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Photo from Chilema

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Special points of interest:

- Read about the development of Zomba Office
- Learn about the NAO Annual Plan for 2006-2007

Editorial from Deputy Auditor General

Welcome aboard the August 2006 edition of the National Audit Office (NAO) Newsletter! We will continue to discuss topical issues relating to the auditing profession and provide you with information concerning our Supreme Audit Institution, among others. We, therefore acknowledge the good response from our stakeholders to the July 2006 edition of the Newsletter which has spurred us to continue with our journey.

In this edition, we have written about a seminar on the pre requisites for performance auditing for NAO which was held recently. With the advent of increased demand for programme results audit, NAO intends to introduce performance audit which is also known as value for money audit. A fundamental tenet of a democratic society holds that governments and agencies entrusted with public resources and the authority for applying them have a responsibility to render a full accounting of their activities. This public accountability should identify not only the objects for which public resources have been devoted, but also the manner and effect of their application.

This concept of public accountability is woven into the basic premises supporting International Standards on Auditing and these standards provide for a scope of audit that includes not only financial and compliance auditing, but also auditing for economy, efficiency and achievement of the desired results. In order to effectively introduce performance auditing in the NAO, we intend to identify the process by a legislative provision that will give us a clear mandate for carrying out this type of audit.

The August 2006 edition also carries an article on developments in the NAO which makes an interesting reading, particularly issues relating to HIV/AIDS. Perhaps it may also be of interest to learn that the NAO institutional framework is in the process of being revised and this will ultimately provide greater autonomy to NAO as Malawi's Supreme Audit Institution. A new Public Audit Act which was passed in 2003 has enhanced the operational independence of NAO as an external auditor of the Government. However, there is need

to address some weaknesses which have been identified in the legislation. The ultimate goal of these initiatives is the strengthening of NAO to enable it to effectively perform its oversight function with a view to enhancing transparency and accountability in the public sector.

We believe this Newsletter will prove to be the most useful ever published. We welcome your comments, suggestions of other articles to include and recommendations for the next edition. It is said that: "Nothing is more dangerous than an idea when it is the only one you have". Continue reading!

L.Sam Gomani

Editorial from Project Management

We were pleased by the positive feedback we received on the first edition of the NAO Newsletter, and we are also pleased to hereby issue the second issue of the Newsletter.

Since the July edition a number of developments have taken place within the NAO. One of the more notable achievements is that the NAO now has a webpage. The webpage is available at the : www.nao.mw

The webpage is a tool for increasing knowledge about the NAO among key stakeholders such as: NAO staff, our audit clients, MPs, the media, the public, donors, and other SAIs.

Increased knowledge about the NAO is in turn very important for increasing awareness and educating stakeholders on the pivotal role we play in Malawi

with regards to developing the country through adherence to the principles of transparency, accountability, good governance and sound financial public sector management.

Additionally, increased knowledge of the roles and responsibilities of the NAO can also be viewed as a mechanism to address the current challenges we are facing such as the severe staff shortages. By increasing the knowledge among stakeholders about the importance of the NAO for the development of Malawi, we are also increasing their ability and willingness to see the need for strengthening our organization.

In the August edition of the Newsletter we are pleased to present a number of articles which we think will be of interest to you. They include

among others interviews with the head of the Zomba office and the two consultants who visited our office concerning performance auditing. We also have a new article in our education corner, an article about the INTOSAI Development Initiative Development (IDI) and much more.

We would once again also take the opportunity to encourage you to submit articles on any topic to us. This is your newsletter, and we are dependent on you to get interesting articles in the Newsletter.

Enjoy your reading!!

Tim, Einar, Alice

“Increased knowledge about the NAO is in turn very important for increasing awareness and educating stakeholders on the pivotal role we play in Malawi with regards to developing the country through adherence to the principles of transparency, accountability, good governance and sound financial public sector management”

Useful internet links

With the launch of the National Audit Office of Malawi web page this month, it goes without saying that this should be the internet link of the month. While many Supreme Audit Institutions around the world have their own web-pages, we are very proud to announce that we are only the second SAI in Southern Africa to launch our own site (after South Africa).

The web page is available at the following address: www.nao.mw

The page contains a variety of information including information about the role of the NAO, our legislative basis and contact information. It includes information on the NAO-SNAO Project, links to cooperating partners and audit reports available for download. In addition it includes audit guidance documents such as the NAO Auditing Standards and NAO Code of Ethics and plans and strategy documents like the IT Strategy, the Training Strategy and much more.

We would encourage all members of staff to visit the web page, and also that we use it as our start page for the internet.



