoDMA. The Presidential Task Force through DoDMA then informed the clusters that the activities to be included in that budget should be in line with National CoVID-19 Preparedness and Response Plan.

Consequently, clusters prepared budgets which were then presented to the Presidential Task Force for approval. The Presidential Task Force scrutinized the budgets and approvals were made. After the budgets were approved, the heads of the clusters would then write DoDMA requesting it to transfer funds into their operating accounts. Upon receipt of the requests from clusters, DoDMA would direct Treasury to transfer funds directly into the operating accounts of the clusters. Once transfers were made, funds were then ready for use.

However, funding to the Local Authorities was made without a basis and budget. In addition, funds transfer advices to all clusters were short of the requirement to provide expenditure reports which the audit found as an anomaly.

1.10. Funding and Expenditure Report
The total funds received by the clusters and Local Authorities was K6,290,243,423.52. As at the end of March, 2021, the expenditure was K5,596,607,047.51, representing a fund utilization rate of 89%. For more information, refer to Appendix A.

2. AUDIT FINDINGS

2.1. Ambiguity of Circular on Allowances for Health Workers on CoVID-19 Work
A review of payments of allowances for Health workers who worked in isolation centres on CoVID-19 related work revealed that the payments were based on two circulars, the first issued by Dr Charles Mwansambo for Secretary for Health titled “Allowances for Health Workers Undertaking CoVID-19 Related Work” on 20th April, 2020. The second one was issued by Mr. Bestone Chisamile for Secretary for Health titled “Revised Guidelines on Allowances for Health Workers Undertaking CoVID-19 Related Work” on 9th September, 2020.

In line with general guidelines on payment of subsistence and lunch allowances, we observed that there was an ambiguity in these two circulars. The Health workers who spent their nights at the isolation centres were given a full rate of subsistence allowance. In addition to that, they were also provided with accommodation and meals. This is not in line with the Government regulations on payment of subsistence allowance. Subsistence allowance is meant, among others, to cater for accommodation and meals. Therefore, by paying health workers a full rate of subsistence allowance as well as accommodation and meals is considered a double payment. On this note the audit found the two circulars ambiguous.
2.2. FINDINGS FROM THE HEALTH CLUSTER

2.2.1. Negligence and Delay In Payment of Funds For PPEs: K850,000,000.00
The Ministry of Health headquarters received the biggest chunk of the K6.2 billion to the
tune of K1.588 billion. Out of this amount, the Ministry set aside K850 million (about 54% of
their funding) towards procurement of Personal Protective Equipment (PPEs). The
procurement was to be managed by the Central Medical Stores Trust (CMST). The
Ministry of Health wrote the Central Medical Stores Trust on 21st September, 2020, on
what was to be procured. However, upon making calculations based on the money available
the CMST in its letter dated 9th October, 2020 advised the Ministry of Health to vary the
quantities to fit in with the funds available. The Ministry of Health wrote back CMST on
27th October, 2020 to advise on the best option on the quantities to be procured. The advice
provided by the Ministry of Health was to the extent that the Central Medical Stores Trust
should supply the following quantities 3 Ply Surgical Face Masks (1,110,000); N95 Face
Masks (50,000); Gowns, Isolation nonwoven sizes XL & L (75,000); and Sanitizer 100ml
(125,000)

_The response and action by the Central Medical Stores after this clarification and advice is what started and caused the delay in the disbursement of funds to the CMST towards the payment for the procurement of the PPEs._

On 22nd December, 2020, the CMST through W. Kaimvi, sent an invoice to the Secretary
for Health in which they indicated the quantities to be supplied. However, the Ministry of
Health could not process the payment because among other things, there were no
attachments to this invoice in form of delivery notes and goods received notes and
additionally the quantities specified on this one-page invoice were not in line with the
quantities as advised by the Ministry of Health. For instance, instead of 1,110,000 surgical
face masks, the invoice indicated only 270,000, and instead of 50,000 N95 Face masks the
invoice indicated 240,000.

These misunderstandings ignited the long and protracted battle of forms between the
Ministry of Health and the CMST. Meanwhile, the funds were still staying idle in the
account hence the concern.

Finally, on 10th March, 2021, the CMST sent a correct invoice for payment and the funds
have finally been released by the Ministry of Health. This means that it took 170 days just
to make a payment of the critical PPEs.

We also observed that the Presidential Task Force received quarterly reports from the
Ministry of Health where the commitment of K850,000,000.00 continued to show. It is our
view that the PTF could have been following up on the issue owing to the significance of
the amount and the importance of the items under procurement towards the fight against
CoVID-19 pandemic.
Auditor’s observations

- The delayed payment deprived Malawians of the critical health services required at the material time.
- The Presidential Task Force failed in its duties by not following up or providing guidance on the funds that remained committed for six months under the Ministry of Health for the procurement of the critical PPEs.
- The Ministry of Health failed in its duties by not disclosing to the Presidential Task Force, the details and challenges surrounding the usage of the K850,000,000.00 towards procurement of the PPEs.
- The former Director of Finance of CMST, Mr Kaimvi failed in his duties by sending an invoice to the Ministry of Health for payment but with wrong details and without attachments and justifiable basis.

2.2.2. FINDINGS FROM ZOMBA CENTRAL HOSPITAL

2.2.2.1. Untraceable PPEs: K85,360,000.00

Treasury Instructions No 11.7.1.2 (2004) stipulates that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger.

An examination of payment vouchers against invoices, delivery notes and stock cards revealed that the Hospital bought Personal Protective Equipments (PPEs) amounting to K85,360,000.00 but failed to record them in either the stores ledger or Pharmacy Stock Cards. When the Procurement Officer, Lingison Chibambo was interviewed, he informed us that the PPEs are taken straight to Pharmacy. A Pharmacist, Tawonga Mkandawire failed to show the audit team where the PPEs had been recorded but said that Dalitso Njere, the Head of Pharmacy, could explain better. In the absence of disposal records and movement of these critical PPEs, it was difficult to determine if the PPEs were used for their intended purposes.

A further examination of records in the pharmacy revealed that donor funded PPEs for the same period were recorded in the stock cards and could be traced which raises serious concerns on the management of the CoVID-19 resources from Government. Appendix B has details.

2.2.2.2. Use of RFQ Method of Procurement Instead of Open Tendering: K114,684,114.00

Circular letter dated 15th April, 2020 issued by the Director of Public Procurement and Disposal of Assets required all Ministries and Departments to follow the open tendering method when procuring items using “CoVID-19” funds regardless of value.

An examination of payment vouchers against procurement records revealed that the Hospital used request for quotations instead of open tendering to procure items amounting to K114,684,114.00 against the regulations.
Since the hospital used request for quotation instead of open tendering, there is a possibility that value for money was not achieved due reduced competition in the bidding process.

The procurement was presided over by the head of Procurement Mr. Lingison Chibambo.

The IPDC comprised the following members; Mrs D Zuza (Chairperson); L.Z. Chibambo (Secretary); M.V. Mhango (member); D. Majawa (member); Dr. Chisenga (member); Mr. B. Mwapasa (member) and Miss C. Mgaye (member). Appendix C has the details.

2.2.2.3. Wasteful Expenditures: K5,750,000.00
Treasury Instructions No 2.6.1 (h) of 2004 stipulates that responsibilities of Controlling Officers include ensuring that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

Contrary to the above quoted instruction, the Hospital made wasteful expenditure by involving a lot of officers, who were not procurement personnel, in going to either Lilongwe or Blantyre to request for PPEs quotations personally instead of mailing suppliers with request for quotations’ standard bidding documents. After a supplier was selected, before delivery is done they would send at-least three officers to verify the quality of PPEs at the suppliers’ premises before they are delivered to the hospital. The normal procedure would have been that the Supplier should deliver the PPEs to the hospital where they are inspected on delivery and rejected if they are against specifications. These officers drew allowances for at least two days on average and the allowances amounted to K5,750,000.00. The payments were approved by Rose Chayachaya, Deputy Hospital Director (Nursing). Appendix D has the details of the officers who got the allowances as well as officers who authorized and approved these payments of allowances.

2.3. FINDINGS FROM ZOMBA PRISON SERVICE

2.3.1. Use Of Request For Quotation Instead Of Open Tendering: K135,303,229.71
Circular letter dated 15th April, 2020 issued by the Director of Public Procurement and Disposal of Assets required all Ministries and Departments to follow the open tendering method when procuring items using “CoVID-19” funds regardless of value.

An examination of payment vouchers against procurement records revealed that the Prison used request for quotations instead of open tendering to procure items worth to K135,303,229.71 against the regulations.

Since the Prison used RFQs instead of open tendering, there is a financial risk that value for money was not achieved due reduced competition in the bidding process. The procurement was presided over by the head of Procurement Senior Superintendent Leyman Mthyoka. The IPDC comprised the following members; Dr Lawrence Chiwaula (Chairperson); Snr Superintendent Ian Chadza (member); Snr Superintendent Austin Nyoni (member); Snr Superintendent Leyman Mthyoka (member); Inspector Bamako Kondowe (member); Glr Timothy Epulani (member). Appendix E has the details.
2.4. FINDINGS FROM THE DODMA CLUSTER

2.4.1. Irregular Procurement Of Fumigation Services for Government: K97,185,500.00
With the onset of CoVID-19 pandemic, the Government adopted the fumigation of offices as one of the laid down preventive measures. The targeted buildings were 26 in number located at the Capital Hill, City Centre and Kamuzu Palace. The first fumigation took place from 24th to 26th July, 2020. However, there were a number of flaws in the way the fumigation services were procured as highlighted below:

a) The supplier named Pest Chem 1B was handpicked by OPC to fumigate the buildings in Capital Hill, City Centre and Kamuzu Palace

The audit team through interviews and inquiries discovered that Pest Chem 1B was first engaged officially by Parliament to disinfect Parliament Building.

Thereafter, when the need arose to disinfect all Government Buildings, OPC did not follow all the procurement regulations by handpicking Pest Chem 1B for the job. The evidence of this flaw in procuring the services of Pest Chem 1B by OPC is detailed in the following paragraphs below:

i. The Bidding period for request for quotations was less than five days

The minimum bidding period for request for quotation is five (5) days as stipulated by PPDPA Act Section 42(5). The request to the Principal Secretary (OPC- responsible for Administration) for an approval to engage the contractor was made and granted on 17th July, 2020. On 21st July, 2020 RFQs were solicited and on 24th July, 2020 the contractor disinfected the buildings at Capital Hill. This was done without a contract or Local Purchase Order (LPO) and it was further noted that none of all the subsequent procurements had these documents.

i) Internal Procurement and Disposal Committee at OPC evaluated and approved quotations

The audit revealed that the IPDC evaluated the quotations contrary to Section 28(1) of the PPDPA Act of 2017, which requires that an ad-hoc evaluation team be appointed to conduct evaluation and make recommendations for IPDC approval. Such an arrangement envisages a more detailed evaluation process which would consider all aspects of the offers made. The IPDC was composed of the following members: -Mr. R. Ntelela Director of Administration (Chairperson); Mrs F. Phiri (Principal Accountant and Member); Mr. J. Mwale (Administrative Officer and Member); Mr. I. Kazembe (Administrative Officer and Member); Mr. E. Ntunha (Assistant Procurement Officer and Member) and Mr. D. Chimaliro (Procurement Officer and Secretary)
ii) Failure To Publish The Procurement On PPDA Website

The request for quotations was not published on the PPDA website despite the CoVID-19 Circular Ref No.PPDA/01/22 dated 15th April, 2020. There was no evidence that an appropriate Request for Quotation solicitation document was issued to prospective bidders which means Section 33 of the PPDA Act regarding mode of communication was not complied with. As such, we could not determine the solicitation and the closing date of the bid document or confirm the number of suppliers invited by the entity to participate in the procurement.

iii) Soliciting of quotations from the same suppliers

It was noted during the audit that request for quotations was being solicited from the same suppliers namely Pest Chem 1B, Primon Entreprises and tlm Fumigation Service. The quotations were sourced by Mr. Dominic Chimaliro (Procurement Officer) and the same contractor won every time the service was procured. In addition to this anomaly, the quotations also lacked details in terms of the buildup/breakdown of the costing for Government to appreciate.

