



MALAWI CASE STUDY

From Letter of Intent to Close Scrutiny

In 2020 the Malawi government sought US \$91 million from emergency financing (RCF) to help mitigate effects from the COVID-19 pandemic, and to help the Government meet its urgent Balance of Payment needs.



Malawi's National Audit Office signed Lol to submit COVID-19 Audit Reports.

Although the Ministry of Finance had not consulted with the National Audit Office (NAO) on the frequency and point of audit, they signed a Letter of Intent (LOI) which included a requirement of the National Audit Office to submit quarterly audit reports on spending related to COVID-19.

Lack of planning, control and oversight

To keep the LOL commitment, the Secretary to the Treasury requested that the Auditor General conduct an investigative audit on the usage of a portion of the funds amounting to MWK 6.2 billion. To proceed with the investigation, the National Audit Office had to adjust the annual audit they had already planned to meet the expectations of their stakeholders. However, *at this point there was already an outcry amongst Malawi's citizens demanding scrutiny of funds that were already disbursed.* The NAO addressed issues of expectations and resource needs with the Ministry of Finance, and through dialogue, was able to secure the resources necessary to realise the audit within the required time.

The Audit identified several structural weaknesses which had created vulnerabilities for misallocation, fraud, and corruption. One of the main conclusions of NAO's report was that **there was no guidance on the COVID-19 funds allocation**. NAO recommended that there should be a clear way to allocate funds to the government clusters and local authorities.

To compound the issues arising from the unclear guidance on disbursement, there were also few control measures in place to mitigate the risks involved. The Presidential Task Force and DoDMA did not provide sufficient oversight of government clusters to avoid misapplication of funds.

“ The auditors observed a lack of compliance with Procurement Policies and Expenditure Regulation, which was linked to a lack of control arrangements or breach of these. ”

Funds not properly accounted for

Several indications of abuse of allowances were also observed. In total cash withdrawal on MWK 83 million was not accounted for. The audit reports problems in accounting for cash withdrawn. MWK 54 million was not liquidated. MWK 12 million went missing without trace, MWK 898,500 was shared among officers without justification (excess cash). MWK 16 million was brought on charge after a very long time.

Reactions and follow-up from the Executive and Judicial Branch

After finalising the audit, the NAO consulted with all the main stakeholders, including both auditees and the President's Office. NAO's report *Investigative Audit Report by the National Audit Office on the usage of the K6.2 billion COVID-19 funds* was published in March 2021.

Once published, the report led to actions from the Executive, with a clear recommendation that the implicated parties identified by the NAO should be held accountable. One minister who used COVID-19 funds for travel on unrelated purpose, was relieved of his duties, for example.

Others followed suit. The report from Malawi NAO named several individuals – public officers in charge of funds – who were found responsible for the misuse and embezzlement of funds. Prosecuting powers arrested several public officers on the basis of the information in the released report. In fact, the NAO report was used as evidence. While the police and Attorney General conducted their own investigation, then NAO gave testimonies in court.

So far, only a few of the prosecuted cases of embezzlement and fraud have been tried in court, and no verdict has been issued. Meanwhile, the NAO has continued their work with audit of the funds and issued a second report in March 2022. The outcomes of both court cases and the second report remain, at this point, to be seen.



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