The new NAO web page being demonstrated to staff at Zomba Office

Interview with Performance Audit Consultants

During the last couple of weeks, the NAO has been visited by two performance audit consultant, Mr. Frank Knight and Mrs. Ingvild Gullbrandsen. During a recent seminar on the prerequisites for performance auditing in the NAO, we took the opportunity to ask them some questions about this topic.

What are your backgrounds?

Frank: My educational background is a BSC (special) in Mathematics and an MSC (eng) in operational research and management studies. In my professional career I have among other things worked for the Office of the Auditor General of Canada for 12 years, the Office of the Auditor General of Western Australia for 2 years, and in Jamaica and Pakistan on World Bank projects as an consultant.

Ingvild: I am Cand.Polit in Social Sciences and have worked for among others Oslo Municipality, Norwegian Board of Health, Norwegian Research Council, Asker Municipality, Norwegian Refugee Council and as a performance auditor in the Office of the Auditor General of Norway.

What issues are you working on during your visit to Malawi?

Both: We are working on four particular issues during this visit. Firstly we are in the process of developing Performance Audit Guidelines that shall be a tool for assisting NAO auditors in

carrying out their work. During our visit we have also arranged a seminar on “the prerequisites for developing performance auditing in the NAO”. This seminar identifies what the NAO needs to put in place to successfully introduce this audit discipline in the organization. Thirdly, we are working on developing an information brochure on performance auditing that should be distributed to stakeholders. Performance Auditing is a relatively new concept in Malawi, and it is thus important that stakeholders are sensitised on it. Finally, we are also working with the performance auditors to review some performance audit reports.

What are your impressions of the performance auditors we have in NAO?

Frank: They are enthusiastic and highly professional. I think they have made an excellent start in the work they are doing.

Ingvild: They are dedicated and eager to learn new skills. They are very friendly and have a lot of potential.

What steps do we need to take to implement performance auditing successfully in NAO?

Frank: Need to conduct a mix of different types of audits (ranging from audits in areas like project man-

agement/procurement to audits of significant social issues). There must also be emphasis on developing methodology, training and applying knowledge in conducting audits. Often the introduction of performance auditing in an organization has only focused on methodology and training and this has not been successful.

Ingvild: Methodology and application of skills is key to being successful. There is also a need for involvement and support from top management.

What advice would you give to our performance auditors with regards to developing their skills?

Frank: I would recommend that they cooperate and consult with experienced performance auditors in conducting their work. Additionally, I would encourage them to access performance audit reports from other SAIs.

Ingvild: I would advise them to seek a thorough understanding of the performance audit methodology and actively seek to participate in carrying out performance audits. Experience from carrying out audits is key to development.

Can you tell the readers something about the planned future activities regarding performance auditing?

Both: The next step is to finalize the performance audit guidelines as well as to carry out on the job training which is tied into the more formal training courses and the methodology.

Malawi is known as a friendly and peaceful country. What are your impressions of the country and people?

Frank: Malawians are in many ways the “Canadians of Africa”. By that I mean that they are low-key, modest and very polite.

Ingvild: Yes I have found them to be outgoing and very very friendly.

“seek a thorough understanding of the performance audit methodology and actively seek to participate in carrying out performance audits. Experience from carrying out audits is key to development”



Ingvild Gullbrandsen and Frank Knight

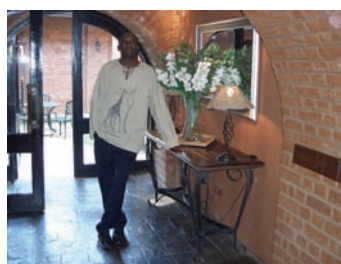
Developments in NAO



One of the new members of staff in our establishment section, Mr. Kapichira, at work with Mrs. Chigona

Hospital treatment for NAO Staff infected with HIV/AIDS

We would like to repeat the important announcement made by the NAO AIDS Committee pertaining to hospital treatment of NAO Staff infected with HIV/AIDS. Our donors have provided funding to pay for hospital treatment in paid wards for members of staff infected with HIV/AIDS. This means that all infected staff should be secured appropriate attention and medical care when they are hospitalised with HIV/AIDS related diseases and infections. Any member of staff wishing to receive this service must however document their HIV status. If you, or your colleague, need hospital treatment and are infected with HIV/AIDS and suffering from HIV related diseases, you should thus contact the PHRMO in his capacity as Chairman of the NAO AIDS Committee. All reported cases will be treated confidentially.



