



PRESS RELEASE

RESPONSE TO ARTICLE "AUDIT REVEALS ABUSE AT MEC"

Introduction

The Malawi Electoral Commission wishes to clarify issues that were grossly misrepresented in a newspaper article, "Audit Reveals Abuse at MEC" which appeared in the Weekend Nation of June 20, 2015.

The article, based on a draft report leaked from the National Audit Office, claimed that a total of 55 audit queries totaling roughly K1 billion were unaccounted for the period 2008 to 2012 thereby raising fears that the money might have been abused.

The current Commission would like to state categorically that it is not answerable for issues arising from management of the 2009 elections. The current Commissioners were appointed on May 19, 2012 with the Chairman joining them on 9th October, 2012.

However, since the institution has perpetual succession, the secretariat remains responsible and would like to give an explanation on the issues that were misrepresented in the newspaper article and also inform the public about measures that have been in place to ensure financial prudence.

Reconciling old financial records

When the current Commissioners were appointed, MEC had just gone through two audits. The first one was by PriceWaterHouseCoopers (PWC) in 2010 that showed K1, 585,033,030.02 was not accounted for.

Following these revelations, Government shut down the MEC and instituted a forensic audit from December 2010 to April 2011 in order to come to the bottom of the unaccounted for funds. The audit was carried out by KPMG.

The forensic audit managed to reconcile about K1.1 billion of the K1.5 billion mentioned in the earlier audit report.

The remaining K467 million could not be reconciled because the auditors were unable to access relevant supporting documents. The documents could not be made available to the auditors because they had been mishandled by agents of the state namely the Anti-Corruption Bureau and the Fiscal Police when they were investigating reports of suspected fraud on MEC finance staff in 2009. The documents could hence not be traced. The members of staff who were arraigned were discharged by the competent court of law.

When this Commission was appointed, it directed the internal audit department of the Commission to carry out further reconciliations of the amount unaccounted for in the forensic audit. The Internal Audit Department managed to authenticate a further K106 million of the K467 million previously stated as unaccounted for. This was a major exercise and it could not continue as the Commission had now started activities leading to the 2014 tripartite elections.

The Commission is of the view that the audit issues are not an issue of fraud but just unavailability of accounting records due to reasons already stated.

The very same reasons that documents could not be found because they were mishandled are the same why it was not possible to present them to the NAO auditors.

Issues that are being raised in the report and subsequently in the news article were responded to. The documentation and explanations supporting transactions that are alleged to be missing were provided. To that effect there shouldn't be an issue raising allegations of financial mismanagement at the Commission.

Improving financial management

With the experience MEC had been through, the current Commission embarked on initiatives to strengthen internal financial controls and corporate governance and so far it has managed to:

- Set up an internal audit department headed by a director with five full time staff.
- Set up an Audit Committee headed by a Commissioner to which the Internal Audit Department reports.
- Initiate audits by private firms. Apart from audits by the National Audit Office, the Commission is audited by a private firm, Deloitte. It is anticipated that in December Deloitte will be conducting audit for 2014/2015 financial year. The purpose is that queries arising should be answerable by the responsible persons.

Travel allowances for Commissioners and staff for trips not undertaken in June 2012

When Commissioners were appointed they were supposed to go on study visits to Kenya and South Africa accompanied by staff. The trips were cancelled due to other circumstances after allowances had already been paid. It was arranged that when the trips would be rescheduled the Commissioners and staff would use the same allowances and only get a difference if need be. The trips were rescheduled and Commissioner Dr Bernard Malango and Ms Nkovole who were supposed to go to Kenya went to Zambia from 7 to 13 April, 2013. Also in the team to Zambia were Commissioners Dr Wellington Nakanga, Commissioner Mrs Nancy Tembo, former Commissioner Dr Bertha Simwaka and Mr Harris Potani. Commissioner Mrs Elvey Mtafu who was supposed to travel to South Africa took the trip from 24 to 30th September 2012 to the same country. This was explained to the auditors and it was dropped in subsequent draft audit report that National Audit Office provided to MEC.

There is also an allegation that other Commissioners and staff did not provide their passports for verification during the exercise. This is not true as the passports were provided. This issue was also dropped after the explanation.

On failure to account for nomination fees

For the 2009 the nomination fees were received at council level. It happened that some councils did not bring all the documentation when remitting their reports to the Commission. The auditors from the National Audit Office (NAO) were

given all the resources to go and verify in the councils and up to date MEC is waiting for their report on what they found out.

As a matter of fact, the analysis of the nomination fees from the districts, assumed that all nomination fees were paid at the districts. However, candidates for the DPP were paid for by Bineth Trust as a lump sum and their nomination fees could not therefore have come from the districts.

Related to this, the auditors also raised an issue on the refund of K19.1 million which MEC gave to Bineth Trust for the candidates who competed on the ticket of the Democratic Progressive Party (DPP). MEC clarified to them that the party paid K19.2 million for all its candidates through the Trust and that is why a refund for the candidates who qualified had to be made to the Trust.

Postponement of by-elections

The Commission would also like to clarify that the Local Government By-elections were not postponed because funding was exhausted but that we had not received funding for the by-elections. Funds for by-elections are requested separately.

Conclusion and advice

The Commission appreciates the role played by the media in promoting transparency and accountability but at the same time it expects the media and other professionals to be responsible. Issues raised in a preliminary audit report are not for public consumption until the final report, which is a public document, is out. This was explained to the author that the allegations being raised in the

report were clarified and dropped in subsequent reports therefore publishing them now could send false information to the public. The Commission also expects auditors to conduct themselves in a manner that does not erode the confidence clients have in them.

The Commission is assuring all stakeholders that it is committed to financial diligence and further urges those who might wish to seek clarification to contact the undersigned on ceo@mec.org.mw.

Dated at Blantyre this 25th day of June, 2015.

A handwritten signature in black ink, appearing to read 'Willie Kalonga', written in a cursive style.

Willie Kalonga

Chief Elections Officer