

National Audit Office Malawi

Report on Fraud and Mismanagement of Malawi Government Finances

Overarching findings - Covering transactions and controls in the six month period 1 April 2013 - 30 September 2013

Issued 25 September 2014

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**Baker Tilly Risk Advisory Services LLP
International Development Services**

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A copy of this report has also been made available to DFID as the funders for this review.

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Abbreviations

Detailed descriptions and explanations of terms and abbreviations relevant to this report are listed below. These descriptions and explanations serve to clarify our report and are not intended to be authoritative.

Abbreviation	Description
ACB	Anti-Corruption Bureau
AEDO	Agricultural Extension Development Officers
AGD	Accountant Generals Department
DFID	Department for International Development
DPP	Democratic Progress Party
FIU	Financial Intelligence Unit
FTC	Foreign Currency Transaction Certificate
GoM	Government of Malawi
GRN	Goods received note
GWAN	Government Wide Area Network
HR	Human Resources
IDEA	Interactive Data Extraction and Analysis
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPS	International Procurement Services
MCA	Malawi College of Accountancy
MDF	Malawi Defence Force
MK	Malawi Kwacha
MCP	Malawi Congress Party
MP	Member of Parliament
MPS	Malawi Police Service
MSRP	Manufacturer's Suggested Retail Price
NAO	National Audit Office of Malawi
NK	Not Known
ODPP	Office of Public Procurement
ORT	Other Recurring Transactions account
PFMA 2003	Public Finance Management Act 2003
PP	People's Party
PV	Payment Vouchers
RBM	Reserve Bank of Malawi
RSA	Republic of South Africa
Soft-Tech	Soft-Tech Consulting Ltd
STR	Suspicious Transaction Report
TI 2013	Treasury Instruction 2013
TP / RP	Top Prima / Rummage Pace
UK	United Kingdom

Appendices / Documents

1. Introduction

Baker Tilly Risk Advisory LLP (Baker Tilly) currently holds a framework contract to provide forensic and investigation audit services to the United Kingdom's (UK) Department for International Development (DFID). In October 2013 Baker Tilly was asked by DFID to provide forensic and system security audit services to the Malawi National Audit Office (NAO) following a request of support from the Government of Malawi (GoM) following the discovery of irregularities by staff of the Accountant General during a routine examination of the Budget Exception Report.

Further in-house investigations by the Accountant General revealed that significant amounts of government money appeared to have been misappropriated. The incident is widely referred to in the Malawi media as the 'cashgate' scandal.

In response to these apparent irregularities, through the Auditor General the GoM instructed a thorough forensic audit of suspected misappropriations for the months 1 April 2013 to 30 September 2013 to be completed to ascertain the facts behind these allegations. At the time of the request these misappropriations were understood to involve between 8 and 10 Ministries.

On the 21 February 2014 we reported on the findings and observations relating to the control framework that allowed cashgate to occur. We also reported on 16 cases handed over to the Auditor General for onward transmission to the Malawi Law Enforcement Agencies.

This report summarises our findings based on a total of 53 case files handed over to date, it is designed to assist the Malawi Law Enforcement Agencies understand the overall representation of the case files.

There is an assumed level of knowledge of the reader in the case files and processes operating in relation to this report.

This report should be read in conjunction with the case file. The case file figures take precedence over figures produced in this report.

This report should be read in conjunction with our report dated 21 February 2014 and the individual case files.

This report is not a document suitable for legal use and is drafted for informational purposes only further work will be required should there be a requirement for it to be relied upon in court or any other legal situation.

To limit the risk of prejudicing any current or future legal action this report is not for public release outside of the Office of the Auditor General and relevant Law Enforcement Offices of the Police and Anti-Corruption Bureau. This report comments on specific transactions, names and businesses including those where legal action is currently in progress, as such this report is provided to assist the Malawi Law Enforcement Agencies only. It does not state or imply that those included in this report have committed any crime.

Should this report in part or whole be made publically available Baker Tilly reserves the right to take legal action against any parties involved.

2. Background

In 2005 the GoM appointed Soft-Tech Consulting Limited (Soft-Tech), an EPICOR Limited software solutions technology partner, to implement an EPICOR based Integrated Financial Management Information System (IFMIS) for supporting budgeting, accounting and reporting. Over recent years the GoM has customised IFMIS to meet its own specific requirements across over 50 Ministries and government entities. IFMIS generates payments to suppliers entered onto the system. In turn cheques are raised for payment to suppliers and others which are then printed on Reserve Bank of Malawi (RBM) cheques. This function is currently centralized at the Accountant General's Department. All the payment vouchers, less the supporting documents from the various Ministries, are manually brought to the Accountant General's Department for verification before cheques are processed.

The IFMIS system is designed to enable the GoM to monitor its budget and cash position. However subsequent reviews have identified significant control weaknesses within the system. The GoM suspect that a number of perpetrators have exploited these weaknesses through collusion, resulting in financial loss to the government exchequer. In the latest episode, it is alleged that the perpetrators were able to transfer funds from the government bank accounts to the vendor accounts for goods and services that were never supplied and then to delete these transactions from the IFMIS system. It is claimed that the system was manipulated to release funds without lawful authority, create and approve unauthorised payments, issue cheques through the Accountant General's Department and transfer funds into supplier accounts without authorisation.

The preliminary audit work completed by the GoM revealed that, within IFMIS, a significant number of transactions had been deleted. To quantify the extent of these deletions and identify how the internal control failures occurred, the Accountant General commissioned Soft-Tech to complete an investigation. The outputs of the Soft-Tech report have been relied upon, in part, to inform our work.

At the same time the Auditor General instructed that a comprehensive review covering transactions and IFMIS related controls between 1 April 2013 and 30 September 2013 review be undertaken and that this should include deleted transactions.

In February 2014 Baker Tilly issued a Forensic Audit Report on Fraud and Mismanagement of Malawi Government Finances that found MK 13,671,396,751 of GoM funds had been

identified as potentially lost to fraud. Using defined testing criteria identified from analysis of 11 of the main GoM bank accounts. The review identified both 'cashgate' and none cashgate transactions. None cashgate are noted as transactions that related to unsupported payments and poor procurements.

The Soft Tech report prepared in November 2013 identified 48 'cashgate' cases. At the time of our initial report dated 21 February 2014 we handed over 16 completed investigation files to the Auditor General for onward transmission. Further work commenced on the completion of the remaining 32 'cashgate' cases and reviewing five additional cases. It should be noted a further six cases are under investigation. However these do not relate to cashgate cases.

This report is supported by case files pertaining to individuals or businesses where questionable transactions and potential criminal activity has been identified and have been referred to the relevant Law Enforcement Agencies through the Auditor General's office.

3. Scope of the Review

The Baker Tilly review team has operated in Malawi since commencing the assignment in October 2013. During this period we have interacted with key stakeholders including the Auditor General, Accountant General, RBM, Soft-Tech, Anti-Corruption Bureau (ACB), Financial Intelligence Unit (FIU), the Police, the International Monetary Fund (IMF) and a number of interested donor and Ministries' representatives. Various stakeholders are represented on the Reference Group, chaired by the Auditor General, which was formed to share information, to enhance uniformity and to limit any duplication of investigation work.

The agreed scope of the work required us to:

- Follow the money in various bank accounts through which funds may have flowed;
- Identify all entities that may have received such funds, including vendors who may have been paid without supplying legitimate goods and services, and in case of businesses, their owners, shareholders, directors, etc;
- Identify, if false, forged or fraudulent supporting documents and accounting entries in the books and records (including IFMIS) of Ministries;
- Identify, quantify and evidence alleged misappropriated funds;
- Provide factual information that can be utilized in support of any possible litigation process to re-claim funds that were inappropriately paid during this period, as well as for any civil or criminal prosecution of entries involved, if the government so decides;
- Identify failures and weaknesses in internal controls, including failures within procurement system, that led to these breaches and provide recommendations and suggested actions to strengthen controls and mitigate future risks; and
- Provide suggested actions to strengthen any other procedures as may be agreed.

We have undertaken work to understand the position of the GoM bank account structure and how these accounts link to the Ministries.

The audit did not focus solely on the deleted transactions identified in the Soft Tech report but extended its scope to consider payments made through the GoM's main 11 bank accounts including MG1 account, and included selecting a sample of those transactions for further testing. It did not consider the other 529 accounts held by the GoM.

Our initial data assessment considered the bank account statements for the period July 2012 to September 2013, profiling a total of 368,526 transactions. This data allowed the

audit team to consider patterns and trends of deposits, withdrawals and adjustments to inform the transaction selection for the auditable period of April 2013 to September 2013. Where available, and appropriate, the period for October 2013 has also been included.

A further risk assessment was undertaken based on selected criteria; this assessment identified a judgemental sample of 501 transactions. We obtained cheque images for these transactions and collected data and evidence to allow a secondary risk assessment to be undertaken. The transactions, identified in the Soft-Tech report as deleted from IFMIS, were also considered.

The audit trail for each transaction has been recreated by tracing the corresponding IFMIS cash book entry, obtaining scans of the signed cheques identifying the cheque signatories and locating any third party supporting documentation.

A review of the IFMIS deleted transactions has been completed and matched against payments made from the GoM bank accounts. It should be noted that not all of the deleted transactions have been cleared through the banking system and therefore some remain unpaid.

We have undertaken an IT forensic review and an IT security review. These are reported separately.

4. Limitations

This report is of the use of the Malawi Law Enforcement Agencies only. It is designed to assist in their investigations. It does not suggest wrong doing and should be used in conjunction with other evidence.

This report is not suitable for use as court evidence and is for informational purposes only.

The findings expressed in this report are based on the documents and explanations provided to us. Should further information become available, we reserve the right to modify our findings where necessary and acknowledge that we have a duty to do so.

Insofar as this report refers to matters of law, it should not be taken as expressing any formal opinion whatsoever.

This report is based on the facts established from documentation provided by the various representatives of the GoM, RBM, various commercial banks, individuals and funding recipients interviewed. Where appropriate we have made reference to additional information and explanations obtained during the course of this review.

We have accepted the various documents provided for what they purport to be and we did not enquire into the authenticity unless we had cause to do so.

Our assessment is based on the documents provided by representatives of the various ministries and departments of the GoM, RBM, various commercial banks, individuals and funding recipients interviewed. Electronic scanned copies of original documents are available should they be required.

There are documents and information that may exist which we have been unable to locate, were not handed to us or were not provided in the time that was available to us.

As part of the audit methodology, sampling techniques have been used and as such we cannot provide assurance that the procedures applied detected all potential anomalies or irregularities.

Neither Baker Tilly nor any of the entities within the Baker Tilly Group acts as accountant or statutory to any party to the claim. Except where specified, we have carried out no audit or

verification work in relation to the information on which we have relied. This review does not constitute a statutory or external audit of the records maintained by any party.

The focus of our work related to the funds managed by the Government of Malawi, unless necessarily required otherwise. We did not consider other donor funds.

This report may contain information of a personal nature, consideration should therefore be given to restrictions in its release.

This report cannot be made public without the express permission of the Auditor General and Baker Tilly Risk Advisory Services LLP.

The audit sample of 501 transactions has been selected based on our risk criteria and does not include all transactions that the GoM processed between 1 April 2013 and 30 September 2013.

With the exception of the Baker Tilly team we are not aware that any other members of the Reference Group having signed the agreed confidentiality agreement presented to the Reference Group to limit disclosure of information during the audit process.

We have been subjected to varying degrees of commitment from bodies required to provide supporting information, to the extent of a perceived cooperation being offered by some bodies.

We have requested confirmation from the relevant bodies that all information has been provided. Where no response or communication is received we have assumed it is complete. To date not all requested information has been provided by the various bodies we interacted with.

We reiterate that to limit the risk of prejudicing any current or future legal action this report is not for public release outside of the Office of the Auditor General and relevant Law Enforcement Office of the Police and Anti-Corruption Bureau. This report comments on specific transactions, names and businesses including those where legal action is currently in progress, as such this report is provided to assist the Malawi Law Enforcement Agencies only. It does not state or imply that those included in this report have committed any crime

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5. Procedures Performed

We obtained the electronic bank data for the GoM's main bank accounts with particular reference to those linked to the deleted transactions. We profiled the income and expenditure over the six month period selected for review to gain an understanding of the profile of Government spend and to identify high risk areas to target. This exercise was complemented by an analysis of the 2012/13 approved estimates of expenditure for the recurrent and capital budget for the Government in order to identify the relative size of each Ministry or Department's budget.

The electronic bank data for the Government's main bank accounts was extracted from the RBM financial system by RBM staff under the supervision of members of the audit team.

The electronic bank data extracted covered an 18 month period, and included the following GoM bank accounts; Malawi Government Account Number 1 (MG1), Development Phase II account, Other Recurrent Transactions Account, Statutory Expenditure Account, Advances Account, Deposit Account, the Accountant General – Northern Region Other Recurrent Transactions Account, the Accountant General - Southern Region Other Recurrent Transactions Account and the Accountant General - Eastern Region Other Recurrent Transactions Account.

We were initially provided with bank statements by the RBM in electronic format whose extraction was not independently supervised by the audit team. In addition we requested extraction of the same data under supervision.

A review of the electronic bank data extracted under supervision was completed and two types of transactions selected for the test sample; all payments greater than MK 90m and duplicate payments of value between MK 12.5m and MK 90m. Emphasis was placed on these types of transaction to enable us to better understand how the Government spent the majority of its funding and to look for possible duplicate payments, the latter being common indicators of potential misuse of funding. This exercise identified a significant number of bounced cheques, adjusted, reversed and duplicated transactions.

This sample (referred to henceforth as the '501 sample') included a number of different types of payments including cheque withdrawals, cheque deposits, and foreign currency transactions. A number of these payments are the aggregated total of a number of smaller payments.

Documentary evidence to support the payments was obtained from the RBM including images of the front and backs of cheques from the bank's information hosting system as well as cheque signatory information. A number of the transactions selected were electronic fund transfers or adjustments and, although cheque images were not available, other supporting documents were provided by different departments within the RBM. Where possible screen shots of transactions were also taken to provide a complete audit trail showing which bank employees had reviewed, approved and authorised the payments. A similar exercise was undertaken for the deleted transactions identified by Soft-Tech.

Information was obtained from the FIU; ACB and Police. The FIU provided monthly spread sheets showing large payments and international electronic funds transfers by the majority of the Malawi commercial banks.

To support the audit sample matching cashbook and other associated reports were extracted from the GoM's financial system, IFMIS. Extracts were obtained of the cashbooks for all the relevant Government Ministries and Departments for the two financial years relevant to our sample (2012/13 and 2013/14). Our request for unrestricted user account access met with unnecessary delays impacting on our planned timetable.

The Office of the Director of Public Procurement (ODPP) provided a comprehensive list (in contract number order) of all of the contracts for goods, services and works approved by the ODPP since July 2012 to date. The information provided included the procuring entity, method, date, item, description, value, supplier and contract type.

Based on a judgemental sample of the 501 transactions we identified 352 transactions of interest informed by factors such as value, company name, date of transaction, payment method, and bank.

Working with the commercial banks we obtained bank account opening documents (bank mandates), bank statements and, where necessary, cheque scans or other supporting documents. Eleven commercial banks in Malawi were visited and served initially with letters, and later subpoenas, from the Auditor General requesting this data. The audit sample also included payments to a number of international banks who reside outside the legal jurisdiction of Malawi and have therefore not been contacted to provide information.

The information collected supported the development of a comprehensive database to track payments from IFMIS through the RBM to the commercial banks. The database includes the signatories of the original Government cheque, the recipient company and the bank account where the funds were paid in to. In the majority of cases for the deleted transactions funds have been withdrawn from the company bank accounts and supporting cheques and evidence of the individuals who withdrew the cash has been obtained.

We visited various Government Ministries and Departments to try and obtain the invoices, receipts, contracts and other supporting documents provided by suppliers. In instances where no supporting information could be provided the suppliers of the goods, services or works were visited and asked to provide the necessary paperwork justifying why they had received Government funds.

Interviews were undertaken and supporting information was requested from various suppliers. In the vast majority of cashgate cases no or limited supporting documents could be provided.

We worked closely with the Malawi Revenue Authority (MRA) to confirm imports of goods into Malawi.

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6. Quantification of loss to the GoM

6.1. Introduction

In February 2014 Baker Tilly issued a Forensic Audit Report on Fraud and Mismanagement of Malawi Government Finances that found MK 13,671,396,751 of GoM funds had been lost to fraud. This amount was based upon 16 high value cases related to 'cashgate' and unsupported payments / poor procurement.

Initial scoping work using the Soft Tech report identified 66 cases of which 48 related to cashgate, five related to additional cases identified from analysis of 11 of the GoM main bank accounts and three cases were duplicates¹. A further ten cases remain of which six cases are classified as high risk and identified as requiring further work. These are not cashgate related and the values at risk have not as yet been identified. On the four remaining cases we recommend no work is done. A summary of the status of the 66 cases is shown below:

No.	Detail	Amount	Amount %
1	Cashgate cases	48	73%
2	Additional cases identified from main 11 GoM bank accounts	5	8%
Total cases handed over to date		53	80%
3	Duplicate cases	3	5%
4	Six cases where further work required	6	9%
5	No further work required	4	6%
Total cases initially identified		66	100%

To date 53 files (48 'cashgate' and 5 additional cases) have been handed to the Auditor General for secure onward transmission to the law enforcement agencies. Our files

¹ Please note the Soft Tech report highlighted 72 cases of which 10 were duplicates and 14 were deemed to be accidental deletions due to their proximity to the cashgate cases. No further work was completed on these 14 cases.

contribute to the investigation and prosecution process and do not replace it. They are provided for informational purposes.

The first case was handed over in February 2014 and a summary of the dates the 53 cases were handed over is shown below:

File No.	File handed to NAO	Month of hand over	No. of files
1 to 5	27/02/2014	Feb-14	5
6 to 10	26/03/2014	Mar-14	5
11 to 14	24/04/2014	Apr-14	4
15 to 17	25/04/2014	Apr-14	3
18 to 20	30/04/2014	Apr-14	3
21 to 25	12/05/2014	May-14	5
26 to 28	14/05/2014	May-14	3
29 to 36	01/07/2014	Jul-14	8
37 to 39	02/07/2014	Jul-14	3
40 to 45	30/07/2014	Jul-14	6
46 to 47	01/08/2014	Aug-14	2
47 to 53	03/09/2014	Sep-14	6
Subtotal			53
54 to 59	To complete	Not known	6
60 to 63	N/a	N/a	4
64 to 66	Duplicates	Duplicates	3
Total			66

This report summarises the findings of the 53 cases files identified from analysis of 11 of the main GoM bank accounts.

A summary of the losses identified to date based on the 53 cases files handed over is shown below. It is likely that if the six remaining cases are reviewed that the total loss figure will rise:

No.	Description of ineligible expenditure	Feb-14 Amount MK	Add. Exp MK	Sep-14 Amount MK
1	Cashgate related deleted transactions	6,096,490,705	817,896,023	6,914,386,728
2	Cashgate related not deleted transactions	-	1,303,517,064	1,303,517,064
3	Inflated procurement prices / overpayment	3,619,539,979	233,223,617	3,852,763,596
4	Payment no supply	-	1,921,028,000	1,921,028,000
5	Overpayment (due for immediate recovery)	-	1,012,542,267	1,012,542,267
6	Scania Buses	-	520,000,000	520,000,000
	Ineligible expenditure	9,716,030,684	5,808,206,971	15,524,237,655
7	At risk no supporting evidence provided	3,955,366,067	564,267,679	4,519,633,746
8	At risk overpayment	-	332,587,198	332,587,198
	At risk expenditure	3,955,366,067	896,854,877	4,852,220,944
	Totals	13,671,396,751	6,705,061,848	20,376,458,599
9	At risk (FTC bounced transfers) Further supporting evidence required	-	3,915,007,791	3,915,007,791
	At risk further evidence required	-	3,915,007,791	3,915,007,791

This summary table shows that the total loss suffered by the GoM has increased from MK 13,671,396,751 to MK 15,524,237,655.

The increase in the total identified loss figure relates to:

- An increase in the number of original Cashgate cases subject to comprehensive review, from 16 to 48. This is because those businesses receiving the highest value cheques were targeted first in the original report. We have now reviewed other companies:
- Confirmed valuation of overpriced items with insufficient evidence provided;

- Payments in respect of Scania Buses.
- Payments made for goods and services where no supply could be confirmed; and
- Payments made to the same supplier more than once for what appears to be the same invoice.

We have identified MK 8,767,228,735 we have classified as 'at risk'. This figure includes:

- Foreign currency transactions where the payment would seem to have been returned due to incorrect account information though we should stress that foreign currency differences make understanding the accurate position challenging. At this stage insufficient evidence has been provided to enable us to confirm if these payments are valid and/or correct;
- Payments made by the Malawi Police Service to two companies which were outside the scope of the review. However the similar nature of goods and descriptions on invoices would suggest that these transactions should be subject to further investigation as they may be irregular;
- Goods or services supplied where the values paid would seem to be overvalued. In this context as insufficient evidence has been made available to enable us to accurately value the loss we have conservatively estimated the at risk amount to be 50% total contract value; and

We strongly recommend that a number of payments and procurements made by the Malawi Defence Force and by the Malawi Police Force require further comprehensive audit work to be undertaken, at the earliest opportunity, in order to verify whether an amount of MK 4,519,633,746 has been misappropriated.

6.2. Cashgate related deleted transactions

Audit work found 104 GoM cheques totalling MK 6,914,386,728 were paid to 39 different companies but no goods, services or works were provided in return. Soft Tech identified that accounting entries for these transactions had been deleted from IFMIS. A list of the 39 businesses that received cashgate funds and how much they received is attached at **Appendix 1**. The highest value cheque was MK 408,768,000 paid to IPS and the lowest value cheque was for MK 7,395,431 paid to Hardline Construction Company. The average 'cashgate' cheque value was MK 66,484,489.

It should be noted that the Soft Tech report identified 48 companies that may have received cashgate funds in total. Following a review of the bank statements for all these companies

(where they be obtained) it was found that nine companies did not bank any cashgate cheques.

These nine companies were D&M Furnishings, Cool Curtis Engineering, Mahembe Civil Engineering, Mweni Civil Engineering Contractors, Hamak Cool Care, Jedi's Enterprises, Kalonga Wholesalers, Inspiron Technology and Scotch Fix Services. Two of these companies (Mahembe Civil Engineering and Mweni Civil Engineering Contractors) did however receive payments that the audit team consider ineligible but these do not appear to be 'cashgate' related.

6.3. Cashgate related not deleted transactions

Audit work identified 32 cheques amounting to MK 1,302,917,064 that were paid to 18 different companies which bore the characteristics of 'cashgate' cheques and for which no supporting evidence could be located. The accounting entries for these transactions were not deleted as per the Soft Tech report. Details of these transactions are attached as **Appendix 2**.

Scrutiny of these 32 cheques shows the largest cheque payment was MK 349,568,231 to Image Investments, the lowest cheque payment was MK 216,795 to Vhaima General Dealers and the average cheque value was MK 40,716,158.

6.4. Inflated procurement prices / overpayments

The report issued in February 2014 originally identified MK 7,574,906,046 as being unsupported payments or losses arising from poor procurement practices. These loss types have now been split into further categories to better reflect the nature of the transactions. More details are provided later in this report. For the purpose of this report and based on independent price verification MK 3,852,763,596 has been allocated to inflated procurement prices and overpayments.