Another new member of staff—Mr. Chihana in our performance audit section

Laptop computers

Many of you may recall that the NAO received a donation of 50 laptop computers from the Office of the Auditor General of Norway in January this year. Even though the procurement process has been somewhat delayed, we are pleased to announce that we now have received approval from the Norwegian Embassy and Malawi Procurement Office to finalize the procurement of software for the laptop computers. The software

has been ordered from the supplier, and should arrive in the course of the next couple of weeks. Once the software has been installed, the computers are to be distributed to the various audit sections.

Visit to NAO headquarters from Malawi Blood Transfusion Services

Headquarters recently had a visit from the Malawi Blood Transfusion Services. They are doing a very important job in the country, and giving blood can contribute significantly to saving lives and improve the quality of life. We would like to commend all those who gave blood on their visit.

New members of staff

Over the last months, some new members of staff have reported for work at our various offices. These members of staff are:

- Mr. Chihana – Performance Auditing (Headquarters)
- Mr. Kapichira – Establishment Auditing (Headquarters)
- Mr. Mtunjira – IT Auditing (Blantyre)
- Mr. Malemia – Financial Auditing (Blantyre)
- Mr. Munthali – Financial Auditing (Blantyre)
- Mrs. Chikumba – IT Auditing (Headquarters)
- Ms. Esau – IT Auditing

- (Headquarters)
- Mrs. Gondwe – IT Auditing (Headquarters)
- Mr. Mhango - Driver (Zomba)
- Ms. Chimala - Office Assistant (Zomba)
- Mr. Chirwa - Driver (Mzuzu)
- Mr. Banda - Security Guard (Headquarters)
- Mr. Kanyumbu - Security Guard (Headquarters)
- Mr. Elemasi- Security Guard (Headquarters)

We would like to sincerely welcome them to the NAO family, and wish them every possible success. We would also like to remind section heads and co-workers to do their uttermost to make the new members of staff feel welcome and to give them as much practical training and support as possible.

“This means that all infected staff should be secured appropriate attention and medical care when they are hospitalised with HIV/AIDS related diseases and infections”

HUMOUR IN NEWSLETTER

Consider yourself worthy of good things

By: L.C. Tchoka

A man approached an army officer and said: "Officer, I have invented a bullet-proof jacket. I have brought it here so that your men can use it to save their life's during combat"

"Well done!" exclaimed the officer. "Now put it on and wait here while I fetch a rifle." When he returned he did not find the man. The man had run away for his dear life. *Lesson: some people think that certain useful things will*

only benefit others but not themselves

Fathers are male

By: L.C. Tchoka

One evening during Bible discussions, my five year old son said; "Dad, I think God is male." "Not so my son, God is neither male nor female. He is spirit" I schooled him. "But Dad" he argued, "if he is not male, how come then Jesus Christ called him his father? Fathers are male."

"Hmmm" I mused. "So little brains too think".

Planting time

By: Sam

A prisoner in jail receives a letter from his wife : "Dear Husband, I have decided to plant some lettuce in the back garden. When is the best time to plant them?" The prisoner knowing that guards read all mail, replied in a letter : "Dear Wife, whatever you do, do not touch the back garden. That is where I hid all the money."

A week or so later, he received another letter from his wife :



Staff at work in the NAO registry

"Dear Husband, you would not believe what happened; some men came with shovels to the house and dug up the entire back garden." The prisoner wrote another letter back : "Dear Wife now is the best time to plant the lettuce".

NAO Annual Plan for 2006/2007

For the second year running, the NAO is producing an Annual Plan for the entire organization. The plan covers the financial year 2006-2007 and encompasses both audit and support service activities.

The first consolidated plan for the NAO was produced last year, and throughout this year, each section has been required to report on their progress as compared to the plan.

Having an annual consolidated plan for the whole NAO has a number of advantages, including;

- a) making members of staff in the various sections more aware of what is expected of them
- b) facilitate time planning and the distribution of resources between sections
- c) give us a better overview of our audit clients and tasks, and avoid duplications of efforts.
- d) provide members of staff better insight into what tasks other members of staff are

- e) carrying out, thus increasing internal knowledge of the operations of the NAO making it easier to evaluate the performances of sections and individuals
- f) teaching all of us planning skills and in particular skills pertaining to making realistic plans

The experiences from the first year of having an annual plan have been, positive, but there have been a number of lessons learnt. The experience from the first year has shown that there are considerable differences in the performance of various sections. Some of these differences are explained by factors such as staff shortages and ad-hoc assignments from Ministries and Departments, but some must also be attributed to differing levels of efficiency and effectiveness when it comes to the carrying out of assignments. Another lesson learnt from the first year of a consolidated Annual Plan is that all of us tend to be overly optimistic in our planning. Plans were often over optimistic in terms of both available manpower and available financial resources to carry out assignments. The third lesson learnt was that the large number of ad-hoc assignments which have been requested from the NAO distorts our plans and make it

impossible to carry out all our planned assignments.