This was a serious breach of the guidelines on CoVID-19 procurements, the PPDA issued in April, 2020 which among other things require Procuring Entities to publish all procurements on PPDA's website regardless of the value. This was aimed at encouraging participation and fair treatment of the bidders.

iv) One of the solicited quotations disowned by the purported bidder

In addition to soliciting quotations from the same suppliers, one of the purported bidders, Mr. Prince Chiwalo, trading as Primon Enterprises, disowned the quotation when contacted by the team. He told the team that he has never dealt with OPC before.

b) Lack of justification for use of a private Disinfector

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

The Ministry of Health and OPC deliberately chose to engage the private firm, Pest Chem 1B instead of Lilongwe District Health Office (DHO) to do the disinfection. This was done despite DHO having the capacity do so as stated by Mr. Penjani Chunda (District Environmental Health Officer) at Lilongwe District Health Office. He further informed the audit team that a one visit disinfection which Pest Chem 1B charged K26,620,250 would have costed not more than K1,500,000.00. It is also worth noting that materials for disinfection by Pest Chem 1B were provided by Government, a situation that did not justify the use of the private disinfector at that high cost. The details of the four (4) visits are in the table below:
Table 2: Payments for Fumigation of Government Buildings

<table>
<thead>
<tr>
<th>Date</th>
<th>Chq.No</th>
<th>Payee</th>
<th>Purpose of Payment</th>
<th>Amount</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/10/2020</td>
<td>000718</td>
<td>Pest Chem 1 B</td>
<td>Fumigation of government buildings on 24-26/07/2020</td>
<td>26,620,250</td>
<td>Handpicked by OPC and ratified later through RFQs method of procurement</td>
</tr>
<tr>
<td>19/11/2020</td>
<td>000860</td>
<td>Pest Chem 1 B</td>
<td>Fumigation of government buildings on 13-14/11/2020</td>
<td>26,620,250</td>
<td>RFQs method of procurement used but one of the suppliers disowned the Quotation</td>
</tr>
<tr>
<td>14/01/2021</td>
<td>000967</td>
<td>Pest Chem 1 B</td>
<td>Fumigation of government buildings on 8-12/01/2021</td>
<td>28,800,000</td>
<td>RFQs method of procurement used but one of the suppliers disowned the Quotation</td>
</tr>
<tr>
<td>20/01/2021</td>
<td>000980</td>
<td>Pest Chem 1 B</td>
<td>Fumigation at Kamuzu Palace on 15-16/01/2021</td>
<td>15,145,000</td>
<td>RFQs method of procurement used but one of the suppliers disowned the Quotation</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>97,185,500</td>
<td></td>
</tr>
</tbody>
</table>

2.4.2. Dubious Payment of Conference packages to Umodzi Park: K8,662,019.10

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

An examination of payment vouchers, invoices, loose minutes and interviews with the Director of Response and Recovery and the Chief Accountant at DoDMA (Mrs C. Ajawa who authorized the payment voucher); and the Managing and Finance Directors for Umodzi Park revealed that the Department paid K12,374,219.10 through cheque number 654 as conference package charges for the meetings of the Presidential Task Force on CoVID-19 held at Bingu Conference Centre. However, the payment included professional allowances, fuel and airtime for the Presidential Task Force and allowances for support staff amounting to K8,662,019.10. The conference package charges, according to the invoices attached to the payment voucher should have been K3,712,200.00, therefore K8,662,019.10 are funds which are not accrued to Umodzi Park since they are not in the business of paying professional allowances, fuel and airtime to the Presidential Task Force members, hence the dubious payment. Appendix F has the details.
2.4.3. Delays In Bringing On Charge Excess Cash After Activities- K16,588,225.20
Accountant General’s Desk Instruction number 7.5.1 of May 2007 states Control of Received Vouchers (iii) Received payment vouchers, shall be returned after ten days from the last date of payment. If the vouchers are not returned within ten days, effort by the officer in-charge to follow up the vouchers shall be made. Any monies unpaid shall be brought on charge.

Examination of received vouchers, bank deposit slips and general receipts disclosed that excess cash after activities amounting to K16,149,225.20 was deposited late into DoDMA account after activities had occurred. The activities in question were reception of returnees from South Africa, whose payment cycle was less than five (5) days. To the surprise of the audit team, it was observed that cash was being brought on charge between 27 and 185 days after encashment, a situation that gives suspicion that the money was used for personal benefit. It was also revealed through bank deposit slips and general receipts that the officers brought the money on charge when the issue of audit of CoVID-19 funds became topical. Appendix G has details of the delayed cash deposits.

2.4.4. Missing Cash- K 11,709,350.00
Treasury Instructions (2004) 5.7.1 states that The Accountant General is responsible for establishing systems, procedures, processes and training thereof and awareness programmes to ensure efficient and effective banking and cash management.

As read together with the above Treasury Instruction, Accountant General Desk Instruction number 7.5.1 (iii) states that Received payment vouchers, shall be returned after ten days from the last date of payment. If the vouchers are not returned within ten days, effort by the officer in-charge to follow up the vouchers shall be made. Any monies unpaid shall be brought on charge.

An inspection of received vouchers and attached liquidation sheets, cash receipts, deposit slips and bank statements revealed that excess cash amounting to K11,709,350.00 cashed out by accounts personnel for reception of returnees’ activities was not deposited back into DoDMA bank account.

The officers and the amounts involved are; Mr Medson Nkoma (K4,435,000.00) and Mr. Francis Mwamadi (K7,274,350.00)

Appendix H has the details of the excess cash not deposited into DoDMA account.

2.4.5. Failure To Open And Maintain A Received Voucher Register: K381,656,321.93
Accountant General’s Desk Instruction number 7.5.1 of May 2007 states Control of Received Vouchers (iv) The return of received payment vouchers shall be recorded in the “Received Voucher Register”. Received Voucher Register shall contain: full name of payee for staff, cheque number and amount, date collected, signature of payee for staff, date received voucher returned.
An inspection of receipted vouchers and enquiry with accounts personnel revealed that DoDMA does not have a receipted voucher register as one key control of cash withdrawn in the name of a staff. During the period under review, cash amounting to K381,656,321.93 was drawn by different cashiers without maintaining the receipted voucher register. In the absence of the register, it was discovered that handling of cash by the officers was not being followed and no record on the movement of cash between accounts officers could be tracked. This is a manifestation of lack of due care and professionalism by the head of finance. Annex A has the details.

2.4.6. Transfer Of Funds Between Activities Without Written Authority: K7,040,000.00
Section 10 subsection I (h) and (l) of the Public Finance Management Act 2003 states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources.

An examination of payment vouchers and receipted vouchers of cash paid to members of staff involved in reception of returnees from the Republic of South Africa revealed that cashiers, Mr Medson Nkhoma and Francis Mwamadi transferred cash between themselves and to other individuals from various Departments without written authority from management. This cash was the one left after paying the officers from various Departments involved in the reception of returnees. The cash was being diverted to cater for different activities which were being implemented by the Department elsewhere. Appendix I has the details.

2.4.7. Excess Cash shared Amongst Officers after Activity: K989,500.00
Section 10 subsection I (h) and (l) of the Public Finance Management Act 2003 states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources.

An examination of payment vouchers, receipted vouchers and loose minutes revealed that the Department paid subsistence allowances to officers attending workshops in Mponela through Mr Young Phiri for staff using cheque numbers 600, 655 and 671.

However, the cash that was left over after all the payments were made, was shared amongst some officers, purportedly as fuel refunds and stationery despite the same having been paid for already. Refer to Appendix J for names of officers involved in this abuse.
2.4.8. **Unliquidated Cash: K52,430,056.40**

Treasury Instructions (2004) 5.7.1 states that The Accountant General is responsible for establishing systems, procedures, processes and training thereof and awareness programmes to ensure efficient and effective banking and cash management.

In addition, Accountant General Desk Instruction number 7.5.1 (iii) states that Receipted payment vouchers, shall be returned after ten days from the last date of payment. If the vouchers are not returned within ten days, effort by the officer in-charge to follow up the vouchers shall be made. Any monies unpaid shall be brought on charge.

An inspection of cashbooks, payment voucher box files and other related records showed that the officers shown in the table below did not submit payment vouchers and liquidation documents relating to payments amounting to K52,430,056.40. These payments related to cash which was drawn for staff. In the absence of the payment vouchers and liquidation documents, Government has lost K52,430,056.40. Table 3 below has the details.

**Table 3: Unliquidated Cash: K52,430,056.40**

<table>
<thead>
<tr>
<th>Date</th>
<th>Ch. No</th>
<th>Payee</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/12/2020</td>
<td>000550</td>
<td>Medson Nkhoma f/s</td>
<td>12,375,000.00</td>
</tr>
<tr>
<td>19/08/2020</td>
<td>000577</td>
<td>Young Phiri f/s</td>
<td>12,190,000.00</td>
</tr>
<tr>
<td>19/08/2020</td>
<td>000579</td>
<td>M. Nkhoma f/s</td>
<td>13,390,000.00</td>
</tr>
<tr>
<td>19/08/2020</td>
<td>000583</td>
<td>M. Nkhoma f/s</td>
<td>1,196,791.00</td>
</tr>
<tr>
<td>28/09/2020</td>
<td>000693</td>
<td>Francis Mwamadi f/s</td>
<td>3,540,000.00</td>
</tr>
<tr>
<td>28/09/2020</td>
<td>000694</td>
<td>Francis Mwamadi f/s</td>
<td>1,196,790.00</td>
</tr>
<tr>
<td>10/11/2020</td>
<td>000842</td>
<td>Young Phiri f/s</td>
<td>2,340,000.00</td>
</tr>
<tr>
<td>22/12/2020</td>
<td>000945</td>
<td>Francis Mwamadi f/s</td>
<td>4,404,000.00</td>
</tr>
<tr>
<td>30/12/2020</td>
<td>000948</td>
<td>Medson Nkhoma f/s</td>
<td>1,164,475.40</td>
</tr>
<tr>
<td>14/01/2021</td>
<td>000966</td>
<td>Medson Nkhoma f/s</td>
<td>633,000.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>52,430,056.40</strong></td>
</tr>
</tbody>
</table>

2.4.9. **Untraceable Payment Vouchers: K7,452,590.00**

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

An inspection of cashbooks, payment voucher box files and other related records showed that the Department did not submit payment vouchers amounting to K7,452,590.00. In the absence of the payment vouchers, justification and value for money for these payments cannot be ascertained. Table 4 below has the details.
Table 4: Untraceable Payment Vouchers: K7,452,590.00

<table>
<thead>
<tr>
<th>Date</th>
<th>Ch. No</th>
<th>Payee</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>08/12/2020</td>
<td>000548</td>
<td>Petroda Malawi Ltd</td>
<td>4,275,950.00</td>
</tr>
<tr>
<td>19/08/2020</td>
<td>000584</td>
<td>Umodzi Park</td>
<td>1,176,640.00</td>
</tr>
<tr>
<td>30/11/2020</td>
<td>000906</td>
<td>Total Malawi Ltd</td>
<td>2,000,000.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>7,452,590.00</td>
</tr>
</tbody>
</table>

2.4.10. ZOMBA DISTRICT HEALTH OFFICE

2.4.10.1. Over-Payment Of Subsistence Allowance: K600,000.00

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

Examination of payment and receipted vouchers, staff return and interviews with Dr. Gift Msafili, the District Medical Officer in the absence of the District Health Officer, Mrs Grace Chilemba (Human Resource Management Officer) and Mr Jefter Mkama (Clerical Officer) revealed that Health Surveillance Assistants, Laboratory Technicians and Cleaners received higher rates of subsistence allowance amounting to K600,000.00 than their entitlements. They were involved in reception of returnees from South Africa. Refer to Appendix K for details.

2.4.11. MACHINGA TEACHERS TRAINING COLLEGE

2.4.11.1. Payment of Allowances to ghost Officers: K3, 010,000.00

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

An enquiry with Mrs Edith Sipanala, the Principal of Machinga Teachers Training College and Mrs Debora Kayira (Assistant Human Resource Management Officer) and an inspection of staff return revealed that the receipted voucher which Mr Francis Mwamadi (Accounts Assistant at DODMA) used to pay the members of staff for Maching TTC contained names of people not known by the TTC. The total sum paid to the ghost officers is K3, 010,000.00. Refer to Appendix L for details.
2.5. OTHER CLUSTER FINDINGS

2.5.1. FINDINGS FROM THE EDUCATION CLUSTER

2.5.1.1. Unjustifiable hoarding of CoVID-19 Funds: K53,000,000.00

The education cluster received K100million of the CoVID-19 funds. The Sector was funded on 20th August, 2020. The funds were budgeted to be applied as follows:

Table 5: Education CoVID-19 Cluster Budget: K100,000,000.00

<table>
<thead>
<tr>
<th>No.</th>
<th>Expenditure Item</th>
<th>Amount (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Administration of licensure examinations at nurses and midwives council</td>
<td>20,300,000.00</td>
</tr>
<tr>
<td>2</td>
<td>Second phase of school assessment in preparation for the upcoming second and major school reopening.</td>
<td>10,826,578.40</td>
</tr>
<tr>
<td>3</td>
<td>Data collection of learners affected by CoVID-19 school break - pregnant teens and early marriages.</td>
<td>14,939,820.00</td>
</tr>
<tr>
<td>4</td>
<td>Support on-line Learning to Higher Education and increase Health Personnel in the fight against CoVID-19 through Procurement of ICT devices for College of Medicine</td>
<td>53,933,601.60</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>100,000,000.00</strong></td>
</tr>
</tbody>
</table>

The audit revealed that while the other funds were used and exhausted by December, 2020, the K53Million meant for procurement of ICT devices for College of Medicine had not yet been used. As of February, 2021, the funds had not been used. The Ministry of Education transferred the money to College of Medicine on 26th March, 2021, seven (7) months after the funds had been received.

