



FINANCIAL INTELLIGENCE AUTHORITY

REPUBLIC OF MALAWI

2017 / 2018 Annual Report

Fighting Money Laundering & Terrorist Financing

Information contained in this Annual Report does not represent any professional or legal advice to the users. Those seeking professional advice on the operations of the Financial Intelligence Authority can do so by contacting the Director General.

This Annual Report is a public document and any part of this publication can be reproduced provided it is quoted correctly, cited properly and used in the right context with or without authorization of the Financial Intelligence Authority.

Any communication should be forwarded to:

*The Director General
Financial intelligence Authority
Area 3, Plot 3/071
Private Bag B441
Lilongwe 3
Malawi
Tel: +265 1 759 141
Fax: +265 1 759 151
Email: info@fiai.gov.mw
Website: www.fiai.gov.mw*

TABLE OF CONTENTS

THE DIRECTOR GENERAL'S OVERVIEW OF THE FINANCIAL YEAR	5
PART 1 – INTRODUCTORY INFORMATION	7
1.1 LEGISLATIVE ESTABLISHMENT OF THE FIA	7
1.2 THE FIA'S STRATEGIC OVERVIEW	8
PART 2 – ACHIEVEMENTS FOR THE YEAR.....	14
2.1 DETECTING AND DETERRING FINANCIAL CRIME INCLUDING ML, TF AND PROLIFERATION OF WEAPONS OF MASS DESTRUCTION	14
2.2 IMPROVING REGULATORY SERVICES ON AML/CFT ISSUES.....	22
2.3 STRENGTHENING THE ORGANIZATIONAL STRUCTURE, PROCESSES AND SYSTEMS FOR EFFECTIVE PERFORMANCE OF THE FIA	23
2.4 STRENGTHENING COORDINATION WITH KEY STAKEHOLDERS	26
2.5 INCREASING PUBLIC AWARENESS OF THE FIA AND AML/CFT ISSUES	30
PART 3 – INTERNATIONAL REQUIREMENTS	33
3.1 COMPLIANCE WITH THE FATF STANDARDS	33
PART 4 – PUBLIC SECTOR OBLIGATIONS	34
4.1 MANANEGEMENT OF CONFISCATION FUND ON BEHALF OF THE MINISTER OF FINANCE 34	
4.2 IMPLEMENTATION OF PUBLIC SECTOR REFORMS.....	34
PART 5 – CHALLENGES FACED & NEXT PLANS	35
5.1 CHALLENGES ENCOUNTERED	35
5.2 PRIORITIES FOR THE NEXT FINANCIAL YEAR	35
PART 6 – FINANCIAL INFORMATION.....	37
6.1 FUNDING AND FINANCIAL STATEMENTS.....	37

LIST OF ACRONYMS

ACB	Anti-Corruption Bureau
AML	Anti-Money Laundering
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
CFT	Combating the Financing of Terrorism
DNFBPs	Designated Non-Financial Businesses and Professions
DNPW	Department of National Parks and Wildlife
DPP	Director of Public Prosecution
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
FATF	Financial Action Task Force
FCA	Financial Crimes Act
FIA	Financial Intelligence Authority
FIU	Financial Intelligence Unit
ICAR	International Centre for Asset Recovery
KYC	Know Your Customer
LEAs	Law Enforcement Agencies
LCTRs	Large Currency Transaction Reports
MPS	Malawi Police Service
MoU	Memorandum of Understanding
MRA	Malawi Revenue Authority
NIS	National Intelligence Service
NRA	National Risk Assessment
RBM	Reserve Bank of Malawi
STRs	Suspicious Transaction Reports
UN	United Nations
UNODC	United National Office on Drugs and Crime
UNSCR	United Nations Security Council Resolution

THE DIRECTOR GENERAL'S OVERVIEW OF THE FINANCIAL YEAR



Once again, I am very pleased and satisfied as I present the FIA's Annual Report for the period July 2017 to June 2018. The satisfaction comes from the fact that the number of Suspicious Transactions Reports (STRs) received by the FIA keep remaining above the targeted figures forecasted in the Strategic Plan. The FIA received 135 STRs against the target of 100 for the year under review. In the previous year, the FIA received 154 STRs. To the FIA this is a good signal that financial institutions continue to strengthen their Anti-Money Laundering and Combating the Financing of Terrorism (AMLCFT) programs in line with requirements under the Financial Crimes Act (FCA). The quality of the STRs from the reporting institutions continued to be largely good. This in turn helped the FIA provide quality financial intelligence to the Law Enforcement Agencies (LEAs).

To enhance its financial analysis, the FIA established an Investigations Section in the Monitoring and Analysis Department and recruited two officers who were scheduled to join the FIA in the first quarter of the 2018/2019 financial year. The FIA made 19 disseminations to the LEAs and these led to successful financial investigations and tracing of assets linked to the subjects under investigations and prosecutions.

In addition, the FIA enhanced its supervision of reporting institutions through recruitment of 2 officers in the Compliance and Prevention department. The main aim was to increase outreach to the designated non-financial businesses and professionals (DNFBPs) and enhance their understanding of and compliance with their AML/CFT obligations in the FCA.

In October 2017 the FIA opened a Confiscation Fund account as required by Section 128 of the FCA. As of June 2018, the account had K22.4-million. The money came from the LEAs and banks who had previously frozen the money.

Malawi started undergoing an AML/CFT mutual evaluation from June 2018. The process is expected to come to an end by September 2019. Prior to June 2018, the FIA coordinated a number of activities towards meeting some requirements of the Financial Actions Task Force (FATF) and these included the following: formation of the National AML/CFT Committee in August 2017; coordinating meetings of this Committee; coordination of activities of collection of information for filling of Technical Compliance and Effectiveness questionnaires from the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG); preparation of post-evaluation progress reports and submission of the same to the ESAAMLG Secretariat; arranging for in-country assessors training for 34 officers from Government Ministries, Departments and Agencies in February 2018; coordination of National Risk Assessment (NRA) on Money Laundering and Terrorist Financing; and coordination of pre-mutual evaluation workshops attended by officers from both the public and private sectors in February 2018, among others.

The FIA also implemented other activities such the 2017/2018 Performance Contract with the Government, attendance of domestic coordination and international cooperation meetings.

As we move into the next financial year, the FIA will prioritise various programs including coordination of mutual evaluation activities, dissemination of NRA findings to relevant stakeholders, continued analysis of financial disclosures, supporting law enforcement with information and intelligence they will request from FIA, and coordinating with the Reserve Bank of Malawi and Malawi Gaming Board on supervision of reporting institutions.

I would like to commend the Government for funding the FIA's operations in the financial year under review. We also express appreciation to the International Centre for Asset Recovery (ICAR) for the support on the NRA, mutual evaluation assessors training and other mutual evaluation preparatory activities.

It is my desire and hope that information contained in this report will be very useful and encouraging to you, our dear stakeholder. Enjoy reading the FIA's achievements in the 2017/2018 financial year.

Atuweni Juwayeyi-Agbermodji (Mrs)
DIRECTOR GENERAL

PART 1 – INTRODUCTORY INFORMATION

1.1 LEGISLATIVE ESTABLISHMENT OF THE FIA

The Financial Intelligence Authority (FIA) is established under Section 3 of the Financial Crimes Act (FCA) 2017 as the principal national agency responsible for preventing and combating financial crimes in Malawi. It started its operations in July 2007 (as Financial Intelligence Unit) under the then Money Laundering, Proceeds of Serious Crime and Terrorist Financing Act Chapter 8:07 of the Laws of Malawi of 2006.

The FIA is primarily responsible for receiving, requesting and analyzing financial information and disseminating the analysed information as financial intelligence to competent authorities for possible investigation and prosecution of money laundering, terrorist financing and other financial crimes.

The FCA established the FIA to implement the following as its primary activities:

- a) Request, receive and analyze reports submitted by reporting institutions;
- b) File a report, spontaneously or upon request, to the relevant law enforcement authorities or a supervisory authority on the basis of analysis and assessment;
- c) Create and maintain a database of statistics and records on money laundering, terrorist financing and other financial crimes;
- d) conduct research into trends, techniques and developments in the area of financial crimes, including money laundering, tracing proceeds of crime and terrorist financing;
- e) Request information from any reporting institution, law enforcement agency and supervisory authority;
- f) Cooperate with local and international institutions, organizations or agencies;
- g) Advise and apprise the Minister on trends, patterns and emerging AML/CFT issues;
- h) Offer training and support on any AML/CFT matters;
- i) Conduct public awareness on AML/CFT matters; and
- j) Design, develop and implement internal systems, controls, policies and procedures with respect to security of its staff and information in its custody;

For better implementation of these functions, the FCA has given the FIA the following powers:

- i. Conduct financial investigations;

- ii. Conduct compliance inspections of financial institutions;
- iii. Issue instructions, directions, directives, guidelines or rules to reporting institutions;
- iv. Impose administrative sanctions and penalties;
- v. Delegate powers to a supervisory authority or self-regulatory body to issue instructions, directions, guidelines or rules regarding the application of the FCA;
- vi. Access the widest possible range of financial, administrative and law enforcement information;
- vii. Request or receive information from any person, institution or agency;
- viii. Request and receive progress and outcome reports from law enforcement agencies;
- ix. Instruct a reporting institution to take appropriate steps to facilitate any investigation anticipated by the FIA; and
- x. Enter into any agreements or arrangements with any local institution or agency regarding the exchange of information.