6.5. Payments where no supply has been made

MK 1,921,028,000 has been identified that relates to payments made where there is no evidence either internally or by third party of any supply.

6.6. Overpayment s

Payments for invoices for goods and services that have been duplicated and paid more than once should be subject to immediate recovery. Action should be taken to recover payments, valued at MK 1,012,542,267, with immediate effect.

6.7. Scania Buses

The value includes an unauthorised payment to Automotive Products for MK 520,000,000 in relation to six Scania buses.

6.8. Other items of interest (RP/TP, IPS and Thuso)

Our audit work involved reviewing 11 of the largest GoM bank accounts for high value and duplicate payments. Audit work undertaken identified MK 16,639,897,577 paid to six different companies which on the basis of the paperwork reviewed and explanations provided by GoM civil servants we have classified as ineligible. The details of these transactions are attached as **Appendix 3**.

6.9. Unpaid cashgate related deleted transactions

Audit work found 22 payments totalling MK 1,185,657,562 allocated to 15 different companies where the accounting entries had been deleted but the cheques (if they were printed) were never banked. The reason for these cheques not been cashed is not known but as they were not banked the loss to the GoM is potentially MK 1,185,657,562 lower than it could have been. Details of these cheques is attached at **Appendix 4**.

7. Review of ‘cashgate’ cheques

7.1. Introduction

An examination of the ‘cashgate’ cheques found a number of trends and patterns.

7.2. Commercial Banks

The 104 ‘cashgate’ cheques were paid into at least ten different commercial banks throughout Malawi with the highest amount deposited in Standard Bank (49 %). In comparison the lowest amount (<1%) was deposited into OIBM. The table below shows the total amount deposited into each of the commercial banks and how many different businesses deposited funds in these banks:

No.	Commercial Bank	No. of cheques	No. of businesses	Amount MK	Amount %
1	Standard Bank	22	10	3,350,446,701	48.5%
2	National Bank of Malawi	28	12	970,620,798	14.0%
3	FDH Bank	8	4	898,276,664	13.0%
4	NBS Bank	8	4	567,217,570	8.2%
5	Nedbank	13	8	452,989,065	6.6%
6	First Merchant Bank	14	4	325,225,017	4.7%
7	Indebank	6	4	193,018,604	2.8%
8	Malawi Savings Bank	2	1	46,547,383	0.7%
9	Ecobank	1	1	44,520,683	0.6%
10	Opportunity International Bank of Malawi	1	1	42,656,788	0.6%
11	NK	1	1	22,867,454	0.3%
		104	50	6,914,386,728	100.0%

Note: The number of businesses is greater than 38 as some businesses had more than one bank account and these were held with different banks.

A review of this data shows 22 cheques from 10 different businesses were banked at Standard Bank representing 49% of the ‘cashgate’ funds. Analysis of the cheques deposited into Standard Bank shows the majority of this amount relates to two businesses being; IPS and O&G Constructions who received MK 1,860,584,273 and MK 1,140,738,209, respectively. These amounts total MK 3,001,322,562 which is 43.4% of the total ‘cashgate’ cheques. Both businesses are owned by Oswald Lutepo. Internet searches suggest Oswald Lutepo was previously the Deputy Director of Recruitment and Sensitisation for the People’s Party in Malawi.

The second and third highest amounts were deposited in to NBM and FDH Bank which received MK 970,620,798 and MK 898,276,664, respectively. NBM was also the bank in which the highest number of cashgate cheques were deposited (28 out of 104) and the bank with which the highest number of businesses who were recipients of cashgate cheques held bank accounts (12 out of 39).

The three banks which received the most were Standard Bank, NBM and FDH Bank who between them received MK 5,219,344,243 (75.5%) of all the cashgate funds. The remaining 24.5% was split between at least seven different banks.

It was noted during the evidence gathering phase of the audit that NBM, the bank in to which the second high amount of cashgate cheques was deposited were unable to provide five² of the 13 bank mandates requested from them. It is not clear if this was an attempt to block our work or relates to poor record keeping and ineffective internal controls operating within the NBM.

² D&M Furnishings, Clive Engineering, WG Construction Limited, Walusako General Dealers and Mundikhumbengi Building Contractors

7.3. Businesses

A summary of the ten businesses which received the highest amounts from the 104 cashgate cheques is shown below and detailed breakdowns showing all the businesses are attached at **Appendix 5** (in alphabetical order) and **Appendix 6** (in value order):

No.	Businesses	Bank	Amount	
			MK	%
1	International Procurement Services	Standard Bank	1,860,584,273	26.9%
2	O&G Construction	Standard Bank	1,140,738,209	16.5%
3	Stadal Building Contractors	FDH Bank	729,461,523	10.5%
4	Dan Civil Engineering and Building Contractors	NBS Bank	401,088,916	5.8%
5	Ziuya Construction	FMB / NBM / MSB	283,539,967	4.1%
6	Mzenga Construction Company	FMB / NBM / Nedbank / NK	196,791,135	2.8%
7	Kanengo Building Contractors	NBM	195,151,333	2.8%
8	QST Projects	FMB	189,247,244	2.7%
9	Mwendayekha Building Contractors	FMB / NBM / NBS	186,336,000	2.7%
10	Hury Civil Engineering Contractors	Standard Bank / Nedbank	173,613,570	2.5%
1-10 Highest 10 businesses per cheque amount			5,356,552,169	77.5%
11-39 Remaining 29 businesses			1,557,834,559	22.5%
Total of all 39 businesses			<u>6,914,386,728</u>	<u>100.0%</u>

The ten highest recipients businesses received MK 5,356,552,249 which is equivalent to 78% of the total 'cashgate' funds.

The highest amounts were paid to IPS and O&G Construction both of which are owned by Oswald Lutepo, followed by Stadal Building Contractors owned by Stafford Mpoola. These three businesses received a total of MK 3,730,784,085 being 54% of the total value of the cashgate cheques.

8. Review of 'procurement fraud' payments

8.1. Introduction

In addition to the cashgate businesses, the bank statements of the main 11 GoM bank accounts were reviewed for high value and duplicate payments. A number of payments with these characteristics were noted as paid from the Malawi Defence Force (MDF) bank account and flagged up for review. These payments met the pre-determined audit criteria for sample testing large payments (> MK 90m).

Audit work identified 17 payments totalling MK 16,639,897,577 to six businesses where none or a limited amount of the goods paid for were provided. The accounting entries for these transactions were not deleted from IFMIS but on the evidence provided these payments defrauded the GoM. A summary of these transactions and the GoM civil servants who signed or approved the payments is shown below:

No.	Chq Date	Chq No.	Payee	Sig 1	Sig 2	Sig 3	Sig 4	Sig 5	Sig 6	Sig 7	Amount MK
1	23/07/2013	215985	IPS	-	RC	HC	CK	-	-	-	238,842,475
2	23/07/2013	215986	IPS	-	RC	HC	CK	-	-	-	339,015,000
3	23/07/2013	215987	IPS	-	RC	HC	CK	-	-	-	466,000,000
4	NK	NK	IPS	NK	NK	NK	NK	NK	NK	NK	32,707,375
5	01/08/2013	210220	IPS	-	RC	HC	CK	-	-	-	180,000,000
6	01/08/2013	210219	IPS	-	RC	HC	CK	-	-	-	220,000,000
7	20/08/2013	210714	Thuso Group	HO	RC	HC	-	-	-	-	460,000,000
8	20/08/2013	210715	Thuso Group	HO	RC	HC	-	-	-	-	460,000,000
9	28/08/2013	NK	Thuso Group	NK	NK	NK	NK	NK	NK	NK	1,001,028,000
10 to 14	Various	Various	TP / RP	NK	NK	NK	NK	NK	NK	NK	12,205,540,498
15	04/09/2013	28210	Automotive Products					AM	CM	RN	520,000,000
16	22/05/2013	16886	Image Investments					AM	CM	RN	349,568,231
17	22/05/2013	16887	Image Investments					AM	CM	RN	167,195,998
16,639,897,577											

8.2. Visual Impact

Visual Impact is owned by Letus and Tressa Senzani and received MK 63,542,083 from the GoM but did not provide any goods, services or works in return. Tressa Senzani was the previous Principal Secretary of the Ministry for Wildlife, Tourism and Culture for the GoM. The amount of MK 63,542,083 was paid via two cheques signed by Auzius Kazombo Mwale, Clemence Madzi and Roosevelt Ndovi.

8.3. International Procurement Services

IPS is owned by Oswald Lutepo and received MK 1,043,857,475 via three cheque payments from the GoM via the MDF. In discussions with General Henry Odillo, the Commander General of the MDF at the time, he stated the MDF did not receive any goods, services or works in regards to at least MK 805,015,000 of this amount. Further work is required to confirm the legitimacy of the remaining MK 238,842,475. MK189,271,725 has been highlighted as 'at risk'. Examination of the cheque signatories shows all three cheques were signed by the same three people being; Richard Chidzungu, Harry Chawinga and Clement Kafuwa. Harry Chawinga is the Director of Finance at the MDF and Clement Kafuwa is the Deputy Defence Force Commander. Richard Chizungu's role is not known.

Two further cheques totalling MK 400,000,000 were also found to have been paid to IPS from the MDF with no supporting documents proving evidence of supply available for review. These two cheques were both signed by Richard Chidzungu, Harry Chawinga and Clement Kafuwa. In addition an invoice payable to IPS for MK 32,707,375 appears to have been paid twice.

8.4. Thuso Group

Thuso Group received MK 920,000,000 in August 2013 from the MDF for 5,000 rounds of 88mm blank ammunition. No evidence to show the 5,000 rounds were delivered could be provided by the MDF and a price comparison exercise found the unit prices to be inflated by at least 2.33 times the average market price of the goods. Following receipt of the MK 920,000,000, an amount of MK 480,000,000 was paid to IPS. Similar no evidence of goods, services or works being supplied in return for this payment could be provided and the majority of the funds were withdrawn in cash once deposited into IPS.

During the audit, paperwork was provided that showed a further payment of ZAR 30,000,000 (equivalent to MK 1,001,028,000) was made on 28 August 2013 to Thuso's Standard Bank account in South Africa. Similarly no evidence of the supply or delivery of the goods for this payment could be provided by the MDF.

The two cheques totalling MK 920,000,000 were both signed by General Henry Odillo, Richard Chidzungu and Harry Chawinga. The request for externalisation of funds for ZAR 30,000,000 was sent to the Accountant General on 21 August 2013 and signed by General Henry Odillo and Harry Chawinga.

Internet searches show General Henry Odillo was the Commander of the MDF³. He was appointed as Commander of the Malawi Defence Force in July 2011 and prior to this appointment he served as Malawi's military attaché at Malawi's High Commission in London.

The files provided by MDF contained no correspondence indicating any legal advice had been sought to assist in reclaiming the amounts paid of MK 920,000,000 or ZAR 30,000,000 from Thuso Group or that any action has been taken to prohibit them acting as a GoM supplier in future.

Furthermore, no evidence of these two transactions being flagged up in the Suspicious Transactions Reports normally sent to the Financial Intelligence Unit (FIU) by either the RBM or Standard Bank was viewed. Given the high value and duplicate nature of these cheque payments we would have expected the internal control systems in both the RBM and Standard Banks to have been flagged these payments for review.

8.5. Top Prima

Documentation made available to the audit team suggests the GoM made at least 14 payments to two businesses called Top Prima and Rummage Pace (TP / RP). These payments total an estimated USD \$ 50,788,572.45 (MK 14,588,265,488.39) as shown in **Appendix 8**. It should be noted actual payment relating to four of these documents can either not be traced to the Malawi Government Account or relate to returned FTCs caused by incorrect banking information.

An initial request to clarify the situation with the RBM resulted in conflicting responses, at the time of the case file handover this point has not been confirmed as such four transactions to the value at MK 3,915,007,791.20 will require further investigation and has been classified as 'at risk FTC Bounced Transfers' this includes two payments one to Bank of India and one to Hang Seng Bank Limited where the same FTC number has been quoted.

³ http://en.wikipedia.org/wiki/Henry_Odillo (accessed on 4 June 2014)

The remaining confirmed payments obtained from Foreign Currency Transfer Forms notes total MK 10,673,257,697.19 and were paid by the Malawi Defence Force (MDF) and Malawi Police Service (MPS) as follows:

Company	MDF MK	MPS MK	Total MK
Top Prima	3,434,665,168	1,955,339,006	5,390,004,174
Rummage Pace	2,544,374,811	2,738,878,712	5,283,253,523
Total	5,979,039,979	4,694,217,718	10,673,257,697

No work has been undertaken on the payments to MPS as these were considered out of scope. We observed that the payments relate to Parka Jackets, Riot Control Equipment and Combat Uniforms. A similar payment is noted for Anti-Riot gear funded by MDF for a similar value both benefiting Rummage Pace. It should be noted the MPS payment for Anti-Riot Gear is noted to be 'payment on behalf of Xelite Strips', it is not know why the MPS would make payment on behalf of another company. As such the remaining value of MK 3,125,347,020.59 is classified as 'At Risk No Supporting evidence'.

Further work will be required on these payments.

Four payments totalling USD \$ 16,366,000.00 (MK 5,313,865,583.20) are made via three bank accounts to benefit Top Prima (three payments) and Rummage Pace (one payment) under the titles of K2C Rifles, Military Equipment and Anti-Riot Gear. Our work would suggest all four payments relate to K2 and K2C rifles.

Supporting documentation would suggest the payments relate to four shipments made between the 14 November 2013 and 17 January 2014 for 3,000 rifles. This corresponds to the UN Arms Controls information for shipment by the Republic of Korea to Malawi for 2013.

Investigation into the price of the individual weapon would suggest the Daewoo K2C is similar to the Colt M16A. A genuine Colt M16A has a manufacturer's suggested retail price (MSRP) of USD \$1,270 per unit, a higher quality precision Heckler Koch being priced at USD 1,800 per unit.

Discounts would apply for over 500 units with a potential price of USD \$1,070 per unit. We believe our estimate of USD 1,500 per unit is accurate reflection as such the GoM has overpaid by USD \$ 11,866,000.00 (MK 3,852,763,595.88).

We believe a similar overpricing issue has occurred with the purchase of 4,000 magazine spare kits however the poor recording keeping makes it difficult to determine the actual content of the kits to accurately verify the price. We believe at least 50% of the purchase price is therefore at risk from overpayment being USD \$ 970,000.00 (MK 332,587,198.00).

A summary of all the ineligible expenditure linked to Top Prima / Rummage Pace is shown below:

Loss Type	MDF MK	MPS MK	Total MK
Over payment	3,852,763,596	-	3,852,763,596
Over payment to Recover	-	979,834,892	979,834,892
Ineligible payments	3,852,763,596	979,834,892	4,832,598,488
At Risk (FTC Bounced Transfers)	3,325,971,986	589,035,805	3,915,007,791
At Risk No Supporting Evidence Provided	-	3,125,347,021	3,125,347,021
At Risk Overpayment	332,587,198	-	332,587,198
Payments at risk	3,658,559,184	3,714,382,826	7,372,942,010
Total	7,511,322,780	4,694,217,718	12,205,540,498

No due diligence file for either Top Prima or Rummage Pace could be traced.

Top Prima Limited was formed in Hong Kong on 1 April 2012.

On 8 June 2012 Top Prima issues a proforma invoice to the Malawi Defence Force to supply 1,000 K2C rifles at a value of \$5,490,000 on the 4 September 2012 two payments were made through Foreign Currency Transfers.

Between 4 September 2012 and 2 August 2013 the Government of Malawi made seven payments to Top Prima totalling at least MK 7,349,673,959 through Foreign Currency Transfers.

No ODPP documents can be traced. Limited evidence of supply has been traced. No evidence of tendering or requests for proposal has been noted. It is unclear how the Government of Malawi selected this business.

No Bank Guarantees have been provided.

Top Prima has no trading history in the supply of goods procured. The company would seem to be linked to Top Prima Korea Limited. The linked owner would seem to be a trader of goods and services including tear gas and related items.

Shipment and UN register of Conventional Arms evidence would suggest as at 15 August 2014 delivery has been made of 4,000 K2C Rifles and 1,100 K2 Rifles.

We physically verified (without opening sealed cases) 100 wooded crates purporting to contain 10 rifles per case. The verification exercise was undertaken at Lilongwe Airport. The cases had no distinguishing marks however they were stamped with Chinese/Korean writing.

Customs declaration / Asycuda documents relating to two consignments of 50 items being Registration Number 299 of 17/1/2014 and 301 of 17/01/2014 were provided by the MRA and both consignments are noted to be exported by Top Prima Ltd Hong Kong, imported by the MDF using shipping company Land-Air Cargo Ltd Lilongwe.

We do not have records relating to the delivery of the 3,000 K2C rifles noted as 2013 unless these relate to the partial delivery of the consignment noted above. Both consignments are under the manifest number 2014/81 with an invoice value of USD 2,719,000 (total USD 5,438,000). External price verification would suggest a list price per weapon of USD 1,500.

In the absence of any competitive international tender and linked to the restrictive single source tendering we believe these purchases to be in excess of their true cost by a

minimum of USD \$ 3,938 per rifle (265%) resulting in a loss to the Malawi Government of USD \$3,938,000 in relation to the January 2014 shipment alone.

The focus of this report relates to the tractions between MDF and the two businesses.

Other transactions with the MPS will require further investigation.

8.6. Rummage Pace

No trace of the company called Rummage Pace can be found.

Between 23 October 2012 and 21 August 2013 the GoM made five payments to Rummage Pace totalling at least MK 5,283,253,522 through Foreign Currency Transfers.

No ODPP documents can be traced. No evidence of tendering or requests for proposal has been noted. Reference is made to single source tendering approved by Ministers on 15 August 2012 for procurement of rifles from Top Prima and Rummage Pace.

No Bank Guarantees have been provided. No company due diligence was performed prior to payment.

Rummage Pace has no trading history in the supply of goods procured.

Mr Raju Lalwani owner of Vector Industrial Co. Ltd users of the same address as Rummage Pace has the same surname as Mr Anil Lalwani noted as registered director of Top Prima Ltd. Please note the word 'Industrial' was incorrectly spelt when the company was registered.

Both Rummage Pace and Top Prima are listed with the Hamiriyah Free Enterprise Zone.

No evidence of shipment can be proved by MDF or MRA for inbound goods provided by Rummage Pace. In our opinion the company is fictitious and all payments to it should be noted as fraudulent and the five payments to Rummage Pace totalling at least MK 5,283,253,522 should be classified as theft of government funds unless evidence can be proven otherwise.

The focus of this report relates to the tractions between MDF and the two businesses.

Other transactions with the MPS will require further investigation.

8.7. Automotive Products

An unauthorised payment for MK 520,000,000 was made to Automotive Products using GoM funds.

8.8. Image Investment

Image Investments was registered by Stafford Mpoola under the GoM Business Names Registration Act (Cap 46:02) on 22 May 2013 and in August 2013, three months later received MK 516,864,228.54 from Malawi Government Development Account 13006160082. No goods, services or works have been provided to the GoM in lieu of these payments and in our experience this company appears to have been formed for the sole purpose of laundering GoM funds.

8.9. Conclusions

Audit work identified 17 payments to six companies that on the basis of the evidence provided have defrauded the GoM out of MK 16,639,897,577. Legal action should be taken to recover these funds although the funds transferred to Top Prima and Rummage Pace are in overseas jurisdictions being Dubai and Hong Kong.

9. Accounting Entries Deleted but Cheques Not Cashed

9.1. Introduction

Analysis of the deleted accounting entries against the bank statements of the 'cashgate' businesses found the accounting entries for 22 cheques totalling MK 1,185,657,562 were deleted but the cheques (if ever prepared) not cashed. These 22 cheques relate to 15 different businesses and a summary of them is shown below:

No. Business	Year Registered	Ministry	No. of chqs	Amount MK	%
1 O&G Construction	2010	Tourism, Wildlife & Culture	1	396,458,744	33.4%
2 Sky Civil Engineering	2002	Irrigation & Water Development	2	163,000,000	13.7%
3 STC Civil Engineering	2006	Irrigation & Water Development	2	150,000,000	12.7%
4 Clive Engineering	2005	Irrigation & Water Development	2	119,000,000	10.0%
5 Cross Marketing Limited	2006	Irrigation & Water Development	2	97,000,000	8.2%
6 Mahembe Civil Engineering	2006	Irrigation & Water Development	2	83,000,000	7.0%
7 Mweni Civil Engineering Cont.	2009	Irrigation & Water Development	2	65,000,000	5.5%
8 Jedi's Enterprises	NK	Irrigation & Water Development	2	50,000,000	4.2%
9 Fusion Limited	2010	Tourism, Wildlife & Culture	1	37,142,150	3.1%
10 D&M Furnishings	NK	LGRD	1	6,316,980	0.5%
11 Hamak Cool Care	NK	LGRD	1	4,681,373	0.4%
12 Kalonga Wholesalers	NK	LGRD	1	4,426,297	0.4%
13 Cool Curts Engineering	2009	LGRD	1	4,274,245	0.4%
14 Scotch Fix Services	2004	LGRD	1	2,465,500	0.2%
15 Inspiron Technology	2005	LGRD	1	2,892,273	0.2%
LGRD = Local Government & Rural Development			22	1,185,657,562	100.0%

A review of this data found a number of trends and patterns which are discussed below.

The majority of the unpaid cheques were allocated against the Ministry of Irrigation & Water Development (14/22), then LGRD (6/22) and finally the Ministry of Tourism, Wildlife & Culture (2/22) with the cheques totalling MK 727,000,000, MK 433,600,894 and MK 25,056,668, respectively.

The highest value unpaid cheque was to O&G Construction for MK 396,458,744, the lowest value unpaid cheque was to Inspiron Technology for MK 2,892,273 and the average unpaid cheque amount MK 79,043,837.

A review of the Soft Tech appendices shows the accounting entries related to the O&G Construction cheque were the only entries deleted on 27 August 2013 (the entries for the five other payments to O&G Construction were deleted on 3 September 2013) and the cheque number was earlier in the sequence than the rest (i.e. 016785 compared to 017346, 017496, 017497, 017498 and 017499).

The unpaid cheques for the top three businesses (O&G Construction, Sky Civil Engineering and STC Civil Engineering) total MK 709,458,744 and represent 60% of the total unpaid cheques.

The 14 cheques allocated to seven businesses in the Ministry of Irrigation & Water Development were made up of two payments for odd amounts that when combined equalled a whole amount (i.e. the deleted accounting entries for Sky Civil Engineering related to two cheques for MK 91,320,000 and MK 71,680,000 which total MK 163,000,000). This suggests that the amounts to be paid to each company were pre-determined before being split into smaller, less obvious figures. It is not known why the cheques were never banked.

The case files indicate there appears to be relationships between the owners of Mweni Civil Engineering Contractors, Sky Civil Engineering, Mahembe Civil Engineering, Clive Engineering and Zozama Civil Engineering (the 'Engineering Group') as they have provided banking references for one another, deposited and withdrew cash from one another's bank accounts, transferred funds between two of the businesses and two of them are based at the same address. It is also noted that four of these five businesses did not bank eight cheques totalling MK 430,000,000. Zozama Civil Engineering was the only company to bank cheques related to all the accounting entries deleted for it. The inter-linked nature of these businesses would suggest that it is possible that the owners may have been tipped off that the 'cashgate' fraud had been discovered and tried to protect themselves by not depositing these cheques.