An interview with Mrs Virginia Kachigunda Deputy Director of School Health, Nutrition, HIV and AIDS (SHNHA) revealed that the College of Medicine submitted their request on 28th November, 2020 for the purchase of 13 laptops to be used by Biomedical students. These specifications were not accepted by the IPDC at the Ministry of Education because they were of lower version. The Ministry then wrote the College of medicine to ask for the College to change specification but we were told the response never came. Later College of medicine wrote Ministry of Education advising the Ministry to change from Laptops to Tablets. Then the long procurement process started and stalled. When the procurement stalled and the audit started, the Ministry then just opted to transfer the funds into the account of College of Medicine, so that the College can manage its own procurement process. While all this was happening, funds amounting to K53,000,000.00 were sitting in the bank.

The main concern is that while these funds were idling in the bank, learners at the College of Medicine were struggling to cope with learning and many did not learn at all due to the poor decisions that were made.
This is also a manifestation that the budgets that were sent to the Presidential Task Force were not true and honest.

2.5.2. FINDINGS FROM SOCIAL PROTECTION AND SOCIAL SUPPORT (GENDER)

2.5.2.1. Unliquidated Fuel: K794,000.00
Treasury Instructions 11.7 of 2004 require all fuel purchased to be recorded in the fuel registers, and issues signed for by the recipients and where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger.

An examination of the fuel records revealed that fuel amounting to K794,000.00 purchased on cheque number 001390, was not recorded in the fuel register. Monthly fuel expenditure returns were also not maintained to assist in control of fuel usage making the ascertainment of fuel usage difficult. Mr S. Vinkhumbo requested and was also responsible for the disposal of the fuel.

2.5.2.2. PPEs Purchased At Inflated Prices: K6,015,000.00
Treasury Instructions No 2.6.1 (h) of 2004 stipulates that responsibilities of Controlling Officers include ensuring that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

A review of records for the procurement of PPEs revealed that the Ministry made procurements of the same at prices which were much higher than the market prices. This has resulted in Government losing K6,015,000.00. The PPEs were procured from E. Soko Stationery. The audit team also noted that the firm which supplied the PPEs trades in Stationery and not PPEs. The payments were made based on quotation number 3409 and Invoice Number 1707. The procurement officer responsible was Mrs D. Mkandawire. The IPDC was made up of the following: Mr P. Ndasauka (Chair-person); Mr E. Mwambira (Member); Mrs B. Maluwa (Member); and Mrs D. Mkandawire (Member)

Table 6 below shows the details of the overpriced items.

**Table 6: PPEs Purchased At Inflated Prices: K6,015,000.00**

<table>
<thead>
<tr>
<th>Item</th>
<th>Price/dozen</th>
<th>Price per item</th>
<th>Quantity</th>
<th>Mkt price/ item</th>
<th>Over/ underpayment</th>
<th>Dozen bought</th>
<th>Loss (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanitizer 100ml</td>
<td>35,400</td>
<td>2,950</td>
<td>12</td>
<td>1500</td>
<td>1450</td>
<td>75</td>
<td>1,305,000.00</td>
</tr>
<tr>
<td>Liquid hand wash</td>
<td>59,400</td>
<td>4,950</td>
<td>12</td>
<td>2500</td>
<td>2450</td>
<td>30</td>
<td>882,000.00</td>
</tr>
<tr>
<td>Sanitizer 100ml</td>
<td>35,400</td>
<td>2,950</td>
<td>12</td>
<td>1500</td>
<td>1450</td>
<td>40</td>
<td>696,000.00</td>
</tr>
<tr>
<td>Liquid hand wash</td>
<td>59,400</td>
<td>4,950</td>
<td>12</td>
<td>2500</td>
<td>2450</td>
<td>30</td>
<td>882,000.00</td>
</tr>
</tbody>
</table>

INVESTIGATIVE REPORT ON COVID-19 DISBURSEMENT
2.5.2.3. Use of RFQ Method Instead of Open Tendering: K11,858,322.50

Circular letter dated 15th April, 2020 issued by PPDA required all Ministries and Departments to follow the open tendering method when procuring items using CoVID-19 funds regardless of value.

An inspection of payment vouchers along with other procuring records revealed that the Ministry used Request for Quotation method when procuring CoVID-19 items amounting to K11,858,322.50.

By using RFQs chances are high that these items were bought at exorbitant prices since competition was limited. Details are shown on Table 7 below:

Table 7: Use of RFQ method instead of Open Tendering: K11,858,322.50

<table>
<thead>
<tr>
<th>Date</th>
<th>Chq.no</th>
<th>Payee</th>
<th>Amount (K)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>17/02/2021</td>
<td>1578</td>
<td>E. Soko stationery</td>
<td>5,426,500.00</td>
<td>75 dozen hand sanitizer, 30 dozen liquid hand wash, 87 boxes surgical mask and 20 Aprons</td>
</tr>
<tr>
<td>04/12/2020</td>
<td>1398</td>
<td>E. Soko stationery</td>
<td>4,295,822.50</td>
<td>40 dozen hand sanitizer, 30 dozen liquid hand wash, 40 boxes surgical mask and 30 Pails plastic with tap. Invoice #1598 quotation 3102</td>
</tr>
<tr>
<td>24/11/2020</td>
<td>1399</td>
<td>Sana cash n carry</td>
<td>2,136,000.00</td>
<td>50 bales of soya pieces @ K162,000, 300 plastic buckets tapped @ K808,500, 300 bags of 10kg each maize flour @K1,063,800 and 60 cases of Romeo Hygnix @K101,700.00</td>
</tr>
</tbody>
</table>

11,858,322.50

2.6. FINDINGS FROM WASH: MINISTRY OF FORESTRY

2.6.1. Failure to Distribute Purchased Items to The Intended Users: K21,942,603.31

An examination of procurements for WASH showed that items totaling K37,056,553.67 were purchased from Shoprite, Kalibu Pharmaceuticals, Mama Africa and Sana Cash and Carry to be distributed to returnees. A Physical count of the procurements revealed that items worth K21,942,603.31 were not distributed to the intended users as at the time of the audit. Consequently, it was difficult to determine if the items were purchased according to need. The Assistant procurement officer responsible was F. Mputheya. For more information, refer to the table below:
Table 9: Use of RFQ Method instead of Open Tendering: K38,119,040.21

<table>
<thead>
<tr>
<th>Inv. Date</th>
<th>Chq No</th>
<th>Inv. No</th>
<th>Payee</th>
<th>Description</th>
<th>Amount(K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18/09/2020</td>
<td>652</td>
<td>235</td>
<td>Mama Africa tailoring shop</td>
<td>Purchase of 2025 reusable sanitary pads for MHM management for wash cluster- CoV19 response</td>
<td>10,125,000.00</td>
</tr>
<tr>
<td>15/09/2020</td>
<td>651</td>
<td>5529</td>
<td>Shoprite</td>
<td>1529 laundry tablets 140g</td>
<td>2,702,822.21</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1250 baby soft 2ply</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5000 water (H2O) vital 560g</td>
<td></td>
</tr>
<tr>
<td>16/09/2020</td>
<td>649</td>
<td>2450</td>
<td>Karibu pharmaceutica ls</td>
<td>84DPD NO1 tablets for chorine residues</td>
<td>25,291,218.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>38,119,040.21</strong></td>
</tr>
</tbody>
</table>

2.7. FINDINGS FROM MINISTRY OF LABOUR

2.7.1. CoVID-19 Funds Used For Un-Intended Purpose: K730,000.00

An inspection of payment vouchers revealed that an expenditure of K730,000.00 initiated by H.K.K Nyangulu (Labour Commissioner) and approved by Mr Dickson Chunga (Secretary for Labour) was made on the activity which was not budgeted for. It was established that the Ministry conducted a Tripartite Labour Advisory Council meeting in Salima where various issues were discussed. According to the loose minute dated 15th September, 2020, it was resolved that since the meeting will also discuss CoVID-19 issues, funds for the whole meeting should be financed by CoVID-19 funds. It was not clear to what extent the CoVID-19 issues were discussed. Details are in Appendix M.

2.7.2. CoVID-19 Funds Borrowed but not Refunded: K 1,442,757.37

An inspection of payment vouchers among other supporting documents revealed that the Ministry used CoVID-19 funds amounting to K1,442,757.37 initiated by H.K.K Nyangulu (Labour Commissioner) and approved by Mr Dickson Chunga (Secretary for Labour) to finance a foreign trip by the Minister of Labour and the Labour Commissioner, HKK Nyangulu who were part of the HE’s delegation to the Republic of South Africa. It was indicated that management would refund the amount from Other Recurrent Transactions. As at the date of audit, the refund was yet to be made. Table 10 below has the details.

Table 10: CoVID-19 Funds borrowed but not refunded: K1,442,757.37

<table>
<thead>
<tr>
<th>DATE</th>
<th>CHQ</th>
<th>PAYEE</th>
<th>BENEFICIARIES</th>
<th>DETAILS</th>
<th>AMOUNT (K)</th>
</tr>
</thead>
</table>

INVESTIGATIVE REPORT ON COVID-19 DISBURSEMENT
2.7.3. Use of RFQ Method Instead of Open Tendering: K6,285,600.00

Circular letter dated 15th April, 2020 issued by PPDA required all Ministries and Departments to follow the open tendering method when procuring items using CoVID-19 funds regardless of value.

An inspection of payment vouchers along with other procurement records revealed that the Ministry used Request for Quotation method when procuring CoVID-19 items amounting to K6,285,600.00. The officer responsible for procurement was Mrs. Grace Kalua.

By using RFQs, chances are high that these items were purchased at exorbitant prices since competition was limited. The IPDC comprised of W. D. Kamanga (Chairperson), M. Maweru (Member), J. Chasowa (Member), C. Kasekera (Member), F. Makileni (member). For more information, refer to the Table 11 below:

Table 11: Use of RFQ Method Instead of Open Tendering: K6,285,600.00

<table>
<thead>
<tr>
<th>Date</th>
<th>Cheque</th>
<th>Payee</th>
<th>Details</th>
<th>Amount (K)</th>
<th>Responsible Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>06/11/2020</td>
<td>2466</td>
<td>Kokoliko Dealers</td>
<td>Purchase of face masks and hand sanitizers</td>
<td>5,820,000.00</td>
<td>Grace Kalua</td>
</tr>
<tr>
<td>06/11/2020</td>
<td>2469</td>
<td>Kashata Investment</td>
<td>Purchase of stationery</td>
<td>465,600.00</td>
<td>Grace Kalua</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>6,285,600.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

2.7.4. Payment of Allowances Within Duty Station: K990,000.00

Circular Reference No. HRM/ALL/01 dated 6th December, 2019 stipulates the rates of subsistence allowances that civil servants travelling on duty within Malawi should be paid. In addition, Circular Reference No. DPSM/ALL/01/08 dated 12th November, 2010 states that, if the officers travelling to work outside their duty stations will not have an overnight stay, they should be provided with meal allowances instead.