The FIA is set up under the FCA as a hybrid Financial Intelligence Unit (FIU) with powers to conduct financial investigations aimed at tracing and confiscating proceeds of crime.

The FIA analyses reports filed to it together with information sourced from databases of other institutions to develop financial intelligence which assists in detecting and investigating money laundering, terrorist financing and other financial crimes.

1.2 THE FIA'S STRATEGIC OVERVIEW

1.2.1 The FIA's Purpose and Value

Vision

A Malawi free of financial crimes

Mission

To prevent and combat financial crimes through detecting and investigating these crimes, and disseminating financial intelligence to Law Enforcement Agencies in order to maintain the integrity of the financial system.

Core Values

- Integrity

- Confidentiality
- Excellence
- Professionalism
- Accountability
- Transparency
- Creativity

Strategic Objectives

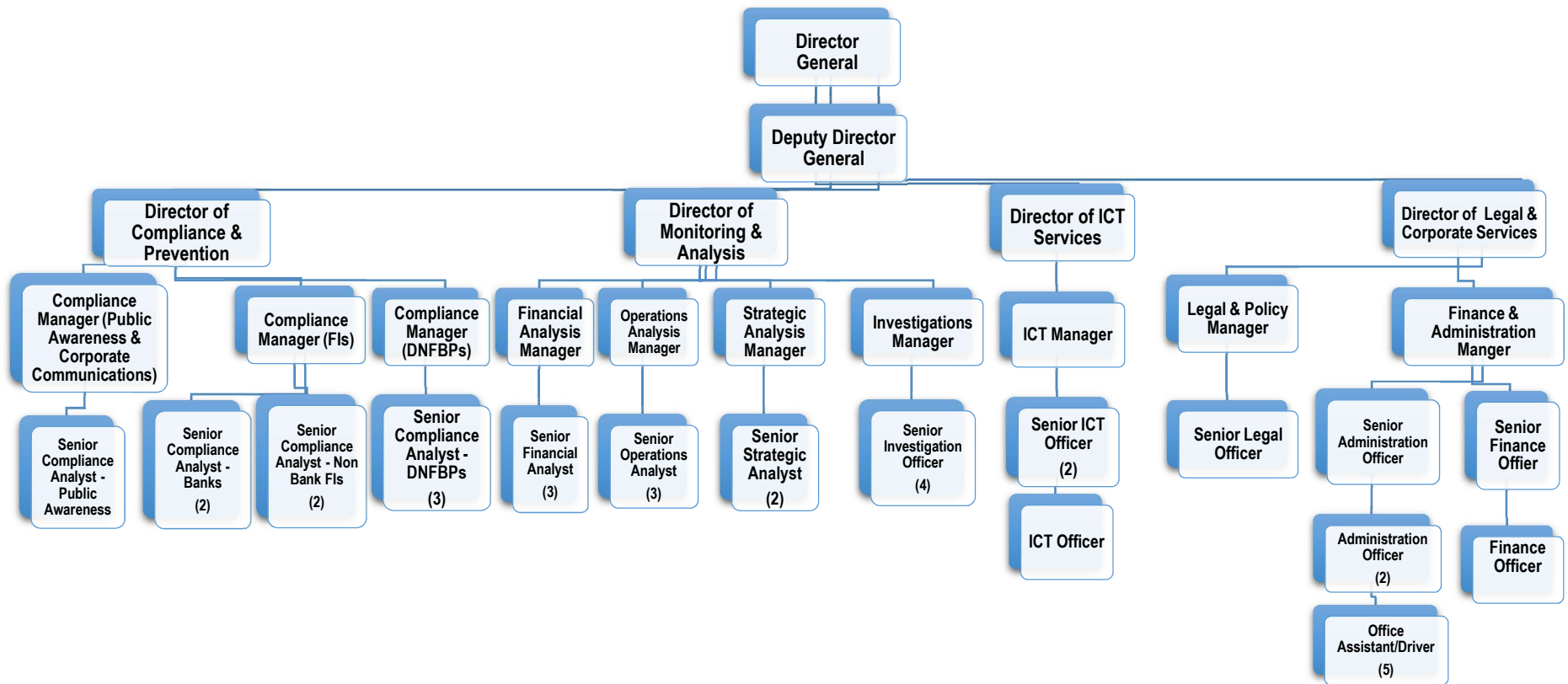
The FIA has a Strategic Plan that runs from 2017 to 2022 from which implementation of activities is based. The Strategic Objectives of the FIA are as follows:

- a) *To detect and deter financial crime including ML, TF and proliferation of weapons of mass destruction;*
- b) *To update the AML/CFT legal and regulatory framework;*
- c) *To strengthen the organizational structure, processes and systems for effective performance of the FIA;*
- d) *To strengthen coordination with key stakeholders; and*
- e) *To increase public awareness of the FIA and the AML/CFT issues.*

1.2.2 The FIA's Organogram and Departmental Operations

The FIA's organogram is as shown below:

Figure 1: Organisational Chart of the FIA



The Director General's Office

The Director General is the Chief Executive Officer and controlling authority of the FIA. The Director General, among others, provides strategic guidance and develops and oversees strategic relationships of the FIA.

She submits annual reports to the Minister of Finance, Economic Planning and Development who in turn lays the reports before the Parliament.

The FIA's case disseminations to LEAs go through the Director General. Apart from that, he/she represents the FIA in any negotiations through domestic and international forums such as during meetings with strategic local authorities, Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), and Egmont Group of FIUs.

Monitoring and Analysis

The Monitoring and Analysis department is responsible for the core functions of the FIA which are receiving and analyzing reports that are submitted by financial institutions as well as disseminating intelligence to the LEAs. The department analyses the information from financial institutions to determine if there is any commission of money laundering, terrorist financing offences or other financial crimes. It conducts investigations aimed at enhancing its analyses.

The work of this department has a bearing on efficiency and effectiveness of investigations and prosecutions in the country, as well as the FIA's contributing and benefitting from the exchange of information platform provided through the Egmont Group of FIUs.

Compliance and Prevention

The Compliance and Prevention department is responsible for ensuring that all financial institutions are aware of their obligations and comply with the provisions of the ML Act and its relevant regulations.

In carrying out its functions, the department conducts several activities which include: monitoring of compliance by reporting institutions through onsite inspections and offsite surveillance; providing guidance to reporting institutions on AML/CFT compliance matters; developing and offering training to reporting institutions; implementing public awareness activities to enable Malawians acquire knowledge on AML/CFT issues; and carrying out public relations functions of the FIA.

Legal and Corporate Services

The Legal and Corporate Services department has two units: Legal and Policy, and Finance and Administration. The Legal and Policy Unit provides strategic policy advice to the FIA and ensures that the FIU is operating within its mandate, as stated in the FCA. The Department also performs the functions of General Counsel for the FIA by drafting and reviewing any documentation that the FIA needs to use to

achieve its mandate. The department plays a central role in development of working relationships with domestic and international stakeholders through development of MoUs. On the other hand, the Finance and Administration Unit ensures that the FIA has adequate funding and operates within its allocated budget. Further to this, the department carries out all the administrative and human resource functions to ensure that the FIA runs its operations smoothly.

Information & Communications Technology (ICT) Department

The Information and Communications Technology (ICT) department is central in ensuring that the FIA has the required infrastructure and systems to perform its functions. The department ensures that the FIA has adequate ICT infrastructure, analysis software and other business applications, a functioning database, and established ICT processes, among others. This department also ensures that the FIA's information is well secured to maintain its integrity. The nature of the work of the FIA makes it highly reliant on ICT to support its business processes, as such the ICT department is integral to the operations of the FIA.

1.2.3 Governance Highlights

Introduction

The FIA is a public national entity which operates with funding from the Government as appropriated by the Parliament in accordance with Section 12 of the FCA. The institution can also get grants or donations with prior approval of the Minister.

As a public agency, the FIA follows the FCA and other legislative requirements as well as local and international best practices when implementing its operations.

Accounting Authority and Oversight

The Director of the FIA is the controlling officer of the operations of the institution. He/she is the accounting authority and reports to the Minister of Finance, Economic Planning and Development in accordance with Sections 6(3) and 15 of the FCA. The Annual Reports of the FIA are then laid before Parliament by the Minister as required under Section 15(2) of the FCA. Every government agency falls under a Parliamentary Committee to which it is accountable, and the FIA is under the Legal Affairs Committee of Parliament.

Audit of Accounts

With regard to audit, the FIA's accounts are subject to an examination and audit by the Auditor-General as per Section 14(4) of the FCA.

Strategic Planning

The FIA is implementing its mandate through the strategic objectives laid out in a Strategic Plan which runs from 2017 to 2022.

Code of Conduct and Conflict of Interest

In September 2015, the FIA reviewed its Staff Conditions of Service which were approved by the Minister in line with Section 9(2) of the FCA. The Staff Conditions of Service, which contain Code of Ethics and Conduct, set out the behaviour that is expected of FIA staff during working hours and outside working hours. In the course of employment, FIA staff members are required to indicate any conflict of interest in order to maintain their integrity and that of the institution. Violation of the code of conduct would lead to disciplinary action.

Confidentiality and Transparency

All staff members of the FIA subscribe to an oath of confidentiality before a commissioner of oath when taking up their posts. This is done in line with Section 10 of the FCA. Where a staff member violates the oath of confidentiality, they are liable to prosecution which would lead to a monetary penalty of K30,000,000 and imprisonment for a maximum of fifteen years.

