

Regional Inspector General for Audit
Nairobi, Kenya

Audit of
The Government of Malawi Ministry of Health
Under the Promoting Health Interventions for Child
Survival Project, Grant Agreement No. 89-G-612-0231

Report No. 3-612-93-12-N
February 12, 1993



FINANCIAL INFORMATION CONTAINED IN THIS
REPORT MAY BE PRIVILEGED. THE RESTRICTIONS
OF 18 USC 1905 SHOULD BE CONSIDERED BEFORE
ANY INFORMATION IS RELEASED TO THE PUBLIC.

INSPECTION
GENERAL

OFFICE OF THE REGIONAL INSPECTOR GENERAL FOR THE EAST AFRICAN REGION



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

February 12, 1993

MEMORANDUM

*Regional
Inspector General
for Audit/Nairobi*

TO: USAID/Malawi Director, Carol A. Peasley
FROM: *for* RIG/A/Nairobi, Everette B. Orr *Joseph Faninella*
SUBJECT: Agency-contracted Audit of Government of Malawi
Ministry of Health Under the Promoting Health
Interventions for Child Survival Project, Grant Agreement
No. 89-G-612-0231.

Attached are five copies of an Agency-contracted audit of the Government of Malawi's Ministry of Health under the Promoting Health Interventions for Child Survival (PHICS) Project Grant Agreement No. 89-G-612-0231. The accounting firm of KPMG Peat Marwick performed the audit.

The PHICS grant agreement was signed on June 30, 1989 with the Government of Malawi's (GOM) Ministry of Finance. The project completion date is June 30, 1997. The grant is a \$20.4 million project to be implemented by the GOM through the Ministry of Health (MOH) and Ministry of Works (MOW). A.I.D. is to contribute \$17.9 million of the total funding and the GOM \$2.5 million worth of local currency and in-kind support. The goal of the PHICS Project is to improve the health status of rural Malawians with emphasis on decreasing child morbidity and mortality. The project's purpose is to increase the institutional capacity of the MOH and the MOW to deliver and sustain health and child survival services, and to increase the supply and utilization of these services at the community and family level. The project's purpose is expected to be accomplished through activities implemented under two components -- institutional strengthening and service delivery. Institutional strengthening activities will be accomplished through (a) provision of operational support, commodities technical assistance and training, (b) establishment of new positions for service delivery and management personnel, (c) training of Malawians to fill new positions, and (d) phased assumption by the GOM of the recurrent costs of these new positions and the expanded service delivery program. Service delivery activities will be accomplished through an extension of piped water schemes and hygiene education in rural areas throughout the country and through an increase in the number of trained health personnel at the community level.

The MOH's responsibilities include, among other things, creation of approximately 700 new positions, hiring and training of new staff, planning and implementation of a program for the assumption of the project's recurrent costs, and the implementation of a large scale service delivery project in collaboration with the MOW.

KPMG Peat Marwick performed an Agency-contracted audit of the Government of Malawi Ministry of Health (GOM/MOH) under the PHICS Project. The audit covered costs claimed by GOM/MOH from June 30, 1989 to August 25, 1992. The amount audited was \$604,674. The objectives of the audit were to:

- audit the MOH's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report, the use of funds in accordance with the grant;
- consider the auditee's internal control structure in order to determine the auditing procedures for the purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses; and
- test the auditee's compliance with the terms of the grant, as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance.

In their report on the Fund Accountability Statement, the auditors determined that the Statement was fairly presented except for questioned costs of \$10,711. The questioned amount was comprised of unsupported costs of \$6,397 and ineligible costs of \$4,314. The ineligible amount related to business class air travel by a GOM/MOH official.

The auditors noted no material weaknesses in the internal control structure and its operations. In regard to compliance, the auditors found that the GOM/MOH complied in all material respects with the provisions of the grant agreement.

The draft report was submitted to GOM/MOH and USAID/Malawi for comments. Their comments (Appendix I and II) are incorporated in the final report. In regard to the questioned ineligible amount, the Mission stated that USAID/Malawi records did not indicate that the air ticket was business class. Further, after the audit was completed, the auditee found documentation which showed that the ticket related to economy travel. In view of USAID/Malawi's explanations, RIG/A/N is not including the questioned ineligible costs in the Office of the Inspector General audit recommendation follow-up system.