An examination of payment vouchers revealed that some officers who attended CoVID-19 training within their duty stations of Mzuzu, Salima and Blantyre were paid subsistence allowances amounting to K990,000 on cheque numbers 002479 and 002478 dated 1st November, 2020. The request was made by H.H.K Nyangulu and approved by D. Chunga, Secretary for Labour. Details are shown in Table 12 below:
Table 12: Payment of Subsistence Allowance Within Duty Station: K990,000.00

<table>
<thead>
<tr>
<th>Name</th>
<th>Designation</th>
<th>Grade</th>
<th>Rate</th>
<th>No of days</th>
<th>Total</th>
<th>Centre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lenius T Daiton</td>
<td>RLO (S)</td>
<td>F</td>
<td>45,000.00</td>
<td>3</td>
<td>135,000.00</td>
<td>Blantyre</td>
</tr>
<tr>
<td>Goodluck Kayange</td>
<td>ROSHO(S)</td>
<td>F</td>
<td>45,000.00</td>
<td>3</td>
<td>135,000.00</td>
<td>Blantyre</td>
</tr>
<tr>
<td>Catherine Mbokola</td>
<td>DLO (BT)</td>
<td></td>
<td>30,000.00</td>
<td>3</td>
<td>90,000.00</td>
<td>Blantyre</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>360,000.00</strong></td>
<td></td>
</tr>
<tr>
<td>McNell Mhone</td>
<td>Mzuzu (RLO)</td>
<td>F</td>
<td>45,000.00</td>
<td>3</td>
<td>135,000.00</td>
<td>Mzuzu</td>
</tr>
<tr>
<td>Veronica Linyama</td>
<td>MZUZU (DLO)</td>
<td>I</td>
<td>40,000.00</td>
<td>3</td>
<td>135,000.00</td>
<td>Mzuzu</td>
</tr>
<tr>
<td>S Lungulera</td>
<td>OSH (MZ)</td>
<td>G</td>
<td>40,000.00</td>
<td>3</td>
<td>120,000.00</td>
<td>Mzuzu</td>
</tr>
<tr>
<td>Anord Ben</td>
<td>OSCHO</td>
<td>I</td>
<td>40,000.00</td>
<td>3</td>
<td>120,000.00</td>
<td>Mzuzu</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>510,000.00</strong></td>
<td></td>
</tr>
<tr>
<td>Mceirrex Chavala</td>
<td>Salima (LO)</td>
<td>I</td>
<td>40,000.00</td>
<td>3</td>
<td>120,000.00</td>
<td>Salima</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>120,000.00</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>990,000.00</strong></td>
<td></td>
</tr>
</tbody>
</table>

2.8. FINDINGS FROM MINISTRY OF INFORMATION

2.8.1. Single Sourcing in Procurement of Services from Media Houses: K46,968,220.87

Section 39(10) of the PPDPA Act of 2017 states that the use of the method of procurement other than open tender or, in the case of procurement of consultancy services, a method other than request for proposals, is subject to approval by the Director General; and the procuring and disposing entity shall note in the record of the procurement proceedings the grounds for the choice of the procurement method. The PPDA guidelines on CoVID-19 procurements issued in April, 2020 requires every procurement regardless of value to be published on the PPDA website.

An examination of payment vouchers, cash books and invoices revealed that the Ministry procured airtime for TV panel discussion and radio jingles using single sourcing method of procurement from Malawi Broadcasting Corporation (TV and Radios), Times TV, Luntha TV, YONECO Radio, Zodiak Broadcasting Station (ZBS) and Rainbow TV.

By doing single sourcing procurement, chances are high that these services were procured at exorbitant prices since competition was limited. The transactions were authorised by the Deputy Director responsible for Press and Publication, Mr D. Mmana. The IPDC chairperson was Mr. Sam Nankhuni and members were M. Mazuwa, A. Kampeza, P. Chiwale, M. Lichapa, E. Ngalande. The total cost amounted to K46,968,220.87 as shown on Appendix N.
2.8.2. **Missing Fuel: K7,650,080.00**
Treasury Instructions 11.7 of 2004 require all fuel purchased to be recorded in the fuel registers, and issues signed for by the recipients and where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger.

An examination of payment vouchers, loose minutes and DODMA cheque dispatch register revealed that fuel for Ministry of Information activities related to CoVID-19 worth K7,650,080.00 was missing. The fuel cheques were collected by Mrs Maggie Mavuwa, Charity Magaleta and Annie Shawa. In other instances, nobody signed for collecting the fuel cheques. There was no information in terms of fuel cards in which the fuel was loaded, fuel register, ledgers and motor vehicle log books. Therefore, the audit team could not ascertain how the fuel purchased was used and accounted for. Refer to Appendix O for details.

2.8.3. **Unliquidated Fuel: K14,482,082.00**
Treasury Instructions 11.7 of 2004 require all fuel purchased to be recorded in the fuel registers, and issues signed for by the recipients. Fuel drawn into vehicles should be recorded in the respective motor vehicles’ log books.

An examination of payment vouchers, loose minutes and DODMA cheque dispatch registers revealed that fuel worth **K14,482,082.00** purchased for the Ministry of Information to be used on CoVID-19 activities was allocated to three card holders during loud hailing exercise in the Southern region, Northern region and Southern region. The card numbers were 3370, 4091 and 5942. The fuel cards were managed by Mrs Bethel Buya, Mrs Kabwaza and Mrs Leah Phiri. The fuel liquidation sheets were either signed or not signed. However, no single motor vehicle logbook was presented during the exercise. Therefore, the audit team could not ascertain how the loaded fuel was used. Refer to Appendix P for details.

2.8.4. **Fuel Diverted to Loud hailing activities without authority: K4,211,226.00**
Treasury Instruction number 4.14(1) of 2004 requires that all expenditures should be charged to an appropriate vote and that expenditure should be allocated strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another.

An examination of payment vouchers, cash books, cheque dispatch registers, fuel registers and ledgers revealed that the Ministry of Information diverted fuel worth K4,211,226.00 meant for coordination and compilation of cluster activities, organising daily CoVID-19 updates, production of CoVID-19 television documentation and evaluation for procurement of CoVID-19 to loud hailing activities without any written approval from management to do so despite the Ministry purchasing fuel worth K10,270,856.00 specifically for loud hailing activities. Refer to Appendix Q for details.
2.8.5. Overpayment of Lunch Allowances: K14,658,000.00

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

An examination of payment vouchers, approved loose minutes and receipted vouchers revealed that officers who were working within duty station during country wide public awareness on CoVID-19 through loud hailing got daily subsistence allowances amounting to K17,410,000.00 instead of lunch allowances amounting to K2,752,000.00. This resulted in overpayment of lunch allowances amounting to K14,658,000.00. The payments were requested by Mzati Nkolokosa and approved by the Principal Secretary, late E Kantchentche. Refer to Appendix R for details.

2.9. DEPARTMENT OF IMMIGRATION

2.9.1. Irregular Procurement of Personal Protective Equipment (PPEs): K5,700,000.00

Circular Ref No.PPDA/01/22 dated 15th April, 2020 required all Procuring and Disposing Entities (PDEs) to use open tendering method of procurement when making CoVID-19 related procurements. Additionally, all these procurements were to be published on the Authority’s website.

An inspection of payment vouchers, cash book and invoices revealed that the Department of Immigration paid K5,700,000.00 to Starmile General Suppliers for the procurement of Personal Protective Equipment. It was however, questionable how Starmile got the contract to supply the PPEs. There are a number of irregularities that we noted during the audit as follows:

a) The invitations to tender for this procurement were not published on PPDA’s website
b) The verification for eligibility and existence of the suppliers who submitted quotations for this procurement revealed that Starmile General Suppliers was not the genuine bidder. Through inquiries of Mr Symon Mkandawire, the owner of Starmile on 12th March 2021, it was revealed he was approached by Mrs Memory Mhango through her husband to use his business name and when the payment was made in the name of his business, he withdrew it and gave it to Mrs Memory Mhango.

b) The Department of Immigration through late Inspector Dickens Chiutsi handpicked Mrs Memory Mhango for the contract. The team had an interview with Mrs Memory Mhango on 15th March, 2021. It was established that she was asked by Mr Chiutsi after submitting her quotation if she was eligible to supply the PPEs to the Department. It is at this point that she approached Starmile General Suppliers to use its name. The audit team made an enquiry to establish her eligibility to supply PPEs to the Department. The team also interviewed the procurement section at the Department and the supplier. It was established that Mrs Memory Mhango was not eligible to supply the PPEs as her line of business is that of selling of clothes and that she did not have Registration and Tax Clearance Certificates and PPDA registration. She supplied the PPEs using
Starmile General Suppliers owned by Mr Symon Mkandawire, who was eligible to supply the PPEs. Starmile General Suppliers accepted her request but they signed an agreement of exclusion of Liabilities. Starmile prepared quotations and invoices in its name which were used to process payments at the Department.

d) Despite all these flaws, the IPDC for the Department of Immigration still went ahead to ratify this procurement. The IPDC members who approved this procurement are as follows: -Mrs P Makalamba (Commissioner responsible for Administration-Chairperson); Mr. K Chikonda (Accountant-Member) and Mr. H Mapazi Assistant Procurement Officer-Secretary

Table 13: PPEs Supplied through Starmile General Suppliers

<table>
<thead>
<tr>
<th>Date</th>
<th>Chq. No</th>
<th>Payee</th>
<th>Amount</th>
<th>Purpose of Payment</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>27/08/2020</td>
<td>000069</td>
<td>Starmile General Suppliers</td>
<td>5,700,000</td>
<td>50 units of surgical face masks, 200 @K21,500=</td>
<td>Mrs Memory Mhango used Starmile General Suppliers to supply these @K1,400=1,400,000 safety items</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,300,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>100mls Hand Sanitisers, 1000 @K1,400=</td>
<td></td>
</tr>
</tbody>
</table>

2.9.2. Ineligible Expenditure on Accommodation and Meals: K1,959,365.99

An inspection of payment vouchers, cashbooks and approved loose minutes revealed that the senior members of staff travelled on a CoVID-19 response supervisory visit to border posts and Regional Immigration Offices. They claimed a full rate of subsistence allowance for 12 nights. However, in Karonga and Mzuzu they lodged and dined at Mikoma Beach Lodge and Grand Palace Hotel respectively.

The invoices were settled later by the Department using the CoVID-19 funds. The team interviewed the leader of delegation Mrs P Makalamba and the Principal Accountant, Mr Keith Chikonda. They all accepted that their accommodation and meals worth K1,959,365.99 were paid for at the mentioned places and that they also claimed full rate of subsistence allowances. Refer to Appendix S for details.

2.10. FINDINGS FROM NATIONAL INTELLIGENCE SERVICE (NIS)

2.10.1. Irregular payment of risk allowance: K28,350,000.00

A review of the payment vouchers, loose minutes, IPDC minutes revealed that the NIS paid K28,350,000.00 to its officers towards “risk allowance”. Further inquiries revealed that such payment was sanctioned by the service’s IPDC at its meeting of 4th February, 2021.

However, the audit team observed that such expenditure was irregular since the NIS had no authority whatsoever to pay each other the ‘risk allowance’

INVESTIGATIVE REPORT ON COVID-19 DISBURSEMENT
In addition, the risk allowance rates used were not supported by any authority or justification. For instance, the “risk allowance” rates per month ranged between K100,000.00 and K250,000.00.

On another note, it transpired that the budget distribution of the K30,000,000.00 was unreasonable since only K1,614,000.00 was directly utilized for PPEs and disinfection.

2.10.2. Use of single sourcing Method of Procurement: K 1,614,000.00

Circular letter dated 15th April, 2020 issued by the Director of Public Procurement and Disposal of Assets required all Ministries and Departments to follow the open tendering method when procuring items using “CoVID-19” funds regardless of value.

An examination of payment vouchers against procurement records revealed that NIS purchased PPEs and fumigation items amounting to K1,614,000.00 using RFQ method instead of open tendering contrary to the above mentioned authority.

2.11. FINDINGS FROM LOCAL AUTHORITIES

2.11.1. SALIMA DISTRICT COUNCIL

2.11.1.1. Directors drawing Council meetings’ sitting allowances- K300,000.00

According to Section 5 (1) of Local Government Act of 1998 an Assembly (Council) consists of one member elected from each ward within the local Assembly government area; Traditional Authorities and Sub-Traditional Authorities from the local government area as non-voting members ex-officio; Members of Parliament from the constituencies that fall within the local government area as non-voting members ex officio; and five persons as non-voting members to be appointed by the elected members to cater for the interests of such special interest groups as the Assembly may determine.

Further, paragraph 5.6 (a) and (b) of the revised Conditions of Service for Counsellors and other Council Members (March 2019) stipulates that Counsellors will also be entitled to sitting allowance of K 15,000.00 per sitting for either a Council or Service Committee; and the rate of sitting allowances will also be applicable to ex-officio members of the Council, namely; Members of Parliament (MPs), Chiefs and the five appointed members of the Council.

A review of payment records for CoVID-19 funds revealed that on 20th August 2020, 13th January, 2021 and 12th February, 2021, the District Commissioner for Salima District Council, Mrs Grace Chirwa, approved payment of funds totalling K3,555,502.00 to cater for expenses of emergency full council meetings held on 24th August 2020, 14th January, 2021 and 16th February, 2021. Of the total, funds amounting to K360,000.00 were paid as sitting allowances to Directors despite them not being members of the Council. We noted that the rest of council’s staff were paid meal allowances at K2,500.00 per day. Consequently, the Directors’ correct allowance should have been meal allowances totalling
K60,000.00 thereby resulting in an excess payment of K300,000.00. Details are in Appendix T.

An examination of the minutes of the Council meetings revealed that the Directors and other council staff attended the meetings by invitation only.

An interview with the Director of Health and Social Services, Dr Yonasi Chise on 18th March, 2021, who was by then the Acting District Commissioner revealed that the sitting allowances in question were indeed paid but he could not provide the justification for payment of such allowances.

2.11.2. BALAKA DISTRICT COUNCIL

2.11.2.1. Payment of subsistence allowances within duty station- K879,000.00
Circular Reference No. HRM/ALL/01 dated 6th December, 2019 stipulates the rates of subsistence allowances that civil servants travelling on duty within Malawi should be paid. In addition, Circular Reference No. DPSM/ALL/01/08 dated 12th November, 2010 states that, if the officers travelling to work outside their duty stations will not have an overnight stay, they should be provided with meal allowances instead.