As a way of promoting transparency and accountability, staff members declare their assets at the beginning of their contract and any changes to their assets on yearly basis. This helps the FIA know the wealth and the source of wealth that members of staff have, as a means of preventing corruption.

Participation in domestic Governance and anti-Financial Crime Forums

The FIA is a member of the National AML/CFT Committee which is chaired by the Ministry of Finance, Economic Planning and Development. The FIA acts as the Secretariat for this Committee. Further, the FIU is an active member of the following National Committees and Task Forces:

- Inter-Agency Committee on Combating Wildlife Crime in Malawi – coordinated by Department of Parks and Wildlife;
- Task Force on *cashgate* – coordinated by Ministry of Justice and Constitutional Affairs;
- Democratic Governance Sector – coordinated by Ministry of Justice and Constitutional Affairs;
- E- Permit Project – coordinated by the Immigration Department;
- Corruption Early Warning System concept – coordinated by the Anti-Corruption Bureau; Exchange Control and Trade Issues – coordinated by Reserve Bank of Malawi; and
- Task Force on AML/CFT - coordinated by the FIA.

PART 2 – ACHIEVEMENTS FOR THE YEAR

2.1 DETECTING AND DETERRING FINANCIAL CRIME INCLUDING ML, TF AND PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

2.1.1 Receive and analyze financial information

(a) Receipt of financial information

During the year under review, the FIA received three types of reports, namely: Suspicious Transaction Reports (STRs), Large Currency Transaction Reports (LCTRs), and Electronic Funds Transfer Reports (EFTRs).

The FIA received 149 STRs of which 135 were from the banking sector, 11 from insurance sector, 1 from a microfinance institution, and 2 from a law enforcement agency. Furthermore, the FIA unraveled 4 STRs from the LCTRs that were received during the period under review. The figure for STRs received was 49% above the target of 100 for the period under review as envisaged in the FIA's Strategic Plan.

The received STRs were on suspected money laundering, illegal forex externalization, cheque fraud, electronic funds transfer fraud, tax evasion, illegal externalization of foreign currency, domestic electronic payments fraud, international travel allowances abuse, excess cash transactions beyond what customers had declared to the reporting institutions.

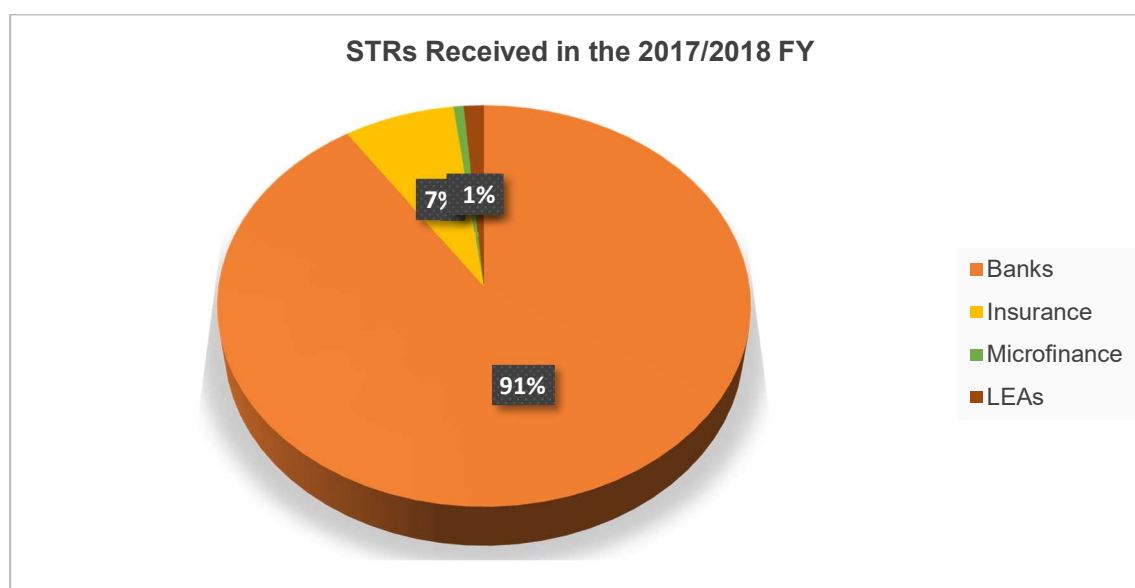


Figure 2: STRs received by sector

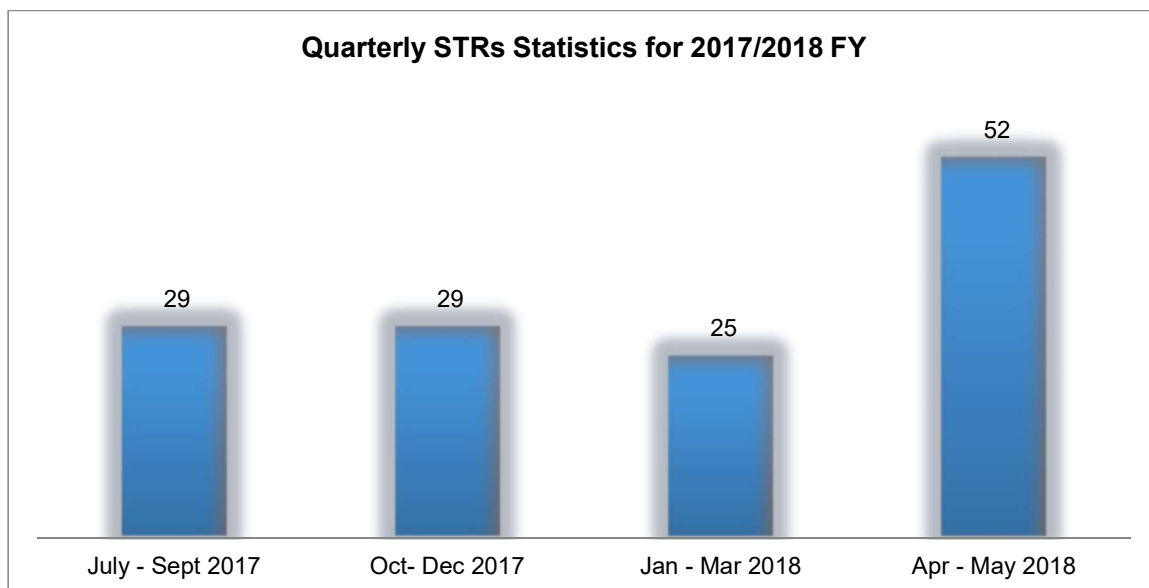


Figure 3: STRs received per Quarter of the 2017/2018 FY

Financial institutions submit LCTRs to the FIA on weekly basis. LCTRs submitted during the year came mainly from the 9 commercial banks, 3 mobile payments operators, 20 out of 33 insurance companies, 5 capital market firms, 8 out of 14 foreign exchange bureaus, 1 microfinance firm, and 1 out of over 200 registered real estate businesses. There were no reports from casinos and gambling houses, savings and credit cooperatives (SACCOs), accountants, lawyers and dealers in precious stones and metals. This is because there was low outreach by the FIA to the dealers in precious stones and metals. On the other hand, the outreach done in the financial year to micro-finance and gaming sectors as well as accountants and lawyers is expected to result into an improvement in compliance with reporting obligations during the next financial year.

In the financial year under review, the following reporting institutions started filing LCTRs with the FIA: CIC Insurance Malawi Ltd, Kingfisher Insurance Brokers and Consultants Ltd, Hubertus Clausius, Mini Monte Gaming, DBR International.

Electronic Funds Transfers Reports (EFTRs) are filed with the FIA on a weekly basis and have no threshold attached to them. The EFTRs and LCTRs are very useful to the FIA as they provide useful intelligence during analytical processes. LCTR and EFTRs are used to cross-reference transactions, check volume of transactions as well as reconstruct some transactions of interest before requesting for further details from the financial institutions.

(b) Financial Investigations

The FIA conducted five investigations on authenticity of some public sector payments, illegal externalization of foreign currency, and theft of public funds.

Investigations to establish the authenticity of some public sector payments were conducted in some districts in September and October 2017. This led to freezing of bank accounts of subjects who were under investigations and analysis.

Further to that, the FIA took part in a joint operation with the Reserve Bank of Malawi and the FFU during the second quarter of the financial year on a case involving illegal externalization of foreign currency and money laundering using front companies. The case was still in court as the year came to an end. There were four suspects involved in the case and were facing charges on money laundering and illegal externalization of foreign currency.

One suspect was arrested in April 2018 in relation to dubious pensions payments at the Department of the Accountant General. The FIA investigated and analysed the volumes of transactions related to the case for months before the Malawi Police Service – Fiscal and Fraud Unit (FFU) was brought on board to further investigate the case. Investigations by the two institutions led to tracing of property held by the suspect and directly connected to the proceeds under investigation. As the year came to an end, the FIA was still analyzing pension payrolls collected from the Department of the Accountant General and Malswitch as part of gathering further evidence to be used against the suspect.

Investigations conducted during the year established that some investors were registering businesses in the country yet they were not carrying out the declared businesses. Furthermore, the investigations established that the country was losing foreign exchange through trade-based money laundering where documents (invoices and custom declaration forms) were being falsified in importation of goods.