10. Payments to ‘Cashgate’ Businesses but Accounting Entry Not Deleted from IFMIS

10.1. Introduction

A review of the bank statements for the cashgate businesses found other GoM receipts with similar characteristics to the cashgate cheques had been banked. These characteristics included no supporting documents, duplicate amounts, the same cheque signatories, payments allocated against the same ministries and the cheque proceeds withdrawn in cash.

It should be noted that the identification of these GoM payments suggests not all the accounting entries for potentially fraudulent payments made to these businesses were deleted.

The audit team identified 32 cheques totalling MK 1,302,917,063 with these characteristics that were paid to 18 businesses and a summary of them is shown overleaf.

No.	Business	Ministry	Chqs	Amount MK	%
1	Image Investments	NK	2	516,764,229	39.7%
2	WG Construction Ltd	Tourism, Wildlife & Culture	2	107,672,311	8.3%
3	Pawooh Logistics	Tourism, Wildlife & Culture	1	87,897,224	6.7%
4	Megan Construction	Tourism, Wildlife & Culture	1	84,202,541	6.5%
5	Dan Civil Engineering and Building Cont.	NK	4	76,800,000	5.9%
6	Hury Civil Engineering Contractors	NK	2	75,941,305	5.8%
7	Mahembe Civil Engineering	Irrigation & Water Development	4	56,247,996	4.3%
8	Protem Civil Contractors	Tourism, Wildlife & Culture	1	49,652,000	3.8%
9	Sky Civil Engineering	Irrigation & Water Development	2	42,243,416	3.2%
11	Standard Freight Services	Tourism, Wildlife & Culture	1	42,156,790	3.2%
12	Mweni Civil Engineering Contractors	Irrigation & Water Development	2	39,184,057	3.0%
13	Mwendayekha Building Contractors	LGRG	2	38,611,908	3.0%
14	Makhausi Constructions	Tourism, Wildlife & Culture	1	38,158,671	2.9%
15	Kanengo Building Contractors	Tourism, Wildlife & Culture	1	20,139,840	1.5%
16	WEK Construction	NK	1	13,426,560	1.0%
17	D&M Furnishings	NK	1	7,966,075	0.6%
18	Mundikhumbengi Building Contractors	Education, Science & Technology	1	4,048,731	0.3%
19	Vhaima General Dealers	Note 1	3	1,803,410	0.1%
			32	1,302,917,063	100.0%

Note 1: Cheques payable to Vhaima related to LGRD, Min of Gender, Children and Social Welfare and National Defence

The highest amount paid was to Image Investments who received MK 516,764,229 while the highest number of cheques issued (four) was to Dan Civil Engineering and Building Contractors and Mahembe Civil Engineering.

The majority of the cheques had been allocated against the Ministry of Tourism, Wildlife and Culture (MK 946,643,605) followed by the Ministry of Irrigation & Water Development (MK 137,675,469) and then the Ministry of LGRD (MK 79,059,152).

On the basis of the evidence provided and unless any further supporting documents can be provided to prove the legitimacy of these payments, legal action should be taken to recover this funding.

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11. Who were the GoM cheque signatories?

11.1. Findings – Cashgate cheques

Audit work identified 104 cheques totalling MK 6,914,386,808 paid to 39 businesses in relation to the 'cashgate' element of the fraud. These 104 cheques were signed by six different individuals employed in the Accountant Generals Department and a summary of the signatures on these 104 cheques is shown below:

No.	Name of GoM Civil Servant	Designation	Number of cheques signed	Total number of cheques signed	Percent %
1	Clemence Madzi	Chief Accountant	100	104	96.2%
2	Roosenelt Ndovi	Principal Accountant	94	104	90.4%
3	Auzius Kazombo Mwale	Director (P2)	66	104	63.5%
4	David Kandoje	Accountant General (P2)	25	104	24.0%
5	Agness Kapokosa	Accountant	9	104	8.7%
6	Benadetta Kauye	NK	7	104	6.7%

Data analysis shows the majority of the cheques were signed by Clemence Madzi, and Roosenelt Ndovi with these individuals signing 96% and 90% of the cheques issued, separately. The third most common signatory was Auzius Kazambo Mwale who signed 64% of the cheques issued.

The most common three signature combination was Clemence Madzi, Roosenelt Ndovi and Auzius Kazambo Mwale who together signed 65 of the 104 cashgate cheques (63%). These three individuals would have been aware of the amounts they were paying to specific businesses as examination of the cheque numbers and dates shows multiple sequentially numbered cheques from the same cheque books were issued to the same suppliers on the same date.

For example the following sequentially numbered cheques were all signed by the same three individuals on the same dates:

- On 7 August 2013 Auzius Kazambo Mwale, Clemence Madzi and Roosenelt Ndovi signed three cheques totalling MK 70,867,454 being 16396 (MK 17,867,454), 16397 (MK 27,874,927) and 16398 (MK 25,125,073) all of which were payable to Ziuya Construction;
- On 12 August 2013 Auzius Kazambo Mwale, Clemence Madzi and Roosenelt Ndovi signed three cheques totalling MK 72,998,677 being 16402 (MK 27,125,073), 16403 (MK 24,874,926) and 16404 (MK 20,998,678) all of which were payable to Mzenga Construction;
- On 13 August 2013 Auzius Kazambo Mwale, Clemence Madzi and Roosenelt Ndovi signed four cheques totalling MK 744,714,720 being 17496 (MK 158,784,000), 17497 (MK 28,981,920), 17498 (MK 336,481,920) and 17499 (MK 220,466,880) all of which were payable to O&G Construction; and
- On 26 August 2013 Auzius Kazambo Mwale, Clemence Madzi and Roosenelt Ndovi signed three cheques totalling MK 1,010,986,176 being 17502 (MK 361,834,176), 17503 (MK 408,768,000) and 17504 (MK 240,384,000) all of which were payable to IPS.

We would have expected any GoM civil servants signing multiple cheques to the same businesses within a short time period to have challenged these payments and questioned why so many cheques were been written to the same businesses at the same time.

The audit team have been unable to trace any documentary evidence such as quotations, email or letter correspondence, contracts, agreements, invoices or delivery notes between these businesses and the GoM which would help determine the legitimacy of these transactions.

All six GoM civil servants should have reviewed the supporting documents accompanying the cheques prior to signing them off, however these documents cannot be located and no evidence of this review was available.

These six individuals appear to have breached their fiduciary duties as detailed under Section 2.5 Responsibilities of Controlling Officers of the Treasury Instructions dated 1 May

2013. We recommend legal and disciplinary action should be taken against these six individuals.

Examination of the specimen signatory sheets provided by the RBM and a letter in relation to signing arrangements also found reference to a person called Annie Madalo Mwale, a Deputy Director (AAG). It is not known if this person is related to Auzius Kazambo Mwale but this possible relationship should be investigated. Internet research shows Annie Madalo Mwale worked for the Ministry of Gender in July 2012⁴.

Further internet searches show David Kandoje was the Accountant General⁵, Auzius Kazambo Mwale was a Director in the Accountant Generals Department⁶, Roosenelt Ndovi was a Principal Accountant⁷ and Agness Kapokosa was an Accountant⁸. No internet articles were found in relation to Clemence Madzi or Benadetta Kauye.

Discussions with GoM employees indicate at least two of these six individuals; being Auzius Kazambo Mwale and David Kandoje were re-assigned to other GoM departments rather than be suspended on full pay pending the outcome of these investigations.

⁴ <http://homeofhopemalawi.org/blog/monthly-newsletters/july-2012/> (accessed on 28 August 2014)

⁵ <http://www.nyasatimes.com/tag/david-kandoje/> (accessed on 18 August 2014)

⁶ http://unctad.org/meetings/en/SessionalDocuments/ciisarinf6_en.pdf (accessed on 18 August 2014)

⁷ <http://www.linkedin.com/pub/roosevelt-ndovi/37/631/98> (accessed on 18 August 2014)

⁸ <http://www.linkedin.com/pub/agnes-kapokosa/60/838/2b> (accessed on 18 August 2014)

12. Which individuals received the most?

12.1. Introduction

The case file reviews of the 53 businesses shows the majority (X%) of the ineligible funds identified were paid to four individuals who control seven different businesses being TP / RP, IPS / O&G Construction, Thuso Group, Stadal Building Contractors and Image Investments.

The beneficial owner of Rummage Pace is unknown however Mr Raju Lalwani owner of Vector Industrial Co. Ltd which uses the same address as Rummage Pace has the same surname as Mr Anil Lalwani who is noted as the registered director of Top Prima. Further information that would assist in finding this information out was requested from the FIU but has not yet been provided.

IPS and O&G Construction are owned by Oswald Lutepo, Thuso Group is owned by Alexander Banda and both Stadal Building Contractors and Image Investments are owned by Stafford Mpoola.

Funds paid to TP / RP being sent overseas via FTCs (Dubai and Hong Kong), the funds paid to Thuso Group being split between overseas (to RSA) and domestic payments and the funds paid to IPS, O&G Construction, Stadal and Image being solely domestic payments. No or limited evidence of the goods paid for could be provided to the audit team.

In addition to these seven businesses, a further 13 businesses banked GoM cheques with combined values exceeding MK 100m.

For the purpose of this report payments to Automotive Products for the Scania Buses has been excluded from this list as it is a different 'type' of payment.

The table below is a summary of all the payments made to these 20 businesses, including cashgate deleted, cashgate non-deleted and procurement fraud transactions. A detailed summary of these transactions is also attached at **Appendix 7**:

No.	Owner	Businesses / Companies	Amount	
			MK	%
1	Anil Lalwani / NK	Top Prima / Rummage Pace	12,205,540,498	50.2%
2	Osward Lutepo	IPS and O&G Construction	4,428,316,582	18.2%
3	Alexander Banda / Nelson Kauwa	Thuso Group	1,921,028,000	7.9%
4	Stafford Mpoola	Stadal Building Contractors / Image Invest.	1,246,225,751	5.1%
5	Daniel Ndembo	Dan Civil Engineering & Building Contractors	477,888,916	2.0%
6	Mzipasi Moyo	Ziuya Construction	283,539,967	1.2%
7	Godfrey Dzanjalimodzi	WG Construction Limited	265,340,864	1.1%
8	Laura Savala	Hury Civil and Building Contractors	249,554,877	1.0%
9	Willy Jailosi Kumwenda	MBC	224,947,908	0.9%
10	Leah Satema / Ndaona Satema	Kanengo Building Contractors	215,291,173	0.9%
11	Ben Nsema	Mzenga Construction Company	196,791,135	0.8%
12	Christopher Zenengeya / Osman Mphozongo	QST Projects	189,247,244	0.8%
13	Doreen Nyirenda	Megan Construction	149,227,942	0.6%
14	Fatch Chungano	Makhausi Constructions	135,413,930	0.6%
15	Limumba Karim	Pawooh Logistics	132,417,907	0.5%
16	Mkhuzo Bandula James Chirwa	Zozama Civil & Building Contractors	131,224,494	0.5%
17	Dennis Mhango	Clive Engineering Company	123,865,679	0.5%
18	Sympathy Chisale	Mchemani Civil Contractors	117,530,501	0.5%
19	Angela Katengeza	Faith Construction	105,983,548	0.4%
Sub-total of the individuals whose companies received > MK 100m			22,799,376,914	93.9%
Sub-total of the individuals whose companies received < MK 100m			1,492,089,476	6.1%
Total paid to individuals			24,291,466,390	93.4%

Note 1 These figures include cashgate deleted, cashgate not deleted, other and procurement loss figures.

Note 2 MBC = Mwendayekha Building Contractors

The amounts paid to individuals where the total amount received exceeds MK 200,000,000 are discussed in further detail below with an emphasis on identifying who approved the GoM cheques.

12.2. Top Prima / Rummage Pace

The payments to these two companies have been discussed in detail above. We believe the owner is Anil Lalwani.

12.3. Oswald Lutepo

Internet research found Oswald Lutepo is linked to at least 16 different businesses in Malawi including IPS which he registered on 12 July 2005 and O&G Construction Limited which was incorporated on 13 August 2010. Based on the evidence provided these are the only two businesses he owns that received 'cashgate' cheques. Transfers were however made from these two businesses to at least two other businesses that Oswald Lutepo is linked to or owns being Chloride Batteries Limited and Woget Cotton Ginning Company.

IPS and O&G Construction received a total of MK 4,428,316,582 via 17 cheque payments from the GoM without supplying any goods, services or works in return. A breakdown of this amount is shown below and the cheque signatories are shown below:

No.	Company Name	Notes	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Sig. 5	Sig. 6	Cheque Amount MK
1	IPS	1	NK	NK	NK	NK	NK	NK	NK	NK	32,707,375
2	IPS	-	210220	01/08/2013	-	-	-	RC	HC	CK	180,000,000
3	IPS	-	210219	01/08/2013	-	-	-	RC	HC	CK	220,000,000
4	IPS	2	215985	23/07/2013	-	-	-	RC	HC	CK	189,271,725
5	IPS	-	215986	23/07/2013	-	-	-	RC	HC	CK	339,015,000
6	IPS	-	215987	23/07/2013	-	-	-	RC	HC	CK	466,000,000
7	IPS	-	16783	16/08/2013	AM	CM	RN	-	-	-	304,959,132
8	IPS	-	16784	16/08/2013	AM	CM	RN	-	-	-	298,582,124
9	O&G Cons. Ltd	-	17346	26/08/2013	AM	CM	RN	-	-	-	396,023,569
10	O&G Cons. Ltd	-	17496	26/08/2013	AM	CM	RN	-	-	-	158,784,000
11	O&G Cons. Ltd	-	17497	26/08/2013	AM	CM	RN	-	-	-	28,981,920
12	O&G Cons. Ltd	-	17498	26/08/2013	AM	CM	RN	-	-	-	336,481,920
13	O&G Cons. Ltd	-	17499	26/08/2013	AM	CM	RN	-	-	-	220,466,800
14	IPS	-	17502	26/08/2013	AM	CM	RN	-	-	-	361,834,176
15	IPS	-	17503	26/08/2013	AM	CM	RN	-	-	-	408,768,000
16	IPS	-	17504	26/08/2013	AM	CM	RN	-	-	-	240,384,000
17	IPS	-	17345	26/08/2013	AM	CM	RN	-	-	-	246,056,841
											<u>4,428,316,582</u>

Notes

- 1 Invoice appears to be paid twice, once by cheque 215985 for MK 238,842,475 and once by cheques 212274 / NK for MK 85m and MK 40m, respectively.
- 2 The original cheque was for MK 238,842,475.

Analysis shows 11 cheques amounting to MK 3,001,322,482 were signed by the same three individuals being Auzius Kazombo Mwale, Clemence Madzi and Roosevelt Ndovi.

These 11 cheques were signed over a 10 day period, with nine of the cheques signed on 26 August 2013 and are partially in sequential cheque number order. These 11 cheques relate to 'cashgate'. A review of IPS's financial paperwork noted a payment on 26 August 2013 for MK 1,100,000 to Patience Ndovi. It is unknown if there is any relationship between Roosevelt Ndovi and Patience Ndovi but this should be investigated further.

The remaining six cheques for MK 1,426,994,100 were for goods that IPS was contracted to provide to the MDF. No evidence of supply of these goods could be provided and it appears that one invoice was paid twice. Limited paperwork is available to support this transaction.

It is possible that further amounts have been paid to IPS without goods, services or works being provided and we recommend further work is undertaken on the historical transactions between the MDF and IPS. Based on the evidence provided Oswald Lutepo has received a total of MK 4,428,316,582 from the GoM without providing any goods, services or works in return and legal action should be taken to recover these funds.

12.4. Alexander Banda / Nelson Kauwa

Alexander Banda registered Thuso Group in Malawi on 28 September 2010. In August 2013 Thuso Group received MK 920,000,000 from the MDF for 5,000 rounds of 88mm blank ammunition. No evidence to show the 5,000 rounds were delivered could be provided by the MDF and a price comparison exercise found the unit prices to be inflated by at least 2.33 times the average market price of the goods.

Following receipt of the MK 920,000,000, an amount of MK 480,000,000 was transferred to IPS. Similar no evidence of goods, services or works being supplied in return for this payment could be provided and the majority of the funds were withdrawn in cash once deposited into IPS.

During the audit fieldwork at the MDF, paperwork was found that showed a further payment of ZAR 30,000,000 (equivalent to MK 1,001,028,000) was made on 28th August 2013 to Thuso's Standard Bank account in RSA. Similarly no evidence of the supply or delivery of the goods for this payment could be provided by the MDF.

A summary of these payments is shown below:

No.	Business	FTC /		Date	Sig. 1	Sig. 2	Sig. 3	Amount MK
		Cheque No.						
1	Thuso Group	210714		20/08/2013	HO	RC	HC	460,000,000
2	Thuso Group	210715		20/08/2013	HO	RC	HC	460,000,000
3	Thuso Group	001FTC123240002		28/08/2013	HO	-	HC	1,001,028,000
								1,921,028,000

The two cheques totalling MK 920,000,000 were both signed by General Henry Odillo, Richard Chidzungu and Harry Chawinga. The request for externalisation of funds for ZAR 30,000,000 was sent to the Accountant General on 21st August 2013 and signed by General Henry Odillo and Harry Chawinga.

The files provided by MDF contained no legal correspondence indicating advice had been sought to assist in reclaiming the amounts paid of MK 920,000,000 or ZAR 30,000,000 from Thuso Group, or that any action has been taken to prohibit Thuso Group acting as a GoM supplier in future.

12.5. Stafford Mpoola

Stafford Mpoola is linked to four different businesses being Image Investments, Hunter Logistics, Stadal Building Contractors and Dan Civil Engineering. He registered Image Investments and Hunter Logistics on 22 May 2013 and at the time was also the owner of Stadal Building Contractors having registered this on 8 August 2006. He is also a signatory on Dan Civil Engineering & Building Contractors NBS Account 0050315295914.

Stadal Building Contractors was originally registered by Stafford Mpoola and Dalitso Mpoola although documentary evidence provided by FDH Bank suggests Dalitso Mpoola died in January 2010.

Image Investments and Stadal Building Contractors who were both registered solely by Stafford Mpoola received MK 1,246,225,751 via six cheques from the GoM without

supplying any goods, services or works in return. A breakdown of this amount is shown below:

No.	Recipient Business	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Sig. 5	Cheque Amount MK
1	Stadal Building Contractors	22982	28/06/2013	-	CM	RN	-	AK	17,152,756
2	Stadal Building Contractors	16148	02/08/2013	-	CM	RN	DK	-	244,568,600
3	Stadal Building Contractors	16149	02/08/2013	-	CM	RN	DK	-	255,431,400
4	Image Investments	16886	19/08/2013	AM	CM	RN	-	-	349,568,231
5	Image Investments	16887	19/08/2013	AM	CM	RN	-	-	167,195,998
6	Stadal Building Contractors	17348	26/08/2013	AM	CM	RN	-	-	212,308,767
									<u>1,246,225,751</u>

A review of the six cheques issued to these two businesses shows all six were signed by both Clemence Madzi and Roosevelt Ndovi, three cheques were signed by Auzius Kazombo Mwale, two cheques were signed by David Kandoje and one cheque was signed by Agness Kapokosa. Five of the six cheques were signed between 2 and 26 August 2013 and were partially in sequential number order.

In the witness statement given by Stafford Mpoola to the ACB it was noted that he states that if a contract for any works is in place at a GoM ministry it has nothing to do with him as he has not entered into any contractual agreements with any GoM ministry. We recommend all banks accounts linked to Stafford Mpoola or his companies are reviewed for further GoM cheques as these amounts may also potentially be recoverable.

An amount of MK 30,000,000 was transferred from an unknown source to Hunter Logistics within three months of this company being formed. We recommend further work is undertaken to identify the source of this transfer.

In summary, Stafford Mpoola received at least MK 1,246,225,751 from the GoM without providing any good, services or works in return. We recommend legal action is taken to recover these funds.

12.6. Daniel Ndembo

Daniel Ndembo registered Dan Civil Engineering & Building Contractors on 21 July 1999 and opened a bank account with NBS Bank on 30 May 2005. Stafford Mpoola, the owner of Stadal Building Contractors, Image Investments and Hunter Logistics is a signatory for this bank account.

In the four month period between 1 May and 6 August 2013 Dan Civil Engineering & Building Contractors banked six GoM cheques totalling MK 477,888,916. A summary of these six cheques is shown below:

No.	Recipient Business	Cheque No.	Cheque Date			Cheque Amount MK	
			Sig. 1	Sig. 2	Sig. 3		
1	Dan Civil Engineering & Building Contractors	11844	01/05/2013	NK	NK	NK	22,290,828
2	Dan Civil Engineering & Building Contractors	11845	01/05/2013	NK	NK	NK	16,109,172
3	Dan Civil Engineering & Building Contractors	18710	01/06/2013	NK	NK	NK	22,290,828
4	Dan Civil Engineering & Building Contractors	18711	01/06/2013	NK	NK	NK	16,109,172
5	Dan Civil Engineering & Building Contractors	16781	06/08/2013	AM	CM	RN	176,596,413
6	Dan Civil Engineering & Building Contractors	16782	06/08/2013	AM	CM	RN	224,492,502
							<u>477,888,916</u>

Examination of the cheque numbers shows two sequentially numbered cheques were issued on three different dates at least a month apart. Images for the lower value cheques could not be obtained but those for the higher value cheques were signed by Auzius Kazombo Mwale, Clemence Madzi and Roosevelt Ndovi. The accounting entries for both the high value cheques were also deleted.

It should be noted that there is a difference of MK 120,000 (four lots of MK 30,000) between the value of the four lower value cheques and the amount that was banked. This difference may relate to bank charges.

12.7. Mzipasi Moyo

Mzipasi Moyo registered Ziuya Constructions on 7 October 1997 and has received MK 283,539,967 via none cheques from the GoM without providing any goods in return. A summary of the cheques is shown overleaf:

No.	Recipient Business	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Cheque Amount MK
1	Ziuya Constructions	22996	02/07/2013	NK	NK	NK	NK	22,200,070
2	Ziuya Constructions	22995	03/07/2013	NK	CM	RN	AK	23,879,930
3	Ziuya Constructions	16396	07/08/2013	AM	CM	RN	NK	17,867,454
4	Ziuya Constructions	16397	07/08/2013	AM	CM	RN	NK	27,874,927
5	Ziuya Constructions	16398	07/08/2013	AM	CM	RN	NK	25,125,073
6	Ziuya Constructions	17505	26/08/2013	AM	CM	RN	NK	85,824,000
7	Ziuya Constructions	28021	03/09/2013	AM	CM	RN	NK	28,679,930
8	Ziuya Constructions	28022	03/09/2013	NK	NK	NK	NK	25,088,513
9	Ziuya Constructions	28023	03/09/2013	NK	NK	NK	NK	27,000,070
								283,539,967

The cheque signatories are only known for six of the nine cheques with Clemence Madzi and Roosevelt Ndovi signing all six cheques and Auzius Kazombo Mwale and Agness Kapokosa being the third signature on one cheque each.

