



MALAWI GOVERNMENT

**PROGRESS MADE ON THE IMPLEMENTATION OF THE
RECOMMENDATIONS OF THE AUDIT REPORT ON SPENDING OF
COVID-19 FUNDS**

Ministry of Finance and Economic Affairs

P.O. Box 30049

Lilongwe 3

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EXECUTIVE SUMMARY

Widespread concerns about the abuse of public funds earmarked for management and treatment of Covid 19 around 2019/2020 compelled Government to commission audits on all the three related disbursements amounting to K28.49 billion split in three tranches of K5.0 billion, K6.2 billion and K17.29 billion, respectively.

The audits revealed a number of forms of abuse during the utilization of the funds. The audits further made a number of recommendations for Government to implement in order to avoid recurrence of abuse of public funds.

This report provides a highlight of corrective actions and measures that Government is pursuing to address the audit recommendations from all the three reports.

Government referred the various cases to law enforcement agencies such as the police and the courts. Out of a total of 21 cases, 12 cases have been investigated and brought before the court, while 9 cases are still under investigation. The cases under review vary from abuse of office; theft by a public servant; contravening the PPDA Act; conspiracy to defraud Government; through to fraudulent false accounting and neglect of official duties.

Key remedial measures to avoid recurrence of the abuse of funds include the following:

- a) Review of the PPDA Act to provide for declaration of beneficial ownership in the bidding process and to address the anti-competitive practices by bidders in the procurement process.
- b) The review will also take care of the requirement for Procuring and Disposing Entities (PDEs) to scrutinize highly priced bids in relation to indicative prices of the PPDA. This seeks to curb the issue of overpricing by suppliers regarding Government procurement;

- c) Formulation of the Whistle Blowers Protection Act;
- d) All payments across Government MDAs are exclusively being done through Electronic Funds Transfer (EFT);
- e) Payment of allowances is linked to employment number and one bank account number.
- f) Government has operationalized the Financial Crimes Court to fast-track prosecution of financial related crimes;
- g) Government has removed the requirement by the Anti-Corruption Bureau (ACB) to obtain consent from the Director of Public Prosecution to effect arrests for suspected corruption cases.

This report will be useful to all stakeholders including the general public, civil society and development partners.

Signed:



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MacDonald Mwale, PhD

SECRETARY TO THE TREASURY

23rd October, 2023

1. INTRODUCTION AND BACKGROUND

This report covers intervention by Government on recommendations by the Auditor General on the alleged abuse of Covid-19 funds.

During the year 2019/2020, Malawi was hit by Covid-19 pandemic. Government in collaboration with Development Partners mobilized financial resources for management and treatment of Covid-19 pandemic. The Government of Malawi through the Ministry of Finance and Economic Affairs released three tranches of funding in response to the management and treatment of the Covid-19 Pandemic. The total funds released to all clusters amounted to K28.49 billion in three tranches of K5.0 billion, K6.2 billion and K17.29 billion.

Due to widespread concerns about the abuse of the funds, the Secretary to the Treasury instructed the National Audit Office to carry out an investigative audit on the usage of the Covid-19 resources. initially, the audit targeted the K6.2 billion disbursement but later on, it was extended to the K5 billion and K17.29 disbursements.

The audit revealed alleged abuse of the funds which resulted in the Police arresting a number of the suspected Officers. The Secretary to the Treasury wrote to all concerned Controlling Officers to provide their responses to the Investigative Audit Report findings within 14 days as per the provisions of the Public Audit (amendment) Act of 2017. The Responses from the Controlling Officers were verified by National Audit Office.

Refunds to Covid-19 accounts were made by some officers and for those found with cases to answer, were referred to law enforcement agencies for prosecution. Court cases are on-going.

It is also worth noting that the Public Accounts Committee (PAC) of Parliament called for hearings and submission of responses from the concerned Controlling Officers. Upon appearing before PAC were cleared or referred to the Secretary to the Treasury to clarify other matters.

2. OBJECTIVES OF THE REPORT

The main objective of this report is to provide progress on implementation of the audit recommendations for the COVID-19 spending. Specific objectives are;

- a) To report on the actions that Government has already undertaken;
- b) To report on actions that Government is currently doing; and
- c) To provide corrective measures that Government is pursuing to avoid recurrence of abuse of funds.

3.0 STATUS ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS

3.1 ACTIONS ALREADY UNDERTAKEN BY GOVERNMENT

The Government referred the various cases to law enforcement agencies. The cases fall in two categories, namely; cases brought before the court, and cases that have been reported but have not been brought to the court. Out of a total of 21 cases, 12 cases were investigated and brought before the court, while 9 cases are still under investigation. The nature of the cases includes the following:

- a) Abuse of office;
- b) Theft by a public servant;
- c) Contravening the PPDA Act;
- d) Conspiracy to defraud Government;
- e) Fraudulent false accounting;
- f) Neglect of official duties

The speedy completion of the investigations by the Police is partly being affected by funding limitation. It is also worth noting that some officers that are currently answering to the above charges, refunded back the money to Government. However, the cases have to come to a conclusive end.

Other challenges encountered include the following:

- 1) Limited resources to aid the investigations;

- 2) Lack of cooperation by some concerned Ministries, Departments, and Agencies;
- 3) Leakage of documents; and
- 4) Administrative slips in the general handling of the cases.

3.2 WHAT GOVERNMENT IS CURRENTLY DOING

Currently Government is undertaking the following:

- a) Payments across Government MDAs are exclusively being done through Electronic Funds Transfer (EFT);
- b) Payments to civil servants are being linked to employment number and only within the applicable vote;
- c) Operationalization of the Financial Crimes Court to fast-track prosecution of financial related crimes; and
- d) Removal of the requirement by the ACB to obtain consent from the Director of Public Prosecution to effect arrests for suspected corruption cases.

3.3 FUTURE REMEDIAL ACTIONS

Government has put in place measures as recommended by the audit report to avoid recurrence of the misappropriation and abuse of public resources. The measures fall in the categories of governance, control arrangement, and general corrective arrangement as follows:

- a) The PPDA Act is being reviewed to provide for declaration of beneficial ownership in the bidding process and to address the anti-competitive practices by bidders in the procurement process. Secondly, the review will provide for a

requirement for Procuring and Disposing Entities (PDEs) is to scrutinize highly priced bids in relation to indicative prices of the PPDA. This seeks to curb the issue of overpricing by suppliers regarding Government procurement;

- b) The ACB intends to establish and sign a Memorandum of Understanding to facilitate cooperation with selected MDAs in order to facilitate data and information sharing for combating corruption purposes;
- c) Enhancing the comprehensive decentralization and legal enhancement for anti-corruption initiatives by setting up of satellite offices in the three regions of the country;
- d) Formulation of the Whistle Blowers Protection Act under way;
- e) Operationalization of life style audit: Submitted to Ministry of Justice; and
- f) DODMA to undergo a functional review to enhance the capacity of its accounts personnel

4.0 CONCLUSION

The Government is doing everything possible to ensure that the recommendations and that measures put in place to avoid recurrence of the abuse of resources are fully implemented.