In regard to the unsupported costs, the Mission stated that after completion of field work by the auditors, MOH provided original supporting vouchers for \$3,521 which were reviewed and accepted by the Mission. Therefore, RIG/A/N agreed to reduce the questioned unsupported

amount from \$6,397 to \$2,876 based on the Mission's determination of allowability. In their comments, the MOH claimed that they had located documents supporting \$4,614 of the unsupported costs of \$6,397 -- \$1,093 higher than the amount reported by the Mission. The Office of the Inspector General must use the Mission's determination that \$2,876 remains unsupported.

We are including the following recommendation in the Office of the Inspector General audit recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Malawi determine the allowability and recover as appropriate, questioned (unsupported) costs of \$2,876 from the Government of Malawi.

We consider the recommendation to be unresolved. The recommendation will be resolved when the Mission makes a final determination as to the allowability of the questioned amount. The recommendation will be closed when the Mission takes action appropriate to its final determination. Please respond to this report within 30 days indicating action planned or already taken to implement the recommendation.

Thank you for the cooperation extended to KPMG Peat Marwick auditors and the Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

AUDIT OF
MALAWI MINISTRY OF HEALTH UNDER
THE PROMOTING HEALTH INTERVENTIONS FOR
CHILD SURVIVAL PROJECT, GRANT AGREEMENT NO. 89-G-612-0231

ATTACHMENTS

AGENCY CONTRACTED AUDIT OF THE
GOVERNMENT OF MALAWI MINISTRY OF HEALTH
UNDER USAID/MALAWI PROMOTING HEALTH
INTERVENTIONS FOR CHILD SURVIVAL
PROJECT NO. 89-G-612-0231

AGENCY CONTRACTED AUDIT OF THE
GOVERNMENT OF MALAWI MINISTRY OF HEALTH
UNDER USAID/MALAWI PROMOTING HEALTH
INTERVENTIONS FOR CHILD SURVIVAL
PROJECT NO. 89-G-612-0231

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- II. Management Comments: USAID/Malawi.
- III. Analysis of Questioned Costs.

1. INTRODUCTION

1.1. Background

The goal of the Promoting Health Interventions for Child Survival (PHICS) Project is to improve the health status of rural Malawians with emphasis on decreasing child morbidity and mortality. The purpose of the PHICS project is to increase the institutional capacity of the Government of Malawi Ministry of Health (GOM/MOH) and the Government of Malawi Ministry of Works (GOM/MOW) to deliver and sustain health and child survival services, and to increase the supply and utilization of these services at the community and family level. The project's purpose will be accomplished through activities implemented under two components - institutional strengthening, and service delivery. Institutional strengthening activities will be accomplished through:

- provision of operational support, commodities, technical assistance and training;
- establishment of new positions for service delivery and management personnel;
- training of Malawians to fill new positions;
- phased assumption by the Government of Malawi (GOM) of the recurrent costs of these new positions and the expanded service delivery program.

Service delivery activities will be accomplished through an extension of piped water schemes and hygiene education in rural areas throughout the country and by increasing the number of trained health personnel at the community level. The PHICS Grant Agreement was signed on June 30, 1989 with the Government of Malawi Ministry of Finance. It is a \$20.4 million project implemented by the GOM through the GOM/MOH AND GOM/MOW. USAID/Malawi is to contribute \$17.9 million of the total funding and the GOM \$2.5 million worth of local currency and in-kind support. GOM/MOH's responsibilities include the creation of approximately 700 new staff positions, the hiring and training of new staff, the planning and implementation of a program for the assumption of the project's recurrent costs and the implementation of a large scale service delivery project in collaboration with the GOM/MOW.

1.2 Audit Objectives

Peat Marwick was contracted, under its Indefinite Quantity Contract (No.623-0000-I-00-2005-00), to perform an Agency contracted audit of the Government of Malawi Ministry of Health (GOM/MCH) under Promoting Health Interventions for Child Survival (PHICS) project Grant No. 89-G-612-0231 (The Grant), in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards" (1988 Revision). The principal objective was to determine whether disbursements by the auditee are adequately supported in accordance with the Grant and are allowable, allocable and reasonable.

With respect to the costs claimed, the objectives of the engagement were to:

- audit the auditee's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report the use of funds in accordance with the Grant;
- consider the auditee's internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses;
- test the auditee's compliance with the terms of the Grant, as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of non-compliance.

1.3. Audit Scope

The scope of our audit was limited to an examination of costs claimed by GOM/MOH. Our detailed audit scope is set out below.