12.8. Godfrey Placid Dzanjalimodzi

Godfrey Placid Dzanjalimodzi is linked to WG Construction Limited (WG) and possibly a business called Lempga Enterprises. NBM were unable to locate the bank mandate for WG's which prevented us confirming the identity of the beneficial owner of this company. A review of the Soft Tech report and WG's bank statements found MK 265,340,864 was received from the GoM but no provide any goods, services or works were provided in return. A summary of the cheques paid to WG's is shown below:

No.	Company	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Sig. 5	Cheque Amount MK
1	WG Construction Ltd	11803	NK	NK	NK	NK	NK	NK	18,672,509
2	WG Construction Ltd	22890	27/06/2013	-	CM	-	DK	BK	24,236,430
3	WG Construction Ltd	16315	07/08/2013	AM	CM	RN	-	-	54,777,863
4	WG Construction Ltd	16884	13/08/2013	AM	CM	RN	-	-	88,999,802
5	WG Construction Ltd	16778	16/08/2013	AM	CM	RN	-	-	78,654,260
								265,340,864	

The cheque proceeds were withdrawn in cash, transferred to Godfrey Placid Dzanjalimodzi personal bank accounts via banknet transfers where they were withdrawn in cash or withdrawn by Richard Matenje, the Finance Accountant at WG's⁹. NBM raised a Suspicious Transaction Report (STR) that noted "*the customer made 23 internet banking transfers of MK 800,000 each over four days. Apart from that, the customer does not maintain a considerable balance in the NBM account despite high traffic of transaction in this account*". In our experience the banknet transfers are an example of layering which is a technique used by money launders to deliberately move funds and distance them from their original source.

Examination of the cheque images shows Clemence Madzi signed four cheques, Roosevelt Ndovi and Auzius Kazombo Mwale signed three cheques and David Kandoje and Benadette Kauye signed one cheque. The Soft Tech report shows the accounting entries were deleted for three of the five cheques.

12.9. Laura Savala

Laura Savala registered the business name Hury Civil Engineering on 6 May 2002 and the name Hury Building Contractors on 8 July 2004. For reasons unknown the business trades as Hury Civil and Building Contractors (HCBC) although no official documents have been identified to support this name, HCBC is widely referred to in the bank application forms.

A review of the Soft Tech report and HCBC's bank statements identified five cheques totalling MK 249,554,875 with no supporting evidence to show goods, services or works had been provided to the GoM in return. A summary of these cheques is shown below:

⁹ <http://www.linkedin.com/pub/richard-dick-matenje/47/53b/879> (accessed on 15 August 2014)

No.	Company	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Sig. 5	Cheque Amount MK
1	Hury Civil & Building Contractors	17508	26/08/2013	AM	CM	RN	-	-	88,896,000
2	Hury Civil & Building Contractors	17344	26/08/2013	AM	CM	RN	-	-	60,111,742
3	Hury Civil & Building Contractors	16314	07/08/2013	AM	CM	RN	-	-	24,605,830
4	Hury Civil & Building Contractors	22895	01/07/2013	-	CM	-	DK	BK	20,721,601
5	Hury Civil & Building Contractors	22894	02/07/2013	NK	NK	NK	NK	NK	55,219,703
									249,554,877

Four of the five cheque images were traced. Clemence Madzi signed four cheques, Auzius Kazombo Mwale and Roosevelt Ndovi signed three cheques, while David Kandoje and Benadette Kauye signed one cheque each. The signatories of the fifth cheque are unknown as the image could not be located. Based on our assessment of the paperwork provided HCBC have received MK 249,554,875 without reason and legal action should be taken against them to recover these funds.

Anecdotal evidence would suggest Laura Savala and Akajuwe Roy Kachale Banda are in a relationship as girlfriend and boyfriend. Akajuwe Roy Kachale Banda stood in the Parliamentary Elections as a People Party candidate.

12.10. Willy Jailosi Kumwenda

Willy Jailosi Kumwenda registered Mwendayekha Building Contractors (MBC) under the GoM Business Names Registration (Cap. 46:02) Act on 25 June 1991. Audit work found MBC banked 11 GoM cheques totalling MK 224,947,908 without providing any goods in return. A summary of these cheques and the GoM signatories is shown overleaf:

No.	Company	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Cheque Amount MK
1	MBC	16399	15/08/2013	AM	CM	RN	-	23,998,678
2	MBC	16400	16/08/2013	AM	CM	RN	-	25,133,868
3	MBC	16401	16/08/2013	AM	CM	RN	-	20,032,756
4	MBC	28024	10/09/2013	AM	CM	RN	-	22,867,454
5	MBC	28025	05/09/2013	AM	CM	RN	-	22,208,513
6	MBC	28026	05/09/2013	AM	CM	RN	-	14,494,731
7	MBC	22997	05/07/2013	-	CM	RN	AK	23,038,731
8	MBC	22999	01/07/2013	-	CM	RN	AK	17,408,513
9	MBC	22998	01/07/2013	-	CM	RN	AK	17,152,756
10	MBC	11852	29/04/2013	NK	NK	NK	NK	19,305,954
11	MBC	18729	30/05/2013	NK	NK	NK	NK	19,305,954
								224,947,908

A review of the cheque images shows Clemence Madzi and Roosevelt Ndovi signed all nine cheques, with Auzius Kazombo Mwale signing six of them and Agness Kapokosa signing the remaining three.

12.11. Leah Satema / Ndaona Satema

Kanengo Building Contractors was registered under the GoM Business Names Registration Act (Cap 46:02) on 25 April 1985. Leah Satema and Ndaona Satema took over as proprietors of the business on 30 September 2002. The Soft Tech report identified accounting entries relating to four cheques were deleted and paid as well as a further cheque for which the accounting entries were not deleted. A summary of these five cheques is shown below:

No.	Company	Cheque		Entries						Deleted?	Cheque Amount MK
		No.	Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Sig. 5	Sig. 6		
1	KBC	11804	26/04/2013	AM	-	-	-	BK	AK	No	20,139,840
2	KBC	22891	27/06/2013	-	-	CM	DK	BK	-	Yes	27,359,630
3	KBC	16317	07/08/2013	AM	RN	CM	-	-	-	Yes	55,182,612
4	KBC	16316	07/08/2013	AM	RN	CM	-	-	-	Yes	52,466,531
5	KBC	16779	16/08/2013	AM	RN	CM	-	-	-	Yes	60,142,560
											<u>215,291,173</u>

Examination of the cheque images shows Auzius Kazombo Mwale and Clemence Madzi signed four cheques, Roosevelt Ndovi signed three cheques and David Kandoje, Agness Kapokosa and Benadetta Kauye signed one cheque.

12.12. Doreen Nyirenda

Doreen Nyirenda registered Megan Construction on 19 July 2002 under the GoM Business Names Registration Act (Cap 46:02). Analysis of Megan Constructions bank account and the Soft Tech report found the accounting entries for two cheques totalling MK 64,425,401 had been deleted and a further payment of MK 84,802,541 had been banked. A summary of the details for these three cheques is shown below:

No.	Company	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Cheque Amount MK	
1	Megan Construction	22896	27/06/2013	CM	DK	BK	-	17,433,891	
2	Megan Construction	16143	02/08/2013	CM	DK	-	RN	46,991,510	
3	Megan Construction	16880	19/08/2013	CM	DK	BK	-	84,802,541	
									<u>149,227,942</u>

Images of the cheques show all three cheques were signed by Clemence Madzi and David Kandoje, two cheques were signed by Benadette Kauye and Roosevelt Ndovi signed one cheque. An examination of the deposit slip for the MK 17,433,891 shows it was banked by

Doreen Nyirenda but the signature on the slip is not that of Doreen Nyirenda. It was also noted in the bank application form that Doreen Nyirenda has another bank account in the name of Aland Productions. Internet searches returned no hits for 'Aland Productions'.

12.13. Fatch Chungano

Makhasui Constructions was registered by Fatch Chungano on 12 April 2010 and received three cheques totalling MK 135,413,930 from the GoM. The accounting entries for two cheques were deleted from the GoM IFMIS. No accounting entries for the third cheque were deleted. A summary of the three cheque details is shown below:

No.	Company	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Entries Deleted?	Cheque Amount MK
1	Makhasui Constructions	16139	02/08/2013	CM	RN	-	DK	Yes	41,102,572
2	Makhasui Constructions	16777	16/08/2013	CM	RN	AM	-	Yes	56,152,688
3	Makhasui Constructions	16881	19/08/2013	CM	RN	AM	-	No	38,158,671
									<u>135,413,930</u>

The supporting documents show three cheques were signed by Clemence Madzi and Roosevelt Ndovi, two cheques were signed by Auzuis Kazombo Mwale and one cheque was signed by David Kandoje. Makhasui Constructions bank application form also indicates Fatch Chungano is a HR Officer at the National Aids Commission.

12.14. Mkhuzo Bandula James Chirwa

Mkhuzo Bandula James Chirwa is a Senior Quantity Surveyor with the Ministry of Lands, Housing and Urban Development in Lilongwe and the proprietor of Zozama Civil Engineering Contractors¹⁰. Three cheques totalling MK 131,224,494 were deposited into Zozama Civil Engineering Contractors bank account. The accounting entries for all three cheques had been deleted. A summary of these cheque details is shown below:

No.	Company	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Entries Deleted?	Cheque Amount MK
1	Zozama Civil & Building Contractors	16318	07/08/2013	AM	CM	RN	Yes	38,056,014
2	Zozama Civil & Building Contractors	17500	26/08/2013	AM	CM	RN	Yes	54,528,480
3	Zozama Civil & Building Contractors	17501	26/08/2013	AM	CM	RN	Yes	38,640,000
								131,224,494

All three cheques were signed by the same three individuals being Auzius Kazombo Mwale, Clemence Madzi and Roosevelt Ndovi. A review of the other 'cashgate' businesses bank statements found Mkhuzo Bandula James Chirwa received MK 7,310,000¹¹ from the proceeds of two GoM cheques paid into Sky Civil Engineering, deposited a cheque for MK 21,454,358 into Sky Civil Engineering on 10 June 2013 and may have paid MK 250,000 in to IPS's bank account on 17 August 2013, as the deposit has the supporting narrative 'J Chirwa'.

12.15. Limumba Karim

Pawooh Logistics was registered on 3 November 2010 by Limumba Karim. The bank statements shows two cheques totalling MK 132,417,907 were paid to Pawooh Logistics with the accounting entries for one of the cheques being deleted.

¹⁰ <http://www.malawidemocrat.com/mpinganjiras-associate-mpoola-arrested-together-with-public-servant-in-malawi-cash-gate-scandal/> (accessed on 15 August 2014)

¹¹ MK 1,500,000 + MK 1,100,000 + MK 900,000 + MK 1,810,000 + MK 2,000,000

A summary of the cheque details is shown below:

No.	Company	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Entries Deleted?	Cheque Amount MK
1	Pawooh Logistics	16141	02/08/2013	CM	RN	-	DK	Yes	44,520,683
2	Pawooh Logistics	16883	19/08/2013	CM	RN	AM	-	No	87,897,224
									132,417,907

The cheque images show Clemence Madzi and Roosevelt Ndovi signed both cheques with Auzius Kazombo Mwale and David Kandoje being the third signature on one cheque each. It was noted that the trade reference for Pawooh Logistics bank account was provided by Marshall Traders. Marshall Traders and Mchemani Civil Contractors are both owned by Sympathy Chisale.

12.16. Dennis Mhango

Dennis Mhango is the owner of Clive Engineering which received MK 123,865,678 from the GoM via three cheques but did not provide any goods, services or works in return. A summary of the cheque details is shown below:

No.	Company	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Entries Deleted?	Cheque Amount MK
1	Clive Engineering	16146	02/08/2013	CM	RN	-	DK	Yes	20,800,079
2	Clive Engineering	17506	26/08/2013	CM	RN	AM	-	Yes	47,577,600
3	Clive Engineering	17507	26/08/2013	CM	RN	AM	-	Yes	55,488,000
									123,865,679

The cheque images show Clemence Madzi and Roosevelt Ndovi signed all three cheques, Auzius Kazombo Mwale signed two cheques and David Kandoje signed one cheque. A review of the Soft Tech report also identified two more cheques totalling MK 119,000,000

where the accounting entries were deleted but the cheques were not banked. If these cheques had been banked this would have increased the amount paid to Clive Engineering to MK 242,865,679.

Audit work also found Clive Engineering received MK 14,250,761 via cheque from Sky Civil Engineering and that Dennis Mhango deposited MK 5,435,000 on 19 August 2013 in to Zozama Civil and Building Contractors bank account¹² and withdrew five amounts totalling MK 27,800,000 from three different Ziuya Construction bank accounts in July and August 2013.

12.17. Sympathy Chisale

Sympathy Chisale is the Managing Director of Mchemani Civil Contractors which received MK 117,530,501 via two cheques from the GoM without providing any goods, services or works. A summary of the details on these two cheques is shown below:

No.	Company	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Entries Deleted?	Cheque Amount MK
1	Mchemani Civil Contractors	16136	02/08/2013	CM	RN	-	DK	Yes	44,544,860
2	Mchemani Civil Contractors	16775	16/08/2013	CM	RN	AM	-	Yes	72,985,641
									117,530,501

The cheque images show Clemence Madzi and Roosevelt Ndovi signed both cheques with Auzius Kazombo Mwale and David Kandoje being the third signature on one cheque each. These cheques were banked in August 2013 following the re-opening of Mchemani Civil Contractors Standard Bank account in the same month. It appears that this bank account was opened primarily to bank these two cheques and is a possible indicator of a premeditated action undertaken to defraud the GoM.

¹² The deposit of MK 5,435,000 on 19 August 2013 may have been funded by MK 17,000,000 withdrawn from Ziuya Constructions three days earlier on 16 August 2013.

It was also noted that Compu-Networks Limited an individual by the name of Chimwemwe Sylvia Chisale collected MK 4,070,000. It is not known if Sympathy Chisale and Chimwemwe Sylvia Chisale are related but this possible relationship should be investigated further.

Francis Chavula, owner of Compu-Networks Limited and Stafford Mpoola are both listed as living in Falls Estate.

12.18. Sibonile Chimphango

Sibonile Chimphango owns three businesses being S.T.C. Investments, STC Civil Engineering and STC Building Contractors. All three businesses were registered solely by him under the GoM Business Names Registration Act (Cap 46:02) on 10 January 2013, 7 September 2006 and 29 January 2010, respectively.

These three businesses received at least three payments totalling MK 83,504,033 from the GoM without supplying any goods, services or works in return. Audit work identified two more payments totalling exactly MK 150,000,000 where the cheque images cannot be traced and were not available for review. These payments cannot be traced in the bank account and appear not to have been paid. A summary of these five payments is shown below:

No.	Recipient Business	Cheque No.	Cheque Date	Sig. 1	Sig. 2	Sig. 3	Sig. 4	Cheque Amount MK
1	STC Civil Engineering	16145	02/08/2013	-	CM	RN	DK	15,560,033
2	STC Civil Engineering	17509	26/08/2013	AM	CM	RN	-	45,096,000
3	S.T.C. Investments	17510	26/08/2013	AM	CM	RN	-	22,848,000
4	STC Civil Engineering	28533	CHEQUE NOT SEEN					75,320,000
5	STC Civil Engineering	28534	CHEQUE NOT SEEN					74,680,000
								<u>233,504,033</u>

Based on the evidence provided, the two businesses owned by Sibonile Chimphango received MK 83,504,033 from the GoM although no evidence of any goods, services or works being provided can be traced.

12.19. Individuals who would have received over MK 200m if all cheques were cashed

Examination of the cheques for which the accounting entries were deleted but the cheques were not cashed, found that if these cheques had been cashed three more businesses would have received over MK 200,000,000 and three more businesses would have received over MK 100,000,000. OG Construction would also have received a further MK 396,458,744 if the cheque had been cashed. A summary of these businesses and the amounts they would have been paid is shown below:

No.	Owner	Business	Value of cheques banked MK	Cheques raised not banked MK	Total MK
1	Osward Lutepo	O&G Construction	1,140,738,209	396,458,744	1,537,196,953
2	Dennis Mhango	Clive Engineering	123,865,678	119,000,000	242,865,678
3	Sibonile Chimphango	STC 'Group'	83,504,033	150,000,000	233,504,033
4	Steven Mwenitete	Sky Civil Engineering	61,230,456	163,000,000	224,230,456
6	Philbert Mkandawire	Mahembe Civil Engineering	56,247,996	83,000,000	139,247,996
7	Luke Kasamba	Cross Marketing Limited	24,179,121	97,000,000	121,179,121
8	Albert Mwenibabu	Mweni Civil Engineering Cont.	39,184,057	65,000,000	104,184,057
Sub-total of these 8 businesses			1,528,949,550	1,073,458,744	2,602,408,294
Remaining businesses			5,385,437,258	112,198,818	5,497,636,076
Total			6,914,386,808	1,185,657,562	8,100,044,370

Note 1: STC 'Group' includes S.T.C. Investments and STC Civil Engineering both owned by Sibonile Chimphango

This table shows that if Dennis Mhango, Sibonile Chimphango and Steven Mwenitete had banked all the cheques for which the accounting entries were deleted they would have received over MK 200,000,000 from the GoM. We recommend that although these cheques were not cashed, consideration should be given by the law enforcement agencies to

viewing these cheques as intent to defraud the GoM. Full details of the cheques that were not cashed is shown in **Appendix 4**.

12.20. Conclusions

There is a high level of inter trading between businesses in receipt of cashgate funding.

The combined value of the 'cashgate' cheques (> MK 100m) paid to these businesses was significantly higher than that paid to the other businesses suggesting the individuals that own these businesses may have been trusted to launder GoM funds by receiving, depositing and withdrawing significant amounts of GoM funds.

We understand none of these individuals contacted the GoM or any law enforcement agencies to say their bank accounts had been incorrectly credited with the funds or made any effort to repay the funds.

Funds are withdrawn predominantly in Malawi Kwacha. Consideration should be given to the ACB visiting foreign exchange bureaus and commercial banks throughout Malawi in an attempt to identify if any of these individuals or associates linked to their businesses converted large quantities of Malawian Kwacha into foreign currency.

13. Links between businesses and parliamentary candidates

13.1. Introduction

Following completion of the case files the names of the individuals linked to the businesses were searched for on the internet and compared against the Malawi Electoral Commission (MEC) List of Parliamentary Candidates 2014 Tripartite Elections¹³. This exercise identified nine individuals (or close relatives) who were listed as standing in the Tripartite Elections with links to the businesses that received funds from the GoM without providing any goods, services or works in return. A summary of these individuals and businesses is shown below and at section 25:

No.	Name	Business	Notes	Political Link	Amount Received MK
1	Osward Lutepo	IPS / O&G Construction	1	Independent	4,428,316,582
2	Nelson Kauwa	Thuso Group	-	Independent	1,921,028,000
3	Christopher Zenengeya	QST Projects	-	Independent	189,247,244
4	Mkhuzo Bandula James Chirwa	Zozama Civil & Building Contractors	-	NK	131,224,494
5	Ralph Kasambara	Ralph & Arnold Associates	2	Independent	57,393,800
6	Wyson Zinyemba Soko	Wymbanso General Suppliers	-	MCP	40,953,287
7	Yohani Kaweche	Mundikhumbengi Building Contractors	-	DPP	36,479,656
8	Rhino Chipchiko	Compu-Networks	-	MCP	30,654,079
9	Kettie Kamwangala	Explorations	3	MCP	16,750,000
					6,852,047,142

Notes

- 1 Osward Lutepo owns IPS and O&G Construction who received MK 3,287,578,373 and MK 1,140,738,209 respectively from the GoM without providing goods.
- 2 Ralph & Arnold Associates received a total of MK 57,393,800 from companies controlled by Osward Lutepo. This included MK 54,993,800 from IPS and MK 2,400,000 from O&G Construction.
- 3 Explorations received MK 16,750,000 and paid MK 30,000 to Hon L Belekanyama
- 4 Please note 5 Ralph Kasambara is also known as Raphael.

Note: Anecdotal evidence would suggest Laura Savala and Akajuwe Roy Kachale Banda are in a relationship as girlfriend and boyfriend. Akajuwe Roy Kachale Banda stood in the Parliamentary Elections as a People Party candidate.

¹³ <http://www.orakonews.com/wp-content/uploads/2014/02/List-of-Parliamentary-Candidates-2014-TPE-Nomination-Results.pdf> (accessed on 2 June 2014)

13.2. IPS / O&G Construction – Oswald Lutepo

Internet searches show Oswald Lutepo was listed as an independent candidate who ran for Kasungu North in the Malawi Electoral Commission (MEC) List of Parliamentary Candidates 2014 Tripartite Elections. Oswald Lutepo did not win the seat and lost to a person called Beatrice Mwale of the Peoples Party (PP).

Internet searches show Oswald Lutepo was previously the Deputy Director of Recruitment and Sensitization for the PP¹⁴ although this has not been officially verified.

Audit work on IPS and O&G Construction identified these businesses received at least MK 4,428,316,582 from the GoM without providing any goods, services or works in return. The majority of these funds were withdrawn in cash following approval by Oswald Lutepo. Further details on how the funds were disbursed are included in the IPS and O&G Construction case files.

13.3. International Procurement Services / O&G Construction – Ralph Kasambara

The MEC List of Parliamentary Candidates 2014 Tripartite Elections shows an individual called Ralph Kasambara ran as an independent candidate for Nkhatabay North West but was unsuccessful losing the seat to Commodius Nyirenda, another independent candidate. Internet research shows Ralph Kasambara was previously the Minister of Justice and Attorney General and is currently the Managing Partner of Ralph & Arnold Associates, legal practitioners¹⁵.

Commodius Nyirenda and Doreen Nyirenda the owner of Megan Construction which received MK 149,227,942 without providing any goods have the same surname and the possibility of them being related should be explored further.

A review of the bank statements for IPS and O&G Construction found MK 57,393,800 was paid from these two businesses to Ralph & Arnold Associates in July / August 2013. The

¹⁴ <http://timesmediamw.com/malawis-capital-hill-scam-ruling-peoples-party-connection/> (accessed on 28 July 2014)

majority of the payment was funded by three credits to IPS's bank account which originated from the GoM MDF bank account. These three credits total MK 1,043,857,475 and at least MK 805,015,000 has been found to have been paid without the GoM receiving any goods, services or works in return. Further work is required to ascertain the goods that were received for the remaining MK 238,842,475.

A review of the money laundering checks completed by Ralph & Arnold Associates prior to receiving these funds should be completed and the reason(s) for the payment of MK 57,393,800 should be ascertained.

13.4. Thuso Group

The MEC List of Parliamentary Candidates 2014 Tripartite Elections shows an individual called Nelson Kauwa ran as an independent candidate for Lilongwe City Centre. Nelson Kauwa was unsuccessful losing the seat to David Bisnowaty, another independent candidate.

Audit work shows Nelson Kauwa and his brother Alexander Banda, are the joint owners of Thuso Group. In August 2013 Thuso Group received MK 1,921,028,000 (including ZAR 30,000,000 and MK 920,000,000) from the GoM to supply 5,000 rounds of blank 88mm ammunition to the MDF. No evidence of these goods being delivered could be provided by the MDF and five days after receiving the MK 920,000,000 an amount of MK 480,000,000 (52% of the funds) was paid to IPS, the company controlled by Oswald Lutepo.