In one of the cases under analysis and investigations in the financial year, the FIA responded to summons for an injunction in the case of *Stafford Mpoola v FDH Bank and The Director General of Financial Intelligence Authority Civil Cause No. 858 of 2017* in the High Court of Malawi. The plaintiff sued the defendants for freezing of his bank account. The case was dismissed by the High Court in Lilongwe on 2nd January 2018 in favour of the FDH Bank and FIA.

(c) Vetting of BRPs and PRPs

The FIA has a working relationship with the Department of Immigration and Citizenship Services and the Malawi Investment and Trade Centre (MITC) in which the FIA conducts financial analysis

of the applicants for Business Residence Permits (BRPs) and Permanent Residence Permits (PRPs). In this regard, the FIA vetted 161 BRPs and 69 PRPs, out of which 32 BRPs and 34 PRPs were found with anomalies that included no statements from local banks, fake bank statement, smurfing and kiting of bank statement, lack of MRA and business certificates, and banks balances below the required threshold for BRPs.

The findings were presented to the Department of Immigration and Citizenship Services, and the MITC for their determination and further action.

2.1.2 Disseminate financial intelligence to relevant LEAs and other authorities

The FIU disseminated 19 cases to LEAs for investigations and possible prosecution of suspected tax evasion, corruption, abuse of office, fraud, theft, illegal externalization of funds, and money laundering. Most of the cases disseminated to LEAs were complex and involved many STRs and suspects. For instance, one of the cases involved analysis of 10 STRs and more than four suspects were connected to the case.

The disseminations for the year under review are as presented below:

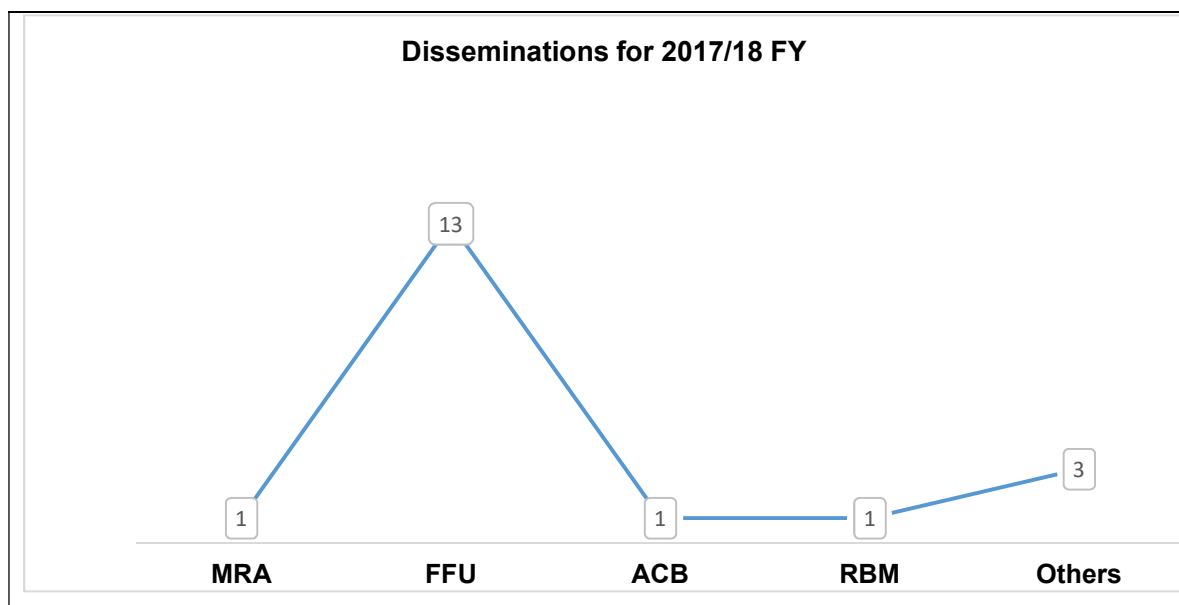


Figure 4: Disseminations made in 2017/2018 FY

2.1.3 Feedback sharing with Law Enforcement Agencies and other FIUs

(a) Requests from LEAs

The FIA received 16 requests from LEAs as follows: MRA – 1; ACB – 11; and MPS – 4.

(b) Meetings with LEAs

The FIA held 7 feedback meeting with the ACB, MPS and Department of National Parks and Wildlife (DNPW) on joint operation on illegal foreign exchange externalization investigations and prosecution conducted during the period under review. Such meetings help in sharing notes and techniques on cases under investigations. During the period FIA continued to work closely with ACB, FFU and DPP on *cashgate* cases.

(c) Requests to and from other FIUs

The FIA sent 9 requests for information to other FIUs, and received 1 request from another FIU. In addition, there was information exchange with other FIUs. The FIA received 2 spontaneous disclosures from other FIUs and made 4 spontaneous disclosures to other FIUs. The information exchange between FIUs helps in getting information to enhance analysis and investigations.

2.1.4 Develop trends and typologies

Since 2015 the FIA produces annual typologies and trends on money laundering taking place in Malawi. In the period under review, the FIA produced and posted the 2016/17 ML typologies report on its website in August 2018 and circulated the same to reporting institutions and LEAs. Further, the FIA produced the 2018 typologies report in June 2018 which was shared with various stakeholders.

Among other areas of high interest during the period under review were cases of illegal funds externalization, abuse of foreign currency, cheques fraud, public sector fraud relating to pensions and gratuities, trade-based money laundering.

2.1.4.1 Case study 1 - Use of Fake MRA Form 12

Subject of Investigations:	X and Y
Identification:	Malawian passport & Phone Number
Victim:	Malawi Revenue Authority
Amount involved:	US\$4,095,216
Transaction Details: X and Y maintain business and personal accounts with Financial Institution Z. In both X and Y's bank accounts, huge deposits were made and immediately followed by externalization of funds the same day or within the next two days. The transactions did not make any business sense hence Financial Institution Z files an STR to FIA.	
Analysis by the FIA revealed that from January, 2014 to November, 2015 X and Y externalized US\$2,653,026 and US\$1,442,190 respectively in the form of import payments. Some forex	

remittances were made years after the goods were alleged to have been received in the country. In the case of customer X, the Form 12 that supported transaction for import payment of USD224,950.00 showed that the goods were alleged to have been registered for Custom and cleared with MRA in 2011 yet the import remittance was made in mid-2014.

Verification of the Form 12 attached to the application for Import payments for customers X and Y showed that all the Form 12 supporting import payments were fake.

2.1.4.2 Case study 2 – Use of fake documents to claim travel allowance

Subject of Investigations: Beneficiaries of international travel allowances
Identification: Passport
Victim: Financial Institutions Y and others
Amount involved: Not established

The FIA received a number of STRs on alleged use of fake documents to claim travel allowance. Investigation were conducted by the FIA in one Financial Institution Y by looking at about 400 beneficiary applications. The bus and air tickets which are proof that the applicant intends to travel had several inconsistencies. For instance, some beneficiaries had different versions of tickets for Bus Company Q which often travels to Dar es Salaam. Further, analysis of travel dates showed that some beneficiaries were in the Bank receiving travel allowance on the date that their ticket showed they had already departed. For example on 18 July, 2016 Beneficiary R was at Financial Institution Y receiving foreign travel allowance while her Bus Company Q ticket showed that her date of travel was 17 July, 2016. There were also cases of different beneficiaries using the same Air Ticket number.

2.1.5 Provide feedback to reporting institutions

The FIA provided guidance to 5 banks, 9 insurance companies, 3 gaming houses, 2 mobile payments operators, 131 legal firms, and 2 foreign exchange bureaus. The guidance provided was on compliance program development and implementation, Know Your Customer (KYC), risk assessment, AML Regulations, and how to report using an encryption software to the FIA. The guidance resulted into appointment of compliance officers by some reporting institutions, commencement of five entities to submit LCTRs to the FIA and re-installation of Truecrypt encryption software at TNM, General Alliance, FDH, National Bank, Trinity insurance, and Airtel.

Further to that, in the second quarter the FIA held a meeting with compliance officers from banking, mobile payments, securities and insurance sectors. The meeting provided a forum where

compliance officers interfaced with FIA and RBM to discuss various AML/CFT issues including concerns and challenges faced, and come up with practical solutions to the sticky issues.

In addition, the FIA Director General held feedback meetings in November 2018 with Chief Executive Officers of CDH Bank, FDH Bank, Ecobank, National Bank, Nedbank, Nico Life Insurance Company and Old Mutual Ltd on National Risk Assessment, mutual evaluation preparations, and compliance with the Financial Crimes Act. She also held other meetings with the Principal Secretary of the Ministry of Lands on AML/CFT compliance by the real estate sector, the Director of NGO Board to brief him on the legislative changes that have taken place since the FCA came into force and how this impacts on the NGO sector, and the Chief Executive Officer of Malawi Microfinance Network (MAMN) on 19th June 2018 on how MAMN on raising AML awareness among the microfinance sector.

Besides that, the FIA liaised with the Malawi Gaming Board on AML/CFT supervision, and the NGO Board on coordination to combat terrorism financing through the NGO sector.

2.1.6 Conduct compliance assessments of Reporting Institutions

The onsite inspections carried out by the FIA are aimed at finding out if reporting institutions are compliant with their AML/CFT obligations provided for in the Financial Crimes Act.

In September 2017, the FIA alongside the Malawi Law Society conducted thematic onsite inspections in Lilongwe on three legal firms, namely: Mtupila & Company, Chiume and Company, and Kainja and Dzonzi to assess the level of compliance with the FCA in relation to appointment of compliance officers, reporting, development of AML/CFT policies, and type of transactions handled by the legal firms. The inspections revealed that the legal firms were all lacking in the stated thematic areas.