(a) Audit Report on the Fund Accountability Statement

The audit covered costs claimed by GOM/MOH from June 30, 1989 to August 25, 1992. Total costs claimed amounted to US\$913,319, of which US\$604,674 was tested by Peat Marwick.

(b) Audit Report on GOM/MOH's internal control structure

The audit reviewed the internal control structure relevant to recording of receipts and disbursements by GOM/MOH under the Grant.

(c) Audit Report on GOM/MOH's compliance with the Grant

The audit report covered only GOM/MOH's compliance in respect of the Fund Accountability Statement under the Grant.

1.4. Restrictions on Audit Scope

Within the parameters stated above, there were no restrictions on our audit scope with the exception that we have not complied with Government Auditing Standard 3.46 regarding external quality control review. We do not however believe that this scope limitation had an adverse effect on our audit.

1.5. Audit Methodology

Peat Marwick conducted an initial survey of the accounting records of GOM/MOH from August 24, 1992 to September 21, 1992, at which time the selection of transactions for detailed testing was completed. Peat Marwick subsequently prepared its audit work program for approval by RIG/A/N, secured approval and performed the field work from October 26, 1992 to November 13, 1992.

The principal audit steps performed included:

- a review of the terms and conditions of the Grant, applicable standard provisions and regulations and other project documents as deemed necessary;
- a review of the auditee's internal control structure in order to assess the auditee's significant internal control policies and procedures;
- performance of detailed compliance, internal controls, and errors and irregularities (SAS 53 and 54) audit procedures to evaluate the auditee's compliance with the Grant, adequacy of the accounting system and internal controls, and to obtain reasonable assurance of detecting errors, irregularities and illegal acts;
- testing of receipt and disbursement transactions from the Fund Accountability Statement to determine the extent of non-compliance, unallowable or unallocable expenses and the effectiveness of internal controls.

1.6 Summary of Audit Findings

1.6.1 Audit report on the Fund Accountability Statement

Our report on the Fund Accountability Statement is set out in Section 2. As noted in section 2.2 there are questioned costs of US\$10,711. Our audit report states that the Fund Accountability Statement is fairly stated except for the questioned costs noted above.

1.6.2 Review of GOM/MOH's internal control structure

Our review of GOM/MOH's internal control structure is set out in section 3. Our report indicates that there are no reportable conditions as defined by the American Institute of Certified Public Accountants.

1.6.3 Review of compliance with the Grant

Our review of GOM/MOH's compliance with the Grant is set out in section 4. Our report notes no items of material non-compliance with the Grant.

1.7 Summary of Recommendations

	<u>Recommendation No.</u>	<u>Page No.</u>
Resolve questioned costs of US\$6,397	1	10
Resolve questioned costs of US\$4,314	2	11

1.8. Summary of GOM/MOH Management Comments

The response of GOM/MOH management to our audit report is attached in Appendix I.

GOM/MOH management advise that they have now located original documents to support US\$4,614 out of unsupported costs of US\$6,397.

In addition, they advise that the questioned business class air ticket is in fact an economy class air ticket and is thus allowable under the Grant.

1.9. Summary of USAID/Malawi Management Comments

The response of USAID/Malawi management to our audit report is attached in Appendix II. USAID/Malawi management advise that GOM/MOH have subsequently located a number of original documents for expenditures shown as unsupported in our report.

Secondly, management note that if US\$4,314 can be shown to have been used to purchase a business class air ticket, the difference between the cost of business class and economy class will be recovered against the next claim for reimbursement by GOM/MOH.

KPMG Peat Marwick

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2.

INDEPENDENT AUDITOR'S REPORT ON THE FUND
ACCOUNTABILITY STATEMENT OF GOM/MOH UNDER
USAID/MALAWI PROJECT GRANT NO. 89-G-612-0231

We have audited the Fund Accountability Statement for the period June 30, 1989 to August 25, 1992. This financial statement is the responsibility of the management of GOM/MOH. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States with the exception that we did not comply with Government Auditing Standard Section 3.46 regarding external quality control review. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also assesses the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the Fund Accountability Statement, this financial statement was prepared on a cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the Fund Accountability Statement of GOM/MOH for the period June 30, 1989 to August 25, 1992 is fairly stated on the above accounting basis with the exception of questioned costs of US\$10,711. Details of the questioned costs are set out in section 2.2 of this report.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the information of GOM/MOH and The Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date:

Nairobi 13 1992

2.1. Fund Accountability Statement of GOM/MOH under USAID/Malawi Grant No.89-G-612-0231 for the period June 30, 1989 to August 25, 1992

	<u>Notes</u>	<u>US\$</u>	<u>US\$</u>
<u>Receipts</u>	2		
Expenditure claims reimbursed by USAID/Malawi			913,319
<u>Payments</u>	3		
Training costs		545,937	
Commodities		17,280	
Operating expenses		<u>350,102</u>	
			<u>913,319</u>
Balance			- =====

2.1.1 Notes to the Statement

1. Basis of Accounting

The Fund Accountability Statement is prepared on a cash receipts and payments basis. As noted in notes 2 and 3 below, revenues and expenditures are recorded when cash is physically received or expended.

2. Revenues

Revenues represent expenditures reimbursed by USAID/Malawi.

3. Expenditures

Expenditures represent payments made by GOM/MOH for costs incurred under the Grant.

2.2 Fund Accountability Statement of GOM/MOH under USAID/Malawi
Grant No. 89-G-612-0231 for the period June 30, 1989 to
August 25, 1992 - Questioned costs

	Disbursements		Questioned costs		Reference
	Total Disbursed	Recommended For acceptance	Ineligible Disbursements	Unsupported Disbursements	
	US\$	US\$	US\$	US\$	
<u>Expenditures</u>					2.3
Training costs	545,937	539,335	4,314	2,288	Appendix III
Commodities	17,280	17,048	-	232	"
Operating expenses	350,102	346,225	-	3,877	"
	<u>913,319</u>	<u>902,608</u>	<u>4,314</u>	<u>6,397</u>	
Total Questioned costs			<u>10,711</u>		

2.3 Expenditures

Expenditures consist of payments made under the Grant for training costs, commodities and operating expenses.

Verification

1. For a sample of payments made by GOM/MOH reimbursed under the Grant, we performed the following work:
 - ensured that the payment was authorized;
 - ensured that the payment was adequately supported by originating third party documentation;
 - ensured that the payment was for purposes relevant to the Grant and was allowable, allocable and reasonable.

Results

1. Total questioned costs amounted to US\$10,711. An analysis of this amount is as follows:-

	US\$
Unsupported payments - original documentation missing	6,397
Ineligible expenditure - business class air travel	4,314

	10,711
	=====

A detailed breakdown of the relevant payment vouchers is included in Appendix III.

Recommendation No.1

We recommend that if the Government of Malawi Ministry of Health is unable to supply supporting original third party documents for the unsupported costs of US\$6,397, the amount should be deducted from the next reimbursement claim submitted by the Government of Malawi Ministry of Health to USAID/Malawi.

GOM/MOH Management Comments

Government of Malawi Ministry of Health management advise that they have now located supporting documents for US\$4,614 out of unsupported costs of US\$6,397.

Recommendation No.2

We recommend that if the Government of Malawi Ministry of Health is unable to provide justification for the claim for ineligible business class air travel, questioned costs of US\$4,314 should be deducted from the next reimbursement claim submitted by the Government of Malawi Ministry of Health to USAID/Malawi.

GOM/MOH Management Comments

Government of Malawi Ministry of Health advise that this air ticket was in fact an economy class ticket and hence is an allowable expenditure.

KPMG Peat Marwick

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3. INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE OF GOM/MOH UNDER THE USAID/MALAWI GRANT NO. 89-G-612-0231 (THE FINANCIAL STATEMENT)

We have audited the Fund Accountability Statement of GOM/MOH for the period June 30, 1989 to August 25, 1992 and have issued a report thereon dated November 13, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

In planning and performing our audit of the financial statement of GOM/MOH we considered GOM/MOH's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control structure.

The management of GOM/MOH is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:-

- controls over disbursements;
- controls over preparation of reimbursement claims;
- controls over cash management.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the information of GOM, MOH and The Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date: November 13, 1992

3.1. Introduction

3.1.1 Definition

American Institute of Certified Public Accountants (AICPA) Codification of Auditing Standards, section 319, defines an organization's internal control structure as consisting of the policies and procedures established to provide reasonable assurance that a specific entity's objectives will be achieved. The internal control structure is composed of three elements:

- . the control environment;
- . the accounting system;
- . control procedures.