The audit team contacted Alexander Banda to determine the reason for the payment and he stated it was an advance payment for them to acquire raw materials. No documentary evidence to support this statement was provided and no evidence of a bank guarantee or any other security could be seen.

13.5. QST Projects

Internet searches show an individual called Christopher Zenengeya was listed as an independent candidate who ran for Mangochi South West in the MEC List of Parliamentary Candidates 2014 Tripartite Elections. This individual lost the seat to another independent

¹⁵ <http://ralphandarnoldassociates.com/ourteam.html> (accessed on 18 August 2014)

candidate called Justin Majawa but the case file reviews found a person with the same first name and surname was listed as the sole proprietor of QST Projects. It is not known if these two people are the same person. QST Projects received MK 189,247,244 from the GoM but did not provide any goods, services or works in return.

13.6. Wymbaso General Suppliers

Wymbaso General Suppliers received MK 40,953,287 from the GoM without providing any goods, service or works in return. We have not seen the business registration document for Wymbaso General Suppliers but the business bank account was opened by Wyson Zinyemba Soko. Internet searches show a person by this name is the Deputy Director of Youth for the Malawi Congress Party (MCP)¹⁶ and a person with the same surname, Patricia Soko is an Internal Auditor at the Ministry of Finance¹⁷. The name Wyson Zinyemba Soko does not however appear in the MEC List of Parliamentary Candidates 2014 Tripartite Elections.

13.7. Mundikhumbengi Building Contractors

Mundikhumbengi Building Contractors is owned by Yohani Kaweche who we understand to be the son of the Honourable David Yohane Kaweche, a Member of Parliament (MP) for the DPP for Nkhatabay North East¹⁸. This is the same constituency for which Ralph Kasambara stood for election.

The witness statement of Steven Mwenitete, owner of Sky Civil Engineering suggests that four cheques totalling MK 28,500,000 were withdrawn from Mundikhumbengi Building Contractors and the proceeds handed to Hussein Chaphazika. Internet searches found a LinkedIn profile showing Hussein Chaphazika is an Accountant at Local Government¹⁹ while other documentation shows he holds the post of Receiving Officer in the Accountant Generals Department. The witness statement describes how a fifth cheque for MK 7,484,880 was also collected by Yohani Kaweche. A cheque (number 16378) for this amount was paid out of Malawi Development Account 13006160082 on 19 August 2013 but the credit entry could not be traced in either Sky Civil Engineering or Mundikhumbengi

¹⁶ <http://www.nyasatimes.com/2013/10/11/full-list-of-mcp-nec-announced-by-chakwera/comment-page-4/> (accessed on 18 August 2014)

¹⁷ <http://uk.linkedin.com/pub/patricia-soko-msc-cia-acca/59/705/901> (accessed on 18 August 2014)

¹⁸ <http://www.nyasatimes.com/tag/david-yohane-kaweche/> (accessed on 14 August 2014)

¹⁹ <http://www.linkedin.com/pub/hussein-chaphadzika/90/30/742> (accessed on 14 August 2014)

Building Contractors. Press comments suggest the Honourable David Yohane Kaweche was subject to financial difficulties resulting in legal action for backdated child maintenance.

13.8. Compu-Networks Limited

Internet searches show a person called Rhino Moyo Chiphiko was listed as a MCP affiliated candidate who ran for Lilongwe City South West in the MEC List of Parliamentary Candidates 2014 Tripartite Elections. This individual won the seat.

The case file reviews include a company called Compu-Networks Limited for which a person called Rhino Chiphiko is listed as a Director. It is not known if these two people are the same person but Compu-Networks Limited received MK 30,654,079 from the GoM and did not provide any goods, services or works in return. Further internet searches show a person called Rhino Chiphiko also has a LinkedIn profile showing they are the owner of Keiretsu Construction Limited²⁰. Further work is required to determine if these links relate to the same person.

²⁰ <http://www.linkedin.com/pub/rhino-chiphiko/16/43b/b81> (accessed on 18 August 2014)

13.9. Explorations

Explorations received MK 16,750,000 from the GoM but did not supply any goods, services or works. Documentary evidence provided shows Explorations was registered by Kettie Kamwangala in June 2004. Following receipt of the MK 16,750,000 a payment of MK 30,000 was made to “Hon L Belekanyama”.

Internet searches found a person by the name of Honourable Lingson Belekanyama a MP, the Deputy Chief Whip and a Director of Research for the MCP²¹. An individual by the name of Lingson Kambewa Waidoni Belekanyama (MCP) was also listed as running for Lilongwe Msinja South in the MEC List of Parliamentary Candidates 2014 Tripartite Elections. Further work is required to determine why this person received MK 30,000 from Explorations and if there is any relationship between Kettie Kamwangala and Lingson Kambewa Waidoni Belekanyama.

13.10. Zozama Civil and Building Contractors

Zozama Civil and Building Contractors was registered by Mkhuzo Bandula James Chirwa on 8 March 2002. A review of its bank statements and supporting documents identified it received MK 131,224,494 from the GoM but did not provide any goods, services or works in return. A search of the MEC List of Parliamentary Candidates 2014 Tripartite Elections found seven references to the name Chirwa, these included;

- 1) Faustace Funnah Namushani Chirwa (UDF) who ran for Chitipa Central;
- 2) Khumbo J.B. Chirwa (Independent) who ran for Nkhatabay South East;
- 3) Boma Vincent Chirwa (PP) who ran for Likoma Islands;
- 4) Fiskani Overton M Chirwa (MCP) who ran for Mzimba South;
- 5) Sam Chirwa (DPP) who ran for Mzimba Luwerezi;
- 6) Harold Chirwa Mandala (Independent) who ran for Mchinji North; and
- 7) Ragson Kamunda Chirwa (DPP) who ran for Chikhawa East.

²¹ <http://www.nyasatimes.com/2013/10/11/full-list-of-mcp-nec-announced-by-chakwera/comment-page-4/> (accessed on 18 August 2014)

It is not known if any of these individuals relate to Mkhuzo Bandula James Chirwa although it is noted that the name Khumbo J.B. Chirwa is similar. Further work should be completed to establish if Mkhuzo Bandula James Chirwa is linked to any of these seven individuals.

13.11. Further links

The matching exercise on the MEC List of Parliamentary Candidates 2014 Tripartite Elections found numerous instances where the surname of an owner of one of the 53 businesses matched the surname of an election candidate. This list is attached as **Document 1**. We strongly recommend further work, preferably by individuals with local knowledge of the political landscape is completed to identify any other links.

13.12. Conclusions

The work would suggest the proceeds of cashgate may have been used to support electoral campaigns though it is not possible to confirm the source of the funding.

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14. Links between GoM civil servants and ‘cashgate’ businesses

14.1. Introduction

During completion of the case files the audit team attempted to trace the names of individuals who deposited or withdrew funds from businesses that banked ‘cashgate’ cheques with the focus on identifying individuals with employment or personal links to the GoM.

Internet searches were conducted and enquiries made to establish current or past job roles of any individuals or family member with links to the GoM. A summary of the individuals, family members and the businesses they link to is shown below:

No.	Name	Title(s) / Link to GoM
1	Christopher Zenengeya	<p>Christopher Zenengeya and Osman Mphozongo registered QST Projects in August 2001. QST Projects received MK 189,247,244 from the GoM without providing any goods in return.</p> <p>Research found that Christopher Zenengeya has two brothers called Fletcher Zenengeya and Roe Zenengeya.</p> <p>Fletcher Zenegeya was the Principal Secretary for Lands and Natural Resources²² and the Principal Secretary for the Ministry of Tourism, Wildlife & Culture²³.</p> <p>Roe Zenengeya is a Secondary School Biology & Maths Teacher at Ministry of Education, Culture and Science²⁴</p>

²² https://www.wmo.int/pages/prog/www/tcp/documents/FinalReportRAITCC-XVIII_En_Final.pdf (accessed on 18 August 2014)

²³ <http://mwnation.com/malawi-showcases-tourism-products-in-germany/> (accessed on 18 August 2014)

²⁴ <http://www.linkedin.com/pub/roe-zenengeya/54/634/944> (accessed on 18 August 2014)

2	Mkhuzo Bandula James Chirwa	<p>Mkhuzo Bandula James Chirwa was a Senior Quantity Surveyor with the Ministry of Lands, Housing and Urban Development in Lilongwe and also the proprietor of Zozama Civil Engineering Contractors.</p> <p>Zozama Civil Engineering Contractors received MK 131,224,494 from the GoM but did not provide any goods, services or works in return.</p> <p>Steven Mwenitete, the owner of Sky Civil Engineering states he received cheques from the Ministry of Local Development and Rural Development via 'Mr Chirwa', he then met Yohani Kaweche, the owner of Mundikhumbengi Building Contractors in Mzuzu where he witnessed receipt of over MK 7m cash and four cheques for between MK 7m to MK 8m each noted as 'pay cash' to be taken back to Bandula Chirwa. The name Bandula Chirwa is similar name to Mkhuzo Bandula James Chirwa.</p> <p>Mundikhumbengi Building Contractors bank statements show four cheques totalling MK 28,500,000 were cashed between 13 and 24 September 2013 with all proceeds withdrawn by Yohani Kaweche. Steven Mwenitete states the cash was then handed over to Hussein Chaphazika, a Receiving Officer at the Accountant Generals Department.</p> <p>Mkuzo Chirwa withdraws funds totalling MK 5,310,000 from Sky Civil Engineering.</p> <p>'J Chirwa' deposited MK 250,000 in to Oswald Lutepo's Standard Bank account on 17 August 2013. It is possible that this person may be Mkuzo Bandula James Chirwa.</p>
3	Tressa Senzani	Visual Impact is owned by Letus and Tressa Senzani and

		<p>received MK 63,542,083 from the GoM but did not provide any goods in return.</p> <p>Tressa Senzani was the previous Principal Secretary of the Ministry for Wildlife, Tourism and Culture for the GoM.</p> <p>Online media reports indicate that on 28 August 2014 Tressa Senzani was found guilty of theft and money laundering in Lilongwe High Court²⁵.</p>
4	Leonard Karonga	<p>Leonard Karonga was the Assistant Director at the Ministry of Tourism, Wildlife and Culture. Leonard Karonga's personal file at the Ministry of Tourism, Wildlife & Culture shows he was re-employed by this ministry in April 2009 following a five year period when he lived in Japan with his wife who was previously posted to the Malawian Embassy in Japan.</p> <p>Evidence obtained from NBM shows Leonard Karonga collected MK 68,970,000 from the bank account of Kanengo Building Contractors during three trips made in August and September 2013</p> <p>Laura Savala, the owner of Hury Civil & Building Contractors claimed she was approached by Leonard Karonga and he deposited GoM cheques into the bank account of Hury Civil & Building Contractors. The subsequent withdrawals were discussed with Laura Savala who confirmed she made the withdrawals although audit testing found the majority of withdrawals were made by Rex Savala, her husband. She also claimed the cash withdrawn</p>

²⁵ <http://www.nyasatimes.com/2014/08/29/one-malawis-cashgater-convicted-treasure-namathanga-senzani/> (accessed on 29 August 2014)

		<p>was given directly to Leonard Karonga by her. This is contradicted to some extent by the withdrawals made by her husband.</p> <p>Documentary evidence on Leonard Karonga's personal file in the Ministry of Toursim, Wildlife & Culture show he was arrested on 17 October 2013 for depositing two GoM cheques which amounted to MK 132,417,907 into Pawooh Logistics bank account for services that were never rendered. Pawooh Logistics is owned by Limumba Karim.</p> <p>Anecdotal evidence suggests Leonard Karonga and Cecilia Mervis Ng'ambi, the owner of Protem Civil Contractors which received MK 81,763,250 from the GoM, may be siblings.</p> <p>It is possible that Leonard Karonga may own Kalonga Wholesalers. NBM were unable to provide the bank mandate for this business to enable us to either prove or disprove this.</p>
5	William Ismael Kachingwe	<p>William Ismael Kachingwe is the owner of WEK Construction which received MK 35,287,026 from the GoM without providing any goods in return.</p> <p>Independent research shows he attended Malawi College of Accountancy from 1995 to 1998 and previously worked in the Ministry of Finance, the Accountant Generals Department, the Office of the President and Cabinet as well as at Malawi Lakes Service, the Malawi Social Action Fund, Compute Heights and Air Zimbabwe.</p>
6	Hussein Chaphadzika	<p>Hussein Chaphadzika is listed as both a Receiving Officer and an Accountant in the Accountant Generals Department.</p>

		<p>Mwendayekha Building Contractors' bank statements show Hussein Chaphadzika withdrew MK 52,030,000 despite having no obvious links to the business.</p> <p>Internet analysis shows he is Facebook friends with Felistas Njathu and it was noted that Hussein Chaphadzika withdrew cash that was proceeds of a cheque, whose IFMIS transactions were deleted by Felistas Njathu.</p>
7	Philbert Mkandawire	<p>Philbert Mkandawire is the proprietor of Mahembe Civil Engineering which received MK 56,247,996 from the GoM but did not supply any goods, services or works in return.</p> <p>Internet searches found a LinkedIn profile for Philbert Mkandawire showing he was previously employed as an AEDO²⁶. An internet search for this term along with the word 'Malawi' found an article about Agricultural Extension Development Officers (AEDO's) which are linked to the Ministry of Agriculture and Foods Security²⁷. It is possible that Philbert Mkandawire may have worked in the Ministry of Agriculture and Foods Security.</p> <p>Financial documents show he withdrew MK 2,200,000 from Sky Civil Engineering in January and July 2013.</p>
8	Abel Mpoola	<p>Abel Mpoola is an employee in the Accountant Generals Department and has the same surname as Stafford Mpoola who received MK 1,246,225,751 through two businesses from the GoM but did not supply any goods in return.</p> <p>On 16 August 2013 Abel Mpoola received MK 3,000,000</p>

²⁶ <http://www.linkedin.com/pub/philbert-mkandawire/53/567/778> (accessed on 19 August 2014)

²⁷ <http://mwnation.com/agriculture-extension-development-officer-aedo/> (accessed on 19 August 2014)

		<p>from Image Investments immediately prior to them receiving MK 516m of 'cashgate' funds. On 10 September 2013 he used MK 3,000,000 to open a new bank account with FDH Bank.</p>
9	R Dzikapuntha	<p>In the three month period March to May 2013 a person with the name 'R Dzikapuntha' deposited three cheques into Mzenga Construction Company's NBM bank account.</p> <p>Cheque dispatch lists obtained from the AGD indicate 'R Dzikapuntha' is a Receiving Officer in the Accountant Generals Department.</p> <p>An internet search found a Facebook page for a Raphael Dzikapuntha showing he previously worked at the GoM Ministry of Local Government and Rural Development²⁸. It is possible that this may be the same person.</p> <p>A review of the cheque dispatch lists also identified a RP Dzikapuntha received MK 2,439,500 on 4 September 2013. The reason for this payment is unknown and these payments are discussed in further detail later on.</p>
10	Auzius Kazombo Mwale	<p>Auzious Kazombo Mwale is a Director in the AGD's and has signed 64 of the 102 cashgate cheques.</p> <p>Minor Reuben Mwale is the owner of Vhaima Building Contractors which received MK 20,383,277 from the GoM but did not provide any goods, services or works in return.</p> <p>Examination of the specimen signatory sheets provided by</p>

²⁸ <https://www.facebook.com/search/more/?q=Raphael+Dzikapuntha&init=public> (accessed on 21 August 2014)

		<p>the RBM and a letter in relation to signing arrangements found reference to a person called Annie Madalo Mwale, with the position of Deputy Director (AAG). Internet research shows Annie Madalo Mwale was working for the Ministry of Gender in July 2012²⁹.</p> <p>These three individuals have the same surname and the possibility of them being related should be investigated.</p>
11	Roosevelt Ndovi	<p>Roosevelt Ndovi is a Principal Accountant in the Accountant Generals Department and has signed 92 of the 102 'cashgate' cheques.</p> <p>At least six of these cheques totalling MK 1,860,584,273 were paid to IPS and no goods, services or works were provided in return.</p> <p>A review of IPS's bank statements found a person called Patience Ndovi was paid MK 1,100,000 on 26 August 2013.</p> <p>These two individuals have the same surname and the possibility of them being related should be investigated.</p>
12	Nelson Johannes Kauwa (NJK)	<p>NJK is a director of Thuso Group which received MK 920,000,000 from the GoM through the MDF but did not supply any goods. In Thuso Groups Standard Bank application form under NJK's occupation the phrase "<i>mechanical eng / solider</i>" has been written. The application form is dated 29 November 2010 and suggests NJK may have once been employed by the MDF. MDF's personal files should be reviewed to confirm or deny this possibility.</p>

²⁹ <http://homeofhopemalawi.org/blog/monthly-newsletters/july-2012/> (accessed on 28 August 2014)

13	Maxwell Namata	<p>Hardline Construction was registered by Pyoka Oscar Kaunda in 2009 and received MK 7,395,431 from the GoM but did not provide any goods, services or works in return.</p> <p>In his witness statement provided to the ACB Pyoka Oscar Kaunda stated that he paid part of these funds to Maxwell Namata.</p> <p>Internet research shows Maxwell Namata used to be the Principal Accountant at the Ministry of Lands and Housing and recently worked at the Ministry of Labour³⁰.</p> <p>Maxwell Namata and his wife Alica Namata are known to be the owners of Khanye Investments which is also being investigated albeit not as part of this audit.</p>
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These 13 individuals listed above are those we have identified with links to the GoM. It is likely that there are other individuals with no or limited internet 'footprint' that we have been unable to identify.

A number of other links between individuals and businesses were also noted and are discussed below.

14.2. The 'Engineering Group'

Sky Civil Engineering (owned by Steven Mwenitete) appears to have relationships with four businesses being; Mweni Civil Engineering (owned by Albert Mwenibabu), Mahembe Civil Engineering (owned by Philbert Mkandawire), Clive Engineering (owned by Dennis Mhango) and Zozama Civil Engineering Contractors (owned by Mkhuzo Chirwa).

³⁰ <http://www.nyasatimes.com/2013/09/30/maxwell-namata-arrested-another-suspect-in-malawi-public-service-fraud/> (accessed on 15 September 2014)

The nature and extent of these relationships is not fully known but these four individuals all own businesses that benefited and banked cashgate cheques and have themselves withdrawn funds from Sky Civil Engineering. The details are as follows:

- On 16 April 2013 Albert Mwenibabu, the proprietor of Mweni Civil Engineering withdrew MK 32,000,000 from Sky Civil Engineering's NBM bank account;
- Steven Mwenitete, the owner of Sky Civil Engineering deposited MK 3,000,000 in to Zozama Civil Engineering Contractors National Bank account on 10 June 2013.
- On 29 and 30 January 2013, Philbert Mkandawire, the proprietor of Mahembe Civil Engineering withdrew MK 750,000 and MK 250,000, respectively from Sky Civil Engineering's NBM bank account. A further MK 1,100,000 was also withdrawn by this person on 12 June 2013;
- Mkhuzo Chirwa, the proprietor of Zozama Civil Engineering withdraw funds totalling MK 5,310,000 from Sky Civil Engineering;
- Sky Civil Engineering paid MK 14,250,761.32 to Clive Engineering by cheque on 17 September 2013;

Sky Civil Engineering provided banking references for Mweni Civil Engineering and Clive Engineering. The reference provided by Sky Civil Engineering appears to be incorrectly completed as it was signed by Albert Mwenibabu, the owner of Mweni Civil Engineering rather than the Managing Director of Sky Civil Engineering, raising concerns over the quality of the internal controls at NBM.

Mweni Civil Engineering, Mahembe Civil Engineering and Sky Civil Engineering all had IFMIS accounting entries deleted but the cheques matching these amounts were never banked. Given the inter linked nature of these four businesses it is possible that the owners may have been tipped off that the 'cashgate' fraud had been discovered and tried to protect themselves by not depositing these cheques. It was noted that the cheques that were not banked gave whole numbers when added together.

Mweni Civil Engineering provided a banking reference for Philbert Mkandawire of Mahembe Civil Contractors.

Sky Civil Engineering and Mahembe Civil Engineering are both based in Kapote House in Lilongwe, Malawi.

14.3. Steven Mwenitete

On 16 June 2013 Steven withdrew MK 7,000,000 from Mundikhumbengi Building Contractors while accompanied by the owner of this company, Yohani Kaweche. He has also received MK 38,120,000 from Ziuya Construction.

14.4. Albert Mwenibabu

Albert Mwenibabu is the proprietor of Mweni Civil Engineering. Financial documents provided by the commercial banks in Malawi show on 18 September 2013 he withdrew MK 6,000,000 from Mundikhumbengi Building Contractors Standard bank account while accompanied by Yohani Kaweche, the owner of this company;

14.5. RC Kadammanja

A person with the name 'RC Kadammanja' was found to have deposited cash into three different businesses being MK 4,080,000 in to Standard Freight Services, MK 730,000 in to Business Advertising Agency and MK 716,625 in to Explorations. Two payments amounting to MK 3,640,000 were also paid to a 'RC Kadammanja' from Standard Freight Services.

Internet searches found a person called Raphael Kadammanja is an Import and Exports Supervisor at Standard Freight Services³¹. The financial transactions made between these three businesses by this individual suggests the three businesses may be linked.

14.6. Malawi College of Accountancy

Internet searches identified two people who owned businesses in which cashgate cheques were deposited who had previously studied at Malawi College of Accountancy (MCA).

These individuals were Albert Mwenibabu, the owner of Mweni Civil Engineering Contractors and William Kachingwe, the owner of WEK Construction.

Both these individuals would have gained accounting experience and most likely studied anti-money laundering legislation as part of their course.

14.7. Marshall Traders

³¹ <http://www.linkedin.com/pub/raphael-kadammanja/79/a6b/497> (accessed on 15 September 2014)

Mchemani Civil Contractors and Marshall Traders are both owned by Sympathy Chisale. A review of the bank mandates for the cashgate businesses found Marshall Traders provided a banking reference for Pawooh Logistics.

14.8. E Kwazani

E Kwazani received funds from Zozama Civil and Building Contractors (MK 100,000) and Ziuya Construction (MK 300,000). An internet search for 'E Kwazani' did not return any hits.

14.9. Mchepa Nda

Mchepa Nda received MK 1,050,000 from Zozama Civil Engineering Contractors, MK 8,200,000 from Sky Civil Engineering³² and MK 4,150,000 from Ziuya Construction. An internet search for Mchepa Nda did not return any hits.

14.10. Ian Chitana

Ian Chitana provided a reference to FDH Bank for the banking applications for both Stewarts Construction and Faith Construction. Internet searches recovered no hits for 'Ian Chitana'.

14.11. "Siti"

Standard Freight Services is owned by Andrews Patrick Haddock Chilalika and received MK 68,512,043 from the GoM without supplying any goods, services or works. A review of the bank statements and supporting documents provided by Standard Bank show MK 4,610,000 was deposited in cash in to Standard Freight Services bank account by a person called 'Siti'. Internet searches show a person called Dennis Siti is an Accountant at the Ministry of Water Development and Irrigation³³. It is not known if these are the same person but this relationship should be investigated further.