The FIA also conducted joint on-site examinations with the Malawi Gaming and Lotteries Board in October and November 2017 on 11 casino and gaming sites. The sites visited were: Vision Gaming DBR Site Area 10, Pirates Casino, Majestic Lodge DBR Site in Area 47, Casino Marina, Vision Gaming site near Amina House, Vision Gaming site at Golf Club, The Ritz at Portuguese Club, Noble China (opposite Lilongwe Hotel), Novelty (Area 18), Destiny Gaming (Game Complex) and Wakawaka (along Blantyre-Lilongwe M1 road). Most of these sites had Compliance Officers in place but complying with reporting obligations to the FIA remained low.

Later in the year, the FIA conducted onsite inspections of Malawi Posts Corporation and Knight Frank Malawi in May and June 2018, respectively, and joint onsite inspection with the RBM on Cedar Capital Ltd in May 2018.

2.1.7 Train staff of reporting institution on AML/CFT

Based on the results of the onsite inspections and guidance provided, the FIA made a recommendation of staff training to some of the reporting institutions.

Against a target of training 250 officers of reporting institutions, the FIA trained 367 officers from 5 banks (114), 4 insurance firms (210), and Savings and Credit Cooperatives for Central Region (43). The trainings were mainly on the FCA, Know Your Customer and other FCA obligations, risk assessment and identification and reporting of suspicious transactions.

2.1.8 Monitor utilization of intelligence information

The FIA continued to monitor cases under investigations and in court, some of which were as follows:

- a) The arrest of an officer at the Department of the Accountant General in relation to theft of public sector pension funds in April 2018;
- b) The High Court's rejecting of an application by *cashgate* suspect, Mr. Stafford Mpoola, in January 2018 on the request to unfreeze his bank account;
- c) Continued prosecution of the case involving Mr. Paul Mphwiyo and 18 others involved in the K2.4-billion case from July 2017; and
- d) Acquittal of Mr. Maxwell Namate by the Supreme Court of Appeal in March 2018 for lack of proof that his company had any contract with the Malawi Government. He was convicted in 2015 of theft and money laundering;
- e) South African authorities' expression of commitment in February 2018 to hunt down Mr. Alexander Banda to be tried in Malawi in connection with a case on supply of military equipment worth ZAR30-million and K920-million;
- f) Continued trial in November 2017 of a K201-million case involving 12 individuals accused of stealing the money from the Ministry of the Elderly and Disability Affairs in 2010/2011; and
- g) Pardoning of Mrs. Esnart Ndovi by the State President, few months before her completion of serving a sentence after she was found guilty of lending a certificate for personification and money laundering of K12.9-million in 2015.

2.2 IMPROVING REGULATORY SERVICES ON AML/CFT ISSUES

2.2.1 Updating Regulations and General Guidelines

The FIA worked with the RBM in drafting Financial Crimes Regulations. The zero draft Regulations were submitted to the Ministry of Justice and Constitutional Affairs in June 2018 for legal drafting. The Regulations will assist in setting out application of the Act (i.e. the FCA).

Further, the FIA worked with the RBM in drafting AML/CFT Guidelines for the financial sector based on the provisions of the FCA. The draft Regulations were finalized in June 2018 ready for issuance by the Registrar of Financial Institutions during the first quarter of the 2018/2019 financial year.

2.2.2 Develop SOPs on compliance enforcement mechanism

To be in compliance with the Financial Crimes Act and contemporary developments, the FIA reviewed its Standard Operating Procedures (SoPs) for investigations, compliance, ICT security, and administration. This exercise was aimed at enhancing compliance by reporting institutions and the FIA itself.

2.2.3 Coordinate national risk assessment

Malawi conducted her second National Risk Assessment (NRA) on money laundering and terrorist financing from October 2017 to May 2018. The exercise commenced with a workshop in October 2017 which was officially opened by the British High Commissioner to Malawi, Her Excellency Ms. Holly Tett. The NRA was conducted with financial and technical support from the United Kingdom Department for International Development through the Basel Institute on Governance's International Centre for Asset Recovery (ICAR). Dr. Giuseppe Lombardo, consultant from ICAR, helped the country in conducting the NRA.

The following institutions participated in the NRA: FIA, Reserve Bank of Malawi, Malawi Gaming and Lotteries Board, Malawi Revenue Authority, Ministry of Finance, Ministry of Justice and Constitutional Affairs, Ministry of National Defence, National Intelligence Bureau, Malawi Police Service, Anti-Corruption Bureau, Department of National Parks and Wildlife, Department of Mines, Malawi Micro-finance Network, NGO Board, CONGOMA, the Registrar General, Bankers Association of Malawi, Institute and Chartered Accountants in Malawi, Malawi Law Society, Insurance Association of Malawi, Insurance Brokers Association of Malawi, Life Insurance and Pensions Association of Malawi and the Registrar General.

The exercise was coordinated by the FIA. This involved the following activities:

- (i) Coordinating the NRA workshops held from 2 to 5th October 2017, 13 to 15 December 2017, and 12 to 16th March 2018;
- (ii) Following up with institutions on nomination of officers, allocating the officers in groups, liaising with ICAR on logistics for the participants, and sending of NRA modules and related documents to the participants according to their sub-groups;
- (iii) Coordinating with NRA sub-groups in relation to their meetings;
- (iv) Coordinating with the NRA consultant on arrangements made, commenting on his proposed workshop programs and provision of progress made; and
- (v) Finalizing the NRA Report.

The FIA finalized consolidation of the National Risk Assessment Report and submitted it to the Minister of Finance, Economic Planning and Development in May 2018. The Minister approved the Report on 19th June 2018.

2.3 STRENGTHENING THE ORGANIZATIONAL STRUCTURE, PROCESSES AND SYSTEMS FOR EFFECTIVE PERFORMANCE OF THE FIA

The FIA's Human Resource Highlights

As the financial year under review came to an end, the FIA had 21 employees comprising 1 Director General, 1 Deputy Director General, 5 staff under Monitoring and Analysis, 3 under Information and Communication Technology (ICT), 5 under Compliance and Prevention, and 6 under Legal and Corporate Services.

One former employee, Mr. Fumbani Mhango, sued the FIA for alleged being dismissal unfairly in 2015. On 30th January 2018, the FIA appeared in court on the case of *Fumbani Mhango v FIU IRC Case No. 566 of 2016*. The case was still before the court awaiting judgment.

2.3.1 Recruitment of additional staff

The FIA recruited two officers (i.e. Senior Compliance Analyst and Compliance and Prevention Manager) and they commenced their work at the FIA in October and December 2017, respectively. Further, the FIA filled the position of Financial Analysis Manager internally in December 2017.

The FIA established an Investigations Section in its Monitoring and Analysis Department. As the year came to an end, the FIA had recruited two officers (Financial Investigations Manager and Senior Financial Investigator) for the Investigations Section, and they were expected to join the FIA from August 2018.

2.3.2 Assessment of skills gap

The FIA assess skills gaps of its staff at the end of each financial year as part of the staff appraisal process. The identified gaps for the 2016/2017 financial year included financial investigations, risk-based supervision, asset recovery, cyber-security, and financial management.

2.3.3 Training of employees

The FIA facilitated training of 14 staff members in various programs. Most training programs were sponsored by various partners. The programs are as follows:

- Mutual Evaluation Assessor training organized by the ESAAMLG from 10th to 14th September 2017. Two officers of the FIA attended the training in Zanzibar, Tanzania;
- Investigations Course organized by the United States of America Department of State at International Law Enforcement Academy (ILEA) in Botswana from 28th August to 1st September 2017. This was funded by the USA Embassy;
- Countering the Financing of Terrorism organised by the Asset Recovery Inter-Agency Network for Southern Africa (ARINSA) and UNODC in South Africa from 31st July to 5th August 2017, 6th to 11th August 2017, 11th to 14th September 2017 and 9th to 12th October 2017;
- Cyber-Security offered by the United Nations Office on Drugs and Crime (UNODC) in Namibia from 14th to 19th September 2017. This was funded by the UNODC;
- ISS Enact Project Financial Investigations Training Course held in Pretoria, Republic of South Africa, from 23rd to 27th October 2017;
- Investigation Course in Gaborone organized by the United State of America's Department of State through the International Law Enforcement Academy (ILEA) in Botswana from 30th October to 3rd November 2017;
- Countering the Financing of Terrorism Senior Managers Workshop organized by UNODC and ARINSA in Pretoria, Republic of South Africa, from 4th to 7th December 2017;
- Implementation of National Strategic Plan in Sharm El-Sheik, Egypt, from 8th to 18th January 2018 with support from the Embassy of the Egypt in Malawi and African Development Bank;
- International Training Programme on Budgeting, Accounting and Financial Management in Government Sector held at the national Institute of Financial

Management in Haryana State, India, from 15th January to 2nd February 2018. This was made possible courtesy of the Embassy of India in Malawi;

- AML/CFT Mutual Evaluation Assessors training as part of the 34 officers who were trained by the ESAAMLG Secretariat experts from 5 to 9th February 2018. This training was done with financial support from ICAR.
- Civil Advocacy Workshop in Pretoria, South Africa, from 19 to 21st March 2018. The workshop was organized by the Asset Recovery Inter-Agency Network for Southern Africa (ARINSA); and

Furthermore, the FIA's ICT staff continued with online lessons for the OSCP Penetration Testing Certification Course; and 6 officers of the FIA were in December 2017 registered for studies towards Association of Certified Anti-Money Laundering Specialists (ACAMS) Certification with support from ICAR.