In a bid to curb CoVID-19 Government directed district councils to conduct recruitment of health workers namely; Disease Control Surveillance Assistants, Ward Clerks, Hospital Attendants, Rehabilitation Assistants, Senior Ward Clerks, Laundry Assistants and Catering Assistants through walk-in interviews. Balaka District Council conducted the walk-in interviews on 9th June 2020 at Balaka Secondary School.

An analysis of CoVID-19 funds’ expenditure records disclosed that on 15th June, 2020 Mr Nkungula, the Assistant Human Resource Management Officer requested the District Commissioner through the Director of Health and Social Services to approve payment of CoVID-19 interviews requirements. The total budget for the activity was K1,152,290.00 of which K1,035,000.00 was for subsistence allowances.

On 28th August 2020, the District Commissioner, Dr McCloud Kadam’manja, approved payment of subsistence allowances amounting to K1,035,000.00 to members of staff who participated in the interviews process at Balaka Secondary School regardless of the fact that Balaka Secondary School was within the duty station. It was noted that during the period under review meal allowances were paid at K4,000.00 per day and therefore the officers participating in the interview exercise should have received a total of K156,000.00 thereby giving an excess of K879,000.00. Appendix U has the details.
An interview with Mr W D Nkungula, the Assistant Human Resource Management Officer on 19th March, 2021, revealed that indeed the subsistence allowance were paid but he did not provide proper justification for the payment of such allowances.

2.11.3. DEDZA DISTRICT COUNCIL

2.11.3.1. Over-Payment Of Lunch Allowances: K304,000.00
Section 10 subsection I (h) and (l) of the Public Finance Management Act 2003 states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources.

An inspection of payment vouchers for Dedza District Council revealed that, the Health Sector organized an activity of facility supervision whereby officers from the District Health office went to different health facilities within the district to supervise on how people are complying to CoVID-19 guidelines to fight against the pandemic. The activity was initiated by Mwayi Liabunya (District Health Promotions Officer) as a coordinator. It was observed that the exercise was done in 11 days as evidenced by activity reports, allowance signing sheets and interviews with officers who went to the field. It was however noted that some officers received lunch allowances for additional seven (7) days to the tune of K304,000.00 for the same activity.

The payment was made on 1st September, 2020 using cheque number 8973 paid to M. Nyirenda for staff amounting to K900,000.00. However, K596,000.00 was for the eleven (11) days which the officers were indeed in the field and the balance of K304,000.00 was an over-payment for the remaining seven (7) days. Details of the beneficiaries are on Appendix V attached.

2.11.4. NTCHEU DISTRICT COUNCIL

2.11.4.1. Irregular Payment of Lunch Allowances: K624,000.00
Section 10 subsection I (h) and (l) of the Public Finance Management Act 2003 states that each Controlling Officer is responsible for ensuring that, in relation to his Ministry, all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste; and all necessary precautions are taken to safeguard public resources.

a) Missing Cash on Lunch Allowance Payment: K336,000.00

An inspection of payment vouchers against supporting documents revealed that on 5th October, 2020, the office made a payment to Mcandy Chitibu on behalf of other officers using cheque number 6454 amounting to K1,100,000.00 in respect of market sensitization activities. The activity took place at the Council’s chamber whereby market leaders were invited for the activity. It was however, discovered that the training took place in a day but
the officers made the participants to sign three attendance sheets as if the training was done in three days. An allowance amounting to **K504,000.00** was claimed to have been paid to the participants for 3 days at a rate of **K8,000.00** per participant per day as lunch allowance and transport refund. Phone calls were made to different participants such as Simasi Kadeni from Tsangano Market, Marriah Grant from Mphate Market and Grace Mmadi from Kampepuza to confirm on the issue that the activity indeed took place. The participants confirmed that the activity indeed took place but it was one day and an amount of **K8,000.00** was paid to each participant. There were 21 participants in total and the actual amount paid to the participants was **K168,000.00** not **K504,000.00** as per payment voucher details. This leaves a balance of **K336,000.00** of which the purported beneficiaries denied having received the cash. It was also established that many signing sheets were attached to the payment voucher to support the payment though the beneficiaries did not receive the whole claimed amount. Appendix W(i) has the details.

**b) Overpayment of Lunch Allowances: K288,000.00**

In addition to the above scenario, the Council’s officers received 9 days’ allowance amounting to **K324,000.00** for the same one-day training instead of **K36,000.00** making a difference of **K288,000.00** as over-payment. The details of the payments are on the Appendix W(ii) has the details.

**2.11.5. MCHINJI DISTRICT COUNCIL**

**2.11.5.1. Payment of Allowances using incomplete Documentation- K12,908,500.00**

Treasury Instruction 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 its relevant supporting documents revealed that on 29th September, 2020, the office paid **K12,908,500.00** in respect of health workers allowances using cheque number 7287 through L.O Chiwoko. The health workers signed for the allowances on receipted vouchers, however, we could not get the evidence as to whether the officers worked for the days they received the money for, since the duty roster presented to the audit team was not signed by the health workers.

**2.11.6. CHITIPA DISTRICT COUNCIL**

**2.11.6.1. Payment Of Allowances Within Duty Station: K4,115,000.00**

Circular Reference No. HRM/ALL/01 dated 6th December, 2019 stipulates the rates of subsistence allowances that civil servants travelling on duty within Malawi should be paid. In addition, Circular Reference No. DPSM/ALL/01/08 dated 12th November, 2010 states that, if the officers travelling to work outside their duty stations will not have an overnight stay, they should be provided with meal allowances instead.
Officers working within their duty stations are not supposed to get daily subsistence allowance unless they work beyond their duty station.

A review of payment vouchers, requisitions and receipted vouchers disclosed that total amount of **K4,115,000.00** was paid to the officers at the council whilst working within duty station. This was evidenced by indication of documents which disclosed that the work was to be carried out within Chitipa. Therefore, there was no justification to receive DSA within the district since it is within duty station. The names of individuals who made requisitions and approvals on these activities as well as those who received the allowances are shown in Appendix X.

2.11.6.2. Expenditure On Activities Not Related To CoVID-19: K912,512.00

A circular number REF.MOLGRD/1/21 from Local Government dated 19th May, 2020 paragraph five under financial guidelines for disbursement of funds for CoVID-19 pandemic states that the funds should not be used for other activities or borrowed for other use.

A review of payment vouchers and supporting documents disclosed that the Council spent K912,512.00 on full council meeting. Going through the minutes it was observed that the issues discussed were predominantly not CoVID-19 related. The officer responsible for approving the payment was the District Commissioner, Mr. S. Ngoka. Details are shown in Appendix Y.

2.11.7. LIKOMA DISTRICT COUNCIL

2.11.7.1. Payment Of Subsistence Allowance Within Duty Station: K900,000.00

Circular Reference No. HRM/ALL/01 dated 6th December, 2019 stipulates the rates of subsistence allowances that civil servants travelling on duty within Malawi should be paid. In addition, Circular Reference No. DPSM/ALL/01/08 dated 12th November, 2010 states that, if the officers travelling to work outside their duty stations will not have an overnight stay, they should be provided with meal allowances instead.

A review of payment vouchers, requisitions and receipted vouchers disclosed that officers who were working within Likoma District received daily subsistence allowance amounting to K900,000.00. Receipt of subsistence allowance within duty station is against the regulations. The payment was approved by the District Commissioner Mr. Zakeyu. Refer to Appendix Z for details.
2.11.8. MZUZU CITY COUNCIL

2.11.8.1. CoVID-19 Funds Used For Un-Intended Purpose: K3,229,015.00
A circular number REF.MOLGRD/1/21 from Local Government dated 19th May, 2020 paragraph five under financial guidelines for disbursement of funds for CoVID-19 pandemic states that the funds should not be used for other activities or borrowed for other use.

A review of payment vouchers and the CoVID-19 budget for the Council disclosed that an amount of K3,229,015.00 was paid on activities which were not related to the fight against CoVID-19 for instance procurement of cement, quarry stones, river sand, fuel for construction of Chiputula Market. Wages and allowances were also paid for labourers and supervisors on the construction of Katawa market. The Chief Executive Officer, Mr. G. Nyasulu approved the payments. Refer to Appendix AA for details.

2.11.8.2. Unbudgeted For and Ineligible Expenditure: K6,254,550.00
CoVID-19 funds at the council were budgeted for and the budget was approved by the presidential task force. This implies that all payments are supposed to be made with reference to the budget.

However, a review of payment vouchers and CoVID-19 budget for the council disclosed that payments amounting to K6,254,550.00 were not budgeted for. The activity on which the funds were spent related to the initial training of newly recruited Health Surveillance Assistants (HSAs). However, the audit team noted that the HSAs who attended these trainings were recruited about ten (10) years ago defeating the objective of initial training. The payments were approved by the CEO, Mr. G. Nyasulu. Refer to Appendix AB for details.

2.11.8.3. Unjustified Payment Of Risk Allowance: K808,000.00
Treasury Instruction 2004, Section 5.13.1 (h) states that adequate internal controls must exist within each Ministry and Department that ensures that there is no waste or extravagance.

In addition to the above instruction, a Circular Letter number REF.MOLGRD/1/21 from Local Government dated 19th May, 2020 paragraph seven under financial guidelines for disbursement of funds for CoVID-19 pandemic states that all vouchers and other accountable documents should be properly filed and documented.

A review of receipted and payment vouchers disclosed that an amount of K808,000.00 was paid as risk allowance during the process of implementing some of the Council’s activities. Gross amount on the payment vouchers was K1,520,000.00. The payments were approved by the CEO, Mr. G. Nyasulu. Refer to Appendix AC for details.
2.11.9. THYOLO DISTRICT COUNCIL

2.11.9.1. Missing Payment Vouchers and Cash Liquidation Documents: K1,000,000.00

Treasury Instructions No 11.6 of 2004 stipulates that in terms of the Public Audit Act, 2003, the Auditor General and his staff are at all times entitled to have access to all books, records, or returns relating to accounts, and all Controlling Officers must give them every facility for inspecting such documents.

An examination of payment vouchers against cashbooks for the period between October 2020 and February 2021 revealed that payment vouchers amounting to K1,000,000.00 were not produced for audit. Details are shown in Table 14 below:

Table 14: Missing Payment Vouchers and Cash Liquidation Documents: K1000,000.00

<table>
<thead>
<tr>
<th>Date</th>
<th>Chq</th>
<th>Payee/Supplier</th>
<th>Activity</th>
<th>Responsible Officer</th>
<th>Amount(K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9-Oct-20</td>
<td>009063</td>
<td>Ulumba</td>
<td>Purchase of Body spray disinfectant machine</td>
<td>Douglas Moffat</td>
<td>450,000.00</td>
</tr>
<tr>
<td>5-Feb-21</td>
<td>009184</td>
<td>C Kapembe F/S</td>
<td>Cyclone Chalane</td>
<td>Douglas Moffat</td>
<td>400,000.00</td>
</tr>
<tr>
<td>5-Feb-21</td>
<td>009185</td>
<td>Lydia Investment</td>
<td>Fuel</td>
<td>Douglas Moffat</td>
<td>100,000.00</td>
</tr>
<tr>
<td>12-Feb-21</td>
<td>009195</td>
<td>C Kapembe F/S</td>
<td>Air Time</td>
<td>Anold Jumbe</td>
<td>50,000.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,000,000.00</td>
</tr>
</tbody>
</table>

2.11.9.2. Fuel Not Accounted For: K 5,397,766.00

Treasury Instructions of 2004, No 5.9(b) stipulates that every controlling officer shall ensure that all transactions are recorded in a primary government record or ledger. In addition, Circular Reference No LG/2/14 dated 27th January 2021 from Secretary for Local Government to all District Commissioners and Chief Executive Officers advises councils to record all fuel bought in a separate fuel register and motor vehicle logbooks.

Contrary to the above quoted Treasury Instruction, the Council failed to account for fuel amounting to K5,397,766.00 that was procured to be used for the purpose of conducting CoVID-19 activities. The fuel was recorded in the fuel register but could not be traced to motor vehicle logbooks because the fuel was either not recorded in the logbooks or the logbooks were not provided for audit. As a result, the audit team failed to determine how this fuel was accounted for. The Transport Officer, Mr. Kennedy Makoliya requested the fuel. The officers who utilized the fuel are in the Appendix AD.
2.11.9.3. Under-liquidation of Expenditure: K108,000.00
Treasury Instructions (2004) 5.7.1 states that The Accountant General is responsible for establishing systems, procedures, processes and training thereof and awareness programmes to ensure efficient and effective banking and cash management.