³² Mchepa Nda and Mchepa SNU have been assumed to be the same person

³³ <http://www.linkedin.com/pub/dennis-siti/90/986/4a7> (accessed on 15 August 2014)

15. Cheque Sequencing

15.1. Introduction – Cheque Sequencing

We have analysed 178 cheques issued by the Government of Malawi. Of those, we know the cheque date and number for 158. Of those 158, we found 44 gaps in the sequence of the cheque numbers. However, cheques were written on 23 different dates. On each of these dates a new cheque sequence began. Therefore, removing 23 sequence gaps caused by a new date, the remaining 21 were caused by cheques missing from the sequence. This means that of the 158 cheques, 137 followed the sequence of cheque numbers (87%).

This suggests that fraudulent cheques were written out in large batches, which were sequential, across certain dates from April – September 2013.

15.2. Cheque books used

The first cheque written on 2 August 2013 was cheque number 16131. The last cheque written on 26 August 2013 was cheque number 17510. The first cheque written on 7 June 2013 was cheque number 19947.

If sequential cheques were being used, we would expect the cheque numbers of June's cheques to be lower than those of August cheques. However, June 2013 cheques have numbers after August 2013 cheques. This would suggest cheques are not used in sequential order making audit trails and reconciliations unnecessarily difficult.

15.3. Findings by date

We have analysed cheques written on 23 different dates. Of these, one cheque dated from 2011 and is not thought to be related to cashgate. Analysing 22 dates on which cashgate cheques were written, we found the following.

- On 26 April 2013, cheques were written to Mweni Civil Engineering, Sky Civil Engineering, Mahembe Civil Engineering (two cheques), Kanengo Building Contractors and WEK Construction. We have previously assessed links between the ownership of Mweni, Sky Civil and Mahembe.
- On 7 June 2013, cheques were again written to Mweni Civil Engineering, Sky Civil Engineering and Mahembe Civil Engineering (two cheques).

We found that on the following dates, all of the cheques written were in sequence:

- 27 June 2013 (cheques 22890 to 22898, seven cheques)
- 1 / 2 July 2013 (cheques 22894 to 22895, two cheques, both to Hury Civil and Building Contractors)
- 2 August 2013 (cheques 16131 to 16149, 19 cheques)
- 20 August 2013 (cheques 210714 to 210715, two cheques, both to Thuso Group)

We found that on the following dates, the majority of the cheques written were in sequence:

- 28 June 2013 (cheques 22978 to 23001, 11 cheques, one gap in sequence)
- 23 July 2013 (cheques 215985 to 215987, three cheques, all to IPS)
- 7 August 2013 (cheques 16311 to 16404, 20 cheques, two gaps in sequence).
- 13 / 16 August 2013 (cheques 16773 to 16884, 16 cheques, one gap in sequence)
- 19 August 2013 (cheques 16880 to 16887, five cheques, one gap in sequence)
- 26 / 29 August 2013 (cheques 17343 to 17510, 21 cheques, one gap in sequence)
- 3 September 2013 (cheques 28002 to 28087, 12 cheques, two gaps in sequence).

15.4. Cheques out of sequence

In reviewing the sequence of the cheques written we noted a number of cheques which are missing from the sequence. These should be considered at risk of also being fraudulent and an exercise should be undertaken to identify the payees of these cheques. Copies of the cheque numbers listed below should be requested from the RBM in order that the legitimacy of the payments made can be confirmed.

Probable date of cheque	Cheque numbers missing		Number of cheques missing from sequence
	From	To	
26/04/2013	11791		1
26/04/2013	11794	11802	9
26/04/2013	11805		1
26/04/2013	11807	11843	37
29/04/2013	11846	11851	6
07/08/2013	16319	16367	49
07/08/2013	16371	16395	25
13/08/2013	16787	16878	92
19/08/2013	16885		1
26/08/2013	17349	17495	147
30/05/2013	18712	18728	17
07/06/2013	19948		1
28/06/2013	22983	22994	12
03/09/2013	28007	28020	14
NK	28528	28532	5
NK	28535	28537	3
			420

NK = Not Known

15.5. Conclusions

The cheque signatories at the RBM wrote cashgate cheques in a highly sequential manner, concentrated on 22 dates between April and September 2013.

There are 328 cheques missing from the sequence in which cheques were written. We recommend these cheques are investigated for the legitimacy of the payment made. Cheque scans should be obtained from the RBM and IFMIS reports should be examined in order to obtain details of these cheques.

16. Cash withdrawals

16.1. Introduction

We reviewed the bank statements of the companies that deposited cashgate cheques and analysed the subsequent cash withdrawals. Our assessment notes the withdrawal of high values in the form of cash particularly Malawi Kwacha and the subsequent resources required to transport such large sums should have raised suspicion from the commercial banks involved.

Using bank statements provided for the period 1 April 2013 to 13 October 2013 we identified a total of MK 7,354,818,077 was withdrawn in cash from businesses linked to cashgate.

16.2. Limitations

In considering cash withdrawals only we disregarded businesses who extracted funds through other means. For example, Mzenga Construction extracted funds via cheque payments deposited into individuals' accounts, with only a very small percentage of the fraudulent funds received being withdrawn in cash. Visual Impact extracted funds through bank transfers to other accounts, again meaning a smaller percentage was withdrawn in cash.

16.3. Businesses that received the most cash

The table below shows the businesses who withdrew the most in cash following deposit of the cashgate cheques:

No.	Company	Amount MK	% total
1	International Procurement Services	2,702,687,842	37%
2	Stadal Building Contractors	530,183,000	7%
3	O&G Construction Limited	512,210,759	7%
4	Dan Civil Engineering & Building Contractors	453,410,000	6%
5	Ziuya Construction	272,140,000	4%
6	Hury Civil Engineering and Building Contractors	266,200,464	4%
7	WG Construction	230,194,000	3%
8	Kanengo Building Contractors	212,747,000	3%
9	Image Investments	191,630,000	3%
10	QST Projects	179,404,037	2%
11	All others	1,804,010,976	25%
		<u>7,354,818,077</u>	

We can link eight of these ten businesses to GoM officials either directly or through family links.

Stafford Mpoola is connected to three of the businesses listed: Stadal Building Contractors (owner), Dan Civil Engineering (bank signatory) and Image Investments (owner). Stafford Mpoola is brother to Abel Mpoola who works in the Accountant General's Department.

Osward Lutepo is connected to two of the businesses listed: O&G Construction and IPS (Managing Director).

QST Projects is owned by Christopher Zenengeya who is a brother to Fletcher Zenengeya, Principal Secretary at the Ministry of Tourism, Wildlife and Culture.

Leonard Karonga received proceeds of deleted cheques from Kanengo Building Contractors and was implicated by Laura Savala in payments made to Hury Civil and Building Contractors.

16.4. Timing of cash withdrawals

Of the total of MK 7,354,818,077 withdrawn in cash over the period almost half (48%) which totalled MK 3,513,898,540 was withdrawn over a period of ten days, as shown in the table below:

Date	Amount MK	% of total during period
Friday 26/07/2013	215,587,800	3%
Thursday 15/08/2013	262,058,500	4%
Thursday 29/08/2013	210,481,100	3%
Friday 30/08/2013	358,618,165	5%
Monday 02/09/2013	286,612,000	4%
Tuesday 03/09/2013	607,970,000	8%
Wednesday 04/09/2013	258,187,615	4%
Thursday 05/09/2013	827,647,000	11%
Friday 06/09/2013	264,083,000	4%
Thursday 12/09/2013	222,653,360	3%
	<u>3,513,898,540</u>	
All other dates 1/4/13 to 13/10/13:	3,840,919,537	52%
Total during period:	<u>7,354,818,077</u>	
Sum shaded:	2,339,034,780	32%

The most active period for cash withdrawals was the week from Friday 30 August to Friday 6 September 2013, during which MK 2,339,034,780 was withdrawn in cash, amounting to 32% of the total amount withdrawn in the 28 week period from 1 April 2013 – 13 October 2013. The high level of withdrawals would suggest a coordinated approach to withdrawing cash; in particular we would expect advance requests for cash to have had to be made to the RBM as we understand the amounts withdrawn would have led to some branches exceeding their daily insurance limits.

The largest single day for withdrawal of funds by cash was Thursday 5 September 2013, when MK 827,647,000 was withdrawn, being 11% of the total for the period.

A breakdown of the amount withdrawn on Thursday 5 September 2013 is shown below:

No.	Company	Bank	Amount MK
1	International Procurement Services	Standard Bank	550,000,000
2	O&G Construction Limited	Standard Bank	150,000,000
3	Thuso Group	Standard Bank	30,000,000
4	Hury Civil Engineering and Building Contractors	Nedbank	23,000,000
5	Mchemani Civil Contractors	Standard Bank	20,137,000
6	Protem Civil Contractors	FDH Bank	20,000,000
7	Ziuya Construction	National Bank	15,500,000
8	Clive Engineering	National Bank	8,700,000
9	Clive Engineering	Indebank	8,300,000
10	STC Investments	Standard Bank	1,230,000
11	Pawooh Logistics	Ecobank	500,000
12	Makhausi Construction	NBS Bank	250,000
13	QST Projects	FMB	30,000
			827,647,000

The tables above and below demonstrate that of the MK 827,647,000 withdrawn on 5 September 2013, the largest amounts were withdrawn from Standard Bank. On 5 September 2013 there were significantly more cash withdrawals from Standard Bank than from any other commercial bank.

Bank	Amount MK
Standard Bank	751,367,000
Nedbank	23,000,000
FDH Bank	20,000,000
National Bank	24,200,000
Indebank	8,300,000
Ecobank	500,000
NBS Bank	250,000
FMB	30,000
827,647,000	

The withdrawal by IPS. Stacked on top of each other 550,000 notes of MK 1,000 denomination equates to a pile over 400 feet in height.

We have analysed the branches used to withdraw cash from Standard Bank on 5 September 2013, as shown in the tables below.

Company	Branch	Amount MK
International Procurement Services	Capital City	30,000,000
International Procurement Services	Ginnery Corner	150,000,000
International Procurement Services	Ginnery Corner	20,000,000
International Procurement Services	Not Known	50,000,000
International Procurement Services	Lilongwe	30,000,000
International Procurement Services	Not Known	100,000,000
International Procurement Services	Not Known	30,000,000
International Procurement Services	Capital City	40,000,000
International Procurement Services	Capital City	100,000,000
O&G Construction Limited	Balaka	150,000,000
Thuso Group	Capital City	30,000,000
Mchemani Civil Contractors	Capital City	20,137,000
STC Investments	City Mall	1,230,000
		751,367,000

Where the table denotes “Not Known” we were unable to identify the branch used from the cheque scan provided due to the poor quality of the stamp on the cheque image.

Branch	Amount MK
Capital City	220,137,000
Not Known	180,000,000
Ginnery Corner	170,000,000
Balaka	150,000,000
Lilongwe	30,000,000
City Mall	1,230,000
	751,367,000

On 5 September 2013, MK 220,137,000 was withdrawn in cash from the Standard Bank Capital City branch.

It should be noted Standard Bank claimed they are not provided with the serial numbers for the batches of new bank notes they receive from the RBM making the tracing of notes difficult. This is also contrary to what OIBM receive as a Branch Manager there informed the audit team that details of the serial note numbers are provided by the RBM upon issue.

The Standard Bank Balaka branch is a regional branch in an area with lower commercial activity than Lilongwe or Blantyre. Accordingly it is our understanding that the cash withdrawals totalling MK 150,000,000 made on one day (5 September 2013) from O&G Construction's bank account would be unusual. It was noted that this action did not result in the issue of an STR.

16.5. Banks used for cash withdrawals

The table below shows the banks which were used for cash withdrawals. As noted in the limitations section above, this analysis does not take account of any other methods by which funds were extracted.

Bank	Sum of Withdrawals MK	% of total
Standard Bank	3,809,317,251	52%
FDH	775,963,000	11%
National Bank	574,997,000	8%
NBS	534,435,960	7%
NBM	464,631,000	6%
Nedbank	431,332,830	6%
FMB	245,744,037	3%
FDH Bank	207,930,000	3%
NBS Bank	94,270,000	1%
Indebank	74,422,000	1%
Malawi Savings Bank	44,950,000	1%
OIBM	42,475,000	1%
First Merchant Bank	41,700,000	1%
Ecobank	12,650,000	0%
Total	7,354,818,077	100%

The table shows that Standard Bank had by far the largest volume of withdrawals of cash linked to cashgate, being MK 3,809,317,251 or 52% of the total. The table below demonstrates that the largest withdrawals from Standard Bank were by IPS followed by O&G Construction. Both businesses are owned by Oswald Lutepo.

Malawi Kwacha has a limited tradable market outside of Malawi. It is unclear what happened to the cash withdrawn. The issuing of cash by the banks with no recorded serial numbers, even with high quantities, makes continued tracing challenging. We recommend further asset tracing will be required.

16.6. Conclusions

Over the 28-week period 1 April 2013 to 13 October 2013, MK 7,354,818,077 was withdrawn in cash by businesses linked to cashgate. A total of MK 2,339,034,780 or 32% of this amount was withdrawn in cash over the one-week period from Friday 30 August to Friday 6 September 2013.

A total of MK 827,647,000 or 11% of the entire amount was withdrawn on just one day, Thursday 5 September 2013 and of this MK 751,367,000 was withdrawn from branches of Standard Bank. We understand an STR was issued in relation to IPS but no action was taken to stop the payments taking place.

Of the total amount of cash withdrawn, MK 2,702,687,842 or 37% was withdrawn by International Procurement Services businesses.

It should be noted that the analysis above focuses solely on cash withdrawals and therefore does not take account of any other methods which were used to extract funds relating to cashgate, such as bank transfers or cheque payments.

The relevant regulatory authorities should investigate the role of the banks in these cases to assess whether it would have been reasonable to expect the banks to raise concerns at the very large sums of money being deposited and then withdrawn. If it is concluded that the banks had not acted in accordance with banking norms and related legislation appropriate action should be taken.

17. Payments greater than MK 1m to individuals

17.1. Introduction

During the internal controls walkthrough exercises it was noted that the Accountant Generals Department produces a Dispatch List capturing details of all the cheque payments made on a daily basis. As part of our audit testing we reviewed the Dispatch Lists to identify if the 'cashgate' cheques were recorded on these lists. Limited evidence of this was seen but transaction amounts of high value payments (those greater than MK 1m) to individuals were found. A summary of these high value payments with the top ten highest beneficiaries is shown below:

No.	Name	Role	Date of first pyt	Date of last pyt	Number of days	Quantity	Amount MK
1	D H Thakrar	NK	05/09/2013	05/09/2013	0	13	78,463,372
2	P Chitenje F/S	NK	03/04/2013	23/07/2013	111	7	70,184,871
3	Richard Nthani F/S	NK	15/07/2013	29/08/2013	45	5	45,265,725
4	Supt R Mkwamba F/S	NK	27/06/2013	05/09/2013	70	13	39,793,798
5	J P Banda	NK	02/05/2013	28/08/2013	118	5	38,135,000
6	Patricia Msiska F/S	NK	25/07/2013	23/08/2013	29	11	37,324,104
7	Mercy Adam F/S	NK	25/07/2013	23/08/2013	29	8	26,824,104
8	M H Thole F/S	NK	25/07/2013	23/08/2013	29	7	23,324,104
9	S Filimoni	NK	05/09/2013	05/09/2013	0	2	22,824,102
10	E F Malitowe F/S	NK	13/05/2013	28/06/2013	46	4	22,806,100
						75	404,945,280
11 to 79	Various	N/a	N/a	N/a	N/a	112	316,031,843
Total						187	720,977,123

A review of the Dispatch Lists identified 187 payments totalling MK 720,977,123 to 79 different individuals in the period 1 April 2013 to 31 September 2013.

A number of payments allocated to individuals were done so on the same date indicating potentially multiple over payments. The highest value amounts raised on the same date were 13 amounts totalling MK 78,463,372 which were all allocated to D H Thakrar on 5 September 2013.

Examination of the Dispatch Lists also showed high volumes of payments made within relatively short periods of time such as the five payments totalling MK 45,265,725 paid to Richard Nthani within 45 days.

The average value of the payments allocated to the top ten highest beneficiaries was MK 40,494,528.

Internet searches could not locate or identify the ten individuals listed above and we recommend further work is undertaken to determine if these amounts were paid, and if so the reasons why large amounts were paid on the same date.

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18. Bank Accounts Opened Prior to Receiving 'Cashgate' Funds

An examination of the bank mandates for the 'Cashgate' businesses identified four business registered or incorporated between 22 May 2014 and 6 August 2014. These companies received MK 677,383,680. The information available suggests that, in all practical respects, the timing is such that these businesses would have been unable to compete for Government contracts in the period between formation and successful engagement. We therefore believe it very likely that the companies had been formed for the sole purpose of receiving Cashgate funds.

A further four businesses opened bank accounts between 8 April 2013 and 20 August 2013. Within three months MK 429,817,180 had deposited.

One further company opened a bank account to deposit GoM cheques but no activity was noted.

We also found cases of dormant bank accounts being re-opened. Taken together the opening of new bank accounts and the re-opening of dormant bank accounts, closely followed by the depositing of large value GoM cheques within relatively short periods of time, suggests that these were premeditated actions taken to in order to defraud the GoM.

It is also of note that we could not locate any Suspicious Transaction Reports (STR's) being raised by the commercial banks in relation to these cheque deposits. This would suggest a low level of STR compliance - and the latter should act as a key control over large scale fraud and money laundering.

A summary of these eight businesses and the time between them opening a bank account and depositing the first GoM cheque is shown below:

No. Business	Date of Registration/ Incorporation	Date Bank Ac Opened	Date of First Cheque Deposited	No. of Days b/w opening & deposit	Cashgate Deleted Amount MK	Cashgate Not deleted Amount MK	Total Amount MK	
1	Image Investments	22/05/2013	10/06/2013	22/08/2013	73	-	516,864,229	516,864,229
2	Megan Construction	19/07/2002	01/07/2013	04/07/2013	3	64,425,401	84,802,541	149,227,942
3	Pawooh Logistics	03/11/2010	30/05/2013	08/08/2013	70	44,520,683	87,897,224	132,417,907
4	Mchemani Civil Contractors	10/07/2013	07/08/2013	07/08/2013	0	117,530,501	-	117,530,501
5	MBC	25/06/1991	18/04/2013	05/07/2013	78	69,904,863	38,611,908	108,516,771
6	Walusako General Dealers	19/08/2010	20/08/2013	29/08/2013	9	39,654,560	-	39,654,560
7	Hunter Logistics	22/05/2013	10/06/2013	06/08/2013	57	-	30,000,000	30,000,000
8	Fusion Limited	06/08/2013	15/05/2013	13/08/2013	90	12,988,950	-	12,988,950
9	Mweni Civil Engineering	18/05/2009	29/07/2013	-	-	-	-	-
MBC = Mwendayekha Building Contractors						<u>349,024,958</u>	<u>758,175,901</u>	<u>1,107,200,860</u>

18.1. Image Investments

Image Investments was registered by Stafford Mpoola under the GoM Business Names Registration Act (Cap 46:02) on 22 May 2013. On 10 June 2013 Stafford Mpoola opened a bank account with FDH Bank and on 22 August 2013, less than three months later, he banked two cheques totalling MK 516,864,228.54. These two cheques were paid from the Malawi Government Development Account 13006160082.

18.2. Megan Construction

Megan Construction opened a bank account with National Bank on 1 July 2013 using a deposit of MK 8,000. Three cheques totalling MK 149,227,942 were then paid into this bank account within a two month period. The first deposit of MK 17,433,891 was banked on 4 July 2013, the second deposit of MK 46,991,510 was banked on 7 August 2013 and the third deposit of MK 84,802,541 was banked on 26 August 2013. All three cheques were banked by Doreen Nyirenda, the owner of Megan Construction and paid out of Malawi Government Development Account Number 13006160082. Two of the three cheques were identified in the Soft Tech report as having their accounting entries deleted.

18.3. Pawooh Logistics

Limumba Karim the owner of Pawooh Logistics opened a bank account with Ecobank on 30 May 2013. On 8 August 2013, just over two months later, a GoM cheque for MK 44,520,683 was deposited in to this bank account and two weeks after this, on 21 August

2013 a second GoM cheque for MK 87,897,224 was also deposited. The IFMIS accounting entries had been deleted for the cheque for MK 44,520,683 but not for the cheque for MK 87,897,224. The total value of these cheques was MK 132,417,907.

18.4. Mchemani Civil Contractors

Mchemani Civil Contractors was registered under the GoM Business Names Registration Act (Cap 46:02) on 10 July 2013. On 7 August 2013, Sympathy Chisale the owner of Mchemani Civil Contractors re-opened a bank account with Standard Bank using a GoM cheque for MK 44,544,860. A second cheque for MK 72,985,641 was paid into this bank account on 21 August 2013, 14 days later. These two cheques totalled MK 117,530,501 and were both deposited within two weeks of the bank account being re-opened. Accounting entries for both cheques had been deleted from IFMIS as identified in the Soft Tech report.

18.5. Mwendayekha Building Contractors

Willy Kumwenda the owner of Mwendayekha Building Contractors (MBC) applied to open a bank account with NBS on 18 April 2013. At the time MBC had at least three accounts with two other banks including FMB and NBM (two accounts). On 5 July 2013, seven weeks after opening the account a cheque for MK 23,038,731 whose accounting entries were deleted from IFMIS was deposited. Two more cheques totalling MK 46,866,132 whose accounting entries were also deleted were then deposited followed by a further two cheques each for MK 19,305,954 whose accounting entries were not deleted. In total five cheques amounting to MK 108,516,771 were deposited into MBC's NBS bank account in the six month period following its opening.

18.6. Walusako General Dealers

Walusako General Dealers banked two cheques totalling MK 78,649,121 from the GoM but did not supply any goods, services or works in return. Examination of the businesses bank statements show the first cheque for MK 38,994,561 was paid into a NBM account which had been opened since May 2011, while the second cheque for MK 39,654,560 was paid into a Nedbank account which was opened on 20 August 2013. The second cheque from

the GoM was deposited on 29 August 2013, nine days after the Nedbank account was opened³⁴.

18.7. Hunter Logistics

Hunter Logistics was registered by Stafford Mpoola under the GoM Business Names Registration Act (Cap 46:02) on 22 May 2013, the same date as the registration of Image Investments. On 10 June 2013 a bank account in the name of Hunter Logistics was opened with FDH Bank with Stafford Mpoola as the sole signatory. No major financial activity takes place on the account with the exception of an inward transfer on 6 August 2013 for MK 30,000,000. Based on our assessment of Image Investments and Hunter Logistics we suspect this company may also have been formed to launder GoM funds and recommend further investigation is undertaken to determine the source of this transfer.

18.8. Fusion Limited

Fusion Limited was registered under the GoM Business Names Registration Act (Cap 46:02) on 1 April 2010 and incorporated under the Companies Act 1984 on 6 August 2013. On 15 May 2013 Fusion Limited opened a bank account with Nedbank. Three months later, on 12 August 2013 a cheque issued by the GoM for MK 12,988,950 was deposited into this bank account and the cheque proceeds withdrawn over four days. Fusion Limited was registered by Jose Antonio De Jesus Mendes and Esnait Ndovi. Internet searches show Esnait Ndovi is also the Managing Director of a business called Esmle Associates Limited³⁵.