The control environment reflects the overall attitude, awareness and actions of management. The accounting system consists of methods and records established to identify, assemble, analyze, classify, record and report transactions. Control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to safeguard the organization's resources.

We have classified the internal control structure of GOM/MOH on a functional basis, relating to the administration of the Grant as follows:-

- Controls over disbursements.
- Controls over preparation of reimbursement claims.
- Control over cash management.

KPMG Peat Marwick

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4.

INDEPENDENT AUDITORS REPORT ON GOM/MOH'S COMPLIANCE WITH THE GRANT

We have audited the Fund Accountability Statement of GOM/MOH under USAID/ Malawi Grant No. 89-G-612-0231 for the period June 30, 1989 to August 25, 1992 and have issued our report thereon dated November 13, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

Compliance with the Grant is the responsibility of GOM/MOH's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of GOM/MOH's compliance with certain provisions of the Grant. However, the object of our audit of the Fund Accountability Statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, GOM/MOH complied, in all material respects, with the provisions referred to in the preceding paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that GOM/MOH had not complied, in all material respects, with those provisions.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the information of GOM/MOH and The Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date

Nairobi 13, 1992

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MINISTRY OF FINANCE
P.O. BOX 30049
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REF. NO. USA/10/III

January 22, 1993

The Mission Director,
USAID,
P.O. Box 30455,
LILONGWE 3.

(Att: Mr. Amin)

Dear Madam,

USAID/MALAWI
RECEIVED
1993-01-22
Control's Office
Due Date:
Rev. Due Date:

AN AUDIT REPORT ON PHICS - MINISTRY OF HEALTH

In December, 1992 Peat Marwick submitted to this office two copies of the draft audit reports for the Ministry of Health and Ministry of Works. These reports were then passed on to these Ministries for their comments under cover of our letter Ref. No. 11/34/53/V of December 9, 1992.

2. We have received the Ministry of Health's observations on the audit report which are contained in the attached letter. We are still awaiting comments from the Ministry of Works.

Yours Faithfully,

J.M. Mhango

for:

SECRETARY TO THE TREASURY

Ref. No. ADM/13/32/2

KLB

14th December, 1992

FROM : THE SECRETARY FOR HEALTH, P.O. BOX 30377, LILONGWE 3.
TO : THE SECRETARY TO THE TREASURY, P.O. BOX 30049, LL 3.
CC : The Auditor General, P.O. BOX 30045, Lilongwe 3.

AN AUDIT REPORT ON PHICS - MINISTRY OF HEALTH (PROJECT
FUNDED BY USAID

I refer to your letter No. USA/10/111 dated 18th November 1992, in which you sought my comments on the draft audit report issued by USAID's external auditors - Peat Marwick.

My comments on the auditors' observations are:-

1. At the time of audit, payment vouchers worth MK28472.49 (US \$10711.31) could not be located. This resulted in the expenses being disallowed for lack of supporting documentation. Since then we have been searching for the missing vouchers. I am pleased to report that payment vouchers worth MK21808.18 have to date been located. A reimbursement claim will be prepared for submission to USAID in due course.

I however, regret to report that payment vouchers worth MK 6664.30 (US \$ 1783.06) have not yet been located. Efforts are underway to trace them. Once located, a reimbursement claim will be submitted immediately.

2. As regards an alleged business class air ticket for Dr. Wirima, I wish to present you with full and correct facts on the issues as per my findings:-

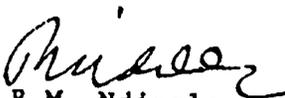
(a) The air ticket was issued for Dr. L. Chitsulo who travelled to New Orleans - USA. Enclosed for reference is a copy of the air requisition issued by Ministry of Health and an invoice from Air Malawi. It is therefore not correct that the trip was undertaken by Dr. Wirima.

(b) Upon enquiries from Air Malawi, I learnt that the charge of the air fare was not that of business but economy class. Since this was verbal communication, I have written to Air Malawi to provide me with a written confirmation. This will be my basis for the submission of a reimbursement claim to USAID.

- 2 -

(c) You may wish to note that Dr. L. Chitsulo is a P7 grade officer in the Civil Service. As such, he is not entitled to a business class air travel. You will note from the air requisition that no request was made specifically for a business class air fare.

It is my sincere hope that the missing payment vouchers will be traced for the timely submission of a reimbursement claim to the donor; so that the reductions of subsequent financial allocations due to the Ministry of Health, are avoided.