In addition to the above Treasury Instruction, Accountant General Desk Instruction number 7.5.1 (iii) states that Receipted payment vouchers, shall be returned after ten days from the last date of payment. If the vouchers are not returned within ten days, effort by the officer in-charge to follow up the vouchers shall be made. Any monies unpaid shall be brought on charge.

An examination of payment vouchers and liquidation documents revealed that Mr Charles Kapembe cashed K1,160,000.00 on Cheque No 9158 dated 27th January 2021 for staff. The funds were for community awareness. However, he failed to liquidate cash amounting to K108,000.00 as he only attached liquidation documents amounting to K1,052,000.00.

2.11.9.4. Payment of Allowances to Officers Without Evidence of Attendance: K1,759,000.00
Treasury Instructions 2.6.1 (e) stipulates that the responsibility of controlling officers include ensuring that all accounts and records relating to the functions and operations of the Ministry are properly maintained.

However, it was observed that Charles Kapembe failed to attach attendance registers to payment vouchers in respect to payments he made amounting to K1,759,000.00. The activity reports were not detailed enough to give us an indication of who participated in the activities. In the absence of the attendance registers and comprehensive activity reports, it was difficult for the audit team to ascertain if CoVID-19 funds were used for the intended purpose. For more information, refer to the Table 15 below:

Table 15: Payment of allowances to officers without evidence of attendance

<table>
<thead>
<tr>
<th>Date</th>
<th>Chq No</th>
<th>Details</th>
<th>Amount (K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>27/1/21</td>
<td>9158</td>
<td>Allowances for community awareness</td>
<td>1,160,000.00</td>
</tr>
<tr>
<td>5/2/21</td>
<td>9181</td>
<td>Allowance for public health, emergency, management meeting</td>
<td>130,000.00</td>
</tr>
<tr>
<td>5/2/21</td>
<td>9191</td>
<td>Allowances for orientation of chiefs at TA level</td>
<td>469,000.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>1,759,000.00</strong></td>
</tr>
</tbody>
</table>

2.11.10. ZOMBA DISTRICT COUNCIL

2.11.10.1. Subsistence Allowance Paid Instead of Lunch Allowance: K1,634,000.00
Circular Reference No. HRM/ALL/01 dated 6th December, 2019 stipulates the rates of subsistence allowances that civil servants travelling on duty within Malawi should be paid. In addition, Circular Reference No. DPSM/ALL/01/08 dated 12th November, 2010 states
that, if the officers travelling to work outside their duty stations will not have an overnight stay, they should be provided with meal allowances instead.

However, the audit revealed that the Council paid subsistence allowances amounting to K1,850,000.00 to officers who were conducting contract tracing, case management and data management within the District instead of K216,000.00 lunch allowances thereby resulting into an over-payment of K1,634,000.00. The payment was initiated by Dr. A. Chijuwa and was approved by the District Commissioner Mr. S. Gwedemula. The details of these payments are in Appendix AE.

2.11.10.2. Unliquidated Fuel: K2,918,470.00

Treasury Instructions of 2004, No 5.9(b) stipulates that every controlling officer shall ensure that all transactions are recorded in a primary government record or ledger. In addition, Circular Reference No LG/2/14 dated 27th January 2021 from Secretary for Local Government to all District Commissioners and Chief Executive Officers advices councils to record all fuel bought in a separate fuel register and motor vehicle logbooks.

Contrary to the above regulation, the Council failed to account for fuel worth K2,918,470.00 that was procured to be used for the purpose of conducting CoVID-19 activities. The fuel was neither recorded in the fuel register nor in the motor vehicle logbooks. The officer responsible for the accountability of the fuel was Ms Lydia Kadammanja (Accounts Assistant-Zomba DHO). Details are in Appendix AF.

2.11.11. ZOMBA CITY COUNCIL

2.11.11.1. Misuse of CoVID-19 Funds on “Duty Allowances”: K5,385,000.00

Zomba City Council Conditions of Service Chapter 3.1.33 stipulates that where the duties of the post require incumbents to work unusual or irregular hours, causing his working day to have resemblance to a normal working day, such a person shall be eligible to a duty allowance.

Zomba City Council used CoVID-19 funds amounting to K5,385,000.00 to pay duty allowances to officers. There were however a number of irregularities that we observed regarding the payments of the “duty allowances” as follows:

a) The decision was made by Management as evidenced by minutes of a management meeting, dated 21st May, 2020 chaired by Mr. Charles Thombozi, the CEO and not the full Council as expected by Council governance arrangements;

b) The duties which were paid for were normal in nature;

c) The use of CoVID-19 funds on these activities were irregular; and

d) There was no basis for payments of the “duty allowance”

Details of the payments are in Appendix AG.
2.11.11.2. Fuel Not Accounted For: K157,279.50

Treasury Instructions of 2004, No 5.9(b) stipulates that every controlling officer shall ensure that all transactions are recorded in a primary government record or ledger.

Contrary to the above quoted Treasury Instruction, the Council failed to account for fuel amounting to K157,279.50 that was procured to be used for the purpose of conducting CoVID-19 activities. The audit team was unable to trace the fuel to motor vehicle logbooks. Furthermore, out of this fuel, K101,336.00 was fueled into personal cars. The fuel was requested by Mr. Gomezgani Nyasulu (Environmental Health Officer) and was approved by Mr. Charles Thombozi, the Chief Executive Officer. The Transport Officer responsible was Mr. Paul Matoga. Details are in Appendix AH.

2.11.11.3. Overpayment of Lunch Allowances: K219,000.00

Circular reference number CD/011 dated 9th September, 2020 from Ministry of Health to all DHOs and DCs stipulates that health workers conducting CoVID-19 related field work within their districts shall receive K 4,000 per person per day shift, and K6000 per person per night shift. Field work includes surveillance, contract tracing and patient follow ups in the community, outside the designated duty station of the officer.

The audit revealed that the Council overpaid lunch allowances by K219,000.00. The details are as follows:

a) Three officers received allowances in excess of the actual days the activity took place resulting into an overpayment of K185,000.00

b) Ten officers received lunch allowances at the rate of K5000.00 per day instead of K4,000.00 per day resulting into an overpayment of K34,000.00

These payments were made by the Accounts Assistant Mr. P. Moffat. The details are in Appendix AI.

2.11.12. MACHINGA DISTRICT COUNCIL

2.11.12.1. Failure to Produce Bidding Documents and Evaluation Reports: K7,559,016.00

Section 42 (1) of the Public Procurement and Disposal of Assets Act of 2017 stipulates that a bid shall be submitted in written form as instructed in the bidding document, and Section 44 (7) of the same act stipulates that a successful bid shall be the lowest evaluated bidder subject to any margin of preference provided in the bidding documents. Alternatively, if so stipulated in the bidding documents, the successful bid shall be the lowest evaluated on the basis of price and subject to any margin of preference, and non-price criteria specified in the bidding documents. Furthermore, Section 26 (2) part “e” and “f” of the same Act stipulates that the functions of Internal Procurement and Disposal Committee includes appointing ad-hoc evaluation team for the examination, evaluation and comparison of bids, and reviewing and approving bid evaluation reports.
Machinga District Council awarded framework agreements to some suppliers who supplied food stuffs amounting to K7,559,016.00 for preparing meals for patients and staff in the isolation centre. However, Mr. Bonnie Makuwira, the Procurement Officer failed to produce bidding documents submitted by bidders on which the Council based its decisions to award contracts to successful bidders. As a result, the audit team could not ascertain if the procurements were economical, efficient and effective. The risk is that contracts may not have been awarded to lowest evaluated bidders. In addition, evaluation reports for successful bidders who supplied gas, food stuffs and plumbing materials amounting to K4,709,435.32 were not submitted for inspection by the procurement officer. Appendix AJ has details.

2.11.12.2. Use of RFQ Method Instead of Open Tendering: K8,792,168.42
Circular letter dated 15th April, 2020 issued by the Director of Public Procurement and Disposal of Assets required all Ministries and Departments to follow the open tendering method when procuring items using “CoVID-19” funds regardless of value. The objective is to ensure fairness in the procurement of CoVID-19 materials so as to cushion a majority of suppliers from the impact of CoVID-19 while ensuring economy, efficiency and effectiveness in the utilization of CoVID-19 funds.

Contrary to the requirement of this circular, the Council used the Request for Quotations (RFQs) method to procure items worth K8,792,168.42 without seeking a waiver from the Director General of the PPDA. Appendix AK has the details.

2.11.12.3. Lunch Allowance for an IPDC Meeting Within Office Premises: K244,000.00
Circular Reference No. DPSM/ALL/01/08 dated 12th November, 2010 States that meal allowances should be paid to officers who are required to travel and work outside their duty stations for eight or more hours but not including an overnight stay.

Contrary to this regulation, Machinga District Council paid lunch allowances amounting to K244,000.00 to officers who took part in an Internal Procurement Disposal Committee meeting that took place on 26th February, 2021 at the Council’s conference room. Additionally, the IPDC meeting in question discussed predominantly the normal business of the Council hence no reasonable justification to use the resources for CoVID-19 funds. This is contrary to the requirement of government regulations which requires officer to move away from their duty station to a place where they will not spend a night. The details are in Appendix AL.

2.11.12.4. Overpayment of Lunch Allowances: K1,044,000.00
Circular reference number CD/011 dated 9th September, 2020 from Ministry of Health to all DHOs and DCs stipulates that health workers conducting CoVID-19 related field work within their districts shall receive K4,000 per person per day shift, and K6,000 per person per night shift. Field work includes surveillance, contract tracing and patient follow ups in the community, outside the designated duty station of the officer.
Contrary to the above quoted circular, some officers were paid lunch allowances at the rate of K10,000.00 per day instead of K4,000.00 during orientation and planning meetings in respect to CoVID-19. This is despite the fact that some officers who attended the same meetings were given the correct rate of K4,000.00 per day. The overpaid allowances amounted to K1,044,000.00. The individuals and paying officers for these payments are in Appendix AM.

2.11.13. MANGOCHI MUNICIPAL COUNCIL

2.11.13.1. Unliquidated Cash: K572,000.00
Treasury Instructions (2004) 5.7.1 states that The Accountant General is responsible for establishing systems, procedures, processes and training thereof and awareness programmes to ensure efficient and effective banking and cash management.

In addition to the above Treasury Instruction, Accountant General Desk Instruction number 7.5.1 (iii) states that Receipted payment vouchers, shall be returned after ten days from the last date of payment. If the vouchers are not returned within ten days, effort by the officer in-charge to follow up the vouchers shall be made. Any monies unpaid shall be brought on charge.

An examination of payment vouchers against liquidation documents showed that payments amounting to K572,000.00 were not liquidated. The cashier for the activities under query was Mr. Martin Kuyere. The details of the payments made and the beneficiaries are on Appendix AN.

2.11.13.2. Use of RFQ Method Instead of Open Tendering: K6,536,523.00
Circular letter dated 15th April, 2020 issued by the Director of Public Procurement and Disposal of Assets required all Ministries and Departments to follow the open tendering method when procuring items using “CoVID-19” funds regardless of value. The objective is to ensure fairness in the procurement of CoVID-19 materials so as to cushion a majority of suppliers from the impact of CoVID-19 while ensuring economy, efficiency and effectiveness in the utilization of CoVID-19 funds.

Contrary to the requirement of this circular, the Council used the Request for Quotations (RFQs) method to procure items worth K6,536,523.00 without seeking a waiver from the Director General of the PPDA. The IPDC was made up of the following; Mr. D. Mwangulu (Chairperson); Ms M. Abdul (Member); M. Mwenemurupa (Member and Procurement Officer) Appendix AO has the details.

2.11.13.3. Lunch Allowances Paid Within Duty Station: K535,000.00
Circular Reference No. HRM/ALL/01 dated 6th December, 2019 stipulates the rates of subsistence allowances that civil servants travelling on duty within Malawi should be paid. In addition, Circular Reference No. DPSM/ALL/01/08 dated 12th November, 2010 states
that, if the officers travelling to work outside their duty stations will not have an overnight stay, they should be provided with meal allowances instead.

An examination of payment vouchers against supporting documentation revealed that the Council paid allowances amounting to K535,000.00 to various officers who participated in meetings that were conducted within office premises, contrary to the above named regulation. The payments were initiated by Mr. Mwenemurupa and M. Abdul. Mr A.H. Nkhoma, the CEO approved the payment. The details of the payments and beneficiaries are in Appendix AP.

2.11.13.4. Wasteful expenditure: K425,000.00
Treasury Instructions No 2.6.1 (h) of 2004 stipulates that responsibilities of Controlling Officers include ensuring that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

An examination of payment vouchers against supporting documentation revealed that the Council extravagantly spent CoVID-19 funds amounting to K358,160.00 on submitting CoVID-19 reports to Lilongwe. Instead of sending one officer, they were sending more than one officer. For instance, on 3rd February, 2021 five (5) officers were sent to deliver reports to Lilongwe. As a result, the Council spent K488,160.00 instead of K130,000.00 leading to wastage. The payments were approved by A.H. Nkhoma, the CEO. The details of the payments and beneficiaries are in Appendix AQ.