18.9. Mweni Civil Engineering

Mweni Civil Engineering submitted an application to NBM to open a bank account on 24 July 2013. Mweni Civil Engineering already had a bank account with Nedbank. The NBM account was opened and the bank statements show MK 20,627,643 was paid into this account within four months of it opening (between August and October 2013). Seven cash deposits totalling MK 18,355,000 make up the majority of this amount. It was also noted that no cheques with details matching the accounting entries deleted in relation to Mweni Civil Engineering were banked. It is possible that the NBM bank account was opened to deposit these cheques but for reasons unknown they were not banked. Examination of the

³⁴ Please note only the second cheque payment is referred to in the table at the start of this section.

³⁵ <http://www.linkedin.com/pub/esnait-ndovi/26/491/a05> (accessed on 11 August 2014)

bank statements for Mweni's Nedbank account also shows that following significant activity from April to July 2013 the account was rarely again used after August 2013.

18.10. Conclusions

Eight businesses were identified as opening new or re-opening dormant bank accounts and within three months depositing at least one GoM cheque with no supporting records or evidence of supply available. These cheques totalled MK 1,107,200,860.

The accounting entries for cheques deposited into six of the businesses were deleted from the GoM IFMIS. Five of the businesses banked high value GoM cheques with similar characteristics to the 'cashgate' cheques although the accounting entries were not deleted.

The audit team are concerned no Suspicious Transaction Reports (STR's) were raised by any of the compliance teams in the commercial banks in relation to these cheque deposits as new accounts were opened and GoM cheques deposited within a relatively short time period (less than three months).

High value payments to newly established businesses such as Image Investments who received MK 516,764,229 within three months of registering the businesses name should be a trigger for review by the GoM Ministry of Finance Central Internal Audit Division³⁶ however we have seen no evidence to suggest any such reviews are undertaken.

The opening of new bank accounts and re-opening of dormant bank accounts followed by the depositing of GoM cheques within relatively short periods of time suggests these were premeditated actions taken to defraud the GoM.

Based on our assessment of Image Investments we recommend further work is undertaken on the source of the MK 30,000,000 transferred to Hunter Logistics as we suspect these two businesses may have been formed specifically to launder GoM funds.

³⁶ http://www.finance.gov.mw/index.php?option=com_content&view=article&id=104:central-internal-audit-division&catid=47:divisions&Itemid=115 (accessed on 2 September 2014)

19. Findings – Transfers between cashgate businesses

19.1. Introduction

Examination of the bank statements and cheque images for the 53 company's reviewed identified 13 transfers greater than MK 1m between the different businesses. A further three transfers (shaded) between one of the 53 businesses and their related group businesses were also traced. The total value of the 16 transfers was MK 1,021,744,761 which is split between non-shaded (MK 998,144,761) and shaded (MK 23,600,000). A table summarising all 16 transfers is shown below:

No.	Date	From	To	Amount MK
1	28/08/2013	Thuso Group (PVT)	International Procurement Services	480,000,000
2	06/09/2013	O&G Construction Limited	International Procurement Services	250,000,000
3	15/08/2013	Stadal Building Contractors	International Procurement Services	79,994,000
4	13/09/2013	O&G Construction Limited	International Procurement Services	60,000,000
5	30/08/2013	O&G Construction Limited	International Procurement Services	50,000,000
6	20/08/2013	Stadal Building Contractors	Image Investments	25,000,000
7	03/09/2013	Clive Engineering	Sky Civil Engineering	14,250,761
8	28/08/2013	O&G Construction Limited	International Procurement Services	10,300,000
9	15/08/2013	Business Advertising Agency	Explorations	8,000,000
10	22/08/2013	O&G Construction Limited	International Procurement Services	6,900,000
11	27/08/2013	O&G Construction Limited	International Procurement Services	6,800,000
12	26/08/2013	O&G Construction Limited	International Procurement Services	5,500,000
13	22/08/2013	O&G Construction Limited	International Procurement Services	1,400,000
Sub-total of transfers b/w 53 businesses				<u>998,144,761</u>
14	23/09/2013	O&G Construction Limited	Woget Industries	20,000,000
15	11/09/2013	O&G Construction Limited	Chloride Batteries Limited	2,000,000
16	12/09/2013	O&G Construction Limited	Woget Cotton Ginning Company	1,600,000
Sub-total of transfers b/w 53 businesses and other related businesses				<u>23,600,000</u>
Total				<u><u>1,021,744,761</u></u>

To date no documentation proving these 16 transfers were for legitimate business purposes has been provided and we would recommend further work is undertaken to establish their business purpose, if any.

Ten of the 13 transfers totalling MK 950,894,000 were to IPS which received funds from three different businesses; Thuso Group (MK 480,000,000), O&G Construction (MK 390,900,000) and Stadal Building Contractors (MK 79,994,000). No paperwork has been seen to show what goods, services or works IPS was supplying to these three businesses in return.

The bank statements of IPS show following receipt of these transfers the majority of the funds were withdrawn in cash. High value transfers followed by rapid cash withdrawals from the final beneficiary is a characteristic indicative of a business being used as a conduit and is normally part of the layering process to launder funds.

Layering is the process of engaging in a series of conversions or movements of funds to distance them from their source and mask their origin. In some instances, the launder might disguise the transfers as payments for goods or services, in an attempt to give them a legitimate appearance. This is why it is necessary for law enforcement to confirm if the transactions had any genuine business purpose.

Eight of the 10 transfers to IPS are from O&G Construction. Both of these businesses are owned and controlled by Oswald Lutepo. Similarly, two transfers are from Stadal Building Contractors which is owned by Stafford Mpoola, who also owns Image Investments. These two individuals appear to be trusted to receive, transfer and withdraw large amounts of ineligible GoM funds through their private businesses.

The remaining two transfers were between Clive Engineering and Sky Civil Engineering for MK 14,250,761 and Business Advertising Agency and Explorations for MK 8,000,000. Following these transfers the majority of the funds were withdrawn in cash. This fund movement may highlight a relationship between the individuals running these businesses.

The detail behind each of the transfers is discussed in more depth below.

19.2. International Procurement Services

IPS received ten transfers totalling MK 950,894,000 in the one month period from 15 August to 13 September 2013.

A summary of these ten transfers is shown below:

No.	Date	From	To	Amount MK
1	28/08/2013	Thuso Group (PVT)	International Procurement Services	480,000,000
2	06/09/2013	O&G Construction Limited	International Procurement Services	250,000,000
3	15/08/2013	Stadal Building Contractors	International Procurement Services	79,994,000
4	13/09/2013	O&G Construction Limited	International Procurement Services	60,000,000
5	30/08/2013	O&G Construction Limited	International Procurement Services	50,000,000
6	28/08/2013	O&G Construction Limited	International Procurement Services	10,300,000
7	22/08/2013	O&G Construction Limited	International Procurement Services	6,900,000
8	27/08/2013	O&G Construction Limited	International Procurement Services	6,800,000
9	26/08/2013	O&G Construction Limited	International Procurement Services	5,500,000
10	22/08/2013	O&G Construction Limited	International Procurement Services	1,400,000
				950,894,000

Further work should be done to establish the legitimacy of each of these transactions and a physical inspection of the goods, services or works provided in return should be completed.

19.3. Thuso Group

Thuso Group received MK 920,000,000 from the MDF on 23 August 2013 and five days later on 28 August 2013 paid MK 480,000,000 (52% of this amount) to IPS. Alexander Banda, one of the directors of Thuso Group described the transfer of MK 480,000,000 as an “*advance payment to them to acquire raw materials for our production*”. No paperwork to support this statement was ever provided despite repeated requests from the audit team.

19.4. O&G Construction

O&G Construction paid IPS a total of MK 390,900,000 via eight transfers in a three week period from 22 August to 13 September 2013. No paperwork to show the business purpose(s) of these transfers has been located. The transfer of MK 250,000,000 was made on 6 September 2013 and reduced IPS bank balance from being MK 336,690,280 overdrawn to being MK 86,690,280 overdrawn.

19.5. Image Investments

On 20 August 2013 the sum of MK 25,000,000 was transferred from Image Investments to Stadal Building Contractors. The preceding day, 21 August 2013, Stafford Mpoola deposited two cheques totalling MK 516,764.229 into Image Investments FDH Bank

account. No evidence of any goods, services or works been provided to the GoM in return was found.

19.6. Stadal Building Contractors

Stadal Building Contractors made two transfers; the first for MK 79,994,000 on 14 August 2013 to IPS and the second for MK 25,000,000 on 20 August 2013 to Image Investments. The transfer of MK 79,994,000 was made via bank cheque rather than the businesses cheque and may have been an attempt by Stafford Mpoola to obscure the source of the funds. Following receipt of the cheque for MK 79,994,000 all of these funds were withdrawn in cash by Oswald Lutepo.

19.7. Business Advertising Agency

Business Advertising Agency (BAA) which is owned by Ian Kaunda and RJ Chaguza received MK 11,260,450 on 8 August 2013 from the GoM and paid MK 8,000,000 (71% of MK 11,260,450) to Explorations seven days later on 15 August 2013. No evidence of any goods, services or works being provided by BAA could be found.

19.8. Explorations

Explorations received MK 8,000,000 from Business Advertising Agency on 15 August 2013 and Kettie Kamwangala, the owner of Explorations withdrew MK 7,400,000 (92.5%) of the funds as cash.

19.9. Clive Engineering Company

Clive Engineering Company which is owned by Dennis Mhango received MK 123,865,678 via three cheques from the GoM without providing any goods, services or works. Following deposit of the second cheque for MK 55,488,000 a cheque for MK 14,250,761 raised on 3 September 2013 was paid to Sky Civil Engineering.

19.10. Sky Civil Engineering

Sky Civil Engineering is owned by Steven Mwenitete and received MK 14,250,761 via cheque from Clive Engineering Company on 3 September 2013. Following deposit of the cheque all the proceeds were withdrawn in cash over 17 days by various individuals including Steven Mwenitete.

19.11. O&G Group

In September 2013 O&G Constructions transferred MK 20,000,000 to Woget Industries, MK 2,000,000 to Chloride Batteries Limited and MK 1,600,000 to Woget Cotton Ginning

Company. These businesses are all part of the O&G Group of which Oswald Lutepo is the Chairman / Managing Director.

19.12. Conclusions

Examination of the bank statements and cheque images for the 53 company's reviewed identified 13 transfers greater than MK 1m between the different businesses. A further three transfers between one of the 53 businesses and their related group businesses were also traced. The total value of the 16 transfers was MK 1,021,744,761.

No evidence of any goods, services or works being traded between the entities could be located to support these 16 transfers and further work should be done to establish the legitimacy of each of these transactions.

The majority of the transfers (MK 950,894,000 of MK 1,021,744,761) were to IPS where the majority of the funds were then withdrawn in cash. High value transfers followed by rapid cash withdrawals from the final beneficiary is a characteristic indicative of a business being used as a conduit and is normally part of the layering process to launder funds.

20. Payments to legal practitioners in Malawi

20.1. Findings

A review of the 53 case files identified four payments totalling MK 140,896,121 to three different legal practitioners in Malawi, made between July and September 2013, using 'cashgate' funds. All three are listed as licensed legal practitioners for the period 1 February 2014 to 31 January 2015 on the Malawi Law Society website³⁷. We recommend the ACB confirm if all three businesses were licensed in the previous year when they received these payments. A summary of the four payments is shown below:

No. Solicitor	International Procurement Services MK	Stadal Building Contractors MK	O&G Construction MK	Total MK
1 Ralph & Arnold Associates	54,993,800	-	2,400,000	57,393,800
2 Knight & Knight	-	50,000,000	-	50,000,000
3 Joe & Max Chambers	-	-	33,502,321	33,502,321
	<u>54,993,800</u>	<u>50,000,000</u>	<u>35,902,321</u>	<u>140,896,121</u>

This summary shows Ralph & Arnold Associates received the highest amount being MK 57,393,800 which was paid primarily from IPS. Knight & Knight received the second highest amount being MK 50,000,000 transferred from Stadal Building Contractors. O&G Construction made to two payments totalling MK 35,902,321 to two different legal practitioners being Ralph & Arnold Associates and Joe & Max Chambers.

Further work should be undertaken to find out the reasons for all four payments and a review of the money laundering checks completed by all three solicitors prior to them receiving the funds, should be completed by the ACB. Where breaches are identified, the Malawi Law Society should be informed.

³⁷ http://www.malawilawsociety.net/lawyers_with%20valid_licences.pdf (accessed on 17 September 2014)

21. Businesses Registered in 2013

21.1. Introduction

A review of the bank registration documents identified three businesses that were registered in 2013. In our opinion these businesses were formed specifically to act as conduits and launder GoM funds. A summary of these businesses and their registration dates is shown below:

No.	Name	Owner	Date of Registration	Unsupported Amount Received MK
1	Image Investments	Stafford Mpoola	22/05/2013	516,864,229
2	Hunter Logistics	Stafford Mpoola	22/05/2013	30,000,000
3	S.T.C. Investments	Sibonile Chimphango	10/01/2013	22,848,000
				569,712,229

21.2. Image Investments

Image Investments was registered by Stafford Mpoola under the GoM Business Names Registration Act (Cap 46:02) on 22 May 2013 and in August 2013, three months later received MK 516,864,228.54 from Malawi Government Development Account 13006160082. No goods, services or works have been provided to the GoM in lieu of these payments and in our experience this company appears to have been formed for the sole purpose of laundering GoM funds.

21.3. Hunter Logistics

Hunter Logistics was registered by Stafford Mpoola under the GoM Business Names Registration Act (Cap 46:02) on 22 May 2013, the same date as the registration of Image Investments. On 10 June 2013 a bank account in the name of Hunter Logistics was opened with FDH Bank as Stafford Mpoola as the sole signatory. No major financial activity takes place on the account with the exception of an inward transfer in August 2013 of MK 30,000,000 which is then followed by a transfer outwards of MK 27,323,000. Based on our assessment of Image Investments and Hunter Logistics we suspect this company may

also have been formed to launder GoM funds. We recommend further investigation is undertaken to determine the source / destination of the two transfers.

21.4. S.T.C. Investments

S.T.C. Investments was registered by Sibonile Chimphango under the GoM Business Names Registration Act (Cap 46:02) on 10 January 2013 and received MK 22,848,000 eight months later on 28 August 2013 from the Malawi Government Development Account 13006160082. At the time of registration Sibonile Chimphango already owned two businesses.

21.5. Conclusions

The funds paid to these companies should be recovered.

A review of the due diligence files prepared for each of these companies should be completed.

22. With Holding Tax

We reviewed 31 “Withholding Tax certificate books” for the period 11 March 2013 to 14 November 2013. We were not able to trace withholding tax certificates for a high proportion of payments that, if legitimate, should have been subjected to withholding tax at source.

The payments made to these businesses suggest that no tax was deducted which calls into question the legitimacy of the payments received from the GoM.

Conversely should these payments be identified as legitimate the MRA should undertake immediate investigation and recovery action. Moreover, the decision not to deduct withholding tax at source would further suggest collusion between the companies and government officials.

23. Cash Withdrawals (USD)

Individuals relating to four businesses were found to have withdrawn funds in US Dollars though the various bank accounts, the withdrawals totalled USD 92,354 (MK 29,636,040) as follows:

	USD	MK Equivalent
Company 1	45,000.00	12,139,728.00
Company 2	2,354.00	819,611.00
Company 3	25,000.00	9,248,541.00
Company 4	20,000.00	7,428,160.00
	<u>92,354.00</u>	<u>29,636,040.00</u>

On two occasions supporting documentation suggests that the funds related to overseas business trips. However we found that the individuals supposedly travelling overseas continued to make use of ATM machines during and after the period they were purported to be overseas suggesting that the business trips may not have happened although it is possible that someone else was using the ATMs on their behalf.

We were unable to trace funds converted outside the normal banking system.

Mweni Civil Engineering

A review of correspondence sent from Albert Mwenibabu to NBM shows the equivalent of MK 12,139,728 in US dollars was loaded on to nine ‘cash passports’ using funds from Mweni Civil Engineering. This amount is equal to approximately \$5,000 per cash passport.

The cash passports were purportedly for a business trip to Tanzania for three members of staff however nine individuals including the owner received the cash passports. Internet searches could not locate the other eight individuals although one person with an identical name to Denis Fumbani Kumwenda was found to work in the Ministry of Education³⁸.

WEK Construction

In July 2013 \$2,354 was withdrawn from WEK Construction's NBS Bank account.

Ziuya Construction

In the 7 week period from 5 March to 22 April 2013 four purchases of foreign currency totalling MK 9,248,541 was made from Ziuya Constructions National Bank of Malawi bank account.

Hury Civil & Building Contractors

On 5 September 2013 Hury Civil & Building Contractors made an application to Nedbank for USD\$ 20,000 for Rex and Laura Savala to use on a 28 day trip to China which was due to commence on 20 September 2013. The aim of the trip was to buy construction equipment. The request was made for two batches of USD\$ 10,000 and suggests the funds will be used for subsistence, allowance, travel and accommodation related costs. Hury Civil & Building Contractors bank statements show two transactions of MK 3,714,080 for bank note purchases were made on 5 September 2013. A review of the businesses bank statements show Rex and Laura Savala continue to cash cheques and withdraw funds from ATMs after 20 September 2013 suggesting the overseas trip did not take place.

³⁸ <https://www.facebook.com/search/more/?q=Denis+Fumbanani+Kumwenda&init=public> (accessed on 15 August 2014)

24. Internal Control Issues Identified With The Financial Institutions

The audit work completed on the 53 cases identified various internal control weaknesses in relation to the Reserve Bank of Malawi (RBM), the GoM banker's and the Malawian commercial banks. These weaknesses increased the financial exposure of the GoM to fraud. The following internal control failures were noted:

Honouring GoM cheques with the incorrect number of official cheque signatories

Audit work identified 33 cheques in excess of MK 5m issued since August 2011 by the GoM that had been honoured by the RBM despite only having two and not three official's signatures. These 33 cheques totalled MK 1,146,183,929.

Cheque deposit slips not completed and suspense accounts used

In a one month period from 24 July to 28 August 2013 IPS banked 11 cheques amounting to MK 3,304,441,748 from the GoM. Six cheques were paid from the Ministry of Defence ORT account and five cheques were paid from Malawi's Government Development account. All 11 cheque deposit slips were requested from Standard Bank, IPS's bankers but the audit team was informed only the cheque images were available, as the customer did not complete the deposit slips and the branch used to process the cheques used their suspense account. The audit team are concerned that no cheque deposit slip exists for any of these 11 cheques.

Commercial banks unable to locate cheque images / supporting documents for high value receipts and payments

The audit team arranged for subpoena's requesting all necessary financial information to be provided by the commercial banks and requested cheque images (front and back) for all payments made following the deposit of the GoM cheques, however not all of this information could be provided. A summary of the payments for which cheque images could not be traced is shown below:

No.	Bank	Company	Qty	Payment MK
1	FDH Bank	Image Investments	2	89,500,000
2	MSB	Mzenga Construction	14	33,517,045
3	NBM	Megan Constructions	4	29,700,000
4	Nedbank	Mweni Civil Engineering	1	20,536,489
5	OIBM	Sky Blue Construction	2	13,400,000
6	Indebank	Clive Engineering	2	10,850,000
7	NBM	Walusako General Dealers	1	10,000,000
8	NBS Bank	Makhausi Constructions	1	10,000,000
9	NBS Bank	WEK Constructions	5	9,670,000
10	FMB	Mwendayekha Building Contractors	2	5,500,000
11	FMB	Mzenga Construction	1	5,000,000
12	NBM	Mwendayekha Building Contractors	1	3,000,000
13	Standard Bank	Wymbaso General Suppliers	1	2,000,000
14	NBM	Mzenga Construction	1	1,000,000
			17	243,673,534

In total 31 cheque images with a value of MK 243,673,534 were unable to be located from across eight different banks. For two companies in particular significant information was found to be missing with information missing from three banks for Mzenga Construction and from two banks for Mwendayekha Building Contractor.

In email correspondence NBM stated they had 'lost the evidence' for four cheques totalling MK 29,700,000 paid out of Megan Constructions and MSB were only able to provide 9 out of 23 cheque images for Mzenga Construction stating 'regarding the other images, we are having serious challenges'.

The following paragraphs describe in more detail the documents that could not be provided.

OIBM are unable to locate two cheque images totalling MK 13,400,000 which were paid out of Sky Blue Construction (SBC).

NBS Bank is unable to locate five cheque images totalling MK 9,670,000 which were paid out of WEK Constructions. The cheques images were requested in May 2014.

Indebank could not locate the supporting documents for two cheque payments made out of Clive Engineering Company. The first payment was for MK 9,850,000³⁹ and the second payment was for MK 1,000,000⁴⁰ which was initially described as a 'deposit initiation'.

NBM is unable to locate the supporting documents for four cheques totalling MK 29,700,000⁴⁰ which were paid out of Megan Constructions following them receiving MK 149,227,942 from the GoM. NBM stated they had 'lost the evidence'.

NBM is unable to locate the supporting documents for a cheque for MK 10,000,000 paid out of Walusako General Dealers on 16 August 2013.

FDH Bank is unable to provide the supporting documents for two cheque payments for MK 60,000,000 and MK 29,500,000 that were paid out Image Investments bank account.

³⁹ Cheque number 97 for MK 9,850,000 which cleared the bank on 4 September 2013

⁴⁰ MK 1,000,000 + MK 3,500,000 + MK 22,700,000 + MK 2,500,000

NBS could not locate the documents to support a cash withdrawal for MK 10,000,000 made from Makhuasi Constructions for us to confirm the beneficiary.

Nedbank could not locate a scan of the back of a cheque for MK 20,536,489 deposited into Mweni Civil Engineering's bank account so we were unable to confirm the identity of the person who deposited the cheque.

NBM stated the cheque image for a payment of MK 1,000,000 from Mzenga Construction Company could not be located. The cheque scan for a payment of MK 5,000,000 could also not be located by FMB. A total of 23 cheque images were also requested from MSB but they were only able to provide detail for nine of these transactions. An email from MSB stated 'regarding the other images, we are having serious challenges'.

Standard Bank were unable to locate the cheque image showing the recipient of a payment of MK 2,000,000 made from Wymbaso General Suppliers.

FMB were unable to provide the supporting documents showing who was the beneficiary of a two cheques totalling MK 5.5m paid out of Mwendayekha Building Contractors.

NBM were unable to provide the supporting documents showing the beneficiary of a cheque for MK 3m paid out of Mwendayekha Building Contractors. NBM stated the image of the cheque was no available within their system.

Commercial banks unable to provide bank mandates for businesses

National Bank of Malawi (NBM) was unable to locate five bank mandates and NBS Bank was unable to locate one bank mandate for businesses that bank with them. NBM could not locate bank mandates for D&M Furnishings, Clive Engineering, WG Construction Limited, Walusako General Dealers and Mundikhumbengi Building Contractors. NBS Bank was unable to locate the bank mandate for WEK Construction. Bank mandates contain the bank account opening form, identification documents and proof of address and are important component in confirming the identity of the bank account owner.

Limited Suspicious Transaction Reports (STRs) prepared and filed with the FIU

Examination of the bank statements for the various 53 companies found various financial patterns that should in the opinion of the audit team have triggered 'red flags' for management review.