In addition, 6 staff members of the FIA were pursuing various Masters programmes of which 4 were under scholarships and 2 were sponsoring themselves.

2.3.4 Automation of FIA operations

Following the change of the organisation from FIU to FIA from February 2017, a new logo was developed. To enhance service delivery, the FIA engaged in configuration of new FIA domain (www.fia.gov.mw), website redesigning, and online reporting system development.

Further, the FIA developed a Case Management System to help track cases under analysis; categorize the cases analyzed according to suspected predicate offences committed; and generate statistics on suspicious transaction reports received and analyzed, cases disseminated, assets seized or confiscated in relation to the cases, and international requests made and received, among others.

In May 2018, the FIA installed additional security measures to its email system. Besides that, two more access points for internet were installed within the FIA premises.

2.3.5 Develop resource mobilization strategy

The FIA continued to be funded by the Malawi Government through appropriation by the National Assembly. In the financial year under review, the FIA also received financial support from ICAR towards conducting of the NRA and preparations for the country's AML/CFT mutual evaluation which commenced in June 2018. The FIA is yet to develop a documented resource mobilization strategy which would help with obtaining resources from other sources.

2.3.6 Benchmarking with other FIUs

Three officers of the FIA undertook a study visit to Financial Intelligence Centre of Zambia from 29 April to 3rd May 2018 to learn from them and share knowledge on FIU information and office premises security. Among others, the officers got new skills on screening of visitors to the FIC premises, access to information held by the FIC, security of FIC premises, implementation of ICT security measures for the FIC, and inter-departmental collaboration within the FIC.

2.3.7 Adherence to SOPs

The FIA conducted eight SOPs adherence audits by staff members, and the exercise resulted in review of the SOPs for ICT, CAP and Administration. The audits are a measure to check adherence by staff to set standards by the FIA.

2.3.8 Implement performance Appraisal system

The FIA implemented a performance appraisal for all staff members. The results of this process helped management to duly award staff members that demonstrated outstanding performance.

2.4 STRENGTHENING COORDINATION WITH KEY STAKEHOLDERS

2.4.1 Review existing MOUs and sign MoUs with other stakeholders

Section 5 (f) of the FCA empowers the FIA to access the widest possible range of financial, administrative and law enforcement information from any supervisory authority, financial regulatory authority, fiscal or tax agency, competent authority or fraud investigations agency. It is in this vein that the FIA signed Memorandums of Understanding (MoUs) with the following eight agencies:

- a) Office of Directorate of Public Officers Declarations on 13th September 2017;
- b) Department of National Parks and Wildlife on 29th November 2017;
- c) National Audit Office on 19th December 2017;
- d) Malawi Gaming Board on 8th February 2018;
- e) National Intelligence Bureau on 7 March 2018;
- f) Reserve Bank of Malawi on 20th April 2018;
- g) Malawi Police Service on 1st June 2018; and
- h) NGO Board on 1st June 2018

2.4.2 Monitor implementation of signed MOUs

The FIA held 2 meetings with the RBM and the MGB respectively on signing of bilateral MoUs with the FIA and implementation of delegation of AML/CFT supervision of reporting institutions under

the purview of the RBM and MGB. The meetings helped to have clear mutual understanding on basis of the working relationships.

2.4.3 Conduct outreach activities on AML/CFT

During the year under review, the FIA held several meetings and training programs aimed at promoting AML/CFT compliance from microfinance firms, legal firms, real estate agents, accountants, and dealers and precious metals and stones.

2.4.4 Take a proactive approach to inter-agency collaboration

National AML/CFT Committee was established in August 2017 by the FIA with approval from the Ministry of Finance, Economic Planning and Development. The main responsibility of the this Committee is to coordinate national efforts in combating money laundering, financing of terrorism and proliferation of weapons of mass destruction, and other financial crimes. It is co-chaired by the Ministry and the FIA. The Committee held its first meeting on 12th September 2017 where, among others, it worked on its terms of reference (ToRs) which were later approved by the Minister of Finance, Economic Planning and Development. The other meetings of the Committee took place on 8th March 2018 and on 29th May 2018. Apart from the FIA and the Ministry of Finance, other members of this Committee are: Reserve Bank of Malawi, Malawi Gaming Board, Malawi Revenue Authority, Department of Immigration and Citizenship Services, National Intelligence Service, Malawi Police Service, Anti-Corruption Bureau, Directorate of Public Prosecutions, Ministry of Justice and Constitutional Affairs, Ministry of Defence, Ministry of Foreign Affairs and International Cooperation, and Ministry of Home Affairs and Internal Security.

2.4.5 Maintain good relationships with international partners

(a) Cooperation with the Egmont Group of FIUs

As a member of the Egmont Group of FIUs, the FIA attended meetings of the Group held in Macau from 2 to 7 July 2017 and in Buenos Aires, Argentina, from 12 to 16th March 2018. In one of the meetings, the FIA participated as one of the judges in the Best Egmont Case Award. Further, in November 2017 the FIA participated in onsite assessments of Zambia and Uganda FIUs who were being sponsored by FIA Malawi on their application for admission into the Egmont Group of FIUs.

The FIA Director General completed her two-year term of office as Regional Representative of the Egmont Group of FIUs for Eastern and Southern Africa in September 2017.

During the period under review, the FIC South Africa handed over the ESAAMLG FIU Forum Chairpersonship to Malawi FIA in April 2018.

(b) Signing MoUs with other FIUs

In the period under review, the FIA signed an MoU with Ethiopia FIU on 10th April 2018. This will further the information exchange mechanisms between the two FIUs.

(c) Cooperation with the ESAAMLG

The ESAAMLG Secretariat coordinates with Malawi through the FIA. In this regard, the FIA coordinated Malawi's attendance of the ESAAMLG 17th Council of Ministers meeting and 34th Task Force of Senior Official meeting in Zanzibar, Tanzania, held from 3rd to 8th September 2017, and the 35th ESAAMLG Task Force of Senior Officials meeting in Arusha, Tanzania, from 8th to 14th April 2018.

Prior to the September 2017 ESAAMLG meetings, the FIA coordinated Malawi's preparation and submission of Post-Evaluation Progress Report and another Report on Implementation of High Level Mission Recommendation report to the ESAAMLG Secretariat for peer review by Review Group C of the ESAAMLG.

The FIA also participated in the following ESAAMLG Programs:

- (i) Review of 3rd draft Mutual Evaluation Report of Madagascar in July 2017;
- (ii) Review of the 2nd draft Mutual Evaluation Report of Seychelles in June 2018;
- (iii) Mutual Evaluation of Zambia in June 2018 as an observer; and
- (iv) Coordination of ESAAMLG typologies study on money laundering through procurement corruption.

(d) Attendance of UNCAC and other meetings

The FIA attended the 9th Review Session of the United National Convention against Corruption (UNCAC) Implementation Review Group in Vienna, Austria, from 4th to 9th June 2018.

Besides that, the FIA attended a round-table discussion on Tackling Illegal Wildlife Trade: Strengthening Transnational Cooperation at Wilton Park in the United Kingdom. In addition to that, the FIA Director General, Mrs. Atuweni Juwayeyi-Agbermodji, was one of the panelists for the interviews of Program Manager for Egmont Centre of FIU Excellence and Leadership (ECOFEL) which took place in the Netherlands.

(e) Coordination with Supporting Nations and Cooperating Partners

The FIA values the good working relationship it has with various development partners of Malawi. In the year under review, the FIA Director General held meetings with the Ambassadors of Egypt, India and Economic Affairs for the Chinese Embassy on capacity building support to the FIA. Following these meetings, one officer attended a training in Budgeting, Accounting and Financial Management in Government Sector in India in January 2018, and two officers attended a training in National Strategic Plan Implementation in Egypt in January 2018.

In addition, the FIA held meetings with ICAR on supporting the NRA and other mutual evaluation preparatory projects by Malawi. Other meetings were held with the GIZ to discuss the possibility of funding the FIA on financial investigations relating to wildlife crimes.

2.4.6 Conduct domestic stakeholder coordination meetings

(a) National AML/CFT Committee

The FIA coordinated meetings of the National Committee as well as the National AML/CFT Task Force which is the technical implementation arm of the Committee. The Task Force mainly worked on collection of information in preparation for the mutual evaluation conducted by the ESAAMLG from June 2018. The FIA coordinated and attended 5 meetings of Task Force held from 4th to 5th July 2017, 17th to 20th July 2017, and 27th to 29th September 2017, 3rd to 5th January 2018, and 8th to 11th May 2018.

(b) Coordination with LEAs

The FIA participated in the following inter-agency meetings:

- (i) Democratic Governance Sector Technical Working Group meeting on 16th November 2017 and 14th March 2018;
- (ii) Stakeholder consultations by MACRA and the World Bank on the establishment of the Malawi Computer Emergency Response Team (CERT). The meeting was aimed at finding solutions to critical issues related to cyber-crime and how Malawi can best respond through the creation of the CERT;
- (iii) Inter-Agency Task Force on Combatting Wildlife Crime meeting on 29 July 2017;
- (iv) National Anti-Corruption commemoration day;
- (v) From 25th June to 5th July 2018, officers from the FIA and MRA participated in joint sensitization meetings on Currency and Goods Declaration (also known as Form 47). During the exercise, the team visited 16 Ports of entry and exit from the country. This marked the MRA's commencement of implementing currency declaration at the country's points of entry or exit; and
- (vi) The MRA and FIA held meetings to implement a system for information sharing between the FIA and MRA.

