

Telephone: + 265 1 770 700
Facsimile: +265 1 773 071
 +265 1 776 125
 +265 1 774 138

All Communications should be addressed to:
National Audit Office



In reply please quote No.

NATIONAL AUDIT OFFICE
P.O. BOX 30045
CAPITAL CITY
LILONGWE 3
MALAWI

AUDITOR GENERAL

AUDITOR GENERAL'S REPORT TO THE NATIONAL ASSEMBLY ON THE CONSOLIDATED ANNUAL APPROPRIATION ACCOUNTS OF THE GOVERNMENT OF MALAWI

FOR THE YEAR ENDED 30TH JUNE, 2019

Opinion

I have audited the accompanying Consolidated Annual Appropriation Accounts of the Government of Malawi for the year ended 30th June, 2019 and notes, comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the Consolidated Annual Appropriation Accounts of the Government of Malawi present fairly, in all material respects, the financial position of the Government of Malawi as at 30th June, 2019, and of its financial performance for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the provisions of the Public Finance Management Act.

Basis for Opinion

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

Emphasis of Matter

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

Areas that need to continue improving

Reconciliation of Government Account No. 1 and other accounts

- (a) An amount of K25,050,250,804.00 relating to 2014/2015 appearing on the reconciliation as a balancing figure still remains unresolved matter. A decision by the Secretary to the Treasury must be made in 2019/2020 financial year so that matter is concluded and settled.
- (b) Differences in referencing and coding of payments between the Accountant General and the Reserve Bank of Malawi continue to make the reconciliation process difficult leading to significant differences between bank statement and cashbook figures. Examples of such differences per account are as follows:

Government Account No. 1

- Payments in cashbook but not on the bank statement amounting to K172,303,105,797.87; and
- Payments on bank statement but not in the cashbook amounting to K253,041,749,099.06

Consolidated ORT Account

- Payments in cashbook but not on the bank statement amounting to K19,973,571,087.78 and
- Payments on Bank Statements but not in the cashbook amounting to K25,225,806,561.20

Consolidated Development (Part II) Account

- Payments in cashbook but not on the bank statement amounting to K11,598,346,141.61
- Payments on bank statement but not in cashbook amounting to K11,070,551,530.07

These differences would be much smaller if there was harmony in referencing and coding of payments. A speedy process is needed to harmonize the coding and referencing of payment systems between Accountant General and Reserve Bank of Malawi.

- (c) The Salaries Account has been reconciled up to 2016/2017 financial year. There is need to increase the effort to ensure that the reconciliation is current. This has made me to still rely on the Automated Transfer System(ATS) reconciliation which accounts for over 60% of the Total Personal Emoluments Bill currently standing at K378 billion.

Key Audit Matters

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Governments' ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Other Reporting Requirements

Compliance with laws and regulations

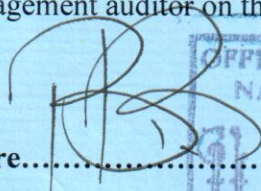
I am also required to report on compliance with the requirements of any written law governing the management and control of the public money and public resources. The rate of non-compliance by individual MDAs is still worrisome. Areas of particular importance are the following:

- (a) Delays in paying contractors with a monetary value of K13,220,855,182.32;
- (b) Payment vouchers without supporting documents (Poor record keeping) amounting to K8,660,464,313.21;

- (c) Abandonment of construction works with a monetary value of K1,263,478,836.39;
- (d) Under Collection of Revenue amounting to K1,207,032,445.74;
- (e) Stores not accounted for amounting to K762,260,739.61;
- (f) Failure to maintain proper revenue records amounting to K610,879,500;
- (g) Suspicious long standing pensioners amounting to K590,766,657.28;
- (h) Misallocations of Public Funds amounting to K454,333,543.56; and
- (i) Revenue Spent at Source amounting to K425,727,406.87

The engagement auditor on the audit resulting in this independent Auditor General's report is:

Signature.....



OFFICE OF AUDITOR GENERAL
NATIONAL AUDIT OFFICE

30 DEC 2019

P.O. BOX 300
LILONGWE

**THOMAS K.B. MAKIWA
ACTING AUDITOR GENERAL
NATIONAL AUDIT OFFICE
LILONGWE
MALAWI**



Date: 30TH DECEMBER 2019