B.M. Ndisale
SECRETARY FOR HEALTH

25

COMMENT BY MINISTRY OF HEALTH MANAGEMENT

1. Payment vouchers worth MK 21808-18 have since been traced. A reimbursement claim will be submitted to USAID shortly. There is however, a balance of MK 6664-30 (US \$1783-06) worth of payment vouchers to be traced. Once located, a reimbursement claim will immediately be prepared for submission to USAID.
2. As far as air fare alleged to have been for Dr. Wirima, I wish to point out an anomaly for correction. The air fare was for Dr. L. Chitsulo's travel to New Orleans - U.S.A., and not for Dr. Wirima to Europe.
3. Dr. L. Chitsulo is a P7 grade officer in the Civil Service. The P7 rank is of lower class compared to that of Principal Secretary (P2). As such the officer was in no way entitled to a business class air fare. An air requisition for an economy class was issued in this respect. Enclosed is a copy of the requisition issued by Ministry of Health.
4. Air Malawi has verbally confirmed that US \$ 4314 was then the correct charge for an economy class return ticket to New Orleans U.S.A. I have however requested Air Malawi in my letter reference No. ADM/13/32/2 dated 15th December, 1992, copy enclosed to provide me with a written confirmation to this effect. Upon receipt of such confirmation, a reimbursement claim will be submitted to USAID.

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PHICS PROJECT AUDIT**MINISTRY OF HEALTH****USAID/MALAWI MISSION MANAGEMENT COMMENTS**

The comments presented below are in response to the recommendations made by Peat Marwick in the audit report.

1. USAID FMO reviewed the following original vouchers which were submitted by the PHICS Accountant subsequent to the departure of the auditors and appear to be properly supported costs:

<u>MOH Voucher Number</u>	<u>Amount (MK)</u>
1427	7,474.38
2149	825.52
2152	585.14
	<hr/>
	MK8,885.04

At MK 2.5233 = US\$3,521.20

These vouchers should be deleted from the report, and the amount of unsupported payments be reduced by \$3,521.00.

If GOM/MOH is unable to provide original documentation for the remaining MK8,700.34 within one month after the final audit report has been issued, USAID will follow Peat Marwick's recommendation and recover those costs from the next claim for liquidation of advance.

2. It has not been demonstrated that the ticket in question is in fact a business class air ticket. USAID records do not indicate that the ticket was business class. If the auditors can support this finding, USAID does not agree that the entire cost of the air ticket should be disallowed. If a business class ticket was purchased, USAID will recover the difference between a business class air ticket and an economy class ticket in the same manner described in comment 1 above.

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PHICS-GCM/MOH
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 ANALYSIS OF QUESTIONED COSTS

USAID VOUCHER NO.	DATE PREPARED	MOH PV NO.	AMOUNT MK	OPERATING EXPENSES MK	TRAINING MK	COMMODITIES MK	NARRATIVE
61211438	05/15/91	1417	10987.00		10887.00		Business class air travel
		1427	7474.38	7474.38			PV & documentation missing
		2149	825.52	825.52			PV & documentation missing
		2152	585.14			585.14	PV & documentation missing
			19772.04	8299.90	10887.00	585.14	
			=====	=====	=====	=====	
	At MK2.5233		US\$ 7835.79	3289.30	4314.59	231.89	
			=====	=====	=====	=====	
26120426	11/07/91	371	1620.00		1620.00		PV & documentation missing
		1509	1416.04	1416.04			PV & documentation missing
			3036.04	1416.04	1620.00		
			=====	=====	=====		
	At MK2.7816		US\$ 1091.47	509.07	582.40		
			=====	=====	=====		
26121085	02/04/92	2069	4832.00		4832.00		PV & documentation missing
			=====		=====		
	At MK3.2351		US\$ 1493.62		1493.62		
			=====		=====		
26120954	02/12/92	1954	583.20		583.20		PV & documentation missing
			=====		=====		
	At MK2.7578		US\$ 211.47		211.47		
			=====		=====		
26121442	05/01/92	8272	77.10	77.10			PV & documentation missing
		8353	172.00	172.00			PV & documentation missing
			249.10	249.10			
			=====	=====			
	At MK3.1545		US\$ 78.97	78.97			
			=====	=====			
TOTAL			US\$ 10711.33	3377.34	3682.08	231.89	
			=====	=====	=====	=====	

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