When developing the Annual Plan for 2006/2007 we should thus ensure that we make realistic plans, and that the plans focus on clients and audit areas that we would judge to be high risk areas.

The NAO Annual Plan will be finalized and made available to all staff in the very near future.

"When developing the Annual Plan for 2006/2007 we should thus ensure that we make realistic plans, and that the plans focus on clients and audit areas that we would judge to be high risk areas"

Education Corner: Audit Sampling Techniques

By: Lawrence Chinkhunda and Gerald Pute (Blantyre Office)

In our previous article titled “Auditing and sampling” we introduced the concept of sampling. We also looked at various definitions related to the subject. In this article we explore the different sampling techniques.

- (1) **Systematic Selection:** In this technique items are selected using a constant interval between selections. The first interval has a random start but is not the same as the selection technique following.
- (2) **Random Selection:** This is a technique which ensures that all items in a population are given an equal chance of selection and no probable bias entertained. This is enabled by the use of random number tables in hard copy, computers and scientific calculators.
- (3) **Block or Sequence Selection:** This is where a group of successive transactions are picked for testing or a period of time is used to determine the sample. This is a very risky technique as it may produce samples that are not representative of the popu-

lation in question. This may be evident if errors only occurred in a certain period of time or in a group of sequential transactions and extrapolating this result into the whole population can be risky.

- (4) **Haphazard Selection:** This is a judgemental method and may be used as a substitute for the random selection, but care must be taken to ensure that the sample is representative. Items that are easily located can be the target of haphazard selection but unfortunately the results can be unrepresentative.
- (5) **Monetary Unit Sampling (MUS):** This method is easy to use when computers are used, whereby every material item is selected automatically. It ensures that every one Kwacha in the population has an equal chance of being selected for testing. When computers are not used, this method is time consuming.
- (6) **Stratification:** May be employed as an accompanying technique. This is a process of dividing a population into sub-populations each of which is a group of sampling units having similar characteristics (often monetary value).

As we already have explained in our previous article, it is not usually practical or

possible to test a hundred percent of items in the population. It is also hereby asserted that some testing procedures do not involve sampling such as;

- Testing 100% of the items in a population
- Testing all items with certain characteristics (e.g. over a certain value)

In summary sampling can be judgemental or statistical. Statistical sampling means any approach to sampling that involve random selection of a sample and use of probability theory for result evaluation. This includes measuring of sampling risk. After the sampling has been done and the testing conducted, results have to be analyzed to find out whether errors found are true errors or whether the errors found in one area may affect other parts of the audit. The error may be considered to have arisen from an isolated event (anomalous) and extra work must be done to prove this. There is need for an auditor to extrapolate the errors found in a sample to estimate the probable error of the population and the projected error should be compared with the tolerable error. It should be done carefully in order to reduce sampling risk.

In our next article we will discuss audit risk which includes inherent, control and detection risk.

“Statistical sampling means any approach to sampling that involve random selection of a sample and use of probability theory for result evaluation.”



Participants at the recent workshop on the prerequisites of performance auditing

Interview with the Head of Zomba Office

INTERVIEW BY TIMOTHY MPONELA

Q: What is your name?

A: Obrain Henry Jonathan Mkan-dawire

Q: When did you join NAO?

A: I joined NAO on 2nd April, 2001 on promotion to the post of Senior Auditor (P8) after having been with the Local Government for some time. When joining, Headquarters (Lilongwe) was my duty station.

Q: You said that your duty station was in Lilongwe when joining NAO. How come you are here and when did you move to Zomba?

A: I moved to Zomba on 20th December, 2005 to head the regional office upon being elevated to the post of Chief Auditor

Q: Since you took up headship of Zomba office, what notable developments have taken place?

A: The first achievement is the fact that we have been able to make all members of staff work together as a team regardless of whether they are in the support or audit service. Over the past months, we have managed to work together so that everybody feels at home. That has helped because there is more dedication to duty as everyone feels recognised. The second remarkable achievement is that I have brought about some improvements on reporting and reassignment of duties to members of staff for the more effective operation of the office. The third achievement I can inform you about is the procurement of office furniture to cater for present and future members of

staff as we are still in the process of expanding.

Q: I can see that your offices are being renovated. When did this start?

A: It started way back in 2004 when we had just acquired the building. This building was a dwelling house and the renovations being made will make it suitable for office accommodation. My predecessor did a lot then as the building was so dilapidated.

Q: How much money is expected to be spent on the entire project upon completion?