2.11.13.5. Overpayment of lunch allowances: K270,000.00
Circular reference number CD/011 dated 9th September, 2020 from Ministry of Health to all DHOs and DCs stipulates that health workers conducting CoVID-19 related field work within their districts shall receive K4,000 per person per day shift, and K6,000 per person per night shift. Field work includes surveillance, contract tracing and patient follow ups in the community, outside the designated duty station of the officer.

An examination of payment vouchers against supporting documentation revealed that the Council overpaid lunch allowances by K270,000.00 to officers who went to sensitize bicycle operators and participated in district rapid response meetings. The Council was paying officers higher rates than the recommended K4,000.00 which is stipulated by the above quoted circular. The payments were approved by A.H. Nkhoma, the CEO. The details of the payments and beneficiaries are in Appendix AR.

2.11.14. CHIRADZULU DISTRICT COUNCIL

2.11.14.1.1. Payment of subsistence allowance instead of lunch allowances: K94,000.00
Circular Reference No. HRM/ALL/01 dated 6th December, 2019 stipulates the rates of subsistence allowances that civil servants travelling on duty within Malawi should be paid. In addition, Circular Reference No. DPSM/ALL/01/08 dated 12th November, 2010 states
that, if the officers travelling to work outside their duty stations will not have an overnight stay, they should be provided with meal allowances instead.

The audit revealed that Debora Buleya, an accounts assistant paid subsistence allowances to four (4) officers totaling K110,000.00 instead of lunch allowances totaling K16,000.00 to officers who were working within duty station thereby resulting into loss of K94,000.00. The payment was requested by Jameson S. Chausa, Director of Health and Social Services and it was approved by Renigrad Chavula. These officers were recruiting health workers. For details refer to Appendix AS.

2.11.14.1.2. Overpayment of Lunch Allowances: K359,000.00
Circular reference number CD/011 dated 9th September, 2020 from Ministry of Health to all DHOs and DCs stipulates that health workers conducting CoVID-19 related field work within their districts shall receive K4,000 per person per day shift, and K6,000 per person per night shift. Field work includes surveillance, contract tracing and patient follow ups in the community, outside the designated duty station of the officer.

An examination of payment vouchers against signing sheets revealed that the Council through accounts officers, Ireen Mumba and Debora Buleya over paid officers of the District Council secretariat lunch allowances by K359,000.00. For instance, Thomas Luba (Environmental Health Officer) was paid K45,000.00 instead of K4,000.00. Full details of the payments and beneficiaries are in Appendix AT.

2.11.14.1.3. Untraceable Stores Items: K9,998,972.00
Treasury Instructions No 11.7.1.2 stipulates that where consumable stores are received in bulk for subsequent issue on small lots, transactions will be entered in a Consumable Stores Ledger.

An examination of payment vouchers against invoices, delivery notes, goods received notes and the stores ledger revealed that the Council did not account for stores items procured amounting to K9,998,972.00. The Council failed to produce a stores ledger or any documentation showing how the materials were disposed of. The stores officer, Lucy Mapulanga, was called to explain how the items were disposed of but she said that CoVID-19 items are not recorded anywhere and they are delivered straight to individuals who need them. The details of the untraceable stores items are in Appendix AU.

2.11.15. MANGOCHI DISTRICT COUNCIL

2.11.15.1. Unliquidated Fuel: K1,895,849.00
Treasury Instructions of 2004, No 5.9 (b) stipulates that every controlling officer shall ensure that all transactions are recorded in a primary government record or ledger.

An examination of payment vouchers against the fuel registers and motor vehicle logbooks revealed that fuel requisitioned by Elian Makwinja, Kumbukani Mauda, and Harold
Kabuluzi worth K1,895,849.00 was not recorded in motor vehicle log books or any other document that would satisfy the auditors as to the disposal of the fuel. Consequently, the audit team failed to determine how this fuel was accounted for. Details of the payments are in Appendix AV.

2.11.16. LILONGWE CITY COUNCIL

2.11.16.1. Fuel Refunds Not Supported by Receipts: K2,279,833.80

Treasury Instructions No 5.9 (a) of 2004 stipulates 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. In addition, the Local Authority Financial Procedures Manual stipulates that 5.5.4 (a) states that the authorizing officer should check that payment vouchers are supported by original supporting documents.

An examination of payment vouchers for refunds against claims for refunds and fuel receipts revealed that the Council paid fuel refunds amounting to K2,279,833.80 to officers which were not supported by fuel receipts. In such a case, it was difficult for the inspecting auditors to determine if the refunds were paid to officers who really used their funds for CoVID-19 activities. The fuel was requested by Jorlex Kamtokoma, Acting Director of Health and Social Services. In the absence of the receipts, it was difficult for the auditors to appreciate how the amounts of the refunds were determined. Details of the officers who received fuel refunds are in Appendix AW.

2.11.16.2. Unexplained Excess Cash: K278,000.00

The Local Authority Financial Management Procedures Manual Chapter 8.6.1(c) on control over receipted vouchers stipulates that receipted payment vouchers, shall be returned within ten days from the last date of payment. If the vouchers are not returned within ten days, efforts by the DOF to follow up on the vouchers shall be made. Any monies unpaid shall be brought on charge.

An examination of payment voucher dated 9th October, 2020 for allowances for councilors during full council meeting totaling K998,000.00 against liquidation documents revealed that Chirissy Ubale, an accounts assistant, failed to liquidate K278,000.00 in respect of allowances she withdrew for Councilors.

A review of the list of Councilors for Lilongwe City and the signing sheets for the activity showed that all the Councilors on the signing sheets got their allowances. As at the time of exiting the Council, the excess allowances of K278,000.00 had not been brought on charge. Details are in Table 16 below:

INVESTIGATIVE REPORT ON COVID-19 DISBURSEMENT
Table 16: Unexplained Excess cash: K278,000.00

<table>
<thead>
<tr>
<th>DATE</th>
<th>CHQ</th>
<th>PAYEE</th>
<th>DETAILS</th>
<th>AMOUNT (K)</th>
<th>AMOUNT PAID (K)</th>
<th>BALANCE (K)</th>
<th>F/S</th>
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</thead>
<tbody>
<tr>
<td>9/10/2020</td>
<td>231</td>
<td>NBS</td>
<td>Allowances</td>
<td>468,000.00</td>
<td>420,000.00</td>
<td>48,000.00</td>
<td>Chrissy Ubale</td>
</tr>
<tr>
<td>9/10/2020</td>
<td>232</td>
<td>NBM</td>
<td>Allowances</td>
<td>530,000.00</td>
<td>300,000.00</td>
<td>230,000.00</td>
<td>Chrissy Ubale</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>278,000.00</td>
<td></td>
</tr>
</tbody>
</table>

2.11.17. MULANJE DISTRICT COUNCIL

2.11.17.1. Wasteful and Ineligible Expenditure: K665,000.00

Treasury Instructions No 2.6.1 (h) of 2004 stipulates that responsibilities of Controlling Officers include ensuring that all expenditure is incurred with due regard to economy, efficiency and effectiveness and the avoidance of waste.

An examination of payment vouchers revealed that Mulanje District Council spent CoVID-19 funds on subsistence allowances totaling K665,000.00 extravagantly when management decided that officers should go to Luchenza Upstairs Lodge to compile documents in respect of the visit by officials from the office of the Ombudsman. The exercise which was requisitioned by Felix Moniah, Health Service Administrator and approved by the District Commissioner, Stalchi Mwambiwa hosted 24 officers. Further examination of the documents revealed that no payment was made to Upstairs Lodge, a case that brings suspicion if this activity really took place.

Such expenditure could have been avoided or minimized if the exercise was undertaken at the Council’s Conference room considering that the activity was not budgeted for and also was not related to the fight against CoVID-19. Details are shown in Appendix AX.

2.11.18. BLANTYRE DISTRICT COUNCIL

2.11.18.1. Irregular Procurement of Disinfection Services: K3,110,000.00

Circular Ref No.PPDA/01/22 dated 15th April, 2020 required all Procuring and Disposing Entities (PDEs) to use open tendering method of procurement when making CoVID-19 related procurements. Additionally, all these procurements were to be published on the Authority’s website and indeed ensure that all procurement regulations are followed when making all procurements.

An inspection of payment vouchers and procurement records revealed that on 7th October, 2020, Blantyre District Council paid K3,110,000.00 to Niya Enterprises in respect of CoVID-19 disinfection of Council headquarters offices through cheque number 003092.
There were however, a number of irregularities that were noted regarding the awarding of the contract to Niya Enterprises. This is explained in the paragraphs below:

a) The Director of Administration of Blantyre District Council, Mr Hastings Dowe requested the services of disinfection from the District Environmental Health Office on 07th September 2020. On 9th September 2020 the District Environmental Health Officer (Mr. Penjani Chunda) replied by highlighting that at the time of request they were overwhelmed with other activities and that could only assist when the situation eased. The DEHO further advised the Council to go ahead with an alternative means to disinfect the District Council Offices;

b) Following this response from the DEHO, the District Council through Ms E.R.S. Mbeya, went ahead to source quotations from prospective bidders. The IPDC responsible for this procurement comprised M. Mbulaje (Chairperson); E.R.S. Mbeya Secretary, J. Bodole (Member) and Dr G. Kawalazila (Member-DHSS);

c) Based on the inspection of documents, the company that was awarded business to do disinfection at Blantyre District Council at a price of K3,100,000.00, Niya Enterprises, had no certificate to undertake the business as required by the Pesticides Control Board;

d) Niya Enterprises “subcontracted” the fumigation services to Stanley Mpinganjira, trading as PES who further “sub-sub-contracted” to Mr. P.R Bunya trading as 3R’s Enterprises & General Pest Control; and

e) An interview with the other business that had their quotations attached as competing to supply the disinfection service at the Blantyre District Council Premises indicated that they did not submit any quotation to Blantyre District but instead, their quotations were being asked by one who had a contract already with the Blantyre District Council with a promise to be subcontracted

Conclusions

Based on the assessment above,

✓ Though Niya Enterprises was awarded the contract, the business was ineligible and without capacity to undertake the contract as evidenced by the sub-subcontracting arrangements mentioned above.
✓ Niya Enterprises won the contract by tricks.
✓ The contract value was subjected to increase due to transferring of business.
✓ The Senior Procurement Officer failed in her duties by not carrying out due diligence in assessing the three quotations which ended up to be related.
✓ The IPDC that presided over this procurement was not properly constituted as there was no column in that there was no member from the finance department.
2.11.19. BLANTYRE CITY COUNCIL

2.11.19.1. Procurement at Exorbitant Prices Without Justification: K4,176,500.00

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

An examination of payment vouchers, cash books, request for quotations, invoices and delivery notes revealed that Blantyre City Council procured safety items for its Fire Department as one way of preventing the spread of CoVID-19 amongst its staff. Some of the items which included 54 single sleeping mattress, 73 blankets (274 x 229 cm) and 73 mosquito nets were exorbitantly charged without any justification. The total cost of these items was K7,600,500.00 instead of K3,424,000.00 as compared to the market prices. For instance, the market price for a mosquito net from PSI was K6,000 but the Council paid the same brand of PSI at K24,000.00 per net, a 4-inch single bed mattress from Robray Limited was K21,500.00 but the Council paid K49,500.00 for each.

Additionally, it is the view of the audit team that this procurement, though classified as CoVID-19 related, the linkage was very remote.

The officer who was responsible in soliciting quotations is Mr. G. D. Nundwe and the payment voucher was authorized and approved by Mr. Richard Chakhala (DOF) and Dr A.W.D Chanza (CEO).

The IPDC members who appeared on the minutes of the meeting which discussed this procurement never appended their signatures except Mr. G. D Nundwe. The members included; Fabiano, G.D. Nundwe, M. Kanjunjunju, A.G. Phiri and J. Kapakasa Appendix AY.

2.11.19.2. Diversion of items for Personal Use: K7,192,500.00

The Public Finance Management Act of 2004 Chapter 3702 Section 2(2) (c, e, f, g) requires, among other things, expenditure and assets to be properly recorded and accounted for and assets to be safeguarded against loss or destruction; and that public resources to be employed and managed in an effective, economic and efficient manner; and that there should be no waste or extravagance with respect to public resources.