One of these patterns was high value GoM cheques deposited into bank accounts with minimal historical financial transactions followed by immediate withdrawals of high volumes of cash was common. This characteristic was seen in the following 12 companies; Compu-Networks Limited, Carmu Civil Engineering, Protem Civil Engineering, Faith Construction, Stewarts Construction, Mweni Civil Engineering Contractors, WG Construction Limited, Makhausi Constructions, Walusako General Dealers, Sky Blue Construction, STC Building Contractors, Wymbaso General Suppliers.

A second pattern was new bank accounts opened by recently formed companies which then deposited high value GoM cheques (i.e. Image Investments, Hunter Logistics, S.T.C. Investments, Mwendayekha Building Contractors, Pawooh Logistics, Mweni Civil Engineering, Fusion Limited, Walusako General Dealers and Megan Construction).

A third pattern was dormant bank accounts reopened prior to high value GoM cheques being deposited (i.e. Mchemani Civil Contractors re-opened a bank account with Standard Bank in August 2013 then deposited MK 117,575,228 via two GoM cheques in the same month)

From the 53 cases STRs were prepared for at least two businesses; being International Procurement Services and WG Construction Limited. The majority of commercial banks did not file STRs suggesting they perceived no suspicious activity in the bank accounts of these companies or were simply not checking.

The following examples emphasise the how significant amounts were paid into bank accounts with minimal historical financial activity.

On 7 May 2013 and 6 June 2013 cheques for identical amounts of MK 19,094,045.97 were paid from the GoM in to Mwendayekha Building Contractors bank account with NBM. A further two cheques for this amount were also paid from the GoM in to Mwendayekha Building Contractors bank account with NBS on 7 May 2013 and 3 June 2013. No STR report was raised by either the RBM who honoured the cheques or the two banks who deposited the cheques.

Megan Construction opened a bank account with National Bank on 1 July 2013 using a deposit of MK 8,000. Three cheques totalling MK 149,227,942 were then paid into this bank account within a two month period. The first deposit of MK 17,433,891 was banked on 4 July 2013, the second deposit of MK 46,991,510 was banked on 7 August 2013 and the third deposit of MK 84,802,541 was banked on 26 August 2013. All three cheques were banked by Doreen Nyirenda, the owner of Megan Construction and paid out of Malawi Government Development Account Number 13006160082.

Carmu Civil Engineering banked two cheques totalling MK 84,963,341 in August 2013. The bank statements show these were the first two credits paid into this account since January 2012. All the funds were withdrawn in a 16 day period between 14 and 30 August 2013. No STR was prepared by NBS Bank.

Faith Construction received MK 105,983,548 in August 2013 (MK 36,530,980 on 12 August 2013 and MK 69,452,568 on 26 August 2013) and all of these funds were withdrawn by 23 September 2013. Analysis of the bank statements for the preceding two years shows the previous highest monthly cumulative deposits totalled MK 981,682 in September 2012, being 100 times less than the combined amount deposited. No STR was prepared by FDH Bank.

Protem Civil Contractors opened a bank account with FDH Bank on 6 September 2011 with MK 5,000. A number of low value transactions were processed between 6 September 2011 and 31 August 2012. No transactions were noted between 31 August 2012 and 8 August 2013 suggesting the account was dormant. In August 2013 MK 81,763,250 was paid into the bank account. No STR was raised by FDH Bank.

Stewarts Construction received MK 30,720,344 from the GoM in September 2013 and all the funds were withdrawn in cash within six days of receipt. In the preceding three years, from October 2010, the highest monthly cumulative deposits had not exceeded MK 3,478,753. The receipt of MK 30,720,344 was almost ten times this amount and withdrawn quickly in cash but no STR was prepared by FDH Bank.

Compu-Networks Limited received MK 30,654,079 from the GoM on 13 August 2013. An examination of the bank account shows that the highest value deposit in previous months was MK 2,601,836 in June 2013. No STR was raised in relation to the MK 30,654,079.

Internal control failings – Poor review of bank account opening documents

The owner of Vhaima Building Contractors and Vhaima General Dealers opened three bank accounts with the National Bank of Malawi (NBM) between August 2007 and April 2013. In each of the bank application forms a different version of his name was given being; Minor Reuben, Minor Anderson Reuben and Mainala Reuben Mwale. All three applications have the same specimen signature and provided the same telephone number yet this issue does not appear to have been flagged up by the NBM. Furthermore, it was noted that the application form in the name of Mainala Reuben Mwale was opened using a driving license in the name of Minor A Reuben. This evidence suggests NBM opened a bank account in a name that does not agree to the supporting identification documents provided. It was also noted that Mainala Mwale is listed as a referee on the application form submitted on behalf of Minor Reuben and so in affect provided his own reference.

The 'Application to Open a Corporate Bank Account' dated 7 October 2011 to FDH bank on behalf of Mahembe Civil Engineering lists the organisation as a sole proprietorship and it should noted the reference documents appear to have been completed by the same individual that completed the application form.

Cool Curtis Engineering is a sole proprietorship run by Ezeckiel Chibwana. Standard Bank provided a bank mandate which included references provided by Sunganani Trade Agencies and JNB Investments. It was observed that the reference documents are almost identical in font and format.

Mzenga Construction Company provided a trade reference to Nedbank in May 2013 from Grace Chipolo from the Malawi Government Department of Buildings. Internet searches and a review of the GoM Recurrent and Capital Budget 2012/13 could not locate a department by this name. It is not known if this individual was referring to Malawi Housing Corporation but there is no evidence of a follow up check by Nedbank on the trade reference.

Internal control failings – Unable to provide bank statements

NBM were requested to provide the bank statements for the period 28 March 2013 to 3 May 2013 for Mwendayekha Building Contractors's NBM bank account however these bank statements could not be located by NBM.

Internal control failings – Unexplained difference on the bank statements

Two versions of the bank statements for Stadal Building Contractor's NBS bank account were provided by NBS. A comparison of them found a difference of MK 3,871 between the two versions. An explanation and the correct statements was requested from NBS on 7 April 2014 but no reply was received.

Internal control failings – Unable to provide supporting documentation for receipts

Pawooh Logistics received MK 132,417,907 in two cheques from the GoM for goods, services and works that were never provided. The bank deposit slips for these two cheques were requested from Ecobank to identify who banked the cheques but they were unable to provide them.

In his witness statement provided to the ACB Steven Mwenitete confirms he was a cheque runner for Mundikhumbengi Building Contractors and in this role he deposited a cheque on 4 September 2013. The bank statements of Mundikhumbengi Building Contractors show a cheque for MK 36,479,656 was deposited on this date however Standard Bank were unable to provide the cheque deposit slip to support this receipt.

FMB were unable to provide a scan of a cheque deposit for MK 24m which was paid into Mwendayekha Building Contractors on 13 September 2013.

NBM were unable to provide the supporting documents of a cheque for MK 6,351,815 which was paid in to Mwendayekha Building Contractors.

An inward telex of MK 112,714,581 was paid into Mzenga Construction Company's NBM bank account and the details of this requested. An email received back from NBM indicates that the supporting documentation for this transaction may not be available. At the time of submitting this case file this information had not been provided. A telex payment in December 2013 with the same bank statement detail originated from the African Development Bank.

Nedbank could not locate the cheque deposit slips for the GoM cheques that were banked into Makhuasi Constructions bank account.

Standard Bank were unable to provide the deposit slips for 12 deposits paid into Standard Freight Services which would allow the audit team to confirm the identity of the individuals depositing the funds.

Internal control failings – Incorrect information recorded on deposit slips by the bank

The deposit slips for Vhaima Building Contractors / Vhaima General Dealers were reviewed and one deposit slip (number 01631) was noted to have been incorrectly filled in by the NBM employee. Errors identified include the customer name being written as 'unnumbered', the incorrect account number being recorded and the phrase 'buffer' being written where the customer's name should have been captured.

Internal control failings – Mixed bank statements

Faith Construction has bank accounts with Nedbank and FDH Bank. The bank statements for Nedbank were provided and state 'Nedbank Capital City' on the top of them but have been stamped FDH Bank. It is unclear why an administrative oversight of this nature would arise.

Internal control failings – Inadequate review of bank mandates

Sky Civil Engineering provided banking references for Mweni Civil Engineering and Clive Engineering. The reference provided by Sky Civil Engineering appears to be incorrectly completed as it was signed by Albert Mwenibabu, the owner of Mweni Civil Engineering rather than the Managing Director of Sky Civil, raising concerns over the quality of the internal controls at NBM.

Internal control failings – Cheque paid but authorised signatories do not match

Business Advertising Agency received MK 11,260,450 on 8 August 2013 from the GoM and paid MK 8,000,000 (71% of MK 11,260,450) to Explorations seven days later on 15 August 2013. A review of the cheque image for MK 8,000,000 noted that the two signatures do not match the authorising signatures on the banking account opening documents although the quality of the cheque image is poor.

Internal control failings – Inadequate supporting documents for bank mandates

The bank mandate for Faith Construction provided by FDH Bank was reviewed and found to contain an 'Electricity Prepaid' certificate that was dated 5 September 2012. The date of this certificate is two years after the account opening date and it is unclear if the inclusion of this document is an administration oversight or if the documents provided have been falsified.

The bank account opening form for Zozama Civil & Building Contractors National Bank account was incomplete.

Conclusions

The relevant regulatory authorities should investigate the role of the banks in these cases to assess whether it would have been reasonable to expect the banks to raise concerns at the very large sums of money being deposited and then withdrawn. If it is concluded that the banks had not acted in accordance with banking norms and related legislation appropriate action should be taken.

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25. Individuals With Links To ‘Cashgate’ Who Stood In 2014 Malawi Parliamentary Election

The audit team have undertaken research into the background of individuals connected to businesses implicated in cashgate. During the course of this research, it was noted that some of those individuals stood as candidates in the 2014 parliamentary election.

Using the list of individuals connected to companies selected as part of the cashgate investigations sample known as ‘cashgate names list’. This was compared to a list of parliamentary candidates, produced by the Malawi Electoral Commission (MEC) and obtained from a news website, www.orokonews.com, and to a list of election winners.

At the time of writing this report the audit team identified seven individuals on the cashgate names list who stood as candidates in the parliamentary election, two of whom were successfully elected. Details are shown in the table at List 1 below. The seven individuals are listed below:

- Oswald Lutepo
- Harry Phiri
- Rhino Chipiko
- Col Nelson Johannes Kauwa
- Ralph Kasambara
- Akajuwe Roy Kachale Banda
- Christopher Zenengeya

Akajuwe Roy Kachale Banda, the son of former President Joyce Banda, does not own a company which has been investigated, however is assessed to be linked to either Hury Civil Engineering & Building Contractors or Carmu Civil Engineering.

A further 32 individuals are on the cashgate names list and share a surname with one or more election candidates. Further investigation would be required to indicate whether any of these 32 individuals are linked through family to any election candidates. This list is shown at List 2 below.

According to the MEC listing, there were 1290 candidates for the election. Analysis of the listing shows that 420 candidates had the affiliation 'INDEPENDENT' (33%).

Of the seven individuals on the cashgate names list who stood as a candidate, five were listed as INDEPENDENT (71%). The exceptions were Rhino Chipiko (MCP) and Akajuwe Roy Kachale Banda (PP).

A higher percentage (71%) of cashgate-linked candidates were listed INDEPENDENT than the national percentage (33%) of INDEPENDENT candidates.

Conclusion

It is likely Cashgate funds have been used to support electoral campaigns.

In the absence of further information it is not possible to assess if those standing influence the voting towards other parties.

References

List of candidates, <http://www.orakonews.com/wp-content/uploads/2014/02/List-of-Parliamentary-Candidates-2014-TPE-Nomination-Results.pdf> (accessed 3 June 2014).

List Of Candidates Declared Winners

Baker Tilly working papers, specifically list of individuals connected to cashgate companies.
Case notes on companies implicated in cashgate.

List 1:

List of 7 individuals on the 'cashgate names list' who stood as candidate in the 2014 parliamentary election.

APPENDIX 1: INDIVIDUALS LINKED TO CASHGATE WHO STOOD IN 2014 ELECTION

No	Name	Company	Party	Constituency	Winner Y/N	Winning Candidate	Remarks
1	Osward Lutepo	O&G Construction Limited, International Procurement Services	INDEPENDENT	Kasungu North	N	Beatrice MVALE (PP)	
2	Harry Phiri	International Procurement Services	INDEPENDENT	Thyolo South	N	Mcjay SALJENI (IND)	Candidate full name: Harry Henry PHIRI.
3	Rhino Chipphiko	Compu-Networks Limited	MCP	Lilongwe City South West	Y	-	Candidate full name: Rhino Moyo CHIPHIKO
4	Col Nelson Johannes Kauwa	Thuso Group	INDEPENDENT	Lilongwe City Centre	N	David BISNOWATY (IND)	Candidate full name: Nelson KAUWA
5	Ralph Kasambara	Ralph & Arnold Associates	INDEPENDENT	Nkhatabay North West	N	Commodius NYIRENDA (IND)	
6	Akajuwe Roy Kachale Banda	Son of the previous President / possibly in a relationship with Laura or Caroline Savala (Hury or Carmu)	PP	Zomba Malosa	Y	-	
7	Christopher Zenengeya	QST Projects	INDEPENDENT	Mangochi South West	N	Justin MAJAWA (IND)	

Appendix 2:

List of 31 individuals on the 'cashgate names list' who may be linked through family to a candidate in the 2014 parliamentary election.

Other possible links: (i.e. a surname matched an election candidate's, no further investigation done)

No	Name	Company	Remarks
1	A Msukwa	O&G Construction Limited	Kezzie MSUKWA a PP candidate
2	Aliyasi Mkwanda	Fusion Limited	4x MKWANDA candidates
3	Amos Suluma	O&G Construction Limited	Harrison SULUMA a PP Candidate
4	Amosi Phiri	Ziuya Constructions	18x "PHIRI" candidates
5	Angela Madalitso Katengeza	Faith Construction	1x KATENGEZA candidate
6	Auzius Kazombo Mwale	Accountant General Department	7x "MWALE" candidates
7	Blessings Munkhondya	O&G Construction Limited	Godfrey MUNKHONDYA a PP Candidate
8	Cecilia Mervis Ng'ambi	Protem Civil Contractors	1x NG'AMBI candidate
9	Charles MacMillian Chimwala	Compu-Networks Limited	2x "CHIMWALA" candidates
10	Charles Ng'ambi	Protem Civil Contractors	1x NG'AMBI candidate
11	Chimwemwe Sylvia Chisale	Compu-Networks Limited	2x "CHISALE" candidates
12	Dennis Mhango	Zozama Civil & Building Contractors	2x "MHANGO" candidates
13	Dennis Mhango	Ziuya Constructions	2x "MHANGO" candidates
14	Dennis Mhango	Clive Engineering	2x "MHANGO" candidates
15	Doreen Nyirenda	Megan Construction	14x "NYIRENDA" candidates
16	ET Nyirenda	O&G Construction Limited	14x "NYIRENDA" candidates
17	Foster Mkandawire	Zozama Civil & Building Contractors	10x "MKANDAWIRE" candidates
18	Francis Chavula	Compu-Networks Limited	2x "CHAVULA" candidates
19	Frank Mwanza	Accountant General Department	2x "MWANZA"
20	Gerald Masikini Magaleta Phiri	Sky Blue Construction	18x "PHIRI" candidates
21	Judith Njanji	Covs Landscape Recreation & Nurseries	1x NJANJI candidate
22	Luke Lawrence Kasamba	Cross Marketing	2x "KASAMBA" candidates
23	Madolo Kasamba	Cross Marketing	2x "KASAMBA" candidates
24	Mchepa Nda	Zozama Civil & Building Contractors	1 other "NDAU" candidate
25	Minor Reuben Mwale	Vhaima Building Contractors / Vhaima General Dealers	7x "MWALE" candidates
26	Mzipasi Moyo	Ziuya Constructions	4x "MOYO" candidates
27	Peter Nyirenda	Ziuya Constructions	14x "NYIRENDA" candidates
28	Philbert Masoka Mkandawire	Mahembe Civil Engineering	10x "MKANDAWIRE" candidates
29	Sympathy Chisale	Mchemani Civil Contractors	2x "CHISALE" candidates
30	William Ismael Kachingwe	WEK Construction	5x KACHINGWE candidates
31	Yohari McLister Kaweche	Mundikhumbengi Building Contractors	1x KAWECHE candidate
32	Roger Sithole	ACB or Police arrested a person with the same surname (Patrick Sithole) over stolen money in their car	

26. Data Forensics

26.1. Introduction

In July 2014 we undertook a data forensics exercise based on back up data obtained from the Accountant Generals Department. The findings were reported separately in September 2014 and can be summarised below. Further work will be required to understand fully the exposure to GoM.

26.2. Scope of work

To review the data held on the external hard disk drive acquired by MS on site in Malawi.

Restore the 2013 backup databases for the ministries:

- BE101 Malawi Defence Force;
- BE120 Local Government and Rural Development
- BE341 Malawi Police Service
- BE210 Ministry of Water Development and Irrigation
- BE090 Office of the President & Cabinet
- BE360 Ministry of Tourism & Culture

Identify if there is evidence of any other transactions being deleted from the selected ministries.

Extract transactions from the restored 2013 databases for the selected ministries for the list of companies identified with deleted transactions.

26.3. Work done

The data held on the external hard disk drive was reviewed and a large number of backup files were identified with the prefix BE. The range of numbers is greater than the number of ministries. When checked against the list of Ministries the range BE570 to BE928 do not appear on the list of ministries. The identity and content of these backups has not been established. Although the file sizes of the majority of these backups indicate that they are very small entities if used at all.

The folders on the hard disk drive were described as Backups 2013, Backups 2012, Backups 2011, Backups 2010, Backups 2009, Backups 2008, Transaction Logs and Regional backups. There are numerous files within these folders but due to the naming conventions and the limited use of sub folders it is not clear as to what they relate without reference to the list of ministries and technical assistance from the IT department.

The folder named backups 2013 held 319 files. This was searched for the selected population of ministries, there was no backup found for BE210. However, for BE101 and BE341 there appeared to be an additional backup designated 101-1 and 341-1. Each of these additional backups were included

in the population of ministries to be restored. When reviewing the other ministry backups for 2013 only BE050 had the additional BE050-1 backup.

The restored backup for BE101 did not have any records in the "gltrxdet" and "gltrx" tables, however these tables were populated in the BE101-1 database. The restored backups for BE341 and BE341-1 both had records in the "gltrxdet" and "gltrx" tables and were included in the data to be reviewed.

The population of ministries to be restored were extracted from the external hard disk. When trying to restore these backups into the current version of Microsoft SQL Server it became apparent that the version used by these applications was SQL Server 2000 Service Pack 4. Due to the age of this product there is only limited support now available from Microsoft. Therefore it was necessary to build a virtual machine with this old software. The backups for the selected ministries were then successfully restored.

Within each restored database there are approximately 1,300 data tables. The key data tables relating to the deleted transactions are the "gltrxdet" and "gltrx" tables. These tables for each ministry in the population were extracted using ODBC drivers through excel and into the IDEA software. The additional table containing the details relating to "system users" for each database were also extracted. The data in these backups covers a number of years possibly going back to when the system was commissioned.

The data for each ministry in the population including BE101-1 and BE341-1 was imported into IDEA. Within IDEA a single file of GL transactions was created. Using a list of the 68 companies identified as being of interest when looking at the deleted records, the general ledger transactions related to these companies were searched for and extracted.

Using the Benfords Law function within the IDEA package the general ledger transactions were tested and a number of unusual spikes identified. .

For each ministry the data was searched using GAP detection on the field "Journal control number" giving a list of journal control numbers missing from the sequence.

The Soft Tech report "Database Analysis and Audit Report and Restoration of Data" dated November 2013 was reviewed with regard to this assignment. It was found to have a limited scope looking only at the period from July 2013 to September 2013. The report demonstrated a sound grasp of the technical requirements needed to identify and recover deleted transactions.

26.4. Findings

The provenance and chain of custody over the data files held on the hard disk drive is unclear. It is therefore difficult to prove that the data used is as described. The underlying software is SQL Server 2000 SP4 is over 10 years old and has limited support.

Soft Techs report "Database Analysis and Audit Report and Restoration of Data" does not indicate whether further investigations and analysis have been carried out through the extension of the period under review, and reviewing all ministries. It also appears that the scope did not extend to reviewing user ID's identified as being associated with the deleted records across all ministries. The report is technical in nature and does not address the financial implication that transactions were deleted to create budget headroom due to over spends. If this is the case a review of the financial and budgetary implications and an investigation into the transactions which contributed to the overspends should be considered.

The data for the selected population of ministries including BE101-1 and BE341-1 was appended into one file using the gltrxdet table. This was interrogated for transactions relating to the 68 companies / names identified for inspection. This resulted in 43 positive results and 25 nil returns. The resulting transactions were exported into excel for further investigation.

For ministry BE090 there are 109 missing "journal control number" numbers from the transaction sequence from the restored database data table "gltrx". It is not possible to state if these are deleted transactions without further investigation. These transactions were exported into excel for further investigation. However when checked against the Soft Tech report it appears that these are in addition to the deleted transactions documented. They also appear to relate to periods prior to the period reviewed by Soft Tech.

For ministry BE120 there were a number of inconsistencies within the "gltrx" and "gltrxdet" tables when looking at gaps in the "journal control number" sequence. There were 55 missing in the "gltrx" table and 75 missing from the "gltrxdet" table. It was therefore possible to identify three transactions in "gltrxdet" where the transaction was no longer present in the "gltrx" table and 23 transactions where the detail information in "gltrxdet" was missing but there was a record of the transaction in "gltrx" These transactions were exported into excel for further investigation. It is not possible to state if these are deleted transactions without further investigation. However when checked against the Soft Tech report it appears that these are in addition to the deleted transactions documented. They also appear to relate to periods prior to the period reviewed by Soft Tech.

26.5. Recommendations

The backups of all the ministry databases should be acquired in a controlled documented manner at a control point such as the financial half year. The providence of the data can then be assured and the data can be restored and reconciled with supporting management reports.

Then the databases can then be restored and used to follow up the issues identified in this report.

26.6. Conclusion

Anomalies in the data examined indicate that further data may have been deleted from a number of ministries database systems. However without further detailed investigation it is not possible to establish the scale, implications and value associated with these incidents.

Report ends

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Appendices and Documents

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No. Appendix Description

- 1 Schedule of Cashgate payments where accounting entries were deleted
 - 2 Schedule of payments similar to Cashgate where accounting entries were not deleted
 - 3 Schedule of other payments where funds have been misappropriated
 - 4 Schedule of Cashgate payments where the accounting entries were deleted but the cheques not cashed
 - 5 Schedule of companies that received Cashgate cheques (in alphabetical order)
 - 6 Schedule of companies that received Cashgate cheques (in value order)
 - 7 Schedule showing the different loss types split between the different businesses
 - 8 Schedule of all known payments made to Top Prima and Rummage Pace
 - 9 List of individuals linked directly or indirectly to Cashgate
 - 10 i2 charts showing links between individuals and businesses involved in Cashgate
-

No. Document Description

- 1 Malawi Electoral Commission - List of Parliamentary Candidates - 2014 Tripartite Elections
-