A: For the next volume of work to be carried out to the completion of the project, it is estimated that K3.8 million will have to be spent in addition to the K800,000 that already has been used. This translates to a total project amount of K4.6 million.

Q: Have there been any challenges in the course of the project implementation?

A: Yes, there have been set backs but I will only mention one of them which I consider to be the most challenging. Funding for the construction work was erratic in the early stages of the project so that there was little notable progress. I am pleased to say that recently, funding for the project has somewhat improved mainly because we are able to control our own funds as a regional office. If only funding could improve further, then all work would soon be completed.

Q: How do you intend to face this

challenge?

A: Since we now control our own budget at regional level, we are able to set aside some money which will assist us. Furthermore, we are sure that our headquarters will assist us in seeing this work to completion.

Q: When is the expected completion time for the project?

A: With adequate funding, by December 2006

Q: Are you happy with the pace at which this project is moving?

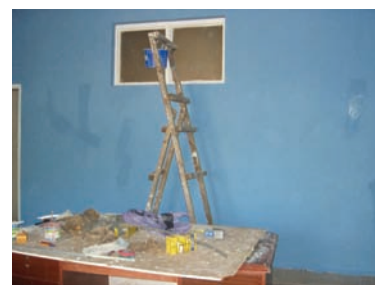
A: Yes, though we still have a long way to go.

Q: Do you have other issues you would want to share with others as regards Zomba office?

- A:• I would appeal for more funding for the speedy completion of the project, otherwise the project costs will be inflated due to rise in commodity prices
- We need sign posts to give direction to people since the office is situated within a residential area which is difficult to locate.
 - NAO staff from other regions should visit us, especially those from the headquarters to encourage us and as a way of promoting oneness since we are of one family; National Audit Office
 - Zomba office is worst affected by staff shortages. As such, this problem needs to be seriously looked into
 - Telephone communication is problematic because there is no telephone switchboard in place. We would therefore be happy to see PABX switchboard acquired for our office



Photos of Zomba Office (left) and the ongoing work there (right)



Focus on: INTOSAI Development Initiative

In this column we will in each edition focus on a subject specific issues related to our profession. In this edition we look at **the INTOSAI Development Initiative (IDI)**.

Upon hearing of the INTOSAI Development Initiative (IDI) for the first time, one would be tempted to think that this is a body that is for developed countries only and that it has little or nothing to do with developing countries such as Malawi. As such, these people may say that there is not any benefit a nation like Malawi would get out of the existence of IDI.

However, looking at the Vision, Mission and the Strategic Goals and Objectives of IDI as shown in its Strategic Plan for the period from 2007 to 2012, one would discover that the opposite is true.

Just as it is shown in the heading and in the first paragraph, IDI stands for INTOSAI Development Initiative. It is a non profit organisation that aims at enhancing the institutional capacity of Supreme Audit Institutions in developing countries through needs based, collaborative and sustainable development programmes in INTOSAI regions such as AFROSAI – E (Organisation of African English speaking Supreme Audit Institutions) to meet the existing and emerging needs of stakeholders.

SAIs do benefit a lot from such activities. For example, courses meant to address specific regional needs are developed under the auspices of IDI. Some of such courses that have been developed and delivered through the help of IDI in the AFROSAI – E region in-

clude Fraud Detection, Course Design and Development, Instructional Techniques and Preparation of a Strategic Plan. Malawi participated in all these at different levels i.e. as a participant and as a presenter.

The AFROSAI – E region had a shortage of training specialists and IDI in collaboration with AFROSAI – E organised Instructional Techniques Workshops and Course Design and Development Workshops from where some members of staff from various SAIs within the region qualified as training specialists. Malawi participated at all levels and at each intake. The knowledge gained and skills acquired in such interactions have helped our SAI a lot in that internal training has improved tremendously. As a SAI, we have been able to handle various training programmes better and more meaningful than before. Furthermore, different members of staff have attended several courses organised by IDI in collaboration with our regional secretariat (AFROSAI – E). This has also made a remarkable improvement in the way we perform our duties since we have learnt a lot of new things from colleagues from other SAIs.

Indeed IDI is an organisation that has helped SAIs in developing countries by effectively enhancing their staff's professional capacities, supporting their institutional strengthening efforts, contributing to their knowledge

sharing efforts and by promoting a motivational working environment amongst the INTOSAI community to which Malawi is a member.

IDI is located in Oslo, Norway and the IDI Secretariat currently has 13 members of staff from around the world.

If you want more information about the IDI you can visit their web page which is located at:

www.idi.no



Photo from IDI Seminar. The group includes Mr. Mponela from NAO



Staff outside Headquarters in Lilongwe