A verification of 54 single sleeping mattress, 73 blankets (274 x 229 cm) and 73 mosquito nets the Council bought for the fire Department revealed that the 48 of 54 single sleeping mattress, 72 of 73 blankets (274 x 229 cm) and 71 of 73 mosquito nets worth K7,192,500 were missing. A further enquiry revealed that the recipients (fire Department staff members) took these items to their homes without management’s approval. The supervisor of the fire Department is Mr Prescot Sailasi. Refer to Annex B and Exhibit for details.
2.11.20. CHIKWAWA DISTRICT COUNCIL

2.11.20.1. Use Of CoVID-19 Funds On ORT Activities: K155,946.90

Treasury Instruction number 4.14(1) requires that all expenditures should be charged to an appropriate vote and that expenditure should be allocated strictly in accordance with estimates. The provisions further require that funds should be spent on the intended activities otherwise Treasury approval must be sought to transfer funds from one expenditure line to another. Financial guidelines for disbursement of funds for CoVID-19 pandemic also state that no CoVID-19 funds should be used for other activities or borrowed for other use.

An examination of payment vouchers, approved loose minutes, Internal Procurement and Disposal Committee (IPDC) minutes for the period under review revealed that Chikwawa District Council made ORT payments amounting to K155,946.90 which were charged against CoVID-19 funds account. The District Commissioner, Mr Ali Phiri approved the transaction. Table 18 below has the details.

Table 18: CoVID-19 Funds used on ORT activities: K155,946.90

<table>
<thead>
<tr>
<th>Date</th>
<th>Chq.No</th>
<th>Payee</th>
<th>Purpose of payment</th>
<th>Amount (K)</th>
<th>Remark</th>
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</thead>
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<tr>
<td>11/24/2020</td>
<td>6684</td>
<td>MESPh Trading</td>
<td>Purchase of refreshments and snacks for social welfare under ORT</td>
<td>155,946.90</td>
<td>Requested by M.G Mhango (District Procurement Officer). Approved by Ali Phiri (DC). Authorised by Steven Kanyerere (DoF)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>155,946.90</td>
<td></td>
</tr>
</tbody>
</table>

2.11.21. NSANJE DISTRICT COUNCIL

2.11.21.1. Failure to implement planned CoVID-19 activities: K24,124,460.00

On 18th August, 2020, Treasury funded Nsanje District Council second tranche of CoVID-19 funding amounting to K30,000,000 to respond to CoVID-19 pandemic. The planned activities among others, included awareness campaigns, trainings and purchase of Personal Protective Equipment (PPEs).

The Council used the District Development Fund (DDF) account to transact the CoVID-19 pandemic response activities. However, the Account was frozen by a Court Order on 28th August, 2020. This meant that the Council could not access the funds to implement the CoVID-19 planned activities. The DDF account was freed on 3rd December, 2020. The Councils managed to implement two (2) activities amounting to K5,875,540.00. The first activity was implemented in August, 2020 just before the freezing of the account and the second one was implemented in December, 2020 after the unfreezing of the account. By March, 2021, the Council had not implemented any activity since December, 2020 despite
having a positive balance of K24,124,460.00 of the second tranche. This period was the peak of the CoVID-19 pandemic and therefore it was our expectation that the Council could have implemented activities towards the prevention and treatment of the disease.

3. CONCLUSION
The investigative audit on the K6.2bn CoVID-19 response funds revealed that there were a number of flaws which resulted in the funds not being able to wholly meet the need which arose from the emergence of the CoVID-19 pandemic. A number of observations were made out of which the following conclusions are made;

- Guidelines on CoVID-19 funds’ management and reporting were not provided to the clusters, as a result preparation and submission of expenditure returns was not prioritized by both the clusters and the Presidential Task Force;
- Expenditure on allowances (subsistence, lunch, risk, duty etc) were massively abused by almost all clusters;
- The over-sight role of the Presidential Task Force failed in its duties to act on the procurement of PPEs of K850,000,000.00 by the Ministry of Health and Central Medical Stores Trust (CMST);
- In some clusters there was financial indiscipline in that money was spent on activities that were not budgeted for as well as activities that were not related to CoVID-19. Others did not even spend the funds that were budgeted for;
- Most clusters did not comply with the procurement regulations on the use of open tendering, instead most clusters resorted to using request for quotation method in breach of a Circular letter dated 15th April, 2020 issued by the Director of Public Procurement and Disposal of Assets required all Ministries and Departments to follow the open tendering method when procuring items using “CoVID-19” funds regardless of value. Additionally, the oversight role of IPDCs in the MDAs was very weak;
- Quite a number of benefiting institutions did not pay due attention to economy, efficiency and effectiveness in their spending. Such kind of spending hardly provided real value for money and one would tend to wonder how the whole institution could decide to spend the funds on such unwarranted ‘needs’;
- A majority of clusters especially DoDMA failed to fully liquidate the resources advanced to them;
- Fuel was also grossly mismanaged. The mismanagement ranged from not liquidating the fuel cheques collected to failure to account for the fuel received through accountability documents in form of fuel registers and motor vehicle log books; and
- The lapses in financial management portrayed in this report is a reflection of lack of ardent control by Controlling Officers

4. RECOMMENDATION
Based on the observations made, it is highly recommended that the following interventions be made as soon as possible.
Governance Arrangements
- All the key stakeholders in a programme of this nature should have clear roles and responsibilities;
- Structures within a program should have competent and balanced representation of key professions;
- Instructions should always be clear whenever new developments come into scene to avoid huge variations in the way such issues are handled. Instructions should always come from relevant authorities depending on the issue under instruction; and
- There should be a clear way of allocating funds to the clusters and indeed the local authorities to avoid over or underfunding due to disparities between actual requirements and the level of funding.

Control Arrangements
- Where controls are hardly followed, management teams of those institutions where this anomaly prevailed should lay down corrective measures to ensure that subsequent operations do not suffer in the same way;
- The Presidential Task Force and DoDMA should ensure proper scrutiny of the budgets from clusters to avoid misapplication of CoVID-19 funds; and
- The required reports on funding and expenditure should be submitted as required by the Presidential Task Force and be subjected to review and audit.

Other Corrective Arrangements
- Those officers who took part in the malpractices which resulted in the loss of funds should be made to pay back the money;
- The Government should ensure that all malpractices that are criminal in nature should be handed over to law enforcement agencies for further attention and action; and
- Administrative remedies should be applied in all applicable cases.

5. ACKNOWLEDGEMENT
Let me thank all the officials from all the clusters and the Local Authorities for the cooperation rendered to my officers during the investigative audit exercise.

Signed:

THOMAS K.B. MAKIWA

ACTING AUDITOR GENERAL
NATIONAL AUDIT OFFICE

LILONGWE, MARCH, 2021
<table>
<thead>
<tr>
<th>No.</th>
<th>Organisation</th>
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<th>Expenditure</th>
<th>Under/(Overexpenditure)</th>
<th>Utilisation rate %</th>
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<td>2</td>
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<td>3</td>
<td>Neno District Council</td>
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<td>4</td>
<td>Mwanza District Council</td>
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<td>Ntchisi District Council</td>
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<td>Dowa District Council</td>
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<td>13</td>
<td>Balaka District Council</td>
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<td>14</td>
<td>Ntcheu District Council</td>
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<td>17</td>
<td>Lilongwe District Council</td>
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<tr>
<td>20</td>
<td>Mbembe District Council</td>
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<td>24</td>
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<td>25</td>
<td>Thyolo District Council</td>
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<td>26,979,239.00</td>
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<td>Luchenza Municipal Council</td>
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<td>52,000,000.00</td>
<td>8,000,000.00</td>
<td>87%</td>
</tr>
<tr>
<td>33</td>
<td>Mangochi Municipal Council</td>
<td>30,000,000.00</td>
<td>29,990,794.00</td>
<td>9,206.00</td>
<td>100%</td>
</tr>
<tr>
<td>34</td>
<td>Mangochi District Council</td>
<td>60,000,000.00</td>
<td>59,034,394.00</td>
<td>963,606.00</td>
<td>98%</td>
</tr>
<tr>
<td>35</td>
<td>Lilongwe City Council</td>
<td>40,000,000.00</td>
<td>29,457,320.00</td>
<td>10,542,680.00</td>
<td>74%</td>
</tr>
<tr>
<td>36</td>
<td>Department of Disaster Management Affairs</td>
<td>595,000,000.00</td>
<td>595,000,000.00</td>
<td>0.00</td>
<td>100%</td>
</tr>
<tr>
<td>37</td>
<td>Ministry of Information and Transport and Communication Technology</td>
<td>185,000,000.00</td>
<td>185,000,000.00</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>38</td>
<td>Ministry of Home Affairs</td>
<td>20,000,000.00</td>
<td>20,000,000.00</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>39</td>
<td>Ministry of Defence</td>
<td>20,000,000.00</td>
<td>16,728,460.00</td>
<td>3,271,540.00</td>
<td>84%</td>
</tr>
<tr>
<td>40</td>
<td>Department of Immigration</td>
<td>100,000,000.00</td>
<td>97,677,684.11</td>
<td>2,322,315.89</td>
<td>98%</td>
</tr>
<tr>
<td>41</td>
<td>Ministry of Health</td>
<td>1,588,050,786.00</td>
<td>1,487,294,750.00</td>
<td>100,756,036.00</td>
<td>94%</td>
</tr>
<tr>
<td>42</td>
<td>Malawi Police Service</td>
<td>85,000,000.00</td>
<td>72,220,600.00</td>
<td>12,779,400.00</td>
<td>85%</td>
</tr>
<tr>
<td>43</td>
<td>Ministry of Local Government</td>
<td>50,000,000.00</td>
<td>49,993,500.00</td>
<td>6,500.00</td>
<td>100%</td>
</tr>
<tr>
<td>44</td>
<td>Ministry of Education</td>
<td>100,000,000.00</td>
<td>46,366,398.40</td>
<td>53,633,601.60</td>
<td>46%</td>
</tr>
<tr>
<td>45</td>
<td>Malawi Defence force</td>
<td>85,000,000.00</td>
<td>70,507,008.00</td>
<td>14,492,992.00</td>
<td>83%</td>
</tr>
<tr>
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<td>-------</td>
</tr>
<tr>
<td>49</td>
<td>Ministry of Labour</td>
<td>50,000,000.00</td>
<td>35,614,854.37</td>
<td>14,385,145.63</td>
<td>71%</td>
</tr>
<tr>
<td>50</td>
<td>Ministry of Gender</td>
<td>72,000,000.00</td>
<td>62,395,319.40</td>
<td>9,604,680.60</td>
<td>87%</td>
</tr>
<tr>
<td>51</td>
<td>Department of Nutrition</td>
<td>20,000,000.00</td>
<td>-</td>
<td>20,000,000.00</td>
<td>0%</td>
</tr>
<tr>
<td>52</td>
<td>Ministry of Forestry and Natural Resources</td>
<td>50,000,000.00</td>
<td>49,988,605.21</td>
<td>11,394.79</td>
<td>100%</td>
</tr>
<tr>
<td>53</td>
<td>Ministry of Lands</td>
<td>50,000,000.00</td>
<td>8,200,000.00</td>
<td>41,800,000.00</td>
<td>16%</td>
</tr>
<tr>
<td>54</td>
<td>Zomba Prison</td>
<td>170,000,000.00</td>
<td>169,808,324.26</td>
<td>1,191,675.74</td>
<td>100%</td>
</tr>
<tr>
<td>55</td>
<td>Zomba Central Hospital</td>
<td>347,734,560.00</td>
<td>289,522,681.80</td>
<td>58,211,878.20</td>
<td>83%</td>
</tr>
<tr>
<td>56</td>
<td>Mzuzu Central Hospital</td>
<td>199,992,000.00</td>
<td>54,451,042.06</td>
<td>145,480,957.94</td>
<td>27%</td>
</tr>
<tr>
<td>57</td>
<td>Zomba Mental Hospital</td>
<td>17,537,055.13</td>
<td>5,550,000.00</td>
<td>11,987,055.13</td>
<td>32%</td>
</tr>
<tr>
<td>58</td>
<td>Kamuzu Central Hospital</td>
<td>415,535,000.00</td>
<td>388,033,753.24</td>
<td>27,501,246.76</td>
<td>93%</td>
</tr>
<tr>
<td>59</td>
<td>Queen Elizabeth Central Hospital</td>
<td>436,218,000.00</td>
<td>435,866,000.00</td>
<td>352,000.00</td>
<td>100%</td>
</tr>
<tr>
<td>60</td>
<td>National Intelligence Service</td>
<td>30,000,000.00</td>
<td>30,000,000.00</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>61</td>
<td>Procurement of Ventilators(M)</td>
<td>100,560,000.00</td>
<td>100,560,000.00</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>62</td>
<td>Task Force Meetings</td>
<td>8,316,472.39</td>
<td>8,316,472.39</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td>63</td>
<td>Disaster Activity</td>
<td>24,359,450.00</td>
<td>24,359,450.00</td>
<td>-</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,290,243,423.52</strong></td>
<td><strong>5,595,273,141.69</strong></td>
<td><strong>694,970,281.83</strong></td>
<td><strong>89%</strong></td>
<td></td>
</tr>
</tbody>
</table>