(c) Coordination with Supervisors of Financial Institutions

The FIA held meetings with the Reserve Bank of Malawi in which the two institutions finalized the Financial Crimes Regulations zero draft on 4th & 5th June 2018. The FIA also attended meetings on Digital Electronic Payments in October and November 2017 and on Exchange Control and Trade organized by the Reserve Bank of Malawi in November 2017.

(d) Coordination with other Government Ministries, Departments and Agencies

During the period under review, the FIA attended the following activities coordinated by other Government Ministries, Departments and Agencies:

- (i) Drafting of Malawi's Progress Report on UNSCRs 2321 and 2270 together with the Ministry of Foreign Affairs and International Cooperation;
- (ii) Attended a meeting for the Principal Secretaries Committee on Legal and Constitutional Affairs;
- (iii) Attended a meeting with officers from Statutory Corporation on FIA's Job Descriptions and Conditions of Service;
- (iv) Facilitated a consultative workshop for the inclusion of Disclosure of Beneficial Ownership Information on Registrar General's Rules held at Linde Motel in Dowa on 19th April 2018;
- (v) Prepared draft Terms of References (ToRs) for the National Counter-Terrorism Panel and submitted to the Chairperson of the Panel, the Director General of NIS, on 23rd April 2018;
- (vi) Held a meeting with the Director General of the NIS to arrange a first meeting of the National Counter-Terrorism Panel in May 2018;
- (vii) Held a meeting with the Commissioner for Lands on 3rd May 2018 and discussed with him on regulation of the Real Estate Sector in the country to ensure compliance with the Financial Crimes Act; and
- (viii) Attended a training for controlling officers on Public Procurement and Disposal of Public Assets Act in April 2018.

2.5 INCREASING PUBLIC AWARENESS OF THE FIA AND AML/CFT ISSUES

2.5.1 Develop communication strategy

The FIA developed its Communication Strategy for the period 2018 to 2022 and this was under implementation from January 2018. The strategy with guide the FIA in its implementation of AML awareness measures targeting various stakeholders.

2.5.2 Review, develop and disseminate information to the public

The FIA continued to promote public awareness of AML/CFT issues. In this regard, the FIA implemented the following initiatives:

- (i) Posted various articles on the FIA's website such as on attainment of ten years of existence, the new strategic plan, financial institutions trained during the period under review, and conducting of the NRA;
- (ii) Coordinated media coverage of activities coordinated by the FIA such as the NRA workshop official opening on 4th October 2017 and signing ceremonies of MoUs between the FIA and other agencies;
- (iii) Contributed to a write-up in October 2017 which would be a chapter to the Legislative Handbook on Wildlife Crime in Malawi on the Civil Asset Forfeiture under Financial Crimes Act. This publication is being edited by Donnamarie O'Connor, Senior Policy and Programme Advisor (Africa), Royal Society for the Prevention of Cruelty to Animals (RSPCA);
- (iv) Placed a Press Release in the newspapers in April 2018 on Foreign Exchange Externalization aimed at sensitizing the general public to avoid being used by unscrupulous persons to facilitate illegal externalization of funds. The FIA also encouraged banks to guard themselves against illegal foreign exchange transactions and report such cases to the FIA whenever they come across them.

2.5.3 Partner with other stakeholders to promote public awareness

The FIA and ICAR Media Advisor held meetings with editors of *The Nation*, *Times Group* and *Zodiak Broadcasting Station* in a bid to promote good working relationship with the media. The FIA's interest was to promote the media's understanding of the agency's roles and limits on provision of information to the media and the public at large.

2.5.4 Conduct workshops with professional bodies and other AML/CFT stakeholders

To promote understanding of AML/CFT issues among various professions, the FIA was requested to conducting awareness workshops as follows:

- (i) 38 students and staff from Legal Studies Department at Chancellor College were sensitized on AML/CFT and the FCA on 21st September 2017;
- (ii) 26 public sector accountants were sensitized on AML/CFT and the FCA at Staff Development Institute (SDI) on 3rd July 2017. SDI requested for the training as money

laundering issues were part of the modules covered by the accountants. This also involved setting an examination, with answers, which was then administered by SDI;

- (iii) 9 investigative journalists in Lilongwe and 62 Polytechnic journalism students in Blantyre, respectively, were sensitized on the FCA and the role of the FIA in October 2017 with support from ICAR; and
- (iv) 70 members of the Malawi Law Society were sensitized on their AML/CFT obligations under the FCA during the group's Annual General Meeting in February 2018.

2.5.5 Train staff of LEAs

One of the functions of the FIA is to train staff of Law Enforcement agencies on AML/CFT. In this regard, the FIA participated in Form 47 sensitization meetings for officers of the MRA who were to commence implementation of Currency Declaration. This was done at 16 ports of entering and exiting the country.

PART 3 – INTERNATIONAL REQUIREMENTS

3.1 COMPLIANCE WITH THE FATF STANDARDS

Malawi continued to submit Post-Evaluation Implementation Progress Reports to the ESAAMLG Secretariat. This was done prior to ESAAMLG meetings held in September 2017 and April 2018. The country also submitted Progress Reports in June 2018 in preparation for September 2018 ESAAMLG Meetings, and this was a final report before the country was to meet the assessors in November 2018 as part of its Mutual Evaluation process. The preparation of the progress reports was coordinated by the FIA.

Being a country under AML/CFT Mutual Evaluation process from June 2018, the FIA coordinated collection of information from relevant stakeholders to help with filling of Technical Compliance and Effectiveness questionnaires from the ESAAMLG Secretariat. The responses to Technical Compliance and Effectiveness questionnaires would be due for submission in August 2018.

Knowing that the Mutual Evaluation process is technical in nature, the FIA coordinated a Mutual Evaluation Assessors training which was attended by 34 officers from the Ministry of Finance, Ministry of Justice, FIA, RBM, ACB, MRA, Malawi Police Service, NIB, and Department of Immigration and Citizenship Services. The aim was to empower officers from various Government Ministries, Departments and Agencies (MDAs) with knowledge on what a mutual evaluation entails so that the country could prepare well for the mutual evaluation. The training was facilitated by experts from the ESAAMLG Secretariat from 5th to 9th February 2018. This was followed by a pre-mutual evaluation workshop facilitated by the same experts from 12 to 14 February 2018. On 12th February 2018 there was a pre-mutual evaluation high-level seminar and this was attended by 14 heads of institutions and their delegates from the Ministry of Finance, Department of the Registrar General, FIA, RBM, MRA, Malawi Gaming Board, Malawi Police Service, Ministry of Defence, and Malawi Microfinance Network.

PART 4 – PUBLIC SECTOR OBLIGATIONS

4.1 MANANEGEMENT OF CONFISCATION FUND ON BEHALF OF THE MINISTER OF FINANCE

In terms of Section 128 of the Financial Crimes Act, the FIA opened a Confiscation Fund Account in October 2017 and requested all banks and law enforcement agencies to deposit into the account funds that had been frozen or seized pending investigations and conclusion of cases in the courts. At the end of the financial year under review, the Confiscation Fund Account had K22.4-million.

4.2 IMPLEMENTATION OF PUBLIC SECTOR REFORMS

As an agency of the Malawi Government, the FIA signs a Performance Contract with the Government through the Office of the President and Cabinet (OPC). The FIA developed and submitted its 2017/2018 Performance Contract to the OPC in September 2017.

The FIA held a meeting with independent assessors assigned by the Office of the President and Cabinet Performance Enforcement Department on how the FIA had implemented the 2016/2017 Performance Contract. The meeting took place on 28th August 2017.

At a ceremony held on 20th December 2017 in Lilongwe the Office of the President and Cabinet recognized the FIA as one of the few MDAs that had an outstanding performance during the 2016/2017 fiscal year. This means that the FIA has been recognized for its outstanding performance for two consecutive years

Finally, the FIA attended a ground-truthing meeting organized by the OPC Performance Enforcement Department team which came on 15th May 2018 to assess implementation of the 2017/18 financial year performance contract.

PART 5 – CHALLENGES FACED & NEXT PLANS

5.1 CHALLENGES ENCOUNTERED

In implementing its operations, the FIA faced the following challenges:

5.1.1 Old office motor vehicles

The FIA continued to face mobility problems with its three old vehicles. The FIA's only fleet of 3 motor vehicles required frequent maintenance. This had an effect on the cost of maintenance and repairs. This has been a big challenge for the Director General and all the officers as these vehicles pose a risk to the safety of staff.

5.1.2 Power problems

The country continued to experience extended load-shedding implemented by the Electricity Supply Corporation of Malawi due to low power generation. With high dependence on our generator, the expenditure on fuel by the FIA increased tremendously.

5.2 PRIORITIES FOR THE NEXT FINANCIAL YEAR

The FIA will, among others, prioritise the following activities:

- (i) Coordinating the country's mutual evaluation process;
- (ii) Establish the Counter-Terrorism Panel;
- (iii) Coordinating with the Ministry of Justice and Constitutional Affairs on legal drafting of the FCA Regulations;
- (iv) Disseminate the AML/CFT National Risk Assessment findings to various stakeholders;
- (v) Organize and attend National AML/CFT Committee meetings;
- (vi) Continue with investigations to ascertain source of funds for subjects under analysis;
- (vii) Continue with vetting of BRP and PRP applications;
- (viii) Empowerment staff in the of the Investigations Section of the Monitoring and Analysis Department; and

- (ix) Establish the Public Relations Department to promote public awareness on AML/CFT issues and access to information requirements within the provisions of the FCA and Access to Information Act.

PART 6 – FINANCIAL INFORMATION

6.1 FUNDING AND FINANCIAL STATEMENTS

6.1.1 Funding

During the year under review, the FIA got an allocation of MWK685,278,556.00 from the national budget of Malawi out of which MWK400,000,000.00 was for Other Recurrent Transactions (ORT) and MWK285,278,566.00 for Personal Emoluments. However, during the mid-term budget review, the amount was reduced to MWK575,858,410.00.00 The breakdown of this estimate was MWK271,398,408.00 for Personal Emoluments and MWK 304,460,002.00 for ORT. The funding which was received enabled the FIA to implement most of its planned activities.

The FIA wishes to commend Government, in particular the Treasury, for the funding remitted monthly for its operations.

6.1.2 Financial Statements for the year ended 30 June 2018

MANAGEMENT RESPONSIBILITY

Management is responsible for preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

Income Statement Account	Notes	MWK 2018	MWK 2017
Revenue			
Funding		571,750,221.00	399,882,196.00
Total Revenue		571,750,221.00	399,882,196.00
Gross Profit		571,750,221.00	399,882,196.00
Administration Expenses	4	584,738,512.00	400,324,042.00
Other Expenses		1,627,386.00	1,932,479.00
Surplus/ (Deficit)		(14,615,677.00)	(2,374,325.00)
Other Comprehensive Income	5	31,649,798.00	11,814,082.00
Current Movement on Retained Earnings		17,034,121.00	9,439,757.00

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	MWK	MWK
	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Cash receipts	603,368,758.00	411,666,908.00
Cash paid to suppliers and employees	(600,098,287.00)	(394,875,427.00)
Cash utilized in operations	3,270,471.00	16,791,481.00
Interest received	31,261.00	29,370.00
Net cash flow from operating activities	3,301,732.00	16,820,851.00
cash utilized in investing activities		
Purchase of property, plant and equipment	(10,263,816.00)	(24,706,332.00)
increase/(decrease) in cash and cash equivalents	(6,962,084.00)	(7,885,481.00)
cash and cash equivalents at the beginning of the year	18,347,419.00	26,232,900.00
Cash and cash equivalents at the end of the year (note 6)	11,385,335.00	18,347,419.00

NOTES TO THE FINANCIAL STATEMENTS

Accounting Policies to the Annual Financial Statements for the year ended 30 June 2018

1. Compliance with International Reporting Standards

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The presentation of financial statements in accordance with International Accounting Standards requires management to make estimates and assumptions that reflect the reported amount and disclosures in the financial statements.

Actual results could differ from those estimates.

2. Principal Accounting Policies

The following is the summary of the principal accounting policies used by the FIA.

2.1 Accounting Convention

The financial statements are prepared in terms of the historical cost convention.

2.2 Revenue Recognition

In terms of section 12 of the Financial Crimes Act, the funds of the FIA shall consist of—

- a) money appropriated annually by the National Assembly for the purposes of the Authority;
- b) penalties the Authority may impose for breach of the FCA,
- c) fees charged by the Authority;
- d) grants, gifts and donations made to the authority with prior approval of the Minister.

2.3 Income

The FIA was appropriated money by Parliament. Income has been accounted on accrual basis.

2.4 Expenditure

All expenses have been accounted on an accrual basis.

2.5 Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life. The review of the estimated useful life is performed annually, both internally and externally. The estimated useful lives are as follows:

- Computer equipment 7 years
- Office Equipment 4 years
- Motor Vehicles 7 years
- Office Furniture 7 years

However, the assets have not been revalued. A review of fixed assets might affect the financial statements significantly.

2.6 FIA Pension Fund

The FIA expenses the Pension contributions made for staff monthly. The Pension Fund is with Old Mutual

2.7 Impairment

At each balance sheet date, the FIA reviews the carrying amounts of its tangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

3 Critical accounting judgements made by management and key sources of estimation uncertainty

3.1 Critical accounting judgements made by management

In the process of applying the FIA's accounting policies, management has made the following judgements that affect the amounts recognised in the financial statements and related disclosure.

3.1.1 Impairment of non-current assets

In making its judgements, management has assessed at each balance sheet date whether there is an indication that items of property, plant and equipment and other assets may be impaired. If any such indication exists, the recoverable amount of the asset is assessed in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value, less costs to sell and value in use.

3.2 Key Sources of estimation uncertainty

3.2.1 Property, plant and equipment residual values and useful lives

These assets are written down to their estimated residual values over their anticipated lives using straight line basis. Management reviews the residual values annually considering market conditions and projected disposal values. In assessing useful lives and residual values, maintenance programmes and technological innovations are considered. The carrying value of property, plant and equipment is disclosed in note 10 to the financial statements.

	MWK	MWK
4 Administration Expenses	<u>2018</u>	<u>2017</u>
Depreciation Expenses	9,482,865.00	7,253,319.00
Amortization Expenses	1,706,162.00	1,210,674.00
Foreign Travel	58,585,112.00	44,902,562.00
Grants and Subventions	44,355,134.00	34,145,026.00
Insurance Expenses	46,650,775.00	30,171,942.00
Internal Travel	101,691,771.00	53,589,960.00
Medical Expenses	16,462,377.00	11,322,106.00
Membership Fees	0.00	178,416.00
Office Supplies & Expenses	71,139,176.00	46,561,468.00
Other Goods and Services	3,701,114.00	3,272,136.00
Periodicals	429,600.00	156,810.00
Public Utilities	21,823,532.00	19,824,719.00
Routine Maintenance of Assets	385,018.00	123,935.00
Salaries and Wages	202,030,969.00	142,855,220.00

Training Expense	289,000.00	175,000.00
Acquisition of Technical Services	592,400.00	0.00
Welfare Expenses	5,413,507.00	4,580,749.00
Total Administration Expense	584,738,512.00	400,324,042.00

5 Other Comprehensive Income

Interest on Staff Loans	4,411,533.00	3,223,851.00
Interest Received	31,261.00	29,370.00
Sundry Income	27,207,004.00	8,560,861.00
Total Other Comprehensive Income	31,649,798.00	11,814,082.00

Sundry Income includes fees paid by financial institutions for trainings in anti-money laundering and financial assistance by the Basel Institute.

6 Cash and Cash Equivalents

	Ned bank Main Account	423,000.00	6,948,540.00
	Loan Revolving Account	4,640,346.00	324,544.00
	Petty Cash Account	5,085.00	6,086.00
	FIA Salaries Account	3,188,468.00	6,046,708.00
	FIA Gratuity Fund	3,128,436.00	5,021,541.00
Total Cash and Cash Equivalents		11,385,335.00	18,347,419.00

7 Other Current Liabilities

	Welfare fund	683,500.00	1,184,000.00
	Accrued Expenses	648,645.00	648,645.00
Total Other Current Liabilities		1,332,145.00	1,832,645.00
Error! Not a valid link.			

Welfare fund liability are deductions from employees and paid to the welfare account

Trade Payables

The K66, 427,447 opening figure for Tax is a result of FIA being told by MRA that Government remits its Tax. Note however that we have now started paying PAYE directly to MRA.

8 Trade Receivables

	Sundry Customers	530,090.00	530,090.00
	Staff Debtors	69,915,481.00	45,494,565.00
Total Trade Receivables		70,445,571.00	46,024,655.00

9 Property, Plant and Equipment

	Computer Equipment MWK	Office Equipment MWK	Motor Vehicles MWK	Office Furniture MWK	Total MWK
Cost					
At 1 July 2017	22,661,656	22,444,460	28,524,934	18,211,021	91,842,071
Additions	9,850,707	-		413,109	10,263,816
At 30 June 2018	32,512,363	22,444,460	28,524,934	18,624,130	102,105,887
Depreciation					
At 1 July 2017	18,536,946	8,685,689	28,524,934	13,716,286	69,463,856
Disposals	-	-	-	-	-
Charge for the yr	3,576,071	3,795,207	-	2,111,587	9,482,865
Accumulated Dpn At 30 June 2018	22,113,017	12,480,896	28,524,934	15,827,873	78,946,721
Net Book Value	10,399,346	9,963,564	-	2,796,257	23,159,167
At 30 June 2018					

Twelve desktop computers were purchased at a total cost of K6,470,975.00. Four printers were purchased at a cost of K1,631,000.00 and new PBX system was purchased at a total cost of K1,353,864.20

Intangible Assets

Cost

At 1 July 2017
Additions
At 30 June 2018

Analyst Notebook Software

MWK

10,968,647.00
-
10,968,647.00

Amortization

At 1 July 2017	5,354,674.00
Disposals	-
Charge for the yr	1,706,162.00
Accumulated Amortization At 30 June 2018	7,060,836.00

Net Book Value

At 30 June 2018	3,907,811.00
-----------------	---------------------

Financial intelligence Unit

Private Bag B441

Lilongwe 3

Malawi

Tel: +265 1 759 141

Fax: +265 1 759 151

Email: info@fiumalawi.gov.mw

Website: www.fiumalawi.gov.mw